
Argentine Delegation Returns for Vulture Negotiations

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An Argentine government delegation is traveling to New York on Monday to continue talks with court-appointed mediator Daniel Pollack and the holdout, “vulture fund” creditors. Scheduled to meet on Tuesday, the delegation hopes to reach an agreement with the holdouts before Wednesday’s payment deadline, which threatens to plummet the country into default.

After failing to reach an agreement this past Friday, the delegation scheduled another meeting with Pollack. At a press conference on Monday in Buenos Aires, Cabinet Chief Jorge Capitanich said that in the meeting, “Argentina will look to reinstate a stay... All negotiations take time.”

Last week, Argentina requested a stay on Judge Thomas Griesa’s June 16 ruling which favored the holdout bonds to allow more time for negotiations and avoid default, but was denied by the judge. Griesa has ordered Pollack to meet with both sides “promptly and continuously” up to Wednesday’s July 30th payment deadline.

Aurelius Capital Management LP, one of the principal holdouts in the 12-year legal battle, said that Argentina is “wholly undeserving of another stay.”

Throughout the talks, Capitanich has stated that the delegation seeks to “defend national interests and ensure that the economic system continues functioning.”

The holdouts, some of whom bought defaulted bonds for as low as US\$0.33 on the dollar following Argentina’s financial crash of

2001, have been accused of being unwilling to negotiate with Argentina for subsequently refusing to take part in the 2005 and 2010 debt restructurings. Much of this debt was accumulated in the bloody military dictatorship lasting from 1976 to 1983, which disappeared an estimated 30,000 people. During the previous restructuring, agreements were reached with over 92 percent of creditors.

One of the "vulture funds" NML Capital, who bought up US\$48.7 million, stands to gain US\$832 million, representing a return of 1,608 percent.

The U.S. Supreme Court ruling states that Argentina must repay the full US\$1.33 billion original bond value plus interest to the vulture funds. The ruling also opens up the potential for claims from other creditors through the "Rights upon Future Offers" (RUFO) clause, which could be as high as US\$15 billion - half of total national reserves.

Argentine President Cristina Fernandez de Kirchner has rejected the idea of paying this amount, saying "it's not only absurd, but also impossible for a country to give over 50 percent of the total reserves in its Central Bank in one payment to creditors."

If unable to reach an agreement or pay the full amount to the holdouts by Wednesday, Kirchner has stated that the country would be forced into technical default. Both she and Economy Minister Axel Kicillof have stated that Argentina is not willing "to submit to extortion." According to Kicillof, the strategy of the holdouts is to "seize everything and negotiate nothing."

For his part, Pollack acknowledged the urgency of the looming deadline. "I am available to the Republic at any and all times, either in person or by telephone, in view both of the gravity of this situation and the shortness of time to resolve it without default," he said.
