

# Report for Congress

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## **The Argentine Financial Crisis: A Chronology of Events**

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# The Argentine Financial Crisis: A Chronology of Events

## Summary

In December 2001, after four years of recession and escalating social unrest, Argentina's economy collapsed, forcing the resignation of President Fernando de la Rúa. After a period of short-term presidential successions, on January 1, 2002, the Argentine Congress selected Eduardo Duhalde to complete de la Rúa's December 2003 term. Duhalde then struggled to resolve Argentina's deep-seated economic and political problems. The seeds of Argentina's financial and political crisis were planted in 1991 with adoption of a currency board to fight hyperinflation, a plan that rested on the guaranteed convertibility of peso currency to dollars at a one-to-one fixed rate. Argentina, however, proved unable to enforce the economic policies needed to support the convertibility plan and when beset by numerous external shocks, went from prolonged recession to financial crisis, including defaulting on \$151 billion of debt, despite repeated financial assistance from the International Monetary Fund (IMF).

Argentina's economy resumed growth in late 2002, quicker than many had predicted. By 2003, however, it was clear that many problems persisted, most notably high rates of unemployment and poverty. The country's financial problems also remain unresolved. Argentina faces a large debt workout with private creditors and has been unable to come to terms with the IMF over a medium-term financial assistance package. On January 16, 2003 the IMF agreed, with some reservations, to a new transitional \$6.8 billion arrangement, supported by the United States and other G-7 countries as necessary for Argentina to avoid defaulting on the IMF. The IMF arrangement had few new conditions and provided sufficient financial resources only to "roll over" Argentina's IMF repayments through August 2003. The program's designers assumed that a medium-term IMF arrangement could be put in place by September 2003, when a nearly \$3 billion payment comes due.

On May 25, 2003, Governor Néstor Kirchner was inaugurated President of Argentina in what was widely considered a fair election with high voter turnout. His administration faces daunting long-term problems as well as dealing with short-term needs, such as negotiating a new IMF agreement. To meet its multiple obligations, Argentina will have to face calls from the IMF and others to impose strict fiscal measures, redefine its federal/provincial fiscal relationship, reassess its tax structure, restructure its banking system and utility rate contracts, and face head on debt restructuring, among other painful policy choices. Under these conditions, it remains to be seen if Argentina is on a true path to political and economic recovery, or merely biding time. This is the final version of this report, which provides a summary of events from before Argentina's adoption of the currency board in 1991 to the May 25, 2003 inauguration of President Kirchner.

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# The Argentine Financial Crisis: A Chronology of Events

Argentina's financial crisis resulted from a confluence of events over time, some external to Argentina's policy process, others directly related to its political and economic choices. Although it is debatable when the precise point of no return was reached, it is clear that by early 2001 political, economic, and social events had taken a significant turn for the worse and that by December 2001 a full blown financial and political crisis had emerged.<sup>1</sup> The seeds of the crisis were planted with the decision to adopt a currency board in 1991, a strategy conceived by then-President Carlos Menem to fight hyperinflation. The strategy rested on an exchange rate regime that legally guaranteed the convertibility of peso currency to dollars at a one-to-one fixed rate.

The long-term success of Argentina's monetary arrangement hinged on continuing economic growth and disciplined macroeconomic policies, both of which were absent by the mid-1990s. Add poor policy choices and an inhospitable international economic environment and Argentina's economy began to unravel. Social unrest escalated, particularly after a freeze was placed on bank withdrawals, which forced President Fernando de la Rúa to resign from office on December 20, 2001. In 2002, Argentina struggled under the congressional presidential selection of Senator Eduardo Duhalde, who oversaw the demise of the currency board and the resulting deep financial repercussions. For most of 2002, Duhalde's government was unable to come to terms with the International Monetary Fund (IMF) or gain the political trust of the Argentine people.

By 2003, economic and political trends became more settled and economic growth had resumed. On January 24, 2003, the Executive Board of the IMF approved a \$6.8 billion interim program that covered Argentina's obligations to the Fund through August 2003, and also made way for additional assistance from the World Bank and Inter-American Development Bank (IDB). On May 25, 2003, Governor Néstor Kirchner was inaugurated President of Argentina in what was widely accepted as a fair election with heavy voter turnout. Argentina now finds itself at the crossroads. In the short term, it faces negotiating a new IMF arrangement before a \$2.7 billion payment comes due IMF in September 2003. Over the longer term, the government must address its huge foreign debt default, the call for broad government reforms, and the imperative for devising a long-term economic strategy, a daunting challenge for the new administration.

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<sup>1</sup> For a more detailed discussion of events leading up to the crisis, see CRS Report No. RS21072, *The Financial Crisis in Argentina*, by J. F. Hornbeck.

## Chronology of Events

The following is a summary of events from before Argentina's adoption of the currency board in 1991 to developments through the May 25, 2003 presidential inauguration. It concentrates on the 18-month period beginning in December 2001, a time during which the financial crisis peaked, followed by Argentina's movement toward political and economic stability. The report concludes as Argentina enters a new and unsure chapter in its national rebuilding and will not be updated.<sup>2</sup>

### 1980s - 1998

- |               |  |
|---------------|--|
| 1980s         | Argentina suffers through an extended period of economic instability including hyperinflation and the Latin American debt crisis.  |
| 1989          | Peronist candidate Carlos Menem is elected President of Argentina and in 1991 appoints Domingo Cavallo as Minister of Economy. They enact a major structural adjustment program including tax reform, privatization, trade liberalization, deregulation, and adoption of a currency board.   |
| April 1, 1991 | Argentina's Congress enacts the Convertibility Law, which legally adopts the currency board guaranteeing the convertibility of peso currency to dollars at a one-to-one fixed rate and limiting the printing of pesos only to an amount necessary to purchase dollars in the foreign exchange market. Effectively, each peso in circulation is backed by a U.S. dollar and monetary policy is forcibly constrained to uphold that promise. |
| 1991-94       | Argentina enjoys strong economic growth and the currency board is considered highly successful.  |
| 1995          | Following Mexico's December 1994 peso devaluation, capital flows out of emerging markets. Argentina's GDP declines by 2.8%.  |
| May 1995      | Menem is reelected President after convincing Congress to change electoral laws that prohibit a second term.   |
| 1995-1999     | The U.S. dollar experiences a prolonged period of real appreciation, resulting in similar appreciation of the peso relative to the currencies of Argentina's trading partners.   |
| 1996-1997     | Renewed period of Argentine economic growth (5.5% in 1996, 8.1% in 1997), but current account deficit and debt measures worsen.  |
| July 1997     | East Asian financial crisis begins with devaluation of the Thai bhat.  |

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<sup>2</sup> The events compiled here are drawn from standard news sources and from documents on the Web page of the International Monetary Fund (IMF) at [<http://www.imf.org/>].

## CRS-3

1998 Asian financial crisis moves to Russia and Brazil. Argentina enters a four-year recession in the third quarter and unemployment begins to rise.

## 1999

January 15 Brazil, facing its own financial crisis, devalues its currency, causing Argentine exports to its largest external market to fall dramatically.

September The Argentine Congress passes the Fiscal Responsibility Law, committing to large reductions in both federal and provincial government spending.

October 24 Fernando de la Rúa of the Radical Civic Union (UCR), the opposition coalition candidate, running on a platform to end corruption and the recession, defeats Peronist candidate Eduardo Duhalde for President.

December 10 De la Rúa is inaugurated President of Argentina and shortly thereafter seeks assistance from the IMF. The spread on Argentina's bonds, a measure of risk in the financial markets, is 610 basis points (6.1 percentage points) above U.S. Treasury bonds.

## 2000

March 10 The IMF agrees to a three-year \$7.2 billion stand-by arrangement with Argentina conditioned on a strict fiscal adjustment and based on the assumption of 3.5% GDP growth in 2000 (economy actually declined by 0.8%).

May 29 The government announces \$1 billion in budget cuts in expectation that fiscal responsibility will bring renewed confidence to economy, but triggers 20,000-person protest.

September 15 The IMF concludes an Article IV Consultation, the required annual comprehensive review of member country economies.

October 6 Vice President Carlos Alvarez resigns over de la Rúa's decision not to replace two cabinet members linked to a Senate bribery scandal.

December 18 The de la Rúa government announces a \$40 billion multilateral assistance package organized by IMF (see below).

## 2001

January 12 Argentina's continued weak economic performance prompts the IMF to augment the March 10, 2000 agreement by \$7.0 billion as part of a \$40 billion assistance package involving the Inter-American Development Bank (IDB), the World Bank, Spain, and private

lenders. The agreement assumed GDP would grow by 2.5% in 2001 (it actually declined by 3.7%).

- March 2 Ricardo Lopez Murphy is appointed Minister of Economy and immediately unveils financial austerity package, which is highly unpopular.
- March 19 Domingo Cavallo, again becomes Minister of Economy under Menem, replacing Ricardo Lopez Murphy in response to his insistence on fiscal austerity.
- June 16-17 The de la Rúa government announces a \$29.5 billion voluntary debt restructuring in which short-term debt is exchanged for new debt with longer maturities and higher interest rates.
- June 19 The peso exchange rate is adjusted for an effective 7% devaluation for foreign trade, intended to improve Argentina's international competitiveness, but raising doubts over the convertibility regime's credibility.
- July 10 Cavallo announces a plan to balance the budget, but markets react negatively, expressing lack of confidence. The spread on Argentine bonds expands to 1,300 basis points over U.S. Treasuries.
- July 19 Unions call a nationwide strike to protest government austerity plan.
- July 29 The Argentine Congress passes the "Zero Deficit Law," requiring a balanced budget by the fourth quarter of 2001.
- September 7 Based on Argentina's commitment to implement the "Zero Deficit Law" immediately, the IMF augments its March 10, 2000 agreement for a second time, increasing its lending commitment by another \$7.2 billion.
- October The use of provincial bonds as "scrip" to pay public salaries becomes widespread as federal revenue transfers decline.
- October 14 The opposition Peronist Party wins control of both chambers of Congress in mid-term elections.
- November 6 Argentina's second bond swap (\$60 billion) reduces average interest rate from 11-12% to 7%, but is deemed an "effective default" by international bond rating agencies.
- November 30 Bank runs begin with over \$1.3 billion in bank withdrawals. President de la Rúa imposes \$1,000 per month limitation on bank withdrawals.
- December 1 Protests begin over bank withdrawal limitations.

- December 5 The IMF withholds \$1.24 billion loan installment, citing Argentina's repeated inability to meet fiscal targets.
- December 7 Argentina announces it can no longer guarantee payment on foreign debt.
- December 13 Unemployment rate hits 18%, unions go out on a nationwide strike.
- December 14 Supermarket looting begins.
- December 19 Rioting spreads to major cities over deep budget cuts. The government declares a state of siege. Minister of Economy Domingo Cavallo resigns.
- December 20 President de la Rúa resigns and continued rioting leaves 28 people dead.
- December 21 Congress accepts President de la Rúa's resignation. Senate President Ramon Puerta is named provisional president for 48 hours.
- December 23 Congress appoints San Luis Governor Adolfo Rodríguez Saá as interim president until elections can be held in March 2002.
- December 26 Bank liquidity standards are relaxed. Rodríguez Saá announces a new economic plan based on: 1) suspension of payments on public debt (the largest sovereign in history); 2) a new jobs program; and 3) creation of new currency (the *Argentino*) to begin circulating in January 2002, but not convertible to the U.S. dollar.
- December 30 President Rodríguez Saá resigns after continued rioting and loss of party support. Senate leader Puerta resigns to avoid second appointment as interim president. No immediate presidential successor emerges.
- December 31 The Argentine Congress selects Peronist Senator Eduardo Duhalde to complete December 2003 Presidential term.

## 2002

- January 1 Senator Duhalde sworn in as President. He blames Argentina's economic problems on the free-market system and vows to change economic course.
- January 6 Following legislative action providing President Duhalde with emergency powers, he announces the end of the currency board and unveils a plan to devalue the peso by 29% for major foreign commercial transactions, with a floating rate for all other transactions. Other elements include: conversion of all debts up to \$100,000 to pesos (passing on devaluation cost to creditors); capital and bank



account controls; a new tax on oil to compensate creditors for the losses they will incur; renegotiation of public debt; and a balanced budget.

- January 10 Government announces it will “guarantee” dollar deposits, but to curtail bank runs, the \$1,000 (1,500 peso) limit on monthly withdrawals is maintained and all checking and savings accounts with balances exceeding \$10,000 and \$3,000, respectively, will be converted to certificates of deposit and remain frozen for at least one year.
- January 16 The IMF approves request for one-year extension on \$936 million payment due January 17, keeping Argentina from falling into arrears.
- January 17 The government announces that dollar denominated loans exceeding \$100,000 will be converted to pesos at a 1.4 fixed rate, deepening the balance sheet mismatch of banks.
- January 19-20 President Duhalde reverses his decision to guarantee dollar deposits.
- January 21 President Duhalde appoints Mario J. Blejer, a former IMF official, as Governor of the Central Bank of Argentina.
- January 23 The Argentine Senate passes a bankruptcy law that would restrict payment of foreign private debt payments through December 2003.
- January 28-29 Foreign Minister Carlos Ruckauf visits with Bush Cabinet members to appeal for political and financial support (specifically including IMF assistance).
- January 30 IMF team meets with Argentine officials, who declare intention to adopt a floating exchange rate. The Chamber of Deputies passes a new bankruptcy law, dollar denominated debt below \$100,000 to be converted to pesos at a 1-to-1 rate, and creditor action against loan defaults is suspended for 180 days.
- February 1 Argentine Supreme Court rules that government restrictions on bank deposit withdrawals are unconstitutional.
- February 3 The Argentine government closes foreign exchange markets, declares an end to dual exchange rate system in favor of a floating peso, and requires all deposits to be converted to inflation-indexed peso accounts at the previous official rate of 1.4 to the dollar. The dollar ends as an official circulating currency.
- February 4 By decree, Duhalde eases restrictions on bank withdrawals, but places a six-month moratorium on enforcement of Supreme Court order. Congress moves to impeach all nine members of the Supreme Court.

- February 5 Duhalde presents 2002 federal budget to congress calling for 15% cut in expenditures, including agreement with provincial governments to reduce the number of Chamber of Deputies and their staff by 25%.
- February 11 Foreign exchange market opens for first time with a free floating peso, which depreciates 20% to 2.5 to the dollar before rebounding to 1.9 to 2.2.
- February 13 The government announces that a 20% energy export tax will be used for general government expenditures rather than dedicated to bond repayments to support banking system, as originally promised.
- February 14 In meeting with IMF officials, Argentine representatives suggest that the country will need \$22-23 billion in assistance.
- February 18 Petroleum industry workers begin strike to protest energy export tax. Unemployment reaches 22%, general protests erupt into violent attacks on banks over continued restrictions on withdrawals.
- February 27 Provincial governors sign budget accord calling for 60% cut in provincial deficits, assumption of their debt by the federal government, and change in revenue sharing agreement from guaranteed minimum payments to a system of based on a percentage of federal tax collection.
- March 4 In addition to the existing 20% tax on energy exports, the government declares a 10% tax on farm exports and 5% tax on manufactured exports, with proceeds to be used to bolster social programs.
- March 5 The government announces its will issue \$44 billion in dollar- and peso-denominated bonds to banks and depositors for losses incurred from the mismatch in peso conversion between loans and deposits.
- March 6 The fiscal year 2002 budget passes Argentina's Congress.
- March 15 IMF 10-day mission to Argentina ends. Officials express support for Argentina, but raise concerns over plans for fiscal adjustment, the new bankruptcy law, and continued use of scrip for deficit financing.
- April 18 Scotiabank (Canada) becomes first bank to cease operations.
- April 24 President Duhalde and provincial governors sign a 14-point plan that meets all the major IMF goals needed for lending to resume.
- April 28 Roberto Lavagna confirmed as Minister of Economy, replacing Jorge Remes Lenicov after Congress rejects the latter's plan to convert saving accounts to bonds.
- April 29 Banks reopen after a one-week forced closure following bank runs.

- May 11-13 Argentina uses foreign exchange reserves to make \$159 million repayment to IMF and \$680 million repayment to the World Bank.
- May 16 Argentina bankruptcy law amended to meet IMF guidelines.
- May 19 State-owned Banco Nacion takes over three French banking affiliates, portending a deeper banking system crisis.
- May 21 IMF grants a one-year extension on \$130 million payment due. Argentina is scheduled to repay \$4.8 billion to IMF in 2002.
- May 22 Economy Minister Lavagna meets with IMF Managing Director Horst Koehler, who suggests the need for further reform. Argentine peso sinks to 3.6 to the dollar, down 72% since the financial crisis began.
- May 23 Some 4,000 workers strike before the presidential palace in the first major union protest since Duhalde became president.
- David de Ferranti, World Bank Vice President for Latin America and the Caribbean, and Argentina's Economy Minister Roberto Lavagna meet to discuss Argentina's economic situation.
- May 27 President Duhalde gives permission for Argentina's 23 provinces to issue scrip to pay state employees and government vendors until 2003.
- May 28 Argentina's Economy Ministry and executives of the Bank of Tokyo Mitsubishi and Shinsei Bank Ltd. meet to discuss the restructuring of \$2 billion worth of outstanding Samerai bond.
- June 7 The Government of Argentina declares an emergency on diesel fuel supplies. The government permits export limits and lifts the tax on diesel fuel in an effort to keep the domestic market supplied.
- June 14 At the 2002 Halifax Summit, the G7 Finance Ministers meet to discuss changes to international financial institutions and to discuss Argentina's financial crisis.
- June 25 Aldo Pignanelli takes over as president of Argentina's Central Bank.
- June 26 In response to the government's IMF-oriented economic policy, protestors convene on the Pueyrredon Bridge, between Buenos Aires and Avellaneda, resulting in 90 injuries and 2 deaths.
- Argentina's Economy Minister Roberto Lavagna announces that Argentine utilities can expect tariff adjustments to be progressive.
- Argentina's four mobile operators (Telecom Personal, Unifon, CTI Movil, Movicom Bellsouth) raise rates up to 15% to offset losses from the devaluation of the peso.

President Eduardo Duhalde appoints Aldo Piganelli as the new Central Bank Governor to replace Mario Blejer.

July The Independent Advisory Group on Argentina meets with Argentine officials to suggest changes in monetary policy. The group consists of: Mr. Andrew Crockett, General Manager of the Bank for International Settlements; Mr. John Crow, former Governor of the Bank of Canada; Mr. Luis Angel Rojo, former Governor of the Bank of Spain; and Mr. Hans Tietmeyer, former President of the Deutsche Bundesbank.

President Duhalde moves presidential election forward by six months to March 30, 2003.

July 16 The Argentine government ends its plan initiated June 18 for voluntary bank deposits-for-bonds swap to help transition away from the bank freeze. Only 25% of depositors responded to the offer. The IMF pushed for a similar, but compulsory exchange of bank deposits for bonds to end the bank freeze.

July 29 The Independent Advisory Group on Argentina submits their report, entitled "Economic and Financial Issues Facing Argentina," to the Government of Argentina and the IMF, concluding that Argentina should adopt: 1) a monetary anchor to achieve price stability; 2) a formal inflation targeting policy, and; 3) a fully credible independent central bank.

August 7 U.S. Secretary of the Treasury Paul O' Neill visits Argentina to meet with President Eduardo Duhalde and Economy Minister Robert Lavagna.

August 25 The Bush Administration restores \$126 million in duty-free benefits to Argentina under the Generalized System of Preferences (GSP).

September 5 The Executive Board of the IMF grants Argentina a one-year extension on a \$2.8 billion payment due September 9.

September 12 Consumer confidence falls to a record low, declining 4.48 points to 28.34 on a 100-point scale, marking a 13.6% decline since last year.

September 13 The Argentine Appellate Court rules that the government's freeze on peso-denominated bank accounts (the *corralito financiero*) is unconstitutional.

President Eduardo Duhalde allocates \$4.0 billion in his draft 2003 budget to pay debt owed to multilateral lenders.

- September 17 President Eduardo Duhalde issues decree to extend the period in which the Economy Ministry and public utility contract holders can negotiate rate hikes.
- September 19 Government statistics show that GDP decreased by 15% (annualized basis) in the first half of the year. Four-year recession and financial crisis reported as having cost Argentina ten years of economic growth.
- September 22 The delay in receiving IMF assistance continues over the Fund's demands for a coherent economic plan. Argentine government representatives remain critical of IMF. President Duhalde announces that lack of political consensus over the economy is delaying the IMF arrangement, which is expected to continue until after the March 2003 elections. Private debtors warned not to expect resolution on debt workout until after IMF agreement is concluded.
- September 24 Economy Minister Lavagna announces that Argentina will use its diminishing foreign reserves to make \$2.2 billion worth of payments due to multilateral institutions this year only if an IMF agreement is in place. Argentina is scheduled to make an \$800 million payment to the World Bank in October 2002. A default would fully isolate the country from all international financial lending.
- September 25 The Argentine government gives banks \$8 billion worth of bonds to help compensate them for losses incurred with the uneven conversion of banks assets and liabilities related to the January 2002 devaluation.
- September 26 Anne Krueger, First Deputy Managing Director of the IMF, warns that multilateral institutions would cut off humanitarian aid to Argentina if it defaults on its payments to them.
- October 15 The World Bank pays \$250 million under its guarantee of the Series D zero coupon bond that Argentina is unable to pay.
- October 16 The World Bank reallocates \$140 million from existing loans to support Argentina's Social Emergency Program that maintains essential public health and education programs.
- October 18 President Duhalde, after a lengthy period of uncertainty surrounding proposed early elections, requests the Congress to accept his resignation effective May 25, 2003 and set general elections for March 30.
- November 4 Economy Minister Roberto Lavagna meets with IMF First Deputy Managing Director Anne Krueger to continue negotiations over the \$805 million debt payment due to the World Bank the second week in November.

- November 14 Argentina pays \$79 million interest payment to the World Bank, but fails to make the \$726 million payment on principal originally due October 15, 2002. With the end of the 30-day grace period, Argentina will be officially cut off from further World Bank lending.
- November 15 The government of Argentina lowers its value added tax (VAT) from 21% to 18%.
- November 20 IMF approves Argentina's request for a one-year extension on a \$141 million repayment due on November 22, 2002.
- November 22 Daimler-Chrysler AG begins the Grain Plan to allow customers to exchange grain as payment-in-kind for vehicles.
- November 25 President Eduardo Duhalde ends the 11-month restriction on peso-denominated bank withdrawals (the *corralito*), affecting \$6 billion of deposits. Restrictions on long-term certificates of deposit and the freeze on dollar-denominated accounts (the *corralon*) remain in effect.
- By executive decree, utility rates will rise by 10% for residential and commercial users, industry will see increases of 12-16%. Prices had been frozen since January as part of an effort to fight an expected rise in inflation.
- December 2 Restrictions on peso-denominated current bank deposit withdrawals (under the *corralito*) are relaxed.
- December 5 Aldo Pignanelli resigns as head of the Central Bank.
- December 9 President Duhalde appoints Alfonso Prat Gay, 37, as the new Governor of Argentina's Central Bank.
- December 13 A federal court reduces domestic price increases on utilities that were decreed by the Duhalde government.
- December 18 Argentina makes "good faith" gesture with \$124 million payment, split between the IMF (\$28 million), World Bank (\$41 million), and IDB (\$55 million), but continues to owe large balances to each.
- December 19 Talks with IMF on new arrangement break down over Argentina's refusal to pay \$805 million arrearage owed to the World Bank.
- December 22 IMF announces it will consider an interim arrangement to roll over Argentina's repayments due through the presidential election, now set for April 27, 2003.

**2003**

- January 8 Argentina removes year-old restrictions on foreign exchange trading (that limited payments for imports and profit remittances) as requested by the IMF.
- January 13-17 Argentina faces \$2.7 billion in payments due to the IMF, World Bank, and Inter-American Development Bank (IDB). Argentina says it will not make \$1 billion payment due to IMF unless an interim loan can be arranged.
- January 15 Argentina misses a \$680 million payment to the IDB, already 30 days in arrears, causing a technical default. In light of pending IMF program, the IDB gives Argentina a two-week extension.
- January 17 Argentina makes \$1.065 billion payment to IMF after reaching an interim \$6.8 billion agreement, pending approval by the IMF Executive Board. Financing covers payments due to the IMF through August 2003.
- January 22 Duhalde government issues decree overruling December court decision on limiting utility rate increases.
- January 24 The IMF Executive Board formally approves transitional loan to Argentina.
- Argentina pays arrears of \$797 million to the World Bank and \$770 million to the IDB, making way for the two institutions to roll over some \$4.4 billion owed to them by Argentina through August 2003 and to provide new financing for social programs.
- January 28 Argentina receives first installment of \$1 billion from IMF and \$600 million from the World Bank. Additional funds are promised from the IDB. IMF assumes Argentina's economy will grow by 2-3% in 2003 (compared to contracting by 11% in 2002) and that a medium-term IMF program will be in place by September 2003, when a nearly \$3 billion payment is due from Argentina.
- February 11 Court rules that the Peronist Party may field three candidates in the general election rather than proceed with a primary election, effectively siding with President Duhalde's preference over former President Menem's.
- March 5 The Supreme Court rules in favor of re-dollarizing deposits of San Luis Province, which sets a precedent for multiple depositor law suits against the federal government. The court held that personal property rights protected under the constitution were violated by President Duhalde's February 2002 decree forcing "pesification" of deposits.

- March 28 President Duhalde signs a decree unfreezing all remaining bank deposits under the corralon over a three-month time period.
- April 1 The Argentine government issues a decree authorizing the Ministry of Economy to withdraw 4.5 billion pesos of provincial currencies to gain better control of the country's monetary stock.
- April 8 The Argentine government lifts restrictions on the first portion (6.8 billion pesos) of fixed-term, dollar-denominated bank deposits that were frozen under the corralon and agrees to issue bonds to compensate depositors for the difference in value due to the earlier forced conversion to pesos and inflation.
- April 27 The first round of presidential elections ends in a runoff between the top two contenders. Former president Carlos Menem wins 24% of the vote, with Governor Néstor Kirchner taking 22%, in what is widely reported as a fair election with near record voter turnout (80%). The other three major candidates each receive approximately 15% of the vote.
- May 9 The Argentine government begins withdrawing provincial currencies, replacing them with pesos financed by federal bonds (Bodens).
- May 14 Facing very low support in the polls, Menem withdraws from the second round of presidential elections. He cites inappropriate electoral conditions as the reason, particularly the court-ordered bypassing of Peronist Party primaries.
- May 23 The IMF announces that failure to complete structural reforms in Argentina is delaying approval of the second IMF review of Argentina's standby arrangement.
- May 25 Néstor Kirchner is inaugurated as President of Argentina.

## Postscript

This report concludes with the May 25, 2003 presidential inauguration, which occurred some 18 months after the Argentine financial crisis ended the De la Rúa administration. During this period, Argentina was unable to meet many of its financial obligations and struggled to regain economic and political stability. Although Argentina's economy has stabilized, it remains fragile and deeply indebted to both private and official creditors. Therefore, although this chapter of Argentina's financial crisis appears to be over, returning to a path of growth and prosperity presents a long-term challenge to the country