

THE POLITICAL ROLE OF THE UNITED STATES IN THE ARGENTINEAN DEFAULT

Roberto Miranda¹

Introduction

The objective of this work is to analyze the participation of the United States of America in the restructuring of the Argentinean debt after the December 2001 crisis. Most part of studies and researches on the situation faced by the Latin American country is focused on unraveling the economic causes and mechanisms that led this country to declare the greatest suspension of debt disbursements of its history. There are many points of view and debates based on this focus. In our case, the perspective is different. We consider that the U.S. had much more to do with the Argentinean meltdown and its resolution.

During the 1990s, the U.S. had flattered Argentina for its economic conduct inspired by the Washington Consensus. However, this praise fell apart when the American economy entered recession in 2000. Starting from this moment, the discourse and actions, especially after George Walker Bush took office, were centered on leaving Argentina to chance considering the country as the sole responsible for its own financial crisis. In this sense, it was an unfavorable external scenario for Argentina, and its dependence on the U.S. was flagrant. The dependence was so important that when the U.S. administration left its indifference behind and decided to be an active part of the narrowing of the default, playing a strong and plain role of political force, the Latin

¹ Member of the National Council of Technical and Scientific Research (Argentina). Professor at Universidad Nacional de Rosario (UNR) and Universidad Nacional de La Plata (UNLP). E-mail: robertoxmiranda@yahoo.com.ar.

American country was able to recover its economic situation. It coincided with a benign change of the international context due to the rise of commodities' prices.

A Dysfunctional Intention

Argentina, as most part of Latin America, has a structural dependence on U.S. based mainly on the strategic-military dimension, which was very evident during the Cold War and reverberated on the economic-commercial and political-diplomatic dimensions. This structural dependence endured the globalization era and, amongst other questions, took its toll in the financial level through the U.S. or an interposition of the multilateral channels of credit. In the Argentinean case, the aforementioned dependence was strongly enforced by the political alignment between Buenos Aires and Washington, boosted after 1989 by the Carlos Menem administrations. Menem's successor and rival, Fernando de la Rúa, was not able to get rid of this dependence and his run ended during the 2001 crisis².

The Argentinean default of 2002 was not a subject related to the strategic-military plan. It was comfortable for the U.S. to appeal to the rule that affirms that each question or thematic area must be solved according to its own logic, independently of political rationality. In this sense, it was understood that the problem of Argentinean debt should be solved through financial methods³. Except for the distances, it was a kind of emulation similar to the attitude adopted by Great Britain in 1890. Back then, the British government denied political interference to finish the Argentinean crisis of the Baring Brothers Bank, when some interventionists of London demanded Robert Gascoyne-Cecil (Marquess of Salisbury) administration a state action in the

² The Argentinean 2001 crisis had its political and institutional features, but it was primarily financial. It was felt in what was called "the crisis periphery", that is to say, emerging economies that absorbed the volatility of determined capital fluxes originated by other countries of similar condition, and it was the problem's epicenter. See Jadresic, Schmidt-Hebbel and Valdés, "Crisis financieras internacionales, prestamista de última instancia y nueva arquitectura financiera internacional," 359-391.

³ According to Jim Saxton (2003), from U.S. Congress Joint Economic Committee (JEC), Argentina entered recession in 1998 and it was facing in the end of 2001 it was facing "authentic depression". It was due to "poor economic policies that converted a common recession into depression".

Latin American country. The Foreign Office neutralized these demands pointing out that the problem between Baring and Argentina should not be solved through political means, but through the rules afforded by the financial logic.

The U.S. had recurred to the aforementioned rule, not only because of its complicity with the Argentinean meltdown, but also because of its very own mid-2000 economic crisis that resulted in a recession, after many years of bonanza. It was not an entanglement of magnitude comparable to the 1974 or 1981 crisis. Nonetheless, three quarters with negative growth were registered, affecting the international financial system⁴. The economy had over-expanded itself, there was an undetermined growth of the ICT industry and corruption seized big corporations like energy company Enron Corporation or the telecommunication enterprise WorldCom, which went bankrupt⁵. The American crisis was the rupture of the 1990s power alliance between Argentina and the U.S.' key feature⁶. In this context, the international conjuncture became adverse for Argentina, and the hegemon's indifference concerning the critical situation that affected the Latin American country was a more than sufficient display⁷.

However, once the American administration reoriented its economy, it changed its attitude towards Argentina. It fathomed the high international vulnerability of this country. Nevertheless, Washington was not specifically interested in Argentina's destiny, but in hemispherical stability. The Latin American state's crisis was thereby analyzed through strategic lenses in order to both preserve the U.S. geopolitical interests in the region and blockade an inception of disaster in the world economic system. The initially intended rule

⁴ According to Alicia Girón (2002), the Al-Qaeda attacks of 9/11 "fastened the uncertainty process not only in the United States, but in the international financial market", joining the global economic recession.

⁵ During the 2000 crisis, one must also consider the vertical fall of interest rates. See Gutiérrez, "El papel de la industria de las TIC: recesión y recuperación en Estados Unidos y México," 45-77.

⁶ Like affirmed by Guillermo Calvo (2009), in a certain way there was a "financial contagion", which is the "most common mechanism through which a local contingency turns into a global or systemic crisis".

⁷ Argentina, like Brazil, was a highly indebted country. It was not casual that the American recessive crisis took its toll in the economies of countries that, according to Roberto Frenkel (2008), were in "financial snare, with high country risk taxes, slow growth and huge external financial fragility".

that affirmed that each question or thematic area should be solved according to its own logic was consequently broken. To leave the indifference firstly propelled to the Argentinean case aside and to subordinate the International Monetary Fund (IMF) to its own objectives was fundamental. One more time Argentina felt the vigor of the dependence on the U.S., as it happened when enduring the effects of the North American recessive crises just to be assisted by Washington due to its strategic needs.

The change of the American decision

The American participation of the negotiations related to the external debt of Argentina started when the White House decided to oppose what was sustained by the Secretary of the Treasury, Paul O'Neill. The secretary had affirmed that the aforementioned negotiation should befall between the indebted country and IMF, under technical criteria and without political intromission. In other words, a debate within the financial rationale. O'Neill's aim was to tear U.S. apart from the Argentinean case foisting the responsibility to solve the case to IMF because of Washington's responsibility for the development of the 2001 crisis in the Latin American country, among other reasons – like aforesaid. Hence, O'Neill vetoed the Argentinean Minister of Economy's proposal to justify the restructuring of the debt deadlines through political criteria. The minister was Jorge Remes Lenicov.

O'Neill's ground zero was not easy to achieve. IMF was divided between opinions on the Argentinean case. Some clerks of the international fund echoed the opinion of the influent economist Rudiger Dornbusch, who affirmed that IMF should "intervene" in the economic conduction of Argentina due to its institutions' weaknesses. At the same time, other IMF officials aligned with the ideas of Fernando Losada, from the New Yorker ABN Amro Bank, who relished the possibility of lending Buenos Aires the necessary amount for it not to deepen its default. In spite of these positions, O'Neill relied on a very important ally, Anne Krueger, IMF first deputy managing director. With similar goals to O'Neill's, Krueger wanted to overshadow the role played by IMF in Argentina's indebtedness, conceding Buenos Aires total responsibility for the halt of

payments. For these reasons, parallel to O'Neill, she wanted a strictly technical negotiation, without any political transactions.

Krueger's position in favor of a technical negotiation, added to the stubbornness of Remes Lenicov, betting in a political agreement, meant that the relation between Argentina and IMF had entered a paralysis with no return (Torres 2010, 88). From this moment, the White House was rippled by concern not because of the economic and political future of Argentina, but because of the possibility that its default could affect the regional and provoke unpleasant international consequences. As Eduardo Duhalde, president of Argentina at that point, was not well regarded by Washington, Bush decided to change O'Neill's official position on the Argentina's debt deadlines. It was an important shift, since the U.S. opted to conduct the negotiation between Argentina and IMF in order to avoid greater damages. It implied ignoring Remes Lenicov's attitude, putting Duhalde on the backburner and supporting the appointment of Roberto Lavagna as Minister of Economy, in whom Washington trusted to reach a satisfactory conclusion.

The U.S. administration, echoing the strong pressure made by international bankers, imposed as a primary condition the derogation of the Economic Subversion Law for Argentina, which was successfully achieved⁸. The brokers based themselves on the rationale that this act impeded the functioning of the national financial system according to the international rules. Such bankers obviously relied on IMF bureaucrats that, on the other hand, claimed the deprecation of the aforementioned decree since it caused juridical insecurity for investments. In fact, both banks and IMF aimed covering the complicity they had during the halt of payments mainly through "financial shielding" actions, the so-called "megaswap" for postponement of debt deadlines and other

⁸ The Economic Subversion Law was from 1974 and broadly stipulated sanctions for people who economically damaged the country. In 2002 some judges applied this act to prosecute bankers for the so-called "financial play yard". The government also had to reform the Bankruptcy Act that, by preaching productive and creditworthiness emergency, was able to readjust debtors and the debt of the private sector. On the other hand, it had to close the fiscal agreement with main provinces, since it was one of the requirements made by IMF. It is also worth to mention that sectors of the Argentinean entrepreneurship supported the derogation of the Economic Subversion Law, arguing that it impeded the procurement for credits of the International Finance Corporation of the World Bank.

actions that ended up structurally damaging the country's economy instead of stabilizing it.

The American participation in the negotiations was not only based in the Argentinean compliance with abolishing the Economic Subversion Law. It was also because Duhalde promised to call elections in order to avoid an extension of his interim tenure, which was fulfilled. Further, the aforementioned support was possible for other reasons. One of them was the White House decision to tear O'Neill apart from the Argentinean case. A second one was the improvement in the commercial and diplomatic relations between Washington and Buenos Aires⁹. A third facet was the tacit consent that the U.S. Treasury Department afforded to the "theory of misrepresentation" sustained by Lavagna facing the actions and declarations made by Director of the Western Hemisphere Department of IMF, Anoop Singh, who was intensely involved with the future of the Argentinean assets¹⁰.

However, not only these reasons were related to the American choice to lead negotiations between Argentina and the IMF. There were also three international issues that U.S. had to bear in mind to increase their participation in the talks initiated by the Latin American country in order to reschedule debt deadlines. One issue was the fall experienced by stock markets in Chile and Mexico in June 2002. Another was linked to Brazil's stability, as the White House supported an IMF loan of 30,000 million to that country in September 2002, the largest credit ever from the institution, in "support of the economic and financial program"¹¹. A third issue, very important indeed, was the pressure exerted by Spain and France on the G-7, which softened the U.S. perspective on the Argentine default and, in parallel, allowed Lavagna to introduce a political

⁹ Robert Zoellick, Trade Representative, for example, made clear to Chancellor Carlos Ruckauf that U.S. was going to include Argentina in the "Generalized System of Preferences", which benefited exports to the American market through very low duties, or even absence of any tariff.

¹⁰ Singh was alienated from the Argentinean case and replaced by John Thornton.

¹¹ See IMF Bulletin, v. 31(17). Available at: <http://www.imf.org/survey>. Accessed March 20, 2009. It is also worth reminding that Brazil was in electoral campaign, and that Luiz Inácio Lula da Silva was the most favorite candidate to enter *Palácio do Planalto*. One must add that not only the U.S. was interested in the economic stability, but also France.

element in the technical atmosphere through which the negotiation of the agreement with the IMF was unfolded¹².

Besides all that has already been stated, there was a very overwhelming situation, which was the recovery that Argentina's economy was experiencing since 2002 thanks to the growth in world trade operated in the first and third quarters of that year. Thereby, U.S. finally interjected for Argentina and the IMF to stamp the provisory agreement of January 2003¹³. On the one hand, U.S. pushed the international body to postpone the deadlines Argentina carried, and, on the other, it pressed the director, Horst Köhler, to isolate the bureaucrats from the talks. For Washington the recovery of Argentina's economy functioned as a guarantee, while focusing their expectations on the next government. Lavagna had succeeded in changing the axis of negotiation and simultaneously raised the final restructuring of the foreign debt question in other negotiations, under different circumstances, of less vulnerability to Argentina (Miranda 2003).

The Lavagna-Taylor Axis

The beginning of the Néstor Kirchner administration, in May 2003, caused a positive attitude of the U.S. towards Argentina. If Washington did not know the brand new president enough in terms of political experience, the American government bet on his assumption since it understood that the end of the Argentinean default was more feasible with him. The visit made by Secretary of State, Colin Powell, to Buenos Aires right after Kirchner entered the *Casa Rosada* was a display of the U.S. political support for Argentina to commit itself with IMF in the negotiations for a definite agreement on the reschedule of the debt deadlines. In order to make that possible, the White House proposed “a

¹² The Spanish and French objectives was about preserving their companies' interests, which were much benefited by the 1990s privatizations.

¹³ In October 2002, Alan Larson, Undersecretary of State for Economic, Business and Agriculture Affairs, anticipated the American decision to press IMF for creating a transition program for Argentina.

cooperative and bilateral relation”, which – concretely – implied on a direct backing for Argentina before the international financial organization.

Bush did not want complications within the region and sought harmonizing its links to it because its agenda was centered in other global areas. On the one hand, he met the Brazilian president Luiz Inácio Lula da Silva in Washington in order to ratify once more the historical and strategic alliance between the hegemon and its pivot. It was not strange that on the occasion the American president stated that Brazil was “an incredibly important part of peaceful and prosperous North and South Americas”, thanks to the “increasing and vital” relations between both countries. Hence, the White House was not strange to the underpinning IMF unreservedly loaned Brazil in 2002, as aforementioned. In this case, the U.S. government had no doubts about supporting Brazil for its strategic condition. On the other hand, in the frame of aiming a harmonic climate within the region, the American support for Argentina was also possible because two officers that were reticent on making concessions for the Latin American country had left their posts. They were O’Neill and the president of the National Economic Council, Lawrence Lindsey¹⁴.

Kirchner’s answer to this new stage opened within bilateral relations was opportune. The president of Argentina accepted the maintenance of Lavagna in his administration because, among other reasons, it was the intention of John Taylor, Undersecretary of the Treasury for International Affairs, in order to conserve the negotiation structure that had created the provisory agreement of January 2003, and through which a definite partnership between Argentina and IMF could be built. Indeed, Taylor only believed in Lavagna as a valid interlocutor to deal with the relations between Argentina and the international fund. On the other side, the American officer regarded as highly favorable the legislative and entrepreneurial support constructed by the Argentinean minister during the interim mandate of Duhalde and that represented a stronger political solidity than the very president during

¹⁴ See Edmund Andrews, “Big Banks Step up Efforts against IMF Debt-Relief Plan”, *The New York Times*, December 19, 2002.

Kirchner's outset. It was not everything, however. The Undersecretary of the Treasury enormously valued Lavagna's compromise to start negotiations with the private creditors of bonus in default in order to forge a sustainable proposal.

This compromise implied that Taylor obtained a good position in the debate generated inside IMF concerning the Argentinean case. Moreover, it meant a new step backwards for the bureaucrats of the international fund, who demanded a technically very severe and long-term agreement, a point Argentina could not admit, among other questions. Thus, the Undersecretary of the Treasury consolidated his conduction of the Argentina-IMF relations, which derived the recognition of the U.S. as the intervening variable in the solution for the problems caused by the default of the Latin American country. On the other side, to entrust the IMF bureaucracy was a more than important task for Lavagna, and only Taylor was able to do that, practically finishing technical criteria in the negotiation.

During the talks, different questions emerged and they deserve to be stressed. One was the power accumulated by the Argentinean Minister of Economy thanks to the political support guaranteed by the Undersecretary of the Treasury. For example, he removed the Chancellery from spaces that would normally be reserved for it. At the same time, the constraint of the external agenda of Argentina because of the debt question erased the importance of other topics linked to the foreign relations of the country. However, the most relevant fact was the main role played by Lavagna during the negotiations, which produced a kind of intragovernmental dispute between him and the president of the Central Bank, Alfonso Prat Gray, quickly replaced by Martin Redrado in September 2004, and also between the minister and Kirchner, along with his Minister of Federal Planning, Julio de Vido. It must be considered that Taylor systematically supported the Minister of Economy during this internal struggle of the Argentinean administration, which was a substantial backing at that time.

Another question to be stressed was the international context through which Argentina has passed from 2002 onwards, which became favorable. The rise of the commodities' prices, which increased 224% at that year if compared to 1972, generated an interesting boost of Argentinean foreign exchanges, which contributed, as mentioned before, to a quick recover of the national economy.

The exports, which represented roughly US\$ 25bi in 2002, leapt up to US\$ 30bi the following year, mainly through cereals, animal food, seeds, petroleum and products, and vegetable oils (Berrettoni and Polonsky 2011). The global demand for food, especially for soy, transformed Argentina into an agricultural power, positioned as the third soy exporter between 2002 and 2005, behind U.S. and Brazil, according to the Food and Agriculture Organization of the United Nations.

A third important question is the American intention to consider Argentina as a secure ally for themes of U.S interest. Washington thought that through facilitating the Argentinean exit from the default, Argentina would respond favorably to some requirements made by the White House. For example, Bush administration believed that Argentina would support the American intervention in Iraq, would accept the Free Trade Agreement for Americas, would sustain an eventual military presence of U.S. in the Triple Frontier and would start an estrangement from Cuba and, afterwards, Venezuela. Things happened the other way, though, and Kirchner dismissed every single expectation. After all, and beyond the American decision-makers, the only question that worried Taylor was the Argentinean exit from the default, which was what Bush enrolled him for, and it dominated the bilateral links.

The negotiation

The negotiation showed that its hardcore consisted of the Lavagna-Taylor axis. The talks between Kirchner and the IMF bureaucrats was not decisive for the negotiation's developments. The Argentinean president heavily criticized the behavior of the international fund during the 1990s until the 2001 crisis, mainly because of the erratic and damaging character of this institution towards the country. However, Kirchner's discourse against IMF was directed for domestic politics, reason why some analysts and researches of the ex-president's foreign policy hypothesize that this rhetoric was used solely for strengthening its government. There was a special reason for this process, which was to bind Argentinean society around an assertion that concerned the sovereign zest, thus increasing the internal legitimization of the national government after the meager electoral results obtained by Kirchner to access Casa Rosada.

In spite of the aforementioned motivations, Kirchner's discourse sensitized IMF bureaucrats, especially because the officers faced the obligation to preserve decision-spaces that were added to the fund's structure opposite the rulers of the main country-members of the organization. That is the reason why the bureaucrats endeavored to contest the discourse that blamed them for the Argentinean debacle by minimizing the missteps made as a consequence of the application of their policies, even ignoring the support to the Menem and De la Rúa administrations. Nonetheless, it was evident that the IMF bureaucracy had lost their negotiating spaces to the American government, and Taylor had much to do with that in the Argentinean case. With Lavagna he crowned coincidences that culminated in the end of a negotiation that IMF had to accept without changes¹⁵.

The aforementioned undersecretary made three practically decisive political actions. Firstly, he quickly neutralized the pressure made by some G-8 governments that sought transmitting their citizens' demands, creditors of some Argentinean bonds in default, mainly Italy, Japan and Germany. In this frame, the task accomplished by Lavagna and his Finance Secretary, Guillermo Nielson, was of great relevance. Secondly, Taylor achieved an interministerial success by making the Assistant Secretary of State for Western Hemisphere Affairs, Roger Noriega, attenuate his negative points of view concerning the domestic politics of Argentina. Finally yet importantly, Taylor was able to silence Krueger, and thus took away her support for the points made by IMF bureaucracy, which demanded a strict and technical treatment for the Argentinean case.

Precisely after getting round the last intent made by the IMF bureaucrats concerning the primary surplus and the structural reforms that Argentina should put in practice, Taylor and Lavagna signed a three-year agreement on refinancing the capital deadlines. It was in September 2003, during the annual meeting between IMF and the World Bank that took place in Dubai, United Arab Emirates. Due to this agreement, Argentina could envisage

¹⁵ Sebastián López Cópola, María Cecilia Tossi and Ivana Verdi (2003) understand that Argentina took advantage from the use of the reciprocal costs of the interdependent relation with the IMF.

an immediate debt of almost US\$ 3 bi. The most remarkable point of this agreement was yet the IMF's acceptance on a primary surplus of 3% in terms of the GDP, when the bureaucrats' pretention was of 3.5% in 2004 and 5% in 2006.

Beside the agreement, Argentina made the proposal effective for private creditors on the condition that it was possible because of its sustainability. Amongst other aspects, the proposal meant that, on the one hand, a debt reduction of 75% of the nominal value related to the debt capital in default, and on the other, the non-recognition of the due dates of interests payable after 2002. The Argentinean initiative imitated the differences between Kirchner and the IMF. The Argentinean head of state disdained the critiques and pressures of the international fund, which tried to bind the refusal of bondholders to the Dubai proposal, and whose organizations were not recognized by Buenos Aires¹⁶. Kirchner did not want to change the proposition because he prioritized the domestic politics, especially the institutional stability and the growing economy, besides considering that in 2005 medium-term polls would occur and test his political legitimacy.

Despite its political debilities, IMF wanted to canalize its questions on the Argentinean proposal once more, this time through the ministers of Finance and Economy of the G-7. For example, the Ministers Meeting of Boca Ratón, organized in February 2004, raised the same demands the international fund did, that is to say, that Argentina should allow the participation of bondholders in the negotiation of bonds in bankruptcy, and also that the country should solve the pending structural reforms. In certain moment, the compromise between G-7 and IMF menaced the scheme fostered by Buenos Aires and agreed on by Taylor. The alliance between the bureaucratic power of the multilateral

¹⁶ During the Annual Meeting of the Boards of Governors of the Inter-American Development Bank in Okinawa, in April 11, 2005, Lavagna pointed out that was impossible to negotiate with "individual groups" of bondholders. Furthermore, the round of consultations with them had been very productive because, after all, "it was necessary to let the markets speak. And the markets, with more realism than the lobby groups, have spoken favorably, with a rate of acceptance of more than 76 percent, higher than what collective action clauses require today". See Roberto Lavagna, "Address by the Governor for Argentina at the Third Plenary Session". Available at: <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=516885>. Accessed August 07, 2010.

organization and the world political power was a bad sign for the conduction exerted by the Undersecretary of the Treasury concerning the Argentinean default.

Regardless of the declarations and intransigencies, Argentina launched the trade of bonds without IMF interventions in the beginning of 2005, and with a new backing from Taylor, who did not wish for anything else than a quick solution of the case¹⁷. The agreement between the American undersecretary and the Argentinean minister had prevailed, showing that the hardcore of the negotiation consisted of both actors. It is worth to mention that Lavagna had made some adjustments on which Kirchner did not agree. For example, he enhanced the Dubai proposal, recognizing the falling interests since 2001, which was an incentive for attraction of private creditors. In March 2005, the acceptance of the Argentinean proposal had reached almost 77% of the total bonds, which surpassed previous expectations. The Argentinean government regarded the as highly positive, with aims at re-entering the capital markets, which ultimately was the natural objective of solving the default.

The differences between Kirchner and the IMF bureaucracy stayed in second plan. Lavagna negotiated through political criteria linked to technical references, while Taylor sought demonstrating that the Dubai proposal was sustainable. Hence, Taylor tranquilized the pressures centered within G-8, which represented world politics and the owners of transnational capital. Most part of the private creditors could not obtain a better guarantee than the backing of an American undersecretary to an offer made by the Argentinean minister, obviously. The proposal also eased IMF, which could not oppose the stratagem developed by Taylor though this scheme was seen as a defeat by the fund's bureaucracy. The message of the undersecretary to G-8 consisted of asking for tolerance on Argentina's fate because, amongst other reasons, the market developments would benefit the proposal made by the Argentinean minister. He also added that, on the one hand, Argentina was paying debts to IMF, sometimes with reserves from the Central Bank, and on the other, that he

¹⁷ We must bear in mind that in the end of September 2004, the Securities and Exchange Commission (SEC) lifted the prohibition for Argentina to operate in the market and, therefore, approved the exchange proposal made in Dubai.

believed Buenos Aires would deal with points that spurred the international fund, such as the tariffs of public services and the primary surplus¹⁸.

The Frozen Agenda

After making the trade, the main actors of the negotiation set apart from the triangular relations between Argentina, U.S. and IMF. Taylor left the Bush administration in April 2005 and Lavagna did the same in Argentina in November of the same year. The White House decided to decrease its participation in the connections between the Latin American country and the international fund. The U.S. regarded its compromise to stop the Argentinean default from provoking a generalized regional crisis as deeply fulfilled. The Americans understood that the IMF should deal with a smaller problem, like the bondholders that withdrew the trade, and the fund should formulate a grievance against Argentina as well. For his part, Kirchner personally headed the relation with multilateral means of credit once his electoral victory was consolidated on the legislative renewal of 2005, proportionating the political strength he needed.

The relations between Argentina and the IMF did not improve and dramatically deteriorated instead¹⁹. One question was the issue raised in August 2004 about the suspension of bilateral talks because of the non-fulfillment of the aims fixed by the agreement, and that did not surpass to preserve the trade. The struggle between Kirchner and the IMF bureaucracy was revived through this topic, from different positions to the ones they had had in the past and under a very distinct context, certainly. Nonetheless, the IMF did not cease to appeal to the political assistance of the U.S. That is what happened when the international fund's bureaucracy, contrarily to the original intention of the

¹⁸ Lavagna indicated such intention when modifying the interest rates for 2005, increasing the consolidated primary surplus with the objective to draw near the numbers asked by IMF. It must also be mentioned that in September 2004 the risk rating agencies had mentioned that it was necessary to increase primary surplus not to be on default once again.

¹⁹ According to José Fernández Alonso (2006, 86), "the policies seeking the normalization of relations with global financial agents met an increasing complexity. By then, the limitations of a policy conducted by confrontation became evident."

American government, pressured the White House for it to demand Argentina a peremptory solution for the holdouts, which represented a rough 24% of the total amount of bonds in default.

Randal Quarles, Undersecretary of Finances of the Treasury Department, wanted to resume the role the U.S. used to have on the issue of the Argentinean default, but he failed. The American officer intended to create an obligation for Argentina to solve the holdouts' situation before reestablishing a positive link to the IMF. In that moment, the expressions used by Lavagna during the developments of the 46th Annual Meeting of the Inter-American Development Bank, in April 2005, had an enormous weight. In the occasion, the Minister of Economy characterized the IMF's request to solve the bondholders issue immediately as discriminatory, when in similar cases the negotiations took many years.

Besides the suspension of bilateral negotiations because of the non-fulfillment of the goals fixed by the agreement, another issue marked a breakdown in relations between Argentina and the IMF, which were the consequent effects of the *Casa Rosada's* decision to cancel its obligations with the aforementioned fund, in December 2005. In spite of the many critiques by the political opposition, disparate from each other in terms of arguments, the Argentinean Congress rectified the presidential decision. The payment of almost US\$ 10 bi in debt was effective for the international organization by enrolling a context that other countries, like Russia, Indonesia and Philippines, had also been part. Brazil had had an identical initiative days before the Argentinean measure, which, according to some versions, were decisions coordinated by Lula and Kirchner. For the Argentinean president, the country had achieved the "independence from the international organization".

The cancelling of the Argentinean debts with the IMF paradoxically meant the freezing of the bilateral agenda between both actors. Some analysts had been optimistic when estimating that the differences between Kirchner and the IMF bureaucracy would be overcome once the debt was settled. On the one hand, such analysts supposed that the IMF would redeem its responsibility for the 2001 crisis through this act. On the other, they believed the relief nurtured by debt reduction would provide for Argentina an autonomous space to design and execute its social and economic policies, as well as to attract investments

without the participation of the IMF. However, the disparities persevered to such extent that the revision on the Argentinean economy made by the fund in July 2006 according to Article IV of the Constitutive Convention of the fund, the first since the cancellation of the debts, never happened again. Furthermore, the freezing of the Argentina-IMF agenda had a ricochet effect on the relations between Argentina and the U.S. What could be transmitted to Argentina by the international fund, it was through the U.S. government.

In conclusion

The non-adaptation of Argentina to the IMF patrons, the same which contributed to what ended up as the 2001 crisis, meant that the relations between the country and financial issues was made without the participation of this international fund, and this place was directly occupied by the U.S. The latter country kept the political role played when dealing with the default until a big part of the debt problem was solved. However, the position of the American government before Argentina changed from a collaborative into a litigant one, demanding the solution of issues as the negotiation with the private creditors that did not enter the bond exchanges of 2005, in spite of the Quarles' failure.

Because of Buenos Aires' resistance, Washington kept prioritizing its strategic interests that were the axis of Argentina's structural dependence to the U.S. Notwithstanding the many coincidences between the actors in different issues of the bilateral agenda, the U.S. government limited the external actions of Argentina, which was recovering economically and achieving institutional stability. A prove of the American restrictions was the penalization of Argentina through obstacles to its access to the transnational circuit of investments, which turned out to be a reinforcement of the country's isolation from the international financial market. When Argentina rightly believed that debt relief was going to give the country a stronger economic freedom, the hegemon – in name of the international financial system – reduced its margin of international maneuver.

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ABSTRACT

On December 2001, due to the financial crisis, Argentina had to suspend external payments. The country started a frantic process of abandonment of default thereafter. Research about the causes, processes and mechanisms of the crisis has focused on economic issues. The present work instead considers international politics. The aim of the paper is to analyze the role of the United States in the restructuring of Argentina's debt. We consider the reasons, conditions, and actions developed by the hegemonic power in the relationship between Argentina and its creditors. We specially emphasize the political role played by the U.S. government, a position that the U.S. administration had no intention to assume neither before the debacle nor after the crisis started. We conclude that, despite the fact that Argentina has overcome the most difficult part of its default, the episode made evident, once more, the strong Argentine dependence towards the United States.

KEYWORDS

Argentina; United States; External Debt; Default.

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