

# What bond markets can learn from Argentina

Argentina might have set important precedents for sovereign debt deals, but big questions remain unanswered. Anna Gelper explains



Argentina has completed the largest and most complex sovereign bond restructuring in history. Before the debt exchange, it owed about \$82 billion in principal and \$20 billion in past due interest. Hundreds of thousands of creditors held 150 kinds of defaulted instruments issued in six currencies under the laws of eight jurisdictions. Creditors owed just over 76% of the total, or \$62 billion, got \$35 billion in new performing bonds. Other performing debt includes \$40 billion in domestic and about \$30 billion in multi-lateral obligations. Argentina left behind almost \$25 billion in defaulted principal and interest.

The morning after the tender, newspaper editorials around the world

heralded a new era for sovereign debt, for the emerging markets and, occasionally, for international finance. Their views on what the Argentina deal means were as disparate as they were definitive. Some said the exchange would close the markets to middle-income countries. To others, it reaffirmed the markets' resilience. Some claimed it proved the need for statutory sovereign bankruptcy. Others said it clearly discredited the idea. Most spoke too soon.

Surely something important has happened. The scale of Argentina's operation is a multiple of earlier bond restructurings: Russia exchanged on the order of \$30 billion, Ecuador \$6 billion, Uruguay \$5 billion, Ukraine \$3

billion, and Pakistan under \$1 billion. These and other crises spread anxiety about the international system's ability to manage financial globalization. Argentina's debt default in 2001 seemed to validate this anxiety. Overnight, Argentina's middle class was plunged into poverty and Italian retirees lost their savings.

With so many lives and so much money at stake, expectations ran high that Argentina's restructuring would change the world of emerging market sovereign debt. The high stakes may help explain the unusually contentious tone of the operation. It is hard to find a public or private sector participant who did not care or one who did not feel deeply wronged. Argentina and its creditors seemed to exchange ultimatums, not term sheets, interspersed with competing public proclamations and moral appeals.

But so far, the exchange has answered few of the central legal and financial questions of the past decade. It has confirmed many presumptions about emerging market debt, and has shattered none. After default, the bargaining leverage seemed to shift to Argentina. Lawsuits did not derail its exchange or dent its rapid economic recovery, and have yet to yield a penny for the creditors. Documentation for the new securities breaks little new ground. The bond restructurings that came before might look more revolutionary for introducing the tools – such as aggregated collective action clauses (CACs) – that Argentina adapted on such a vast scale.

Argentina's debt exchange marks a big shift in scale and tone, if not technique, from its predecessors. But its innovations have not been all or even primarily in this transaction. The default and the exchange were both

points in a longer financial restructuring process that began before the default and will go on for years after the exchange. Argentina's unorthodox debt management immediately before and after the default is partly responsible for the outcome of the exchange. With \$25 billion in defaulted debt still outstanding, Argentina's most important innovations might well be ahead.

### Early manoeuvres

Argentina's latest round of troubles began after Russia defaulted on its debt and Brazil devalued the real in 1998 to 1999. Its convertibility regime – the one-to-one peg of the Argentine peso to the US dollar – helped defeat hyperinflation in the early 1990s, but required sustained access to external financing. Argentina ran perennial budget deficits. The dollar was high, commodity prices low. As markets closed and exports collapsed, the government turned to official lenders, domestic banks and pension funds to finance its budget and trade deficits.

In 2001, three years into a recession, Argentina's hopes for economic growth without drastic, painful policy change looked increasingly fanciful. That year the government launched three operations that tried and failed to solve its debt problem. In February, it swapped about \$4 billion in external bonds, extending near-term maturities. The famous mega-exchange in June pushed off maturities on over \$30 billion at the cost of increasing Argentina's foreign-currency, foreign-law debt stock and raising the spreads to levels that undermined market confidence.

The third exchange was more unusual. In November 2001, Argentina offered to swap about \$42 billion in foreign bonds for loans paying much lower interest rates and governed by Argentine law, but secured by dedicated tax revenues. The exit instrument was designed to appeal to Argentine financial institutions that held about 40% of the government's foreign bonds. (Russia's default and punitive restructuring of its treasury bills had made foreign investors briefly wary of domestic law debt.) The exchange

dramatically reduced Argentina's foreign-law debt and helped partially to segregate investors with different preferences into different instruments.

The swap did not prevent default on Argentina's foreign bonds, which came on December 24 after the IMF refused further disbursements. Convertibility collapsed, and the peso fell to a quarter of its value. After weeks of riots and a succession of presidents, Argentina enacted emergency measures that led to more dramatic changes in its debt stock. It converted into pesos all public and private domestic law debt, including the loans resulting from the November exchange. These loans continued to perform throughout the default episode, albeit in pesos and at even lower interest rates. The government then proceeded to issue over \$20 billion in dollar and peso-denominated domestic-law debt (primarily the *Boden* bonds) to compensate domestic constituencies for damage from the crisis. The *Boden* paid low interest rates, and only a small portion of them traded. Those that traded became a favourite among foreign investors, who calculated that the government would not default on the asset

that now formed much of the capital in the Argentine banking system.

The net result was a radical transformation of Argentina's debt stock. Before the November

exchange, December default, and February pesification, about 70% (almost all the debt owed to private creditors) was in performing foreign-currency foreign-law bonds. A year later, these bonds represented just over a third of the total and were mostly in default, trading at some 20 cents on the dollar. Performing debt comprised almost \$40 billion in new domestic-law instruments and over \$30 billion in debt to multilateral institutions. Foreign bonds regained some of their share in mid-2003, when Argentine pension funds that had rejected pesification of their guaranteed loans were forced to revert to their defaulted global bonds.

The identity of Argentina's creditors also changed. In the mid-1990s, they were overwhelmingly foreign institutional investors. As the recession wore

on and institutional interest wore thin, Argentina tapped unprecedented numbers of European, and to a lesser extent, Asian retail investors. In the run-up to the crisis, it turned to captive domestic and multilateral institutions. After the default, compensation bonds expanded the holdings of domestic creditors. Meanwhile, speculative investors – mostly foreign institutions – began to buy performing domestic debt and even defaulted foreign bonds.

These changes, some driven by the markets and others by Argentine policies, helped determine the outcome of this year's debt exchange.

### The exchange

Argentina first broached the restructuring terms with its creditors at the IMF-World Bank Annual Meetings in Dubai in September 2003, almost two years after the default. The Dubai Terms set a political benchmark for the government – 75% debt reduction and no recognition of past due interest (PDI) (potentially 90% in present value terms at market discount rates).

The creditors were outraged. Three months after the Dubai meeting, disparate investor groups united under the umbrella of the Global Committee of Argentina Bondholders (GCAB) to pool negotiating leverage and demand a better deal. The committee claimed to represent about \$40 billion in US, European and Japanese creditors. It joined forces with another group representing Argentine nationals.

Several GCAB members sought to represent retail investors in Europe and Asia. These investors generally were not repeat players and knew little about emerging market debt. Many individuals bought Argentine bonds for their retirement accounts from European and Japanese banks. After the default, Argentina and its institutional creditors found it hard to predict retail behaviour.

GCAB unveiled its own Dubai Terms in response to an improved proposal from Argentina in June 2004. Argentina's offer was valued at about 20%. Creditor demands included full recognition of PDI and recovery values over 60%. GCAB also offered a competing macroeconomic adjustment path for Argentina. One Wall Street analyst wrote that the group was "repeating the government's strategy in Dubai: to present something that will hardly help in the very same negotiation process".

**What had looked like the new dawn of creditor organization seemed to vanish**

These polar opposite positions set the tone for the remainder of Argentina's restructuring, as competing roadshows grew increasingly strident.

In the end, GCAB did not move, and Argentina moved some. In January 2005, the government offered a final menu of par, discount and quasi-par bonds that reduced the net present value of defaulted debt by about 70% at market discount rates. It included instruments linked to Argentina's future economic growth, and added a small amount of cash by back-dating the exchange to December 2003. During this period the authorities sustained budget surpluses unprecedented by Argentine standards, as the economy grew by over 8%. This economic performance both made Argentina a more attractive credit and seemed to bolster creditor contentions that it could pay more.

But the biggest change took place in the markets. In the year since the Dubai meeting, spreads on emerging market debt fell as global investment capital searched for yields. Interest rates in the US, Europe and Japan were at historic lows. What might have looked like an outrageous offer in 2003 looked more attractive using 2005 discount rates. GCAB's institutional constituents were quietly moving away; some began buying defaulted debt from retail investors who had lost patience. In the end, most institutions appear to have tendered in the exchange. Even as Italian retail leaders publicly denounced what they called Argentina's cram-down, billions of dollars in Italian retail holdings were tendering or selling to participating funds. The largest single pool of retail claims, representing over \$1 billion in German and Austrian investments, accepted Argentina's offer two hours before it closed.

What had looked like the new dawn of creditor organization seemed to vanish. GCAB's website posted no reaction to the exchange results. True to the atomistic stereotype, sovereign bondholders could not hold a coalition. Each acted in its own self-interest; most came to see Argentina's offer as an opportunity for short-term gain or at least a chance to cut their losses. For now, the sovereign debtor seemed to hold all the cards.

### Lawsuits

In one sense, any transaction of over \$80 billion that demands unprecedented debt relief and attracts over three-quarters of

## Most favoured creditor clause

"[I]f at any time on or prior to December 31, 2014, the Republic voluntarily makes an offer to purchase or exchange (a "Future Exchange Offer") or solicits consents to amend (a "Future Amendment Process") any outstanding Non-performing Securities, each Holder of Securities shall have the right, for a period of 30 calendar days following the announcement of any such Future Exchange Offer or Future Amendment Process, to exchange any of such Holder's Securities for (as applicable): (i) the consideration in cash or in kind received by holders of Non-Performing Securities in connection with any such Future Exchange Offer; or (ii) debt obligations having terms substantially the same as those resulting from any such Future Amendment Process..."

the creditors is a triumph. Argentina's was all the more impressive because it proceeded against the background of thousands of creditor lawsuits, mostly in Argentina, but also dozens in New York and over 100 in Europe. [See news analysis.]

The conventional wisdom before Argentina's default was that getting a judgment against a government was

much easier than collecting on it. Since the Brady bond exchanges of the 1990s, a steady undercurrent to this wisdom had emerged, arguing that litigation might yet become a potent creditor weapon. This reasoning held that, once sovereign

debt took the form of tradeable bonds rather than relationship-driven bank loans, a default would send thousands of bondholders storming the courts to demand 100 cents on the dollar. A rush to the courthouse would delay negotiations, postpone the country's recovery and inflict greater losses on the creditor collective.

Until Argentina, the most prominent and successful holdouts sued on loans, not bonds (as in *Elliott Associates v Peru*). Rather than block restructuring, they sought to profit from its success. A country that has restored its payment capacity can better afford to pay creditors. Moreover, the country's return to the global markets created offshore payment streams that litigants could target. Most puzzling perhaps was the fact that cooperating creditors seemed unconcerned by the holdouts. They saw payments to the holdouts as a modest tax on the restructuring that kept the threat of enforcement real, perhaps

detering the debtor from defaulting on the margins. At the same time, the still-considerable risk, hassle and expense of sovereign debt litigation deterred emulators.

Argentina at first looked like it might challenge conventional wisdom. Many of its bondholders did go to court; several secured judgments, and at various stages tried to halt the exchange offer. A

fund owned by the Dart family, well known for its holdout litigation prowess, secured a judgment for \$725 million. The remaining individual judgments represented a tiny fraction of the debt – about \$15 million all told. Then, the New York District

Court certified a class action against Argentina, which could potentially reach \$4 billion in claims.

Class actions may yet succeed, and maverick litigants may yet profit by targeting the exchange proceeds. But so far, the lawsuits have changed little. They failed to stop Argentina's exchange and, in the words of the presiding judge in New York, "not only have they not yielded a hundred cents on the dollar, they have not yielded one cent on the dollar".

### A shift in tone

Some bondholders sued to stop Argentina's offer, claiming that it would use exit consents, that is, ask tendering creditors to amend the old instruments to make them illiquid or otherwise unattractive. Ecuador first imported the technique from corporate restructurings as part of its 2000 Brady bond exchange. Since then, creditors have fought exit consents as unfairly coercive, and have

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## Bottom fishers save the day

By the mid-1990s it had become fashionable to criticize a certain kind of emerging market investor – one that buys distressed debt at pennies on the dollar in hope of collecting a fabulous return. The bottom fisher and the maverick litigant were all the same in this view, and equally threatening to the system because both would disrupt orderly workouts.

In fact, the litigant has turned out to be a small and distinct subspecies of the bottom-fisher. He does buy low – so low that he can afford to invest in pressing a claim and chasing phantom sovereign assets around the world for years. He often lies low until the restructuring is complete – he wants every other creditor to accept deep debt reduction, maximizing the country's residual payment capacity and clearing the field of competition. Beyond being a high-skill speciality sport, maverick litigation is self-limiting. While it is plausible for a country to pay \$100 million or even \$1 billion to get rid of the stalking nuisance, payment on the order of \$25 billion seems improbable.

In contrast, the average bottom fisher wants to get the maximum recovery for minimum effort, preferably over a short period of time. He may be an exemplary collective actor – content to join in the chorus pressing the debtor for a better deal, and glad to share the proceeds with others who help secure that deal. The last thing he wants is a protracted stalemate.

To the extent Argentina's offering was a success, bottom fishers deserve part of the credit. Some bought Argentine bonds at 17 cents in 2002, and happily tendered in an exchange worth double that in 2005. Most probably bought in the closing weeks. They created a market where European retail investors could sell billions of dollars in defaulted bonds. Individuals traumatized by their foray into high-risk investing sold at a discount from exchange values. They might have saved money and tendered a week later. They might have stayed out. But the bottom fishers pocketed the difference, sometimes in a matter of days, and assured the high level of participation in Argentina's exchange.

succeeded in raising the voting threshold for exit consents in many issues.

The litigants turned out to be wrong – Argentina did not use exit consents, nor did it specify a minimum participation threshold to make its exchange effective. This approach was not an olive branch to its creditors. It might have reflected partly the reality of a huge exchange with so many diverse creditor constituencies, including unpredictable retail bondholders. It also reflected the government's message since the Dubai meeting: once it had decided how much it could afford to pay, its ultimate threat to non-participating creditors was refusal to pay or to improve the terms. An exchange that relies on exit consents, which require threshold participation, by definition has an element of consent. An exchange driven by the debtor's promise to abandon non-participants prioritizes debt relief over near-term market access.

### Playing favourites

In earlier exchanges, including Uruguay and the Argentine province of Mendoza, participating creditors amended the old bonds to remove the issuer's sovereign immunity waiver with respect to the new bonds, to protect new payments.

Because Argentina chose to do without exit consents, at first it did not go to extraordinary lengths to shield the new bonds from lawsuits on the old. Like Uruguay before it, Argentina got incremental protection by using a trust instead of a fiscal agency structure.

Argentina took a different approach

to inter-creditor equity. The most favoured creditor (MFC) clause, which sought to assure participating creditors that holdouts would not get a better deal, was probably the most important and most controversial innovation in Argentina's new bond contracts. (See box on page 21.)

Similar language has appeared in corporate workouts, and in sovereign workouts involving commercial banks. The structure of the clause recalls other devices designed to level the playing field among creditors, such as the negative pledge clause or the sharing clause in syndicated loans. The borrower promises not to favour some creditors relative to others of equal rank and to distribute any new value proportionately among similarly situated creditors. Argentina's initial version of the clause had covered private settlement as well as new offers, and might have barred windfall recovery for rogue litigants. The final version of the clause omitted the word *settlement*. It left the door open to holdout payments and issuer buybacks.

Public statements by some investors suggest that the MFC clause might have done more to alarm than to reassure them. Its perceived loopholes no doubt motivated the government in early February to pass a domestic law that barred it from reopening the exchange or settling with non-participating creditors on the side. This inflation of commitment devices – the government tying its own hands to show the markets it means what it says – is oddly evocative of the defunct convertibility regime. For now, it is clear that the government is determined not to pay the holdouts. Whether and when this latest law might go the way of convertibility is unknown.

If the law stands, it might increase on the margins the government's vulnerability to legal challenge. First, holdouts will surely argue that the law amounts to a legal act formally subordinating the old debt to the new in violation of the *pari passu* undertakings in the old bonds. The question of whether creditors could use the *pari passu* clause to attack Argentina's new payments was raised and deferred in the Southern District of New York last year. Without the law, Argentina might have argued that the new bonds did not effect legal subordination – merely disproportionate payment.

Some have also argued that the law amounts to expropriation within the meaning of Argentina's bilateral investment treaties, and is subject to challenge before the World Bank's International Centre for Settlement of Investment Disputes (Icsid). If the claimants succeed in proving expropria-

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tion on this novel theory, it is far from clear that enforcing an Icsid award would be any easier than collecting on a New York judgment. The government's recent promise to ignore other Icsid rulings is not encouraging.

The results of Argentina's efforts at inter-creditor equity remain uncertain. For now, bond documentation is a secondary constraint to domestic politics and domestic legislation. It will come into play if and when Argentina brings itself to breach the domestic political barrier.

### Collective action

In other respects, Argentina's documentation is progressive but not revolutionary. Its new bonds include CACs pioneered by Mexico in 2003 that have since become standard in emerging market sovereign bonds. Most importantly, Argentina became the first government since Uruguay to include aggregated voting provisions in its shelf registration statement (see IFLR May 2003). Should Argentina choose to amend its debt documentation, it may proceed issue by issue, with 75% of the aggregate principal amount outstanding required to amend key terms.

Alternatively, it could amend key terms in multiple issues with the approval of 85% of the aggregate principal amount outstanding and two-thirds of the principal outstanding under every affected issue. Bonds held by entities directly or indirectly owned or controlled by Argentina, including state-owned banks and pension funds, are ineligible to vote.

Aggregated voting makes sense when it can be conducted across a significant portion of a country's debt stock. Because Argentina's was the first comprehensive debt exchange since Uruguay's, it was the first opportunity for a sovereign issuer since then to bring its debt stock within the aggregation framework. Adapting recent contractual reforms across \$35 billion in bonds with nary a protest from the markets is an impressive achievement and a milestone for the asset class.

### The fog ahead

Immediately after the offer closed, Argentina's government pronounced the default episode over: Argentina had emerged victorious from the ashes of crisis. Some market participants and editorial observers took a more negative

view, though they too saw the exchange as an endpoint – proving that sovereign debtors could trample creditor rights with impunity and exuberance. Both conclusions seem premature.

No other sovereign restructuring has left behind anything close to \$25 billion in holdouts. Argentina cannot and will not pay them all in full. What these creditors can do to Argentina and what Argentina can do about them is far from clear.

More litigation could bring doctrinal and policy shifts. Because Argentina privatized most of its economy in the 1990s, the government has few commercial assets available to satisfy its creditors. As before, creditors will probably target payments on the new bonds. A court could find that the exchange or, more likely, Argentina's domestic law violated the *pari passu* clause in the defaulted bonds. The remedy might include an injunction against payments on the new bonds or some form of pro rata distribution.

Even if legally sound, such a ruling would raise critical policy concerns – it could turn the world's largest payments systems into collection agencies. Recent Belgian court decisions that had the same effect prompted a law to shield Euroclear from injunctions. Early in the latest round of lawsuits against Argentina, the US Treasury, the Federal Reserve Bank of New York, and the New York Clearing House all intervened on Argentina's side in the *pari passu* issue, suggesting they will not let it be resolved in a policy vacuum. But inasmuch as Argentina's domestic law hurts its case against *pari passu* enforcement, it also takes away a key legal argument for the supporting agencies. The fact that few if any other countries have enacted such laws also diminishes the systemic importance of Argentina's case and the policy impetus for intervention.

If Icsid arbitration succeeds, it might prompt governments to include more provisions in bilateral investment treaties to address sovereign debt default

and restructuring. For now, only Uruguay's treaty with the US specifically shields a country that restructures using CACs from expropriation claims based on a cram-down.

Recent calls for new limits on foreign sovereign immunity might gain momentum if Argentina flouts both court and Icsid rulings, and especially if other countries follow its example.

But the next act in Argentina's restructuring drama will not be in court. It will come in a few

months as Argentina tries to negotiate its refinancing agreement with the IMF. After walking away from an IMF programme in mid-2004, the Argentine government has recently signalled a desire to re-engage, sending the economy minister to Washington DC immediately after closing the offer.

The encounter will be tricky for the Fund and its shareholders. Its goals and its leverage are both murky. The official sector has tried hard to keep its distance from Argentina's bond restructuring operation, but has found it equally hard to avoid the appearance of complicity in the outcome. Now Argentina has decreed the restructuring done. At a minimum, if the IMF does not accept Argentina's contention that \$25 billion in holdout claims are wholly uncollectable, they pose a risk to any policy programme. If, despite recent statements, the IMF renews its programme without addressing the holdout issue, it will have publicly ratified the exchange result and, by implication, the process Argentina used to obtain it. Yet its recent history with Argentina limits the alternatives.

The official sector uses three main tools to influence the restructuring of sovereign debt held by private creditors. First, governments that agree to relieve a country's debt in the Paris Club can require the debtor to seek comparable concessions from other creditors. Since Argentina's Paris Club debt is tiny (under \$2 billion) and still in default, this intervention avenue is closed. Second, when a country secures a disbursing programme from the

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IMF, it usually agrees to budget targets that frame its debt payment capacity over the life of the programme. In this respect, Argentina's September 2003 IMF programme broke with precedent. In place of the customary primary budget surplus target, the IMF specified that Argentina must over-perform a floor target by the amount it had to pay its creditors. The official sector gave up its say over the debtor's payment capacity.

Instead, officials used the third tool – the IMF's policy on lending into arrears, which allowed it to finance a country that was making a good-faith effort to reach a collaborative agreement with its creditors. Argentina's contentious relationship with its creditors offered the most serious test of the policy to date. Many argue that the IMF board made a mockery of the policy by approving disbursements to Argentina despite its refusal to negotiate deal terms with its bondholders. The Argentine authorities point to their meetings with creditors as evidence of good faith. Others note that throughout the default episode, Argentina received no new multilateral money – programme disbursements only partially covered Argentina's repayments to the IMF.

In the end, the IMF board interpreted the policy for Argentina to require a comprehensive exchange that restores debt sustainability. The IMF's debt sustainability analysis has not been published, though the offer terms are reportedly consistent with it. The board did not define *comprehensive* (though some members volunteered personal views on required participation). It is difficult to accuse Argentina of making an unreasonable offer where the terms were consistent with the IMF's own analysis and over three-quarters of the creditors found it acceptable. But the Fund may argue that 76% falls short of comprehensive, because Argentina can neither pay nor wish away \$25 billion in presumptively conscientious objectors. Lending at this level of holdouts, including many retirees, would cause a political if not a policy problem. The Argentine government may yet save the Fund the embarrassment if it fails to meet structural conditionality in its programme, such as settling its differences with domestic utilities.

The Argentine experience so far suggests that the good-faith iteration of the Lending Into Arrears policy remains

flawed. IMF staff are highly skilled at designing macroeconomic and structural reform programmes. They have no special expertise in evaluating the quality of a country's dialogue with its creditors. Proxies for good faith and collaboration, such as the level of creditor participation in a debt exchange, are ultimately circular – they outsource the good faith determination back to the creditors and ignore any coercion factor that might have affected participation. In Argentina's case, the Fund appears both compelled and ultimately unable to judge fairness. In the words of its staff: "[T]he credibility of the Fund's policy will depend, in part, on a perception that the Fund actively promotes collaborative resolution to debt difficulties that are [sic] seen as being generally fair to all parties."

The last set of unanswered questions in the wake of the exchange concern Argentina's impact on the international financial system. Already some Philippine and Nigerian legislators have announced that they will follow Argentina's example and seek an aggressive restructuring of private debt. This could all be grandstanding, a common legislative pastime, or a signal of future defaults. But so far, there have been no painless sovereign defaults – Argentina's was far from it – and so it is probably too early to eulogize the asset class or market discipline in general.

If anything, Argentina's default and restructuring has shown the terrible effects of sovereign default on its people and institutions. This domestic impact, more than the hope of market access or the threat of bondholder litigation, may be the biggest argument against default

in the minds of emerging market politicians.

On the other hand, Argentina's experience seems to suggest that default shifts the balance of power in favour of the debtor, absent official intervention. Once a government defaults, it must justify resuming payments. For as long as the economy can grow briskly without addressing the problem of defaulted government debt, it is difficult to see why a government would want to engage its creditors. Lawsuits have yet to compel payment, or even force a restructuring. Demand for Russian and even Argentine debt casts doubt on the theory that markets punish defaulters. It remains to be seen to what extent debtor and creditor losses from Argentina's default will strengthen the case for pre-emptive exchanges on the Uruguay model.

Argentina's crisis has also done little so far to validate or discredit the idea of statutory sovereign bankruptcy. It achieved impressive debt relief in a reasonably short time frame without either CACs or bankruptcy. To the extent creditors had trouble coordinating, Argentina was able to exploit their differences to get more relief and higher participation. On the other hand, \$25 billion in holdouts pose a real risk to the outcome. Argentina's experience may yet change the world of sovereign debt. But its lessons will take years to discern. For now, the revolution must wait. ■

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