

FACT CHECK:



# ARGENTINA

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**MYTH:** *Holdout creditors and a judge in New York are forcing Argentina to default.*

**FACT:** **By refusing to negotiate with its creditors, Argentina's leaders are choosing to default.** Argentina's ongoing refusal to negotiate is the only thing preventing it from avoiding default and achieving a settlement. Argentina tries to blame creditors and judges for its problems, but only Argentina can take the necessary steps to avoid default.

*"The case of Argentina was and remains unique in its unilateral and coercive approach to the debt restructuring."*

— *Moody's study of recent sovereign debt restructurings*

- Since the early 1990s, more than 30 sovereigns have undergone relatively quick, successful debt restructurings. According to a [comprehensive analysis](#) conducted by Moody's Research, Argentina remains the single outlier of any sovereign debtor nation because of its refusal to work cooperatively with international monetary institutions, the courts and with holdout creditors to resolve outstanding obligations from its 2001 historic sovereign debt default.
- Argentina prolonged its day of reckoning with creditors for nearly 15 years, but not before the U.S. Courts had issued over [100 judgments](#) against it. At each step along the way, Argentina was encouraged to settle its obligations, but adamantly refused to comply. It made the campaign against the holdouts a rallying cry for an anti-capitalist vendetta — hardly credible given its aggressive courting of international investment.
- Noted international [economists](#) and [pollsters](#) have pointed to the significant economic benefits that would accrue to Argentine after settling with creditors — including billions of dollars in savings generated by lowered borrowing costs. But the Argentine government chose not to settle and thereby find its way back to capital markets and to new flows of foreign direct investment.
- Ultimately, Argentina has reached the end of the line in its stall tactics via the U.S. Courts. On [June 16th](#), the U.S. Supreme Court upheld the injunction of the lower courts and demanded that Argentina pay its creditors on equal footing. This judgment is final.
- The ruling by the U.S. Courts, however, does not require Argentina to default; but it does require equitable payment. Thus, if Argentina pays its exchange bondholders, it must also pay the grouping of holdouts including NML, Aurelius and others — a grouping that notably includes Argentine pensioners who were co-petitioners.
- The U.S. Courts issued their judgments in accordance with the [pari passu bond covenants](#) that were part of the guarantee structure of the premium bonds issued

under New York law.

- In recent months, Argentina has demonstrated its [ability to negotiate](#) with the Paris Club and Repsol. But with the July 30th “grace-period” deadline only weeks away, the Argentine leadership appears to prefer the path of default, rather than back away from its ideological commitment to “never pay the vultures.”
- For years, the holdouts have indicated a desire to negotiate to achieve a fair settlement. But despite the high stakes — despite the danger of the economy collapsing under the weight of an unnecessary default — the Argentine government has recklessly refused and instead defiantly chastised the US legal system and its judges.
- Argentina should come to the table in good faith, and quickly. There must be an immediate commitment on behalf to the government to negotiate.

#### Additional Background

Bloomberg Television

*Can Argentina Prevent a Debt Debacle?*

<http://www.bloomberg.com/video/can-argentina-prevent-a-debt-debacle-L7H33Yz7TJeuzmeom7CTBA.html>

July 1, 2014

CNBC-Television

*Argentina's Debt Crisis*

<http://video.cnbc.com/gallery/?video=3000289024&play=1>

July 1, 2014

CNN en Español, “Dinero”

*Los Sigüientes Pasos En Los Fondos Buitres*

<https://www.youtube.com/watch?v=g4P7nmnvVKI>

June 25, 2014

Cato Institute Forum

*Argentina Is Unique - Implications for Sovereign Debt Restructurings*

<http://www.cato.org/events/argentina-v-holdout-creditors-applying-rule-law-resolve-debt-default>

December 11, 2013

Brookings Institution Forum

*The Long Agony of the Kirchner's Argentina*

March 24, 2014

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