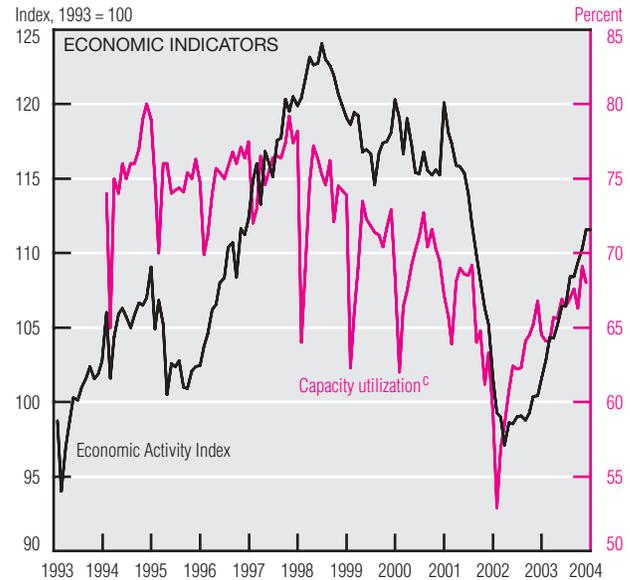
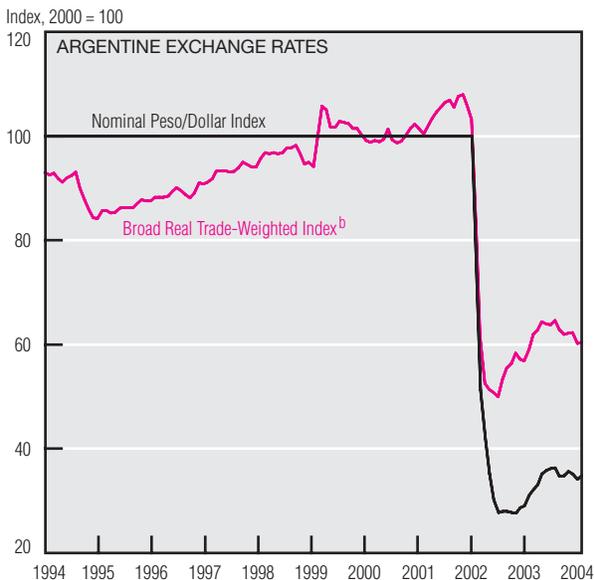
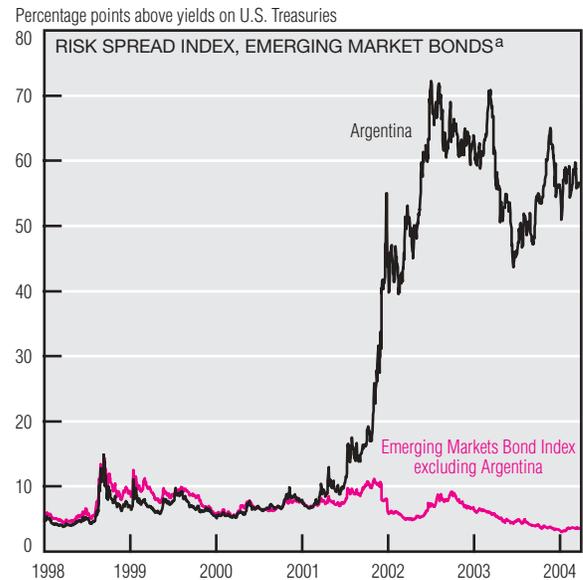
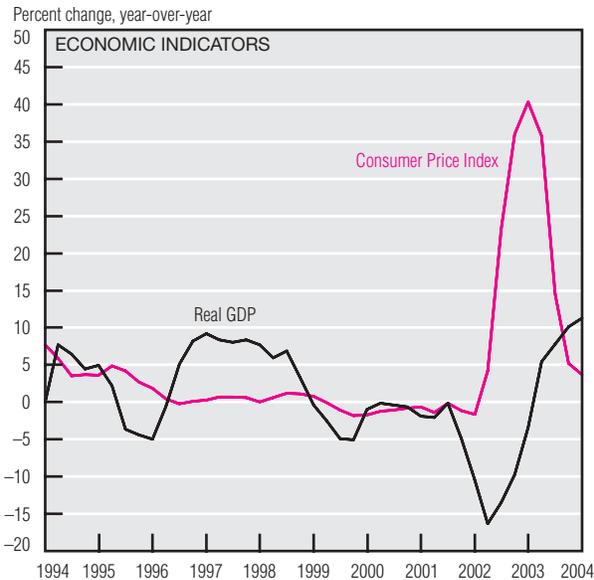


Argentina



a. Data from J.P. Morgan. The index includes external-currency-denominated Brady bonds, loans, and Eurobonds as well as U.S. dollar-denominated local market instruments.

b. Data from J.P. Morgan.

c. Not seasonally adjusted.

SOURCES: International Monetary Fund, *International Financial Statistics*; J.P. Morgan; Bloomberg Financial Information Services; Argentina Ministry of Economy and Production; and Fundacion de Investigaciones Economicas Latinoamericanas.

After a few days of uncertainty, Argentina made its scheduled \$3.1 billion repayment of an International Monetary Fund (IMF) loan on March 9. (Argentina defaulted temporarily on a payment to the IMF last September.) The IMF will now re-lend the money as part of its original arrangement with Argentina. The country has met most of the IMF's targets for growth, inflation, and fiscal discipline, but the IMF had balked at rolling over the loan because Argentina had failed to under-

take "good faith" negotiations with private creditors on debts stemming from its December 2001 default. That issue now seems to be resolved.

Why did Argentina default in 2001? Economists generally cite two reasons. Pegging the peso to the dollar resulted in a real appreciation of the peso against a broader array of the country's trading partners and created balance-of-payment problems. Persistent fiscal imbalances—along with contagion from the Asian and Russian financial crises, which took

their toll on Argentine economic growth—made it increasingly difficult to service the debt.

Although Argentina's recent economic performance has been impressive, activity is still below its 1998 level. The IMF currently forecasts economic growth at a rate of 5.5% for 2004, up from the forecast of 4.0% last September. Recovery will renew calls for Argentina to come to terms with its creditors, a prerequisite if it hopes to become a viable option for foreign investment.