

Buenos Aires, July 25, 2020

In light of recent developments associated with Argentina's debt restructuring efforts, the Republic would like to clarify the steps that led to the current situation and the importance of achieving an equitable resolution that fulfills its responsibility to the Argentine people.

On April 21, 2020, Argentina published its offer to holders of outstanding foreign-law governed bonds issued under the 2005 indenture and 2016 indenture. The offer sought to adjust the terms of those bonds to sustainable levels, in light of Argentina's macroeconomic prospects, as well as its track record. The offer would also allow Argentina to embark on a realistic path toward economic growth.

Throughout the process that ensued, Argentina has remained engaged in good faith with its international creditors. During the ten weeks that followed its initial offer, Argentina conducted numerous rounds of discussions and communications with different investor groups. That dialogue, in spite of its shortcomings, served both investors and Argentina well. Investors were able to identify improvements to Argentina's offer that would enhance recoveries and remain compatible with the Republic's and the IMF's analysis of the sustainability of Argentina's public debt. Argentina was able to explain its concerns as to the ability of the Argentine people to take on additional efforts, while COVID-19 reached Argentina and the impact on its economy became tangible.

Investors expected Argentina to amend the terms of the initial offer in numerous respects. In an effort to incorporate feedback from a diverse body of creditors and reach consensus, Argentina extended numerous deadlines and discussed increasingly generous restructuring terms and other incentives. However, some of the creditors' requests would have compromised the likelihood of short-term economic recovery, and mortgaged the prospects of Argentina's current and future generations. A debt restructuring that is short sighted in its objectives benefits nobody, debtor or creditors alike. If Argentina's recent financial history teaches us something, it is that the short-term goal of attracting creditor support should not override the discipline of committing only to obligations that can be honored in the long term.

On July 6, 2020, Argentina published its amended offer, reflecting its good faith effort to incorporate the feedback from the ten weeks of engagement with its creditor community. Argentina's amended proposal improved creditor recoveries and addressed several documentation issues raised by creditors while adhering to Argentina's debt sustainability constraints. It also introduced a minimum participation threshold, denoting Argentina's willingness to proceed only if there is a broad consensus for its proposed restructuring.

On July 16, 2020, the government submitted to the Argentine Congress a draft bill that sets forth the terms of its intended restructuring of the local law bonds denominated in US dollars. As previously announced, mindful of inter-creditor equities, Argentina will offer holders of local bonds terms that are equitable in light of the terms offered to holders of foreign law governed bonds.

On July 20, 2020, representatives of various investor groups submitted a counterproposal to Argentina's amended invitation of July 6, 2020. In substance, the counterproposal calls for yet more generous financial terms for the creditors compared to Argentina's current offer and further adjustments to certain contractual terms. It also requested that Argentina cover the fees and expenses of some of the creditors' advisors.

The creditors made this new submission hoping that Argentina “takes the proposal in constructive spirit”. They also acknowledged the continued good faith engagement with Argentina and its advisors. A press release published on July 20, 2020, referred to a “cooperation agreement” among the creditor groups that authored the counterproposal. However, instead of committing to cooperating with Argentina in overcoming its difficulties and creating growth opportunities, the release spoke of an agreement among investors that claim to hold more than one third of Argentina’s bonds to reject Argentina’s offer.

Notwithstanding this unfortunate step backwards, Argentina has reviewed these new requests constructively and in good faith. Those aspects of the counterproposal that seek to impose additional burdens on an economy that is choking in the midst of the COVID-19 crisis, where an enormous effort has been made to preserve human life at the cost of the immediate well-being of the entire population, cannot be accommodated. It would not only be irresponsible, but also would be unfair. With over 50% of Argentina’s children living in poverty, we cannot further improve creditor short-term recoveries by diverting resources needed to give our children at least a chance of a better future. Argentina and the creditor community have a common interest: sustainable long-term growth. That is the only true path to value recovery on equitable terms. We cannot, and Argentina will not, lose sight of that objective. No deal is worth such a price.

By the same token, Argentina wishes to and will contribute to the development of contractual instruments that enhance the success of sovereign restructuring initiatives when they enjoy meaningful creditor support. Adjustments to the contractual forms developed by the International Capital Market Association (ICMA), which were adopted by Argentina in 2016, that enjoy widespread support, will also be supported by Argentina.

Argentina has full intention of reaching a sustainable agreement that does not impose on its people further suffering and anxiety. Based on this premise, Argentina’s government has expressed that the July 6 proposal is Argentina’s definitive offer to its creditors, and represents the largest and last effort that the country can sustain. With this conviction, our country encourages the community of bondholders to accept it, knowing that if that were not the case all future negotiation will be more complex because Argentina’s circumstances will be more difficult.