

14/11/02

Praktikant, Alfredo Schclarek Curutchet

### Debt discussions in Argentina

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(3 Bil)

#### Federal public debt

Argentina declared *default* on its debt in January 2002 after suffering a major currency and banking crises. At that time the total federal *public debt* was USD 144.453 million, or equivalently to 57% of GDP and 543% of exports (Ministry of Economy, Argentina). In the second quarter of 2002, the total federal debt had *fallen* to USD 114.575 million primarily because of the "pesification" of part of the dollar-denominated debt and the devaluation of the Argentine peso. However, the total federal public debt as a percentage of GDP had *increased* to around 139%.

For the second quarter of 2002 the total federal debt in *arrears* was USD 7.463 million, of which USD 5.236 million corresponded to principal and USD 2.227 million corresponded to interests.

It is also worth noting that in the second quarter of 2002 28% of the total federal debt was to *multilateral organizations* (USD 31.702 million). USD 14.355 million corresponded to the IMF (See Table 1 for details about the composition of the federal public debt in Argentina).

#### External Debt

The total Argentine *external debt* was USD 132.566 as of March 2002. USD 83.177 million corresponded to the public sector, which include the non-financial public sector and the Central Bank (63% of total external debt). USD 34.491 million corresponded to the non-financial private sector (26% of total external

debt). USD 14.898 million corresponded to the financial sector, excluding the Central Bank (11% of total external debt).

### Provincial debt

On top of the federal public debt, there is the *provincial public debt*, which as of December 2001 was USD 30.066 million. It is to be noted that part of this provincial debt is debt that the provinces have with the federal government. However, as a consequence of unclear information it is not possible to distinguish which part of the total provincial debt is to the federal government and which to private and foreign creditors. It is also interesting to note that more than *one third* of the total debt, USD 10.495 million, corresponded to the *province of Buenos Aires*, which is by far the largest of the 23 provinces in Argentina.

### Outstanding debt payments

For the rest of 2002 the total *outstanding debt* payments are USD 11.465 million, of which interest payments are USD 2.858 million and capital payments are USD 8.607 million (see Table 2 and 3). The outstanding payments to *multilateral organisations* are USD 821 million in interest payments and USD 5.674 million in capital payments.

For 2003 the total outstanding payments are USD 24.612 millions, of which USD 5.362 million in interests (USD 1.086 million to multilaterals) and USD 19.250 million in capital (USD 10.960 million to multilaterals). It is worth noting that the total disbursements for 2003 are approximately equivalent to *25% of GDP* and *100% of exports*. See Table 2 and 3 for payments due between 2002 and 2006.

On top of these figures, it is to be noted that Argentina *no longer has access* to the international *capital market*. Furthermore, the *reserves* of the Central Bank are currently as low as USD 9.711 million. Remember that the IMF advised Argentina to keep the reserves above USD 9.000 million to avoid hyperinflation risks. Another reinforcing factor to the severity of the current debt crises is that the domestic *financial sector* was almost destroyed.

### Debt restructuring debate

Currently, there are different opinions regarding the public debt in Argentina and a debate about a *debt restructuring and relief* is taking place. Although these views are many and differ significantly, I will

try to classify these views in general groups and highlight their main ideas. There is, however, an almost general consensus that some kind of restructuring and debt relief is necessary to put the public debt into a *sustainable* path again. Here it is worth remembering that, within the framework of the Heavily Indebted Poor Countries (HIPC) initiative of the World Bank and the IMF, a sustainable debt is defined as one where the net present value of debt-to-export ratio is below 150%. In January 2002 Argentina had a total debt to export ratio of 543%.

A difficulty with the debt restructuring process in Argentina is that the public debt is mainly held by a large number of small foreign bondholders. Therefore there is a co-ordination and free-rider problem. This situation is in stark contrast to the situation of the 1980's when the main creditors were large international banks.

#### Moderate view

A group of economists, which has an opinion in line with that of the Argentine banks, sustain that the government should *compensate* banks for the "asymmetric" pesification by issuing new *guaranteed* public debt. With "asymmetric" pesification it is meant that dollar-denominated bank loans were pesified at a rate of 1 peso for each US Dollar, while dollar-denominated bank deposits were pesified by a rate of 1,4 plus CER for each US dollar. CER, *coeficiente de estabilizacion de referencia*, is an index calculated on the basis of past inflation. They also claim that the deposits that were frozen ("corralito") should be repaid to savers by issuing guaranteed public debt.

However, as the government can not afford its current debt payments, they claim that there should be a *rescheduling* and a *debt relief* operation for the part of the debt that is *not* guaranteed debt. Most of this non-guaranteed debt is held by foreigners and is estimated to be more or less USD 51.000 million. For this part of the debt, a debt relief of 40-70% of the net present value, a lowering of the interest rate to 7-8%, and a grace period of 2-4 years should be undertaken.

It is important to notice, however, that within this group of economists there are some critical voices that say that this restructuring and debt relief operation is *not enough* for putting the debt into a sustainable path again. They claim that the debt to *multilateral organisations* as well as part of the *guaranteed* debt should also be restructured.

### Intermediate view

There are other opinions that claim that, although it is necessary to make a similar restructuring and debt relief operation as the one mentioned above, it should also be necessary to carry out an *investigation* to determine which part of Argentine public debt is *illegitimate*. They would even be ready to handle out the case to the *Haag tribunal* for it to determine the legitimacy of the debt. The reason for this illegitimacy would be that the *dictatorship* that was in place in Argentina between 1976 and 1983 originally contracted part of the debt. During this period the public debt went from approximately USD 7.875 million to approximately USD 46.200 million, i.e. a growth of 354% of the debt. Furthermore, during this period the government assumed debt that was originally contracted by *private* companies. Also part of the debt was used to finance *non-productive* activities such as the football World Cup 1978 and the Malvinas (Falkland) war. The rationale goes that if banks and financial institutions gave loans to illegitimate governments, they should not pretend to be entirely repaid and should suffer losses for their bad lending policies. Also many consider that short-term speculators should take the consequences of their greedy behaviour and suffer losses rather than the poor Argentines.

### Radical view

In addition, there is a third line of opinion that has an even more radical attitude. They claim that *no part* of the debt should be repaid because it was *illegitimately* contracted. Their justification is similar to the one presented above. Furthermore, they argue that Argentina has already paid USD 228.219 million since 1976, that is 29 times what was owed at that time (USD 7.875 million). In addition, they assert that the debt contracted with multilateral organisations is a form of *economic and political domination* by the IMF, World Bank, multinational corporations and developed countries. Their opinion is that if Argentina really wants to develop it should *stop* listening to the IMF's recommendations. They *blame* neoliberal recipes for the bad performance and increased poverty during the last 25 years.

Alfredo Schclarek Curutchet

Table 1

**DEUDA DEL SECTOR PUBLICO NACIONAL  
POR INSTRUMENTO Y POR TIPO DE PLAZO (\*)**

Datos al 30/06/02

	Miles de US dollar		Miles de Pesos	
	Saldo Bruto	Saldo Neto (**)	Saldo Bruto	Saldo Neto (**)
<b>TOTAL DEUDA PUBLICA</b>	<b>114 574 505</b>	<b>107 647 428</b>	<b>435 383 121</b>	<b>409 060 229</b>
<b>MEDIANO Y LARGO PLAZO</b>	<b>107 104 145</b>	<b>103 590 931</b>	<b>406 995 752</b>	<b>393 645 539</b>
<b>TITULOS PUBLICOS</b>	<b>50 995 846</b>	<b>50 682 110</b>	<b>193 784 215</b>	<b>192 592 018</b>
- Moneda nacional	2 679 901	2 375 721	10 183 624	9 027 740
- Moneda extranjera	48 315 945	48 306 389	183 600 591	183 564 278
<b>PRESTAMOS</b>	<b>56 108 299</b>	<b>52 908 821</b>	<b>213 211 537</b>	<b>201 053 521</b>
<b>PRESTAMOS GARANTIZADOS</b>	<b>18 513 471</b>	<b>18 513 471</b>	<b>70 351 190</b>	<b>70 351 190</b>
<b>ORGANISMOS INTERNACIONALES</b>	<b>31 702 047</b>	<b>28 502 569</b>	<b>120 467 778</b>	<b>108 309 762</b>
- FMI	14 355 424	14 355 424	54 550 611	54 550 611
- BIRF	8 707 717	6 489 729	33 089 325	24 660 970
- BID	8 606 308	7 630 399	32 703 970	28 995 516
- FONPLATA	26 539	25 176	100 848	95 669
- FIDA	6 059	1 841	23 024	6 996
<b>ORGANISMOS OFICIALES</b>	<b>4 396 722</b>	<b>4 396 722</b>	<b>16 707 544</b>	<b>16 707 544</b>
- Club de París	1 818 122	1 818 122	6 908 864	6 908 864
- Otros bilaterales	2 578 600	2 578 600	9 798 680	9 798 680
<b>BANCA COMERCIAL</b>	<b>1 255 192</b>	<b>1 255 192</b>	<b>4 769 730</b>	<b>4 769 730</b>
<b>OTROS ACREEDORES</b>	<b>240 867</b>	<b>240 867</b>	<b>915 295</b>	<b>915 295</b>
<b>CORTO PLAZO</b>	<b>7 391</b>	<b>7 391</b>	<b>28 086</b>	<b>28 086</b>
<b>LETRAS DEL TESORO</b>	<b>7 391</b>	<b>7 391</b>	<b>28 086</b>	<b>28 086</b>
<b>MORAS (***)</b>	<b>7 462 969</b>	<b>7 462 969</b>	<b>28 359 283</b>	<b>28 359 283</b>
<b>MORA DE CAPITAL</b>	<b>5 235 917</b>	<b>5 235 917</b>	<b>19 896 485</b>	<b>19 896 485</b>
<b>MORA DE INTERESES</b>	<b>2 227 052</b>	<b>2 227 052</b>	<b>8 462 798</b>	<b>8 462 798</b>
<b>DEPOSITOS DEL GOBIERNO</b>		<b>-2 443 300</b>		<b>-9 284 540</b>
<b>GARANTIAS DEL BRADY</b>		<b>-970 563</b>		<b>-3 688 139</b>

(\*) Solo incluye la suma de \$ 27,4 millones por deudas del ex-Instituto Nacional de Reaseguros (INDER) y no incluye el "Bono Consolidado del Tesoro Nacional 1990" en cartera del Banco Central de la República Argentina por un valor original de \$ 881,5 millones.

Dicho Bono es el resultado de la consolidación de los adelantos transitorios y otras financiaciones que el Banco Central realizó al Gobierno Nacional a lo largo de su historia.

(\*\*) Saldos netos de activos financieros (ver cuadro 15).

(\*\*\*) Importe neto de Certificados de Credito Fiscal (CCF).

Table 2

**VENCIMIENTOS DE INTERESES CONTRACTUALES - 2002-2006**

US\$ Millones

Saldo y tipo de cambio al 30-jun-02

	IIIQ-IVQ 02	2003	2004	2005	2006
<b>TOTAL</b>	<b>2 858</b>	<b>5 362</b>	<b>4 532</b>	<b>3 931</b>	<b>3 942</b>
<b>Multilateral</b>	821	1 086	736	576	472
FMI	293	241	94	18	0
de los cuales corresponden a SRF					
BIRF	240	371	262	219	176
BID	239	382	299	271	243
Fonplata y Club de Paris	49	91	81	68	52
<b>Bilateral</b>	54	94	68	43	29
<b>Otros</b>	38	61	46	30	21
Banca Comercial (otras monedas)	25	40	32	22	16
Banca Comercial UCP /2	9	14	9	5	2
Otros Acreedores (otras monedas)	4	6	5	4	2
Otros Acreedores UCP /2	0	0	0	0	0
<b>Préstamos Garantizados</b>	228	458	460	450	557
Préstamos Garantizados \$	3	7	9	13	11
Préstamos Garantizados UCP	225	451	451	436	546
<b>Pagarés</b>	0	0	0	0	0
Pagarés (otras monedas)	0	0	0	0	0
Pagarés UCP /2	0	0	0	0	0
<b>Títulos Públicos</b>	1 717	3 664	3 222	2 832	2 864
<b>Títulos Públicos de Largo Plazo</b>	<b>1 717</b>	<b>3 664</b>	<b>3 222</b>	<b>2 832</b>	<b>2 864</b>
<b>Bonos Domésticos</b>	<b>23</b>	<b>41</b>	<b>30</b>	<b>18</b>	<b>9</b>
<b>Pesos</b>	5	12	9	6	3
Bocones y Bocep	5	12	9	6	3
<b>USD</b>	0	0	0	0	0
API	0	0	0	0	0
<b>UCP /2</b>	18	29	20	13	7
Bocones	7	12	10	8	6
Bontes	10	16	10	5	1
Pagaré - Bono	1	0	0	0	0
Bono 9%/02 (RML)	0	0	0	0	0
Otros /3	1	0	0	0	0
<b>Euroletras, Globales y Samurai</b>	1 583	3 422	3 003	2 638	2 681
Pesos	9	16	16	20	20
DEM	216	426	358	305	232
ITL	110	202	167	113	90
JPY	55	122	91	69	19
GBP	0	31	31	31	31
EURO	440	1 172	1 000	692	913
USD	693	1 354	1 256	1 369	1 377
SPAN	8	0	0	0	0
FRAN	39	79	79	39	0
Otras Euroletras /4	14	19	5	0	0
<b>Bonos Brady</b>	111	201	189	176	173
En USD	104	187	174	161	159
En DEM	7	14	15	14	14
<b>Títulos Públicos de Corto Plazo</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Letras del Tesoro Nacional \$	0	0	0	0	0
Letras del Tesoro Nacional UCP /2	0	0	0	0	0
Letras del Tesoro Nacional US\$	0	0	0	0	0

/1 Datos provisórios. Excluye atrasos.

/2 UCP: Unidad de Cuenta de Pesificación (pesificados a 14\$/US\$ y ajustados por el Coeficiente de Estabilización (CER).

/3 Incluye Bonex'92, Ferrobonos, Bono Hidrocarbúfero, Certificado de Crédito Fiscal y Bono Capitalizable 2020.

/4 Incluye deuda denominada en ESP, ATS y CHF.



Table 3

**PERFIL ANUAL DE VENCIMIENTOS DE CAPITAL  
DE LA DEUDA DEL SECTOR PUBLICO NACIONAL**

(En millones deUS\$ - Tipo de cambio 30/06/02)

TIPO DE ACREEDOR	2002	2003	2004	2005	2006
<b>TITULOS PUBLICOS</b>	<b>2 458</b>	<b>7 183</b>	<b>7 981</b>	<b>5 621</b>	<b>3 870</b>
<b>PRESTAMOS</b>	<b>6 142</b>	<b>12 067</b>	<b>5 406</b>	<b>4 730</b>	<b>3 354</b>
ORGANISMOS INTERNACIONALES	5 674	10 960	4 175	2 285	1 333
ORGANISMOS OFICIALES	212	748	919	649	517
PRESTAMOS GARANTIZADOS	0	0	13	1 571	1 401
BANCA COMERCIAL	210	246	280	207	86
OTROS ACREEDORES	46	113	19	18	17
<b><i>SUB-TOTAL MEDIANO Y LARGO PLAZO</i></b>	<b>8 600</b>	<b>19 250</b>	<b>13 387</b>	<b>10 351</b>	<b>7 224</b>
<b>LETRAS DEL TESORO</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><i>TOTAL DEUDA PUBLICA (*)</i></b>	<b>8 607</b>	<b>19 250</b>	<b>13 387</b>	<b>10 351</b>	<b>7 224</b>

(\*) Excluye atrasos.