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## Interview: Luigi Olivieri

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# Italian Banks Unload Argentine Bonds In Italy; Investigation Blocked

*Italian Parliamentarian Luigi Olivieri, a member of the Left Democratic Party (DS), reports on the IMF-caused crisis in Argentina. To resolve the crisis, without destroying their country, Argentine President Nestor Kirchner arranged a swap of new bonds for old defaulted bonds. Olivieri reports how Italian banks illegally sold the original bonds to Italian citizens, and how his investigation of this matter has been stalled. Olivieri was interviewed by Claudio Celani of EIR.*

**EIR:** Mr. Olivieri, you were recently in Argentina on a fact-finding mission, together with your colleague Giorgio Benvenuto, and Giovanni Didon from the Finance Committee of the Italian Chamber of Deputies. Can you tell us whom you met there?

**Olivieri:** We met all the relevant authorities: President Kirchner's chief of staff Fernandez, Economic Minister Roberto Lavagna, Foreign Minister Rafael Antonio Bielsa, Deputy Finance Minister Guillermo Nielsen with all his technical staff, and the chairman and the director of the central bank with their staffs. We noticed a strong presence of new people, new energies. We also met the chairmen of the Congress, of the Finance Committee, and of the Budget Committee. We met, of course, the Italo-Argentine business community. We had a meeting with the Reconciliation Committee, which was formed, as you might know, after the 2001 default. We had a public meeting at the University of Buenos Aires, which was well attended, with over 300 people. We met the Economic Minister of the Province of Buenos Aires, Mr. Gerardo Otero, who will soon launch a swap offer for the provincial bonds (Argentina has a federalist structure). We met representatives of the Argentine banks and finally, on Saturday, we had a final briefing with Deputy Finance Minister Nielsen, after we had examined the documents he provided us in the first meeting. We met also the Mothers of Plaza de Mayo.

**EIR:** What is your impression of the political and economic situation in Argentina?

**Olivieri:** Our first impression was that the situation is politically stable. They now have a strong leadership, as President Nestor Kirchner increases his popularity by the way he has handled the issue of foreign debt. This was visible, for instance, in the government decision not to change anything in the swap offer, rejecting foreign pressures.

On the economic side, I have some thoughts. The country has moved some steps forwards. Argentina has even rebuilt its monetary reserves to pre-default levels. However, I have noticed some difficulties on the fiscal front. The tax burden has increased from 19% of GDP in 2001, to 22% of GDP currently. Public debt is at 102% of GDP, and the overall debt is pretty large. Currently, Argentina has a 1.5-2% growth rate. That is not enough. If one takes into account the demographic tendencies and the targets in terms of social and economic policies, Argentina requires a steady growth of 4-5%, or more, in the coming years.

My impression is that there is still much to be done. We have an often dramatic social situation; 50% of the Argentine population is still living under the poverty threshold. There has been a devastating process of concentration of wealth in the hands of a few, leaving most of the population on the edge. The government, therefore, shall compose its economic policy to take into account the social situation.

If you stay in Buenos Aires, the situation is not so bad, but if you travel through the provinces, you realize that Argentina as a country has come down several rungs on the ladder of the world's nations. The country has enormous natural wealth, which has been emptied by a bestial process of liberalization. Entire sectors such as health care, schools, etc., must be completely rebuilt.

The International Monetary Fund bears a central responsibility for the Argentine crisis. The IMF pushed an insane policy of privatization, and portrayed Argentina as a model country until a few years ago. Many western politicians looked at the Argentine model, as well. I remember Mr. Berlusconi, the Italian Prime Minister, who promised a few years back: "I will be the Italian Menem." [Carlos Menem was the former Argentine President whose pro-IMF policies devastated the country, and led it into its debt and default crisis.]

**EIR:** Well, this does not spell a bright future for Berlusconi, if he wants to end up like Menem.

**Olivieri:** No, and not a bright future for Italy either. See, we went to Argentina to find out why so many defaulted bonds ended up in the pockets of Italian families, workers, retired people, etc. The issue here is that the institutions have betrayed the life savings of many Italian families. But also in Argentina: think of what they did with the "corralito," when



*Italian Parliamentarian Luigi Olivieri collaborated closely with those who sponsored the 2002 resolution which called for a new international monetary system. He noted that in Argentina, "there is still much to be done. We have an often dramatic social situation; 50% of the Argentine population is still living under the poverty threshold."*

they froze the bank accounts of all Argentine citizens [who were then not able to withdraw their money after the default]. Still today, I was shocked to see that bank entrances are armored, as in the days of the "corralito," when the enraged population stormed them, because they wanted their money back.

In our meetings, both private and public, we established two facts: 1) Everybody in Argentina knew that the default was coming; 2) The origin of the bankruptcy is to be found in the insane dollar-peso parity policy. This policy, even if it did block the inflationary policy at the beginning, should have been abandoned immediately when the dollar started to rise on the currency markets. Everybody knew that Argentina would not be able to survive at that parity.

**EIR:** This introduces the issue of a reform of the monetary system. You probably are familiar with the 2002 resolution voted in the Italian Parliament, introduced by Rep. Sigfried Brugger, and co-drafted by my colleague Paolo Raimondi, which called for a new international monetary system.

**Olivieri:** Yes, I supported it, and I worked closely with Rep. Brugger, who is a friend of mine and comes from the same region as I, Trentino. The initial formulation was better than the final version. It was voted up unanimously.

But today, our mission has been blocked. The Chairman of the Chamber of Deputies, Mr. Pierferdinando Casini, was against it and did not authorize it. He said that it was hostile to the activity which the government was performing at the international and diplomatic level. We also got pressure from the foreign ministry. On the other side, Piero Fassino and Mrs. Marina Sereni, respectively Secretary General and foreign policy expert of the Left Democratic Party (DS), my party, gave us full endorsement. We had to finance our mission privately, but we decided to go ahead because we had established a program of meetings and work which guaranteed a good result. We were convinced that this Italian anomaly, of

so many Argentine bonds sold to Italian families, could not be simply explained with the story that Italians love risky investments.

**EIR:** What was the real story?

**Olivieri:** In Buenos Aires, we collaborated closely with Mr. Nielsen, who gave us all the documents which showed that Italian banks, including those which had no experience in the international bond market, had played an upfront role in the bond placement. After 1999, those banks even became the leaders in the bond placement. This means, that they would purchase bonds from the Argentine government, to sell them on the secondary market, gaining a 0.4% commission. We made an approximate calculation, and concluded that Italian banks gained about 2.5 billion euros from the sale of Argentine bonds.

However, almost the totality of those bonds were bound to the condition that they should be sold to institutional investors, and not to the retail market. Despite that, the banks sold them to their customers. And in 2001, they were telling their customers to buy Argentine bonds, at the same time that they were getting rid of those same bonds, expecting a default. That is the anomaly, and now we have been able to document that. That is why we speak of betrayed savings, "risparmio tradito."

And now, especially after the conclusion of the Argentine swap offer, this has become a political and social question in Italy.

**EIR:** Can you explain that?

**Olivieri:** The most recent data show that insult has been added to injury. Whereas the participation in the swap has been 70-80% successful overall, in Italy only 40% of bondholders accepted. This means that holders of about \$7 billion in defaulted bonds now have scrap paper in their hands. This is the result of a masterpiece in engineering and cleverness on the part of the banks. Towards the end of 2002, the banks invented the Task Force Argentina (TFA), and convinced 420,000 of their customers to sign papers to delegate the TFA to represent them in the negotiations with the Argentine government. The TFA then became a major component of the GCAB, the Global Committee of Argentine Bondholders, and the head of TFA, Nicola Stock, is co-chairman of GCAB. Thus, you had an entity, the TFA, which was representing the banks and at the same time, the banks' customers: a gigantic conflict of interest. Such a conflict has deflagrated when the Argentine government presented the swap offer. The TFA has advised their customers not to participate in the swap, and many of them followed this advice.

**EIR:** What can be done now? You introduced draft legislation to refund bondholders, right?

**Olivieri:** We have been studying the question for one and a half years now. We have set up a series of committees:



*After his fact-finding trip there, Olivieri reported that “Argentina has enormous natural wealth, which has been emptied by a bestial process of liberalization. Entire sectors such as health care, schools, etc., must be completely rebuilt. The International Monetary Fund bears a central responsibility for the Argentine crisis.” Here, Argentine children forage in the garbage.*

1) A legislative committee: We introduced a proposal for a Parliamentary Investigating Committee, which was voted in, in the Chamber of Deputies, and now is stalled in the Senate, because the government has come out against it.

2) We introduced a draft bill for establishing the “class action” process in Italy, similar to what you have in the United States, so that citizens can unite in a legal suit if they are all damaged by the same entity.

3) We introduced another draft bill, to have the banks refund, up to a maximum of 50,000 euros in cash, or 70,000 euros in the banks’ own bonds, those small bondholders to whom Argentine bonds were illegally sold. Illegally means: bonds sold to the retail market, or sold without explicit written customer consent for dealing in such a high-risk investment. This proposal has been passed by a vote in the Chamber of Deputies, after which, last July, the government stopped it in the Senate.

Additionally, I must say, we had hearings in the Finance Committee last April, with the Stock Exchange Control Authority (Consob). Consob had received legal complaints from several hundred bondholders, and had initiated its own investigation. As a result, Consob asked the government to enact sanctions against two major banks, whose name I cannot reveal, but almost one year has passed, and Finance Minister Domenico Siniscalco has done nothing.

With my colleagues Giorgio Benvenuto and Mario Lettieri, I have now again picked up the draft bill stalled in the Chamber of Deputies, and added an amendment suggesting

a so-called “Reconciliation Committee” between banks and customers. This will be discussed tomorrow [March 1] on the Parliament floor . We have asked consumers’ associations to support us with a strong action and they have promised a sit-in on Thursday, March 3, in front of Parliament.

**EIR:** If I am not wrong, your proposal was supported by the whole opposition, plus the Lega Nord, a government party. Therefore, it should have enough votes to be passed by a majority of representatives.

**Olivieri:** Yes, on paper; but strangely enough, each time we vote, we go down (we missed passage by just two votes last time). This suggests to me that some parties want to save face in front of their constituency, especially in northern Italy where there is a high percentage of bondholders. However, when put to the test, they bend to the government’s will. This is sad but it is true. All our initiatives have been curbed by the government. The government has supported the TFA; then Finance Minister

Siniscalco rejected our proposal in the Finance Committee, with the argument that “we do not want to alter the market mechanisms.”

**EIR:** Does this mean that the banks are in charge in Italy?

**Olivieri:** Well, the banks are basically financial institutions, but they also have a large presence in the country, not only financially. They control some of the large information media, which explains why there has been virtually no debate on this issue in the national media.

For instance, about 20 days ago, Argentine Finance Minister Lavagna gave a long interview to the Italian press agency ANSA, but the interview was never published in Italy.

**EIR:** The real issue seems to be: What policy are the banks following? Are they worried about the development of the country, and the interest of their customers, or only with short-term profit?

**Olivieri:** Yes, this is the central issue. Italian banks have completely aligned themselves with the IMF. And I ask myself: how is it possible, as we found out in Buenos Aires, if everybody in the Italian business community there, knew about the default coming, that no information about it came through to Italy? Who had an interest in blocking the information? Who has organized all that? A Parliamentary investigating committee could give an answer to those questions. The conflict over Argentine bonds is an aspect of a general problem, of who has control over financial policy.