

## Interview - Pablo Nemiña

Written by E-International Relations

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Pablo Nemiña holds a PhD in Social Sciences from the *Universidad de Buenos Aires* (UBA) and is currently an Adjunct Researcher of the *Consejo Nacional de Investigaciones Científicas y Técnicas* (CONICET) at the *Universidad Nacional de San Martín* (IDAES-UNSAM), and Associate Researcher at *FLACSO-Argentina*. His research interests are on the role of International Monetary Fund (IMF) in financial crisis, recent transformations in the International Political Economy and economic development in Argentina. He is co-author of *Neoliberalism and Debt Free: The Argentine/IMF relationship* and his most recent publications are *The Relationship between the IMF and Borrowing Governments in a Theoretical Viewpoint: The Contribution of IPE Centered on Interests, Historical stages of the relationship between the International Monetary Fund and Latin America (1944-2015)* and *In Search of a Post-hegemonic financial inclusion: the external financial policy of Kirchnerism*.

### **Where do you see the most exciting research/debates happening in your field?**

My research focuses on the role of international organizations in global financial governance and financial crises from the perspective of International Political Economy (IPE) and Economic Sociology. I am interested in analyzing economic processes, particularly monetary and financial ones, with the assumption that the economy and politics are distinguishable only analytically, that there is co-determination between foreign and domestic politics, and that structural conditions do not determine social action. These are vital and dynamic perspectives in the academy. Particularly in Argentina and Latin America I see a renewal and flourishing of IPE, which can be seen in an increase in activity and collective reflection, that is consolidated in numerous academic conferences and publications. The co-determination between global and local processes, the margin for agency (yes, even in the periphery!) and the relation between political and economic logics within the framework of capitalist globalization appear as the most stimulating debate in Latin American IPE, which, in turn, make it possible to participate in the global dialogue.

Likewise, Economic Sociology appears to be a rapidly growing field in the region. Here the critique of rational action, the process of sociopolitical construction of markets and the social foundations of accumulation regimes are important points of dialogue between socio-economists who are gaining prominence and also participating in the global debate. I have the privilege of being a researcher at the International Relations Department of FLACSO-Argentina and the Institute of High Social Studies of the National University of San Martín (IDAES-UNSAM), which are leading institutions (along with others, naturally) in the promotion of reflections that foster the renewal of the academic gaze, committed to the sociopolitical context in which it is developed.

### **How has the way you understand the world changed over time, and what (or who) prompted the most significant shifts in your thinking?**

During my bachelor of Sociology at the National University of Buenos Aires (UBA) I had my first encounter with political economy, analyzing the social foundations of Argentine and Latin American capitalism. Here the contribution of Latin American structuralism, the theory of dependency and the local referents of political economy were key insights to build a critical view of the economic processes in the periphery. In my postgraduate training I became more interested in the dynamics of international processes. As the peripheral condition involves a high degree of external constraint, I wanted to understand more about the global political dynamics. On the other hand, I alleviated a certain deterministic bias that I acquired during my undergrad and, in line with constructivism, I recognized that

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action implies a mutual interdependence between structure and agency. In this sense, the structure is conditioning, but also enables action. At this point, the contributions of sociologists such as P. Bourdieu and J. Beckert have been decisive. Finally, I want to highlight the inspiration that has been the work of Susan Strange that links economics and politics on the global dimension.

**The sometimes-contentious relationship between Latin American countries and IMF dates back to the 1950s, when Perú and Mexico signed the first Stand-By Arrangement (SBA) with the Fund. Can you describe the main stages and characteristics of Latin America-IMF relations?**

The IMF actively influenced the economic policy of Latin America for over half a century. In stylized terms, IMF intervention becomes more intense as the balance of payments weakens and there is an absence of private, multilateral or bilateral external financing to compensate it. Six historical stages can be distinguished according to the political logic that the relation assumes. During the first fifteen years the Fund played a limited role in the region, owing to the strong external position of countries and the ideological differences between the orthodox organism and economic teams embedded in Latin American structuralism. However, the crisis of the import substitution industrialization model during the 1960s encouraged the request for the Fund's loans and subsequent implications for financial governance in the region. The fall of the Bretton Woods arrangement and augmented capital mobility encouraged the first cycle of external indebtedness, which affected some countries (Argentina, Chile) more than others (Colombia). In those years, the Fund retreated until the outbreak of the debt crisis when it assumed the triple role of lender, creditor coordinator and promoter of adjustment policies.

The increase in international liquidity and the fall of socialist regimes that seemed to predict the end of history consolidated the Fund as an advisor for the determined implementation of pro-market reforms and financial liberalization. Systemic crises in emerging economies placed the institution as a lender of last resort, while social unrest against financialization grew. The rise of commodity prices opened a new stage of boom in the region, which, administered by progressive governments, opened a period of strong economic growth accompanied by a persistent improvement in the living conditions. Once again the Fund was relegated, this time to the point of questioning its financial viability. However, after the outbreak of the recent financial crisis the G20 placed the financial institution as a lender and watchdog of the global economy. Although much of its activity after the crisis of 2008 was concentrated in Europe, the IMF was present in Latin America and the Caribbean fulfilling three roles: as the traditional lender and guarantor, and it also started to assist countries such as Costa Rica, El Salvador, Honduras and Guatemala with a new SBA framework based on precautionary access.

**Since the 1980s until the first half of the 2000s, Argentina was under close IMF tutelage, having signed at least 10 SBAs and Extended Fund Facility (EFF) agreements. How have Argentine economic institutions and practices changed given IMF conditionalities? What were the long-term consequences of the continuing IMF loans?**

The IMF has had an extended presence in Latin America for more than half a century. This persistent presence gave the institution an outstanding capacity to condition economic policies. Without denying its role during the pre-1983 phase, it is undoubtedly since the restoration of democracy that the Fund has amplified its capacity to intervene in domestic politics. Appointed as the guarantor of commercial banks to avoid a massive default of the countries of the region, the institution demanded the implementation of structural adjustments that damaged the possibility of restoring a path of growth. During the nineties, it supported the neoliberal program and towards the end of the decade, it granted substantial credits to support capital flights during the systemic financial crises. Finally, the new century found the IMF promoting the interests of creditors during debt restructuring.

These considerations should not lead to the assumption that a dependence on the IMF is inevitable. Although it usually represents the financial interests of the central powers, the ability to condition the economic policy of a peripheral country depends on it requesting an agreement. Thus, what is often presented as the result of international pressures expresses, in reality, the interest of the local dominant sectors to reproduce the external structural constraints at the domestic level.

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### **Recently Argentina agreed on a new \$57bn SBA loan from the IMF. Can you explain its main goals and conditionalities? How does it differ from previous agreements?**

The stand-by arrangement approved in 2018, the first with Argentina after 15 years, constitutes unprecedented political and financial support from the institution to Argentina and a developing country for two reasons: it is the highest conditional agreement in the Fund's history, and it is very front loaded. But the underestimation of risks made the program go off track after just three months. The revised program proposed a classic fiscal adjustment accompanied by deep currency depreciation and an orthodox monetary policy in order to balance the current account, control inflation and guarantee the repayment of the debt. Regarding the exchange regime, the program went through different stages: a free float scheme without intervention, mobile exchange trading bands and, now, a more usual dirty float regime, reflecting the interest of stabilizing the exchange rate. With regard to monetary policy, the program went from maintaining the inflation targets to a traditional orthodox scheme of controlling monetary aggregates and the establishment of one of the highest interest rates in the world (now at 71%).

Among the novelties, the program includes an unprecedented floor for spending on social assistance as conditionality and a vague commitment to promote gender equity; nevertheless, in substantive terms the libretto of the traditional stabilization agreements follows via fiscal adjustment, astringent monetary policy and depreciation of the exchange rate, which in semi-industrialized countries such as Argentina have a strong recessionary and inflationary impact. At the same time, the orthodox view of the government regarding the exchange arrangement puts a lid on the possibility of taking advantage of one of the few unorthodox windows of the IMF, since after the global financial crisis it has become more tolerant to capital account controls.

### **What is post-hegemonic financial inclusion? What were the main debt relief strategies adopted by Argentina under the presidency of Néstor and Cristina Kirchner (2003-2015)?**

Post-hegemony highlights the political space to build agendas from the periphery, as a result of the displacement of unipolar neoliberal governance dominated by the US vis a vis the rise of China. As Rigiroszi and Tussie (2015) points out, less than a cog in the power transmission belt, the region opens space for autonomous political construction through regional structures and hybrid practices. The neo-developmentalist economic policy during the Kirchnerism together with the rejection of the Free Trade Area of the Americas FTAA in 2005 promoted an autonomist turn in foreign policy which, particularly in the financial policy, expressed the post-hegemonic momentum. In the first place, the international insertion based on peripheral realism was abandoned and replaced by another of an autonomist nature. Second, Argentina reoriented its attention to the regional sphere as a privileged space of external linkage. This implied strengthening the Latin Americanist profile through relations with the Mercosur bloc, and, later, with the rest of the Southern Cone through Unasur.

Taking advantage of the margin of decision opened by the debt default, the post-hegemonic approach in the financial dimension encouraged taking distance from the international capital markets and the Bretton Woods financial institutions, while promoting: a) alternative financing channels that would privilege regional mechanisms, b) linkages between developing countries that entailed less conditionality, c) loans from multilateral organizations with which there was greater political affinity, and d) the use of Central Bank resources. It also involved promoting monetary agreements and new regional financing mechanisms to displace the US dollar and make resources available to support public investment, respectively. In this sense, the conflict with external creditors over the debt restructuring that marked the whole Kirchner period, pivoted on the tension with the international financial sector and multilateral organizations derived from the displacement of market logic as a principle of external financial strategy.

### **Can you describe the contrasting methods employed by both Néstor and Cristina Kirchner (2003-2015) and Mauricio Macri (2015-present) to deal with vulture funds, which invest in poorly performing countries? What were the consequences of this change for Argentina and the international financial system?**

In 2005, Néstor Kirchner renegotiated Argentina's sovereign debt, but this was only accepted by 93% of the owners. The other 7% then went to the US courts to receive what they had been promised in 2001. In 2011, Argentina faced

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a current and fiscal account deficit, in a context of a real exchange rate appreciation and a level of inflation that did not fall below 25%, all of which increased the shortening of international reserves as it caused a balance of payment deficit. This deepened Argentina's external restriction (as its international reserves shortened) and encouraged a new approach to private capital markets during the last years of Kirchner's management. This approach focused on exploring alternative financing lines from regional organisations and south-south relations (see Nemiña 2018). In 2012 the US courts' ruling regarding the legitimization of the vulture funds claims' closed this path and deepened – paradoxically – the post-hegemonic financial strategy as Argentina started appealing to “alternative pockets” (mainly China and international reserves). Also, it is interesting that the failure of the new approach did not cause a change in the judicial strategy against vulture funds, which was oriented to promote (in courts and in regional and multilateral forums) the principle of not granting benefits greater than those received by those who had accepted the debt exchanges, to discourage vulture behavior.

The government of Macri promoted a radical change in the strategy against vulture funds. Not only was the multilateral agenda relegated into the UN, but an openly cooperative negotiation strategy was implemented, favorable to the position of litigant funds, which recognized the legitimate right to collect their claims from the ruling obtained in US. Indeed, Argentina paid in cash for judgments of an approximate amount of 9,300 billion US dollars, with a reduction of around 25%. This meant that some funds obtained benefits of more than one thousand percent. The sovereign debt trial Argentina faced was understood at that time as the “judgement of the century”. This was because the issue of debt restructuring was dealt in a court and not through international organizations, establishing a precedence in international law favorable to vulture funds. The result was a deep setback in the multilateral scenario with respect to the advances produced at the United Nations and established negative precedents for the stability of the international debt governance, as sovereign debt issues may now be dealt with in international courts which may favor the position of vulture funds.

### **Presidential elections will be held in Argentina in October. How do you expect the current economic instability to affect the debates and ballot?**

The challenge Argentina is facing requires building future governance based on consensus and pragmatism. This is demonstrated in the shift by Cristina Kirchner to run for the vice presidency (instead of the presidency as expected) with Alberto Fernández declaring his presidential run, both as part of the Peronist Front. Since the beginning of the year, the official discourse linked the increase in the country's risk and exchange rate shocks to the possible presidential candidacy of Cristina Kirchner, as the financial markets were suspicious that her presidency would lead to political uncertainty and interventionist economic policies. Local financial indicators did not suggest there was a panic after the confirmation of the candidacies of Alberto Fernández and Cristina Kirchner, which saw dollar, country risk and bonds remain stable. At this point it should be noted that the Central Bank is allowed to intervene if necessary, but at least the first impact was not a bank run. Therefore, one possible interpretation is that –at the moment– “moderation” is well regarded by markets. However, the underlying problem is economic policy, which is the result of errors in diagnoses, excesses of confidence, poor implementation and, currently, the IMF conditionality.

### **What is the most important advice you could give to young scholars of International Relations and International Political Economy?**

I do not intend – nor could I – offer a decalogue of universal recommendations. Rather, I propose a series of observations based on a reflection on my own practice. I see the activity of a scientist as a collective craft. An artisanal work in which we systematize intuitions based on dialogue with our colleagues and those who preceded us. Therefore, the method is as important as curiosity and intuition. In this sense, it seems so important to develop an honest, generous and rigorous work ethic, such as maintaining a restless spirit that helps to question and pose relevant questions related to the social reality in which they are developed.