

The Argentina Precedent: Will Others Follow?
Panel Presentation June 4, 2007
MMC Introduction

This is the fifth in EMTA's continuing series of panel presentations relating to Argentina's default, restructuring and recovery, and its implications for the EM trading and investment marketplace. Previous panels have explored such topics as partial sovereign restructurings, sovereign immunity and the role of the official sector. Today's panels will explore Argentina as a precedent for other countries, and more broadly, the political and economic policy implications for the entire South American region.

The broad outlines of the Argentine precedent are not disputed. After serving for years as the poster child for the so-called Washington consensus, Argentina declared a moratorium on its over \$100 billion external debt shortly before Christmas 2001, suffered an economic collapse and political instability, restructured its debt aggressively in 2005 and has subsequently achieved an impressive economic recovery. During this time, global liquidity has been high and the EM marketplace has attracted record inflows, though in an era that has featured considerable fingerpointing at perceived demons such as rogue creditors, rogue debtors and even rogue international financial institutions.

It is likely that nothing will be said today, or perhaps can be said, about the Argentine experience, that everyone here would agree with. Many investors, for example, have strongly criticized Argentina's restructuring tactics, which involved what can fairly be described as a 'take-it-or-leave-it' offer, at a time when many believe (especially with the benefit of hindsight) that Argentina could have afforded to offer its creditors more generous terms. Other investors, some pointing to the performance of Argentina's GDP instruments and other assets offered in the restructuring, have criticized the holdout creditors for not participating and, in effect, for not simply 'moving on'. Some have gone so far as to say that any creditor that did not accept Argentina's terms should not be managing money.

EMTA's purpose today is not to take sides in this dispute, or to litigate or re-litigate the various legal actions that are still pending against Argentina, but simply to talk about (and reflect on) what, if any, lessons can be learned from the Argentine experience, an experience that was difficult for all involved, and for the market generally.

Was Argentina a model for other countries to follow, or a recipe for disaster? In any event, where do we go from here?

We are grateful to have a distinguished group of speakers with us today, who will be divided into two panels.