

Argentine Resistance Shows British Empire Losing Control

by Cynthia Rush

July 29—In a July 25 speech to an audience in Argentina’s northern province of Chaco celebrating the opening of an iron-smelting plant, President Cristina Fernández de Kirchner made an unmistakable allusion to the Glass-Steagall law, noting that “there was once a law in the United States which prohibited the type of speculation” which the British Empire’s predatory vulture funds have engaged in, in their war against Argentina.

Even while the President didn’t mention Glass-Steagall by name, her merely alluding to it undoubtedly struck terror in the heart of a British Empire whose control over the global financial system is already breaking down as a result of the stunning new international development paradigm which emerged from the July 15-16 BRICS Summit in Fortaleza, Brazil.

In fact, just two days before the Chaco speech, on July 23, President Fernández put the Empire on notice that Argentina intends to be part of the new international financial order shaped by the BRICS. The July 16 meeting of the BRICS heads-of-state with leaders of the Union of South American Nations (Unasur), she said, “and the coming forward of those nations that are best situated among the emerging nations to confront the current situation, means the reformulation of a new global order and Argentina will be, and is, present in it.”

There is a new world order, she underscored. “There are new actors who don’t want to bash your head in, but rather want to cooperate with you to see if, together, we can get this huge car that is the world today, moving.”

The Specter of LaRouche

There is no question that Argentina is allied with the BRICS and the optimistic Eurasian development perspective that Russia and China began to forge well before the BRICS summit took place. Recent state visits to Argentina by Russian President Vladimir Putin and Chinese President Xi Jinping have strengthened this flank with a series of broad-ranging economic, trade, and scientific agreements. Fernández has particularly emphasized that the \$11 billion currency-swap arrangement signed with China’s central bank is intended specifically to bolster foreign reserves in the face of ongoing vulture-fund speculative attacks.

But it is the allusion to Glass-Steagall that is of critical importance. This is *the* issue uniquely identified with statesman and physical-economist Lyndon LaRouche, who has thrust it into international prominence as the weapon which, if promptly implemented, could wipe out the British Empire’s entire parasitical financial house of cards, including most emphatically the vulture funds.

Implementation of a Glass-Steagall norm internationally will be crucial to the proper functioning of the new global order the BRICS is organizing. LaRouche is demanding immediate implementation of this legislation in the United States, as the first of the “Four Laws” he has proposed to put the U.S. and the world on the path to economic recovery, based on a new system of value measured by energy-flux density, productivity,



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That Argentina has options other than dealing with the vultures, was made clear in a letter to Fernández from Chinese President Xi, emphasizing the success of his visit to the country: “Together we drew up a magnificent plan for the development of relations between our two nations,” he wrote. The two are shown here in Buenos Aires, July 18.

and human creativity—rather than the worthless speculative paper that the Empire’s assets demand be honored, at the expense of human life and economic development (see *EIR*, June 14, 2014).

The Empire has no good options here. It is staring at the emerging New World Economic Order launched by the BRICS and the growing resistance to the policies of economic destruction and war, as seen in the Argentine and Russian cases.

A ‘Griefault’ Looms

For two years, the Empire’s assets on Wall Street and in London have been bludgeoning Argentina, demanding its compliance with the ruling by New York Federal Judge Thomas Griesa ordering the government to pay \$1.5 billion to NML Capital, Aurelius Capital Management, and Blue Angel, the vulture funds that purchased defaulted Argentine bonds in 2008 at pennies on the dollar, then turned around and sued the government for the full face-value of the bonds, winning, through a court judgment, an obscene profit of 1,680%, between 2008 and 2014.

The corrupt U.S. Supreme Court left Griesa’s ruling intact on June 16, giving free rein to the vultures to accelerate the war they’ve waged against Argentina for the past several years, demanding payment and accus-

ing Argentina of being an arrogant, “deadbeat” debtor who violates “international law.”

But President Fernández stood her ground. The vultures are not creditors, she asserted, but rather scavengers who prey especially on poor nations, and in Argentina’s case, seek to overturn the successful 2005 and 2010 sovereign debt restructurings to which 92.4% of its creditors have adhered. The way the restructuring was carried out, without austerity conditionalities, allowed Argentina to grow and pay its debt, she explained.

She stated very forcefully July 23, “This President will not sign anything that compromises future generations of Argentines, as others have done. . . . We will not go backwards to the hell that the foreign debt meant for decades. . . .”

Thus, Argentina deposited \$539 million on June 28 in its trustee bank, the Bank of New York-Mellon (BoNY), to meet a June 30 deadline for the next payment to creditors holding restructured bonds, but did not comply with Judge Griesa’s ruling that it had to pay the vultures at the same time. Griesa blocked the \$539 million payment to the bondholders and refused to reinstate the stay on his ruling that Argentina had requested. Now the July 30 deadline looms, by which Argentina must either reach an agreement with the vultures, or be declared in technical default.

The term “Griefault” is now circulating on social media and the Internet to describe a default not caused by a cessation of payments—Argentina has made every single payment mandated by its restructurings since 2005, totalling \$191 billion—but rather by its refusal to comply with imperial dictates that threaten its sovereignty and national economic development.

Responding to this absurd situation, Fernández warned on July 23 that those who don’t pay, default, but “Argentina has paid . . . so they’re going to have to come up with a new word . . . a new term that reflects the fact that the debtor paid and someone blocked it,” and prevented restructured bondholders from collecting. Argentina has always been willing to negotiate, she said, “but on our terms, which are absolutely not capricious.”

It's the System, Stupid

Argentina's resistance has put a spotlight on the whole rotten financial system, as President Fernández highlighted in her July 25 Chaco speech. It is not just Argentines fighting against these speculative practices, she said, "but the whole world, and I believe that Argentina today is a global test case.... If these [speculative] practices triumph in the world," she said, who will want to engage in productive investment, such as that made to build Chaco's iron-smelting plant? "It's going to be very difficult in the world for debts to be restructured, or to convince people to invest to reactivate the global economy which urgently requires jobs and research and development in science and technology."

Look at what the vultures did, she argued. They "bought paper they knew was worthless, bought it for nothing." She implied that a law such as "once existed in the United States"—i.e., Glass-Steagall—is necessary today, because, "whoever buys defaulted paper obviously has no good intention in mind ... they want to speculate and see how they can make more money...."

Fernández also exposed the murderous practice of bankers' arithmetic, as LaRouche has denounced it over decades. This is the looting mechanism by which nations pay and pay, yet end up with more debt than they began with, through the imposition of usurious interest rates, forced devaluations, and bankers' hefty commissions, combined with austerity conditionalities.

In Argentina, she explained, this "financial bicycle" began in 1976 after the military coup and continued for 25 years. How did it work? "Well, a loan came due, and [they] took out another loan, and added more interest and more capital to refinance it. Do you know what foreign debt is? It's a snowball that grew as it moved forward, because as usual, we couldn't pay, so we were always refinancing, and that was how, finally in 2001, the thing exploded," and Argentina went through the largest default in history.

So What If We Default?

In the past few weeks, the vultures and their Wall Street and London allies have intensified their warfare against Argentina, threatening that if Fernández didn't capitulate, the country would face dire consequences: loss of foreign investment, a drop in reserves, recession, unemployment, and inability to access international capital markets.

The American Task Force Argentina (ATFA), the

vulture fund lobby group financed by billionaire Paul Singer, whose Elliott Management owns NML Capital, has put out one vitriolic ad after another, making the unbelievable claim that it is concerned over the impact a default might have on the Argentine people, while denouncing the government in increasingly shrill tones for not caving in.

These threats haven't yielded results. In her July 23 speech, Fernández laughed at the threat that if Argentina doesn't bend, it won't get access to foreign financial markets. "When did we have access to foreign financing?" she asked. "In the 1990s, the dollars came flooding it" at usurious rates, and saddled the country with an unpayable debt.

Government officials have responded calmly and confidently that should the government be forced into default, this will not be the end of the world. "It's the vultures who are isolated, from an international standpoint," said economist Aldo Ferrer. Economist Agustín D'Attellis, from the pro-government Gran Makro group, concurred, telling Radio America July 24 that there's no reason for alarm. "The macroeconomy is sound," and the country can pay. There can be no comparison between today's situation and the crisis of 2001, he underscored.

In his July 25 press conference, Chief of Staff Jorge Capitanich reiterated that Argentina is willing to negotiate, but on its terms, without extortion and threats. The government "will defend the country's interests and will guarantee that the economic system continues to function," he explained. "People should remain calm, because life will go on," should there be a default. Despite complications with the vultures, he said, "we are covered, [we have] perspectives and investments to allow us to continue developing" public works.

That Argentina does indeed have other options was made clear in the letter to President Fernández from Chinese President Xi, thanking her for her hospitality during his July 18-20 visit to the country. Emphasizing the success of that visit, Xi wrote, "Together we drew up a magnificent plan for the development of relations between our two nations," and expressed confidence that the many agreements signed will lead to the "strengthening of exchange and cooperation, as well as the progress and constant advance in our Comprehensive Strategic Association, to better benefit our two peoples." He extended an invitation to the Argentine President to visit China, which she will most certainly accept.