

# Are Vulture Funds a US Tool Against Argentina in an Energy War With Russia?

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*Argentine President Kirchner tells U.N. General Assembly that the roots of terrorism run deep, calling on member states — and particularly the U.S. — to address the policy-linked and economic issues that give rise to violent extremism.*

Argentina took a stand against the United States at the United Nations on Sept. 24, 2014.

Emphasizing that both Argentines and the world were at an important crossroads, Argentine President Cristina Fernández de Kirchner addressed the start of the 69th session of the U.N. General Assembly in a speech that undoubtedly upset the policy mandarins and security gurus in the Washington Beltway and their counterparts on Wall Street. Despite its hard-hitting points and its ties to a legal battle in New York, her speech at the U.N. General Assembly went mostly, if not totally, unreported in North American mainstream media.

Appearing on the podium after Indonesia's outgoing President Susilo Bambang Yudhoyono during that day's morning session, [Kirchner started her speech](#) by saying that it is of the utmost importance for the U.N. General Assembly to establish a treaty for a universal system for restructuring sovereign debt. The U.N. Security Council and International Monetary Fund need real reform, not talk about reform, she added.

The Argentine leader lamented to the U.N. General Assembly that Buenos Aires faces economic blackmail, explaining that the Argentine people have been paying a debt that others deliberately generated and imposed on them. Despite the circumstances, Argentina has paid most of this debt off, but only because the Argentine government restructured its debt and repayment formula with 92.4 percent of its bondholders during two different debt restructuring agreements and debt swaps in 2005 and 2010.

The instruments of the economic fraud have been referred to by Kirchner and others as "vulture funds" — a term, Kirchner noted, that was not coined by indignant South American or African leaders, but by [Gordon Brown in 2002](#), when he was British Chancellor of the Exchequer.

Kirchner averred that Argentina was being assaulted by the vulture funds with the complicity of the U.S. justice system, in a process that she describes as "economic and financial terrorism." They have acted "as true destabilizers of the economy," she told the U.N. General Assembly.

Economic and financial terrorism was the motif of Argentina's message to the U.N. The

Argentine leader told the U.N. that terrorists are not only those who kill people by planting bombs, but also those who use financial speculation to sabotage countries and intentionally create poverty.

Addressing economic terrorism would be a major boon to dealing with the thugs recruiting young people that go on foolish crusades because they have lost hope and the opportunity to be productive members of society, she said. Her point was that the roots of terrorism run much deeper than people simply picking up guns and cutting off heads in the name of morbid and twisted worldviews, and ending the cycle of violence starts with addressing its roots, not just its symptoms. Those roots lie in the wrong policies and economic sabotage that is disrupting the world, whereas groups like al-Qaida and the Islamic State of Iraq and Syria are merely the symptoms, according to the position articulated by Argentine president at the U.N.

## **Fanning the flames of instability**

Ultimately, Kirchner accused Washington of fanning the flames of instability. This is very clear when her speech to the U.N. General Assembly is cross-examined with her speech to the U.N. Security Council after the unanimous adoption of [U.N. Security Council Resolution 2178](#), which calls for the prevention of the “[international flow of terrorist fighters](#) to and from conflict zones.” Both speeches were delivered on the same day and conveyed the same ideas and themes.

In the presence of world leaders and high-ranking officials gathered at the U.N. Security Council, [Kirchner told U.S. President Barack Obama](#) and his entourage that the U.S. approach to fighting terrorism has had zero success and has only destabilized the world and helped terrorist organizations proliferate. She also noted that it is illogical to continue to employ strategies that consistently fail. This was part of her emphasis that the methodology and methods used by Washington to contest terrorism were wrong, further bolstering her argument that the policy-linked and economic causes of terrorism had to be addressed. In this context, she added that the issue of Palestine needs to be justly resolved and that Israel should no longer be allowed to act with impunity and massacre Palestinian civilians.

Although she kept it diplomatic inside the chamber of the U.N. Security Council, she rhetorically [asked who was supplying ISIS militants with weapons](#). She did not mention the names of any countries, but her tacit point was that the U.S. and its allies have armed ISIS by supplying Syrian anti-government forces with weapons. She also pointed out many of the contradictions involved in the U.S. fight against ISIS, how al-Qaida was nurtured to fight Moscow, and how the Syrian government was vilified and the same non-state actors that the world was condemning were presented as “freedom fighters” just a year earlier. The Russian and the Chinese [positions](#) at the U.N. Security Council were more or less tacitly aligned with Kirchner’s, which is why Moscow called for a general conference to be held by the U.N. to analyze the roots of terrorism.

While speaking to the U.N. General Assembly, she pointed out that great powers easily change the definitions of friend and enemy and tailor the definition of who is a terrorist and who is not to suit their own interests. “You do not fight terrorism by beating the drums of war,” [she explained](#).

Later, she would tell the gathering, “Forgive me, but I am totally mistrustful” after exploring the contradictions in the fight against terrorism. “The things we see on television are petty fiction.”

## **Vulture funds and economic terrorism**

The crux of Argentina’s bitterness has been its ongoing dispute with vulture funds. According to the Argentine government, it is deliberately being economically destabilized so that it will fall back on its debt repayments. Defaulting will cause interest to accrue on Argentina’s debt, thus increasing it, and therefore, maximizing profits for its creditors and bondholders.

The vulture funds are comprised of a minority of Argentina’s debt-owners. The two main antagonists are the U.S.-based hedge funds NML Capital and Aurelius Capital Management. These are the same debt-owners that refused to accept the restructuring of Argentine debt when repayment was being renegotiated by Buenos Aires. These vulture funds did not accept the Argentine debt restructuring formula because they could not profit unless the Argentines defaulted on the debt these funds owned. Originally, these hedge funds planned to sue Argentina after it defaulted on its debt to maximize their monetary returns or to increase the amount owed by Buenos Aires through debt accumulation. These holdouts could not make a profit without this and it is precisely with these intentions that they refused to accept any renegotiations that would allow Argentina to pay its debts through a repayment schedule. Instead, they demanded full payment of the debts owed to them.

It is under this framework that it has been in the interest of these holdouts for the economic situation in Argentina to deteriorate. Not only has it been in the interest of these hedge funds, but it has been their aim to economically damage and destabilize Argentina so that it will not be able to make its debt payments. This is where the U.S. justice system comes in as what President Kirchner describes as an “accomplice” to the economic and financial terrorism of the vulture funds.

After failing to stop the restructuring of Argentina’s debt, [the U.S. court system came to the aid of these vulture funds](#). Judge Thomas Griesa, a federal judge for the U.S. District Court for the Southern District of New York State, not only awarded the vulture funds over 1,600 percent interest on what was owed in terms of face value for a five-year period, but also blocked Argentina from paying its other debt-holders until Buenos Aires paid the vulture funds in full, including the interest and a daily fine. The ruling was made in 2012, but was enforced after court-mediated negotiations broke down with the Argentines accusing Daniel Pollack of incompetence on Aug. 1, 2014.

Not only was Judge Griesa’s ruling denounced as legally unfair, but it has no connection to any business or financial norms. This is why Kirchner asked the U.N. General Assembly what companies in the world yield profits of 1,600 percent over a five-year period.



## U.S. policy and the vulture funds

In Argentina, Griesa's legal ruling has been seen as an attempt to obstruct Argentina from making its debt payments. His ruling makes it impossible for Argentina to pay back its debts without borrowing more money and accruing more debt. It also nullifies Argentina's deals with the other bondholders because of a clause in the debt restructuring that gives them the legal right to ask for the most profitable terms of repayment should those terms be brought about.

Meanwhile, the vulture funds [have lobbied the U.S. Congress](#) for years. They took the opportunity to launch a renewed assault on Argentina, saying that it was a terrorist state once it signed an agreement on Jan. 27, 2013 for judicial cooperation with Iran to investigate the 1992 and 1994 bombings of the Israeli Embassy in Argentina and the Argentine Israelite Mutual Association building. Israel immediately asked for an explanation, which the Argentine Foreign Ministry dismissed as uncalled for.

While the position of the hedge fund holdouts may have been sheer opportunism, they and the Israeli lobby in the U.S. got the U.S. Congress involved. Argentina was sharply criticized by both Israeli and U.S. officials for initiating a dialogue with Iran to cooperate in its investigations. Tensions reached a point where Kirchner and the Argentine government said that those opposing the agreement between Buenos Aires and Tehran would be responsible if there was a [third terrorist bombing](#) inside Argentina against any Jewish or Israeli targets.

Argentina's reaction to Judge Griesa's legal ruling has been to get lawmakers in Buenos Aires to pass legislation on debt repayment. Buenos Aires has accused the U.S. of being complicit with the "economic terrorists" who are trying to hold the country hostage. The Argentine government even asked the U.S. government to prevent its domestic laws from being imposed on Argentina, but to no avail. Argentine demands that the [U.S. Supreme Court](#) review its appeals were also rejected on June 16.

## **Argentina's energy reserves and the Russian connection**

At the U.N., Kirchner even went on to accuse Washington of plotting to overthrow her and her democratically-elected government. On Sept. 30, about one week after she criticized the U.S. at the U.N., Kirchner delivered a televised address telling her people that if she was murdered, not to “look to the Middle East, but look to the north” at the U.S. government. She asserted that the U.S. State Department’s warning about a terrorist threat from ISIS inside Argentina was a fictitious smokescreen and that the ISIS threats against her were essentially the handiwork of Washington.

But why would the U.S. want to kill Kirchner?

It is no mere coincidence that Kirchner looked at Obama while speaking at the U.N. Security Council while concluding her speech by saying that Argentina’s large untapped energy reserves could prove to be a curse, alluding to U.S. meddling and interference in energy-rich countries.

After China, Argentina has the second highest amount of recoverable shale gas. Buenos Aires is poised to turn from a fuel importer into an energy exporter. In 2012, the Argentine government was involved in a dispute with the Spanish oil corporation Repsol over the recovery of what was once Argentina’s national energy corporation, Yacimientos Petrolíferos Fiscales. YPF was nationalized through a law passed on March 3, 2012, in which the Argentine government received a 51-percent controlling share in the corporation.

Meanwhile, the Russian Federation is going to assist Buenos Aires in exploring, developing and exploiting its natural gas reserves. This is one of the reasons that Russian President Vladimir Putin visited Argentina in July. Days after Kirchner spoke at the U.N., Argentina and Russia signed an important bilateral energy contract to explore and develop Argentina’s natural gas reserves — an agreement that will see Russian energy giant Gazprom team up with YPF.

Not only has Putin announced that Argentina is a Russian strategic partner, but Moscow is helping Argentina divest itself from U.S. influence. This is why Putin visited Argentina ahead of the U.N. General Assembly meeting and the reason why he and Kirchner jointly inaugurated the Spanish-language Russian satellite channel RT en Español (RT Spanish) or RT Actualidad (RT News) in a teleconference on Oct. 9. It is clear that the Russian channel’s new presence in Argentina is aimed at fighting U.S. influence in an information war.

Russian ties with Argentina have been strengthening since 2010, well before Putin’s recent announcement that Argentina and Russia are strategic partners. Gazprom had secured a contract to sell liquefied natural gas to Argentina last year. Also last year, Argentina sided with Russia, China and Iran against any plans orchestrated by the U.S. to attack Syria after the Saudi-backed insurgents [launched chemical attacks](#) in Ghouta that Washington was trying to pin on Damascus. It [even closed ranks](#) with Russia, China, India, Indonesia, South Africa and Brazil on the issue in last year’s G20 summit at St. Petersburg.

## **Argentina and the global energy war**

The Argentine government believes that Washington does not want Argentina to be



independent. More than that, however, it should be clear that the vulture funds are an instrument of pressure being used against Argentina to destabilize it. In the words of Kirchner, the “vultures look a lot like the eagles of empire.”

Even at the U.N., Kirchner said that the policies of the Washington-based IMF, which Buenos Aires had followed to the tee, were what systematically caused Argentina’s financial ruin and instability in 2001. In other words, the indebting neoliberal policies that led to her Latin American country’s debt were imposed. The Argentine leader’s point was that that the system of debt in the global financial system has been used to shackle many countries as an unjust instrument of domination and as a form of aggression on sovereignty.

The destabilization of Argentina and actions against its government should also be read in the broader context of Washington’s rivalry with Moscow and [a global energy war](#).

It is no coincidence that the U.S. State Department has been [heavily promoting](#) the exportation of U.S. shale gas and hydraulic fracturing, or fracking, for the last few years. Nor is it a coincidence that U.S. energy conglomerates have been involved in intense negotiations to control shale gas reserves around the world, including in Poland, Ukraine and Romania. Excluding Russia’s reserves, Poland and Ukraine have the first and third largest deposits of shale gas in Europe. This is why the U.S. has been a strong supporter of Kiev’s attempts to regain control over East Ukraine, where much of the shale gas concessions that have gone to U.S. companies are located.

The shale gas factor is also part of the equation in U.S. tensions with Russia. Washington has pushed the European Union to sanction the Russian energy sector to essentially lockout Gazprom as a competitor to the relatively more expensive shale gas being sold by the U.S. Not only does U.S. shale gas being supplied from North America have to be fracked, liquefied and then transported to Europe, but fracking operations cannot afford low natural gas prices. This means that competing producers need to be derailed or excluded from the international market, thus, looking at the vulture fund scandal within this framework seems to answer a lot of questions.

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