

Argentine Bond Deal: 'Revolt' Against the IMF

by Cynthia R. Rush

There is an audible sound of teeth-gnashing coming from various world financial centers, not to mention from the International Monetary Fund (IMF), as financial predators try to digest the fact that Argentina has just successfully concluded a complicated bond swap to restructure \$82 billion in defaulted debt, with a bondholder participation rate of 76.07%. In statements made March 3 President Néstor Kirchner announced that the proposal first put forward in September 2003 had received "the maximum acceptance of the markets," and that the numbers are "conclusive." One of the "greatest obstacles for the economy has now been overcome," the Argentine President said.

In the midst of global financial disintegration, the statements made March 2 from Montevideo by Argentina's Foreign Minister Rafael Bielsa pinpointed what the IMF and allied usurers most fear: "The Monetary Fund has ceased to be a corral and the little animals are beginning to escape. . . . It's like a revolt down on the farm." Bielsa added that "the 80% acceptance of a heterodox [debt restructuring] solution proves that financial institutionality is in crisis."

Exactly. Argentina "hasn't emerged from hell," Kirchner cautioned. It still has a sizable debt load, even after the restructuring. But, desperate bankers worry, in today's volatile financial environment, what kind of precedent has Argentina set for other debtor nations?

When Finance Minister Roberto Lavagna first presented the government's proposal at an IMF conference in Dubai 18 months ago, bondholders, the IMF, the Group of Seven industrialized governments, and others went berserk, outraged that the country would dare to propose a 75% debt writedown. Such defiance was not tolerable.

Vulture funds, represented by the Global Committee of Argentina Bondholders (GCAB), backed by the IMF, and most particularly by the government of Italian Premier Silvio Berlusconi, spent all of 2004 demanding that Argentina could and *must* pay more—by implementing savage austerity against its people. GCAB co-chairman, banker Nicola Stock, publicly committed himself to guaranteeing the restructuring's failure.

Foreign Debt Looted the Country

When Kirchner later reduced the writedown only slightly, prioritizing instead the needs of the Argentine people, he was accused of acting "unilaterally" and failing to play by the "rules

of the game" spelled out by international financial vultures.

The Argentine President stuck to his guns, however. "The writedown wasn't to steal anything from anyone," he said on Feb. 25. "It was rather the ultimate will of the Argentine people, to try to meet their [debt] obligation, one which was created, built, and structured to **loot** them."

As for those Argentine "wisemen of neoliberalism" who attacked the offer, they have been proven wrong, Kirchner said. They wanted to pay the usurers because they deliberately ignored "the social exclusion, the impoverishment of our middle class, the bankruptcy of our productive apparatus . . . and the global disintegration our Argentina had suffered." Now, "billions that were to be looted from our coffers have been saved and won for all Argentines" through a restructuring that is the largest "in our history."

That Argentina's debt, and the insane attempts to collect it, were never anything but a mechanism to loot the country, as Kirchner charged, is seen very clearly in the Italian government's collusion with the GCAB.

Berlusconi, and the GCAB's Nicola Stock, claimed that by refusing to improve its offer, Argentina was defrauding 450,000 Italian middle-class workers and retirees out of money they had lost by investing in the bonds on which Argentina later defaulted.

But that lie was exposed when the Risk Office of the Italian Central Bank revealed in mid-February that Italian banks had unloaded a huge quantity of Argentine "tango bonds" in their own portfolios during 2000 and 2001, when it became clear that Argentina would default. Violating agreements not to sell on the retail market, the banks aggressively sold to unwitting small investors, lying that the high-risk bonds were only of "medium risk" and very "profitable."

The news of this fraud broke at the moment that three Italian parliamentarians were in Buenos Aires on a mission precisely to investigate the role of Italian banks in the Argentine debt crisis, and meet with officials and political leaders from across the political and economic spectrum to gain a better understanding of the country's current situation.

Giorgio Benvenuto and Luigi Olivieri of the DS parliamentary group travelled together with Lega Nord member Giovanni Didone. Benvenuto was a prominent supporter of the 2002 New Bretton Woods resolution in the Italian Parliament, inspired by Lyndon LaRouche's programmatic initiatives, while Olivieri has introduced draft legislation that would force banks to pay up to 50,000 euros in cash to those small bondholders to whom Argentine bonds were sold illegally.

In the interview which *EIR*'s Claudio Celani conducted with Cong. Olivieri, published below, the Italian legislator reported that he had received detailed evidence from Deputy Finance Minister Guillermo Nielsen documenting exactly how Italian banks had cheated hundreds of Italian families out of their "life-long savings." By placing Argentine bonds on the retail market, the banks walked away with a tidy profit of 2.5 billion euros.