

**REPUBLIC OF ARGENTINA**  
**GUIDELINES FOR A PROPOSAL OF**  
**RESTRUCTURING THE EXTERNAL DEBT**  
**INTRODUCTION BY MINISTER ROBERTO**  
**LAVAGNA**  
**DUBAI – SEPTEMBER 22, 2003**

I would like to be able to talk about the business opportunities Argentina offers today and about the medium-term prospects for our economy. But I will not do it.

Just let me affirm that since last year we can point out enough elements that show:

- a recovery in the Argentine economy (6,6 % GDP growth; 27,1 % investment growth; both first semester 2003, investment accelerated in the second quarter to almost 32%),
- price stability (inflation 2003 lower than 6 %),
- primary fiscal surplus, at levels without precedent in Argentina, and

- a strong improvement in productivity and competitiveness.

There is also, as you know, medium and long term data highlighting the wide availability of human and natural resources and social and physical infrastructure in Argentina.

However, I will not spend time on these issues which deals with the future, since this meeting aims at a different goal: to evaluate how we can jointly start to, once and for all, deal with a problem arising from the past, from the collapse of the currency board system that was applied for ten years and which collapsed –worsening the economic and social crisis- in December 2001.

We must admit that Argentina's case is very unique, in which investors and the international community have gone from praising the economic model based on the currency board (“convertibility”) to downright rejection to its consequences.

Consequences which some still consider “surprising” although since 1995, at least for seven years, all the data has been there to help understand the problems that were arising and that major structural imbalances were developing and accumulating:

- fiscal situation was clearly unsatisfactory,
- external debt grew at considerable rates as a result of accumulated fiscal deficits,
- there was a clear loss of competitiveness, and
- unemployment increases and a regressive income distribution, resulted in rising levels of poverty to attain structural record figures.

Some people thought that indebtedness at increasingly higher interest rates could offset these imbalances. In fact it worsened them and led to the worst of the crisis.

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Today we are here in order to, jointly and in good faith, seek solutions, thus fulfilling the commitment we undertook from the beginning, i.e. in the sense that, when a durable agreement with the International Financial Institutions had been reached, we would enter the substantive phase of private debt restructuring.

48 hs ago this agreement was reached and this is why we are here today.

Argentina has been complying with the Multilateral Financial Institutions, having made payments in excess of 5 billion dollars since 2002.

We now want to start defining realistic ways to deal with this crisis, which is a consequence of misjudgments during the nineties both in Argentina and abroad.

The guidelines for a proposal we will now convey to you may probably not reach the expectations. But reality speaks louder than our will.

As due among people who are used to working with objective figures, we must face this reality, make an equitable distribution of losses and, above all, design a forward-looking solution to be realistic, viable, sustainable and definitive. In benefit of Argentina, investors and the marketplace.

There should not be any doubts that Argentine society has made since 2002, and will go on making the biggest possible effort to overcome its difficulties.

The recent program approved with the IMF, of a 3-year term, in which we didn't ask for *new money*, but involves a roll over of more than 21 billion dollars, ratifies the preceding statement

In such program there is a meaningful schedule of structural reforms critical for a sustained growth, that include 6 main areas:

1. Tax reform and intergovernmental reform legislation will be submitted to Congress during 2004, with a view to their being introduced in the 2005 budget.
2. As regards monetary policy, considering will be made of moving to an inflation targeting regime by end-2004.
3. For the banking system, by end-2003, temporary forbearance on the classification and provisioning of private loans will be eliminated, and compensation for banks for asymmetric pesoization and asymmetric indexation is to be finalized, thus helping the recapitalization of the system that is already showing signs of performing its intermediation role.

4. Debt restructuring, which is precisely what brought us here.
5. Renegotiation of the utility contracts based on the new legislation that, along with Emergency Law issued in the beginning of 2002, once approved will delegate powers to the executive branch for doing so, with the due legislative supervision.
6. Finally the legal framework will be revised in order to ameliorate the business climate by consolidating its predictability. The insolvency system and its efficacy to progress in private corporate debt restructuring is a core element.

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Concerning the debt restructuring, there are some central ideas to the guidelines, which may be summed up as follows:

- I. Only a country with growth and political and social stability will be in a position to perform its commitments;

- II. Argentina is willing to fulfill its commitments, and to observe the thus required discipline, what will be firmly anchored following restructuring,
- III. From the beginning, Argentine government and the economic team has adopted predictability as a core working element; a principle to be extended to the restructuring process,
- IV. All creditors will be treated equally, providing a certain menu of options to enable them to voluntarily choose the one that best suits their needs;
- V. Time is a central component of the solution,

The sooner we are able to complete this restructuring, the less damage all those concerned will have to bear, and the greater the possibilities for economic reality to exceed the assumptions on which the guidelines for a proposal are based, thus speeding up the investment recovery process.

The Secretary of Finance, Mr. Guillermo Nielsen, will describe the indebtedness situation, introduce the guidelines for a proposal, as well as the following steps within the process.