

Creditors' Representative: 'Argentina's swap offer is not serious'

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By César Muñoz Acebes

The swap on debt in default proposed by the Argentine government "is not serious" due to the terms that it demands of the bondholders, said Robert Shapiro, co-president of the U.S. creditors' association, to EFE.

The announcement was received with euphoria on the Buenos Aires stock exchange, while in international markets the price of Argentine bonds rose on the news from the Executive.

But Shapiro attributed that reaction to "speculative" movements and said that the offer, as described by the Argentine economy minister, Amadou Boudou, "is almost contemptuous."

"To say that the restructuring of the debt is going to be reopened under the same terms of 2005 is not a serious position," he argued.

That year, Argentina restructured 76% of the debt it had in suspension of payments since 2001, when they declared the biggest default in history.

At that time they returned 35% of the nominal value of the bonds to their owners, against the historic average of 45 or 55 percent in similar processes around the world, according to Shapiro.

The minority of bondholders that fell outside had closed Argentina's access to international capital markets and have grouped together in associations like American Task Force Argentina to make their demands heard.

That organization, which is co-pressed over by Shapiro, ex-assistant secretary of Commerce for Economic Affairs in the government of Bill Clinton, and Nancy Soderberg, former U.S. ambassador to the U.N., gathers the U.S. holders of bonds in default, which come to US\$3.5 billion.

For years the organization has been pressuring the Congress in its country against Argentina, while demanding that the austral country restructure its pending debt, but the announcement this week hasn't caused rejoicing.

"I hope that there will be a serious negotiation, because to simply say – this is the offer, the same one you rejected, with the same terms or worse ones – is not serious," Shapiro said, adding that the government has had no contact with his organization.

However, he admitted that some bondholders will accept the swap, especially if they bought their bonds on the secondary market for less money than what Argentina is now offering.

In turn, Shapiro said he predicts that the original bondholders that rejected the offer in 2005 will not sign onto an agreement that would be the same as that one.

Boudou, for his part, hopes that at least 60% of them accept the new conditions, which include a haircut higher than 65% of the value of the bonds, which add up to US\$20 billion.

Also, the Argentine government will demand that investors bring in 10 percent of the price of the new bonds in fresh cash, which will mean an inflow of US\$1 billion for public coffers, according to what the minister said.

"I've never heard anything like this", Shapiro said in reaction to this demand. "That means that it's being treated like a public relations campaign directed at a national audience, to convince them that the government is acting in a reasonable way," he said.

With the new offer and its recent moves toward the International Monetary Fund (IMF), Argentina plans on paving the way to returning to the international markets, at a time when revenues are dwindling for the State due to the crisis.

Currently, they cannot place debt abroad because of the main courts of developed countries having given recalcitrant bondholders room to sue Argentina, which means any emission on bonds could be embargoed to return money that is owed.

Argentina would have to resolve all those lawsuits before being able to capture funds abroad again, Shapiro said.

Also pending are defaulted debts with 19 countries making up the Paris Club, at a value of US\$6.9 billion (US\$8 billion if interest is added), according to private calculations.

Boudou has said he plans on reaching an agreement with those countries before the end of the year.