
ARGENTINA

On July 2, 1982 shortly after the Falklands crisis (April-June 1982) General Reynaldo Bignone became President of Argentina, replacing President Galtieri who had been in office for only five months. The frequent changes of president as well as of Argentine Cabinet members reflect a general dissatisfaction with the state of the economy and a desire by the populace to return to a democratic form of government. The stated objective of the present military government is to return the country to civilian government by early 1984.

The Economy

The Argentine economy is presently in the midst of a severe recession and is suffering the effects of three recent devaluations, high inflation, serious unemployment and numerous business failures. The Central Bank estimates that the country's Gross Domestic Product fell by 6.1 per cent during 1981. Leading the decline was a slump of 14 per cent in manufacturing. Automobile production, one of the most vulnerable sectors during a recession, decreased by 38 per cent. Inflation was 131 per cent in 1981 as compared to 88 per cent in 1980. The external debt rose from \$10 billion to \$39 billion over the past three years. Argentina's economic situation during 1982 continues to be precarious on both the domestic and external fronts, and the change in government may do little to solve the country's economic difficulties. The length of tenure of the new government and especially its economic leadership will be partially determined by its ability to reconcile two conflicting demands, the popular aspirations for higher standards of living and the need to convince foreign lenders to extend necessary financing in the face of a perhaps unrealistic economic strategy. The devaluation of the peso may boost exports but will also raise prices for imported industrial goods. With no new medium or long term foreign loans acquired since the Falklands crisis, and with heavy rollovers of short term debt and interest payments, Argentina's foreign debt structure has deteriorated rapidly. However, the debt situation could improve substantially during the next year if the required \$10 billion financing requested of the IMF and 40 international private banks materializes. On January 24, 1983 the IMF approved standby financing of \$1,622 million and a drawing of \$562 million. As a condition of these loans, Argentina has agreed to implement a number of changes in