

# Opposition grows to Argentine bank governor

By Jude Webber in Buenos Aires

Published: March 4 2010 11:20 | Last updated: March 4 2010 16:28

The Argentine central bank chief's job appeared to be at risk on Thursday as a political crisis over the government's use of reserves to pay off debt snowballed.

Opposition parties, flexing their muscles in their newly dominant role in Congress, vowed to eject [Mercedes Marcó del Pont](#) as governor next week and to overturn a controversial new emergency decree transferring some of the bank's near record reserves.

A judge, upholding an opposition appeal, suspended the application of the new emergency decree, which Carlos Alfaro, a legal expert, said clearly violated the constitution since such measures are not supposed to be used to override Congress.

"I think we're going to see a political battle that will go on for months," Mr Alfaro said.

Opening the new legislative session of Congress on Monday, [Cristina Fernández](#), the president, scrapped her original emergency decree, issued in December, to transfer \$6.5bn of reserves to the Treasury to pay off debt. The government had not been able to transfer the cash then because the decree had been put on hold by the judiciary pending a decision by Congress, which looked certain to reject it.

She then immediately unveiled a new emergency decree authorising the use of \$4.38bn in reserves to pay private creditors this year, and an ordinary decree transferring \$2.18bn of reserves to the Treasury to service debt payments with multilateral creditors this year. The government admits the reserves have been released and it has already paid \$12m to the Andean Development Fund, or CAF.

"If Congress strikes down the emergency decree, then the funds will have to return to the reserves," said Ricardo Gil Lavedra, an opposition deputy, though he said the payment already made to the CAF could not be recovered.

Congress will next week debate both the validity of the emergency decree and Ms Marcó del Pont's position. She was appointed last month, after [Martín Redrado](#), the former governor, was finally ousted after refusing to hand over reserves, but the Senate still has to approve her appointment, and the opposition has made clear it has no plans to do so.

Ms Marcó del Pont, an economist close to the president, has been rumoured as a possible candidate for economy minister, replacing Amado Boudou. She has defended her quick decision to release the reserves, saying she was "absolutely convinced that the decision to use part of the reserves to pay debt is absolutely virtuous and legitimate".

She said emergency decrees had the validity of a law, and she would have been guilty of dereliction of duty as a civil servant had she not acted.

The government says using reserves is a logical use of funds exceeding the monetary base – which have been accumulated through export taxes, largely on Argentina's vast farm exports – since it cannot tap international capital markets. Argentina defaulted on nearly \$100bn in 2001 and the holders of \$20bn in debt are still unpaid. The government is hoping to make an offer to them soon, to close the chapter on its lingering default, but its offer has been repeatedly delayed by the reserves crisis.

Mr Redrado had feared that the reserves could be seized by creditors – a risk which opposition politicians and legal experts said was very real.

Aníbal Fernández, the cabinet chief, said the opposition's intention to deny support for Ms Marcó del Pont looked like "revenge". If she is not confirmed, the most likely scenario is that her deputy, Miguel Angel Pesce, will again step into the governor's shoes, as he did in January when the government first moved to oust Mr Redrado.

Opposition politicians said Congress should be allowed to do its job. "We are fighting for Congress to recover its faculties," said Mr Gil Lavedra. The government, however, finds political cohabitation tricky as it has never had to deal with it in the years since Ms Fernández's husband, Néstor Kirchner, took office in 2003.