

## **Recent decision in favour of « vulture funds » against Argentina : A new page in the story of illegal and illegitimate debt**

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**The recent decision by the New York appeals court declaring that Argentina must pay its holdout creditors in full demonstrates that until Argentina repudiates its illegal and illegitimate debt, it will continue to be harassed by international capitalism.**

The case concerns vulture funds that purchased Argentine bonds in 2001 at 20% of their face value, then refused the exchange offer made in 2005, which was repeated in 2010, preferring to prosecute Argentina in New York courts. Government guarantees that State of New York jurisdiction mentioned in the bond contracts gave them the right to do this, and included the renouncement of any claims of sovereign immunity or most favoured creditor status. This was a standard condition in Argentine sovereign debt emissions throughout the 1990s and during the Kirchner period.

Limited by its own actions, the government's reaction to the ruling has been limited to confirming its own commitment to pay, and trying to curry the favours of the US justice system and the international financial sector. It is hastily presenting a law to congress that will reopen negotiations with the 7% of holdout bondholders in the same conditions as in 2005 and 2010, and moves the payment office of the renegotiated bonds that resulted from these offers to Argentina, so as to guarantee payment possibilities should Argentine assets be seized or impounded following this New York ruling.

The capacity of public authorities to borrow in order to repay existing debts has reached its limits (BCRA, ANSES, National Bank, etc. ), the government may find it necessary to return to international capital markets to continue refinancing its debt. This provides the World's powers with the means to pressure our country into reimbursing 100% of the debt to the holdout investors and the Paris club.

Creditors will clearly try to maximise their gains, as is the case of the New York holdout creditors, but this does not imply that the government offer to pay in the same conditions granted under the 2005/10 exchange is not already a fabulous deal for the creditors. Although the initial agreement reduced the amount by 43.3%, the difference was made up within a few years through payments linked to growth in GDP. In this way alone, \$15 billion - of an estimated total of \$40 billion— has already been repaid. To this must be added, interest, currency adjusted bonds and repurchase agreements.

This huge outflow explains, in part, the fiscal unbalance that the country is experiencing and the measures taken to adjust to it, but beyond the official position of debt reduction, public debt is still the most important element in our economy. As the president has recently acknowledged nearly \$174 billion has been paid since 2003. This incredible figure shows that without debt repayment,

there would be no need of foreign borrowing or foreign investments, and that funds would be available to assure indexed retirement benefits at 82%. Resources exist, they simply must be reallocated.

But what the president does not say is that total debt has increased from \$144.212 billion in 2002 to \$209 billion today, yet nearly \$174 billion was paid back during that same time . These figures demonstrate that this debt is a gigantic fraud scheme, a system that expropriates the productive resources of Argentina's workers. Its origin is illegal and illegitimate, and it has already been paid back several times over.

The first urgent measure is to immediately suspend payments for the time required to conduct an audit of the debt, which will highlight that it is both illegal and illegitimate. Hereby following the example of the emblematic process that began in Ecuador in 2007 when president Raphael Correa created, by decree N° 472, an audit of that country's public debt, carried out by a special commission (CAIC) which identified the illegal, illegitimate and corruption-born part of its external debt. In our country we have the invaluable contribution of Alejandro Olmos in the "Olmos" case, which proved the illicit nature of the external debt taken on during the period from 1976 to 1982, and established the responsibility of the dictatorial regime in contracting illicit and fraudulent debts repayable to international organisations such as the IMF. Through periodical restructuring, this debt continues to this day and constitutes part of the Paris club claim.

The debt is also and above all, since the 1970s, International Capitalism's favourite instrument of domination to impose its liberal agenda. Debt Repudiation is a legal process permitting the restructuring of the economy that has, over the last 35 years, favoured the productive extractive economic model imposed by international capitalism.

For these reasons, we call for an audit of the public debt, leaving the ICSID, and the construction of a new regional financial architecture (Bank of the South, SUCRE, ALBA Bank) as a necessary step towards the construction of an anti-capitalist project aimed at meeting the needs of the people.

There is no other way. As Alejandro Olmos said : « Either we serve the interests of the people against those of debt, or we are against the people and serve the interests of debt. »

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\* <http://cadtm.org/>

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