INFORMATION MEMORANDUM

This Information Memorandum supersedes
the Information Memorandum
dated September 27, 1999

The Republic of Argentina

U.S.$15,000,000,000

Medium-Term Note Programme

for the issue of Notes due from 30 days to 30 years from the date of issue

The Republic of Argentina (the "Republic" or "Argentina") may from time to time issue Medium-Term Notes (the "Notes") denominated in such currencies as may be agreed with the Dealers specified on page 7 (each a "Dealer" and together the "Dealers", which expression shall include any additional Dealer appointed under the Programme (as defined below) from time to time, which appointment may be for a specific issue or on an ongoing basis). The Notes may be issued on a continuing basis to one or more of the Dealers. The Notes will have maturities from 30 days to 30 years from the date of issue (except as set out herein). The Notes will bear interest on a fixed or floating rate basis, or be issued on a fully discounted basis and not bear interest. Subject as set out herein, the maximum aggregate principal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$15,000,000,000 (or its equivalent in other currencies at the time of agreement to issue, subject as further set out herein).

Notes will be issued in one or more series (each a "Series") having one or more issue dates and the same maturity date, bearing interest on the same basis and at the same rate, and on terms otherwise identical (except in relation to interest commencement dates and matters related thereto). Each Series shall be all in bearer form or all in registered form and may be issued in one or more tranches (each a "Tranche") on different issue dates. Details applicable to each Tranche and Series will be specified in a supplement to this document (a "Pricing Supplement").

Application has been made to list the Notes to be issued pursuant to this U.S.$15,000,000,000 Medium-Term Note Programme (the "Programme") on the Luxembourg Stock Exchange during the period of twelve months from the date hereof. Notes may be issued pursuant to the Programme which will not be listed on the Luxembourg Stock Exchange (or any other stock exchange). The relevant Pricing Supplement will specify whether or not Notes of the relevant Series will be listed on the Luxembourg Stock Exchange (or any other stock exchange).

Notes of each Tranche of each Series to be issued in bearer form ("Bearer Notes" comprising a "Bearer Series") will initially be represented by interests in a temporary global Note in bearer form (each a "Temporary Global Note"), without interest coupons or talons for further interest coupons, which will be deposited with a common depositary on behalf of Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("Euroclear") on the relevant Issue Date (as defined herein). As indicated in the relevant Pricing Supplement, interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global Note in bearer form (each a "Global Note") without interest coupons or talons for further interest coupons, not earlier than 40 days after the Issue Date, upon certification as to non-U.S. beneficial ownership.

Notes of each Tranche of each Series to be issued in registered form ("Registered Notes" comprising a "Registered Series") and which are sold in an "offshore transaction" within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), will initially be represented by interests in a single permanent global unrestricted Registered Note (each a "DTC Unrestricted Global Note"), without interest coupons or talons for further interest coupons, which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC") on its issue date. Until the expiration of 40 days after the later of the commencement of the offering of a Tranche of a Registered Series and the issue date thereof, beneficial interests in a DTC Unrestricted Global Note may be held only through Clearstream, Luxembourg or Euroclear. Notes of each Tranche of each Registered Series sold to a qualified institutional buyer within the meaning of Rule 144A under the Securities Act, as referred to in, and subject to the transfer restrictions described in "Subscription and Sale and Transfer Restrictions", will initially be represented by a single permanent global restricted Registered Note (each a "DTC Restricted Global Note" and together with any DTC Unrestricted Global Notes, the "DTC Global Notes"), without interest coupons or talons for further interest coupons, which will be deposited with a custodian for, and registered in the name of a nominee of, DTC on its issue date. Beneficial interests in a DTC Unrestricted Global Note and a DTC Restricted Global Note will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants, including depositaries for Clearstream, Luxembourg and Euroclear. See "Clearing and Settlement". Individual definitive Registered Notes will only be available in certain limited circumstances as described herein. See "Form of the Notes". Application has also been made for publication of quotations for Registered Notes in The Portal[SM] Market ("PORTAL"), a subsidiary of The Nasdaq Stock Market, Inc. and may be made for designation of Registered Notes as "PORTAL securities", as specified in the applicable Pricing Supplement.

Arranger

LEHMAN BROTHERS

Dealers

CHASE MANHATTAN INTERNATIONAL LIMITED
CHASE SECURITIES INC.
CREDIT SUISSE FIRST BOSTON
DEUTSCHE BANK
GOLDMAN SACHS INTERNATIONAL
LEHMAN BROTHERS
MERRILL LYNCH INTERNATIONAL
J.P. MORGAN SECURITIES LTD.

SCHRODER SALOMON SMITH BARNEY

October 31, 2000

The Republic, having made all reasonable enquiries, confirms that this Information Memorandum (as defined under "Documents Incorporated by Reference") contains all information with respect to the Republic, the Programme and the Notes to be issued under the Programme that is material in the context of the issue and offering of the Notes, that the information contained herein is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed herein are honestly held and that, to the best of the knowledge and belief of the Republic, there are no other facts the omission of which would make any such information or the expression of any such opinions or intentions misleading. The Republic accepts responsibility accordingly. Statistical information included herein is the latest official data available at the date of this Information Memorandum. The delivery of this Information Memorandum at any time shall not imply that the information contained in it is correct at any time subsequent to its date.

The information with regard to the Republic contained or referred to herein has been provided by the Republic and has been included or referred to herein in reliance on the Republic. The Dealers do not make any representation or warranty, express or implied, as to the accuracy or completeness of such information and nothing contained in this Information Memorandum is, or shall be relied upon as, a promise or representation, whether as to the past or the future. None of the Dealers has independently verified any of such information nor assumes any responsibility for its accuracy or completeness. None of the Dealers warrants that no events have occurred which have not yet been publicly disclosed by the Republic and which would affect the accuracy or completeness of the information concerning the Republic included herein. Each person receiving this Information Memorandum acknowledges that (i) such person has not relied on the Dealers or any person affiliated with the Dealers in connection with its investigation of the accuracy of such information or its investment decision and (ii) no person has been authorised to give any information or to make any representation concerning the Republic, the Programme or the Notes to be issued under the Programme other than as contained herein and, if given or made, any such other information or representation by such persons should not be relied upon as having been authorised by the Republic or the Dealers.

This Information Memorandum does not constitute an offer of, or an invitation by, or on behalf of, the Republic or the Dealers to subscribe or purchase any of the Notes. The distribution of this Information Memorandum or any part hereof including any Pricing Supplement and the offer, sale and delivery of any of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Information Memorandum or any Notes come must inform themselves about and observe any such restrictions. For a further description of certain restrictions on offers and sales of the Notes and on the distribution of this Information Memorandum, see "Subscription and Sale and Transfer Restrictions".

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS INFORMATION MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER NOTES, DELIVERED WITHIN THE UNITED STATES. THE NOTES ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT ("REGULATION S") AND WITHIN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"). PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF THE NOTES AND DISTRIBUTION OF THIS INFORMATION MEMORANDUM, SEE "SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS".

THIS INFORMATION MEMORANDUM HAS BEEN PREPARED BY THE REPUBLIC FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE NOTES OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND WITHIN THE UNITED STATES

TO "QUALIFIED INSTITUTIONAL BUYERS" IN RELIANCE ON RULE 144A AND FOR THE LISTING OF NOTES ON THE LUXEMBOURG STOCK EXCHANGE.

TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT NOR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (THE "RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSONS, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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

References herein to "dollars", "U.S. dollars", "U.S.$" and "$" are to the lawful currency of the United States, references to "euro" and "€" are to the currency introduced on January 1, 1999 pursuant to the Treaty establishing the European Community, references to "£" and "Sterling" are to the lawful currency of the United Kingdom, references to "Yen" and "¥" are to the lawful currency of Japan, and references to "pesos" and "P$" are to the lawful currency of Argentina.

In connection with the issue of any Tranche of Notes, the Dealer (if any) disclosed as stabilising manager in the relevant Pricing Supplement may over-allot or effect transactions which stabilise or maintain the market price of the Notes of the Series of which such Tranche forms a part at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Information Memorandum:—

(1) the most recent annual report on the Republic on Form 18-K (including all exhibits thereto) and any amendments to such Form 18-K on Form 18-K/A (including all exhibits thereto) filed with the SEC from time to time;

(2) any supplements, amendments or replacements to this Information Memorandum circulated by the Republic from time to time in accordance with the undertaking described below given by it in the Dealer Agreement (as defined in "Subscription and Sale and Transfer Restrictions"); and

(3) the applicable Pricing Supplement prepared in respect of any Tranche issued under the Programme;

save that any statement contained herein or in a document all or the relevant portion of which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document all or the relevant portion of which is or is deemed to be incorporated by reference herein modifies or supersedes such earlier statement.

References to this "Information Memorandum" shall be taken to mean this document (including its attachment, the Information Memorandum Addendum) and all the documents from time to time incorporated by reference herein and forming part hereof.

Copies of the documents incorporated herein by reference will be available free of charge at the specified offices of the Paying Agents (as defined below). Written or oral requests for such documents should be directed to the specified office of any Paying Agent or the specified office of the listing agent in Luxembourg.

The Republic has agreed to comply with any undertakings given by it from time to time to the Luxembourg Stock Exchange in connection with the Notes and, without prejudice to the generality of the foregoing, shall furnish to the Luxembourg Stock Exchange all such information as the rules of the Luxembourg Stock Exchange may require in connection with the listing on the Luxembourg Stock Exchange of the Notes. The Republic shall, during the continuance of the Programme, prepare a supplement to this Information Memorandum or a new Information Memorandum at least once per calendar year promptly after release of major economic statistics for the preceding calendar year and in any event by the earlier of (a) the time of the first issue of Notes after such release and (b) September 30 in such calendar year and otherwise upon request by a Dealer in respect of any issue of Notes. In addition, if, after the preparation of the Information Memorandum for submission to the Luxembourg Stock Exchange and at any time during the period of 12 months from the date of any Information Memorandum or otherwise during the duration of the Programme, (a) there is a significant change affecting any matter contained in this Information Memorandum or (b) there is a material adverse change relating to the Republic since the date of the latest Information Memorandum or (c) a significant new matter arises the inclusion of information in respect of which would have been so required if it had arisen when this Information Memorandum was prepared, the Republic shall give to each Dealer and the Luxembourg Stock Exchange full information about such change or matter and shall publish supplementary information as may be required by a Dealer or the rules of the Luxembourg Stock Exchange.

DESCRIPTION OF THE PROGRAMME

The Republic may, from time to time, issue Notes denominated in such currencies as may be agreed with the relevant Dealer(s).

The Issue Price, Issue Date, Maturity Date, Principal Amount, Interest Rate or Rate of Interest (if any) applicable to any Note and any other relevant provisions of such Note will be agreed between the Republic and the relevant Dealer(s) at the time of agreement to issue and will be specified in the Pricing Supplement, as more fully described under "Form of the Notes". Words and expressions defined or used in "Form of the Notes" shall have the same meanings in this Description of the Programme.

Subject as set out herein, this Information Memorandum will only be valid for the issue and, if listed, listing on the Luxembourg Stock Exchange, of Notes up to an aggregate principal amount of U.S.$15,000,000,000 (or its equivalent in the other currencies specified herein) outstanding at any one time, calculated by reference to the Exchange Rate and otherwise on the basis specified in "Form of the Notes". The Dealer Agreement makes provision for increasing the principal amount of Notes which may be outstanding under the Programme subject to satisfaction of certain conditions set out therein, which include preparation of a supplement to this Information Memorandum or a new Information Memorandum describing such increase.

The Programme has been updated since its establishment from time to time, and this Information Memorandum supersedes any information memorandum and supplemental information memorandum issued with respect to the Programme prior to the date hereof. Any Notes issued under the Programme on or after the date of this Information Memorandum are issued subject to the provisions described herein, but this Information Memorandum does not effect the terms of any Notes issued prior to the date hereof.

SUMMARY OF TERMS AND CONDITIONS OF THE PROGRAMME AND THE NOTES

The following does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Information Memorandum and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined or used in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meaning in this Summary:—

Issuer:	The Republic of Argentina.
Arrangers:	Lehman Brothers International (Europe).
Dealers:	Chase Manhattan International Limited, Chase Securities Inc., Credit Suisse First Boston (Europe) Limited, Deutsche Bank AG London, Goldman Sachs International, Lehman Brothers Inc., Lehman Brothers International (Europe), Merrill Lynch International, J.P. Morgan Securities Ltd. and Salomon Brothers International Limited.
Currencies:	U.S. Dollars, Argentine Pesos, Australian Dollars, Canadian Dollars, Danish Kroner, euro, Hong Kong Dollars, New Zealand Dollars, Sterling, Swedish Kronor, Swiss Francs, Yen or any such other currency as may be agreed between the Republic, the relevant Dealer(s) and the Trustee.
Amount:	Up to U.S.$15,000,000,000 (or its equivalent in other currencies calculated as set out herein) aggregate principal amount of Notes outstanding at any one time. Under the Dealer Agreement, the principal amount of Notes which may be outstanding under the Programme may be increased, subject to the satisfaction of certain conditions set out therein.
Maturities:	Subject to compliance with all relevant laws and directives, any maturity between 30 days and 30 years, or such other minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body (however called)) or any laws or regulations applicable to the relevant currency or currencies.
Issue Price:	Notes may be issued at par or at a discount to, or premium over, par.
Method of Issue:	Notes may be issued on a continuous basis, which may include syndicated placements. Further Notes may be issued as part of an existing Series.
Interest Rate:	Notes may be issued on a fixed rate, floating rate, zero coupon, step-up or step-down basis or on any other basis as may be agreed between the Republic and the relevant Dealer(s).
Fixed Rate Notes:	Fixed rate interest will be payable in arrear on the date or dates as agreed between the Republic and the relevant Dealer(s) in each year (as specified in the applicable Pricing Supplement).
Floating Rate Notes:	Floating Rate Notes will bear interest set separately for each Series by reference to LIBOR, LIBID, LIMEAN, EURIBOR, EURO-LIBOR (or such other benchmark as may be specified in the applicable Pricing Supplement) as adjusted for any applicable margin. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes will be payable on the last day of each applicable Interest Period as specified in the applicable Pricing Supplement.
Interest Periods for Floating Rate Notes:	Such period(s) as the Republic and the relevant Dealer(s) may agree (as specified in the applicable Pricing Supplement).
Withholding Tax:	All payments of principal and interest will be made free and clear of withholding for or on account of any taxes imposed by or within the Republic of Argentina, subject to certain exceptions.
Denominations:	Definitive Bearer Notes and Definitive Registered Notes will be in such denominations as may be agreed between the Republic and the relevant Dealer(s) specified in the relevant Pricing Supplement, save that in respect

of any Registered Series, Registered Notes resold pursuant to Rule 144A shall be in denominations of U.S.$250,000 (or its equivalent rounded upwards as agreed between the Republic and the relevant Dealer(s) and as specified in the applicable Pricing Supplement) or higher integral multiples of U.S.$50,000 (or its equivalent as aforesaid) and Registered Notes sold pursuant to Regulation S shall be in denominations of U.S.$10,000 (or its equivalent as aforesaid).

Optional Redemption: The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Republic and/or the holders, and if so the terms applicable to such redemption.

Listing: The Luxembourg Stock Exchange or as otherwise specified in the relevant Pricing Supplement. As specified in the relevant Pricing Supplement, a Series of Notes may not be listed on the Luxembourg Stock Exchange or any other or additional stock exchange.

Status of Notes: Direct, unconditional, unsecured and unsubordinated obligations of the Republic ranking pari passu at all times and without any prejudice among themselves.

Negative Pledge: There is a negative pledge pursuant to which, subject to exceptions to permit Liens (as defined in Condition 4) over property securing Public External Indebtedness (as defined in Condition 4) incurred to acquire such property, pre-existing Liens on acquired assets securing Public External Indebtedness, Liens created in connection with the transactions contemplated in the debt service reduction package under the auspices of the Brady Plan and certain other Liens as more fully described in Condition 4, the Republic will not create or permit to subsist any Lien upon the whole or any part of its assets or revenues to secure any Public External Indebtedness of the Republic without securing the Republic's obligations under the Notes, the Coupons and the Trust Deed equally and rateably therewith or without such obligations having the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by the Trustee or by an Extraordinary Resolution of Noteholders, all as more fully set out in Condition 4.

Cross Default: There is a cross default in respect of any Public External Indebtedness of the Republic having an aggregate principal amount of U.S.$30,000,000 or more, all as more fully set out in Condition 10(c).

Covenants: There are certain covenants given by the Republic to the Trustee including a covenant that the Republic will maintain its membership in, and its eligibility to use the general resources of, the International Monetary Fund.

Governing Law: English.

Selling Restrictions: There are restrictions on the offer, sale and delivery of Notes and the distribution of offering material. See "Subscription and Sale and Transfer Restrictions".

FORM OF THE NOTES

Bearer Notes

Bearer Notes of each Tranche of a Bearer Series will initially be represented by a Temporary Global Note, without interest coupons or talons for further interest coupons, which will be deposited with a common depositary on behalf of Clearstream, Luxembourg and Euroclear on the relevant Issue Date. As indicated in the relevant Pricing Supplement, interests in the Temporary Global Note will be exchangeable, in whole or in part, for interests in a Global Note representing Bearer Notes of the relevant Tranche, not earlier than 40 days after the relevant Issue Date, upon certification as to non-U.S. beneficial ownership.

Each Temporary Global Note, Global Note and any definitive Bearer Note, Talons (as defined below) and Coupons (as defined below) will bear the following legend:—

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

The sections of the U.S. Internal Revenue Code referred to in the legend provide that a United States taxpayer, with certain exceptions, will not be permitted to deduct any loss, and will not be eligible for capital gains treatment with respect to any gain, realised on any sale, exchange or redemption of Bearer Notes or any related Coupons.

Summary of provisions relating to Bearer Notes while in Global Form

Each Temporary Global Note and each Global Note will contain provisions which apply to the Bearer Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes (the "Conditions") set out in this document. The following is a summary of certain of those provisions:—

(1) *Exchange:* The Temporary Global Note is exchangeable in whole or in part (free of charge to the holder) for interests in the Global Note representing Bearer Notes of the relevant Tranche not earlier than 40 days after the relevant Issue Date upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Note. The Global Note is exchangeable in whole (free of charge to the holder) for definitive Bearer Notes if (i) the Global Note is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (ii) at the option of the Republic at any time, by, in the case of clause (i), the holder giving notice to the Principal Paying Agent or, in the case of clause (ii), the Republic giving notice to the holders of the Bearer Notes. Definitive Bearer Notes shall be made available following surrender of the Global Note by the holder to or to the order of the Principal Paying Agent on or after the Exchange Date (as defined below). In exchange for the Global Note, the Republic will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Bearer Notes of the relevant Tranche (having attached to them all Coupons in respect of interest which has not already been paid on the Global Note and Talons), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Trust Deed. On exchange of the Global Note, the Republic will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant definitive Bearer Notes.

    "Exchange Date" means (x) in the case of an exchange pursuant to clause (i) of the preceding paragraph, a day falling not less than 40 days after that on which the notice requiring exchange is given and (y) in the case of an exchange pursuant to clause (ii) above, such day as the Republic shall have specified, and in either case shall mean a day on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and, except in the case of exchange of the Global Note as set out in clause (i) of the preceding paragraph, in the cities in which the relevant clearing systems are located.

(2) *Payments:* No payments will be made on the Temporary Global Note unless exchange for an interest in the Global Note is improperly withheld or refused. Payments of principal and interest in respect of Bearer Notes represented by the Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Bearer Notes, surrender of the Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed in the

appropriate schedule to the Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Bearer Notes.

(3) *Notices:* So long as the Bearer Notes are represented by the Global Note and the Global Note is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders and so long as the Bearer Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

(4) *Prescription:* Claims against the Republic in respect of principal and interest in respect of the Global Note will become prescribed unless the Global Note is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as described in Condition 8).

(5) *Meetings:* The holder of the Global Note will (unless the Global Note represents only one Bearer Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each minimum Authorised Denomination (as defined below) for which the Global Note may be exchanged.

(6) *Purchase and cancellation:* Cancellation of any Bearer Note required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the Global Note.

(7) *Trustee's powers:* In considering the interests of Noteholders while the Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note and may consider such interests as if such accountholders were the holder of the Global Note.

(8) *Call option:* No drawing of Notes will be required under Condition 6(d) in the event that the Republic exercises its call option in that Condition while the Bearer Notes are represented by the Global Note in respect of less than the aggregate principal amount of Bearer Notes outstanding.

(9) *Put option:* The Noteholders' put option in Condition 6(e) may be exercised by the holder of the Global Note giving notice to the Principal Paying Agent of the principal amount of Bearer Notes in respect of which the option is exercised and presenting the Global Note for endorsement of exercise within the time limits specified in Condition 6(e).

Registered Notes

Registered Notes of each Tranche of a Registered Series which are sold in an "offshore transaction" within the meaning of Regulation S ("Unrestricted Notes") will initially be represented by interests in a DTC Unrestricted Global Note, without interest coupons or talons for further interest coupons, deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date. Registered Notes of such Tranche resold to qualified institutional buyers within the meaning of Rule 144A ("Restricted Notes"), as referred to in, and subject to the transfer restrictions described in, "Subscription and Sale and Transfer Restrictions", will initially be represented by a DTC Restricted Global Note, without interest coupons or talons for further interest coupons, deposited with a custodian for, and registered in the name of a nominee of, DTC on its Issue Date. Any DTC Restricted Global Note (and any individual definitive Restricted Notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and will bear a legend applicable to purchasers who purchase the Registered Notes pursuant to Rule 144A described in "Subscription and Sale and Transfer Restrictions".

U.S. Dollar Equivalent

For the purpose of calculating the U.S. dollar equivalent of the principal amount of Notes outstanding under the Programme from time to time, the U.S. dollar equivalent of Notes denominated in another currency shall be determined, at the discretion of the Republic, either as of the date of agreement to issue such Notes (the "Agreement Date") or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in either case on the basis of the Exchange Rate on the relevant date of calculation. As used herein, the "Exchange Rate" means the spot rate for the sale of U.S. dollars against the purchase of such other relevant currency in the London foreign exchange market as quoted by any leading bank selected by the

Republic at its discretion on the Agreement Date or on the preceding day on which commercial banks and foreign exchange markets are open for business in London.

The U.S. dollar equivalent of any Zero Coupon Note and any other Note issued at a discount shall be calculated, in relation to the Specified Currency in the manner specified above with the Exchange Rate so determined to apply in respect of any other U.S. dollar equivalent determination for the same Zero Coupon Notes and by reference to the Amortisation Yield formula as specified in the Conditions applicable to such Notes as at the same dates as above or, if no formula is specified, the principal amount of such Zero Coupon Notes or other Notes issued at a discount. The U.S. dollar equivalent of a Note issued at a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Republic for the relevant issue.

CLEARING AND SETTLEMENT

Book-Entry Ownership

Bearer Notes

The Republic will make application to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems, in respect of any Bearer Series of Notes. In respect of Bearer Notes, a Temporary Global Note in bearer form, without Coupons or Talons, and a Global Note in bearer form, without Coupons or Talons, will be deposited with a common depositary on behalf of Clearstream, Luxembourg and Euroclear. Transfers of interests in a Temporary Global Note and a Global Note will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear.

Registered Notes

The Republic and The Chase Manhattan Bank will make application in respect of each Tranche to DTC for acceptance in its book-entry settlement system of the Unrestricted Notes and the Restricted Notes represented by each DTC Unrestricted Global Note and each DTC Restricted Global Note, respectively. Each DTC Unrestricted Global Note will have a CINS number and each DTC Restricted Global Note will have a CUSIP number. Each DTC Restricted Global Note will be subject to restrictions on transfer contained in a legend appearing on the front of such Note, and set out under "Subscription and Sale and Transfer Restrictions". In certain circumstances, as described below in "Transfers of Registered Notes", transfers may be made as a result of which such legend is no longer applicable.

The custodian with whom the DTC Global Notes are deposited (the "Custodian") and DTC will electronically record the principal amount of the Notes held within the DTC system. Until the expiration of 40 days after the later of the commencement of the offering and the Issue Date of a Series, investors in Notes of such Series may hold their interests in a DTC Unrestricted Global Note only through Clearstream, Luxembourg or Euroclear. Thereafter, investors may additionally hold such interests directly through DTC, if they are participants in such system, or indirectly through organisations which are participants in DTC. Clearstream, Luxembourg and Euroclear will hold interests in a DTC Unrestricted Global Note on behalf of their accountholders through customers' securities accounts in Clearstream, Luxembourg's or Euroclear's respective names on the books of their respective depositaries, which in turn will hold such interests in a DTC Unrestricted Global Note in customers' securities accounts in the depositaries' names on the books of DTC. The Chase Manhattan Bank will initially act as depositary for Euroclear and Clearstream, Luxembourg. Investors may hold their interests in a DTC Restricted Global Note directly through DTC if they are participants in such system, or indirectly through organisations which are participants in such system.

Payments in respect of each DTC Global Note registered in the name of DTC's nominee will be to or to the order of its nominee as the registered owner of such DTC Global Note. The Republic expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant DTC Global Note as shown on the records of DTC or the nominee. The Republic also expects that payments by DTC participants to owners of beneficial interests in such DTC Global Note held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. None of the Republic, the Trustee or any other agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the DTC Global Notes or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of a DTC Unrestricted Global Note and/or a DTC Restricted Global Note. Individual Definitive Registered Notes will only be available, in the case of Unrestricted Notes, in amounts of U.S.$10,000 (or its equivalent rounded upwards as agreed between the Republic and the relevant Dealer(s) and specified in the applicable Pricing Supplement) or integral multiples thereof, and, in the case of Restricted Notes in amounts of U.S.$250,000 (or its equivalent as aforesaid), or higher integral multiples of U.S.$50,000 (or its equivalent as aforesaid), in certain limited circumstances described below.

Application will be made on behalf of the Republic to Clearstream, Luxembourg and Euroclear for acceptance in their respective book-entry systems in respect of any Registered Series of Notes.

Individual Definitive Registered Notes

Registration of title to Registered Notes in a name other than a depositary or its nominee for DTC will not be permitted unless (i) DTC notifies the Republic that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the DTC Global Notes, or ceases to be a "clearing agency" registered under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), or is at any time no longer eligible to act as such and the Republic is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC or (ii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the Noteholders under the Registered Notes and the Trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Trustee to obtain possession of the Registered Notes. In such circumstances, the Republic will cause sufficient individual Definitive Registered Notes to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a DTC Global Note must provide the Registrar with:—

(i) a written order containing instructions and such other information as the Republic and the Registrar may require to complete, execute and deliver such individual Definitive Registered Notes; and

(ii) in the case of a DTC Restricted Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Definitive Registered Notes issued pursuant to this paragraph (ii) shall bear the legend set out in "Subscription and Sale and Transfer Restrictions".

Transfers of Registered Notes

Transfers of interests in DTC Global Notes within DTC, Clearstream, Luxembourg and Euroclear will be in accordance with the usual rules and operating procedures of the relevant system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a DTC Global Note to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a DTC Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Until the expiration of 40 days after the later of the commencement of the offering of a Series of Notes and the Issue Date therefor, beneficial interests in a DTC Unrestricted Global Note for such Series may be held only through Clearstream, Luxembourg or Euroclear. Transfers may be made at any time by a holder of an interest in a DTC Unrestricted Global Note to a transferee who wishes to take delivery of such interest through a DTC Restricted Global Note provided that any such transfer made on or prior to the 40th day after the later of the commencement of the offering and the Issue Date of the Notes represented by such DTC Unrestricted Global Note will only be made upon receipt by the Registrar or any Transfer Agent of a written certificate from the transferor of such interest to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any state of the United States or any other jurisdiction. After such 40th day, such certification requirements will no longer apply to such transfers. Thereafter, the Registrar will make the appropriate entries in the Register. Transfers at any time by a holder of any interest in the DTC Restricted Global Note to a transferee who takes delivery of such interest through a DTC Unrestricted Global Note will only be made upon delivery to the Registrar and any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S or Rule 144 under the Securities Act (if available) and giving details of the account at Clearstream, Luxembourg or Euroclear, as the case may be, and DTC to be credited and debited, respectively, with an interest in the relevant DTC Global Notes.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under "Subscription and Sale and Transfer Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected in DTC in accordance with DTC rules on behalf of Clearstream, Luxembourg or Euroclear, as the case may be, by its respective depositary. However, such cross-market transactions will require delivery of instructions to Clearstream, Luxembourg or Euroclear, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Clearstream, Luxembourg or Euroclear, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving beneficial interests in the relevant DTC Global Note, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg accountholders and Euroclear accountholders may not deliver instructions directly to the depositaries for Clearstream, Luxembourg or Euroclear.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. However, as a result of time-zone differences, securities received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a DTC participant will be credited to the relevant account at Clearstream, Luxembourg or Euroclear during the securities settlement processing day dated the business day (T+4) following the DTC settlement date. Similarly, cash received in Clearstream, Luxembourg or Euroclear as a result of a sale of securities by or through a Clearstream, Luxembourg or Euroclear accountholder to a DTC participant will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only on the business day (T+4) following the DTC settlement date. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see "Subscription and Sale and Transfer Restrictions".

DTC has advised the Republic that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of DTC Global Notes for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in DTC Global Notes are credited and only in respect of such portion of the aggregate principal amount of the relevant DTC Global Notes as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant DTC Global Notes for exchange for individual Definitive Registered Notes (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Republic as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organisations. Indirect access to DTC is available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the DTC Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Republic, the Trustee or any Agent will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a DTC Global Note is lodged with DTC or the Custodian, Registered Notes represented by individual Definitive Registered Notes will not be eligible for clearing or settlement through DTC, Clearstream, Luxembourg or Euroclear.

Pre-issue Trades Settlement

It is expected that delivery of the Notes will be made against payment therefor on or about the date specified in the applicable Pricing Supplement, which could be more than three business days following the date of pricing. Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business day may be required, in circumstances where the Notes initially settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next succeeding business day should consult their own advisor.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the applicable Pricing Supplement, will be endorsed on the Bearer Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Bearer Series, or the DTC Global Notes and the individual definitive Registered Notes, details of the relevant Series being shown on the face of the relevant Bearer Notes, DTC Global Notes or individual definitive Registered Notes, as the case may be, and in the applicable Pricing Supplement:—

The Notes (as defined below) are constituted by a Trust Deed dated July 27, 1993 as supplemented and amended from time to time (the "Trust Deed") and made between The Republic of Argentina (the "Republic") and Chase Manhattan Trustees Limited (the "Trustee", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes and the Coupons (if any) relating to them (the "Coupons"). Copies of the Trust Deed and of the Agency Agreement dated July 27, 1993, as supplemented from time to time (the "Agency Agreement") and made between the Republic, the Trustee, The Chase Manhattan Bank, London branch as principal paying agent (the "Principal Paying Agent") and as calculation agent (the "Calculation Agent"), Chase Manhattan Bank Luxembourg S.A. as paying agent (together with the Principal Paying Agent, the "Paying Agents") and as European transfer agent and The Chase Manhattan Bank, New York branch as registrar (the "Registrar") and as New York transfer agent (together with the European transfer agent, the "Transfer Agents") are available for inspection at the specified offices of each of the Trustee, the Registrar and the Paying Agents. The Paying Agents, the Calculation Agent, the Registrar, the Exchange Agent and the Transfer Agents are together referred to herein as the "Agents". The Noteholders (as defined below) and the holders of the Coupons (if any) and, where applicable in the case of interest bearing Notes in bearer form, talons for further Coupons (the "Talons") (the "Couponholders") are entitled to the benefit of, are bound by and are deemed to have notice of all of the provisions of the Trust Deed and are deemed to have notice of those applicable to them of the Agency Agreement.

1. Form, Currency, Denomination, Title and Pricing Supplement

(a) *Form:* Each Series of Notes of which this Note forms part (in these Conditions, the "Notes") are issued either in bearer form ("Bearer Notes") in the Principal Amount of an Authorised Denomination (as defined in Condition 1(b)), or in registered form ("Registered Notes") in the Principal Amount of an Authorised Denomination or an integral multiple thereof. The bearer or registered form of each Note will be specified on its face, and these Conditions must be read accordingly. A definitive Note will be issued to each holder of Registered Note(s) in respect of its registered holding or holdings (each a "Definitive Registered Note"). Each Definitive Registered Note will be numbered serially with an identifying number which will be recorded in the register (the "Register") which the Republic shall procure to be kept by the Registrar. The Principal Amount of each Note will be specified on its face.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, a Step-up Note or a Step-down Note (depending upon the Interest Basis specified on its face). All payments in respect of this Note shall be made in the Specified Currency specified on its face.

Bearer Notes are issued with Coupons (and, where appropriate in the case of interest bearing Bearer Notes, a Talon) attached, save in the case of a Zero Coupon Note in which case references to interest (other than in relation to interest due after its Maturity Date), Coupons and Talons in these Conditions are not applicable.

(b) *Denomination:* "Authorised Denomination" means:—

(i) in the case of a Bearer Note, the denomination or denominations specified on the face of such Note. Bearer Notes of one Authorised Denomination may not be exchanged for Bearer Notes of another Authorised Denomination (if any); or

(ii) in the case of a Registered Note which is resold pursuant to Rule 144A under the Securities Act, U.S.$250,000 (or its equivalent rounded upwards as specified on the face of such Note) and higher integral multiples of U.S.$50,000 (or its equivalent as aforesaid) and in the case of a Registered Note sold pursuant to Regulation S under the Securities Act, U.S.$10,000 (or its equivalent as aforesaid) and integral multiples thereof, or, in either case, the higher denomination or denominations specified on the face of such Note.

Any minimum Authorised Denomination of a Note required by any law or directive or regulatory authority in respect of the currency of issue of such Note shall be such as applied on or prior to the Issue Date (as defined in Condition 5(III)) specified on the face of such Note.

(c) *Title:* Title to the Bearer Notes, the Coupons appertaining thereto and, where applicable, the Talons appertaining thereto shall pass by delivery. Title to the Registered Notes shall pass by registration in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Note, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft or loss thereof or any writing thereon made by anyone.

In these Conditions, "Noteholder" and, in relation to a Note, Coupon or Talon, "holder", means the bearer of any Bearer Note, Coupon or Talon, and the person in whose name a Registered Note is registered (as the case may be), "Series" means Notes which have identical terms and conditions, other than in respect of Interest Commencement Dates (as defined in Condition 5(III)), Issue Dates and related matters, and "Tranche" means, in relation to a Series, those Notes of such Series which have the same Issue Date.

(d) *Pricing Supplement:* References in these Conditions to terms specified on the face of a Note shall be deemed to include references to terms specified in the applicable pricing supplement issued in respect of a Tranche which includes such Note (each a "Pricing Supplement").

2. Transfers of Registered Notes and Issue of Definitive Registered Notes

(a) *Transfer of Registered Notes:* A Registered Note may be transferred in whole or in part in an Authorised Denomination upon the surrender of the Definitive Registered Note issued in respect of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of part only of a Registered Note a new Definitive Registered Note in respect of the balance not transferred will be issued to the transferor. Each new Definitive Registered Note to be issued upon transfer of Registered Notes will, within three business days of receipt of such form of transfer, be mailed at the risk of the holder entitled to the new Definitive Registered Note to such address as may be specified in such form of transfer.

(b) *Transfer Free of Charge:* Registration of transfer will be effected without charge by or on behalf of the Republic, the Registrar or the Transfer Agents, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to it.

(c) *Closed Periods:* No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for any payment of principal or Amortised Face Amount (as determined in accordance with Condition 6(c)) on that Note, (ii) during the period of 60 days prior to any date on which Notes of the relevant Series may be redeemed by the Republic at its option pursuant to Condition 6(d) or (iii) after any such Note has been drawn for redemption in whole or in part.

(d) *Regulations:* All transfers of Registered Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Republic, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed by the Registrar to any holder of a Registered Note who requests a copy.

3. Status

The Notes and Coupons of all Series constitute (subject to Condition 4) direct, unconditional, unsecured and unsubordinated obligations of the Republic and shall at all times rank pari passu and without any preference among themselves. The full faith and credit of the Republic has been pledged for the due and punctual payment of the principal or Amortised Face Amount of, or interest on, the Notes and the performance of the covenants in the Notes and the Trust Deed. The payment obligations of the Republic under the Notes and the Coupons shall (subject to Condition 4) at all times rank at least equally with all its other present and future unsecured and unsubordinated External Indebtedness (as defined in Condition 4).

4. Negative Pledge and Covenants

(a) *Negative Pledge:* So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), save for the exceptions set out in Condition 4(b), the Republic will not create or permit to subsist any lien, pledge, mortgage, security interest, deed of trust, charge or other encumbrance or preferential arrangement which has the practical effect of constituting a security interest ("Lien") upon the whole or any part of its assets or revenues to secure any Public External Indebtedness of the Republic unless, at the same time or prior thereto, the Republic's obligations under the Notes, the Coupons and the Trust Deed either (i) are secured equally and rateably therewith, or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

(b) *Exceptions to Negative Pledge:* The following exceptions apply to the Republic's obligations under Condition 4(a):—

(i) any Lien upon property to secure Public External Indebtedness of the Republic incurred for the purpose of financing the acquisition of such property; any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing;

(ii) any Lien existing on such property at the time of its acquisition to secure Public External Indebtedness of the Republic and any renewal or extension of any such Lien which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing;

(iii) any Lien created in connection with the transactions contemplated by the Republic of Argentina 1992 Financing Plan dated June 23, 1992 sent to the international banking community with the communication dated June 23, 1992 from the Ministry of Economy and Public Works and Services of Argentina (the "1992 Financing Plan") and the implementing documentation therefor, including any Lien to secure obligations under the collateralised bonds issued thereunder (the "Par and Discount Bonds") and any Lien securing indebtedness outstanding on the date hereof to the extent required to be equally and rateably secured with the Par and Discount Bonds;

(iv) any Lien in existence on the date of the Trust Deed;

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

(vi) any Lien on any of the Par and Discount Bonds; and

(vii) any Lien securing Public External Indebtedness incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project provided that (a) the holders of such Public External Indebtedness expressly agree to limit their recourse to the assets and revenues of such project as the principal source of repayment of such Public External Indebtedness and (b) the property over which such Lien is granted consists solely of such assets and revenues.

(c) *Definitions:*

"External Indebtedness" means obligations (other than the Notes) for borrowed money or evidenced by bonds, debentures, notes or other similar instruments denominated or payable, or which at the option of the holder thereof may be payable, in a currency other than the lawful currency of the Republic, provided that no Domestic Foreign Currency Indebtedness shall constitute External Indebtedness.

"Public External Indebtedness" means any External Indebtedness of, or guaranteed by, the Republic which (i) is publicly offered or privately placed in securities markets, (ii) is in the form of, or represented by, bonds, notes or other securities or any guarantees thereof and (iii) is, or was intended at the time of issue to be, quoted, listed or traded on any stock exchange, automated trading system or over-the-counter or other securities market (including, without prejudice to the generality of the foregoing, securities eligible for sale pursuant to Rule 144A under the U.S. Securities Act of 1933 (or any successor law or regulation of similar effect)).

"Domestic Foreign Currency Indebtedness" means (i) the following indebtedness: (a) Bonos del Tesoro issued under Decree No. 1527/91 and Decree No. 1730/91, (b) Bonos de Consolidación issued under Law No. 23,982 and Decree No. 2140/91, (c) Bonos de Consolidación de Deudas Previsionales issued under Law No. 23,982 and Decree No. 2140/91, (d) Bonos de la Tesorería a 10 Años de Plazo issued under Decree No. 211/92 and Decree No. 526/92, (e) Ferrobonos issued under Decree No. 52/92 and Decree No. 526/92, (f) Bonos de Consolidación de Regalías de Hidrocarburos a 16 Años de Plazo issued under Decree No. 2284/92 and Decree No. 54/93, (g) Letras de Tesorería en Dólares Estadounidenses issued under the Republic's annual budget laws, including those Letras de Tesorería issued under Law No. 24,156 and Decree No. 340/96 and (h) Bonos de Consolidación issued under Law No. 24,411 and Decree No. 726/97; (ii) any indebtedness issued in exchange, or as replacement, for the indebtedness referred to in (i) above; and (iii) any other indebtedness payable by its terms, or which at the option of the holder thereof may be payable, in a currency other than the lawful currency of the Republic of Argentina which is (a) offered exclusively within the Republic of Argentina or (b) issued in payment, exchange, substitution, discharge or replacement of indebtedness payable in the lawful currency of the Republic of Argentina; provided that in no event shall the following indebtedness be deemed to constitute "Domestic Foreign Currency Indebtedness": (1) Bonos Externos de la República Argentina issued under Law No. 19,686 enacted on June 15, 1972, (2) Bonos del Tesoro a Mediano Plazo en Dólares Estadounidenses issued under Law No. 24,156 and Decree No. 340/96 and (3) any indebtedness issued by the Republic in exchange, or as replacement, for any indebtedness referred to in (1) or (2) above.

(d) *Covenants:* In the Trust Deed, the Republic has given certain covenants to the Trustee, including a covenant that the Republic will maintain its membership in, and its eligibility to use the general resources of, the International Monetary Fund (the "IMF").

5. (I) Interest on Fixed Rate Notes

(a) *Interest Rate and Accrual:* Each Fixed Rate Note bears interest on its Calculation Amount (as defined in Condition 5(III)) from the Interest Commencement Date in respect thereof at the rate per annum (expressed as a percentage) equal to the Interest Rate specified on the face of such Note payable in arrear on each Reference Date or Reference Dates specified on the face of such Note in each year and on the Maturity Date specified on the face of such Note if that date does not fall on a Reference Date.

The first payment of interest will be made on the Reference Date next following such Interest Commencement Date (and if the Interest Commencement Date is not a Reference Date, will amount to the Initial Broken Amount specified on the face of such Note), unless the Maturity Date falls before the date on which the first payment of interest would otherwise be due. If the Maturity Date is not a Reference Date, interest from the preceding Reference Date (or from the Interest Commencement Date, as the case may be) to the Maturity Date will amount to the Final Broken Amount specified on the face of such Note.

Interest will cease to accrue on each Fixed Rate Note on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. Any overdue principal of and, to the extent permitted by law, overdue interest on any Fixed Rate Note shall bear interest (before and after judgement), payable on demand, for each day such payment is due at the rate and in the manner provided in this Condition 5(I) to the Relevant Date (as defined in Condition 8).

(b) *Calculations:* Interest in respect of a period of less than one year will be calculated on the Fixed Rate Day Basis specified on the face of each Fixed Rate Note.

(II) Interest on Floating Rate Notes

(a) *Interest Payment Dates:* Each Floating Rate Note bears interest on its Calculation Amount from the Interest Commencement Date in respect thereof and such interest will be payable in arrear on each date ("Interest Payment Date") which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period on the face of the Note (the "Specified Number of Months") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date (and which corresponds numerically with such preceding Interest Payment Date or Interest Commencement Date, as the case may be). If any Interest Payment Date would otherwise fall on a day which is not a Relevant Business Day (as defined below), it shall be postponed to the next day which is a Relevant Business Day unless it would thereby fall into the next calendar month. In any such case as aforesaid or if there is no date in the relevant month which corresponds numerically with the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date, then (i) the Interest Payment Date shall be brought forward to the immediately preceding

Relevant Business Day and (ii) each subsequent Interest Payment Date shall be the last Relevant Business Day of the month which is the last of the Specified Number of Months after the month in which the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall have fallen.

The period beginning on the Interest Commencement Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next succeeding Interest Payment Date is herein called an "Interest Period".

Interest will cease to accrue on each Floating Rate Note from the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused. Any overdue principal of and, to the extent permitted by law, overdue interest on any Floating Rate Note shall bear interest (before and after judgement), payable on demand, for each day such payment is due at the rate and in the manner provided in this Condition 5(II) and the Trust Deed to the Relevant Date.

(b) *Rate of Interest:* Each Floating Rate Note bears interest at a variable rate determined by reference to a benchmark as specified on the face of such Note, being LIBOR (in which case such Note will be a LIBOR Note), LIBID (in which case such Note will be a LIBID Note), LIMEAN (in which case such Note will be a LIMEAN Note) being EURIBOR (in which case such Note shall be a EURIBOR Note), EURO-LIBOR (in which case such Note shall be a EURO-LIBOR Note) or in any case such other benchmark as is specified on the face of such Note ("Benchmark").

Such variable rate may be adjusted by adding or subtracting the Spread (if any) specified on the face of such Note and/or by multiplying by the Spread Multiplier (if any) specified on the face of such Note. The "Spread" is the percentage rate per annum specified on the face of such Note as being applicable to the Relevant Rate (as defined in Condition 5(III)) for such Note and the "Spread Multiplier" is the percentage specified on the face of such Note as being applicable to the Relevant Rate for such Note.

The rate of interest ("Rate of Interest") payable from time to time will be determined by the Calculation Agent on the basis of the following provisions:—

(i) At or about the Relevant Time (as defined in Condition 5(III)) on the relevant Interest Determination Date (as defined in Condition 5(III)) in respect of each Interest Period, the Calculation Agent will:—

(A) in the case of a Floating Rate Note which specifies on its face that the Primary Source for Interest Rate Quotations shall be derived from a specified page, section or other part of a particular information service (a "Relevant Screen Page" as specified on the face of such Note), determine the Rate of Interest for such Interest Period which shall, subject as provided below, be (x) the Relevant Rate so appearing in or on that Relevant Screen Page (where such Relevant Rate is a composite quotation or interest rate per annum or is customarily supplied by one entity) or (y) the arithmetic mean (rounded, if necessary, to the next one-hundred thousandth of a percentage point) of the Relevant Rates of the persons at that time whose Relevant Rates so appear in or on that Relevant Screen Page, in any such case in respect of Specified Currency deposits for a period equal to the duration of such Interest Period and as adjusted by the Spread or Spread Multiplier (if any); and

(B) in the case of a Floating Rate Note which specifies on its face that the Primary Source of Interest Rate Quotations shall be the Reference Banks shown on the face thereof and in the case of Floating Rate Notes falling within Condition 5(II)(b)(i)(A) but in respect of which no Relevant Rate appears at or about such Relevant Time or, as the case may be, which are to be determined by reference to quotations of persons appearing in or on the Relevant Screen Page but in respect of which less than two Relevant Rates appear at or about such Relevant Time, request the principal offices in the Relevant Financial Centre (as defined in Condition 5(III))of each of the Reference Banks shown on the face of the Notes (or, as the case may be, any substitute Reference Bank appointed from time to time pursuant to Condition 5(II)(g)) to provide the Calculation Agent with its Relevant Rate quoted to leading banks for the relevant Specified Currency deposits for a period equivalent to the duration of such Interest Period. Where this Condition 5(II)(b)(i)(B) shall apply, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be the arithmetic mean (rounded, if necessary, to the next higher one-hundred thousandth of a percentage point) of such Relevant Rates as adjusted by the Spread or Spread Multiplier (if any) as calculated by the Calculation Agent.

(ii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest falls to be determined pursuant to Condition 5(II)(b)(i)(B) in respect of a Floating Rate Note, two or three only of such Reference Banks provide such relevant quotations, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be determined as aforesaid on the basis of the Relevant Rates quoted by such Reference Banks.

(iii) If at or about the Relevant Time on any Interest Determination Date where the Rate of Interest falls to be determined pursuant to Condition 5(II)(b)(i)(B) in respect of a Floating Rate Note denominated in a Specified Currency, only one or none of such Reference Banks provide such Relevant Rates, the Rate of Interest for the relevant Interest Period shall, subject as provided below, be whichever is the higher of:—

(A) the Rate of Interest in effect for the last preceding Interest Period to which Condition 5(II)(b)(i)(A) or (B) or Condition 5(II)(b)(ii) shall have applied; and

(B) the rate per annum (expressed as a percentage) which the Calculation Agent determines to be the arithmetic mean (rounded, if necessary, to the next higher one-hundred thousandth of a percentage point) of the Relevant Rates in respect of the relevant currency which banks in the Relevant Financial Centre (as defined below) of the country of such currency selected by the Calculation Agent (after consultation with the Republic) are quoting at or about the Relevant Time on the relevant Interest Determination Date for a period equivalent to such Interest Period to leading banks carrying on business in that Relevant Financial Centre, as adjusted by the Spread or Spread Multiplier (if any) except that, if the banks so selected by the Calculation Agent are not quoting as aforesaid, the Rate of Interest shall, subject as provided below, be the rate of interest specified in Condition 5(II)(b)(iii)(A).

(c) *Minimum/Maximum Rates:* If a Minimum Interest Rate is specified on the face of this Note, then the Rate of Interest shall in no event be less than such Minimum Interest Rate and if there is so specified a Maximum Interest Rate, then the Rate of Interest shall in no event exceed such Maximum Interest Rate.

(d) *Determination of Rate of Interest and Calculation of Interest Amounts:* The Calculation Agent will, as soon as practicable after the Relevant Time on each Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable (the "Interest Amounts") in respect of each Authorised Denomination of the relevant Floating Rate Notes (in the case of Bearer Notes) and the minimum Authorised Denomination (in the case of Registered Notes) for the relevant Interest Period. The Interest Amounts shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying such product by the actual number of days in the Interest Period concerned, divided by the FRN Day Basis specified on the face of such Note and rounding, if necessary, the resultant figure to the nearest unit of the relevant currency (half of such unit being rounded upwards). The determination of the Rate of Interest and the Interest Amounts by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

(e) *Notification of Rate of Interest and Interest Amounts:* The Calculation Agent will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Trustee, the Republic, each of the Agents and if the relevant Notes are for the time being listed on the Luxembourg Stock Exchange (the "Exchange"), the Exchange and to be notified to Noteholders in accordance with Condition 17 as soon as possible after their determination but in no event later than the fourth Relevant Business Day thereafter. The Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

(f) *Determination or Calculation by the Trustee:* If the Calculation Agent does not at any time for any reason so determine the Rate of Interest or calculate the Interest Amount for an Interest Period, the Trustee shall do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition 5(II), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(g) *Calculation Agent and Reference Banks:* The Republic will procure that, so long as any Floating Rate Note remains outstanding there shall at all times be four Reference Banks with offices in the Relevant Financial Centre and a Calculation Agent. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank then the Republic will appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, the Republic will appoint the London office of a leading bank engaged in the London and international interbank markets to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(III) Definitions

As used in these Conditions:—

"Calculation Amount" means the amount specified as such on the face of any Note, or if no such amount is so specified, the Principal Amount of such Note as shown on the face thereof.

"Interest Commencement Date" means, in the case of the first issue of a Note or Notes of a Series, the date of issue of such Note or Notes (the "Issue Date") or such other date as may be specified as the Interest Commencement Date on the face of such Note and, in the case of a further issue of a Note or Notes of such Series, means the most recent Reference Date or, as the case may be, Interest Payment Date in relation to such first issue next preceding the date on which such further Note or Notes are issued or if there is no such date, the Interest Commencement Date in respect of such first issue, or in any case such other date as may be specified as the Interest Commencement Date on the face of such Note.

"Interest Determination Date" means, in respect of any Interest Period, either:—

(a) in respect of Notes denominated in any Specified Currency other than Sterling or euro, the second day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London prior to the commencement of the relevant Interest Period;

(b) in respect of Notes denominated in euro, the day falling two TARGET Business Days prior to the first day of the relevant Interest Period; or

(c) in respect of Notes denominated in Sterling, the first day of the relevant Interest Period;

"Relevant Business Day" means:—

(a) in the case of a currency other than euro, a day (other than a Saturday or a Sunday):—

   (i) on which banks and foreign exchange markets are open for business in the Relevant Financial Centre; and

   (ii) on which banks are open for business in the principal financial centre of the currency of the Calculation Amount in respect of such Floating Rate Note and on which deposits in such currency may be dealt in the Relevant Financial Centre; and

(b) in the case of euro, a TARGET Business Day.

"Relevant Financial Centre" means, London (in the case of LIBOR Notes, LIMEAN Notes, LIBID Notes or EURO-LIBOR Notes) or (in the case of EURO-LIBOR Notes or Floating Rate Notes the Rate of Interest in respect of which is to be calculated by reference to some other Benchmark) the financial centre specified on the face of the relevant Floating Rate Note, or if no such centre is so specified, the financial centre determined by the Calculation Agent to be appropriate to such Benchmark (which, in the case of EURIBOR, shall be Europe).

"Relevant Rate" means:—

(a) an offered rate in the case of a Note the Benchmark for which relates to an offered rate;

(b) a bid rate in the case of a Note the Benchmark for which relates to a bid rate; and

(c) the mean of an offered and bid rate in the case of a Note the Benchmark for which relates to the mean of an offered and bid rate.

"Relevant Time" means the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in that currency in the interbank market in that Relevant Financial Centre and for this purpose "local time" means, with respect to Europe as a Relevant Financial Centre, Central European time.

"TARGET Business Day" means a day on which the TARGET System is operating.

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System or any successor thereto.

(IV) Zero Coupon Notes

Where a Zero Coupon Note is repayable prior to its Maturity Date and is not paid when due, the amount due and payable shall be the Amortised Face Amount of such Note as determined in accordance with Condition 6(c)(iii). Where a Zero Coupon Note is to be redeemed on its Maturity Date and is not paid when due, any overdue principal of such Note shall bear interest at a rate per annum (expressed as a percentage) equal to the Amortisation Yield specified on the face of the Note. Such interest shall continue to accrue (on the same basis as that referred to in Condition 5(I)) (before and after judgement) to the Relevant Date.

(V) Step-up and Step-down Notes

The face of the Notes issued in respect of a Tranche of Step-up Notes or Step-down Notes shall specify the dates on which interest shall be payable on such Notes, the rate at which the interest payable on each such date shall accrue and/or the basis for calculation thereof and the rate (or the basis of calculation of such rate) at which interest will accrue in respect of any overdue principal or overdue interest. Unless otherwise provided on the face of such Notes, such interest shall in all other respects accrue and shall be payable in accordance with Condition 5(I).

6. Redemption and Purchase

(a) *Final Redemption:* Unless previously redeemed or purchased and cancelled as provided below, this Note will be redeemed at its Principal Amount on the Maturity Date specified on its face (if this Note is specified on its face to be Fixed Rate Note or Zero Coupon Note) or on the Interest Payment Date falling in the Redemption Month specified on its face (if this Note is specified on its face to be a Floating Rate Note).

(b) *Purchases:* The Republic may at any time purchase Notes at any price (provided that in the case of Bearer Notes they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases are in compliance with all relevant laws, regulations and directives. The Notes so purchased, while held by or on behalf or for the benefit of the Republic, shall not entitle the holder to vote at any meetings of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 11 and 12. The Republic will not acquire any beneficial interest in any Registered Note unless it gives prior written notice of each acquisition to the Trustee and the Registrar. The Trustee and the Registrar and all holders of Registered Notes shall be entitled to rely without further investigation on any such notification (or lack thereof).

For the purposes of these Conditions, "directive" includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank department, government, legislature, minister, ministry, official, public or statutory corporation, self-regulating organisation or stock exchange.

(c) *Early Redemption of Zero Coupon Notes:*

(i) The amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to, if applicable, Condition 6(d) or (e) or upon it becoming due and payable as provided in Condition 10, shall be the Amortised Face Amount (calculated as provided below) of such Note.

(ii) Subject to the provisions of Condition 6(c)(iii), the Amortised Face Amount of any Zero Coupon Note shall be the sum of (A) the Reference Price specified on the face of such Note and (B) the aggregate amortisation of the difference between the Reference Price and the Principal Amount of such Note from the Issue Date to the date on which such Note becomes due and payable at a rate per annum (expressed as a percentage) equal to the Amortisation Yield specified on the face of such Note compounded annually. Where the specified calculation is to be made for a period of less than one year, it shall be made on the Fixed Rate Day Basis specified on the face of such Note.

(iii) If the amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to, if applicable, Condition 6(d) or (e), or upon it becoming due and payable as provided in Condition 10, is not paid when due, the amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as described in Condition 6(c)(ii), except that Condition 6(c)(ii) shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date.

The calculation of the Amortised Face Amount in accordance with this Condition 6(c)(iii) will continue to be made (before and after judgement) until the Relevant Date unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the Principal Amount of such Note together with any interest which may accrue in accordance with Condition 5(IV).

(d) *Redemption at the Option of the Republic:* If so provided on the face of the Notes issued in respect of a Tranche of Notes, the Republic may, subject to compliance with all relevant laws, regulations and directives and any minimum or maximum amounts to be redeemed as specified on the face of such Notes, on giving not more than 60 nor less than 30 days' irrevocable notice to the holders of those Notes redeem all or, if so specified on the face of such Notes, some of such Notes in the Principal Amount specified on the face of such Notes or integral multiples thereof, on the date or dates specified on the face of such Notes (which shall, in the case of a Floating Rate Note, be an Interest Payment Date) at their Principal Amount or, if applicable, at the premium or premia specified on the face of such Notes or at their Amortised Face Amount (in the case of Zero Coupon Notes) together with interest accrued to the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6. In the case of a partial redemption, the notice to Noteholders shall also contain the serial numbers of the Notes to be redeemed, which shall have been drawn in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange requirements.

(e) *Redemption at the Option of Noteholders:* If so provided on the face of the Note issued in respect of a Tranche of Notes, the Republic shall, subject to compliance with all relevant laws, regulations and directives, at the option of the holder of any such Notes, redeem such Notes on the date or dates specified on the face of such Notes (which shall, in the case of a Floating Rate Note, be an Interest Payment Date) at their Principal Amount or, if applicable, at the premium or premia specified on the face of such Notes or at their Amortised Face Amount (in the case of Zero Coupon Notes) together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit such Notes with any Paying Agent (in the case of Bearer Notes) or the Registrar or any Transfer Agent (in the case of Registered Notes) at their respective specified offices, together with a duly completed notice of redemption ("Redemption Notice") in the form obtainable from any Agent not more than 60 nor less than 30 days prior to the relevant date for redemption. No Note (or Redemption Notice) so deposited may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Republic.

(f) *Cancellation:* All Notes so redeemed will be cancelled forthwith and may not be re-sold or re-issued. All Notes so purchased and any unmatured Coupons or Talons attached to or purchased with them may be cancelled or may be re-issued or resold.

7. Payments and Talons

(a) *Bearer Notes:*

(i) Payments of Principal and Interest

Payments of principal and interest in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Bearer Notes or Coupons, as the case may be, at the specified office of any Paying Agent outside the United States and its possessions (1) in respect of payments denominated in a Specified Currency other than U.S. dollars and euro, at the option of the holder either by a cheque in such Specified Currency drawn on, or by transfer to an account in such Specified Currency maintained by the payee with, a bank in the principal financial centre of the country of such Specified Currency, (2) in respect of payments denominated in U.S. dollars, subject to Condition 7(a)(ii), or the option of the holder either by a U.S. dollar cheque drawn on a bank in New York City or by transfer to a U.S. dollar account maintained by the payee with a bank outside the United States of America, (3) in respect of payments denominated in euro by a euro cheque drawn on a euro bank account or by transfer to a euro account maintained by the payee in a city in which banks have access to the TARGET System or (4) as may otherwise be provided in the applicable Pricing Supplement.

(ii) *Payments in the United States*

Notwithstanding the foregoing, payments in respect of Bearer Notes denominated in U.S. dollars may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (1) the Republic shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Bearer Notes in the manner provided above when due, (2) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (3) such payment is then permitted by United States law. If, under such circumstances, a Bearer Note is presented for payment of principal at the specified office of any Paying Agent in the United States or its possessions in circumstances where interest (if any is payable against presentation of the Bearer Note) is not to be paid there, the relevant Paying Agent will annotate the Bearer Note with the record of the principal paid and return it to the holder for the obtaining of interest elsewhere.

(iii) *Payments on Business Days*

Subject as provided on the face of a Note issued in respect of a Tranche of Notes, if any date for payment in respect of any Bearer Note or Coupon comprising all or part of such Tranche is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(a), "business day" means a day on which banks are open for business in the relevant place of presentation and:—

(A) (in the case of a payment in a Specified Currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant Specified Currency, on which dealings may be carried on in the relevant Specified Currency in the principal financial centre of the country of such Specified Currency; or

(B) (in the case of payment in euro) a day which is a TARGET Business Day.

If the due date for redemption or repayment of any Bearer Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note. Interest accrued on a Zero Coupon Note from its Maturity Date shall be payable on repayment of such Zero Coupon Note against presentation thereof.

(b) *Registered Notes:*

(i) *Payments of Principal*

Payments of principal in respect of Registered Notes will be made or procured to be made by the Principal Paying Agent to the person(s) shown in the Register at the close of business on the fifteenth DTC business day before the due date for payment thereof (the "Record Date") in the manner provided for in Condition 7(a)(i), subject to Condition 7(b)(iv). For purposes of this Condition 7(b), "DTC business day" means any day on which DTC (as defined in Condition 7(b)(iv)) is open for business. Payments of principal will only be made against surrender of the relevant Definitive Registered Note at the specified office of any Transfer Agent.

(ii) *Payments of Interest*

Interest on Registered Notes payable on any Reference Date or Interest Payment Date will be paid or procured to be paid by the Principal Paying Agent to the person(s) shown on the Register at the close of business on the fifteenth DTC business day before the Record Date. Payments of interest on each Registered Note (other than a Note denominated in euro) will be made in the Specified Currency in which such Notes are denominated, subject to Condition 7(b)(iv), by cheque drawn on a bank in the principal financial centre of the country of the currency concerned and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register maintained by the Registrar. Payments in respect of Notes denominated in euro will be made in the manner provided in Condition 7(a)(i). Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of that Specified Currency.

For the purposes of these Conditions, the principal financial centre in respect of Australian dollars shall be Sydney.

(iii) *Payment Initiation*

Where payment is to be made by transfer to an account in the relevant Specified Currency, payment instructions (for value the due date, or if that is not a business day, for value the first following day which is a business day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed on the due date for payment or, in the case of an payments of principal if later, on the business day on which the relevant Definitive Registered Note is surrendered at the specified office of any Transfer Agent.

(iv) *Payments Through The Depository Trust Company*

Registered Notes, if so specified in the relevant Pricing Supplement, will be issued in the form of one or more Definitive Registered Notes registered in the name of, or the name of a nominee for, The Depository Trust Company ("DTC"). Payments of principal and interest in respect of Registered Notes denominated in U.S. dollars will be made in accordance with Condition 7(b)(i), (ii) and (iii). Payments of principal and interest in respect of Registered Notes denominated in a Specified Currency other than U.S. dollars will be made by the Principal Paying Agent in the relevant Specified Currency in accordance with the following provisions. The amounts in such Specified Currency payable by the Principal Paying Agent or its agent to DTC with respect to Registered Notes held by DTC or its nominee will be received from the Republic by the Principal Paying Agent who will make payments in such Specified Currency by wire transfer of same day funds to the designated bank account in such Specified Currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of an interest payment, on or prior to the third DTC business day after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 DTC business days prior to the relevant payment date, to receive that payment in such Specified Currency. The Principal Paying Agent, after the Exchange Agent has converted amounts in such Specified Currency into U.S. dollars, will deliver such U.S. dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such Specified Currency. The Agency Agreement sets out the manner in which such conversions are to be made.

(v) *Delay in Payment*

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a business day, if the Noteholder is late in surrendering its Definitive Registered Note (if required to do so) or if a cheque mailed in accordance with this Condition 7(b) arrives after the due date for payment.

(vi) *Payments on Business Days*

For the purposes of this Condition 7(b), "business day" means: (A) (in the case of a payment in a Specified Currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant Specified Currency, a day on which dealings may be carried out in the relevant Specified Currency in the principal financial centre of the country of such Specified Currency; or (B) (in the case of payment in euro) a day which is a TARGET Business Day.

(vii) *Payment Not Made in Full*

If the amount of principal or interest which is due on the Registered Notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest, if any, in fact paid.

(c) *Payments Subject to Law etc.:* All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) *Appointment of Agents:* The Paying Agents, the Registrar, the Calculation Agent and Transfer Agents initially appointed by the Republic and their respective specified offices are listed below. The Republic reserves the right at any time to vary or terminate the appointment of any Paying Agent, the Registrar, the Calculation Agent or any Transfer Agent, to appoint another Registrar or Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Republic will at all times maintain (i) a Principal Paying Agent, (ii) a Registrar and a Transfer Agent having a specified office in New York City, (iii) a Paying Agent and a Transfer Agent having a specified office in a European city which, so long as the Notes are listed on the Exchange, shall be Luxembourg, (iv) a Calculation Agent and (v) an Exchange Agent.

In addition, the Republic shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(a)(ii).

Notice of any such change or any change of any specified office will promptly be given to the Noteholders in accordance with Condition 17.

(e) *Unmatured Coupons and Unexchanged Talons:*

(i) Fixed Rate Notes which are Bearer Notes, other than Notes which are specified on their face to be Long Maturity Notes (being Fixed Rate Notes whose Principal Amount is less than the aggregate interest payable thereon on the relevant dates for payment of interest under Condition 5(I)(a)), should be surrendered for payment of principal together with all unmatured Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the principal due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9). If the date for payment of principal is any date other than a date for payment of interest, the accrued interest on such principal shall be paid only upon presentation of the relevant Note.

(ii) If so specified on the face of this Note, upon the due date for redemption of any Floating Rate Note or Long Maturity Note which is a Bearer Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Floating Rate Note or Long Maturity Note which is a Bearer Note is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, and where any Bearer Note is presented for redemption without any exchanged Talon relating to it, redemption shall be made only against the provisions of such indemnity as the Republic may require.

(f) *Talons:* Except where such Talon has become void pursuant to Condition 7(e)(iii), on or after the Reference Date or, as the case may be, the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (but excluding any Coupons which may have become void pursuant to Condition 9).

8. Taxation

All payments in respect of the Notes and the Coupons will be made free and clear of, and without withholding or deduction for, or on account of, any taxes, duties, assessments or governmental charges (together, "Taxes") of whatever nature imposed, levied, collected, withheld or assessed by or within the Republic of Argentina or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Republic shall pay such additional amounts as will result in receipt by the Noteholders or, as the case may be, the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:—

(i) in the case of Bearer Notes or Coupons:—

(A) to a holder (or to a third party on behalf of a holder) where such holder is liable to such Taxes in respect of such Bearer Note or Coupon by reason of it having some connection with the Republic of Argentina other than the mere holding of such Bearer Note or Coupon; or

(B) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days.

(ii) in the case of Registered Notes:—

(A) to a holder (or to a third party on behalf of a holder) where such holder is liable to such Taxes in respect of such Registered Note by reason of it having some connection with the Republic of Argentina, other than the mere holding of such Registered Note or the receipt of the relevant payment in respect thereof; or

(B) if the Definitive Registered Note in respect of such Registered Note is surrendered more than 30 days after the Relevant Date and such surrender is required for payment except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days.

As used in these Conditions, "Relevant Date" in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if the full amount of the money payable has not been received by the Trustee or the Principal Paying Agent on or prior to such due date) the date on which notice is duly given to the Noteholders in accordance with Condition 17 that such moneys have been so received and are available for payment. References herein to "principal" shall be deemed to include any premium payable in respect of the Notes and any reference to "principal" and/or "Amortised Face Amount" and/or "premium" and/or "interest" shall be deemed to include any additional amounts which may be payable under this Condition 8.

9. Prescription

Claims against the Republic for payment in respect of the Notes and Coupons (which, for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date in respect thereof.

10. Events of Default

If any of the following events ("Events of Default") occurs and is continuing:—

(a) *Non-Payment:* the Republic fails to pay any principal (or Amortised Face Amount) of any of the Notes when due and payable or fails to pay any interest on any of the Notes when due and payable and such failure continues for a period of 30 days; or

(b) *Breach of Other Obligations:* the Republic does not perform or comply with any one or more of its other obligations in the Notes or in the Trust Deed, which default is incapable of remedy or is not remedied within 90 days after notice of such default shall have been given to the Republic by the Trustee; or

(c) *Cross Default:* any event or condition shall occur which results in the acceleration of the maturity (other than by optional or mandatory prepayment or redemption) of any Public External Indebtedness of the Republic having an aggregate principal amount of U.S.$30,000,000 or more, or any default in the payment of principal of, or premium or prepayment charge (if any) or interest on, any such Public External Indebtedness having an aggregate principal amount of U.S.$30,000,000 or more, shall occur when and as the same shall become due and payable, if such default shall continue for more than the period of grace, if any, originally applicable thereto; or

(d) *Moratorium:* a moratorium on the payment of principal of, or interest on, the Public External Indebtedness of the Republic shall be declared by the Republic; or

(e) *Validity:* the validity of the Notes or the Trust Deed shall be contested by the Republic;

then in each and every such case, the Trustee at its discretion may in respect of Notes of any Series, or at the request of the holders of not less than 25 per cent. in aggregate principal amount of the Notes of such Series then outstanding, by notice in writing to the Republic shall, declare the principal amount (or Amortised Face Amount) of all the Notes of such Series to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable upon the date that such written notice is received by the Republic unless prior to such date all Events of Default in respect of all the Notes of such Series shall have been cured; provided that in the case of Conditions 10(b), (d) and (e) the Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Noteholders and provided further, that if, at any time after the principal (or Amortised Face Amount) of the Notes of such Series shall have been so declared due and payable, and before any sale of property under any judgement or decree for the payment of the monies due shall have been obtained or entered as hereinafter provided, the Republic shall pay or shall deposit with the Trustee a sum sufficient to pay all matured amounts of interest and principal (or Amortised Face Amount) upon all the Notes of such Series which shall have become due otherwise than solely by declaration (with interest on overdue amounts of interest, to the extent permitted by law, and on such principal (or Amortised Face Amount) of each Note at the rate of interest (or Amortisation Yield as calculated under Condition 6(c)) specified herein, to the date of such payment or deposit) and the expenses of the Trustee, and reasonable compensation to the Trustee, its agents, legal advisers, and any and all defaults under the Notes of such Series, other than the non-payment of principal (or Amortised Face Amount) on the Notes which shall have become due solely by declaration, shall have been remedied, then, and in every such case, the holders of 75 per cent. in aggregate principal amount of the Notes of such Series then outstanding, after a meeting of Noteholders held in accordance with the procedures described in Condition 11, by written notice to the Republic and to the Trustee, may on behalf of the holders of all of the Notes of such Series waive all defaults and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon.

11. Meetings of Noteholders, Modification and Waiver

(a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Notes of such Series (including these Conditions insofar as the same may apply to such Notes). Such a meeting may be convened by the Republic or the Trustee, and shall be convened by the Trustee (subject to being indemnified to its satisfaction against all costs and expenses thereby occasioned) upon written request of Noteholders holding not less than 10 per cent. in principal amount of the Notes of the relevant Series for the time being outstanding. The quorum for any meeting to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Notes of the relevant Series for the time being outstanding, or at any adjourned meeting two or more persons holding or representing holders of Notes of the relevant Series whatever the principal amount of the Notes of the relevant Series held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes of any Series or any date for payment of interest thereon, (ii) to reduce or cancel the Principal Amount of the Notes of any Series, (iii) to reduce the rate or rates of interest in respect of the Notes of any Series or to vary the method or basis of calculating the rate or rates or amount of interest, (iv) if there is shown on the face of the Notes of any Series a Minimum Interest Rate and/or a Maximum Interest Rate, to reduce such Minimum Interest Rate and/or such Maximum Interest Rate, (v) to change the method of calculating the Amortised Face Amount in respect of Zero Coupon Notes of any Series, (vi) to change the currency or currencies of payment of the Notes of any Series or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders of any Series or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes of the relevant Series for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all holders of Notes of the relevant Series (whether or not they were present or represented at the meeting at which such resolution was passed) and on all Couponholders (if any). In the Trust Deed, "Extraordinary Resolution" is defined to mean a resolution passed at a meeting of holders of Notes of a Series, which meeting was duly convened and held in accordance with the provisions of the Trust Deed, by a majority consisting of not less than 50 per cent. of the votes cast.

(b) *Modification and Waiver:* The Trustee and the Republic may agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which is a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the

Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(c) *Entitlement of the Trustee:* In connection with the exercise of its functions (including but not limited to those referred to in this Condition 11) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Republic any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders or Couponholders.

12. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Republic as it may think fit to enforce the terms of the Trust Deed, the Notes and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the Notes of the relevant Series outstanding, and (b) it shall have been indemnified to its satisfaction. No Noteholder or Couponholder may proceed directly against the Republic unless the Trustee, having become bound so to proceed, fails to do so within the reasonable time and such failure is continuing.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Republic and any entity related to the Republic without accounting for any profit.

14. Replacement of Bearer Notes, Coupons, Talons and Definitive Registered Notes

If any Bearer Note, Coupon, Talon or Definitive Registered Note is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Paying Agent in London (in the case of Bearer Notes, Coupons and Talons) and the Transfer Agent in New York City (in the case of Definitive Registered Notes) subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the taxes and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Republic may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes, Coupons, Talons or Definitive Registered Notes must be surrendered before replacements will be issued.

15. Further Issues

The Republic may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes of any Series in all respects (or in all respects except for the first payment of interest on them) so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes of any Series). References in these Conditions to the Notes of any Series include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Notes of such Series. Any further securities forming a single series with the outstanding securities of any series (including the Notes of any Series) constituted under the Trust Deed or any deed supplemental to it shall be constituted under the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders of a Series and the holders of securities of other series (including the Notes of any other Series) where the Trustee so decides.

16. Agents

In acting under the Agency Agreement, the Agents act solely as agents of the Republic and do not assume any obligation or relationship of agency or trust for or with any holder.

17. Notices

Notices to holders of Registered Notes will be mailed to them at their respective addresses in the Register and shall be published (so long as the Notes of the relevant Series are listed on the Exchange and the rules of the Exchange so require) in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice shall be deemed to have been given on the later of the date of such publication and fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes will be valid if published in a daily newspaper of general circulation in London and (so long as the Notes of the relevant Series are listed on the Exchange and the rules of the Exchange so require) in a leading newspaper having general circulation in Luxembourg or, if in the opinion of the Trustee any such publication is not practicable, in another leading daily English language newspaper of general circulation in Europe approved by the Trustee. It is expected that such publication will be made in the *Financial Times* in London and the *Luxemburger Wort* in Luxembourg. Notices, will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in both such newspapers as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Notes in accordance with this Condition 17.

18. Governing Law, Jurisdiction, Waiver of Immunity and Enforceability

(a) *Governing Law:* The Trust Deed, the Notes, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law, except that matters governing the power and authority of the Republic to issue the Notes, the Coupons and the Talons shall be governed by the laws of the Republic of Argentina.

(b) *Jurisdiction:* The Republic has in the Trust Deed irrevocably submitted to the jurisdiction of the courts of England; any New York State or federal court sitting in the Borough of Manhattan, New York City; and the courts of the Republic of Argentina (the "Specified Courts") over any suit, action, or proceeding against it or its properties, assets or revenues with respect to the Notes, the Coupons or the Trust Deed (a "Related Proceeding"). The Republic has in the Trust Deed waived any objection to Related Proceedings in such courts whether on the grounds of venue, residence or domicile or on the ground that the Related Proceedings have been brought in an inconvenient forum. The Republic agrees that a final non-appealable judgement in any such Related Proceeding (the "Related Judgement") shall be conclusive and binding upon it and may be enforced in any Specified Court or in any other courts to the jurisdiction of which the Republic is or may be subject (the "Other Courts"), by a suit upon such judgement.

(c) *Agent for Service of Process:* The Republic has in the Trust Deed agreed that (i) service of all writs, process and summonses in any Related Proceeding or any action or proceeding to enforce or execute any Related Judgement brought against it in the State of New York may be made upon Banco de la Nación Argentina, presently located at 299 Park Avenue, New York, New York 10171, and, if such person is not maintained by the Republic as its agent for such purpose, the Republic will appoint CT Corporation System to act as its agent for such purpose, and (ii) service of all writs, process and summonses in any Related Proceeding or any action or proceeding to enforce or execute any Related Judgement brought against it in England may be made upon Banco de la Nación Argentina, presently located at Longbow House, 14/20 Chiswell Street, London EC1Y 4TD, England, and, if such person is not maintained by the Republic as its agent for such purpose, the Republic will appoint a successor agent to act as its agent for such purpose.

(d) *Waiver of Immunity; Enforceability:* To the extent that the Republic or any of its revenues, assets or properties shall be entitled, in any jurisdiction in which any Specified Court is located, in which any Related Proceeding may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which any Specified Court or Other Court is located in which any suit, action or proceeding may at any time be brought solely for the purpose of enforcing or executing any Related Judgement, to any immunity from suit, from the jurisdiction of any such court, from set-off, from attachment prior to judgement, from attachment in aid of execution of judgement, from execution of a judgement or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, the Republic has irrevocably agreed not to claim and has irrevocably waived such immunity to the fullest extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgement), provided, however that attachment prior to judgement or attachment in aid of execution will not be ordered by any courts of the Republic of Argentina in respect of (i) property of the public domain located in the territory of the Republic included within the provisions of Articles 2337 and 2340 of the Civil Code of Argentina, (ii) property located in the territory of the Republic which is dedicated to the purpose of providing directly an essential public service, (iii) the assets which constitute freely available reserves, pursuant to Article 6 of Law No. 23,928 enacted by the Argentine Congress on March 27, 1991 (the "Convertibility Law"), the amount, composition and investment of which will be reflected on the balance sheet and accounting statement of Banco Central de la Republica Argentina consistently prepared in accordance with Article 5 of the Convertibility Law, and (iv) property covered by Article 67 of the Ley Complementaria Permanente de Presupuesto No. 11,672 T.O. 1999 (the "Permanent Supplementary Budget Law"), which provides that any funds, assets and other financial resources (whether in the form of cash, bank deposits, securities, third party obligations or any other method of payment), including the proceeds of any financing, of the Argentine Government and any of its governmental agencies and entities relating to the performance of the 1999 budget and any future budgets will be immune from attachment and may not be subject to any judicial action that may affect in any way their transferability, and Article 68 which provides that amounts due pursuant to any judicial action must be paid out of appropriations in the national budget. The courts of the Republic, in general, can only render judgements against the Republic that can be enforced against the Republic to the extent permitted by (i) the Law of Consolidation of Public Debt No. 23,982, particularly Article 22, (ii) Law No. 3,952 and (iii) the Permanent Supplementary Budget Law, particularly Article 67. Any judgement against the Republic of a court in England or New York which satisfies the requirements of Articles 517 through 519 of Law No. 17,454, as amended by Law No. 22,434 (National Code of Civil and Commercial Procedures) is capable of being enforced in the courts of the Republic in accordance with the laws of the Republic taking into account (i) the Law of Consolidation of Public Debt No. 23,982, particularly Article 22, (ii) Law No. 3,952 and (iii) the Permanent Supplementary Budget Law, particularly Article 67. The agreement and waiver provided herein, insofar as it relates to any jurisdiction other than a jurisdiction in which a Specified Court is located, is given solely for the purpose of enabling the Trustee, a Noteholder or a Couponholder to enforce or execute a Related Judgement. The waiver of immunities referred to herein constitutes only a limited and specific waiver for the purpose of the Notes, the Coupons and the Trust Deed and under no circumstances shall it be interpreted as a general waiver of the Republic or a waiver with respect to proceedings unrelated to the Notes, the Coupons or the Trust Deed.

USE OF PROCEEDS

The net proceeds from the sale of the Notes will be used by the Republic for payment of the principal amounts of debt falling due within the following twelve months and financing public investment as contemplated by the national budget or as otherwise specified in the applicable Pricing Supplement and as permitted by applicable law.

ARGENTINE TAXATION

The following is a general description of certain Argentine tax aspects of the Notes and does not purport to be a comprehensive description of the tax aspects of the Notes. Prospective purchasers should consult their tax advisers as to the specific tax consequences under the tax laws to which they are subject in respect of acquiring, holding and disposing of the Notes, in particular with regard to Notes having special features such as original issue discount or Notes denominated in a foreign currency as to the holder.

Under existing laws and regulations of the Republic, payments of principal of and interest on the Notes to an individual who is a non-resident of the Republic or to a legal entity that neither is organised in, nor maintains a permanent establishment in the Republic (collectively, "non-resident holders") will not be subject to taxation in the Republic and no withholding for any Argentine tax will be required on any such payments to any such non-resident holders of the Notes. In addition, gains obtained by non-resident holders derived from the sale or exchange of Notes by such non-resident holders will not be subject to Argentine income tax.

In the event of the imposition of such withholding taxes or duties, the Republic has undertaken to make payments of additional amounts, subject to certain limitations as described in Condition 8 of the Terms and Conditions of the Notes.

UNITED STATES TAXATION

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a holder of a Note that is a citizen or resident of the United States or a domestic corporation or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of the Notes (a "United States holder"). This summary is based on laws, regulations, rulings and decisions now in effect in the United States, all of which are subject to change, possibly with retroactive effect. This summary deals only with United States holders that will hold the Notes as capital assets, and does not address tax considerations applicable to investors that may be subject to special U.S. tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold the Notes as a position in a "straddle" or conversion transaction, or as part of a "synthetic security" or other integrated financial transaction, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts or persons that have a "functional currency" other than the U.S. dollar. Any special U.S. federal income tax considerations relevant to a particular issue of the Notes will be provided in the applicable Pricing Supplement.

Investors should consult their own tax advisors in determining the tax consequences to them of holding the Notes, including the application to their particular situation of the U.S. federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Payments of Interest Payments of "qualified stated interest" (as defined below under "Original Issue Discount") on a Note will be taxable to a United States holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the United States holder's method of tax accounting). If such payments of interest are made with respect to a Note that is denominated in a currency other than U.S. dollars, or that provides for payments determined by reference to such a currency (a "Foreign Currency Note"), the amount of interest income realised by a United States holder that uses the cash method of tax accounting will be the U.S. dollar value of the payment based on the exchange rate in effect on the date of receipt regardless of whether the payment in fact is converted into U.S. dollars. A United States holder that uses the accrual method of accounting for tax purposes will accrue interest income on the Note in the relevant currency and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years, the portion of the period that is within the United States holder's taxable year), or, at the accrual basis United States holder's election, at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. A United States holder that makes such election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service (the "IRS"). A United States holder that uses the accrual method of accounting for tax purposes will recognise foreign currency gain or loss, as the case may be, on the receipt of an interest payment with respect to a Foreign Currency Note if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income, regardless of whether the payment in fact is converted into U.S. dollars. This foreign currency gain or loss will be treated as ordinary income or loss but generally will not be treated as an adjustment to interest income received on the Note.

Purchase, Sale and Retirement of Notes A United States holder's tax basis in a Note generally will equal the cost of such Note to such holder, increased by any amounts includible in income by the holder as original issue discount ("OID") and market discount and reduced by any amortised premium (each as described below) and any payments other than payments of qualified stated interest made on such Note. In the case of a Foreign Currency Note, the cost of such Note to a United States holder will be the U.S. dollar value of the foreign currency purchase price on the date of purchase. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis United States holder (and, if it so elects, an accrual basis United States holder) will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The amount of any subsequent adjustments to a United States holder's tax basis in a Note in respect of OID, market discount and premium denominated in a foreign currency will be determined in the manner described under "Original Issue Discount" and "Premium and Market Discount" below. The conversion of U.S. dollars to a foreign currency and the immediate use of such currency to purchase a Foreign Currency Note generally will not result in taxable gain or loss for a United States holder.

Upon the sale, exchange or retirement of a Note, a United States holder generally will recognise gain or loss equal to the difference between the amount realised on the sale, exchange or retirement (less any accrued qualified stated interest, which will be taxable as such) and the United States holder's tax basis in such Note. If a

United States holder receives a currency other than the U.S. dollar in respect of the sale, exchange or retirement of a Note, the amount realised will be the U.S. dollar value of the currency received calculated at the exchange rate in effect on the date the instrument is disposed of or retired. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis United States holder, and if it so elects an accrual basis United States holder, will determine the U.S. dollar value of the amount realised by translating such amount at the spot rate on the settlement date of the sale. The election available to accrual basis United States holders in respect of the purchase and sale of Foreign Currency Notes traded on an established securities market, discussed above, must be applied consistently to all debt instruments owned by the United States holder from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to market discount, Short-Term Notes (as defined below) and foreign currency gain or loss, gain or loss recognised by a United States holder generally will be long-term capital gain or loss if the United States holder has held the Note for more than one year at the time of disposition. Long term capital gains recognised by an individual holder generally are subject to a maximum rate of 20 per cent. in respect of Notes held for more than one year.

Gain or loss recognised by a United States holder on the sale, exchange or retirement of a Foreign Currency Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which the holder held such Note. This foreign currency gain or loss will not be treated as an adjustment to interest income received on the Notes.

Original Issue Discount United States holders of Notes issued with OID ("Original Issue Discount Notes") generally will be subject to special tax accounting rules provided by the Internal Revenue Code of 1986, as amended, and certain regulations promulgated thereunder (the "OID Regulations"). United States holders of such Notes should be aware that, as described in greater detail below, they generally must include OID in ordinary gross income for U.S. federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income.

In general, each United States holder of an Original Issue Discount Note, whether such holder uses the cash or the accrual method of tax accounting, will be required to include in ordinary gross income the sum of the "daily portions" of OID on the Note for all days during the taxable year that the United States holder owns the Note. The daily portions of OID on an Original Issue Discount Note are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be of any length and may vary in length over the term of an Original Issue Discount Note, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. In the case of an initial holder, the amount of OID on an Original Issue Discount Note allocable to each accrual period is determined by (a) multiplying the "adjusted issue price" (as defined below) of the Original Issue Discount Note at the beginning of the accrual period by the yield to maturity of such Original Issue Discount Note (appropriately adjusted to reflect the length of the accrual period) and (b) subtracting from that product the amount (if any) of qualified stated interest (as defined below) allocable to that accrual period. The yield to maturity of a Note is the discount rate that causes the present value of all payments on the Note as of its original issue date to equal the issue price of such Note. The "adjusted issue price" of an Original Issue Discount Note at the beginning of any accrual period will generally be the sum of its issue price (generally including accrued interest, if any) and the amount of OID accrued for all prior accrual periods, reduced by the amount of all payments other than payments of qualified stated interest (if any) made with respect to such Note in all prior accrual periods. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually during the entire term of an Original Issue Discount Note at a single fixed rate of interest or, subject to certain conditions, based on one or more interest indices. In the case of an Original Issue Discount Note that is a Floating Rate Note (as discussed in greater detail below), both the "yield to maturity" and "qualified stated interest" will generally be determined for these purposes as though the Original Issue Discount Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to the interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield that is reasonably expected for the Note. (Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index.) As a result of this "constant-yield" method of including OID in income, the amounts includible in income by a United States holder in respect of an Original Issue Discount Note denominated in U.S. dollars generally are lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis.

A United States holder generally may make an irrevocable election to include in its income its entire return on a Note (*i.e.*, the excess of all remaining payments to be received on the Note, including payments of qualified stated interest, over the amount paid by such United States holder for such Note) under the constant-yield method described above. For Notes purchased at a premium or bearing market discount in the hands of the United States holder, the United States holder making such election will also be deemed to have made the election (discussed below in "Premium and Market Discount") to amortise premium or to accrue market discount in income currently on a constant-yield basis.

In the case of an Original Issue Discount Note that is also a Foreign Currency Note, a United States holder should determine the U.S. dollar amount includible in income as OID for each accrual period by (a) calculating the amount of OID allocable to each accrual period in the relevant foreign currency using the constant-yield method described above, and (b) translating the amount of such currency so derived at the average exchange rate in effect during that accrual period (or portion thereof within a United States holder's taxable year if the accrual period spans more than one taxable year) or, at the United States holder's election (as described above under "Payments of Interest"), at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. Because exchange rates may fluctuate, a United States holder of an Original Issue Discount Note that is also a Foreign Currency Note may recognise a different amount of OID income in each accrual period than would the holder of an otherwise similar Original Issue Discount Note denominated in U.S. dollars. All payments on an Original Issue Discount Note (other than payments of qualified stated interest) will generally be viewed first as payments of previously-accrued OID (to the extent thereof), with payments attributed first to the earliest-accrued OID, and then as payments of principal. Upon the receipt of an amount attributable to OID (whether in connection with a payment of an amount that is not qualified stated interest or the sale or retirement of the Original Issue Discount Note), a United States holder will recognise ordinary income or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the Original Issue Discount Note, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual).

A subsequent United States holder of an Original Issue Discount Note that purchases the Note at a cost less than its remaining redemption amount (as defined below), or an initial United States holder that purchases an Original Issue Discount Note at a price other than the Note's issue price, also generally will be required to include in gross income the daily portions of OID, calculated as described above. However, if the United States holder acquires the Original Issue Discount Note at a price greater than its adjusted issue price, such holder may reduce its periodic inclusions of OID income to reflect the premium paid over the adjusted issue price. The "remaining redemption amount" for a Note is the total of all future payments to be made on the Note other than payments of qualified stated interest.

Floating Rate Notes generally will be treated as "variable rate debt instruments" under the OID Regulations. Accordingly, the stated interest on a Floating Rate Note generally will be treated as "qualified stated interest" and such a Note will not have OID solely as a result of the fact that it provides for interest at a variable rate. If a Floating Rate Note does not qualify as a "variable rate debt instrument," such Note generally will be subject to special rules (the "Contingent Payment Regulations") that govern the tax treatment of debt obligations that provide for contingent payments ("Contingent Debt Obligations"). If any such Notes are distributed in the United States in connection with their original issuance, a detailed description of the tax considerations relevant to United States holders of such Notes will be provided in the applicable Pricing Supplement.

Certain of the Notes may be subject to special redemption, repayment or interest rate reset features (including step-up or step-down features), as indicated in the applicable Pricing Supplement. Notes containing such features, in particular Original Issue Discount Notes, may be subject to special rules that differ from the general rules discussed above. Purchasers of Notes with such features should carefully examine the applicable Pricing Supplement and should consult their own tax advisors with respect to such Notes since the U.S. federal income tax consequences with respect to such features, and especially with respect to OID, will depend, in part, on the particular terms of the purchased Notes.

Premium and Market Discount A United States holder of a Note that purchases the Note at a cost greater than its remaining redemption amount (as defined in the third preceding paragraph) will be considered to have purchased the Note at a premium, and may elect to amortise such premium (as an offset to interest income), using a constant-yield method, over the remaining term of the Note. Such election, once made, generally applies to all bonds held or subsequently acquired by the United States holder during or after the first taxable year to which the election applies and may not be revoked without the consent of the IRS. A United States holder that elects to amortise such premium must reduce its tax basis in the Note by the amount of the premium amortised during its holding period. Original Issue Discount Notes purchased at a premium will not be subject to the OID rules described above. In the case of premium in respect of a Foreign Currency Note, a United States holder should calculate the amortisation of such premium in the relevant foreign currency. Amortisation deductions attributable to a period reduce interest payments in respect of that period and therefore are translated into U.S. dollars at the exchange rate used by the United States holder for such interest payments. Exchange gain or loss will be realised with respect to amortised bond premium on such a Note based on the difference between the exchange rate on the date or dates such premium is recovered through interest payments on the Note and the exchange rate in effect on the date on which the United States holder acquired the Note. With respect to a United States holder that does not elect to amortise bond premium, the amount of bond premium will be included in the United States holder's tax basis when the Note matures or is disposed of by the United States holder. Therefore, a United States holder that does not elect to amortise such premium and that holds the Note to maturity generally will be required to treat the premium as a capital loss when the Note matures.

If a United States holder of a Note purchases the Note at a price that is lower than its remaining redemption amount, or in the case of an Original Issue Discount Note, its adjusted issue price, by at least 0.25 percent of its remaining redemption amount multiplied by the number of remaining whole years to maturity, the Note will be considered to have "market discount" in the hands of such United States holder. In such case, gain realised by the United States holder on the disposition of the Note generally will be treated as ordinary income to the extent of the market discount that accrued on the Note while held by such United States holder. In addition, the United States holder could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or maintained to purchase or carry the Note. In general terms, market discount on a Note will be treated as accruing ratably over the term of such Note, or, at the election of the holder, under a constant-yield method. Market discount on a Foreign Currency Note will be accrued by a United States holder in the relevant foreign currency. The amount includible in income by a United States holder in respect of such accrued market discount will be the U.S. dollar value of the amount accrued, generally calculated at the exchange rate in effect on the date that the Note is disposed of by the United States holder.

A United States holder may elect to include market discount in income on a current basis as it accrues (on either a ratable or constant-yield basis), in lieu of treating a portion of any gain realised on a sale of a Note as ordinary income. If a United States holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply. Any accrued market discount on a Foreign Currency Note that is currently includible in income will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the United States holder's taxable year if the accrual period spans more than one taxable year). Any such election, if made, applies to all market discount bonds acquired by the taxpayer on or after the first day of the first taxable year to which such election applies and is revocable only with the consent of the IRS.

Short-Term Notes The rules set forth above will also generally apply to Notes having maturities of not more than one year ("Short-Term Notes"), but with certain modifications:

First, the OID Regulations treat *none* of the interest on a Short-Term Note as qualified stated interest (but instead treat such interest payments as giving rise to OID). Thus, all Short-Term Notes will be Original Issue Discount Notes. OID will be treated as accruing on a Short-Term Note ratably, or at the election of a United States holder, under a constant-yield method.

Second, a United States holder of a Short-Term Note that uses the cash method of tax accounting and is not a bank, securities dealer, regulated investment company or common trust fund, and does not identify the Short-Term Note as part of a hedging transaction, will generally not be required to include OID in income on a current basis. Such a United States holder may not be allowed to deduct all of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such Note until the maturity of the Note or its earlier disposition in a taxable transaction. In addition, such a United States holder will be required to treat any gain realised on a sale, exchange or retirement of the Note as ordinary income to the extent such gain does not exceed the OID accrued with respect to the Note during the period the United States holder held the Note. Notwithstanding the foregoing, a cash-basis United States holder of a Short-Term Note may elect to accrue OID on a current basis (in which case the limitation on the deductibility of interest described above will not apply). A United States holder using the accrual method of tax accounting and certain cash-basis United States holders (including banks, securities dealers, regulated investment companies and common trust funds) generally will be required to include OID on a Short-Term Note in income on a current basis.

Third, any United States holder (whether cash or accrual basis) of a Short-Term Note can elect to accrue the "acquisition discount," if any, with respect to the Note on a current basis. If such an election is made, the OID rules will not apply to the Note. Acquisition discount is the excess of the remaining redemption amount of the Note at the time of acquisition over the purchase price. Acquisition discount will be treated as accruing ratably or, at the election of the United States holder, under a constant-yield method based on daily compounding.

Finally, the market discount rules will not apply to a Short-Term Note.

As described above, certain of the Notes may be subject to special redemption features. These features may affect the determination of whether a Note has a maturity of not more than one year and thus is a Short-Term Note. Purchasers of Notes with such features should carefully examine the applicable Pricing Supplement and should consult their own tax advisors with respect to such features.

Indexed Notes and Other Notes Providing for Contingent Payment The Contingent Payment Regulations, which govern the tax treatment of Contingent Debt Obligations, generally require accrual of interest income on a constant-yield basis in respect of such obligations at a yield determined at the time of their issuance, and may require adjustments to such accruals when any contingent payments are made. If any Notes that are Contingent Debt Obligations are distributed in the United States in connection with their original issuance, a detailed description of the tax considerations relevant to United States holders of such Notes will be provided in the applicable Pricing Supplement.

Information Reporting and Backup Withholding A U.S. Paying Agent or other U.S. intermediary will be required to file information returns with the IRS and to United States holders with respect to payments made to certain United States holders of Notes. In addition, certain United States holders may be subject to a 31 percent backup withholding tax in respect of such payments if they do not provide their taxpayer identification numbers or certification of exempt status or, in certain cases, fail to report all interest and dividends required to be shown on their U.S. federal income tax returns. Persons holding Notes who are not United States holders and who receive payments from a U.S. Paying Agent may be required to comply with applicable certification procedures to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding tax.

SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS

Notes may be sold from time to time by the Republic to or through any one or more of the Dealers. The arrangements under which the Notes may from time to time be agreed to be sold by the Republic to or through the Dealers are set out in the Dealer Agreement dated July 27, 1993, as amended (the "Dealer Agreement") and made between the Republic and the Dealers. Any agreement for the sale of Notes will, inter alia, make provision for the form and terms and conditions of the relevant Notes, whether the placement of the Notes is underwritten or sold on an agency basis only, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) which are payable or allowable by the Republic in respect of such purchase.

The Notes have not been and will not be registered under the Securities Act and may be offered or sold within the United States only in a transaction that is exempt from, or not subject to, the registration requirements of the Securities Act.

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

Bearer Notes 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 United States 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.

The Dealer Agreement provides that a Dealer nominated by the Republic may arrange for the placing of Restricted Notes in the United States to qualified institutional buyers within the meaning of Rule 144A. Each prospective purchaser of Restricted Notes offered in reliance on Rule 144A (a "144A Offeree"), by accepting delivery of this Information Memorandum, will be deemed to have represented and agreed as follows:—

(1) Such 144A Offeree acknowledges that this Information Memorandum is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Restricted Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of this Information Memorandum, or disclosure of any of its contents to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorised and any disclosure of any of its contents, without the prior written consent of the Republic, is prohibited.

(2) Such 144A Offeree agrees to make no photocopies of this Information Memorandum or any documents referred to herein and, if such 144A Offeree does not purchase Restricted Notes or the offering is terminated, to return this Information Memorandum and all documents referred to herein to the Dealer or the affiliate thereof who furnished this Information Memorandum and those documents.

Each purchaser of Notes offered and sold in reliance on Rule 144A will be deemed to have represented and agreed as follows:—

(1) It is a qualified institutional buyer within the meaning of Rule 144A; it is acquiring such Restricted Notes for its own account or for the account of a qualified institutional buyer; and it is aware, and each beneficial owner of such Restricted Notes has been advised, that the sale of such Restricted Notes to it is being made in reliance on Rule 144A.

(2) It understands that the Restricted Notes purchased by it are being offered, and may be transferred, only in a transaction not involving any public offering in the United States within the meaning of the Securities Act. It understands that the Restricted Notes have not been and will not be registered under the Securities Act and it agrees, for the benefit of the Republic, the Dealers and the Dealers' affiliates, that, if in the future it decides to resell, pledge or otherwise transfer such Restricted Notes purchased by it, any offer, sale or transfer of such Restricted Notes will be made in compliance with the Securities Act and other applicable laws of the states, territories and possessions of the United States governing the offer and sale of securities and only (i) to the Republic or an agency or department of the Republic (upon redemption of such Restricted Notes or otherwise), (ii) pursuant to and in accordance with Rule 144A to an institutional investor that it reasonably believes is a qualified institutional buyer within the meaning of Rule 144A purchasing for its own account or for the account of a qualified institutional buyer whom it has informed, in each case, that the offer, resale, pledge or other transfer is being made in reliance on Rule 144A, or (iii) (a) to a Dealer or (b) otherwise, in each

case pursuant to an exemption from registration in accordance with Regulation S or Rule 144 under the Securities Act (if available). It further understands that no representation can be made by the Republic, any Dealer, or any Dealer's affiliates, representatives or agents as to the availability of the exemption provided by Rule 144 for resales of such Restricted Notes.

(3) It understands that such Restricted Notes, unless the Republic determines otherwise in compliance with applicable law, will bear a legend to the following effect:—

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THIS NOTE IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS, INCLUDING THOSE SET FORTH IN THE AGENCY AGREEMENT DATED JULY 27, 1993 (AS AMENDED) RELATING TO THIS NOTE. THE HOLDER HEREOF, BY PURCHASING OR OTHERWISE ACQUIRING THIS NOTE, ACKNOWLEDGES THAT THIS NOTE IS A "RESTRICTED SECURITY" THAT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND AGREES FOR THE BENEFIT OF THE REPUBLIC THAT THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS OF THE STATES, TERRITORIES AND POSSESSIONS OF THE UNITED STATES GOVERNING THE OFFER AND SALE OF SECURITIES AND ONLY (1) TO THE REPUBLIC OR AN AGENCY OR DEPARTMENT OF THE REPUBLIC (UPON REDEMPTION HEREOF OR OTHERWISE), (2) PURSUANT TO AND IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO AN INSTITUTIONAL INVESTOR THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE OFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION IN ACCORDANCE WITH REGULATION S OR RULE 144 (IF AVAILABLE) UNDER THE SECURITIES ACT. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

(4) It acknowledges that the Republic, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Restricted Notes for the account of one or more qualified institutional buyers it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(5) It understands that the Restricted Notes offered in reliance on Rule 144A will be represented by the DTC Restricted Global Note. Before any interest in the DTC Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the DTC Unrestricted Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Each person purchasing Restricted Notes from a Dealer or through an affiliate of a Dealer pursuant to Rule 144A acknowledges that (i) it has been afforded an opportunity to request from the Republic and to review, and it has received, all additional information considered by it to be necessary to verify the accuracy of the information herein; (ii) it has not relied on any Dealer or any person affiliated with any Dealer in connection with its investigation of the accuracy of the information contained in this Information Memorandum or its investment decision; and (iii) no person has been authorised to give any information or to make any representation concerning the Republic or the Restricted Notes other than those contained in this Information Memorandum and, if given or made, such other information or representation should not be relied upon as having been authorised by the Republic or any Dealer. This Information Memorandum has been prepared by the Republic for use in connection with the offer and sale of the Notes outside the United States to non-U.S. persons in reliance on Regulation S and within the United States to "Qualified Institutional Buyers" in reliance on Rule 144A and for the listing of the Notes on the Luxembourg Stock Exchange. The Republic and the Dealers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the number of Notes which may be offered pursuant to Rule 144A. This Information Memorandum does not constitute an offer to any person in the United States or to any U.S. person other than any "qualified institutional buyer" within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or an affiliate of one of the Dealers. Distribution of this Information Memorandum to any U.S. person or to any person within the United States, other than those persons, if any, retained to advise such U.S. person or persons with respect thereto, is unauthorised and any disclosure of any of its contents to any U.S. person or to any person in the United States, without prior written consent of the Republic, is prohibited.

There are no restrictions on the offer and sale of the Notes in Argentina or to Argentine persons except that the Notes may only be publicly offered or sold in Argentina by the Republic or through persons or entities duly authorised to publicly offer securities in Argentina.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has complied with and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that the issue of Notes denominated in Swiss Francs will take place in compliance with the guidelines of the Swiss National Bank regarding the issue of Swiss Francs denominated debt securities.

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law"). Accordingly, each of the Dealers has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Securities and Exchange Law and other relevant laws and regulations of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

No action has been or will be taken in any jurisdiction by the Dealers or the Republic that would permit a public offering of any of the Notes, or possession or distribution of the Information Memorandum, or any part thereof including any Pricing Supplement, or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells, or delivers Notes or has in its possession or distributes the Information Memorandum, or any part thereof including any Pricing Supplement, or any such other material, in all cases at its own expense. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will also ensure that no obligations are imposed on the Republic in any such jurisdiction as a result of any of the foregoing actions (except to the extent that such actions are the actions of the Republic). The Republic will have no responsibility for, and each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it may make any acquisition, offer, sale or delivery.

No Dealer is authorised to make any representation or use any information in connection with the issue, offering and sale of the Notes other than as contained in the Information Memorandum, including the Pricing Supplement and any other information or document supplied by the Republic for use in connection therewith.

Purchasers of the Notes may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase.

Selling restrictions (including those referred to under "General Information" in respect of certain Specified Currencies) may be modified by the agreement of the Republic and the Dealers provided that any such modification is in compliance with any applicable laws. Any such modification will be set out in the Pricing Supplement issued in respect of each Tranche to which it relates or in a supplement to the Information Memorandum.

GENERAL INFORMATION

1. Euroclear, Clearstream, Luxembourg and DTC

The Republic will make an application in respect of each Bearer Series for the Bearer Notes of such Series to be accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code for such Bearer Series, together with the relevant ISIN number, will be contained in the Pricing Supplement relating thereto. In addition, the Republic will make an application with respect to any Restricted Notes and any Unrestricted Notes of any Tranche of a Registered Series to be accepted for trading in book-entry form by DTC. Acceptance of each Tranche of a Registered Series will be confirmed in the Pricing Supplement relating thereto. Application will also be made to have the Restricted Notes accepted for trading in PORTAL. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant Common Code and ISIN number, will be contained in the Pricing Supplement relating thereto.

2. Authorisation

The establishment of the Programme and the execution of all documents in connection therewith was authorised by Decree No. 1,588 dated July 26, 1993, and Resolution No. 807 dated July 26, 1993 of the Ministry of the Economy, Works and Public Services of the Republic of Argentina. The size of the Programme was increased from U.S.$1,000,000,000 to U.S.$15,000,000,000 pursuant to various Decrees and Resolutions of the Ministry of the Economy, Works and Public Services. A Resolution of the Ministry of the Economy, Works and Public Services will have to be obtained in respect of each Tranche of Notes prior to the Issue Date of such Tranche. In addition, prior to the issue of any Notes, Banco Central de la República Argentina ("Banco Central") is required to deliver an opinion to the relevant government authorities as to the effect of such issue on the Republic's balance of payments.

3. Litigation

Except as may be described in any Supplemental Information Memorandum prepared from time to time, neither the Republic nor any governmental agency of the Republic is involved in any litigation or arbitration proceedings which are material in the context of the Programme or the issue of Notes under the Programme nor, so far as the Republic is aware, are any such litigation or arbitration proceedings pending or threatened.

4. Listing

For listing purposes, the Luxembourg Stock Exchange has informed the Republic that it has allocated the Programme the following number: 2263.

5. Documents on Display and Available for Inspection

Copies of the following documents may be inspected, and in the case of (d) and (e) below obtained, on any business day (Saturdays and public holidays excepted) free of charge at the office of the Paying Agent in Luxembourg so long as any Notes which are listed on the Exchange are outstanding: —

(a) the Dealer Agreement;

(b) the Agency Agreement;

(c) the Trust Deed;

(d) this Information Memorandum;

(e) any future prospectuses, offering circulars, information memoranda, information memoranda addenda and supplements (including any Pricing Supplements in relation to listed Notes) to this Information Memorandum; and

(f) English translations of the Decrees and the Resolutions referred to in paragraph 2 above.

Copies of the documents listed above may also be inspected on any business day (Saturdays and public holidays excepted) free of charge at the office of the Financial Representative of the Republic in London located at:

78 Cornhill
London EC3 3QQ
England
Telephone: (44 20) 7929 1171
Facsimile: (44 20) 7929 0732

6. Enforcement Proceedings in the Republic of Argentina

In the event that it is necessary to bring enforcement proceedings in relation to any Notes or the Trust Deed in the Republic of Argentina, a court tax (currently at the rate of 3 per cent. of the amount of the claim) will be imposed on the amount of any claim brought before the Argentine courts, and the relevant Notes or the Trust Deed, as the case may be, will be required to be translated into the Spanish language by a sworn translator.

7. Swiss Franc denominated Notes

The issue of Notes denominated in Swiss Francs will take place in compliance with the guidelines of the Swiss National Bank regarding the issue of Swiss Franc denominated debt securities.

8. Ancillary Services

The Dealers and their affiliated companies have in the past provided, and may in the future continue to provide, the Republic and Banco Central with commercial banking and investment banking, including financial advisory, services.

9. Salomon Brothers International Limited

Schroder is a trademark of Schroders Holdings plc and is used under licence by Salomon Brothers International Limited.

FORM OF PRICING SUPPLEMENT

The following is the form of Pricing Supplement which is annexed to the Dealer Agreement and which can be used to give details of any particular Tranche of Notes.

[Date]

THE REPUBLIC OF ARGENTINA
U.S.$15,000,000,000
MEDIUM-TERM NOTE PROGRAMME

[Include whichever of the following apply]

1.	Method of distribution:	[Syndicated/Non-syndicated]
	If syndicated, names of Managers:	[ ]
2.	Series number:	[ ]
3.	Form of Notes:	[Bearer/Registered]
4.	Specified Currency:	[ ]
5.	Authorised Denomination(s)	[ ]
6.	Principal Amount:	[ ]
7.	Amortisation Provisions:	[yes/no — if yes, specify details]
8.	Calculation Amount:	[ ]
9.	Issue Price:	[ ]
10.	Issue Date:	[ ]
11.	Maturity Date (Fixed Rate Note or Zero Coupon Note):	[ ]
12.	Redemption Month (Floating Rate Note):	[month and year]
13.	Interest Basis:	[ ]
14.	Interest Commencement Date:	[ ]
15.	Interest Rate(s) (Fixed Rate Note, including Step-up Note and Step-down Note):	[ ]
16.	Fixed Rate Day Basis (Fixed Rate Note):	[ ]
17.	Reference Date(s) (Fixed Rate Notes):	[ ]
18.	Initial Broken Amount (Fixed Rate Note):	[ ]
19.	Final Broken Amount (Fixed Rate Note):	[ ]
20.	Long Maturity Notes (as defined in Condition 7(e)):	[yes/no]
21.	FRN Day Basis (Floating Rate Note):	[ ]
22.	Specified Number of Months (Floating Rate Note):	[ ]
23.	Benchmark (Floating Rate Note):	[LIBOR, LIBID, LIMEAN, EURIBOR, EURO-LIBOR or other benchmark]
24.	Relevant Financial Centre (Floating Rate Notes):	[London if LIBOR, LIBID, LIMEAN Notes or EURO-LIBOR, if EURIBOR or another benchmark specify centre]
25.	Spread (Floating Rate Note):	[ ] per cent. per annum
26.	Spread Multiplier (Floating Rate Note):	[ ] per cent
27.	Interest Determination Date (Floating Rate Note):	[ ]
28.	Primary Source for Interest Rate quotations (Floating Rate Note):	[Screen page, section or part/Reference Banks]

29. Relevant Screen Page (Floating Rate Note):	[ ]
30. Reference Banks (Floating Rate Note):	[ ]
31. Minimum Interest Rate (Floating Rate Note):	[ ]
32. Maximum Interest Rate (Floating Rate Note):	[ ]
33. Unmatured Coupons to become void upon the date for redemption of the relative Bearer Note (Floating Rate Note, Long Maturity Note):	[yes/no]
34. Amortisation Yield (Zero Coupon Note):	[ ] per cent. per annum
35. Reference Price (Zero Coupon Note):	[ ]
36. Redemption at Republic's option permitted (pursuant to Condition 6(d)):	[yes/no]
37. If yes to 35, applicable terms:	[specify minimum or maximum amounts to be redeemed, redemption dates, applicable premia]
38. Redemption at Noteholders' option permitted (pursuant to Condition 6(e)):	[yes/no]
39. If yes to 37, applicable terms:	[specify redemption dates, applicable premia]
40. Entitlement to payments postponed until the following business day if date for payment does not fall on a business day:	[yes/no]
41. Details of any additions or variations to the terms and conditions of the Notes:	A new term shall be added as follows: "18. Third Party Rights No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999." [ ]
42. Any additional selling restrictions:	[ ]
43. Listed/Unlisted:	[ ]
44. Details of any additional or alternative clearing system approved by the Republic, the Trustee and Registrar, if applicable and the Principal Paying Agent:	[ ]
45. Other relevant terms of such Notes:	[ ]
46. Stabilising Manager:	[ ]
47. Common Code:	[ ]
48. ISIN:	[ ]
49. CUSIP Number:	[ ]
50. CINS Number:	[ ]
51. Talons for future Coupons to be attached to definitive Notes:	[ ]
52. Interest Payment Date(s) on which the Talons (if any) mature:	[ ]
53. Exchange Date for exchange of Temporary Global Note for interests in a Global Note:	[ ]
54. Whether Permanent Global Note to be exchangeable for definitive Notes at the option of the Republic:	[yes/no]
55. Whether DTC Unrestricted Global note and/or DTC Restricted Global Note available:	[yes/no]
56. Use of Proceeds:	[ ]

57. In the case of Sterling Notes (or Notes in respect of which the issue proceeds are accepted in the United Kingdom):	[The Notes constitute [[commercial paper]/[shorter/ longer] term debt securities] issued in accordance with regulations made under section 4 of the Banking Act 1987. The Republic of Argentina is not an authorised institution or a European authorised institution (as such terms are defined in the Banking Act 1987 (Exempt Transactions) Regulation 1997). Repayment of the principal and payment of any interest or premium in connection with the Notes has not been guaranteed]
58. Commissions and concessions for syndicated issues:	[ ]
59. [Set out any additional information]	[ ]

The current Information Memorandum (as supplemented from time to time) relating to the Programme is dated [ ] and was most recently supplemented by the [Supplemental] Information Memorandum [Addendum] dated [ ]

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ISSUER

The Republic of Argentina
c/o Subsecretaría de Financiamiento
Hipólito Yrigoyen 250
1310 — Buenos Aires

TRUSTEE

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Trinity Tower
9 Thomas More Street
London E1W 1YT

REGISTRAR, NEW YORK TRANSFER AGENT AND EXCHANGE AGENT

The Chase Manhattan Bank
450 West 33rd Street
New York, NY 10001

PRINCIPAL PAYING AGENT AND CALCULATION AGENT

The Chase Manhattan Bank
Trinity Tower
9 Thomas More Street
London E1W 1YT

PAYING AGENT AND EUROPEAN TRANSFER AGENT

Chase Manhattan Bank Luxembourg S.A.
5 Rue Plaetis
L-2338 Luxembourg-Grund

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as to United States law

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New York, NY 10006

LEGAL ADVISERS TO THE DEALERS AND THE TRUSTEE

as to English law

Linklaters

1345 Avenue of the Americas
New York, NY 10105

One Silk Street
London EC2Y 8HQ

as to Argentine law

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INFORMATION MEMORANDUM ADDENDUM

THE REPUBLIC OF ARGENTINA

U.S.$15,000,000,000
Medium-Term Note Programme
for the issue of Notes due from 30 days to 30 years from the date of issue

This Information Memorandum Addendum dated October 31, 2000, which supersedes the Information Memorandum Addendum dated September 27, 1999, is supplemental to, and should be read in conjunction with, the Information Memorandum dated October 31, 2000 which accompanies it in relation to the Programme

RECENT DEVELOPMENTS

Government and Political Parties

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

On October 7, 2000 José Genoud resigned from his position as provisional president of the Senate. The Senate has elected Mario Losada, an Alliance senator, to replace Mr. Genoud and serve as president of the Senate. Senator Losada will serve as temporary President of the Republic when President de la Rúa is outside the country.

Gross Domestic Product and Economy

During 1999, Argentina's gross domestic product declined 3.1% due primarily to the January 1999 devaluation of the Brazilian *real*. This devaluation by Brazil, Argentina's largest trading partner, led to significantly decreased demand for Argentine goods in both Argentina and Brazil. As a result of the devaluation of the *real*, Argentine goods became more expensive for Brazilian consumers. The Argentine economy was also adversely affected by the Asian and Russian financial crises, which weakened investor confidence in emerging market economies.

In recent months, however, improving economic conditions in Argentina and Brazil have led to increased demand for Argentine goods, and Argentina's industrial production has in turn increased. During the first half of 2000, Argentine gross domestic product grew 0.6% compared to the same period of 1999. In addition, during the first eight months of 2000, industrial production was 1.1% higher than in the first eight months of 1999. These recent improvements in industrial production are due to increased levels of activity in the automotive, fiber and aluminum sectors and, to a lesser extent, the steel, agrochemicals, industrial gas and paper sectors.

Inflation

As of September 29, 2000, the Consumer Price Index had decreased by 0.7% as compared to September 30, 1999 and the Wholesale Price Index had increased by 4.2% as compared to September 30, 1999, primarily due to increases in commodities prices.

Employment and Labor

The national unemployment rate rose to 15.4% in May 2000 from 13.8% in October 1999 and 14.5% in August 1999.

Trade Balance

In 1999 Argentina recorded a $2.2 billion trade deficit.

During the first eight months of 2000, exports increased by 13.0% as compared to the same period of 1999, to $17.6 billion (measured on an f.o.b. basis), due to the recovery in the Brazilian economy. The improvement in exports was particularly strong in the oil and gas and industrial production sectors. Total imports during the first eight months of 2000 increased 1.0% as compared to the same period of 1999 to $16.6 billion (measured on a c.i.f. basis). During the same period, exports to Mercosur countries increased by 21.0% to $5.4 billion (measured on an f.o.b. basis) due to increased demand as a result of improving economic conditions in Brazil, and imports from Mercosur countries increased by 16.0% to $4.7 billion (measured on a c.i.f. basis) due to the recovery in the Argentine economy, in each case as compared to the same period of 1999.

Balance of Payments

During 1999, Argentina had a current account deficit of $12.3 billion and a capital account surplus (including errors and omissions) of $13.5 billion.

During the first half of 2000, Argentina had a current account deficit of $4.6 billion, 17.0% lower than the current account deficit during the same period of 1999. During the first half of 2000, Argentina had a capital account surplus (including errors and omissions) of $5.3 billion, 14.4% higher than the capital account surplus during the first quarter of 1999.

Financial Sector

Despite the recent regional recessionary conditions, total deposits in Argentina's banking system increased between August 30, 1999 and August 30, 2000. As of September 29, 2000, total deposits (39.6% of which were in pesos and 60.4% of which were in U.S. dollars) in the banking system equaled $85.4 billion, a 5.8% increase from September 29, 1999 and a 0.7% increase from August 31, 2000. On September 29, 2000, prime rates in Argentina were 10.3% for 30-day loans in pesos and 9.6% for 30-day loans in U.S. dollars.

Monetary Base and Reserves

The recessionary conditions in Argentina in 1999 did not have a marked impact on Argentina's monetary base or international reserves. As of September 29, 2000, the monetary base (consisting of currency in circulation and money held at Banco Central to meet liquidity requirements) was $24.9 billion, a 7.9% increase from the level recorded on September 30, 1999. Between August 31, 2000 and September 29, 2000, the monetary base increased by 2.0%. On September 29, 2000, gross international reserves at Banco Central (including approximately $1.4 billion of public bonds) stood at $26.7 billion, a 7.5% increase from the September 30, 1999 level, and had increased by 0.1% as compared to August 30, 2000.

Public Sector Accounts

In 1999, Argentina recorded a fiscal deficit, excluding privatization proceeds, of $7.1 billion (calculated by subtracting Banco Central's surplus of $253 million from the deficit of $7.4 billion of the non-financial public sector). During the first nine months of 2000, Argentina recorded a fiscal deficit of $3.8 billion (calculated by subtracting Banco Central's surplus of $164 million from the deficit of $4.0 billion of the non-financial public sector), within the IMF target of $3.85 billion for the first half of the year.

Public Sector Debt

As of June 30, 2000, total gross public debt was $123.5 billion. Approximately $117.4 billion, or 95.0%, of this amount was denominated in currencies other than the peso, principally U.S. dollars. As of June 30, 2000, total net public debt (total gross public debt minus total government financial assets related to debt operations, such as United States Treasury bills held as collateral for Brady bonds) was $121.9 billion. Between December 31, 1999 and June 30, 2000, total gross public debt increased by 1.3% and total net public debt increased by 2.1%. These increases are primarily attributable to the bonds and notes the Republic issued to finance its fiscal deficit.

Financing Strategy

Between January 1, 2000 and October 25, 2000, Argentina issued (or received commitments for) $19.6 billion of debt (including $5.4 billion of debt issued under exchange offers), including:

- $6.3 billion of U.S. dollar-denominated global bonds (including $2.4 billion of debt issued under an exchange offer);
- $4.9 billion of euro-denominated bonds;
- $1.1 billion of yen-denominated bonds; and
- $7.4 billion of debt issued in the domestic market in the form of *Bonos del Tesoro* (including $3.0 billion *Bonos del Tesoro* issued under an exchange), *Pagaré-Bonos* and a net increase in the stock of *Letras de Tesorería*.

Year 2001 Budget

On September 15, 2000, the executive branch sent to the Congress the Republic's budget proposal for the year 2001. The proposal assumes real GDP growth of 3.7%, a 0.8% increase in prices of goods and services and a fiscal deficit (on a cash basis and including the surplus of the Banco Central) of $4.1 billion. This assumed deficit equals 1.4% of assumed real GDP and conforms to the Fiscal Solvency Law of 1999.

The Republic of Argentina

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CURRENCY OF PRESENTATION

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

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

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

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

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

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

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

Source: Banco de la Nación Argentina.

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

Tables in this report may not add due to rounding.

SUMMARY

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

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

(1) Preliminary figures.

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

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

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

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

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

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

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

THE REPUBLIC OF ARGENTINA

Territory and Population

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

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

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

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

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

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

Source: The World Bank.

Government and Political Parties

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

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

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

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

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

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

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

The three largest political parties in Argentina are:

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

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

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

Party Composition of the Argentine Congress

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

(1) Since the Chamber of Deputies elections in 1999, members of UCR and Frepaso have run as Alliance candidates instead of candidates of UCR or Frepaso.

(2) Composition of the Chamber of Deputies as of December 10, 1997, when the Deputies elected in 1997 took office.

(3) Includes members of the Alliance.

(4) Composition of the Chamber of Deputies as of December 10, 1999, when the Deputies elected in 1999 took office.

(5) Composition of the Senate following elections held in 1992. Subsequently two Senators from the PJ joined Frepaso.

(6) The size of the Senate increased pursuant to the 1994 amendment of the Constitution.

Source: Information Office of Argentine Congress.

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

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

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

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

Foreign Affairs and International Organizations

Argentina has diplomatic relations with 139 countries and is a member of over 116 international organizations. Argentina is a charter member of the United Nations and currently serves as a member of its Security Council, with a term expiring December 31, 2000. Argentina is a founding member of the Organization of American States and is also a member of the following international organizations:

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

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

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

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

THE ARGENTINE ECONOMY

Introduction

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

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

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

GDP

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

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

Argentina's gross domestic product declined by 3.1% in 1999 as compared to 1998, due primarily to the January 1999 devaluation of the Brazilian *real*. This devaluation by Brazil, Argentina's largest trading partner, led to significantly decreased demand for Argentine goods in both Argentina and Brazil. Decreased demand had particularly strong effects on Argentina's industrial production, which decreased by 6.4%, due largely to a downturn in the manufacturing and automotive sectors. Despite the recession, bank deposits increased slightly during 1999.

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

Labor

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

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

Inflation

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

Privatization and Liberalization of the Economy

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

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

As part of its efforts to streamline the public sector, since 1991 the Government has sought to reduce provincial government deficits by ceasing lending to provincial banks that finance provincial deficit spending and by encouraging the privatization of provincial enterprises such as regional banks and utilities. A number of Argentina's provincial governments have used deficit spending in past years to support large-scale public sector employment. The credit shortage and economic downturn sparked by the Mexican Crisis exacerbated the budgetary problems of these provincial governments. In the face of these problems, the Government succeeded in privatizing 10 provincial banks in 1995 and 1996, and in persuading eleven provinces (including Buenos Aires) to merge their social security systems with the national system between 1994 and 1995.

Debt Management

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

Financial System

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

Revised Methodologies for Calculating Gross Domestic Product and Balance of Payments

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

Gross Domestic Product

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

- uses 1993 instead of 1986 as a base year to calculate GDP to better reflect the new structure of relative prices that resulted from the process of market liberalization, economic deregulation and privatization,
- assigns revised weights to different sectors of the economy in the calculation of GDP to more accurately reflect their current relative importance and
- seeks to measure Argentina's "informal economy."

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

Balance of Payments

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

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

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

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

History and Background

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

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

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

Stabilization and Economic Reforms under the Menem Government

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

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

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

- tax reforms,
- a tighter rein on the expenditures of public enterprises,
- restrictions on lending activities of the public sector banks,

- personnel cuts and
- a reliance on cash income generated by privatizations to reduce the public sector deficit.

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

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

The Convertibility Plan and the Menem Government's Economic Policy

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

The convertibility plan is centered on two fundamental principles:

(1) There is full international reserve backing for the monetary base at a fixed rate of one peso per U.S. dollar. The monetary base (consisting of currency in circulation and peso deposits of financial entities with the Central Bank) is not to exceed the Central Bank's gross international assets. Gross international assets include the Central Bank's holdings of:

   - gold,
   - foreign exchange (including short-term investments),
   - U.S. dollar-denominated Government securities (in a percentage not to exceed one third of the Central Bank's unrestricted reserves) and
   - net Asociación Latinoamericana de Integración ("ALADI") claims (except overdue claims),

   all freely available and valued at market prices. Under this arrangement, the peso is fully convertible into the U.S. dollar and the money supply can be increased only when backed by increases in the level of international reserves.

(2) The prohibition of financing of fiscal deficits through Central Bank lending and fiscal control to contain expenditures and foster tax revenues.

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

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

Deregulation of the Economy and Privatizations

Deregulation of the Economy

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

In 1991, the Government passed legislation that:

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

In the financial sector, the Government passed legislation that:

- eliminated regulation of brokerage fees,
- abolished all stamp taxes relating to publicly offered securities and
- abolished all capital gains taxes on stocks and bonds held by non-resident investors.

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

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

The Mercosur member countries have signed the following agreements:

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

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

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

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

Privatizations

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

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

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

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

(1) Enterprises privatized through granting of concessions.

(2) Five grain elevators are under concession.

Sources: Ministry of Economy and Central Bank.

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

Enterprises	Percentage of Government Ownership
Railways	
Ferroexpreso Pampeano S.A.	16.0%
Nuevo Central Argentino S.A.	16.0
Ferrosur Roca S.A.	16.0
Buenos Aires al Pacífico General San Martín S.A.	16.0
Ferrocarril Mesopotámico General Urquiza S.A.	16.0
Water and Electric Energy	
Central Térmica Guemes	30.0
Centrales Térmicas Patagónicas S.A.[1]	13.0
Central Dique S.A.	49.0
Hidroélectrica Alicurá[1]	19.5
Hidroélectrica Piedra del Aguila[1]	26.0
Centrales Térmicas Mendoza S.A.	6.2
Transnea S.A.	30.0
Transpa S.A.[1]	6.0
Hidroeléctrica Diamante S.A.[1]	39.0
Aerolíneas Argentinas S.A.	5.0
YPF	0.1
Camuzzi Gas Pampeana S.A.	20.0

Enterprises	Percentage of Government Ownership
Papel Prensa S.A.I.C.F. y de M	27.5
Caja de Ahorro y Seguros S.A.	30.0
Banco Hipotecario	49.0%

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

Source: Ministry of Economy.

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

Gross Domestic Product

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

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

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

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

Real GDP and Expenditures

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

(1) Preliminary figures.

(2) Includes value added tax.

Source: Ministry of Economy.

GDP Evolution at Current Prices

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

(1) Converted at year end exchange rate.

Source: Ministry of Economy.

Composition of Real GDP and Expenditures

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

(1) Preliminary figures.

(2) Includes value added tax.

Source: Ministry of Economy.

Principal Sectors of the Economy

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

Real GDP by Sector

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

(1) Preliminary figures.

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

Source: Ministry of Economy.

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

Real GDP by Sector

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

(1) Preliminary figures.

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

Source: Ministry of Economy.

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

Real GDP Growth by Sector

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

(1) Preliminary figures.

Source: Ministry of Economy.

Agriculture, livestock, fisheries and forestry

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

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

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

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

Mining and Extractives (Including Petroleum and Gas Production) Sector

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

Argentina increased from 358.1 million cubic meters in 1994 to 487.5 million cubic meters in 1999, primarily as a result of the acquisition of technology to improve the recoverability of petroleum reserves.

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

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

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

Proven Reserves

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

(1) In thousands of cubic meters.

(2) In millions of cubic meters.

Source: Secretariat of Energy.

Manufacturing

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

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

Construction

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

Electricity, Gas and Water

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

Services

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

Composition of Services Sector

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

(1) Preliminary figures.

Source: Ministry of Economy.

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

Employment and Labor

In 1999, approximately 63% of the Argentine labor force was employed in the services sector and 37% was involved in the production of goods. Approximately 18.4% of the labor force was employed in manufacturing, 13.7% in the public sector, 12.9% in commerce, 11.2% in social services, health and education, 6.9% in construction and 6.5% in agriculture.

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

Participation and Unemployment Rates

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

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

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

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

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

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

Sources: INDEC and Ministry of Economy.

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

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

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

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

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

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

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

- legislation that regulates work contracts for apprentices and interns, limits trial basis employment contracts to thirty days and guarantees trial basis employees the right to receive certain benefits,
- legislation that, in certain cases, shortens the required notification period for employee termination to a minimum of 15 days and adopts a new formula for calculating termination compensation,
- legislation that designates the Ministry of Labor as the mediator and arbiter in the re-negotiation of certain collective bargaining agreements and prevents those collective bargaining agreements from being automatically renewed if the parties cannot agree and

- legislation that requires principals to obtain from their contractors and subcontractors verification of, among other matters, social security payments and employee coverage for work-associated risks for each employee performing services for the principal.

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

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

- increases excise taxes,

- increases corporate and personal taxes from 33% to 35%,

- ends the deductibility of interest payments from income taxes and

- reduces the social security taxes paid by companies from 22% to 15.5% to offset the above tax increases.

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

- extending the trial period for newly-hired workers,

- ending the automatic renewal of collective labor agreements when employees and employers cannot agree on the terms of a new collective agreement,

- decentralizing negotiations of collective agreements in order to allow collective bargaining at the company level and

- reducing certain taxes on labor over four years.

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

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

Poverty

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

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

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

Poverty in the Greater Buenos Aires Area

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

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

Source: INDEC.

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

Environment

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

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

Among the significant environmental issues facing Argentina are the regulation and remediation of water and air pollution and the disposal of hazardous wastes. The Government has undertaken programs to improve drinking water and sewer services. A particular area of concern is the pollution of the Río de la Plata and other smaller rivers in the Buenos Aires area that flow into it. Also of particular concern is the pollution of rivers in other regions of Argentina, including the Matanza and Reconquista rivers. Industrial air emissions, primarily in the highly populated Buenos Aires area and other urban centers, have also become the focus of remediation efforts. In addition, development of the forestry industry, particularly in the Yacyretá region along the Argentina-Paraguay border, has raised concerns about the effects of deforestation (including ecological and flood management issues). The Government has not yet determined the remediation costs relating to water and air pollution as well as to flooding along the Yacyretá region, but such costs may be material. The Government has arranged funding from international and multilateral organizations, including the IFC and the Fondo para las Americas (Fund for the Americas) in order to further environmental programs.

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

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

FOREIGN TRADE AND BALANCE OF PAYMENTS

Balance of Payments

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

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

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

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

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

Balance of Payments(1)

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

(1) With respect to the current account balance, both imports and exports are calculated on a free on board ("FOB") basis and the non-financial services account includes import freight and insurance fees paid to non-residents.

(2) Preliminary figures.

(3) Unless otherwise indicated, all capital account amounts in this annual report include errors and omissions.

(4) Includes transactions between the Central Bank and foreign entities such as the IADB, the IMF and other foreign creditors.

(5) Net assets or liabilities of financial entities (other than the Central Bank) with respect to foreign creditors.

(6) Includes operations of the national government, provincial governments, municipal governments and decentralized governmental organizations with respect to foreign entities in the form of bonds, loans from international organizations, operations with the Paris Club and privatizations of State entities.

(7) Includes operations of the private sector with respect to the issuance of bonds, loans from international organizations or banks, foreign direct investment (inflows) and payments on dollar-denominated bonds to Argentina residents (outflows).

(8) Does not include the value of bonds issued by the Government and held as reserves by the Central Bank.

Source: Ministry of Economy.

Current Account

The current account consists of:

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

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

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

Capital Account

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

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

Foreign Trade

Argentina's foreign trade is dominated by the export of primary products and agricultural goods (including processed agricultural products) and the import of intermediate and capital goods, such as machinery and equipment, chemicals, vehicles and other transport products. Total exports from Argentina increased 24.9% between 1995 and 1998, from U.S.$21.2 billion in 1995 to U.S.$26.4 billion in 1998. Imports to Argentina on a CIF basis increased approximately 57.3% from 1995 to 1998, from U.S.$20.0 billion in 1995 to U.S.$31.4 billion in 1998. The increases from 1995 to 1998 are primarily due to improved economic conditions in Argentina and liberalized trading policies. Total exports (measured on an FOB basis) fell in 1999 by 11.8% to U.S.$23.3 billion due to decreased demand, particularly from Brazil as a result of the downturn of its economy and the increase in the cost of Argentine products caused by the devaluation of the Brazilian *real*. Total imports (measured on a CIF basis) in 1999 fell by 18.7% to U.S.$25.5 billion due to decreased demand in Argentina, particularly for capital goods. The decrease in exports in 1999 is due to the contraction of the Brazilian economy and the decrease of commodity prices. The decrease in imports in 1999 is attributable to the recession in Argentina. During 1999, exports to Mercosur countries (30.2% of Argentina's total exports in that year) fell by 25.2%, primarily due to decreased exports to Brazil, and imports from Mercosur countries (24.6% of Argentina's total imports in that year) fell by 20.6% as compared to 1998, primarily due to recessionary conditions in Argentina.

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

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

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

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

Exports by Groups of Products[1]

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

(1) Measured on an FOB basis.

(2) Preliminary figures.

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

Source: INDEC.

Imports by Groups of Products[1]

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

(1) Measured on a CIF basis.

(2) Preliminary figures.

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

Source: INDEC.

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

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

Geographic Distribution of Trade

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

Source: INDEC.

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

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

In December 1994, Mercosur agreed to establish a common set of regulations for the automotive sector to be implemented by 2000. Argentina agreed to treat Brazilian automotive parts as if they were of local origin, and Brazil agreed not to impose duties or quotas on the import of vehicles from Argentina. In June 1995, however, Brazil announced that it intended to impose quotas on car imports from its Mercosur partners, including Argentina. Brazil has agreed to exempt Argentina from such quotas pending the conclusion of negotiations between the two countries to resolve these issues. On June 30, 2000, Argentina and Brazil signed an agreement implementing a regulatory framework for trade in the automotive sector between the two countries. As part of that regulatory framework, the two countries established common automotive tariffs, most of which are set at 35%. This agreement will later be adopted by the other Mercosur countries.

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

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

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

Foreign Investment

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

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

MONETARY SYSTEM

The Central Bank

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Sector

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

- implementing and enforcing Argentina's banking laws,
- establishing and enforcing accounting and financial reporting requirements for the banking sector,
- monitoring and regulating the lending practices of financial institutions and
- establishing and enforcing rules for financial institutions raising foreign exchange or issuing bonds.

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

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

The Argentine Financial System

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

(1) National, provincial and municipal.

Source: Central Bank.

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

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

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

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

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

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

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

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

Liquidity and Credit Aggregates

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

Monetary Base and Central Bank International Reserves[1]

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

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

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

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

(4) Excludes Government deposits in the Central Bank.

(5) Preliminary figures.

Source: Central Bank.

Liquidity and Credit Aggregates

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

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

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

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

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

Source: Central Bank.

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

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

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

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

Credit Granted to Non-Financial Institutions

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

Source: Central Bank.

Inflation

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

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

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

Inflation

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

(1) Rate of change shown in percentages.

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

Source: INDEC.

Foreign Exchange Rates and International Reserves

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

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

International Reserves(1)

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

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

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

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

Source: Central Bank.

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

Securities Markets

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

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

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

Government Bonds and Treasury Bonds

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

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

Corporate Bonds

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

Equities

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

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

Argentine Capital Market

	As of December 31,				
	1995	1996	1997	1998	1999
Shares	37.1	44.4	59.0	45.3	83.0
Negotiable obligations	2.9	3.5	3.8	4.3	5.0
Public bonds	32.4	39.5	42.7	37.8	49.2
National	32.6	39.1	42.3	37.6	49.0
Provincial	0.1	0.4	0.4	0.1	0.2
Total market capitalization (billions of dollars)(1)	72.4	87.3	105.4	87.4	137.2
Shares(2)	18.4	35.3	42.8	31.8	14.2
Public bonds(1)	213.2	460.0	398.8	202.3	188.2
Negotiable obligations(2)	n/a	0.6	0.6	0.5	0.6
Total volume (millions of dollars)(2)	282.4	484.7	449.6	239.7	197.0

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

(2) On the Buenos Aires Stock Exchange.

Source: CNV and Central Bank.

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

PUBLIC SECTOR FINANCES

Overview

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

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

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

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

Public Sector Accounts

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

Summary of Public Sector Accounts

	1995	1996	1997	1998	1999	As of June 30, 2000
			(billions of dollars)			
Revenues						
National administration taxes	$31.03	$33.18	$38.35	$40.36	$38.63	$20.67
Social security taxes[1]	13.70	10.28	12.20	11.99	10.89	5.36
Operating public enterprises						
Revenues	1.09	0.05	0.05	0.06	0.04	0.03
Expenditures	1.14	0.01	0.01	0.00	0.01	0.02
Total	(0.05)	0.05	0.04	0.06	0.03	0.01
Non-tax revenues	3.21	2.54	3.23	3.59	5.09	2.25
Capital revenues (excluding privatizations)	0.08	0.37	0.43	0.41	0.20	0.19
Total revenues	47.97	46.42	54.26	56.41	54.83	28.49
Expenditures (excluding interest payments)						
National administration wages	6.64	6.75	7.22	6.76	7.12	3.38
Goods and services	2.06	2.14	2.24	2.37	2.28	0.90
Social security[1]	15.63	15.44	17.20	17.48	17.44	8.46
Transfers to provinces	12.43	13.34	15.18	15.83	15.64	7.97
Other transfers[2]	6.26	6.12	7.46	7.71	8.29	3.95
Other expenditures	0.20	0.01	0.01	0.00	0.00	0.00
Capital spending	3.22	3.56	3.79	3.77	3.18	1.40
Total expenditures	46.44	47.37	53.10	53.92	53.95	26.06
Primary balance before privatizations	1.54	(0.95)	1.16	2.49	0.88	2.43
Privatization proceeds	1.17	0.37	0.31	0.10	2.58	0.00
Primary balance after privatizations	2.71	(0.58)	1.47	2.59	3.45	2.43
Interest payments	(4.08)	(4.61)	(5.75)	(6.66)	(8.22)	(4.77)
Overall balance	$(1.37)	$(5.19)	$(4.28)	$(4.07)	$(4.77)	$(2.33)

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

(2) Includes transfers to the PAMI.

Source: Ministry of Economy.

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

Summary of Public Sector Accounts

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

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

Source: Ministry of Economy.

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

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

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

- limits growth in public expenditures to the GDP growth rate,
- requires a reduction in the deficit from a maximum of 1.9% of GDP in the year 1999 to a balanced budget in the year 2003 and

- establishes a fiscal stabilization fund to be used in the event of fiscal crises.

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

Revenues

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

- payroll taxes based on employee wages and mandatory pension contributions (11% for employees and 17.6% (including PAMI) for employers),

- decree 1520/98, which set a schedule of reduction decreasing the tax rate to 11.6% in August 1999; in addition there are regional deductions which put the tax rate at the minimum of 2.93% to a maximum of 7.41%,

- the pensioner health system tax (3% for employees and 1.6% for employers),

- unemployment insurance (1.5% for employers) and

- employee health system tax (3% for employees and 5% for employers).

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

- an increase in the tax rate on gross corporate profits from 20% to 30% and

- a change in the personal income tax rate from a progressive scale of 11% to 30% to a progressive scale of 6% to 33% of income.

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

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

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

Composition of Tax Revenue

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

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

(2) Preliminary figures.

Source: Ministry of Economy.

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

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

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

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

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

- an increase in the value-added tax from 18% to 21%,
- increases in duties on imports from non-Mercosur countries, including the reintroduction of a 3% tax on imports that had been eliminated by the Government at the end of 1994 and an imposition of a 10% import tariff on capital goods, computer and telecommunications products,
- a reduction of export subsidies, previously set at up to 15%, to up to 10%,

- a reduction from 1% to 0.5% of a "wealth" tax on equity of more than U.S.$100,000 coupled with a substantial expansion in the scope of this tax,
- a unification of employer social security contribution rates across sectors and
- improvements in the administration and collection of the value-added tax and income taxes.

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

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

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

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

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

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

Expenditures

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

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

Composition of Public Sector Expenditures[(1)]

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

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

(2) Preliminary figures.

Source: Ministry of Economy.

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

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

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

The 2000 Budget

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

Social Security Reform

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

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

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

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

Assets Held in Private Pension Funds

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

Source: Superintendencia de AFJP.

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

PUBLIC SECTOR DEBT

Overview

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

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

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

Public Debt

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

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

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

Source: Ministry of Economy.

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

Summary of Public Debt Denominated in Foreign Currency, By Currency

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

Source: Ministry of Economy.

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

Public Debt Denominated in Foreign Currencies

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

(1) Does not include interest capitalized pursuant to an agreement in Round 5 of Paris Club negotiations, whereby the Paris Club creditors consented to capitalize interest on certain Paris Club indebtedness until March 1995. Such interest amounted to U.S.$519 million from the end of 1993 until March 1995 and U.S.$109 million from the end of 1994 until March 1995.

(2) Includes capitalized interest from Bocones and Botesos and coupons from Bonex for U.S.$30.5 million, which were payable but not redeemed as of June 30, 2000.

(3) Includes World Bank, IMF and IADB peso-denominated public debts, which could not be separated from foreign currency denominated public debt.

(4) The principal of the Par and Discount Bonds has been collateralized with U.S. Treasury Zero Coupon Bonds and *Kreditanstalt für Wiederaufbau* Zero Coupon obligations. In addition, 12 months of interest payments for the Par and Discount bonds denominated in U.S. dollars are fully collateralized while the Deutsche Mark Par and Discount Bonds are collateralized for less than 12 months of interest payments. Figures from 1998 on include collateral for Brady Bonds and other financial assets.

Source: Ministry of Economy.

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

Public Bonds Denominated in Foreign Currencies(1)

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

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

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

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

Source: Ministry of Economy.

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

Amortization of Total Public Sector Foreign Currency Debt(1)

	2001	2002	2003	2004	2005	2006-2029
			(millions of dollars)			
Bonds Denominated in European Currencies and Japanese Yen						
Eurobonds (Austrian Schillings)	$ 120			$ 68		
Eurobonds (Swiss Francs)			184			

	2001	2002	2003	2004	2005	2006-2029
			(millions of dollars)			
Eurobonds (Deustche Marks)		482	662	722	843	2,107
Par Bonds (Deustche Marks)						137
Discount Bonds (Deustche Marks)						136
Eurobonds (Spanish Pesetas)		113				
Eurobonds (Euros)	801	801	1,837	2,402	1,319	5,118
Eurobonds (British Pounds)	152					303
Eurobonds (Italian Lira)	243		243	790	486	1,022
Eurobonds (Japanese Yen)	847	471	188	1,035	471	386
Bonds Denominated in U.S. Dollars						
API						2
BOCON Prev. 1	298					
BOCON Prev. 2	751	569				
BOCON Prov. 1	148	148	148	148	148	197
BOCON Prov. 2	75	78	78	78	78	450
BOCON Prov. 3	39	52	52	52	52	77
BONEX 92	215	222				
Spread adjusted notes		311				
Capitalizable						2,561
Spanish Bond						55
BCRH	6	6	6	6	6	19
Bond Floating Rate Note					1,000	
Bono 2029				4	4	100
Bonos-Pagare	934	173				
Bono YPF		222	296	296	296	74
Bonte 2001	1,271					
Bonte 2002		2,767				
Bonte 2003			1,694			
Bonte 2003			1,091			
Bonte 2004				2,898		
Bonte 2005					1,772	
Bonte 2027						1,128
Euroletra 2004				300		
FRB	1,035	1,035	1,035	1,035	517	
Global Bond 2001	1,200					
Global Bond 2003			2,050			
Global Bond 2005					1,000	
Global Bond 2006						1,300
Global Bond 2009						1,750
Global Bond 2010						1,000
Global Bond 2017						4,575
Global Bond 2015						2,403
Global Bond 2019						1,433
Global Bond 2020						1,250
Global Bond 2027						3,535
Discount						1,456
Par						4,692
Ferrobono						6
Zero Coupon	458	202	181	161		0
Total Bonds	8,593	7,651	9,745	9,997	7,992	37,270
International Organizations						
Paris Club	405	278	180	227	274	1,064
Other bilaterals	321	308	297	292	265	774
Other Creditors						
Proveedores	102	86	74	79	76	162
Commercial Banks	1,789	560	370	390	325	365
BID	417	1,507	1,148	506	467	2,917

	2001	2002	2003	2004	2005	2006-2029
			(millions of dollars)			
BIRF	711	1,915	1,444	801	748	2,645
FONPLATA	6	5	4	3	3	6
FIDA	1	1	1	1	1	1
FMI	1,239	767	430	343	257	29
Total Foreign Currency Debt	$13,585	$13,079	$13,693	$12,637	$10,408	$45,233

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

Source: Ministry of Economy.

Debt Management Policy

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

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

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

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

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

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

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

Description of Debt and Debt Restructuring

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

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

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

Commercial Banks

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

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

The Brady Plan

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

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

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

The Discount Bonds:

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

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

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

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

IMF, IADB and World Bank

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

IMF

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

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

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

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

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

- a fiscal deficit of the Federal Government not to exceed U.S.$5.1 billion,
- a ceiling of U.S.$37.6 billion on non-interest expenditures of the Federal Government,
- a reduction in the Central Bank's domestic assets by no less than U.S.$0.7 billion,
- a limit on the increase in the public sector debt to no more than U.S.$6.2 billion and
- a limit on the increase in short term public sector debt to no more than U.S.$1 billion.

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

World Bank

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

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

- measures to combat unemployment.

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

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

IADB

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

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

Paris Club

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

Bonex

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

Euro and Other External Bonds

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

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

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

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

Outstanding Eurobonds and Other External Bonds

Year	Principal Amount (millions)
1995	
9.25% Notes due 2000	DM 1,000
10.5% Bonds due 2002	DM 1,000
1996	
10.25% Bonds due 2003	DM 1,000
9.25% Global Bonds due 2001	U.S. $1,000
13.25% Bonds due 2001[(1)]	ITL 500,000
7.4% Bonds due 2006[(1)]	Yen 23,000
11.25% Bonds due 2006	DM 1,000
9.0% Bonds due 2001[(1)]	ATS 1,750
5.5% Bonds due 2001[(1)]	Yen 90,000
11.75% Bonds due 2011	DM 1,000
11.5% Bonds due 2001	GBP 100
12.0% Bonds due 2016	DM 375
9.0% Bonds due 2003	DM 375
11.0% Bonds due 2006	U.S. $1,000
11.0% Bonds due 2003[(1)]	ITL 500,000
6.0% Bonds due 2005[(1)]	Yen 50,000
11.75% Bonds due 2026[(1)]	DM 500
7.0% Bonds due 2003	SFr. 200
5.0% Bonds due 2002	Yen 50,000
8.5% Bonds due 2005	DM 1,000
1997	
10.0% Bonds due 2007[(1)]	ITL 600,000
11.75% Bonds due 2017	U.S. $2,000
11.75% Bonds due 2007[(1)]	ARP 500
7.0% Bonds due 2004	DM 1,500
7.0% Bonds due 2004[(1)]	ATS 1,000
7.5% Bonds due 2002	ESP 20,000
4.4% Bonds due 2004[(1)]	Yen 50,000
Floating Rate Bonds due 2004[(1)]	ITL 500,000
10.0% Bonds due 2007[(1)]	GBP 200
8.75% Bonds due 2002[(1)]	ARP 500
Reopening of 8.375% Global Bonds due 2003	U.S. $500
10.0% Bonds due 2007[(1)]	ITL 750,000
9.75% Bonds due 2027	U.S. $2,250
9.25% Bonds due 2004[(1)]	ITL 750,000

Year	Principal Amount (millions)
9.0% Bonds due 2004(1)	ITL 375,000
8.0% Bonds due 2009	DM 1,000
8.0% Notes due 2000(1)	ITL 300,000
9.5% Bonds due 2002	U.S. $500
1998	
8.75% Notes due 2003(1)	EURO 400
Step-Down Notes due 2008(1)	DM 1,500
Reopening of 9.75% Bonds due 2027	U.S. $500
Step-Down Notes due 2009(1)	ITL 750,000
Step-Down Notes due 2008	NLG 500
Step-Down Notes due 2008	FRR 1,500
Reopening of 11.75% Global Bonds due 2017	U.S. $750
Floating Rate Adjustable Notes due 2005	U.S. $1,000
8.125% Bonds due 2008	EURO 750
Reopening of 9.25% Global Bonds due 2001	U.S. $200
Zero Coupon Bonds due 2028	EURO 750
Reopening of 9.75% Global Bonds due 2027	U.S. $685
Step-Up Notes due 2010	DM 1,000
Floating Rate Bonds due 2005(1)	ITL 1,000,000
7.875% Bonds due 2005	DM 750
8.5% Bonds due 2010(1)	EURO 500
Reopening of 8.375% Global Bonds due 2003	U.S. $300
Reopening of 11.375% Global Bonds due 2017	U.S. $250
Step-Down Notes due 2003(2)	DM 500
Reopening of 11.375% Global Bonds due 2006	U.S. $300
Reopening of 7.0% Bonds due 2003	CHF 100
11.0% Global Bonds due 2005(3)	U.S. $1,000
Reopening of 11.375% Bonds due 2017	U.S. $375
1999	
11.375% Bonds due 2017	U.S. $200
8.0% Bonds due 2002	EURO 100
Reopening of 8.0% Bonds due 2002	EURO 50
12.125% Bonds due 2019	U.S. $1,000
Step-Down Bonds due 2008	EURO 350
8.875% Bonds due 2029	U.S. $125
9.5% Bonds due 2004	EURO 300
Reopening of 9.5% Bonds due 2004	EURO 100
Step-Down Bonds Due 2008	EURO 250
Floating Rates Notes due 2004(1)	U.S. $300
9.0% Bonds due 2006	EURO 450
9.0% Bonds due 2009	EURO 500
9.0% Bonds due 2009	EURO 150
11.75% Bonds due 2009	U.S. $1,000
11.75% Bonds due 2009	U.S. $500
11.75% Bonds due 2009	U.S. $250
Step Down Bonds due 2004(1)	EURO 250
Step Down Bonds due 2004(1)	EURO 150
7.125% Notes due 2002(1)	EURO 200
8.5% Bonds due 2004	EURO 250
8.5% Bonds due 2004	EURO 100
Floating Rate Notes due 2003	EURO 100
8.5% Bonds due 2004	EURO 200
3.5% Bonds due 2009(1)	JPY 18,000
8.5% Bonds due 2001	EURO 250
Reopening of 8.5% Bonds due 2001	EURO 100
Reopening of 8.5% Bonds due 2004	EURO 100
Reopening of 8.5% Bonds due 2001	EURO 100

Year	Principal Amount (millions)
Reopening of 8.75% Bonds due 2003[1]	EURO 200
Floating Rate Bonds due 2004[1]	EURO 200
7.3% Bonds due 2001	EURO 150
7.3% Bonds due 2001	EURO 150
9.25% Bonds due 2002	EURO 250
9.25% Bonds due 2003	EURO 250
9.75 Bonds due 2003	EURO 250
10% Bonds due 2004	EURO 300
10% Bonds due 2004	EURO 100
Zero Coupon Bonds of various maturities	U.S. $1,500
11.375% Bonds due 2017	U.S. $500
2000	
10% Bonds due 2005[1]	EURO 250
Reopening of 10% Bonds due 2005[1]	EURO 400
8.125% Bonds due 2004[1]	EURO 500
9% Bonds due 2005[1]	EURO 750
9% Bonds due 2004[1]	EURO 500
10.25% Bonds due 2007[1]	EURO 750
9% Bonds due 2003	EURO 1,000
10.25% Bonds due 2030	U.S. $1,250
Reopening of 12.125% Bonds due 2019	U.S. $433
11.375% Bonds due 2010	U.S. $1,000
11.75% Bonds due 2015	U.S. $2,402
10% Bonds due 2007[1]	EURO 500
9.25% Bonds due 2004[1]	EURO 500
5.125% Bonds due 2004	JPY 60,000
Reopening of 9.25% Bonds due 2004[1]	EURO 500

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

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

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

Source: Ministry of Economy.

Bocones

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

Botes and Botesos

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

Bontes, Letes, Bonos-Pagaré and Domestic Syndicated Loans

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

Letes and U.S.$12.6 billion of Bontes (including U.S.$6.4 billion issued under exchanges in 1999 and 2000) outstanding.

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

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

Debt Service

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

DEBT RECORD

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

Foreign Currency Denominated Debt
Direct Debt

Lender	Interest Rate	Issue Date	Final Maturity	Currencies	Principal Amount: Face Value	Principal Amount: Outstanding as of June 30, 2000
					(SDR)	(millions of dollars)
International Monetary Fund	Various	3/31/92	Various	SDR	4,020	$3,080
International Monetary Fund	Various	12/4/95	Various	SDR	612	677
Total					4,632	3,757
World Bank	(a)	5/06/86	6/15/01	USD	350	$ 29
World Bank	(a)	9/12/86	9/01/01	USD	19	2
World Bank	(a)	11/26/86	10/15/00	USD	16	4
World Bank	(a)	6/26/87	9/01/01	USD	14	17
World Bank	(a)	7/29/87	8/15/02	USD	496	103
World Bank	(a)	12/21/87	5/15/02	USD	61	8
World Bank	(a)	6/30/88	9/15/02	USD	72	14
World Bank	(a)	2/23/89	9/01/03	USD	28	98
World Bank	(a)	11/14/88	9/15/03	USD	300	105
World Bank	(a)	11/18/88	6/15/03	USD	15	19
World Bank	(a)	11/18/88	11/15/03	USD	20	42
World Bank	(a)	11/29/88	8/15/03	USD	22	10
World Bank	(a)	11/29/88	5/15/03	USD	120	30
World Bank	(a)	2/23/89	9/01/03	USD	28	8
World Bank	(a)	2/15/91	10/15/07	USD	200	124
World Bank	(a)	4/08/91	3/01/08	USD	300	200
World Bank	(a)	4/08/91	3/01/08	USD	23	15
World Bank	(a)	8/13/91	9/15/08	USD	23	16
World Bank	(a)	8/13/91	3/15/08	USD	34	22
World Bank	(a)	8/14/91	9/15/08	USD	325	246
World Bank	(a)	1/07/93	11/15/09	USD	170	137
World Bank	(a)	2/02/93	1/15/10	USD	300	254
World Bank	(a)	2/16/93	5/01/08	USD	400	320
World Bank	(a)	8/30/93	11/01/08	USD	100	85b
World Bank	(a)	2/02/93	3/15/08	USD	450	360
World Bank	(a)	7/14/94	7/01/04	USD	15	14
World Bank	(a)	6/10/94	6/15/03	USD	1	1
World Bank	(a)	11/21/94	3/15/09	USD	9	6
World Bank	(a)	11/29/94	1/15/09	USD	106	106
World Bank	(a)	12/29/94	12/31/02	USD	1	0
World Bank	(a)	3/24/95	3/01/10	USD	300	300
World Bank	(a)	3/24/95	11/15/09	USD	170	125
World Bank	(a)	5/05/95	8/01/10	USD	500	500
World Bank	(a)	10/18/95	5/15/10	USD	210	121
World Bank	(a)	10/18/95	10/15/10	USD	30	28
World Bank	(a)	10/18/95	2/15/13	USD	166	160
World Bank	(a)	12/05/95	2/15/08	USD	152	145
World Bank	(a)	12/05/95	10/1/10	USD	165	88
World Bank	(a)	12/05/95	4/15/10	USD	225	133
World Bank	(a)	1/19/96	9/15/10	USD	101	49
World Bank	(a)	3/26/96	10/01/10	USD	39	25
World Bank	(a)	4/26/96	7/15/11	USD	25	24
World Bank	(a)	4/26/96	7/15/11	USD	100	100
World Bank	(a)	4/26/96	9/15/09	USD	250	242

Lender	Interest Rate	Issue Date	Final Maturity	Currencies	Principal Amount Face Value (SDR)	Outstanding as of June 30, 2000 (millions of dollars)
World Bank	(a)	6/06/96	9/15/10	USD	16	7
World Bank	(a)	8/07/96	11/15/10	USD	116	47
World Bank	(a)	9/04/96	3/30/03	USD	1	1
World Bank	(a)	10/15/96	12/15/05	USD	1	1
World Bank	(a)	12/17/96	2/15/12	USD	300	300
World Bank	(a)	2/21/97	2/15/11	USD	11	3
World Bank	(a)	4/17/97	4/15/12	USD	20	11
World Bank	(a)	4/17/97	2/15/12	USD	200	322
World Bank	(a)	4/17/97	10/01/11	USD	20	50
World Bank	(a)	4/17/97	9/15/11	USD	300	318
World Bank	(a)	7/07/97	9/15/12	USD	200	200
World Bank	(a)	9/23/97	7/15/12	USD	100	40
World Bank	(a)	9/23/97	6/15/12	USD	15	11
World Bank	(a)	12/10/97	6/15/12	USD	200	57
World Bank	(a)	11/21/97	11/15/12	USD	75	50
World Bank	(a)	11/21/97	11/15/12	USD	75	75
World Bank	(a)	1/20/98	11/15/12	USD	100	100
World Bank	(a)	1/20/98	11/15/12	USD	50	35
World Bank	(a)	1/20/98	3/15/12	USD	125	8
World Bank	(a)	6/5/98	9/15/12	USD	75	33
World Bank	(a)	6/5/98	2/15/13	USD	42	8
World Bank	(a)	10/20/98	8/15/13	USD	284	198
World Bank	(a)	11/11/98	4/15/03	USD	2,275	1,775
World Bank	(a)	10/20/98	5/15/13	USD	1	1
World Bank	(a)	10/20/98	3/15/13	USD	40	25
World Bank	(a)	1/28/99	4/15/13	USD	18	0
World Bank	(a)	3/29/99	3/15/14	USD	30	4
World Bank	(a)	7/15/99	4/15/14	USD	10	3
World Bank	(a)	8/25/99	10/15/13	USD	90	15
World Bank	(a)	10/26/99	2/15/14	USD	30	1
World Bank	(a)	11/29/99	6/15/14	USD	5	0
Total					11,204	$7,325
Inter American Development Bank	0.075	2/21/67	2/21/17	CAD	46	0
Inter American Development Bank	3.00	4/15/78	4/19/03	ARP	11	2
Inter American Development Bank	3.00	5/26/79	5/24/09	ARP	33	9
Inter American Development Bank	9.25	3/27/82	3/24/02	Various	116	20
Inter American Development Bank	4.00	3/27/82	3/24/02	ARP	15	3
Inter American Development Bank	9.25	3/21/84	3/21/04	USD	42	17
Inter American Development Bank	4.00	3/21/84	3/21/04	ARP	49	19
Inter American Development Bank	4.00	9/24/84	9/24/09	Various	29	20
Inter American Development Bank	4.00	3/21/84	3/21/04	ARP	9	4
Inter American Development Bank	4.00	9/24/84	3/24/00	USD	41	16
Inter American Development Bank	4.00	3/21/84	3/21/04	ARP	17	7
Inter American Development Bank	3.00	9/24/84	9/24/09	ARP	15	11
Inter American Development Bank	4.00	9/24/84	9/24/04	ARP	29	14
Inter American Development Bank	8.35	12/23/85	7/06/05	Various	33	18
Inter American Development Bank	4.00	1/20/87	1/20/12	ARP	1	1
Inter American Development Bank	7.53	1/20/87	1/21/12	USD	93	89
Inter American Development Bank	6.23	3/10/88	3/10/13	USD	97	33
Inter American Development Bank	7.76	3/10/88	3/10/88	USD	94	11
Inter American Development Bank	(b)	12/20/89	1/06/15	USD	4	4
Inter American Development Bank	(b)	3/22/91	3/22/13	USD	32	36

Lender	Interest Rate	Issue Date	Final Maturity	Currencies	Principal Amount Face Value	Principal Amount Outstanding as of June 30, 2000
					(SDR)	(millions of dollars)
Inter American Development Bank . . .	(b)	3/22/91	3/22/11	USD	155	191
Inter American Development Bank . . .	(b)	11/15/91	11/15/11	USD	252	253
Inter American Development Bank . . .	(b)	5/30/91	1/06/16	USD	54	63
Inter American Development Bank . . .	(b)	4/07/92	10/07/13	Various	23	24
Inter American Development Bank . . .	(b)	4/07/92	4/07/12	Various	233	231
Inter American Development Bank . . .	(b)	4/07/92	4/07/13	Various	2	3
Inter American Development Bank . . .	4.00	4/07/92	4/07/17	ARP	1	1
Inter American Development Bank . . .	3.00	4/07/92	4/07/17	ARP	11	14
Inter American Development Bank . . .	(b)	12/29/92	12/29/12	Various	310	338
Inter American Development Bank . . .	(b)	12/29/92	12/29/12	USD	272	289
Inter American Development Bank . . .	4.00	7/08/93	7/08/13	USD	16	21
Inter American Development Bank . . .	4.00	9/22/93	3/21/99	ARP	19	5
Inter American Development Bank . . .	(b)	3/21/94	3/21/14	USD	74	63
Inter American Development Bank . . .	(b)	11/21/93	3/21/14	USD	4	5
Inter American Development Bank . . .	(b)	9/15/94	12/06/14	Various	97	117
Inter American Development Bank . . .	3.00	9/15/94	12/06/19	ARP	15	18
Inter American Development Bank . . .	(b)	1/11/95	1/11/15	Various	36	40
Inter American Development Bank . . .	4.00	6/05/95	6/05/20	ARP	23	23
Inter American Development Bank . . .	4.00	6/05/95	6/05/20	USD	14	11
Inter American Development Bank . . .	(b)	6/05/95	6/05/10	Various	582	688
Inter American Development Bank . . .	(b)	6/28/95	6/28/15	Various	349	378
Inter American Development Bank . . .	(b)	4/05/95	4/05/15	USD	233	249
Inter American Development Bank . . .	(b)	3/26/96	9/26/15	USD	97	36
Inter American Development Bank . . .	(b)	12/19/96	12/19/11	USD	248	319
Inter American Development Bank . . .	(b)	9/10/96	9/10/16	USD	25	9
Inter American Development Bank . . .	(b)	2/20/97	2/20/22	USD	79	12
Inter American Development Bank . . .	(b)	3/16/97	3/16/17	USD	78	10
Inter American Development Bank . . .	(b)	8/4/97	8/4/17	USD	81	19
Inter American Development Bank . . .	(b)	8/4/97	8/4/17	USD	287	144
Inter American Development Bank . . .	3.00	3/16/98	9/16/27	ARP	13	3
Inter American Development Bank . . .	3.00	3/16/98	9/16/27	USD	13	4
Inter American Development Bank . . .	(b)	2/11/98	2/11/18	USD	8	2
Inter American Development Bank . . .	(b)	3/16/98	3/16/18	USD	202	6
Inter American Development Bank . . .	(b)	7/22/98	1/22/17	USD	64	59
Inter American Development Bank . . .	3.00	12/9/98	12/9/23	APP	8	11
Inter American Development Bank . . .	(b)	8/8/98	8/8/23	USD	300	20
Inter American Development Bank . . .	3.00	12/9/98	6/9/23	ARP	7	10
Inter American Development Bank . . .	(b)	1/13/99	1/13/24	USD	6	1
Inter American Development Bank . . .	(b)	11/1/99	11/1/19	USD	109	7
Total					29,202	4,105
Paris Club Round 3	Various	1989	2000	Various	3,338	147
Paris Club Round 4	Various	1991	2002	Various	1,263	546
Paris Club Round 5(c)	Various	1992	2008	Various	2,733	2,078
Total					7,334	2,771
FONPLATA.	Various	1983-95	2001-7	USD/ARP	26	30
Total					26	30
FIDA				SDR	7	6
Others	Various	Various	Various	USD	2,620	$2,807

TABLES AND SUPPLEMENTAL INFORMATION

Foreign Currency Denominated Debt
Direct Debt
Foreign Currency Denominated Bonds

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

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

Lender	Interest Rate	Issue Date	Final Maturity	Currencies	Principal Amount Face Value	Principal Amount As of June 30, 2000
					(millions of dollars)	(millions of dollars)
Letes	8.68%	5/26/00	8/25/00	USD	254	254
Eurobond	5.125%	6/14/00	6/14/04	JPY	563	565
Global Bond	11.75%	6/15/00	6/15/15	USD	2,403	2,403
Letes	7.39%	6/16/00	9/15/00	USD	254	254
Letes	7.99%	6/16/00	12/15/00	USD	352	352
Eurobond	9.00%	6/20/00	6/20/03	EURO	1,000	942
Bonos A Tasa Capitalizable		6/29/00	6/29/20	USD	1	1
Letes	7.55%	6/20/00	9/29/00	USD	256	256
Total					$86.504	$69,689

Foreign Currency Denominated Debt
Direct Debt

Lender	Interest Rate	Issue Date	Final Maturity	Currencies	Principal Amount Face Value (millions of dollars)	Principal Amount As of June 30, 2000 (millions of dollars)
Floating Rate						
Bonex 87	Floating	9/07/87	9/07/97	USD	1,000	11
Bonex 89	Floating	12/28/89	12/28/99	USD	4,642	11
BOCON Prev. 1(2)	Floating	4/01/91	4/01/01	USD	6,278	757
BOCON Prov. 1	Floating	4/01/91	4/01/07	USD	3,061	1,012
BOCON Prov. 2(2)	Floating	12/28/94	12/28/10	USD	960	937
Ferrobono	Floating	10/01/91	12/31/23	USD	400	6
BOCON Prev. 2(2)	Floating	9/01/92	9/01/02	USD	5,001	1,700
Bonex 92(1)	Floating	9/15/92	9/15/02	USD	4,000	655
BOCON Regalías Hidrocarburíferas	Floating	12/02/92	12/02/08	USD	3,054	54
Discount Bonds	Floating	3/31/93	3/31/93	USD	4,136	1,456
Discount Bonds	Floating	3/31/93	3/31/93	DM	169	136
Floating Rate Bonds	Floating	3/31/93	5/31/05	USD	8,467	5,173
Spanish Bonds	Floating	3/31/93	3/31/08	USD	55	55
Eurobond	Floating	8/15/96	8/15/99	USD	500	500
FRN	Floating	5/27/97	5/27/04	ITL	297	243
SPAN	Floating	12/16/97	11/30/02	USD	500	311
FRAN	Floating	4/13/98	4/10/05	USD	1,000	1,000
Eurobond	Floating	7/08/98	7/8/05	ITL	558	486
Eurobond	Floating	4/06/99	4/6/04	USD	300	300
Bocon Prev. 3(2)	Floating	12/28/98	12/28/10	USD	114	114
National Government Floating Rate Bonds	Floating	1/14/98	2/20/01	USD	813	267
Bonte 03	Floating	7/21/98	7/21/03	USD	1,091	1,091
Floating Rate Bond 2006	Floating	2/03/99	2/03/06	USD	2,000	1,184
Eurobond	Floating	4/06/99	4/06/04	USD	300	300
Bocon 3	Floating	4/15/99	4/15/07	USD	383	361
Floating Rate Bond 2001	Floating	7/14/99	7/14/01	USD	352	341
Badlar Bond	Floating	7/14/99	7/14/01	USD	74	74
Floating Rate Bond 2004	Floating	12/22/99	12/22/04	EURO	105	94
Floating Rate Bond 2001	Floating	11/02/99	11/02/01	USD	480	470
Badlar Bond	Floating	11/02/99	11/02/01	USD	11	11
Eurobond	Floating	12/22/99	12/22/04	EURO	202	188
Floating Rate Bond 2002	Floating	4/24/00	4/24/02	USD	197	173
Total					$49,593	$18,535

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

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

Peso Denominated Debt
Direct Debt

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

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

Foreign Currency Denominated Debt
Indirect Debt

Lender	Interest Rate	Issue Date	Final Maturity	Currencies	Principal Amount: Amount Disbursed (millions of dollars)	Principal Amount: Outstanding as of June 30, 2000 (millions of dollars)
World Bank	(a)	12/21/87	5/15/02	USD	$ 61	$ 8
World Bank	(a)	11/29/88	5/15/03	USD	120	12
World Bank	(a)	6/30/88	9/15/02	USD	72	141
World Bank	(a)	11/18/88	6/15/03	USD	150	45
World Bank	(a)	11/29/88	8/15/03	USD	120	299
World Bank	(a)	11/18/88	11/15/01	USD	200	42
World Bank	(a)	3/30/89	4/01/04	USD	7	3
World Bank	(a)	8/13/91	11/15/07	USD	100	21
World Bank	(a)	8/13/91	3/15/08	USD	34	22
World Bank	(a)	9/19/92	5/15/09	USD	20	17
World Bank	(a)	11/16/92	11/01/09	USD	300	261
World Bank	7.43	10/01/93	6/01/08	USD	340	289
World Bank	(a)	11/29/94	1/15/09	USD	106	106
World Bank	(a)	10/18/95	8/15/10	USD	333	500
World Bank	(a)	4/26/96	9/15/09	USD	250	242
World Bank	(a)	6/06/96	9/15/10	USD	16	7
World Bank	(a)	10/20/98	5/15/13	USD	450	102
World Bank	(a)	11/16/98	5/15/13	USD	119	64
World Bank	(a)	1/28/99	4/15/13	USD	18	3
World Bank	(a)	3/29/99	3/15/14	USD	30	37
World Bank	(a)	7/15/99	4/15/14	USD	10	27
World Bank	(a)	8/25/99	10/15/13	USD	91	152
World Bank	(a)	10/26/99	2/15/14	USD	30	8
World Bank	(a)	11/29/99	6/15/14	USD	5	5
Total				USD	2,912	1,905
Inter American Development Bank	(b)	1/17/77	1/05/06	USD	196	17
Inter American Development Bank	3.00	4/15/78	4/19/03	ARP	27	5
Inter American Development Bank	7.50	11/06/79	11/06/99	USD	210	6
Inter American Development Bank	8.25	1/30/81	1/06/01	USD	90	10
Inter American Development Bank	8.25	5/15/81	1/06/01	USD	48	7
Inter American Development Bank	4.00	5/15/81	1/06/01	ARP	4	3
Inter American Development Bank	9.25	9/16/82	9/16/02	Various	37	8
Inter American Development Bank	3.00	9/16/82	9/16/07	ARP	15	6
Inter American Development Bank	(b)	12/06/85	5/24/05	Various	60	25
Inter American Development Bank	7.97	9/17/85	9/17/05	USD	40	14
Inter American Development Bank	3.00	12/23/85	01/06/06	ARP	11	4
Inter American Development Bank	(b)	9/17/85	9/17/05	USD	40	14
Inter American Development Bank	7.78	4/9/87	1/9/07	USD	75	4
Inter American Development Bank	(b)	11/18/88	11/18/14	USD	70	54
Inter American Development Bank	(b)	11/18/88	11/18/03	USD	106	37
Inter American Development Bank	(b)	11/17/88	11/17/08	Various	250	157
Inter American Development Bank	(b)	4/02/90	4/06/10	Various	250	174
Inter American Development Bank	3.00	5/30/91	8/05/16	Various	29	28
Inter American Development Bank	(b)	1/26/94	7/26/13	USD	130	125
Inter American Development Bank	(b)	2/14/94	3/21/14	Various	278	212
Inter American Development Bank	(b)	1/17/94	3/21/09	USD	30	31
Inter American Development Bank	(b)	12/30/93	3/21/14	USD	150	87

Lender	Interest Rate	Issue Date	Final Maturity	Currencies	Principal Amount: Amount Disbursed	Principal Amount: Outstanding as of June 30, 2000
					(millions of dollars)	(millions of dollars)
Inter American Development Bank ...	(b)	6/5/95	6/5/20	Various	250	153
Inter American Development Bank ...	(b)	8/4/97	8/4/17	USD	350	248
Inter American Development Bank ...	(b)	12/1/97	11/19/17	USD	96	57
Inter American Development Bank ...	(b)	2/05/98	2/05/18	USD	250	33
Inter American Development Bank ...	(b)	10/18/99	10/18/24	USD	250	15
Total					$36,227	$1,399

(a) Floating World Bank rate + 0.5%.

(b) Floating IADB rate.

(c) The figure in the amount of debt was refinanced between 1992 and 1995.

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