

Will Argentina Be First To Bolt from Bankrupt System?

by Dennis Small

June 23—In a decision written by Aristotelian idiot Justice Antonin Scalia, the United States Supreme Court on June 16 sided with the bloodiest of vulture funds, NML Capital and Aurelius Capital Management, in their effort to use American courts to gain discovery of all Argentine financial movements worldwide, in order to seize that country's assets in payment for defaulted bonds. The Supreme Court simultaneously upheld a lower court ruling by Federal Judge Thomas Griesa, that Argentina had to immediately pay \$1.5 billion to NML Capital and other "holdouts" against Argentina's 2005 sovereign debt restructuring, and that Argentine assets anywhere in the world could be seized to execute that payment—including the \$900 million that Argentina must pay on June 30 to its other creditors who renegotiated in good faith.

Argentina has repeatedly warned that such a ruling could lead to an overall default on its debt. In point of fact, the ruling threatens to bring down the entire trans-Atlantic financial system in an orgy of predatory looting of nations, their populations and their resources—precisely the deadly "bail-in" policy loudly trumpeted by the British Empire as its "final solution" to the bankruptcy that is sinking their system.

Lyndon LaRouche stressed this point in his opening remarks to the June 23 LaRouchePAC Policy Committee weekly discussion. "The bailout/bail-in policy is in full play now, and this attack on Argentina set this into motion." Wall Street is about to go bankrupt, LaRouche

said, and the situation is ripe to "explode or implode immediately. So what we're headed for is a world war." In this life or death battle, LaRouche said, Argentina "cannot capitulate, it cannot possibly. Uruguay has joined them—they're going to block. We probably will have, throughout the entirety of South America, more or less the totality is going to block. This is going to be an international block," LaRouche stated.

"Because Argentina *cannot* submit: it would become extinct," LaRouche stressed. "Most of South America realizes that. They must support Argentina. Not for the sake of Argentina, but for the sake of the entire continent. . . . Russia is not going to capitulate. Eurasia is not going to capitulate! So, in one sense, you're headed toward a *very early* thermonuclear war, globally!

"The only solution is, throw Obama out of office now; let Wall Street go bankrupt, which is what it really is in principle. And we can proceed, immediately, in the United States, to set forth a new program, a new set of relations, and the whole mess will be under control."

Sovereignty at Stake

Two additional court actions over the last 72 hours, on top of the Supreme Court atrocity of June 16, point to the scope of what is actually at stake.

- On June 17, Economy Minister Axel Kicillof had announced that the Argentine government was considering a bond swap for existing bondholders, to allow them to be paid on identical terms, only in Argentina



UN/Paulo Filgueiras

Argentine President Cristina Fernández has made it clear that she has no intention of accepting the imperial Supreme Court decision: The Court, she said, is defending “a form of global domination of financial derivatives intended to bring nations to their knees.”

and under Argentine jurisdiction, and not in New York, thereby avoiding the danger of seizure of assets. Kicil-off explained that this option had been “studied in depth” by the government since August 2013, adding: “If a ruling asks us to commit suicide, we’re not going to commit suicide.”

Judge Griesa promptly issued a court order on June 20 stating that “the Republic of Argentina is prohibited from carrying out the proposal of the Economy Minister.” That ruling of Griesa’s is an attempt to wipe out the very existence of “sovereign debt” as a category, in fact eliminating the sovereign nation-state as such, and replacing it with supranational jurisdiction over all financial flows. This would spell the end of the Westphalian system of sovereign nation-states altogether—a long-standing policy objective of the British Empire that stands behind both Griesa and the U.S. Supreme Court.

- Also on June 17, NML Capital, which is owned by Republican Party billionaire Paul Singer, went before

California’s District 9 Appeals Court to demand that international business partners of Argentina’s YPF oil company—including Chevron Corp. Exxon Mobil, Dow Chemical, and Apache Corp.—provide information about where YPF’s assets may be located.

Argentine Cabinet Chief of Staff Jorge Capitanich responded on June 22 that, behind the legal battles and the vulture funds, there are “dark interests whose perspective is to seize real and financial assets of the Argentine Republic.” Two days earlier, an outraged President José Mujica of neighboring Uruguay, had told an audience at Argentina’s La Plata National University that the vulture funds are going to come after Argentina’s oil, particularly the Vaca Muerta shale oil and gas deposits in the Patagonia region, one of the largest such reserves in the world, for whose exploitation Argentina’s YPF oil firm has signed a \$1.25 billion partnership with Chevron Corp. “They will want to swallow Argentina’s oil for nothing,” Mujica said, “and they’ll end up proposing that the debt be paid with natural resources.”

Argentina and the BRICS

One of the British Empire’s problems in ramming through such a bail-in Brave New World of asset seizure and pillage, is that the Argentine government of Cristina Fernández de Kirchner has no intention of rolling over and playing dead. Moreover, she has given indications that she is aware of what is at issue strategically, and that Argentina has other options available to it, including alliances with the surging Asia-Pacific nations of Russia and China, and with the broader BRICS grouping that also includes India, South Africa, and Brazil. In fact, Russian President Vladimir Putin, no stranger to threats of financial warfare against his country, has invited President Fernández to attend the upcoming BRICS summit in Fortaleza, Brazil on July 15, where he will also hold a bilateral meeting with the Argentine head of state. Will their agenda include establishing the basis for Argentina to become the first nation in the bankrupt trans-Atlantic sector to abandon that sinking Titanic?

Argentina is well-suited for such a role, being singularly focused, among the nations of South America, on the role of science and advanced technology in fostering economic development, especially in the fields of nuclear energy, space exploration, etc.—a perfect match with the strategic policies now emerging from the Asia-Pacific region. The Fernández government has repeatedly stressed that the success of the country's 2005 debt restructuring was based on its rejection of IMF austerity conditionalities, and adoption of its *own* policies of growth. As the Argentine Presidency stated in a full-page advertisement placed in the Sunday, June

22 editions of the *New York Times* and the *Washington Post*: “The fundamental principle of all negotiations conducted with creditors was always the same: in order to be able to pay, Argentina must first grow, so as to generate the resources that will enable it to honor its commitments.”

Not only will President Fernández be discussing these matters with Russian President Putin at the upcoming BRICS summit. Chinese President Xi Jinping will also take advantage of the BRICS summit to hold a state visit with Brazil, followed by state visits to Argentina, Venezuela, and Nicaragua.

LaRouche to Argentina: ‘Drop the Debt Bomb’

In remarks during the June 20, 2014 LaRouchePAC weekly web-cast, Dennis Small discussed the difference between strategic and tactical thinking in times of crisis.

I'll give an example of this from 30-odd years ago, but I think people can draw their own conclusions about the current situation. Back in 1982, when the British laid a typical British trap for Argentina around the Malvinas War, Mr. LaRouche was the only political figure in the United States who sided with Argentina on the issue of their sovereignty over the Malvinas, in terms of the Monroe Doctrine and its author John Quincy Adams.

The Argentines at the time consulted Mr. LaRouche, and said, “What do we do? How can we win this war? We have Exocet missiles and so on; but how do you recommend we proceed?” And Mr. LaRouche's response was, “Well, one often does have to take such measures, but you are in possession of a super-weapon, a weapon so powerful *that it can bring down the entire British Empire*. And that weapon,” he said, “is the debt bomb.”



LaRouche said, “The British Empire is totally dependent, as are their Wall Street allies, on the existing financial system. The purpose of the Malvinas operation was to establish out-of-area NATO deployments for debt collection. You want to defeat the British Empire? Sink their financial system, and get allies to help you. Drop the debt bomb!”

So the concept of the “debt bomb” originated with Mr. LaRouche in that way. But it was picked up almost a year later, on the cover of *Time* magazine in January of 1983.

So, whenever people tell you: “Oh, you can't do that! Oh, that's not possible; there's only a pragmatic solution to this crisis. We can't do anything so dramatic as impeach Obama! Oh, no, no! We can't actually drop the debt bomb. Oh, we can't go with LaRouche's four point program; that's not practical!”—that is the sign of someone who has already capitulated to the British. They *say* they haven't, they may even feel that they haven't; but they have! Because the most powerful weapon that the British Empire has, is to get their intended victims to *think* like the British! That is to say, to think like Aristotelians. To think in terms of tactics, not strategy. To think like *beasts*, as opposed to thinking the way Vernadsky points out human beings are uniquely qualified to think, which is, creatively.

If the British Empire, their assets in the U.S. judicial system, and the vulture funds go too far—which they may already have done—they may indeed produce their own worst nightmare.

Fernández Defines the Issue

The same day that the U.S. Supreme Court announced its ruling, President Fernández delivered a nationally televised speech in which she stated:

“I wasn’t surprised by this ruling. I expected it . . . because this isn’t an economic or financial problem, or even a legal one.” The U.S. Supreme Court has defended “a form of global domination of financial derivatives intended to bring nations to their knees,” Fernández explained. Should this global economic model continue to operate unhindered, it will “produce unimaginable tragedies,” as it is fed by the “blood, hunger, and exclusion of millions of youth worldwide who are jobless, with no access to education.”

In a speech delivered one day earlier at the closing session of the G77 summit in Bolivia, just before the Supreme Court ruling, Fernández had explained what the actual issue is with the vulture funds:

“In this kind of anarcho-capitalism, where a small group of financiers runs the rest of humanity, a group known as ‘vulture funds,’ obtained debt instruments at absurdly low prices—if the value was 100, they paid 5 pesos, or perhaps less—financiers who don’t even pay taxes because their official headquarters are in tax havens, and which only represent 1 or 2% of Argentina’s total debt.” Fernández continued that these funds threaten to cut off Argentina’s access to capital markets, but “for us, to go to the capital market with interest rates of 14 or 15% is frankly usurious and prohibitive.

“And yet this small group of vulture funds is endangering not only Argentina—because if it were only Argentina it might not matter much to the world, a country lost at the bottom of the South American continent wouldn’t matter much to them. But in reality what is at stake is the international financial system, and the international economic system more than the financial system. . . . [This is] financial capitalism and the appearance of what is called financial derivatives, which began to generate, or at least make the world believe that they were generating, money without going through the cycle of the production of goods and services, which is impossible and obviously generate as-



Creative Commons/Tomaz Silva/ABr

Pope Francis has also spoken out strongly against the current global financial system. He termed it “an atrocity” that “we are discarding an entire generation to maintain an economic system that can’t hold up anymore, a system that, to survive, must make war, as the great empires have always done.”

tronomically high profits, but also the existence of fictitious money.”

Bail-in on the Ropes?

The Argentina government has explained the specific implications of the Griesa/Supreme Court rulings very clearly, in the June 22 full-page ad: “7% of bondholders did not accept the restructuring. The vulture funds that secured a ruling in their favour are not original lenders to Argentina. They purchased bonds in default at obscenely low prices for the sole purposes of engaging in litigation against Argentina and making an enormous profit. Paul Singer’s NML fund, for example, in 2008 paid only 48.7 million US dollars for bonds in default. Judge Griesa’s ruling now orders that it be paid an amount of 832 million U.S. dollars, i.e., a gain of 1,608% in only six years.

“Argentina has appealed against New York District Court Thomas Griesa’s ruling, which orders payment of 1.5 billion dollars to be made on June 30, which is the due date of the next payment related to the restructured debt. However, it is estimated that the total bonds in default that did not enter the restructuring processes amount to 15 billion US dollars, i.e., over 50% of Argentina’s foreign currency reserves. Judge Griesa’s ruling would push the country to a new default. This is so because if Argentina does pay the 1.5 billion, it will have to pay 15 billion in the immediate future. To make matters worse, under the laws of Argentina and the clauses governing the restructured instruments (RUFO), if the vulture funds were to be paid, all other bondholders would demand equal treatment, involving an estimated cost of over 120 billion US dollars. If, on the other hand, Argentina does not pay the vulture funds, Judge Griesa’s ruling forbids Argentina to make payments to 92.4% of the bondholders who did accept the restructuring, as the judge has issued orders to the Bank of New York and to the settlement agencies for them not to pay.

“In other words: paying the vulture funds is a path leading to default, and if they are not paid, Judge Griesa’s order entails jeopardizing the right of the bondholders to collect their debt restructured in 2005 and 2010.”

But there are further-reaching consequences of the Griesa/Supreme Court rulings. The International Monetary Fund, for example, is deeply concerned that this will set a precedent for all future bond renegotiations, that will de facto make the British Empire’s intended bail-in operations impossible. The bail-in, or Single Resolution Mechanism, entails drastic reorganization of insolvent financial institutions by forcibly seizing the assets of “unsecured creditors,” including depositors and certain categories of bondholders. The latter would be forced to swallow major write-downs on their holdings, and/or conversion of bonds into worthless stocks in the bankrupt bank. If a small minority of such bondholders is able to file suit and can maintain the face value of their bonds, a precedent just upheld by the U.S. Supreme Court, then any and all such renegotiations will be scuttled.

In a statement issued June 16, right after the Supreme Court decision, the IMF stated: “The Fund is considering very carefully this decision,” because it could undermine sovereign debt restructurings around the globe. The IMF said it is “reassessing” how it handles debt crises internationally. And then again on June

20 the IMF issued a report protesting that the Supreme Court decision “will give holdout creditors greater leverage and make the debt restructuring process more complicated,” and that the IMF is therefore studying “a more robust form of collective action perspective than those currently in existence.”

Mobilize to Defend Argentina

Argentina is indeed facing an existential crisis. In her June 16 address, President Fernández stated that the U.S. Court decisions, if implemented, would mean that Argentina’s successful 2005 debt restructuring would “collapse like a house of cards, and along with it, obviously, the Argentine Republic.” She warned: “No president of a sovereign nation can subject their nation and people to extortion.”

Argentina has quickly found support among its sister republics of South America. Uruguayan President Mujica has been most explicit:

“From the countries of the region, we have to come up with something to lend Argentina a hand, allowing it to launch a counter coup, so that the confrontation becomes a global one, not just one involving Argentina.” Pointing to Judge Griesa’s original ruling favoring the vulture funds, he warned “today they come for you, but tomorrow they’ll come for me!”

Already Argentina has received statements of solidarity from the Common Market of the South (Mercosur), the Community of Latin American and Caribbean Nations (CELAC), other regional bodies, and even the broader G77, which pronounced on June 14: “We reiterate that the vulture funds cannot be allowed to paralyze the restructuring activities of developing nations or deprive the State from protecting its people in accordance with international law.”

Another critical strategic force that the British Empire has to reckon with, is Pope Francis, who is not only Argentine himself and a regular interlocutor of President Fernández, but has also given strong voice to rejection of the current global financial system in terms not unlike those employed by President Fernández. In a mid-June interview with the Spanish newspaper *La Vanguardia*, Pope Francis stated: “75 million young Europeans under 25 years of age are unemployed. That is an atrocity. But we are discarding an entire generation to maintain an economic system that can’t hold up anymore, a system that, to survive, must make war, as the great empires have always done.”

Within the United Kingdom itself, a group of 106

British Parliamentarians, organized by the Vatican-linked Jubilee Network, issued a statement in early June warning that the vulture funds were trying to drive Argentina into default, and calling on the British government to put forward a bill that would “prevent the vulture funds from ignoring the restructuring of the Argentine and Greek debt.”

The reference to Greece is telling. Among that country’s principal creditors, for which the country and its population is being torn limb-from-limb by savage Troika-imposed austerity policies, are the same vulture funds involved in the Argentine assault. Among them are Singer’s Elliott Associates, and the infamous Dart Management, whose owner Kenneth Dart gave up his U.S. citizenship to take up residence in the British overseas territory of the Cayman Islands to more easily direct his predatory activities.

In fact, all of Europe is ripe for bolting from the bankrupt trans-Atlantic financial system. The Auschwitz-like conditions that submission to the European Union and the Troika has created, have led to the political earthquake expressed in the recent European Parliament elections, in which anti-euro parties achieved dramatic gains against the agents of the British Empire,

such as the French Socialist Party of François Hollande. Many of those newly victorious forces will recall that in June 2012, *EIR* published a study commissioned by Schiller Institute founder Helga Zepp-LaRouche, entitled “There Is Life After the Euro! Program for an Economic Miracle In Southern Europe, The Mediterranean Region, And Africa,” which contained a chapter called “What Europe Can Learn from Argentina.”

Two years later, that issue is now back on the table with renewed urgency.

But what Europe, the BRICS nations, and others must register, is that well-meaning solidarity will not suffice to defeat an enemy as evil and entrenched as the British Empire. In a response to a question sent to him about whether or not “the countries of South America have the ability to unite into a union, which maybe might work within a BRICS alliance, to begin development,” LaRouche responded: “Yes, but only under appropriate new conditions among those respectively sovereign nation-states. . . . There can not be any alien imperialist intrusion among the members. In other words, the individual partners must not be subject to a monetarist tyranny of economic relations among those nations which intended themselves to be

There Is Life After the Euro!

Program for an Economic Miracle in Southern Europe, the Mediterranean Region, and Africa

AN **EIR** SPECIAL REPORT

CONTENTS

- Introduction by Helga Zepp-LaRouche
- Greece, and a Marshall Plan for the Mediterranean Basin
- Spain: Bridge to African Development
- The Rebirth of Italy’s Mezzogiorno
- Africa Pass
- The Transaqua Project
- North Africa: The Blue Revolution
- What Europe Can Learn from Argentina
- A German Economic Miracle for Europe

http://www.larouchepub.com/special_report/2012/spec_rpt_program_medit.pdf

sovereign, such as the virtually globalist British imperial tyranny which presently dominates the planet as a whole, or nearly so” (see below for LaRouche’s full response).

LaRouche Answers Question On South American Union

In response to a question on whether a South American Union could be formed, within a BRICS alliance, to strengthen their economies, with connections of high-speed trains, Lyndon LaRouche gave the following reply.

Yes, but only under appropriate new conditions among those respectively sovereign nation-states. That means that the economies composing the union, for that purpose must not be subject to an agency outside that set of respectively sovereign nation-states composing the origins.

The threat to any such cooperative undertakings would be subordination to powers and agencies outside the set of relevant, associated, respectively sovereign nation-state republics composing the agreement among what are essentially the participants in a 1648 Westphalian principle agreement. Heretofore, such agreements among member-states of the Americas have been prevented, chiefly, by the British Empire’s dominant position among the trans-Atlantic community. There can not be any alien imperialist intrusion among the members. In other words, the individual partners must not be subject to a monetarist tyranny of economic relations among those nations which intended themselves to be sovereign, such as the virtually globalist British imperial tyranny which presently dominates the planet as a whole, or nearly so.

The model for medieval and modern imperial tyrannies have been, chiefly, the ancient Roman and modern Dutch-British Empires, otherwise to be known as the modern British empires echoing the tyranny of the Satanic Zeus. These are the forces of evil which dominate, among other governments, the imperialist political-economic systems which dominate all of the Americas presently, including that of the USA.

The typical modality employed for imperialist operations is based essentially on what are to be recognized as monetarist systems, under an arrangement in which monetary authority reduces economies of nations to puppets of monetarist imperialisms.

For example: The process of corruption which has led, repeatedly, to the foreign subjugation of the U.S. economy began with the follies of U.S. Presidents such as Presidents John Adams, Thomas Jefferson, and James Madison. That corruption of our USA Federal Constitution, had been turned back under reforms introduced by Presidents Monroe and John Quincy Adams. The subversion of the U.S. Federal Constitution, has been customarily established, repeatedly through the hoax named “states rights.”

In fact, the origins of chronic returns to the treasonous implications of U.S. submission to the states’ rights cult in the Americas, began with the assassination of U.S. Secretary of the U.S. Treasury, Alexander Hamilton, by the British professional assassin, Aaron Burr, a Burr who was tolerated by the complicity in the “states rights” practices which turned the United States itself, repeatedly, into a British imperial puppet: up through the present moment of this report. Just so, President Abraham Lincoln was assassinated on behalf of the British Empire, like President William McKinley, who was murdered for benefit of the treasonous Theodore Roosevelt, and like both President John F. Kennedy and his brother Robert, as with the similarly motivated, and intended assassination-attack against President Ronald Reagan.

The immediately evident evil of all monetarist policy, is that it tends, inherently, to the international reign of imperialist rule among even nominally sovereign nation-states. Those institutions which are nominally independent nation-states, including most apparently sovereign nations, are degraded into victims of international monetarist systems. All imperialist systems of modern times are based on economic control under the domination of foreign monetarist systems, for the case of the United States presently, as under, chiefly, British imperialist modes of monetarist imperialism, as such as the case of the British puppet-system known as the Wall Street which has been a British imperial “loan shark” since the very beginning of its existence.

Most assassinations of U.S. Presidents, and certain others, inside the United States, have been motivated by the relevant President’s threats to the British Empire’s puppets in the United States.