

Bondholders demand "good faith" from the government

La Nacion

January 05, 2011

By Martin Kanenguiser

Robert Shapiro, representative of U.S. creditors, rejects the swap terms and warns there will be sanctions

The U.S. bondholders that remain in default warn that Argentina is on the path toward losing its export benefits in the United States, reject the reopening of the swap and demand that the government negotiate in "good faith."

The co-president of the American Task Force Argentina (ATFA), Robert Shapiro, told La Nacion in a telephone interview from Washington that the government of Democratic President Barack Obama supports his demands and that Argentina can't close the cases in that country.

Shapiro was undersecretary of Commerce in the government of Bill Clinton, advisor to presidential candidate Al Gore in the 2000 campaign and for important companies and civil organizations.

-What do you think of the reopening of the debt swap?

-The Argentine government continues offering the same terms as always, without negotiating with the bondholders, and for that ATFA's view has not changed: equal to other countries, ATFA will have to negotiate with its creditors in good faith.

-What does the administration of President Barack Obama think about this non-compliance?

-We're in permanent contact with the Obama administration and Secretary of State Hillary Clinton was clear about Argentina's obligation to pay its debts and that it's unacceptable to not negotiate with its creditors. There are various issues, but without a doubt the most serious is that Argentina is not a trustworthy partner in the G-20 for ignoring laws on terrorism and money laundering and for maintaining unpaid debts since 2001 with the bondholders and the countries making up the Paris Club.

-When Clinton came to Buenos Aires, the government highlighted that she spoke well of the debt issue.

-That was a twisting; she didn't change her position and affirmed that Argentina, in order to achieve growth for its economy, must comply.

-But financial investors are showing strong interest in Argentine bonds.

-Yes, because the country pays among the highest interest rates in the world. Argentina has many rulings firmly against it that impede it from obtaining funds outside the country and returning to the market. Also, while capital comes in, at the same time the country will register a capital flight this

year of US\$11 billion. That is not a sign of confidence.

- What do you think of the Paris Club negotiation?

-The Club accepts a short payment of 18 months, but the government of Cristina Kirchner demands six years; I don't think it would be acceptable. Also, the government has a record of not complying with its payment promises to the Club, as it showed in 2008.

-Shouldn't you change your strategy after so many years without being able to collect, despite so many favorable sentences that you've obtained?

-We don't see this from the point of view of some bondholders in litigation, but as an organization in the United States that believes that Argentina will remain isolated from the world while it doesn't comply with its obligations. This shows that the people in Argentina need new leaders.

-Do you believe that the legislative bills in the U.S. that penalize countries that don't pay their debts could become law?

-There is a growing interest among legislators, it's possible.

-Why do you also mention the non-compliance in matters of fighting against money laundering?

-Because it also reflects poor conduct with respect to the institutional issue and its obligations, not only with the United States but also towards citizens of European countries and Japan.

-The two swaps, in 2005 and 2010, weren't sufficient to satisfy your demands?

-No. Some countries decided to place a clause in bonds that they would allow placed that if they fell into default and were swapped, with an acceptance of 95%, that could end the matter. But at the time, Argentina didn't want to do that because it would be negative for its risk rating. It was a decision by the country, not by its creditors. And now on top of that they offer a smaller amount than what they owe.

-As such, you don't believe that the government could close the book on the lawsuits in New York, as it says.

-Legally, they can't.

-What would the government gain if its accedes to your requests?

-Restoration of good bilateral relations, a rise in direct investment, avoiding the flight of capital and Argentine exports to the U.S. would not be affected by a reduction in advantages under the Generalize System of Preferences (GSP), that are being reviewed now. One of the conditions to receive this benefit is to comply with commitments, something Argentina is not doing.

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Origin: United States

In the United States there are 114 lawsuits for US\$8 billion, the debt that remained in default since 2001 after two debt swaps offered by Argentina (2005 and 2010). ATFA, a powerful political lobby, estimates that there are another US\$8 billion in late interest to investors around the world.