

Monday, 26 August 2013

The President will send a bill to Congress to open the exchange of debt wider.

In a message through multi-media national broadcast, President Cristina Fernández announced sending to the National Congress the draft of a law to "open for the third time the exchange of debt to that 7 per cent that have not yet participated, to demonstrate yet again the sincere desire of Argentina" to honor its commitments. Also it stated that those who accept the exchange will receive certificates payable at the Caja de Valores (central depository for securities) of Argentina so that they cannot be subject to injunction.

President Cristina Fernández announced that "last Friday the Court of Appeals in New York confirmed the ruling of Judge Griesa that found in favor of the vulture funds" in the complaint against Argentina due to bonds in default. She stated that those funds "are known because they are the ones that confiscated Fragata Libertad [Frigate Liberty, Argentinian Navy Training Ship] in Ghana" as well as other assets of the country such as the presidential airplane, embassies or other state funds.

The Head of State explained that she seeks to inform "not only public opinion but also those bond holders who have placed their trust in Argentina, that this ruling of the Appeals Court disregards this agreement that we have had with 93%" of the bondholders. Moreover, she remarked that it disregards the sovereignty of the country, since according to the National Constitution "negotiation of the external debt is the explicit inherent power of the National Congress and can be done solely under its authorization".

Referring to the problem of the debt, the Chief Executive pointed out that on 31 December 2001 Argentina defaulted on bonds in the amount of 81.8 billion dollars. She explained that 49% of this had been contracted

between 1989 and 1999; the remaining 51% was contracted between 1999 and the time when default was declared.

Cristina Fernández recalled that “when in 2003 President Kirchner assumed [office], he faced the problem of the debt, which is a problem going back to 24 March 1976, and aggravated by Convertibility and opening up in 2001”. “Up to that time it was permanent indebtedness, the slogan was ‘pay to grow’; he maintained that we had to ‘grow to pay’”.

He affirmed that the debt “was a severe constraint on the Argentine economy”. “In the UN General Assembly Nestor Kirchner confronted this subject of the external debt and declared that it was necessary for the world to understand that it had to leave us ‘to grow to be able to pay, because –he stated-- dead people don’t pay debts’”.

The President maintained that “since 2003 to date, large payments have been made, based on substantial restructurings”. “It was a long, hard negotiation” she stated, during which the first bank which acted in the restructuring withdrew, and finally we took as trustee the Bank of New York.

“That first exchange, in which very few had faith, ended up restructuring 76% of the sovereign debt, with the largest write off in history”. “We can quantify it at more than 47 billion pesos: it is all of the *AUH* [Universal Child Support], it is all of more than 2,000 schools that were built since 2003 to date and all of the housing that was built in the same period”, she enumerated.

The Head of State affirmed that “at the incurrence of indebtedness Argentina paid exorbitant rates in dollars; here double digit rates were being paid”. Consequently, the argument was made that “risks had to be shared” between the country and the creditors.

She continued that starting with that restructuring “the problem of holdouts arose”, those who did not take part in the exchange. She recognized that “there were many people who did not believe in an Argentina that did not pay its debts”. “We wanted to instill greater confidence, and we created the growth coupon [GDP warrant] to link the

bondholders with the country's growth".

She recalled that in 2010 "we reopened the exchange and reached the record figure of acceptance of 93%" participation. This figure was reached because "then there was more confidence because debt was being paid at the Bank of New York and in the country". She then recalled the successful management of the current Minister of Economy and Finance, Hernán Lorenzino, when visiting several countries in Europe and Asia to bring bondholders into the transaction.

In that context, she held that the ruling of the Court of Appeals in New York "is a bit unfair to Argentina" in affirming that the country is a "recalcitrant debtor".

The Chief Executive pointed out that between 2003 and 2012 Argentina paid the amount of 173.7 billion dollars; 41.0 within the national public sector itself and 81.487 billion dollars to the national and foreign private sector, holders of Argentine bonds. And to multilateral credit agencies, including the International Monetary Fund, the Interamerican Development Bank, the World Bank and the Corporacion Andina de Fomento (CAF), 52.2 billion dollars.

"Rather than recalcitrant debtors, we are serial payers", claimed the Head of State and continued: "Moreover, there is something to add, since we have done it with resources genuinely acquired through the management of trade and resources of the State without going to the capital markets".

On the other hand, she recalled that in the year 2003 external debt reached the level of 150% of GDP represented in foreign currency. Now, this ratio has fallen to "something less than 10% of GDP".

"And in a few more days we are going to pay the *BonAr 07*, in an amount reaching 2.0 billion dollars". After that payment, which will be made on next September 12th, the debt ratio will go to 8.3% of GDP. The Chief Executive commented that this ratio is lower than that of the most developed countries and less than that of the countries in the region.

New exchange

In that context, Cristina Fernández announced that the National Government has adopted a series of measures to prevent “a sword of Damocles” from hanging over the country. The first of these is to send to the National Congress a new bill to open the debt exchange for a third time, with the purpose of incorporating the 7% of the creditors who did not participate during the previous two opportunities.

“The Parliament is the sole body empowered to make a decision about the external debt, because the Executive Power acts only as a negotiator”, she explained, to which she immediately added: “We wish to once again demonstrate the sincere desire to take on the commitments of the Argentine Republic”.

On the other hand, she also announced that within central government “we have decided to safeguard those who put their faith in the Argentine Republic, and who are just collecting from 2005 and 2010, replacing securities with the same currency, but changing the place of payment, which will now be at the Caja de Valores, in Argentina”, to avoid any possibility of injunction.

The Chief Executive also exhorted: “I ask God to enlighten the Supreme Court of the United States” because affirmation of the ruling of the Court in New York “invalidate” all the legal precedents referring to bankruptcies and invalidate other sovereign debt restructurings.

Moreover, she recalled that the vulture funds represent only 0.45% of all of the bondholders that fell into default in 2001. And who acquired those papers in 2008 at extremely low prices. If the New York Court ruling is affirmed, “their profit would be more than 1300%, something that lacks logic and common sense”.

Consequently, she stated that “the decision that the United States Supreme Court makes will be felt not only in Argentina, but in the entire financial world”.

The President confirmed the safety of bondholders who collect their payments in the country, explaining that Argentina already paid the *Boden 12* which were the bonds that Argentina issued to pay those that had been

caught up in the *corralito* [bank crisis in 2001 when banks would not allow depositors to take out their money]. "The Argentine government has completely paid off that debt which was 19.6 billion dollars, with certificates issued via local legislation at the maturity dates that had been stipulated". Likewise, she commented that in the next days the Argentine Government will pay "*Bonar 7*, 2.0 billion dollars, in local currency and payable at the *caja de valores*".

Consequently, she pointed out that "the certainty and the legal security come not only from our commitment to have the bonds paid, but also from the objective, concrete actions that we have undertaken, paying securities here in Argentina".

The Head of State maintained it would be "ridiculous" to do the bidding of "some sectors that say there is no reason to pay anything". She assured that the vast majority of Argentinians think they must "continue guaranteeing the growth of Argentina in a framework of rule of law and discharging of obligations".

The Chief Executive said that she wanted to address "those that have put their faith in Argentina, the rest of the financial world and especially the authorities of the United States, their Court", because she thinks that confirming the ruling of the Court of Appeals is "to inflict a heavy blow to legal security, at a very difficult time for the world". And she rejected the fact that "0.45% today want to ruin what we have achieved with regard to growth, debt payment, support of the world".

In response to those who criticize the national Government for referring to the past, Cristina Fernández held that "this past Friday has proven that the past is always just around the corner". "It is enough that someone makes a mistake or that they have other interests, so that things that have cost us so dearly to succeed in recent years in the end are ruined", she remarked. She stated that the objective must be "to try to avoid repeating the errors that we Argentinians have made". "I also am involved despite not having been part of any government going into debt, but yes I feel responsible for the Argentinians who elected me".

The President made "a call for reason and common sense", so that the

0.45% "may not put at risk the 93" who accepted the debt exchange. "We are at the front of the ship; we are going to lead it to a good harbor. And we have hopes that argument will prevail over the strong lobbies that we have seen in recent days", she emphasized. Lastly she requested "responsibility" from those that hold imparting justice in their hands.