

# “Vulture Funds are the Vanguard”: An Extreme Form of Finance Capitalism

By [Eric Toussaint](#)

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[CADTM](#)

*Eric Toussaint Interviewed by Julia Goldenberg for the Argentine newspaper Página 12. [1] Eric Toussaint is a political scientist, university professor, activist and chairman of the Committee for the Abolition of Third World Debt (CADTM). He has strong opinions on international finance. During an interview with Página 12, he described vulture funds as an extreme version of finance capital and their actions as a threat to regional stability. Member of Ecuador’s Presidential Commission for the Integral Audit of Public Debt, Eric Toussaint will be visiting Argentina this month.*

Why do you think that the vulture funds are an extreme form of finance capitalism?

Vulture funds are the vanguard, followed by troops called Goldman Sachs, JP Morgan, Citibank, HSBC, Bank of America, Santander, etc. I also think that the devious intention of the US to intervene in the region looms large behind this. External debt is a powerful instrument for subordinating Latin America, an instrument for enforcing the region’s involvement in neo-liberal policies. This is what is happening in Europe, the laboratory for fresh offensives of neoliberal policies.

Do you think that Judge Griesa’s ruling is an offensive against not only Argentina but also the entire region?

I think, Judge Griesa’s ruling [2] attempts to turn back Latin America’s clock to the late 19th and 20th century, when the US dictated terms to the indebted countries without respecting their sovereignty and with a brazen partiality towards the creditors. Vulture funds buy debt securities and then sue the countries. Therefore, I think it’s about weakening the entire region. Over 20 years ago the NML hedge fund sued Peru and won a massive compensation, thanks to a colluding Fujimori. The way vulture funds perform is nothing new, it is well known. The novel factors here are Judge Griesa’s arrogance and Argentina’s reaction. In the case of Peru, Fujimori agreed to pay the compensation and in return the fund supplied an aircraft so that he could flee the country.

You participated in Ecuador’s Presidential Commission for the Integral Audit of Public Credit launched in 2007 by Rafael Correa. What can the region learn from this experience?

President Rafael Correa’s action regarding debt is inspiring: he issued an Executive decree for setting up an audit committee. Highly qualified members from the civil society, social movements etc were selected for this committee. The Executive decree to set up a commission for auditing the debt of 30 years (1976 to 2006) was a very interesting initiative. So far Brazil’s President Getulio Vargas is the only one to have taken a similar

initiative in 1933, but social movements were not involved in it. Nevertheless, at that time it was a success story: based on the audit findings he managed to persuade creditors for a 70% debt reduction. The Ecuadorian Commission spent 14 months to identify the illegal and / or illegitimate part of the debt. It was a comprehensive audit, not limited to accounting or legal standards. We also considered the social, human and environmental impacts of the policies and projects financed by debt. Take, for example, large infrastructures: for one, we examined the effects and impacts of big hydroelectric dams on people. I think it is essential to conduct an audit in Argentina: its debt since 1976 is illegitimate and that must be proved. The decades of illegitimate debt [3] are as follows: the debt contracted by the military junta (1976-1983), by Carlos Menem with his privatization program in the 1990s, Cavallo's "mega-swap" (Megacanje) in 2001, etc. So I think it is vital to set up an audit process.

What will be the effects of the recent UN resolution for establishing a multilateral legal framework for sovereign debt restructuring?

This topic is now being debated within the UN General Assembly itself: that is the central and positive aspect of this vote. The UN General Assembly adopted a resolution in early September 2014 on the need for a mechanism for resolving disputes over sovereign debt. [4]. The fact that the UN General Assembly has embraced this issue is extremely important and globally relevant. However I insist: the solution lies in the unilateral sovereign decisions taken by the countries concerned. Frankly speaking, I do not foresee any concrete outcome from this resolution. There could be political effects at the international level, and that's very important. I feel that the present-day world is basically a place where international law is not really respected and the most powerful states enforce their agenda. For example, Israel flouts international law through its actions against the Palestinian people. Overall, the US respects neither the UN Charter nor the jurisdiction of the International Court of Justice in Hague. In this world-the real world, not the world of our dreams-the will of the strongest prevails, although the majority aspires to something else. Therefore, I reaffirm: only unilateral acts based on international laws can bring about a genuine solution to the debt problem. What do I mean by that? Since there is no international legal authority which can intervene effectively, it rests upon the indebted countries themselves to supersede the laws of the creditors with their own laws.

As for the internal voting on this UN resolution on external debt, how will you analyze the abstentions? Particularly those of the European countries, many of whom are in borderline situations, such as Greece or Spain?

When the International Covenant on Economic, Social and Cultural Rights of 1966 and the International Covenant on Civil and Political Rights were adopted, the US and several European countries voted against the motions. There is nothing new or surprising about this attitude. For the past 30 or 40 years, the UN has been taking steps, even if the US and the European countries wished otherwise or the European countries abstained from voting. Thus we observe that a big chunk of votes is repeatedly cast in the exact same manner, at the end of which the Southern countries, which form the majority, make some headway. However, the resolutions are not implemented afterwards. The major players abstain from voting or vote against the resolution, and take the utmost care to prevent any action taken on these votes. I mean they thwart the implementation of international treaties. Europe has recently become the epicenter of a neoliberal assault of capital against labor, creditors against the indebted. For example, Greece's current situation is similar to that of Latin American countries during the 1980s. It is entirely controlled by the IMF.

What strategies should the region adopt for resisting fresh financial assaults?

The Bank of the South (BoS) is a vital instrument for reasserting national sovereignty. Néstor Kirchner signed the BoS' founding charter in 2007, a few days before his term came to an end. However, the bank has not granted a single loan so far. Seven years down the line the Bank is yet to take off. I think the BoS has sufficient assets to lend to its member countries, so that they need to depend less on financial markets and organizations like the World Bank, IMF and the Inter-American Development Bank (IDB). Bolivia, Venezuela and Ecuador have decided to leave the ICSID, the World Bank's tribunal for the settlement of investment disputes, which generally rules in favor of the interests of multinational corporations at the expense of countries. These three countries have formally withdrawn from the ICSID in writing. Brazil never recognized this court. So we now have four South American countries that are not members of the ICSID: Bolivia, Ecuador, Venezuela and Brazil. As for strategy, I want to draw attention to the following based on my analysis of the Griesa ruling. After the military dictatorship in 1976, Argentina relinquished its sovereignty, going against the Argentine Constitution and the Calvo and Drago Doctrines [5], named after two Argentine jurists from the late 19th - early 20th centuries. If an indebted country relinquishes its sovereignty, that becomes a crucial problem. Therefore, I believe that the Drago and Calvo Doctrines, which state that local jurisdictions will have authority in case of conflict with foreign investors, should be reintroduced. In addition, President Rafael Correa's decree of 2007 is an example to follow. Finally, I believe that sovereign unilateral acts based on international law can by themselves help countries garner respect for the interests of their people.

*Translated by Suchandra De Sarkar*

#### Notes

[1] Página 12 is the main center-left newspaper in Argentina. Its editorial policy supports President Cristina Fernandez's government. See the original full page version of this interview published in Página 12 on Sunday, September 28, 2014 <http://www.pagina12.com.ar/diario/e...> The interview has also been published in Spanish on CADTM's website: <http://cadtm.org/Los-fondos-buitre-...>

[2] Judge Griesa is a New York based judge who ruled in favor of a vulture fund against Argentina. See <http://cadtm.org/Dettes-des-Etats-L...>, <http://cadtm.org/The-vulture-funds-...> and <http://cadtm.org/How-to-resist-vult...>

[3] See Eric Toussaint, Argentine : Maillon faible dans la chaîne mondiale de la dette?, published on September 1, 2001, <http://users.skynet.be/cadtm/pages/...> Also see: <http://users.skynet.be/cadtm/pages/...>

[4] See the UN website <http://www.un.org/press/en/2014/ga1...> Following is an excerpt from the UN news bulletin dated 10.09.2014 on this subject: A new United Nations General Assembly resolution on debt restructuring that will set up a multilateral legal framework for debtor countries to emerge from debt safely was welcomed today by the UN rights expert on the issue as a way forward to "fill the current legal void and reduce uncertainty." With 124 votes in favour, 11 votes against and 41 abstentions, the General Assembly adopted the resolution: "Towards the establishment of a multilateral legal framework for sovereign debt restructuring processes" on Tuesday that would establish an intergovernmental negotiation process aimed at increasing the efficiency, stability and predictability of the international financial system. <http://www.un.org/News/dh/pdf/engli...>

[5] Argentine Foreign Minister Luis María Drago formulated the Drago doctrine in 1902. It was a response to the intervention of the UK, Germany and Italy, that had blocked and bombarded ports after President Cipriano Castro refused to pay Venezuela's massive external debts. Despite the Monroe Doctrine's stipulations, the US refused to defend Venezuela, on the grounds that it was not warranted in this case, vis-à-vis their refusal to pay. In response, the Drago doctrine stated that no foreign country could collect debts payments forcefully. Drago doctrine is based on the Calvo doctrine but the two should not be confused. The Calvo Doctrine, named after Carlos Calvo (1824-1906), is a doctrine of international law which states that people living in a foreign country must file their pleas, complaints and grievances to the jurisdiction of local courts without calling for diplomatic pressure or military intervention. Appeals should be made to international diplomatic channels only when all local legal avenues are exhausted. Several Latin American countries have incorporated this doctrine in their constitutions.

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