

Letter: Argentina faces financial crisis of its own creation

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Argentina's economy minister Martín Guzmán was mistaken (Opinion, May 3) when he claimed that "Argentina is a preview of what's to come for struggling debtor nations across the globe".

Unlike virtually all others around the globe, his government has been regularly defaulting on local-law debt obligations since first taking office in December, almost three months before the Covid-19 pandemic arrived in Argentina. The reason is that most domestic and foreign investors are not showing up for auctions of treasury bills, having been given no assurances that the government will honour its obligations, such that Guzmán has imposed deferrals on most payments. In sum, Argentina is facing a serious financial problem of its own creation.

First, they have taken no initiatives to improve the business climate and reduce wasteful spending; they are relying mostly on credit from the central bank. Second, they have not lined up support from the IMF, to which they owe almost \$50bn needing to be repaid between now and 2024, or from other bilateral or multilateral government creditors. Third, they came up with a debt restructuring plan on their own and are presenting it to investors on a take it or leave it basis. Fourth, instead of focusing on attaining maximum debt relief this year and possibly next, to account for the cost of the pandemic, the plan punishes investors for several decades to come.

Unless there are constructive changes, Argentina is only a preview of what happened after 2004 — minus the boom in commodity prices which was a godsend to the country until 2012, generating the fiscal resources that investors would not provide.

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