

FACT CHECK:



ARGENTINA

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MYTH: *If Argentina pays holdouts, ‘it will have to pay \$15 billion’ out of its reserves ‘in the immediate future.’*

FACT: Argentina could negotiate a settlement without significantly affecting its reserves. Some holdouts have made it clear that they would accept bonds as a portion of the payment. Argentina did this in the settled negotiations with Repsol and the Paris Club. Furthermore, the \$15 billion number is completely unsubstantiated: the Government has refused to disclose any credible information to support this manufactured number.

“The Argentine government has said the costs would be as much as \$15 billion, though David Rees, an emerging markets economist at Capital Economics, thinks the cost to paying the holdouts is about half of what the government claims.”

— CNN

“Elliott is looking to recent deals made by Argentina with other creditors as a potential model for an agreement ... That could include accepting a mix of cash and bonds ... ”

— *The Wall Street Journal*

- The U.S. Court [judgment against Argentina](#) involves claims for \$1.4 billion dollars — not \$15 billion. It is preposterous to argue that by settling a relatively small, circumscribed obligation that a cascade of unsettled debt will fall due.
- Argentina has the ability to pay. There is no question about this. To put this in perspective, \$1.4 Billion is [.1% of the GDP](#) and could easily be absorbed by the budget.
- To the extent that Argentina has other outstanding obligations, those are on entirely separate legal footing and in no way tied to the judgments issued in US courts.
- Argentina unfortunately has a history of making up numbers and manipulating its statistics. INDEC (the national bureau of statistics) has, for years, issued [false reports](#) on key economic indicators, especially its double-digit inflation rates. Good people at INDEC who challenged this practice were [summarily fired](#) by President Nestor Kirchner.
- Is it any wonder given this reputation that most independent economists put Argentina's actual outstanding obligations to holdout creditors at between \$7 and \$9 billion?
- Moreover, only a fraction of that \$7 to \$9 billion in debt represents bonds that are on par with bonds that are relevant to this judgment — i.e., that contain the “equal payment” obligations. Holders of all other bond instruments would have to initiate their own lawsuits and wend their way through a lengthy, labyrinthine legal process that might or might not result in payment.

- Furthermore, much of the outstanding debt in question was issued in other legal jurisdictions — in Europe and elsewhere — and thus the ruling does not apply to these bond instruments.
- The Argentine government claims that because of the so-called RUFO clause in many of the bonds, they are forbidden to offer holdouts a better offer than the ones granted to restructured bondholders in 2005 and 2010. But this is a [red herring](#). In fact, the RUFO clause pertains only to “voluntary payments,” and certainly not to equal payment mandates issued by US courts.
- As we’ve seen with the [Repsol and Paris Club settlements](#) — explicitly structured so as *not* to deplete the Central Bank of Argentina’s foreign currency reserves — these settlement almost always includes a creative repayment plan, and typically a mix of cash and new bonds.

Additional Background:

American Task Force Argentina Media Teleconference
A Look at Argentina's Outstanding Debt Payment Obligations
 June 23, 2014

CNN International
Argentina's Debt Dispute
http://www.cato.org/multimedia/media-highlights-tv/steve-h-hanke-discusses-argentinas-debt-dispute-cnn-international?utm_source=CNN+Interview+with+Richard+Quest&utm_campaign=CNN+Interview+with+Richard+Quest&utm_medium=email

BBC- World
Argentina Pleads Its Case Against Vulture Funds
 June 23, 2014
<http://www.bbc.co.uk/programmes/p0211mrz>

Newsweek
Retirees Set to Lose Big in Argentina's Bond Fight
<http://www.newsweek.com/retirees-set-lose-big-argentinas-bond-fight-255553>
 June 19, 2014

The Weekly Standard
Why Argentina Is Struggling to Find Lifelines
http://www.weeklystandard.com/blogs/why-argentina-struggling-find-lifelines_786066.html
 March 26, 2013

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