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On Argentina's Plans To Secure Foreign Loans, Upcoming Debt Negotiations

by John Neagle
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Since April last year, Argentina has made only token debt payments. At present, arrears total about $4.4 billion, of which the International Monetary Fund is owed $620 million. Private banks account for about half of Argentina's $60 billion foreign debt. Argentine President Carlos Menem is committed to obtaining a 50% reduction in his government's foreign commercial bank debt. Next month Buenos Aires will begin formal negotiations with the IMF to obtain a $1.5 billion stand-by loan. In an effort to persuade the Fund and bankers that his government is serious about "improving the domestic investment climate" and meeting well-known "conditions" to qualify for new loans and debt reduction, Menem has introduced a series of economic reforms. On Aug. 17, the Argentine national congress passed legislation to privatize 30 large state-owned enterprises partially or completely. Included on the list are television stations, Aerolineas Argentinas, the railway company, Yacimientos Petroliferos Fiscales (YPF, the state-run oil company), and the telecommunications company. In the next few weeks, legislators are to debate a law that would protect dollar deposits in Argentina, considered essential to persuade wealthy Argentines to retrieve billions of dollars from foreign banks. According to officials statistics made available to an IMF technical mission in Buenos Aires on Aug. 24, when Menem assumed power in early July, the public deficit had reached 22.6% of gross domestic product. The Congress was also asked to approve the termination of subsidies to inefficient businesses, a series of policies that would "open up" the domestic economy to foreign capital, and making the Central Bank autonomous. Shortly after Menem took power, the government implemented a price freeze combined with a policy of wage hikes somewhat below the inflation rate; a high exchange rate for the dollar; and, major price hikes for utilities and other public services. Menem's economic team is reportedly hoping that within the next few months consumer purchasing power will surpass inflation and create demand which would in turn boost domestic industry. About 40% of Argentina's industrial capacity is idle at present. (Basic data from Noticias Argentinas, 08/09/89; New York Times, 08/07/89, 08/28/89; Xinhua, 08/25/89; Washington Post, 08/13/89)

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