

# **ECONOMICS OF G20**

## **A WORLD SCIENTIFIC REFERENCE**

### **① Developing Countries and the Need for G20**

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 **World Scientific**

NEW JERSEY • LONDON • SINGAPORE • BEIJING • SHANGHAI • HONG KONG • TAIPEI • CHENNAI • TOKYO

Published by

World Scientific Publishing Co. Pte. Ltd.

5 Toh Tuck Link, Singapore 596224

USA office: 27 Warren Street, Suite 401-402, Hackensack, NJ 07601

UK office: 57 Shelton Street, Covent Garden, London WC2H 9HE

### Library of Congress Cataloging-in-Publication Data

Names: Whalley, John, editor. | Agarwal, Manmohan, editor.

Title: Economics of G20 : a world scientific reference (in 2 volumes) /

editors, John Whalley, Western University, Canada,

Manmohan Agarwal, Research and Information Systems for Developing Countries, India.

Description: USA : World scientific, 2020. | Includes bibliographical references and index. |

Contents: v. 1. Developing countries and the need for G20 --

v. 2. How developing countries can achieve sustainable development goals

Identifiers: LCCN 2019052118 | ISBN 9789811214714 (set) | ISBN 9789811214745 (v. 1 ; hardcover) |

ISBN 9789811214769 (v. 2 ; hardcover) | ISBN 9789811214752 (v. 1 ; ebook) |

ISBN 9789811214776 (v. 2 ; ebook)

Subjects: LCSH: Group of Twenty. | International economic relations. | Economic policy--

International cooperation. | Group of Twenty countries--Foreign economic relations. |

Group of Twenty countries--Economic policy.

Classification: LCC HF1359 .E257 2020 | DDC 337.1--dc23

LC record available at <https://lcn.loc.gov/2019052118>

### British Library Cataloguing-in-Publication Data

A catalogue record for this book is available from the British Library.

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For any available supplementary material, please visit

<https://www.worldscientific.com/worldscibooks/10.1142/11678#t=suppl>

Desk Editors: Anthony Alexander/Sylvia Koh

Typeset by Stallion Press

Email: [enquiries@stallionpress.com](mailto:enquiries@stallionpress.com)

Printed in Singapore

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## Chapter 6

# Argentina, G20 and Beyond: The “Outsider” Saga

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### Abstract

Chairing the G20 provides Argentina with an opportunity to harmonise its policies with those of other developing countries of the global South. But Argentina will have to shed its past unruly behaviour in the G20. However, Brexit, the actions of the Trump administration and the rising trade tensions between the US and China give Argentina the opportunity to provide a much needed reinforced G20 support for free trade and multilateralism.

### Introduction

Argentina chaired the G20 in December 2018 in Buenos Aires. It is the first international summit of its kind that was conducted under the presidency of Argentina. This Argentine presidency of G20 has raised hopes and aspirations of the local Argentines. It has equally imparted Argentina an opportunity to harmonise its policies with those of other developing countries of the global South. Yet, it has also brought Argentina face-to-face with its own past engagements with the G20. It is not easy to forget the unruly behaviour of the Argentines at the G20. It will be some time before Argentina manages to shed the tag of the “outsider” to the G20. After all, the frequent and vociferous



demands for Argentina's expulsion from the G20 remain etched in public memory. Given Argentina's checkered involvement with the G20, its presidency is historically poignant. It was an opportune moment for Argentina to project itself as the champion of multilateralism with common goals alongside the other member countries. Besides, it was an occasion for Argentina to articulate its credentials as a rule-bound player in the emergent global economy.

Just as Argentina took over the presidency of the G20, President Mauricio Macri of Argentina in promotional literature cited the various factors that highlighted the importance of the G20 for Argentina. He stated that Argentina intended to promote various issues that were great importance to it, like understanding the role of agriculture as a critical sector to attain development goals (food security and environment); strengthening the multilateral trading system with the World Trade Organization (WTO) having a leading role; fostering progress in the negotiations over outstanding issues of the Doha round; affirming the importance of development as a means to achieve inclusive, sustained and equal growth; and including eradication of poverty in all its forms and dimensions. He also underlined Argentina's crucial role as a part of the "troika" along with China and Germany in transforming G20 into a successful multilateral forum. The document further stated the varied dimensions of Argentine interests in G20 (G20 Argentina 2018, 2017).

Evidently, the G20 held in Argentina in December 2018 has announced a very large and impressive set of goals whose agenda was set by the Argentine government. These goals encompass the interests of both Argentina and the entire region of Latin America and the Caribbean. The Argentine presidency of G20 focused on three key issues — the future working of the G20 which would include emerging holistic technologies that benefit the rapidly changing processes of production, infrastructure for development and a sustainable food future.

The inclusion of Argentina and its ascendancy to the presidency of the G20 has not been without its share of challenges. In this chapter, an attempt has been made to contextualise the presence of Argentina in the G20, its isolation/outsider status for a considerable period of time and the justification for its inclusion. The chapter examines the claims made by Argentina in the recent past and its attempt at representing itself as the voice of Latin America and the Caribbean and its engagement with the other two Latin American and Caribbean (LAC) members in the G20 — Brazil and Mexico. Incidentally, both Brazil and Mexico have fared well within this arrangement. The chapter concludes with a menu of options available to Argentina as the president of G20 and outlines the possible trajectory that it may opt for in the near future.



## A Background

The G20 is the preeminent forum for world leaders to collectively debate and address the most pressing global challenges. The scope of its agenda has broadened over the years to include economic and financial work streams that lend themselves to coordinated global action, such as sustainable development, agriculture, trade, energy, climate change, gender equality, migration, transnational terrorism, pandemics, anti-corruption as well as the core issues of macroeconomic coordination and financial stability.

A brief history of the G20 shows that the G7 finance ministers and the central bank governors on September 25, 1999 announced what they proposed would "broaden the dialogue on key economic and financial policy issues among systematically significant economies and promote co-operation to achieve stable and sustainable world economic growth that benefits all" (G7, 1999a). Simultaneously, invitations were extended to their "counterparts from a number of systematically important countries from region around the world". The meeting was arranged in Berlin in December 1999 (G7, 1999b). This was in keeping with the announcement that the G7 finance ministers had made the previous year in June which stated that "they would work together to establish an informal mechanism for dialogue among systematically important countries within the framework of the Bretton Woods institutional system" (G7, 1999b).

Thus was born the Group of Twenty (G20) countries with the aforementioned announcement. The G20 included 19 countries, namely Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, the Republic of Korea, Mexico, the Russian Federation, Saudi Arabia, South Africa, Turkey, the United Kingdom and the United States, and the European Union (EU). The G20 also had representations from the International Monetary Fund (IMF) and the World Bank, along with committees such as the International Monetary and Financial Committee (IMFC) and the Development Committee (DC), who also regularly participate in the meetings of G20 finance ministers and central board of governors. Collectively, they represent roughly 85% of the Gross World Product (GWP), 80% of world trade (or, if excluding EU intratrade, then 75%), two-thirds of the world population and approximately half of the world's land area.<sup>1</sup>

In 1997, the crisis in Thailand had created shock ripples that were not only felt in the major Asian economies but also spread to Russia and ultimately to the countries of Latin America. The crisis then had intensified and spread throughout most of the developing and developed world. The G20's

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<sup>1</sup> Ministry of Foreign Affairs and Worship, Argentine Republic. Argentina to Chair the G20 in 2018. Available at [cancilleria.gov.ar/en/argentina-chair-g20-2018](http://cancilleria.gov.ar/en/argentina-chair-g20-2018).



launch was probably the result of this kind of global crisis. The birth of the G20 also reflected the “tectonic” shifts in the global economy over the previous 20 years. In the past, the major industrialised countries had the wherewithal of dealing with most of the global economic problems among themselves.<sup>2</sup> However, by the late 1990s, the power and capacities of the G7 were seriously changed alongside the steady decline of the industrialised world. Simultaneously, there was a steady and rapid growth among the emerging economies, especially those located in Asia.

The global economy was inevitably getting more integrated. Cross-border trade had increased sharply in recent decades due to the trade liberalisation under the aegis of the General Agreement on Tariffs and Trade (GATT) and, subsequently, the WTO. From 1991 to 2006 alone, world trade as a proportion of global GDP rose from roughly 40% to 62%.<sup>3</sup> Much of this increase was again due to the growing importance of emerging markets and importantly reflected the unprecedented additional momentum provided by the transition of largely closed centrally planned economies to open-market economies. Between 1991 and 2006, the share of global trade involving G20 members that were not part of the G7 almost doubled from 11% to 19%.<sup>4</sup>

At the same time, the liberalisation of domestic capital markets and the opening of capital accounts, initially in industrial and later in emerging economies, contributed to the growth of cross-border capital flows. Certain emerging economies, such as China, became major recipients of foreign direct investment. The international reserve holdings of emerging economies also increased significantly, and the share of global reserves of the G20 members outside of the G7 rose from 14% in the 1990s to nearly 50% by the 2000s, rising rapidly in the recent years as part of an effort by many of these countries to self-insure against future crises. This led to an increased interdependence both in terms of cross-border trade and capital flows among these countries. However, this meant that these countries were equally vulnerable to economic and financial shocks emanating from beyond their borders. Thus, this severely underscored the importance of broadening the scope of the fast-growing international economic and financial cooperation.<sup>5</sup>

In 1989, the Asia-Pacific Economic Cooperation (APEC) was established, to improve the economic cooperation of countries along the Pacific

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<sup>2</sup> <http://www.g20.utoronto.ca/docs/g20history.pdf>.

<sup>3</sup> *Ibid.*

<sup>4</sup> *Ibid.*

<sup>5</sup> *Ibid.*



Rim.<sup>6</sup> The Mexican peso crisis had already made it evident that the support of a number of emerging and smaller industrial economies was sought to help strengthen the international financial architecture during the G7 meeting in 1995. In addition to urging the establishment of a new standing procedure and encouraging work on an IMF quota increase, G7 leaders looked beyond the traditional G10 group of industrial countries to "other countries with the capacity to support the (international financial) system" to lend funds to the IMF in case of emergencies.<sup>7</sup>

However, by the summer of 1997, the Asian crisis that began in Thailand had through a seriously contagious deterioration impacted the economic and market conditions throughout the Asian region, Indonesia and South Korea in particular. The rapidly broadening crisis was characterised by large capital outflows from the affected countries in response to negative market sentiment, the depreciation of international reserves, large currency depreciations, sharply higher domestic interest rate, and market declines in economic activity (Manila Framework, 1997).

Several factors underlay the expanding crisis. Most importantly, the development of supervisory and regulatory system in many emerging economies had not kept pace with the challenges posed by the opening of capital accounts and with the liberalisation of domestic financial sectors. Fixed or quasi-fixed exchange rate systems that had supported the massive inflow of portfolio capital in previous years proved brittle in the face of persistent capital outflows, as global investors became more risk averse and reduced their exposure to emerging economies. The increasing integration of markets, combined with a lack of transparency, which hindered the ability of investors to distinguish between risks, exacerbated the extent of the contagion.

In November 1997, the finance ministry and central bank officials of 14 Pacific economies, along with representatives of the IMF, the World Bank and the Asian Development Bank, met in Manila, to share information,

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<sup>6</sup>From being an initial group of 12 members, including the three G7 countries Canada, Japan and the United States, the group has expanded to include 21 economies. The first APEC leaders' summit was hosted by the US President Bill Clinton in 1993.

<sup>7</sup>The New Arrangements to Borrow (NAB) established emergency lines of credit between 26 participating governments, or their central banks, and the IMF. The IMF's Executive Board adopted the decision establishing the NAB in 1997, which came into effect in November 1998. The inclusion of important emerging and other economies in the NAB was a deliberate initiative by the G7, particularly the United States, to encourage economies that had substantial financial capability to assume greater responsibility for the effective operation of the international financial system and to extend international economics and financial cooperation beyond the G7 and G10 groups of industrial countries.



promote discussion and “develop a concerted approach to restoring financial stability in the region” and the forum was called the “Manila Framework Group”. It was especially noteworthy because of the participation of China. The Manila Framework Group was almost immediately overtaken by events, as it became apparent that the crisis was not confined to Asia, but was spreading to emerging economies in other parts of the globe. In recognition of the global dimensions of the crisis, the subsequent APEC leaders’ summit in Vancouver, called to organise a meeting of finance ministers from around the globe to examine and debate the problems besetting the world economy and, wherever possible, to seek a consensus for solutions.<sup>8</sup>

Subsequently, the US Treasury organised two meetings of what became known as the Group of Twenty-Two (G22) — sometimes referred to as the Willard Group which was composed of finance ministers and central bank governors from industrial and other emerging economies to examine the functioning of the international financial system. It was believed that a collective, international response to the growing crisis in Asia was imperative if confidence was to be quickly restored. Moreover, it was felt that any “firefighting” would be insufficient, given the nature and scale of the problem. Given the dimension of the problem, an initiative was necessary to reform the international financial architecture, which would require a global consensus transcending the G-7 or even the G10 group of industrial countries.

The first special meeting of finance ministers and central bank governors was held in Washington, DC in 1998 where the ministers and governors informally discussed key issues facing the global economy. They agreed that it was critical to strengthen the international financial system by attempting to prevent such financial crises in the future and to put in place mechanisms to resolve them quickly, should they occur.<sup>9</sup>

During this meeting, three working groups were commissioned to examine possible action in three areas — increasing transparency and disclosure; strengthening financial system and market structures, particularly in emerging economies; and achieving appropriate burden sharing between the official and private sectors in the event of crisis.<sup>10</sup>

Although the G22 meetings were at times contentious, the reports of the three working groups were well received by the international community. The

<sup>8</sup> According to a US Treasury official, the idea for such a meeting “sprang from a discussion between President Clinton and Singaporean Prime Minister Goh”.

<sup>9</sup> Also in attendance were the representatives of the IMF, WB, the OECD, and the Chairman of the IMF’s Interim Committee.

<sup>10</sup> Consisting of representatives of both industrial and emerging economies, the working groups contributed to the second meeting of the G22, again held in Washington DC in October 1998, with their reports later released to the public.



groups broadened international cooperation beyond the industrial countries and gave emerging economies a sense of partnership in the process. The work of the G22 also helped provide direction and support to international financial institutions, in their efforts to promote reforms aimed at strengthening domestic and international financial markets. These included greater disclosure and transparency, adoption of internationally accepted standards and codes and development of a framework for crisis resolution.<sup>11</sup> The G22 was followed by G33 which met on the initiative of the G7, succeeding the G22 in early 1999. The proposals made by the G22 and G33 to reduce the world economic susceptibility to crisis showed the potential benefits of a regular international consultative forum embracing the emerging-market countries. Such a regular dialogue with a constant set of partners was institutionalised by the creation of the G20 in 1999. The G20 itself was established following the recommendation of the G7 finance ministers in their report to the G8 in their meeting in Cologne on strengthening the international financial architecture (Hajnal, 2014).

### **Argentina and the G20: The Beginnings**

A review of the existing literature shows varied approaches adopted towards defining and explaining the G20 and its members. Garrett (2010) and Zoellick and Lin (2009) argue that China and the United States or the G2 underpinned the roll in the G20. By contrast, scholars like Cooper and Mo state that the middle-power leadership of Australia, Canada and South Korea has been the most crucial towards the creation and strengthening of the G20 (Cooper and Mo, 2013). Others take cognisance of the growing influence of BRICS countries that has changed the importance and global perception of the G20. Keohane and Underdal aver that the change from G8 to G20 as the principal forum for international economic coordination was a clear sign of the rise of certain developing countries to the position of economic pre-eminence (Keohane and Underdal, 2011). Held, in his book, takes note of the unprecedented successful attempt by the developing countries to extend their participation to key institutions of global governance (Held, 2010). Likewise, Cooper and Thakur in their book consider the G20 as a hub of international cooperation and leadership on key issues.<sup>12</sup>

<sup>11</sup> The work of the G22 also contributed to the G7 initiative announced by finance ministers and governors in October 1998 to examine the arrangements for cooperation among international regulatory and the Deutsche Bundesbank, and at the behest of G7 ministers and governors, the G7 established the Financial Stability Forum (FSF) in February 1999.

<sup>12</sup> The key issues were the following: G20 agreements to regulate more effective domestic financial sections, increasing cooperation through new PSB-monitoring practices and macro-providential regulation, thus constituting new, post-2008 norms of financial governance through multilateral cooperation. See Cooper and Thakur (2013).



During the 1990s, Argentina had a good relationship with developed countries including the United States. The US had included Argentina alongside countries such as Mexico and Brazil to become members of the G20. It was done in a manner so as to include emerging economies in order to avoid lowering the cost of the crisis that had engulfed the Asian and Latin American economies to the developed countries. Other reasons that could be cited were that the G7 needed to broaden its representativeness, thereby including countries of different developing regions, and also to battle the consequences of the crisis of the late 1990s.

For Argentina, it was equally important to especially negotiate its foreign debt. Argentina had joined the G20 with its own specific sets of issues and concerns, some of which were very similar to the other two from the region. The case of Argentina has been by far the most “unique” and the labelling of Argentina as an “outsider” needs some examining. Despite the fact that several countries tried to promote the expulsion of Argentina from G20 after the crisis of 2001, the country had several assets that are important in contemporary world: production and export of biofuel and food, energy reserves and the abundant natural resources. Besides, Argentina dominated the nuclear technology field and other areas that were linked to agricultural technologies. According to Rubiolo, in general terms: “[we] can say that the G20 has been an area where Argentina could influence some aspects of the international agenda”. Also, it would “be appropriate to say that it was a space where Argentina can interact with important countries that are decision-makers in international politics”. Additionally, it allowed Argentina to coordinate positions with Mexico and Brazil on various global issues.<sup>13</sup>

In the G20, Argentina has tried to promote actions linked to employment (the impact of unemployment on the human security), free and fairer trade, global stability, reforms in the international monetary and financial systems as well as reforms in the international financial institutions. Argentina’s record with the G20 has been so far pretty shocking and unsteady. In fact, on numerous occasions, as stated earlier, there had been demands that Argentina should be expelled from the G20 because of its behaviour and for irresponsibly flouting the norms laid down by the G20.

For instance, during the Pittsburgh summit in September 2009, it was agreed that the focus of G20 would be primarily on ways to see that its expansion was achieved diplomatically so that it could become a significant leadership forum in subsequent multilateral economic negotiations. “The G20

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<sup>13</sup> Personal Interview with Florencia Rubiolo, Professor at the Catholic University of Cordoba, Argentina, dated June 20, 2017.



morphed from a crisis committee into a nascent steering committee for a world economy" (Cooper, 2010). The regional membership from Latin America that included Argentina, Brazil and Mexico made these countries realise that they were provided with an opportunity to become the flag-bearers for the other countries in the region as well as for the larger groupings from the "South". They had exciting prospects to act as "insiders" in this grouping for multilateral governance. However, the obstacles extended from the Argentine side included factors like its marginalisation through the exogenous constructions of an outsider identity that clearly diminished its political influence.

While the other two in the group from the region, Brazil and Mexico, gained in group acceptance as "insiders" partly through contributions to G20 cooperation in significant policy areas as indicated by their compliance to key agreements, Argentina remained an outsider due to its lack of conformity and contravening international norms beyond G20 pledges. The G20 Information Report of 2012 examined implementation in 17 agreements at the G20 at Los Cabos. It was highlighted that Argentina had the third lowest level of policy compliance, after Italy and Turkey. By 2013, at St. Petersburg, Russia, it was clear that Argentina had slid further in its commitments and equalled the lowest in the group like Saudi Arabia (Luckhurst, 2015).

Between the years 2008 and 2013, the Argentines were "outsiders" by having the lowest overall compliance in G20. In terms of overall placement in G20, the wealthy members included the G7, Europe, Australia and South Korea, which occupied the top 10 positions. The next six ranks included Russia and G8 "outreach time" — Mexico, Brazil, China, India and South Africa; the last four in the descending order were Saudi Arabia, Turkey, Indonesia and finally Argentina. It was clear that the involvement of the Latin American governments in the augmented G20 presented opportunities to constitute political identities as insiders and global governors, but that was not the case of Argentina. Argentina had not gained in-global politics acceptance as insiders due to perceptions that they had insufficiently adhered to G20 eco-governance. Moreover, each of the governments had also attempted to present itself as a sole representative of developing or "emerging" states. Argentina found itself largely shunned by international capital and cut off from financial markets. Indeed, although a member of the G20 — albeit with an economy smaller than all other members apart from South Africa — Argentina's market was so small that it is labelled a "frontier" market — alongside minnows such as Mauritius and Bangladesh by the widely used index of Morgan Stanley (Lapper, 2017).



Argentina's financial crisis of 2001 had brought the US-backed Washington Consensus development model into disrepute in the country. Subsequently, the centre-left administration of Partido Justicialista, under Néstor Kirchner in 2003, and under Cristina Kirchner in 2007, adopted economic strategies that vastly diverged from the Washington Consensus model. Subsequently, the Kirchners took an increasingly controversial approach towards economic management and clashed frequently with local business and private investors. A raft of subsidies and protective tariffs created serious economic distortions and contributed to high levels of inflation (Lapper, 2017). The Argentine government purchased arms from Russia, which later attempted to gain entry into Latin America and undercut the influence of the United States in the region. Despite the US unease over such relations, it was also quite evident that Argentina had not developed deep security or diplomatic cooperation with the Russians (Blank, 2014).

According to scholars examining Argentina's controversial role within the G20, the oft reference to Argentina as an "outsider" has led to a flurry of literature on the subject. Baroni states that "As Argentina was included in G20 during Menem's presidency and because of the type of relations that it had with the USA were some of the factors behind the outsider tag given to Argentina" (Blank, 2014). In addition, the declining economic indicators also contributed to this image. Baroni further adds, "After the crisis of 2001, members of the G20 considered that [we] shouldn't be a member anymore because of [our] situation".<sup>14</sup> Besides these factors, President Néstor Kirchner did not pay attention to this type of forum and was critical towards other fora such as the IMF, WB. Baroni further emphasises that the G20 considered the Argentines as outsiders because they were no longer an emerging economy and did not have the same power to influence regional and global affairs as they did in the 1990.<sup>15</sup>

### **Argentina, Brazil and Mexico: The Latin American "Caucus"**

The three Latin American countries, Argentina, Brazil and Mexico, had joined the G20 declaring themselves as quintessentially Latin American; they were there at the G20 on behalf of all the developing countries of the region. While Brazil and Mexico had a rather easy way into the group, the case of Argentina was fairly complicated. There was a great deal of criticism of

<sup>14</sup> Personal Interview with Professor Paola Andrea Baroni, Faculty at the Universidad Siglo 21, Cordoba, Argentina, dated June 21–22, 2017.

<sup>15</sup> *Ibid.*



Argentina both within and outside the body. For instance, the IMF challenged the reliability of official Argentina data posted in 2001 and suggested that Argentina had suffered worse than the Kirchner Fernández administration had claimed. The IMF and others had stated categorically that the governments often distorted official statistics, pointing to the Argentine government and some even criticised that the Argentine government could not be trusted to give accurate data on economic performance through national indicators like GDP and inflation (Orihuela, 2009).

In 2014, Argentina technically defaulted on their debts due to the 2001 financial crisis and the outcomes magnified Argentina's already existing economic and financial woes. In addition, the pressures of an impending legal action from lenders who refused to settle their remaining demands were additional stress that the international financial markets had created and this further deepened the crisis for the Argentine government. In recent years, almost all of the attention focused on the negative operation of the Fernández government for the nationalisation of the Spanish oil firm Repsol's stake in the Argentine oil company Yacimientos Petrolíferos Fiscales (YPF) — an action severely criticised by both Spain and the EU (Orihuela, 2009).

Furthermore, the Argentine government's refusal to allow IMF sufficient access to gather evidence for its annual Article IV consultations, an obligation for its members, brought the Fernández government further disrepute (Luckhurst, 2015, p. 29). In 2013, the IMF member from Argentina stated that the Fund had officially censured Argentina for not submitting accurate national economic data, which precipitated the issue of the growing "outsider" status for Argentina.

With the United States, both Argentina and Brazil had maintained important strategic and economic ties without cultivating the same level of bilateral economic interdependence that the United States has had with Mexico. Although both Argentina and Mexico should have received uniform treatment given that both these nations were treated as core elements in the international economy, Argentina could not match the economic output of the other two from the region, namely Brazil and Mexico, or of its government's financial capacity to contribute to the menu of responses to the G20 crises.

Recent relations of Argentina and Brazil with the United States, especially while dealing with the contentions of the past decade, more so when both Argentina and Brazil had centre-left governments that differed in policy postures *vis-à-vis* the US administration on key issues, resulted in the US playing a significant role in undermining the position of Argentina within the G20. These issues were mainly related to developing economic and security ties with the governments of Iran on the one hand and with Russia on the other,



which was often at odds with US. By contrast, the other two members managed to evade the American attention mainly because of the “protection” provided by the BRICS and the closeness of the Mexicans with the Americans.

Evenett (2013) opines that among G20 members, only Russia had poorer records than Argentina on the number of harmful trade measures which had been introduced (Evenett, 2013). Since 2008, had it not been included in the original G20 financial forum, it is unlikely that the United States government and/or other wealthy states would have endorsed Argentina’s admittance following the 2008 crises. Inclusion in the earlier forum had been partly due to the country’s strategic significance and propensity during the economic crises which made policy consultations with the Argentina a more pressing issue. Additionally, the Clinton administration had perceived the Menem government positively, thereby making the Argentine membership a diplomatic endorsement.

During 2012, even with the Mexican G20 presidency, Argentina did not take the lead in agenda setting — it remained outside from the group’s main agenda setting as they were engrossed with their own concerns about what they called as “Vulture Funds”<sup>16</sup> and that they did not accept the deal that was offered to them during the Argentina crisis of 2001 on debt restructuring (Luckhurst, 2015, p. 29). In fact, on this very issue the Fernández government lobbied for and gained support from many states within and outside the G20, especially those states who were members of BRICS and the Union of South American Nations (UNASUR) (Nascimento, 2014).

Argentina argued that it was acting on behalf of the interests of the developing states, although such an active policy advocacy did not occur on other issues. For the Argentine government to construct a political identity as an “insider” in multilateral governance and as a defender of the developing nations, it needed to develop more areas of constructive international engagement (Luckhurst, 2015, p. 32). Both Brazil and Mexico have completely supported Argentina. Furthermore, these countries had engaged actively in G20 debates, attempting to influence the agenda not only as new insiders in the multilateral governance but also as defenders of developing countries and South–South cooperation. The idea that the Latin American members of the G20 could have a coordinated policy post-Lehman crisis increased the support for them within the group. Their response showed willingness to engage in international cooperation in difficult circumstances, when during this

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<sup>16</sup>They did not accept the deal others did during Argentina’s 2001 debt restructuring. On this the Fernández government had lobbied for and gained support of states within and outside the G20, especially among BRICS and the UNASUR countries.



period they were acting as system maintainers and insiders in multilateral governance.

Critically commenting on the three Latin American members of the G20 and their modes of functioning within this multilateral body, the *Washington Post* wrote that the political identities differed widely among the three countries. "While Brazil and Mexico power ahead, integrating with the world economic and consolidating stable democracy, Argentina under Ms. Fernández is headed inexorably towards another crash" (*Washington Post*, 2012). In the G20, Argentina has tried to coordinate positions with both Brazil and Mexico, especially with Brazil, since it has more links and some similar views on many of the issues on the international agenda, like reforming the structure of the international system. However, as a group these countries did not have jointly coordinated policy position in multilateral economic governance. Argentina was often referred to as an "outsider" due to its policies when compared with Brazil or Mexico.<sup>17</sup> Argentina lacked Brazil's advantages of economic magnitude and strategic cooperation with the world's largest developing economies through the BRICS. The Argentine government also lacks the strategic advantages of insider support through the kind of close political ties that the Mexican government has fostered with the United States. It was strongly believed that the newness of G20, its rapid rise to prominence and its shifting policy agenda would make it useful for Argentina and others to reconstitute their political identities.

The G20 membership presented Argentina with opportunities for dialogue and the potential to retain insider status and to represent the interests of other developing nations. It was an opportunity to not only enhance the diplomatic leverage and international political reputation but would on the basis of whether it could convince the G20 in grouping its suitability to it be considered as an "insider" based on compliance with appropriate norms. Such was the manner where Argentina lacked the Brazilian advantages of economic magnitude and strategic cooperation with the world's largest economies through the BRICS. The Argentine government lacks strategic advantage of "insider" support through the kind of close political ties that the Mexican government has fostered with the US over decades.

Linked to this phenomenon was a rising tide of writings that called for ousting Argentina out of the G20 for flouting the established norms of the multilateral fora. However, it was emphasised that the removal of Argentina from G20 would confirm the suspicions of those countries on the periphery

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<sup>17</sup> Florencia Rubiolo, Professor at Catholic University of Cordoba, Argentina; Personal Interview June 20, 2017.



of the international economic establishment that the G20 was not a unified voice for economic progress but a tool of the same Western powers that caused the debt crisis of the 1980s. They would be confirmed that the G20 would be an institution which has consistently subordinated the interests of those outside their exclusive club. The question of the Argentine membership was not whether Argentina should be held to the same standards of the other G20 members but whether its membership was productive in helping the G20 pursue its goal of creating a more open and stable international economic order. Keeping Argentina within the G20 fold as the group's informal ambassador to Venezuela, Bolivia and Ecuador was a perfect way to entice the countries' next crop of leaders to change, forcing them away from the world's economic periphery. Public rejection by the Western establishment would only embolden Argentina to continue to flout international economic norms. "Expelling Argentina from G20 would only confirm their belief that Western allies need to be replaced by friendlier, leftist regimes in Latin America" (Zoffer, 2013).

### **Argentina and G20 Presidency: Opportunities and Challenges**

The Argentine Minister of Financial Affairs stated in glowing terms that Argentina accorded great importance within the framework of its global insertion strategy, implementing a constructive approach for the adoption of shared views and commitments in the matter of global impact, such as sustainable development (economic growth, environmental protection and social development), the strengthening of trade and investment, climate change issues and science and technology-based innovations (G20 Argentina 2018, 2017, pp. 4–6).

The G20 presidency offers an unprecedented opportunity for Argentina to be at the forefront and centre of the international stage as an equal among peers, after over a decade of isolation during which the country shunned multilateralism and integration under the banner of sovereignty and anti-imperialism. President Mauricio Macri will savour the chance to showcase Argentina's newfound "democratic and multilateral identity", as he termed it, and has already taken bold steps to do so. In addition to leading the G20, Argentina chaired the WTO's 11th Ministerial Conference in December 2017 in Buenos Aires.<sup>18</sup> Macri is also vying for accession to the Organisation for Economic Co-operation and Development (OECD), marking Argentina's definitive embrace of the global governance system.

President Macri outlined his vision for Argentina's yearlong presidency as one that will focus on inclusive growth. Despite Macri's image as a staunch

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<sup>18</sup> Argentina is the first ever South American country to host the biennial event.



neo-liberal, his G20 presidency's official slogan, "Building consensus for equitable and sustainable development" reflects deep concerns about both capitalism's excesses and globalisation's discontents (G20 Argentina 2018, 2017, pp. 6–7).

Argentina's just-announced priorities are the future of work, infrastructure for development and food security. Macri made a point to emphasise that this agenda spoke not only to Argentine priorities but also to wider Latin American concerns. Argentina will continue this by looking to the development of infrastructure as a new asset to channel into tomorrow's transportation networks, energy grids, sanitation systems and digital connectivity infrastructure (G20 Argentina 2018, 2017, pp. 6–7).

As major food exporters, Argentina and other Latin American countries are deeply concerned with global food security. Hunger has been a powerful driver of politics in Latin America, and Argentina's G20 presidency offers a chance to address these issues directly. Food production and distribution systems both need to adjust. Better farming practices — sustainable agriculture intensification — can conserve soil and boost productivity, including for smallholders. New metrics, along with partnerships with multinational consumer goods companies, can cut food loss and waste.

Aside from being at the forefront of international debates, these themes also resonate with Macri's domestic agenda, which places a heavy focus on job creation, infrastructure development and climate adaptation. The G20 presidency handover took place in the wake of major tax and pension reform victories in the legislature and amid heated debate on the government's proposed labour reform bill in what amounts to the most transformative economic makeover in Argentina's recent history.

Argentina has a rich history of anti-globalisation backlash most recently expressed in the aftermath of the 2001 economic crisis that led to a sharp increase in unemployment, poverty and inequality. If Argentina is to preserve both its international standing as well as the integrity of the G20, the Argentine government must find a way to tread carefully the fine-line between containment and repression.

The single biggest source of uncertainty for the Argentine presidency is the United States. Argentina's priorities resonate with issues facing the US, creating the potential for common ground. Yet, in several other areas, most notably trade, climate change and the governance of global institutions, the position of the Donald Trump administration diverges from that of the rest of the group. Argentina has made a start by identifying three important priority areas: the future of work, infrastructure for development and a sustainable food future (G20 Argentina 2018, 2017, p. 4).

In building the G20's programme, Argentina's coordinators and negotiators will have to manage two parallel agendas — an Argentine one and the



other that reflects the outcomes of past summits. In the case of the G20, two thematic “webs” can be identified that are being woven in parallel fashion: the local one and the international one. The challenge that the Argentine government will face is to work towards merging the local with the international one. To advance with the crafting of the G20 programme not only implies identifying areas of agreement but also finding the means of managing the differences that exist. To achieve this, Argentina will have to coordinate and work as part of a troika that guides the G20, along with the previous year’s host, Germany, and Japan which will host the G20 in 2019. Another challenge that the Argentine government may envisage will be to understand and foresee which concessions the member countries are willing to make in each area and which are their “red lines”. The effective management of both agendas — the Argentine and the international tracts can lead to success if implemented in the most apt fashion. In this way, discussions on critical topics — such as the future of employment or the importance of building infrastructure for development — should translate into specific and realistic plans of action for the G20 countries.

The question that often crosses the public mind in Argentina is as follows: In what way the G20 strengthens Argentina’s claim as a global power? Therefore, it is absolutely crucial that the government explain why a successful G20 will be a victory for the entire Argentine political system. In the views of the Brazilian diplomat Ruben Ricúpero, this would enable Argentina to “give our foreign policy the characteristics of a partisan nature” and would “exclude, rather than include, efforts of collaboration” (Carmody, 2017).

After Macri has initiated a wide range of structural and other economic reforms, Argentina will validate its position as the ideal G20 leader. Commenting on the claim that Argentina is as much a part of G20 as any other country in the grouping, Baroni refutes the idea that Argentina’s claims are not worthwhile.

I think this new government is trying to change that image, with all the official missions and trips that it is carrying on. Organizing the ministerial meeting of WTO last year, and the G20 this year is a signal of that. I also think that the visit of Obama was an important push to this change. Regarding the question of the Spanish companies [nationalized by Argentina], they were a disaster, really bad initiatives; however, these companies were already almost bankrupt way before they were nationalized. They took all the money and left the country, so I think those critics are not correct. Anyway it is important to add that during Menem’s presidency nobody controlled or was aware of what these companies did in Argentina and as to what they were actually doing.<sup>19</sup>

<sup>19</sup> Personal Interview with Professor Paola Andrea Baroni, Faculty at the Universidad Siglo 21, Cordoba, Argentina, dated June 21–22, 2017.



Following on from its own financial crisis in 2001, when in chaotic circumstances the country abandoned its convertibility peg to the dollar and defaulted on its debt, Argentina was for the best part of a decade and a half in the vanguard of Latin America's experiment with left-wing "populism". Led first by the Peronist Néstor Kirchner from 2003 to 2007, and then until 2015 by his wife Cristina Fernández de Kirchner, Argentina successfully renegotiated its debt burden and recovered strongly. But the Kirchners took an increasingly controversial approach towards economic management and clashed frequently with local business and private investors. Argentina found itself largely shunned by international capital and cut off from financial markets (Carmody, 2017).

Argentina is stepping up efforts to re-engage with the world after more than a decade of isolation, leading the push for a trade pact between the EU and South America as well as hosting multilateral bodies, from the WTO to the G20. After a recent history of populist leaders, financial crises and international pariah status, Argentina is trying to open itself to the world under Macri, who pledged to end the country's protectionism when he took power 4 years ago. Even so, for the moment, his centrist, market-friendly approach seems to be paying off. In October 2017, the pro-government alliance — *Cambiamos*, or Let's Change — scored an impressive victory, winning a majority of the congressional seats up for election. Peronism which had dominated Argentine politics since the mid-1940s has been seriously weakened, opening up the possibility of a second presidential term for Macri.

Macri's success might provide a centrist and progressive model for Latin America. In a region where the appeal of extremist ideologies is still strong, that would represent a welcome change and would make Argentina an ideal example of leadership in the G20.<sup>20</sup> At a time when many governments are questioning the benefits of multilateralism, Peña argues that it is the only way to ensure equality and progress. "We are a country and a region that needs multilateralism, because the alternative is worse".<sup>21</sup> Macri's desire to boost his country's stature on the world stage is challenged by the obstacles that his government faces in trying to revive an economy which was on the verge of defaulting on the payments. Peña further claims, "our main contribution to the world will be to consolidate democratic change. It is the best testimony that we can give to the rest of the world". He further highlighted the

<sup>20</sup> <https://www.ft.com/content/bcf26210-c0d2-11e7-a8a4-0a1e63a52f9c>.

<sup>21</sup> Marcos Peña is an Argentine politician, author and political scientist. He is also currently the Chief of Cabinet of Ministers of Argentina, after being appointed by President Macri in December 2015. He had served as legislator of the City of Buenos Aires by the Commitment to Change Front.



importance of consolidating regional integration between Mercosur and its counterpart the Pacific Alliance, which includes Chile, Peru, Colombia and Mexico in order to have a regional perspective.<sup>22</sup> The fact that Argentina does not discriminate in an effort to strengthen its foreign ties can be attributed to Macri's "pragmatic, not ideological" agenda that gives him freedom to readily engage with China as with Europe, despite the stronger historical and cultural relationship that Argentina has had with Europe.<sup>23</sup>

While Argentina states that as the President of the G20 it would like to keep the continuities in place, on the contrary, it would like to bring up for discussion agenda issues that are common across the developing world, like empowerment of women, fighting corruption, strengthening financial governance, strong and sustainable financial system, cleaner and affordable energy, taking responsibility for climate change and better action in terms of trade cooperation.<sup>24</sup>

While highlighting these issues, the Argentine government would especially boost women's empowerment; attempt to eliminate the gender disparities that exist in terms of employment; promote science, technology and education; and also provide protection from all forms of gender-based violence. Corruption is another common feature found among all developing regions and a large number of developed countries. Argentina feels that high levels of corruption are associated with lower levels of investment and growth. Transparency should be the most important priority of all governments, and Argentina would fully implement the G20 Anti-Corruption Action Plan 2017–2018. This plan would be prioritising issues such as conflict of interests and corruption in state-owned enterprises. Moreover, Argentina will attempt at strengthening its global financial safety net, which is critical to preventing and mitigating the effects of economic and financial crisis. The G20's programme of financial sector reforms has made the system resilient. The two main challenges that the Argentine Presidency will have to face would be the struggle towards the full completion of the financial reform package and its implementation and continuous monitoring of any risks to financial stability. There is an urgent need for a rule-based system

<sup>22</sup> 2017. Argentina Takes Steps to Boost Stature on World Stage, *Americas Politics & Policy*, <https://www.ft.com/content/bcf2610-e0d2-11e7-a8a4-Oale63a52t9c>.

<sup>23</sup> *Ibid.*

<sup>24</sup> G20 agreements to regulate more effective domestic financial sectors, increasing coop through new PSB monitoring practices and macro-providential regulation, thus constituting new post-2008 norms of financial governance through multilateral cooperation.



that is strong and WTO-consistent at the multilateral, regional, bilateral and national levels.

In Hamburg in 2017, the Argentines had reaffirmed their commitment to the 2030 Agenda for Sustainable Development and its Addis Ababa Action Agenda on Financing for Development. Following those guidelines, the presidency's priorities will revolve around promoting adaptation to climate change and extreme weather events with a focus on infrastructure, education, capacity building and job creation, as well as developing long-term low-greenhouse gas emission pathways (G20 Argentina 2018, 2017, p. 8).

The G20 can make a strong contribution to the energy transition by shaping more flexible, transparent and cleaner energy systems. The Argentine government would assess the accessibility and affordability of energy in Latin America and the Caribbean. Argentina aims to forward other relevant issues on the energy agenda such as inefficient fossil fuel subsidies that encourage wasteful consumption and energy data transparency.

In order to fulfil its goals and make the agenda comprehensive, Argentina had invited Spain, Chile and the Netherlands to attend the G20 meetings. Members from the chairs of the Caribbean Community (Jamaica), ASEAN (Singapore), African Union (Rwanda) and NEPAD (Senegal) also represented their institutions. Given its strong focus on infrastructure investment, the Macri government had invited the Inter-American Development Bank and CAF-Development Bank of Latin America. The Argentines have also communicated their continuing commitment to the international organisations, including the United Nations, IMF, World Bank, WTO, OECD, Financial Stability Board and ILO. The Macri government announced that global solutions call for broader, stronger engagement in building consensus for fair and sustainable development. This will require the commitment of not only the member governments but also all sectors of society. As a part of this continued pledge to foster a comprehensive and pluralistic dialogue, Business20, Women20, Labour20, Think20, Civil20, Science20 and Youth20 have been initiated (G20 Argentina 2018, 2017, p. 8).

### **By Way of a Conclusion**

The decision by British voters to leave the EU in June 2016 (Brexit) has weakened the biggest trading block within the G20. President Donald Trump's electoral success in the US a few months later has brought into question continued US support for global collaboration and free trade. The



ministerial meeting of the WTO in December ended in discord, with progress over further liberalisation definitively stalled.

Geopolitical tensions between the US and China have been growing. They may further aggravate owing to the recent tariff wars. Some of the emerging-market members of the G20 — the so-called BRICS, whose economic performance seemed to offer much promises a decade ago — have been knocked by corruption scandals and recession. All of this made it an appropriate moment for Argentina and President Macri to take up the presidency of G20 in December 2018. Macri could have been able to provide a much needed reinforcement of G20 support for free trade and multilateralism, having first hand experienced the dangers of defensive protectionism in Argentina.

Argentina will need to prove its mettle with this presidency both at home and abroad. Macri hopes that the G20 will substantially contribute to the reform programme that he has initiated at home and help him win the second term as a president of Argentina. Macri aims to shrug off the tag of an “outsider” which has persistently followed Argentina. He hopes that with the successful takeover of presidency there will be no more discussions and debates about the past behaviour of Argentina. Argentina will be able to integrate itself as successfully as Brazil had or even as Mexico has within the G20. The larger agenda that Argentina also intends to serve is that of regaining at least partially its place as a regional player and to be a model to be emulated for the other countries from Latin America. It could also be a suitable example for the challengers from the region like Venezuela, Bolivia or even Ecuador who have openly criticised the merits of multilateralism. Argentina has an opportunity to set its house in order and suitably impress the Western powers with its leadership qualities and attempt at not only re-inserting itself in other such fora but also revive the cause of multilateralism which in the recent past has seen a downturn.

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