



Country Report: The Republic of Argentina

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Abstract

These four country reports, Argentina, Chile, Colombia and Ecuador, covered the current popular and official climate between the country and the United States, important cultural sensitivities and economic challenges facing the country.¹ Each report analyzed how the U.S. is portrayed in the national media, the official stance and policies toward the U.S. The economy section stands separate from the political and social, covering the national economy, trade, and debt, if it poses an obstacle for the nation. Each report builds upon media reports, Congressional briefings, State Department Press Releases, and international organization's documents.

Argentina, under President Kirchner's predominantly anti-US rhetoric, weakened US-Argentine relations, but the economy is slowly rebounding. The country report findings place Argentina as a tense ally, with weakening diplomatic efforts from Washington. US-Argentine media relations reflect Kirchner's rhetoric with anti-US articles. Argentina's default in the early 2000s still plagues the nation and pushed US courts into ruling upon lender-debtor etiquette.

¹ The current climate referred to the public perception and attitude toward the United States and Americans, in the government and society.

I. Introduction

The Argentine Republic's contemporary history is marred by consecutive financial crises and failed economic policies that alienated the South American nation regionally and internationally. A brief look back at Argentina from independence up to the present displays a tumultuous political relationship with the United States that has recently slipped into the background of US-Latin American relations. Argentina's consistent push for regional and international prestige lead to various conflicts with its neighbors and England that further entrench Argentina's national debt.

Political and economic relations between the US and Argentina reflect the US's neutral stance on Argentina's handling of the debt crisis. As discussed within the following report, the US has pushed Argentina to negotiate with the "hold outs," but abstains from sanctioning or taking a strong stance on the persisting economic disagreement. Despite Argentina's tense foreign economic relations (private and public), their cultural exchange and tourism market stay above the red line. The coming months will be important in US-Argentina relations as Argentina continues to negotiate with "hold outs"² and the credit market opens after a long closure.

II. Background

Argentina played a key role in the fight for independence in South America, under the leadership of Jose San Martin.³ In 1816, Argentina declared independence, under the flag of the Rio de la Plata province, from the colonial power Spain. However, the united province quickly broke apart, despite Argentina's efforts to remain the seat of the united power.⁴ Even before independence, Argentina strived for a "respectable, white, liberal nation," whether through targeted immigration, prohibitions, war, or segregation.⁵ This desire for respectability and "whiteness" lead to a full scale military maneuver to suppress the interior heavily populated by gauchos (cowboys), indigenous, and independent women.⁶ Unwittingly, the Argentine government welcomed in a large population of anarchists in their quest to whiten the population and prompted a new political problem for the fledgling nation.

² A "hold out" is a bond holder that refuses to accept the Argentine government's negotiations. "Hold out" bond holders pose a great obstacle for Argentina in resolving Argentina's debt troubles.

³ Findlay, Eileen. "Independence." Lecture, Latin American History Since Independence from American University, Washington DC, February 4, 2014.

⁴ Central Intelligence Agency. "Argentina." Central Intelligence Agency. <https://www.cia.gov/library/publications/the-world-factbook/geos/ar.html> (accessed May 8, 2014).

⁵ Findlay, Eileen. "Early Statehood." Lecture, Latin American History Since Independence from American University, Washington DC, February 11, 2014.

⁶ Findlay, Eileen. "Early Statehood." Lecture, Latin American History Since Independence from American University, Washington DC, February 11, 2014.

a. Bureaucratic Authoritarian Regime

Argentina's modern history is marred by the infamous "Dirty War" led by the military regime in power during the 1970s and 1980s. The Southern Cone, encompassing Argentina, Chile, Uruguay, Bolivia, and Paraguay, as well as Brazil, experienced a regional phenomenon in the 1960s and 1970s called Bureaucratic Authoritarianism.⁷ This form of governance, a repressive response to populism and revolution, gained the support of the US under the Cold War doctrine and the Containment policy. US support waned as the military regime's questionable tactics of "disappearing," torturing and killing citizens became public to the international community. Economic crisis and the failed Falklands War with England dismembered all outside and social support for the regime. In 1982, the military agreed to an election in which Raul Alfonsín won on the platform of unraveling military control.⁸ Argentina's contemporary history plays a key role in the current economic crisis, as the measures and expenditures under the military regime aided in the current national debt and methods of response.

III. Political

Argentine politics in the 21st century confront some of the same troubles that plagued the governments of the mid to late 20th century. Unlike the previous century, the 21st century Argentine political leaders do not fear military uprisings due to Alfonsín's 1980s campaign diminishing the military's political power. However, Argentina continued confronting economic crisis, the worst being the 2001 financial crisis under Carlos Saul Menem.

A. Nestor Kirchner

In April 2003, Nestor Kirchner won the presidency with 22% support after former President Carlos Saul Menem pulled out of the second round of voting.⁹ Nestor Kirchner inherited an economically and socially devastated Argentina who lost international recognition by defaulting on its loans.¹⁰ As a center-left Peronist, Nestor Kirchner supported a strong central government and weak foreign influence, planting him at odds with international lender IMF.¹¹ In the first year of Nestor Kirchner's presidency, the economy rebounded with a 12% growth rate, but many

⁷ Findlay, Eileen. "Bureaucratic Authoritarianism in the Southern Cone." Lecture, Latin American History Since Independence from American University, Washington DC, March 8, 2014.

⁸ Findlay, Eileen. "Return to Democracy." Lecture, Latin American History Since Independence from American University, Washington DC, March 25, 2014.

⁹ Obarrio, Mariano. "Menem y Kirchner disputarán la segunda vuelta el 18 de mayo." *La Nación*, April 28, 2003.

¹⁰ Argentina had once been an economic and political leader of the Southern Cone. Many Argentines viewed themselves as closer to Europeans than Latin Americans or Americans. Much of Argentina's architecture and culture are reflections of Europe. The financial crisis severely destroyed moral and bank accounts of the middle and lower class.

¹¹ Council on Hemispheric Affairs. "Argentina's Néstor Kirchner: Peronism Without the Tears." Council on Hemispheric Affairs. <http://www.coha.org/argentinas-nessor-kirchner-peronism-without-the-tears/> (accessed March 26, 2014).

political experts and opposition party members claim that this should not be accredited to Kirchner as he did not enact any economic policies.¹² Taking advantage of the economic boom, Nestor Kirchner impeached or dismissed Supreme Court Justices and military officials for corruption or ties to the Dirty War.¹³ Despite Argentina's default, the largest default in international history, Nestor Kirchner proclaimed social problems to be the top priority of his presidency.

B. US-Argentine Relations: Nestor Kirchner

US relations with Nestor Kirchner soured when he suspended the "automatic alignment" clause.¹⁴¹⁵ Argentina moved further away from the US in politics and trade, and closer to Venezuela, Bolivia, and Lula's Brazil. Nestor Kirchner turned towards regional relations and formed Mercosur.¹⁶¹⁷ In the UN, Nestor Kirchner opposed the "War on Terror" and US invasion of any country.¹⁸

C. First Term: Cristina Fernandez de Kirchner

Cristina Fernandez de Kirchner as the First Lady polarized Argentine politics with her combative speech style, echoing Eva Peron.¹⁹ On December 10th, 2007, she began her first four year term as president and continued Nestor Kirchner's policies. She faced growing discontent within the private sector over price controls, upcoming negotiations with other international lenders, inflation and wage demands. US relations with Cristina Fernandez de Kirchner soured when the US accused her of illegal campaign funding in the case infamously known as maletinazo, or the "suitcase scandal."²⁰ As a result, Argentina restricted the US ambassador to Argentina from

¹² Gotkine, Elliot. "Argentine revival marks Kirchner first year." *BBC*, May 25, 2005, sec. South America.

¹³ Gotkine, Elliot.

¹⁴ Council on Hemispheric Affairs. "Argentina's Néstor Kirchner: Peronism Without the Tears." Council on Hemispheric Affairs. <http://www.coha.org/argentinas-nestor-kirchner-peronism-without-the-tears/> (accessed March 26, 2014).

¹⁵ The "automatic clause" had Argentina automatically aligning with US interests and voting against Cuba on human rights issues in international forums. Under previous Argentine presidencies, Argentina maintained fairly amicable ties with the US and aligned their foreign policy to mirror US foreign policy.

¹⁶ Mercosur member states: Argentina, Brazil, Paraguay, Uruguay, and Venezuela. Bolivia became a member in 2012.

¹⁷ Council on Hemispheric Affairs. "Argentina's Néstor Kirchner: Peronism Without the Tears." Council on Hemispheric Affairs. <http://www.coha.org/argentinas-nestor-kirchner-peronism-without-the-tears/> (accessed March 26, 2014).

¹⁸ "Argentina's Kirchner Calls at UN for 'New Financial Architecture.'" *Executive Intelligence Review*. http://www.larouchepub.com/other/govt_docs/2006/3339kirchner_un.html (accessed).

¹⁹ *Guardian*, "President in waiting evokes echo of Evita," , sec. World.

²⁰ BARRIONUEVO, Alexei. "Cash-Stuffed Suitcase Splits Venezuela and Argentina." *New York Times*, August 13, 2007, sec. Americas.

meeting with ministers and other political activities.²¹ The tensions eased and in 2008, Cristina Fernandez de Kirchner attended the Summit on Financial Markets and the World Economy in Washington, DC and met with Madeline Albright.²²

The Kirchners started losing support in 2008 and 2009 after allegations of impropriety and a questionable seven times increase in their personal funds from 2003 onward.²³ Further political maneuvers in 2010, such as the dismissing of Central Bank President Martin Redrado, soured the Kirchners' relations with Congress, global media, and other nations. After Congress and the Judicial branch declared the dismissal unconstitutional and reinstated Redrado, the global media called Cristina Fernandez de Kirchner's actions authoritarian, further depleting her political and international support.²⁴

i. Argentine Foreign Relations

In 2010, the Kirchners emphasized reconnecting or building relations with Peru and the US, but further soured relations with the UK. Cristina Fernandez de Kirchner made a historic visit to Peru in an effort to mend relations after Menem's illegal sale of weapons to Ecuador in the 1990s.²⁵ In 2010, the Argentine-UK Falklands disagreement reignited with the British petroleum company, Desire Petroleum, drilling off the Falklands.²⁶ Argentina involved the Latin American community in the dispute, garnering the regional support for its claim to the Falklands. Secretary of State Hillary Clinton met with the Argentine president in April, commending Argentina on its management of the debt resolution and emphasizing US-Argentine relations.²⁷ Cristina Fernandez de Kirchner continued to meet or receive various international leaders, making 2010 one of her busier years in terms of international relations.

D. Second Term: Cristina Fernandez de Kirchner

Kirchner won the 2011 presidential election with 54% of the vote and the widest margin of victory since 1983 when democracy was reestablished.²⁸ Her victory came with the large younger constituents' support and voters who sympathized with the death of her husband, despite

²¹ *Bloomberg*, "Argentina Protests Charges, Restricts U.S. Ambassador (Update3)," December 19, 2007, sec. News.

²² "Summit on Financial Markets and the World Economy." White House. <http://georgewbush-whitehouse.archives.gov/infocus/financialmarkets/> (accessed April 13, 2014).

²³ Ignacio Irigaray, Juan. "El patrimonio de los Kirchner crece de 3,3 a 8,5 millones de euros en un año." *El Mundo*, July 14, 2009, sec. Argentina.

²⁶ *AP Worldstream*, "UK oil exploration firm starts Falklands drilling," February 23, 2010.

²⁷ "Argentina's debt-to-GDP ratio is a lower percentage now than the United States debt-to-GDP ratio. So however Argentina is doing it, it's working". State.gov. 2010-03-01. Retrieved 2010-11-06.

²⁸ BARRIONUEVO, Alexei. "Kirchner Achieves an Easy Victory in Argentina Presidential Election." *New York Times*, October 23, 2011, sec. Americas.

Kirchner's heavy handed governing style and rising inflation.²⁹ Kirchner also restricted the purchase of US dollars, a long time fail-safe during the ongoing inflation battle for many Argentines.³⁰ Michael Shifter of the Inter-American Dialogue claimed that "this election really seemed to defy the normal rules of politics. But that is what happens when things are going well in the economy and there is a dearth of alternatives."³¹ Kirchner, considered the election results an affirmation of her Falkland claim and economic policies, continued claiming the Falklands and nationalized YPF.

In 2012, Kirchner faced national and international outcry for various scandals and her fiscal policies. Kirchner nationalized Spanish owned YPF, an oil company operating in Argentina, in 2012 amid international outcry. Meanwhile, Argentina faces reprimand and sanction from the IMF over doctored growth and inflation numbers. Kirchner's administration reported a 10% inflation, while private economists gave 24%.³² Attempting to ease the tensions and aid her party in the midterm elections, Kirchner's party passed a voting age law in late 2012. This voting age law decreased the voting age to 16, but did not make voting mandatory for anyone under 18 years of age.³³³⁴

The current political outlook in Argentina towards the US, under President Cristina Fernandez de Kirchner, is a tense one that worries many US companies. Kirchner's rise to power intensified the UK-Argentine dispute over the Falklands and US-Argentine business and international relations over various issues. In the international economy, Kirchner created further scandal and outrage with her contradictory inflation rate. The Kirchners' presidencies bring up the question of diarchy for many political analysts, and whether Nestor Kirchner will run for the next presidential elections, continuing Argentina's move away from the US.³⁵ However, this political prediction fell short with Nestor Kirchner's death in 2010.³⁶ In its place, Kirchner and her political party are purported to be working on a bill that would give Kirchner the ability to run for re-election for an unlimited amount of times.³⁷

E. US-Argentine Relations: Second Term Cristina Fernandez de Kirchner

²⁹ BARRIONUEVO, Alexei.

³⁰ BBC, "IMF's Christine Lagarde says Argentina faces 'red card'," September 24, 2012, sec. World Latin America.

³¹ BARRIONUEVO, Alexei. "Kirchner Achieves an Easy Victory in Argentina Presidential Election." *New York Times*, October 23, 2011, sec. Americas.

³² BBC, "IMF's Christine Lagarde says Argentina faces 'red card'," September 24, 2012, sec. World Latin America.

³³ AP Online, "750,000 new voters as teenagers are included in electoral roll," May 2, 2013.

³⁴ Voting is mandatory in Argentins for anyone between the age of 18-70.

³⁵ Mendelevich, Pablo (2010). *El Final* (in Spanish). Buenos Aires: Ediciones B.

US-Argentine Relations have hit an “all-time low” as Kirchner moves closer to Venezuela and increases her anti-US rhetoric.³⁸ Roberta Jacobson, US Assistant Secretary of State for Western Hemisphere Affairs in 2012, pointed to a 2011 incident as a key event in the US-Argentine “fall out.” In 2011, the Argentine government seized equipment from US Air Force shipments destined for Argentine police training.³⁹ Responding to the 2011 event, the US suspended tariff benefits and placed Argentina on the “Black list.”⁴⁰ US-Argentine relations soured completely and Kirchner increased her anti-US rhetoric.

President Obama sparked controversy after he nominated Noah Bryson Mamet, who acknowledged that he never visited Argentina and his fundamental disagreements in policy. Obama nominated Mamet in July 2013, but the controversy erupted at Mamet’s confirmation hearing, where he acknowledged his differences.⁴¹ Despite Argentina’s disapproval, Obama officially appointed Mamet in April 2014.⁴² The Confirmation hearing offered Senators the opportunity to speak freely on the topic of Argentina as an ally. Throughout the confirmation hearing, US senators remarked on Argentina’s financial woes and questionable actions. Western Hemisphere Subcommittee head Marco Rubio stated, “We have an ally [Argentina] that doesn’t pay bondholders, doesn’t work with our security operations, is reopening the AMIA terrorist investigations ... these aren’t the actions of an ally.”⁴³ Rubio represents a large contingency of Republican Senators who view Argentina as a questionable ally. Mamet’s nomination troubled Rubio because there is “a trend in Latin America where people get elected but don’t govern democratically. And Argentina is an example of this.”⁴⁴ Rubio’s remarks resounded heavily with other Senators at the hearing and supported in his concluding remarks about Argentina.

Douglas Farah, from the International Assessment and Strategy Center think-tank, cites Argentina as exporting 70 tons of cocaine a year to Europe after the US crackdown on Mexican cartels.⁴⁵ US-Argentine relations remained sour until May 4th, 2014 when Argentina signed an agreement that stipulated Argentina would better combat the drug trade within its national borders.⁴⁶ On the international level, US-Argentine relations are improving, but Congressional views on Argentina remain sour and distrustful.

³⁸ Giannangeli, Marco. "Now US falls out with 'corruptible' Argentina." *Express*, June 9, 2013, sec. World.

³⁹ *Mercopress*, "US admits relations with Argentina are “difficult” and calls for positive attitude," April 27, 2012.

⁴⁰ The Black list, as explained by *Mercopress* in the April 27th, 2012 article, is a list of countries who fail to act and prevent money laundering within their national borders.
Ibid.

⁴¹ *AP Online*, "US senators harshly criticize Argentina," February 7, 2014.

⁴² Madhani, Aamer. "State Dept. will post ambassador qualifications online." *USA Today*, April 4, 2014.

⁴³ *AP Online*, "US senators harshly criticize Argentina," February 7, 2014.

⁴⁴ *AP Online*, "US senators harshly criticize Argentina," February 7, 2014.

⁴⁵ Giannangeli, Marco. "Now US falls out with 'corruptible' Argentina." *Express*, June 9, 2013, sec. World.

⁴⁶ TOOTHAKER, Associated Press Writer. "Venezuela OKs Anti-Drug Pact With U.S.." *AP Online*, January 20, 2006.

IV. Economic

Argentina's continued financial crisis throughout the 20th and 21st centuries weakened US-Argentine relations, as well as Argentina's relations with lending nations and organizations. S&P defended its April 2014 credit rating of Argentina at "CCC+/C, citing lack of monetary flexibility and weak external liquidity."⁴⁷ This poor rating demonstrates a universal distrust of Argentina's economic capabilities and stability, which directly weakens Argentina's political power internationally and regionally. Argentina has very little access to foreign investment due to the rating and doctored inflation rate reports, and it lags behind Colombia and Peru in international direct investment.⁴⁸ S&P also predicted a possible downgrade in rating as the national debt continues to rise.⁴⁹

The 2001 financial crisis is the root of Argentina's recent financial woes, which prompted Argentina to default on its debt. Keeping in mind the scope of a default, 81.8 billion USD, with principle included made Argentina's default the largest sovereign debt default in history.⁵⁰ Congressional reports quickly point to the shared culpability of the Argentine government and lenders, citing poor financial policies; however, and "questionable lending and policy advice by the International Monetary Fund (IMF), a global recession, and international credit markets determined to chase high-yielding debt with inadequate regard to risk."⁵¹ The US aligned its policy to the IMF for much of the 2000s up until the Obama administration.⁵² Argentine president de la Rúa resigned in 2001 due to the financial crisis and further destabilized the economy and country. Total public debt jumped from 45.7% of GDP in 2000 to an outstanding 166.3% in 2002.⁵³ By 2002, Argentina owed the Paris Club countries 6.3 billion USD.⁵⁴

⁴⁷ Thomson Reuters. "Credit markets open to Argentina for first time in years: ministry." Reuters. <http://www.reuters.com/article/2014/03/30/us-argentina-debt-goldman-idUSBREA2T0DD20140330> (accessed May 1, 2014).

⁴⁸ BARRIONUEVO, Alexei. "Kirchner Achieves an Easy Victory in Argentina Presidential Election." *New York Times*, October 23, 2011, sec. Americas.

⁴⁹ Thomson Reuters. "Credit markets open to Argentina for first time in years: ministry." Reuters. <http://www.reuters.com/article/2014/03/30/us-argentina-debt-goldman-idUSBREA2T0DD20140330> (accessed May 1, 2014).

⁵⁰ Hornbeck, J. F.. *Argentina's Defaulted Sovereign Debt: Dealing with the Holdouts*. Ft. Belvoir: Defense Technical Information Center, 172010,

⁵¹ Hornbeck, J. F, 1.

⁵² Hornbeck, J. F, 3.

⁵³ Hornbeck, J. F, 3.

⁵⁴ The Congressional Research Services, in its February 2013 report "Argentina's Defaulted Sovereign Debt," defines the Paris Club as "a voluntary, informal group of 19 creditor nations who have agreed to act with a common approach to negotiate debt relief for developing countries unable to meet their external obligations. Members of the Paris Club agree to restructure and/or reduce official debt owed to them on a case-by-case basis, provided certain conditions are met. See, CRS Report RS21482, *The Paris Club and International Debt Relief*, by Martin A. Weiss."

A. Nestor Kirchner

Under Nestor Kirchner, Argentina declared itself independent from the IMF, which he saw as the cause of the 2001 financial crisis, and claimed the IMF's plan could not fix Latin America's economic woes.⁵⁵ Despite Nestor Kirchner's claims, Argentina paid off the 9.5 Billion USD it owed the IMF and his wife Cristina continues to meet with "hold-outs" to settle the rest of the national debt. Argentina in 2005, faced widespread protests, unemployment and inflation. Essentially, Argentina was in no position to attempt repayment.⁵⁶

B. Cristina Fernandez de Kirchner

Argentina needed to restructure its debt with the Paris Club countries, but the requirements for restructuring prevented this option for the Kirchners.⁵⁷ The Kirchners tabled the restructuring with the Paris Club and went on to the bond exchange with the other lenders. These bond sales turned into "vulture funds" and the price of Argentine bond plummeted.⁵⁸ This 2005 bond exchange solved only short term troubles for Argentina and left 18.6 billion USD of bonds untendered, 6.3 billion USD of Paris Club arrears, and 9.5 billion USD of IMF debt.⁵⁹ In 2006, Nestor attempted to address the last hold-outs by paying the 9.5 billion USD in full to the IMF. President Cristina Fernandez de Kirchner promised to repay the Paris Club in 2008 and 2010, but then postponed.⁶⁰

In 2010, Argentina held another bond exchange to repay the 29 billion USD of bond principal and interest to private investors, then the 6.3 billion USD of loans to Paris Club countries.⁶¹ Argentina in 2010 was better suited for repayment with a greater amount of reserves in the

⁵⁵ Council on Hemispheric Affairs. "Argentina's Néstor Kirchner: Peronism Without the Tears." Council on Hemispheric Affairs. <http://www.coha.org/argentinas-nestor-kirchner-peronism-without-the-tears/> (accessed January 8, 2014).

⁵⁶ Juan Pablo Bohoslavsky and Kunibert Raffer, "¿Qué Hacer con los Reclamos de los Acreedores Holdouts?," *Economía*, January 24, 2008 and Universidad de Buenos Aires. Plan Fénix. *La Argentina y su Deuda Externa: En Defensa de los Intereses Nacionales*. July 2004. <http://www.econ.uba.ar/planfenix>.

⁵⁷ Hornbeck, J. F.. *Argentina's Defaulted Sovereign Debt: Dealing with the Holdouts*. Ft. Belvoir: Defense Technical Information Center, 172010, 3-4.

⁵⁸ Amrita Dhillon, Javier García-Fronti, Sayantan Ghosal and Marcus Miller, "Debt Restructuring and Economic Recovery: Analysing the Argentine Swap," *The World Economy*, vol. 29, no. 4 (April 2006), pp. 392-393.

⁵⁹ SEC, *Form 18-K, Annual Report of the Republic of Argentina*, September 30, 2011, pp. 142 and 146 and Fitch Ratings, *Argentina: Rapprochement with Creditors and Sovereign Ratings*, Special Report, November 19, 2009, p. 2.

⁶⁰ *Overcoming Developing Country Debt Crises*, ed. Barry Herman, José Antonio Ocampo, Shari Spiegel (New York: Oxford University Press, 2010), p. 236.

⁶¹ Hornbeck, J. F.. *Argentina's Defaulted Sovereign Debt: Dealing with the Holdouts*. Ft. Belvoir: Defense Technical Information Center, 172010, 5-6.

Central Bank and an 8.5% growth rate.⁶² By the end of the exchange, Argentina repaid 67.7% of the owed bonds through exchange, leaving 6 to 6.8 billion USD unpaid.^{63 64}

C. Solutions

The Congressional Research Service suggests three possible actions for Argentina: waiting out the creditors, attempt a third bond exchange, or unilaterally settle with hold-outs.⁶⁵ Argentina's current strategy for the holdouts and the Parish Club remains waiting and contending in litigations.

The breakdown of total owed:

- 11.2 billion USD to the holdouts worldwide (hold-out creditors claim this number will be 15 billion USD by the start of 2014)
- 6.3 billion USD to the Paris Club (plus interest and penalties)

D. US Involvement in Negotiations

The US involvement in the resolution of the 2001 financial crisis is mainly judicial, with the Supreme Court hearing numerous cases from creditors seeking repayment. As of 2013, lenders filed 151 individual cases in the US District court's Southern District of New York. Only 108 of the entered judgment for 5.9 billion USD. However the 2005 and 2010 bond exchange resolved many of the 151 cases.⁶⁶ In a 2011 reversal ruling, the US courts declared the Argentine's Central Bank assets in NY as immune from attachment, preventing bondholders from seizing the assets for repayment.⁶⁷

By 2013, Argentina continued payments on all of the new, exchanged bonds.⁶⁸ The hold-outs continued their litigation with the 2012 case where lower courts ruled that Argentina must treat all bondholders equally. This ruling meant that while Argentina paid the new bondholders, it

⁶² Hornbeck, J. F., 6.

⁶³ This number is disputed based on the total number in the 2005 bond exchange.

⁶⁴ Hornbeck, J. F.. *Argentina's Defaulted Sovereign Debt: Dealing with the Holdouts*. Ft. Belvoir: Defense Technical Information Center, 172010, 6.

⁶⁵ Hornbeck, J. F., 6-7.

⁶⁶ SEC, Form 18-K, pp. 182-190, The Republic of Argentina, *Registration Statement No. 333-163784*, Securities and Exchange Commission, Washington, DC, April 9, 2010, and *Prospectus*, April 27, 2010, pp. 59-60.

⁶⁷ Hal S. Scott, *Sovereign Debt Default: Cry for the United States, Not Argentina*, Washington Legal Foundation, Working Paper Series No. 140, September 2006, pp. 21-31.

⁶⁸ Hornbeck, J. F.. *Argentina's Defaulted Sovereign Debt: Dealing with the Holdouts*. Ft. Belvoir: Defense Technical Information Center, 172010, 8.

must also pay the 1.3 billion USD claim to hold-outs.⁶⁹ Argentina filed complaints over this ruling as it put Argentina in a financially difficult situation.⁷⁰ This ruling will also open the door for further troubles for all involved parties as Argentina may halt all payments to circumvent the ruling.⁷¹ In an April 2014 ruling, the US Supreme Court hesitantly ruled in favor of the creditors, allowing creditors to subpoena Argentine Banks. US justices were not unanimous, but all agreed that there is little assurance that this ruling will be carried out abroad.⁷²

Outside of the courts, the US started voting against any new loans to Argentina in various international banking organization.⁷³ In the 112th Congress, policymakers introduced the Judgment Evading Foreign States Accountability Act of 2011 (H.R. 1798/S. 912). The act was submitted at the behest of a private lobby group, American Task Force Argentina (ATFA), that represents roughly 40 constituent groups.⁷⁴

E. Current Economic Status

Current economic conditions worsen for Kirchner as the peso dropped 8% to the US dollar on January 23rd, 2014, the largest drop since 2002, accumulating to an 18% drop for 2014.⁷⁵ Central Bank reserves are at a seven-year low of 29.5 billion USD, signaling a period of economic uncertainty as the Bank earlier intervened in the trading for the Argentine pesos to prevent even further decline.⁷⁶ This decline comes a month after S&P's pessimistic rating and released predictions. In response to the decline, young Economic Minister Axel Kicillof is writing with blends of Keynes and Marx of policy shifts to resolve the greatest currency crisis to hit the nation since 2001.⁷⁷ These recent developments will negatively affect the region as well as Argentina's stance in international deals and discussions.

Various lenders fear that Argentina will be a model for future sovereign default. However, this concern has diminished as the various nations that could follow this model, Greece and Spain,

⁶⁹ United States Court of Appeals for the Second Circuit. *NML Capital, Ltd. v. Republic of Argentina*, August Term, 2011, Decided October 26, 2012. There is apparently room for considerable disagreement on the legal interpretation of the *pari passu* clause in sovereign debt contracts. Gelper, op. cit., pp. 7-9

⁷⁰ Robin Wigglesworth and Jude Webber, "An Unforgiven Debt," *Financial Times*, November 28, 2012, p. 9.

⁷¹ Michael Waibel, "Opening Pandora's Box: Sovereign Bonds in International Arbitration," *The American Journal of International Law*, vol. 101, no. 4 (October 2007), p. 736 and Scott, *Sovereign Debt Default*, pp. 36-40.

⁷² Liptak, Adam. "Supreme Court Weighs Aid to Holders of Argentine Debt." *New York Times*, April 21, 2014.

⁷³ Correspondence from U.S. Department of State, January 12, 2010 and January 23, 2013

⁷⁴ *Ibid.*, and Mark Weisbrot, "Vulture Funds Lobby Against Argentina," *America Latina en Movimiento*, August 6, 2009. <http://alainet.org/index.phtml>. Similar bills were introduced in the 110th and 111th Congresses.

⁷⁵ Adam Liptak. "Justices Raise Bar for Suing Foreign Companies." *New York Times*, January 14, 2014, sec. Business Day.

⁷⁶ *Ibid.*

⁷⁷ Romero, Simon, and Jonathan Gilbert. "The Influential Minister Behind Argentina's Economic Shift." *New York Times*, January 26, 2014, sec. The Americas.

are part of the EU which has various regulations to prevent fulfillment of this prophecy.⁷⁸ Instead, the Argentine case must be taken as a lesson for all lenders and lending nations.

V. Society

Argentine society remains polarized over President Kirchner, with many of the younger generations in favor of the current president. The long history of Peronism still carries weight among the younger generations and reflects a strong nationalism. Juan Peron is universally celebrated and the majority of the presidents attempt to garner support based on their claims to Peronism.

A. Power of the US Dollar

Due to the continued financial crisis, Argentines have created a strong and socially accepted black market for US dollars. As of March 26th, 2014, one US dollar exchanges officially for 8 Argentine pesos.⁷⁹ However, at all times there are three rates the government appointed rate, the blue book rate, and the black market. As American travelers head to exchange their dollars, they will find that in 2013 they could receive anywhere from 6 (official) to 7 or 8 (blue) or 10 (black) Argentine Pesos.⁸⁰ The majority of medium to large private venders will accept US dollars, but the smaller venders may refuse based on personal security reasons.

B. US Judicial Rulings

On the judicial level, Argentines cannot sue foreign companies in the US court system for their participation in the “Dirty Wars.”⁸¹ The case, *Damiller AG vs. Baunman* was part of a “series of cases cutting back on the ability of American courts to hear cases asserting corporate complicity in human rights abuses abroad.”⁸² Despite this setback, Argentines and American traditionally look to the Supreme Court for judicial decisions and protection in regards to US-Argentine relations, as seen with the previously mentioned case on the hold-outs and financial crisis. The US will continue as a judicial guide in terms of private topics of US-Argentine relations, a strong leveraging position for the public relations aspect of US-Argentine relations.

C. US-Argentine Media Relations

⁷⁸ Hornbeck, J. F.. *Argentina's Defaulted Sovereign Debt: Dealing with the Holdouts*. Ft. Belvoir: Defense Technical Information Center, 172010, 12.

⁷⁹ Bloomberg L.P. . "USD to ARS Exchange Rate." Bloomberg.com. <http://www.bloomberg.com/quote/USDARS:CUR> (accessed May 8, 2014).

⁸⁰ This rate is given from recent travel in September 2013. These rates are based off of Buenos Aires, Argentina. The rate may change for September 2013 based on location and importance of tourism and the US dollar.

⁸¹ Adam Liptak. "Justices Raise Bar for Suing Foreign Companies." *New York Times*, January 14, 2014, sec. Business Day.

⁸² Ibid.

Recent US portrayal in the Argentine media is substantially more negative than neighboring Chile. Lead Argentine newspaper, *La Nación*, posted an article on May 4th, 2014 that claimed American racism translated into economic and social inequality. *La Nación* joins the ranks of many pro-Kirchner newspapers and Kirchner herself in verbally attacking and delegitimizing the US. Journalist, Silvia Pisani, claimed that the Civil Rights movement achieved nothing in terms of social, legal and economic equality.⁸³ Another Argentine newspaper, *El Universo*, placed doubt upon a Venezuelan Mayor's claim that the 2014 protests and riots were not financed by the US.⁸⁴ Argentine media outlets continue to place blame for various riots and protests in countries that the US has unfavorable relations. The unfavorable US-Argentine media relations transfer over to social relations in terms of anti-American riots, but the majority of Argentines do not share these sentiments.

D. US-Argentine Social Relations

Outside of politics, the US is not seen as an aggressor. American tourists are welcomed and do not experience any negative backlash due to the status of US-Argentine relations. Despite Kirchner's fiscal policies, Americans are privately investing and building in Argentina, investing in the Argentine wine capital Mendoza.⁸⁵ On the societal level US-Argentine relations continue to incrementally improve, but continued fiscal insecurity bars a greater American investment in Argentine socially and economically.

⁸³ Pisani, Silvia. "Más que prejuicios: en EE.UU., el racismo se traduce en desigualdad." *La Nacion*, May 4, 2014, sec. El Mundo.

⁸⁴ *El Universo*, "Abuelas venezolanas son quienes "financian" protestas y no EEUU, dice alcalde," May 4, 2014, sec. Venezuela.

⁸⁵ Carter, Adrienne. "American Starts a Luxury Resort to Share the Argentina he Loves." *New York Times*, January 21, 2014, sec. International Business.

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