

# Argentina Defies Debt Restructuring Vultures

by Cynthia R. Rush

After numerous delays and attempts at outright sabotage by international financial scavengers, the Argentine government finally officially launched its debt restructuring program on Jan. 14, a little over three years after its Dec. 23, 2001 default on \$82 billion—the largest sovereign default in history. Between now and Feb. 25, bondholders may choose to swap the Argentine bonds they currently hold for new ones.

Standing up to the vulture funds that speculated on Argentine debt before the default, and their backers at the International Monetary Fund (IMF) and among the leadership of the Group of Seven industrialized nations, the government of Néstor Kirchner has maintained a write-down of between 50% and 60% on the defaulted debt, such that the new bonds' total value is now \$41.8 billion.

Responding to bondholder hysteria that the offer is too “stingy,” Finance Minister Roberto Lavagna underscored on Jan. 14 that Argentina has no interest in repeating “the errors of the past, when the government ignored its own limited ability to pay in order to secure rapid bondholder acceptance.” The debt that is not swapped, he warned, “may remain indefinitely in default.” He added that with a 50% level of bondholder acceptance, he would consider the operation “concluded,” as this would mean that at least two-thirds of the defaulted debt would be restructured.

This contrasts with IMF and bondholder demands that there must be at least a 75% acceptance rate for the restructuring to be considered successful.

As for charges that Argentina had discredited itself by defaulting, Lavagna said that in the 1990s, the country “had become a guinea pig.” Argentina “enjoyed very great prestige and it was like a happy little place to do business. . .” while “the foreign debt expanded without limit.” But you don't earn prestige satisfying economic or ideological powers, he said.

## The Nation Must Survive

As the disintegration of the global financial system accelerates, provoking fiercer pressures on the country to pay up, President Kirchner has taken the stance that Argentina must hold the line and survive as a nation. In this, even with some concessions, he has distinguished himself from all other current Ibero-American heads of state who have succumbed to the IMF to impose free-market “structural reforms” to pay the debt.

His insistence that there will be no change in the restruc-

turing offer has driven the financial predators and their allies into a rug-chewing fit. Accusing Argentina of showing disrespect for the “international financial community,” and “not playing by the rules,” they warn that the South American nation will become a pariah on a par with Cuba, Libya, and Iraq.

Nicola Stock, the Italian banker who simultaneously represents both the Italian bondholder group Task Force Argentina, and the vulture fund front group Global Committee of Argentina Bondholders (GCAB), is frantically organizing to ensure that the restructuring offer fails. Just before Argentine Deputy Finance Minister Guillermo Nielsen began an international tour Jan. 13 to promote the plan, GCAB co-chairman Hans Humes announced that his group would show up in every city visited by the Argentine officials to “point out the reasons that people should not be taken in by [Argentina's] last round of bullying.”

Anticipating that the restructuring will fail—to date there is about a 25% acceptance rate—Italy's Deputy Foreign Minister Gianpaolo Bettamio, who belongs to Premier Silvio Berlusconi's Forza Italia party, threatened on Jan. 18 that a rejection of the restructuring offer would cause an “unprecedented international conflict, which will force the Group of Seven, the IMF, the Club of Paris, and the European Union's Council of Ministers to intervene to make Argentina respect international rules.” Bettamio didn't rule out that the EU might impose sanctions on Argentina.

With much boisterous flag waving, the Berlusconi government, like the banker Stock, claims to be acting on behalf of 450,000 small Italian bondholders, who invested in Argentine debt paper before 2001 and then lost everything when the country defaulted. Those angry bondholders, many of them middle-class retirees, want their money back.

But what neither Stock nor Berlusconi wants to admit is that it was their own banking allies, not the Argentine government, who cheated the bondholders out of their money. As Nielsen revealed in Rome, Italian banks reneged on their promise never to sell Argentine bonds on the retail market. The result was that when Argentina defaulted, Italian banks were holding only 473 million euros' worth of bonds while 450,000 small investors held 14 billion!

As a result of its intervention into this fight, Lyndon LaRouche's political movement in Italy has discovered that it was Stock himself who lobbied to stall draft legislation introduced last year by Rep. Guido Rossi of Lega Nord, which would have forced Italian banks to reimburse the investors they defrauded when they sold them high-risk Argentine debt paper in the late 1990s.

In a conversation with *EIR*, Rep. Rossi explained that his legislation would force the banks to repurchase Argentine bonds from bondholders, with a limit of up to 70% of their nominal value and a maximum of 50,000 per bondholder. The bill, he said, “would call on the banks to recognize their responsibilities.”