

Crazed Vultures To Argentina: Pay Now or Die!

by Cynthia R. Rush

International financial predators have risen to new heights of desperation and vengeance in their attempts to annihilate the nation of Argentina.

The Global Committee of Argentina Bondholders (GCAB), the front-group for the vulture funds that speculated on Argentine debt prior to the December 2001 default, and claims to represent the majority of those “investors” holding the country’s defaulted debt paper, announced on July 12 that it was launching an international offensive to force the government of President Néstor Kirchner to renounce its official proposal to restructure \$88 billion in defaulted debt, and accept the GCAB’s “counter-offer” instead. Co-Chairmen Hans Humes and Nicola Stock are embarking on a tour that will take them to cities in the United States, Europe, and Japan to enlist support for crushing the South American nation.

As indicated in a July 12 press release, GCAB insists that Argentina’s official proposal to restructure defaulted debt with a 75% write-down “is inconsistent with other sovereign restructurings,” which were more generous, and does not “display a genuine willingness to pay.” Instead of the 75%, the GCAB wants a “relevant writedown” of no more than 30%, and preferably 20% of the debt’s nominal value.

During a July 14 luncheon held at the New York headquarters of its financial adviser (and author of the counter-proposal) Bear Stearns-Morgan Stanley, the GCAB detailed its other demands: the government must make a \$5.2 billion cash payment toward interest unpaid since the December, 2001 default, and issue a bond for the remaining amount; raise the primary budget surplus (the amount set aside to pay debt), from the 3% of Gross Domestic Product agreed on with the International Monetary Fund, to at least 3.5% for 2005; and raise the interest on a special discount bond above the 8.2%

the government is offering. Were the government to work with “more realistic budgets,” raved Hans Humes, then bondholders could get a “substantially higher return than currently offered.”

Standard of Living Has Already Plummeted

Higher return? Argentina’s poverty rate still stands above 50%, and real unemployment remains close to 20%. It is officially at 15% only because of the World Bank-financed “Heads of Household” subsidies which go to 2.5 million unemployed. Studies recently released by the IDEF, a think-tank linked to the Argentine Workers Confederation (CTA), and the Center for Studies of Argentine Development (Cenda), report that real wages are at 1940 levels! The average monthly wage of 592 pesos (about \$200), is 18% below the 723 pesos needed to cover the cost of the monthly market basket for a household of two adults and two children, according to the government’s statistical agency, Indec. Since the January 2002 peso devaluation, the cost of that market basket has increased by 56%, while wages have plummeted.

This is a country that once prided itself on the quality of its skilled labor. Today, the only kind of jobs that are increasing are those in the “informal” economy of “self-employed,” street vendors, kiosk owners, domestic help, etc. Indec also reports that there are 5.7 million people who live on 1.50 pesos a day—about 50 cents, and another 5 million who live on 2.90 pesos a day, or one dollar—the internationally recognized standard of “extreme poverty.” These 10.7 million Argentines represent 20% of the country’s families, which are incapable of covering the cost of the market basket of basic food items. At least 40% of people who are employed fall into the category of “indigent,” according to Indec.

Ominous for the country's future, the government estimates that 56.4% of youth between the ages of 18 and 25 live in poverty; 56.2% do not go to school, and 17.4% are looking for work.

It is for these reasons that President Kirchner frequently observes that "we are still in hell, trying to climb out."

Ready To Kill

Presidential candidate Lyndon LaRouche has repeatedly warned that synarchist financial interests will kill, by eating Argentine children if necessary, to get their debt paid. The vulture funds are the worst of the lot, representing speculative financial capital; but they are not working in isolation. The International Monetary Fund (IMF), and the member governments of the Group of Seven industrialized nations coordinate closely with them, demanding that Argentina "negotiate in good faith" to pay an uncollectable debt.

Synarchist financiers have reserved special vengeful treatment for Néstor Kirchner who, for all his limitations, has refused to subordinate his population's welfare to bankers' priorities. But London and Wall Street are demanding that fascist policies be applied throughout the region. As the global financial system disintegrates around them, they are resorting to Dick Cheney-style thuggery and terror, lest anyone contemplate overturning such policies.

Exemplary was the June 7 speech given at a London investors' conference by Roger Scher, head of Latin American Sovereign Ratings at the British rating agency, Fitch. Pointing to Brazil, he observed that the Lula da Silva government isn't anxious to sign another agreement with the IMF when the current one expires in December. But, he threatened, with the \$33 billion in financing it needs between now and December (not to mention a \$22 billion projected budget deficit), Lula would do well to announce *now* that he will negotiate a new program with the Fund. After all, Scher arrogantly stated, "Brazil is still a prisoner of market sentiment. If the market says Brazil is a dog, then Brazil is a dog."

That is, give Ibero-America the same treatment that Dick Cheney and friends ordered for the Iraqi prisoners at Abu Ghraib.

Signals for What?

The IMF is openly blackmailing the Kirchner government on behalf of the vulture funds. The Fund has made it clear that unless the government indicates its willingness to submit to the foreign bondholders, and imposes a number of harsh austerity reforms, completion of the third review of its \$13.3 billion agreement with Argentina will be delayed, possibly until the end of August.

Although Argentina has complied with the Fund's macro-economic targets, the IMF claims that it has not implemented policies agreed to during the last review in March, chief among which was to negotiate "in good faith" with all bondholders. Moreover, as IMF official John Dodsworth implied,

the third review won't be approved by the Fund's Executive Board, unless Kirchner gives "concrete signals" that he intends to deepen austerity.

This means raising utility rates of privatized companies (to compensate them for the "suffering" caused by the 2001 peso devaluation), correcting the "deplorable" lack of progress in privatization of the public banking sector, and ramming through "fiscal responsibility" legislation to keep the provinces from "excessive" spending.

The current IMF agreement doesn't provide Argentina with any fresh financing. But should the Fund not approve the loan review, on grounds that Kirchner lacks the necessary "commitment" to austerity, the government believes—mistakenly—that this would be a fatal blow to its standing with the international financial community, and its ability to exit its default status. The reality is that the global monetary system is so close to shattering, the "international financial community" may not be around in its current form long enough for Argentina to prove its good intentions.

LaRouche Alternative: Only Way Out

The real question is whether the synarchist plans for imposition of global fascism can be averted by implementation of LaRouche's New Bretton Woods plan for the bankruptcy reorganization of the global system.

Despite its insistence that it wants to act responsibly toward foreign creditors, the Kirchner government is well aware that the fragile global situation could make debt repayment impossible. In the "shelf registration" document it presented July 2 to the U.S. Securities and Exchange Commission (SEC), as required by the restructuring process, the government warns very pointedly that the country is vulnerable to "external shocks . . . which could have an adverse material effect on Argentina's economic growth and our ability to service our public debt."

The document points to potential regional financial upheaval, warning that "a significant decline in the economic growth" of neighboring Brazil, Argentina's most important export market, could also affect its ability to pay its debt. Very revealingly, the government warns that it cannot guarantee imposition of "unpopular" IMF austerity measures, for which there is no "clear political consensus." Such measures could give rise to political and social instability which "may prevent the successful implementation of reforms required by the IMF program."

The open expression of such doubts, plus Kirchner's constant assertion, repeated again on July 13, that he will "not pay the debt off the backs of the Argentine people," drives the synarchist bankers wild. In conjunction with its international offensive, GCAB is reportedly going to the extreme of preparing to sue Cleary & Gottlieb, the old-line New York law firm which represents the Kirchner government, for being too successful in defending its client's interests.