FROM NEOLIBERALISM TO NEO-DEVELOPMENTALISM? THE POLITICAL ECONOMY OF POST-CRISIS ARGENTINA, 2002-2007

A Dissertation Submitted for the

Degree of Doctor of Philosophy

University of Sheffield

Hilal Gezmis

Department of Politics

Faculty of Social Sciences

March 2015

Contents

ABSTRACT

In this thesis, I explore the policy responses to the financial crisis of 2001/2002 in Argentina and its implications for the Argentine political economy between 2002 and 2007. Precisely, I examine the extent and nature of the shift from neoliberalism to neo-developmentalism in Argentina between 2002 and 2007. Scholars who observed the rise of the New Left governments in Latin America argued that there was a renewal of state activism and developmentalism which implied a distinct departure from the neoliberalism of the 1990s. Argentina`s post-crisis political economy was viewed from a post-neoliberal perspective. Using the concept of "new developmentalism" labelled by Bresser-Pereira in 2003, I offer a more nuanced approach to post-neoliberalism in Argentina. I argue that post-neoliberal project or neo-developmentalism in Argentina does not represent a distinct departure from neoliberalism or a return to old developmentalism. Instead, it embodies a more hybrid and complex process that maintained core elements of economic liberalism. This thesis aims to contribute to the debates about post-neoliberalism and the New Left in Latin America.

ACKNOWLEDGEMENTS

First and foremost, I would like to express my deepest gratitude to my supervisors Professor Nicola Phillips and Professor Andrew Hindmoor for their most valuable guidance, support and motivation during the course of my PhD research. I would not have been able to finish my thesis without their continuous support and guidance. I hope that I will able to continue my studies worthy of having studied under their supervision. I would like to thank my former supervisor Professor Jean Grugel for her valuable support and guidance.

I am very grateful to be given this opportunity to this PhD by Turkish Ministry of National Education. I wish to thank the staff in the department of Politics, especially Sarah Cooke for her support. I would like to express my gratitude to my interviewees for their most valuable time and comments. I wish to thank Professor Diana Tussie in FLACSO Argentina for her valuable support. I would like to thank Jonas Filho for his support during my field work.

I am very grateful for the support of my friends and colleagues Yeosun Park, Mat McCann, Nuray Aridici Turner, Joe Turner, Jewellord New Singh, Asa Cusack, Sam Wyatt, Defne Gunay, Alaadin Paksoy, Murat and Ahu Coskun, Ali Onur Ozcelik, Paniel Osberto Reyes Cárdenas, Bernardo Aguilera Dreyse, Ozlem Celik, Ozgun Sarimehmet Duman.

I would like to thank my parents (Filiz and Kenan Gezmis) and sister (Merve Gul Veli) for their continuous support, patience and love. I would like to express my deepest gratitude to David Chávez for his enduring support, patience, motivation and love during the course of my PhD research.

Abbreviations

ALBA Alianza Bolivariana para los Pueblos de Nuestra América

BCRA Banco Central de la República Argentina

BNA Banco de la Nación Argentina

CEP Centro de Estudios para la Producción

CET Common External Tariff

CGE Confederación General Económica

CGT Confederación General del Trabajo

CIADEA Compañía Interamericana de Automóviles S.A

CIEPP Centro Interdisciplinario para el Estudio de la Política Pública

CIPPEC Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento

CMC Common Market Council

CTA Central de Trabajadores Argentina

CTERA Confederación de Trabajadores de la Educación de la República Argentina

ECLAC Economic Commission for Latin America and the Caribbean

EIU Economist Intelligence Unit

ENARGAS Ente Nacional Regulador del Gas

ENARSA Energía Argentina Sociedad Anónima

EU European Union

FDI Foreign direct investment

FLACSO Latin American Faculty of Social Sciences

FOB Free on board

FONAPYME El Fondo Nacional para el Desarrollo de la Micro, Pequeña y Mediana Empresa

FONINVEMEM Fondo para Inversiones Necesarias que Permiten Incrementar la Oferta Energía Eléctrica en el Mercado Eléctrico Mayorista

FONTAR Fondo Tecnológico Argentino

FREPASO Frente por un País Solidario

FTAA Free Trade Area of the Americas

FTV Federación por la Tierra y la Vivienda

GATT General Agreement on Tariffs and Trade

GDP Gross Domestic Product

IDB Inter-American Development Bank

IFI International financial institution

ILO International Labour Organisation

IMF International Monetary Fund

INTAL Institute for the Integration and Development of Latin America and the Caribbean

ISI Import-substitution industrialisation

LOC Left-of-centre

MAC Competition Adaptation Mechanism

MAS Movimiento al Socialismo

MECON Ministerio de Economía y Finanzas Públicas de la República Argentina

MERCOSUR Mercado Común del Sur

MFN Most-favoured-nation

MTEySS Ministerio de Trabajo, Empleo y Seguridad Social de la República Argentina

MTL Movimiento Territorial Liberación

NAFTA North American Free Trade Agreement

NAL Non-automatic import licence

NGO Non-governmental organisation

OECD Organisation for Economic Co-operation and Development

PJ Partido Justicialista

PJH Programa Jefes y Jefas de Hogares Desocupados

PT Worker`s Party

PWC Post-Washington Consensus

REPRO Programa de Recuperación Productiva

RER Real effective exchange rate

SCyE Seguro de Capacitación y Empleo

SEPyMe Secretaría de la Pequeña y Mediana Empresa y Desarrollo Regional

SMEs Small and medium-sized enterprises

TNCs Transnational corporations

UCR Unión Cívica Radical

UIA Union Industrial Argentina

UNASUR Unión de Naciones Suramericanas

UNCTAD United Nations Conference on Trade and Development

UNDP United Nations Development Programme

UNIREN Unidad de Renegociación y Análisis de Contratos de Servicios Públicos

US United States

USD United States Dollar

UTE Union de los Trabajadores de la Educación

VAT Value-added tax

WC Washington Consensus

WTO World Trade Organisation

YPF Yacimientos Petrolíferos Fiscales

List of Tables

Table 7.10 Percentage of contribution to job creation according to economic activity (2002-2007)

CHAPTER 1. INTRODUCTION

In this thesis, I explore policy responses to the financial crisis of 2001/2002 in Argentina and its implications for the Argentine political economy between 2002 and 2007. More precisely, I critically examine to what extent policy responses to the financial crisis of 2001/2002 constitute a coherent shift from neoliberalism to a neo-developmentalism in Argentina between 2002 and 2007. Argentina went from being seen as the "poster child" of neoliberalism in the early 1990s to the "basket case" after experiencing its deepest economic and social crisis in late December 2001 which outspread in the form of social protests, resignation of two presidents in 10 days, debt default and a massive devaluation. In the context of economic collapse and political crisis, interim President Eduardo Duhalde (January 2002-May 2003) sought to recover political and economic stability, introducing new social programmes and emphasizing the importance of the domestic market. After winning the elections in May 2003, a governor from Santa Cruz, Néstor Kirchner (2003-2007) assumed the presidency who had campaigned on a centre-left, progressive and neo-Keynesian platform with a critique of free market policies under the Menem administration in the 1990s (Carranza, 2005; Levitsky and Murillo, 2003).

The post-crisis of the political economy of Argentina was conceptualized as part of a wider trend in Latin America as the region saw a resurgence of the Left-wing governments based on an anti-neoliberal rhetoric[1]. In the past decade, this prompted a debate about a return to local ideas of developmentalism and the state`s centrality in economic management and welfare in the region, which marked a distinct departure from neoliberalism that had dominated the political economy of Latin America in the 1980s and 1990s[2]. Some scholars termed the rebirth of the Left as post-neoliberalism[3]. Argentina`s post-crisis political economy was framed as "*neo-desarrollismo*" (Grugel and Riggirozzi, 2007), "open-economy nationalism" (Riggirozzi, 2009), "developmental regime" (Wylde, 2012).

[1] Hugo Chávez in Venezuela (1998), socialist Ricardo Lagos in Chile (2000), ex-metal worker and Workers` Party (PT) leader Luiz Inácio Lula de Silva in Brazil (2002), left-of-centre (LOC) Peronist Néstor Kirchner in Argentina (2003), Tabaré Vázquez of the leftist Broad Front (FA) in Uruguay 2004, coca growers` union leader Evo Morales of the Movimiento al Socialismo (MAS) in Bolivia (2005) were elected. The left-wing parties also emerged as strong political actors in the 2000s in countries such as Mexico, Peru and Colombia (Levitsky and Roberts, 2011:2-3).

[2] For example, see Cameron, 2009; Cleary, 2007; Heidrich and Tussie, 2009; Levitsky and Roberts, 2011; Sader, 2009; Vilas, 2008; Weyland, 2009.

[3] For example, see Grugel and Riggirozzi, 2009; Hershberg and Rosen 2006; MacDonald and Ruckert, 2009.

Using the framework of "new developmentalism" labelled by Bresser-Pereira in 2003 and a rich empirical analysis, I offer a more nuanced approach to post-neoliberalism in Argentina. I argue that post-neoliberal project or neo-developmentalism in Argentina does not represent a distinct departure from neoliberalism. Instead, I argue that it embodies a more hybrid and complex process that maintained core elements of economic liberalism in the form of low tariffs (e.g. zero rate for importing capital goods), foreign direct investment (FDI) liberalisation, provision of import duty exemptions and income tax breaks, monetary and fiscal tightening via quantitative targets, fiscal stabilization funds, and reserve accumulation. I argue that Argentina`s post-neoliberal project should be understood in the form of evolving balances between states and markets under a globalised market activity which changed costs of and benefits of integration into the global economy. As a result, I argue that there was a shift from neoliberalism to neo-developmentalism in the context of re-interpreting the state`s regulatory and welfare provisions to function under the globalised market activity. The next section of this introduction will present a brief background of the scholarly debate about the resurgence of the Left and post-neoliberalism in the wider Latin American context which will be followed by presentation of the conceptual tools of this thesis.

1.1. Problematizing the Approaches to the New Left

According to the literature on the rise of the New Left or post-neoliberalism, neoliberalism was an ideological attempt by right-wing politicians and the technocratic elite to give the state a new reduced role, contrary to the Keynesian state`s welfarism and economic interventionism. These policies sought a shift in the state`s role to reduce its size in the economy through liberalisation, privatization and deregulation, persuaded by globally prevalent development ideas to free markets. After a phase of rolling back the state, extensive marketization, and welfare retrenchment in the 1980s and 1990s in Latin America, the region witnessed the emergence of New Left projects which sought for a new balance between states and markets. This marked a revival of state activism and interventionism in economic management and welfare provision based on local ideas about development as part of the resurgence of the Left in the past decade (Grugel and Riggirozzi, 2009; Heidrich and Tussie, 2009; MacDonald and Ruckert, 2009; Levitsky and Roberts, 2011; Panizza, 2009).

The resurgence of the Left marked a return to the progressive agenda of the classical Left which was characterized by "redistribution of wealth through progressive taxation, structural reforms (such as agrarian reform), the expansion of welfare services, the protection and expansion of workers' rights, a strong participation of the state in the process of industrialization and hostility to foreign capital" (Panizza, 2005:726). However, scholars noted that the left-wing parties today pursue more moderate policies than their counterparts during the import-substitution industrialization (ISI) model due to their adaptation to a more open and market-oriented growth under neoliberalism (Heidrich and Tussie, 2009; Panizza, 2005). On the one hand, a positive consensus materialized from the experiences of the Left parties in the municipalities that recognized the need to encourage competitiveness; on the other hand, a "negative consensus" emerged as the left parties learnt that "no amount of continuous pro-market reforms can feed the expectations of future gains of foreign and local investors forever" (Heidrich and Tussie, 2009:39). As Heidrich and Tussie (2009) put it, re-activation of state authority was more complex than simply a return to old policies of the Left which was embodied around dual lessons from neoliberalism:

> The outcome was the translation of lessons learned into new economic conditions and a new climate of opinion composed, on one hand, of a positive consensus from the experiences in local government about the need to step up public investment in health and education, to bring the state back in to coordinate the provision of physical infrastructure and energy and other measures assisting the overall competitiveness of the economy; and, on the other, of a negative consensus derived from the critique of neoliberalism, including a moratorium on privatizations, stricter regulation of private monopolies, and a halt to further unilateral trade liberalization (Heidrich and Tussie, 2009:39).

As a result, Heidrich and Tussie concluded that "all told, if we are to point the single coincidence in this diversity, there is a very significant one: the search for a new social contract and the emergence of a pragmatic belief in a role for state management combined with prudent macroeconomics" (Heidrich and Tussie, 2009:52). Furthermore, economic policy constraints should be taken into account to have a more clear understanding of this phenomenon:

> A return to protectionist predecessors is not noticeable, but especially the fiscal and monetary policies espoused by newly elected governments show a strong awareness that despite the current bonanza of high commodity prices, volatile world markets can only be ignored at their own peril (Heidrich and Tussie, 2009:52).

Some scholars argued that the resurgence of the Left saw the beginning of a post-neoliberal consensus in the region which was seen as "something sufficiently distinct from the consensus that reigned in the 1990s to merit investigation..." (Grugel and Riggirozzi, 2012:3). This assigned the state a more dynamic role to guide and regulate markets, drive industrialization and enhance social equality (Grugel and Riggirozzi, 2009; MacDonald and Ruckert, 2009). As Grugel and Riggirozzi (2012) stated, as a political and economic project, post-neoliberalism marked the emergence of a new and active role for the state:

> The set of *political aspirations* centred on 'reclaiming' the authority of the state to oversee the construction of a new social consensus and approach to welfare, and the body of *economic policies* that seeks to enhance or 'rebuild' the capacity of the state to manage the market and the export economy in ways that not only ensure growth but are also responsive to social need and citizenship demands (Grugel and Riggirozzi, 2012:2).

Grugel and Riggirozzi (2009) emphasized that the New Left governments do not reject market-oriented growth as they acknowledged the need to stimulate local and foreign private investment and promote exports (Grugel and Riggirozzi, 2009). Therefore, Grugel and Riggirozzi (2012) argued that the distinction between post-neoliberalism and neoliberalism should not be overstated. They concluded that the New Left parties in power acted rather pragmatically under a more liberal global economy and it was not clear whether post-neoliberalism constitutes a coherent alternative neoliberalism:

> Yet in practice, post-neoliberal governments have tended to be perhaps surprisingly pragmatic, especially in so far as the economy is concerned, where policies work with the grain of a liberalized global economy. The contrast between neoliberalism and post-neoliberal growth strategies, in other words, is there; but it should not be drawn too starkly. In the end, the biggest difference lies in government attitudes to the poor and discourses of citizenship rather than economic management as such (Grugel and Riggirozzi, 2012:5-6).

In this context, for the Argentine case and other post-neoliberal projects, state activism was constrained under globalised market activity in which states were assumed to conform economic demands of capital and intervene in the economy "selectively":

> But the internationalization of the economy is nonetheless real and it imposes real policy constraints. In particular, it means that state intervention is driven mainly by technical demands for 'better' regulation and can be employed within the economy only selectively. This in turn influences the form *neo-desarrollismo* and other post-neoliberal projects can

> take in practice. In so far as Argentina is concerned, the weight and the authority of private and foreign capital on policy-making are much greater than they were at any point under desarrollismo, and there are as a result much stricter limits on how far government can raise taxes, provide subsidies, regulate privatized companies or support labour movements in their struggles to raise wages (Grugel and Riggirozzi, 2007:100-101).

Other scholars devoted analysis to the diversity of New Left projects owing to their level of social mobilization and party organisation (Levitsky and Roberts, 2011; Rodríguez-Garavito *et al*., 2008). As Levitsky and Roberts argued, “Although not all New Left governments in Latin America abandoned macroeconomic orthodoxy, all of them broke with neoliberalism and embraced redistributive social policies” (Levitsky and Roberts, 2011:22). As Rodríguez-Garavito *et al*. (2008) stated, the New Left shares the belief for a more active and regulatory state:

> This apparent New Left ‘agenda’ takes for granted the basic principles of market economics, while promoting reforms such as the implementation of welfare programmes for the poorest members of society (such as the Fome Zero in Brazil or the Panes in Uruguay), a renewed concern for public security, a more active role for the state as regulator and mediator between capital and labour, the expansion and improvement of public services, and the introduction of a more progressive tax regime (Rodríguez-Garavito *et al*., 2008:25).

As this brief review of the literature showed, in the past decade, a new consensus emerged in the region which was characterised by a more active and regulatory role for the state in economy and welfare provision that marked a distinct departure from neoliberalism. However, as shown above, much of the literature was characterised by vague conceptualisations of the New Left or post-neoliberalism (Yates and Bakker, 2014:63). As Kirby (2010:7-10) pointed out, whilst affirming the renewed role for the state in economic and social management and a return to local ideas about development, the literature has not yet precisely identified what this state formation looked like. Although the literature addressed the economic and social challenges of development in the region, especially those arising from the difficulties of integration into a more open and market-oriented global economy, there was not sufficient attention to what type of policies were developed to encounter these difficulties (Kirby, 2010:2-10; Puntigliano, 2007:71). As Kirby put it:

> In parallel with the emergence of "New Left" governments in the region, the scholarly literature has become more critical of what was being attempted over this phase, evaluating it in the context of the developmental challenges facing Latin American countries. Yet, as has been made clear, this literature has few detailed proposals to offer on what precise policies should be implemented to address these challenges, apart from a general stress on the importance of the state, of addressing citizens' needs and of fashioning responses from within the region rather than adopting ideas that come from without (Kirby, 2010:9-10).

1.2. Towards a "New" Approach to Neo-developmentalism

These imprecise definitions of the New Left and post-neoliberalism raise new conceptual and empirical tasks. Drawing on the debates about the New Left or post-neoliberal projects in the wider Latin American context, I seek to contribute to the literature by critically examining post-neoliberalism and its implications for Argentina's political economy after the financial crisis of 2001/2002. In order to undertake this task, I use a conceptualisation borrowed from the literature exploring Brazil`s neoliberal transformation since the 1990s, which crystallised around "new developmentalism" labelled by Bresser-Pereira in 2003. This concept challenges post-neoliberalism as wholly distinct from neoliberalism. Instead, new developmentalism demonstrates compatibility of neoliberalism and post-neoliberalism in which the latter can be defined as a middle ground between neoliberalism (free markets) and statism. In this context, this conceptualization offers a more nuanced and complex understanding of post-neoliberalism. Furthermore, new developmentalism does not mean a return to the policies of old developmentalism. Instead, it rests on a "re-interpretation" of old developmental tenets, whilst integrating into the globalized market activity. Therefore, new developmentalism offers a conceptualization of the changing form of developmentalism in a more liberal and a more open global economy.

Before I undertake this re-conceptualization of post-neoliberalism, I define neoliberalism. Neoliberalism can be defined as "a theory of political economic practices that proposes human wellbeing can be best advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets, and free trade" (Harvey, 2007:2). Neoliberalism was not only an attack on the interventionism of developmental states and Keynesian states; it also rested on a rejection of the institutional foundations of developmental and Keynesian states. Neoliberalism rested on a critique of statism and politics, which were seen as driven by self-interested individuals. For instance, monetarism was a political attack on the Keynesian state and its welfarism. Price stability was a political strategy to separate politics and the economy in order to manage economic matters on a solely technical basis. In this context, collective action and the politicised nature of Keynesianism – with its corporate bargaining, union activism and full employment – was seen as a political threat. This neoliberal emphasis on "depoliticizing" development was extended to the developing countries. Import-substitution industrialisation based on capital formation, subsidisation, and protection were seen as over-politicised and subject to rent-seeking based on the promotion of uncompetitive industries (Payne and Phillips, 2010:87-90).

Furthermore, neoliberalism was not solely concerned with internal reform, but it was accompanied by structural transformations in the global economy which was characterised by "global restructuring of capital" or "economic globalisation". Hence, neoliberalism was a political project to establish "hegemony of global capital", thereby representing a transformation of the relationship between states and markets (Gill, 1995:404; Harvey, 2007:28-29; Payne and Phillips, 2010:91-93). For instance, neoliberal ideas were impelled by the integration of financial markets and gained ascendancy to prioritise capital as money over production (Gamble, 2001:131; Payne and Phillips, 2010:91). Therefore, neoliberalism rested on a distinct emphasis on ensuring competition based on integration into the global economy, by suggesting that freeing the markets and setting appropriate economic criteria would create trickle down effects as markets were seen as purely neutral and rational (Payne and Phillips, 2010:92; Phillips, 2004:61-64). Hence, instead of the state and its "politicised" forms of intervention, neoliberalism favoured setting free markets and private entrepreneurship as a key mechanism to allocate resources and welfare. Neoliberalism required removing "institutional" and "spatial" obstacles to the capital, maintenance of "prices as economic signals" and empowering the capital, and maintenance of sound money criteria to access capital mobility. Furthermore, neoliberalism encouraged free trade based on comparative advantage for technology exchange and export diversification (Payne and Phillips, 2010:93-95; Gamble, 2001:131-132). These ideas were collectively represented as a set of recipes under the Washington Consensus (WC) coined by Williamson (1990) which included maintenance of fiscal discipline, provision of real positive interest rates, re-ordering public expenditure priorities, establishment of competitive exchange rates, FDI liberalisation, tax reform, privatisation, deregulation and trade liberalisation (Payne and Phillips, 2010:94-95).

In this context, an important distinguishing feature of new developmentalism from neoliberalism is its rejection of the dogmatism of free markets, irrelevance of the state and the universal principles of Anglo-Saxon models of capitalism previously advocated by neoliberalism. While it acknowledges the competitive pressures under the process of economic globalisation accompanied with technological sophistication, communications at faster speed, transportation at cheaper costs and spatial transformation of production guided by TNCs, it does not share the view of globalisation as an extension of a purely technological and economic process that renders states and diverse models of capitalism obsolete. It rejects the notion that only firms can be competitive; states also compete in the global economy. Hence, new developmentalism does not see the relationship between states and markets as a zero-sum game as it advocates that strong markets require strong states. Instead, it acknowledges that markets are socially and politically embedded institutions regulated by the state, which represent collective interests. Contrary to pure neoliberal assertions, these institutions cannot be habituated by the pure logic of global economic and technological processes (Bresser-Pereira, 2008:559-562; Bresser-Pereira, 2012:22).

Hence, new developmentalism does not comply with the neoliberal view that processes of economic globalisation rendering the state`s industrial policy, or the state`s leading role in planning and investment, promotion of solidarity and social justice goals irrelevant (Bresser-Pereira, 2006:103-104). New developmentalism, then, shares elements of old developmentalism yet it does not simply represent a return to the policies of the past. Instead, new developmentalism adapts old developmental goals to pursue integration into the globalized market activity (Bresser-Pereira and Theuer, 2012:4). New developmentalism embraces the efficiency of market institutions. In this context, new developmentalism is situated as a middle ground between neoliberalism and old developmentalism: "New developmentalism regards the market as a more efficient institution, one more capable of coordinating the economic system, then did the old developmentalists although it is far from conventional orthodoxy`s irrational faith in the market" (Bresser-Pereira, 2006:114). Accordingly, new developmentalism assigns the state an important but not a principal role in investment and production: "But new developmentalism understands that, in all sectors where reasonable competition exists, the state must be not an investor, instead it must concentrate on defending and ensuring competition" (Bresser-Pereira, 2008:14). As a middle ground between free market fundamentalism and old developmentalism, new developmentalism, then, re-interprets developmentalist practices such as the nation state`s strategic role in industrialisation and collective action to guide and regulate markets, without rejecting efficiency gains of global markets (Bresser-Pereira, 2006:103-114; Bresser-Pereira, 2009:11-23; Bresser-Pereira and Theuer, 2012:4-19). As Bresser-Pereira put it, new developmentalism embraces the efficiency of markets, albeit acknowledging the need to regulate the markets:

> The central difference between conventional orthodoxy and new developmentalism lies in the fact that conventional orthodoxy believes that the market is an institution that coordinates production optimally if it is free of interference, whereas new developmentalism views the market as an efficient institution to coordinate economic systems, but knows its limitations and the need for regulation (Bresser-Pereira, 2009:17).

1.3. Argument and Contributions of the thesis

As shown in the brief literature review of this introduction, much of the literature is characterised by vague understandings of the New Left and post-neoliberalism. Although the literature addresses the constraints on state activism in the context of integration into a more liberal global economy which is primarily market-driven, there is not yet a precise definition of what type of state emerged to respond to these challenges. Argentina`s post-crisis political economy was framed as "*neo-desarrollismo*" (Grugel and Riggirozzi, 2007), "open-economy nationalism" (Riggirozzi, 2009), "developmental regime" (Wylde, 2012). According to Grugel and Riggirozzi, post-neoliberal project in Argentina reflects a return to local ideas about developmentalism:

> In Argentina, the search for stable governance in the wake of crisis has involved a more dynamic role for the state in the pursuit of growth and social stability. This strategy has come to be known as *neo-desarollismo*, in homage to the nationalist economic politics which characterized Latin America between the late 1940s and the 1960s (Grugel and Riggirozzi, 2007:87).

Yet, they concluded that neo-developmentalism in Argentina does not offer a clear alternative to neoliberalism in its ambitious project to break away from neoliberalism as Grugel and Riggirozzi put it:

> In a broad sense, it parallels the trend away from neoliberalism and towards a renewed focus on the state`s role in governance elsewhere in Latin America. The crisis of 2001 proved to be a turning point from which an alternative project of political and governance has developed. *Neo-desarrollismo* is an ambitious, if sometimes vague and ad hoc, strategy for growth, and managing growth, based on macroeconomic prudence, moderate state intervention and reindustrialization (Grugel and Riggirozzi, 2007:106).

According to Panizza, in Argentina “ideology, politics and economics were combined in the service of a project aimed at strengthening the authority of the state and the power of the presidency and at implementing an economic strategy that retrieved elements of Argentina`s national popular tradition” (Panizza, 2009:245). However, Argentina maintained some elements of Post-Washington Consensus (PWC), thereby pursuing a less radical break with neoliberalism than Venezuela owing to its more diversified economy Yet, Kirchner government`s search for alternatives to neoliberalism proved to be more radical than its counterparts in the Southern Cone due to its ambitious project to reinforce statism and confront domestic and global business interests, taking advantage of the weakly institutionalized party system (Panizza, 2009:243-245).

Levitsky and Roberts (2011) argued that post-crisis political economy of Argentina conformed to a combination of statist and orthodox policies revoking classical populism of Peronism with strong links to labour unions. Due to legacies of weakly institutionalized party organisation of Peronism, state interventionism was rather “pragmatic” and “selective “as they put it:

> Likewise, the Kirchner governments in Argentina broke with neoliberal orthodoxy by imposing export taxes and price controls, loosening monetary policy, renationalising pension system, and dramatically increasing public investment. Nevertheless, their break with macroeconomic orthodoxy was far more than that of Venezuela, and notwithstanding selective statist measures, they neither dismantled the export-led model nor significantly expanded state ownership of the economy (Levitsky and Roberts, 2011:401).

I offer a more nuanced approach to the understanding of post-neoliberalism in Argentina. I argue that post-neoliberalism was more hybrid and complex which did not entail a distinct departure from neoliberalism. I argue that while there was a revival of developmentalist principles of classical Peronism, there was not rejection of efficiency gains of markets, those are globalising and liberalising in nature. Argentina`s neo-developmentalism or post-neoliberal project maintained core elements of economic liberalism in the form of low tariffs (e.g. zero per cent tariffs for importing capital goods), FDI liberalisation, provision of import duty exemptions and income tax breaks, and monetary and fiscal tightening via quantitative targets, fiscal stabilization funds, reserve accumulation to access capital mobility.

Consequently, I argue that principles of developmentalism were re-invented as states saw a transformation and erosion of their old welfare and regulatory mechanisms in the context of changing costs and benefits of integration into a more market-oriented and liberal global economy. Scholars such as Ortiz and Schorr (2007) and Azpiazu and Schorr (2010) argue that the post-crisis political economy of Argentina was characterised by strong reliance on foreign capital and technology despite asserting some elements of state developmentalism (Azpiazu and Schorr, 2010:120; Ortiz and Schorr, 2007:24). While domestic factors such as a historical reliance of Argentina on foreign capital is relevant for this thesis, I examine post-neoliberalism in Argentina within the framework of complex and dynamic interactions between domestic political economies and globalised market activity in the context of challenges of global competitiveness. Although globalisation does not render state power in an absolute decline as advocated by the neoliberal view, it marked a shift in the traditional balance between national states and markets. Higher capital mobility and greater weight of markets in national and global policy-making processes requires complex interactions with non-state actors and entails states to share their autonomy in some key policy-making areas (Goldblatt *et al*., 1997:281; Philips, 1998).

For instance, given the costs of loss of exchange rate control or shortages of reserves, capital mobility in the form of financial volatility or capital exit option exerts pressures on state`s active exchange rate and monetary policies. Globalization of trade, technological advances in information, and cheaper costs of communication and infrastructure, creates competitive pressures among states. While states may maintain their options to resort to some degree of trade protectionism, rewards of importing of capital goods or costs of non-conformity to binding regional and global trade agreements may constrain their policy options. TNCs also increased their importance in national policy-making process in the context of FDI and joint ventures owing to their ability to transfer capital and technology and their capacity to export (Goldblatt *et al*., 1997:274-283).

Hence, as Phillips and Higgott mentioned, “The provision of public goods such as stable exchange rates, adequate taxation systems, macroeconomic conditions conducive to global competitiveness of private sectors, property rights, the rule of law, and so on, are deemed to be principal residual role of national states when their regulatory and welfare functions have been eroded by the process of economic globalization" (Phillips and Higgott, 1999: 33). As a result, "the policy challenge has become one of how to combine the reactivation of the welfare and regulatory roles of states (as essential elements of a 'public' domain) with economic models that centre, more or less, to revolve around liberalized private sector activity" (Higgott and Phillips, 1999:33).

Therefore, Argentina`s shift from neoliberalism to neo-developmentalism should be understood in the context of re-interpretation of developmental practices, to operate under globalised market activity to garner benefits of globalized market activity and reduce imperfections associated with it. Kirby (2010) argues that although new developmentalism concept offered by Bresser-Pereira offers the closest understanding of this, there is still inadequate empirical knowledge about how this new state formation looks. For instance, Kirby argues that there was a trend towards greater state activism in Argentina to manage markets around principles of Peronism to re-activate industrial production and regulate privatised utilities. However, Argentina maintains fiscal discipline and reserve accumulation owing to its integration into global capitalism (Kirby, 2010:9-10). O'Connor (2010) positions Argentina as a potential neo-developmental state, using the concept from Brazilian neo-developmentalism used by Bresser-Pereira. He argues that beyond solely inflation-controlling, macro-economic policies assigned the state a guiding role to promote industrial goals via prevention of currency appreciation and reduction in interest rates. In comparison with Chile and Brazil, Boschi and Gaitán (2009a) point out Argentina`s institutional weaknesses to pursue a coherent neo-developmental agenda.

The task remains for scholars of Argentina to further investigate the shift from neoliberalism to neo-developmentalism. I take this task one step further by analysing Argentina's political economy between 2002 and 2007 using the lens of new developmentalism and providing a rich empirical analysis of Argentine political economy to examine multifaceted and dynamic nature of this phenomenon. I look at four policy areas: financial regulation, trade, investment and labour. Therefore, this thesis seeks to address conceptual and empirical gaps in the literature to contribute to the scholarly debates about the rise of the New Left and post-neoliberalism in line with the following research questions:

1) To what extent policy responses to the financial crisis of 2001-2002 constitute a shift from neoliberalism to a coherent form of neo-developmentalism? What does it look like?
2) To what extent domestic politics, and economic strategies help us to better explain the shift from neoliberalism to neo-developmentalism?
3) To what extent processes of integration into the changing global economy help us to better explain the shift from neoliberalism to neo-developmentalism?

1.3.1. Financial Regulation

According to the literature on the political economy of Argentina, state activism via competitive devaluations, expansionary monetary and fiscal policies constituted main pillars of post-neoliberalism which were guided by nationalist and productivist principles of Peronism. However, the Duhalde and Kirchner governments were cautious about public spending and remained committed to achieve fiscal surpluses to control inflation and pay the debt (Riggirozzi, 2009; Wylde, 2012; Heidrich and Tussie, 2009). The findings of this study suggest, however, post-neoliberalism was more complex in Argentina. Post-neoliberalism did not mean a rejection of efficiency gains of global markets. Core principles of economic liberalism were maintained driven by the needs of credibility and stability vis-à-vis global investors. Instead of return to old developmentalism, this entailed ensuring competitive (stable) prices and a sound macro-economic environment to enable private entrepreneurs to access global capital and technology. Departing from free market fundamentalism, credibility and stability was achieved via re-activation of state`s financial regulatory mechanisms and rebuilding the state`s fiscal capacity to protect from destabilising effects of speculative capital flows. Furthermore, financial regulation signalled re-activation of developmental practices to promote industrial competitiveness and employment, allowing some degree of flexibility in exchange rate, monetary and fiscal policies via reductions in excessive currency appreciation and interest rates. Although some degree of monetary and fiscal flexibility was achieved, Argentina`s fiscal and monetary policy was constrained under financial volatility, exit option of the capital, and the structure of debt management in global economy. This exerted pressures to ensure sound macro-economic environment leading to a further reserve accumulation, monetary sterilisations, achievement of fiscal surpluses and fiscal rule on debt, and establishment of stabilisation funds to maintain financial stability and make debt repayments in Argentina.

1.3.2. Trade Policy

It was highlighted that devaluation of the Argentine peso and selective controls trade allowed a process of import-substitution that favoured national industry and export of tradable goods (Riggirozzi, 2009). However, the findings of this thesis suggest that post-neoliberalism was more nuanced in Argentina. This study has found that there was not a return to the old type of protectionism. There was not rejection of efficiency gains of markets to access technology and new markets. While technological change and trade integration at a global scale exerts pressures for competitiveness, import dependence of local and foreign industry and reliance on comparative advantages meant that strong elements of economic liberalism were maintained in the form of low tariffs (e.g. zero tariff rates for capital goods imports) to access new trade markets and upgrade technology in global markets. Departing from free market orthodoxy, a new type of developmentalism emerged that assigned the state a guiding role to ensure a liberal and transparent framework to enhance efficiency of exporters, enabling them access new markets and technology. Unlike old developmentalism, these policies favour natural resource related industries based on comparative advantages and capital-intensive industries that have the potential to penetrate new markets. Old style developmental practices such as export duties for commodity goods were re-invented to deliver industrial competitiveness, promote diversification and technology upgrading in global markets.

1.3.3. Investment Policy

It was noted that there was a revitalization of state activism to promote national industry and exports of tradable goods after the financial crisis of 2001/2002 in Argentina. Re-negotiations of contracts with privatised utilities, public investment in infrastructure and establishment of a national energy company constituted essential pillars of post-neoliberalism in Argentina. However, post-neoliberalism was pragmatic as there was a limited number of nationalisations (Grugel and Riggirozzi, 2007; Wylde, 2012). This thesis, however, suggests that post-neoliberalism cannot be seen as a wholly distinct break from neoliberalism in Argentina or a return to old developmentalism. While mobility of TNCs and their ability to transfer capital and technology creates competitive pressures among states, it is argued that Argentina`s reliance on foreign capital and technology should be taken into account. It was observed that Argentina promoted extensive liberalisation in the area of FDI, concessions for investors to explore oil and gas, albeit not in the orthodox faith in free markets. Whilst embracing the efficiency of markets, developmental tenets were re-invented to guide markets, and correct its failures. For instance, investment rules and price regulations in strategic industries were employed where concentration of income and production prevails, constraining their rent-seeking activities to ensure adequate investment for the domestic-facing manufacturing industry. Furthermore, the results of this thesis suggest that a new developmentalism emerged to ensure private sector competitiveness, providing horizontal tax incentives for local and foreign investors to upgrade technology in global markets. These incentives were primarily oriented towards enhancing efficiency of large capital-intensive and natural resource-related industries. There were also direct fiscal subsidies to enable small and medium-sized enterprises (SMEs) to upgrade technology in external markets.

1.3.4. Labour Policy

According to the scholarly debates on Argentine political economy, there was a reconstitution of the state`s ties with Peronist constituencies around the questions of employment, social spending and social security. However, in a different manner than classical Peronism, the Kirchner government built neo-corporatist ties with only organised labour unions as neoliberalism resulted in weakening the working class. Furthermore, unlike classical Peronism, fiscal conservatism entailed a more cautious management of wage bargaining not to spur inflation and maintain economic stability. Both Duhalde and Kirchner governments pursued a less ambitious agenda in the area of social spending and resorted to neoliberal type workfare programmes to appeal to non-unionised workers (Etchemendy and Garay, 2011; Grugel and Riggirozzi, 2012; Wylde, 2011). I argue that post-neoliberal labour policy was more complex in Argentina. In labour policy, the findings suggest that there was strong re-socialisation and re-regulation of labour markets around principles of collective action, corporatism, employment creation and social security, without rejecting market-led integration to global capitalism. This thesis found that a new type of developmentalism emerged which combined workfare programmes with a skill training component to enable workers to insert into labour markets and increase the quality of employment. Old style developmental practices such as re-activation of corporatist bargaining, minimum wage increases, formalization of labour markets and reversing flexible measures were seen to protect labour rights. These policies represented strong re-socialisation and promotion of collective rights to protect the purchasing power of workers and to promote formal and stable employment in an environment of unregulated globalised market activity.

However, I argue that there were still constraints on the coherence of new developmentalism owing to Argentina`s market-led integration to global capitalism. In Argentina, despite regulation of labour markets, market-led and globally-oriented strategies continue to favour large capital-intensive business and natural resource-related industries with low and medium labour intensity over local producers in retail and manufacturing with high labour intensity. Still lacking adequate technological modernisation and investment, these producers struggled to compete locally and globally which destabilized their capacity to create stable and quality jobs. Despite improvements in labour conditions, in Argentina there was still an asymmetry between high-skilled and low-skilled labour in which the latter still suffers from informal conditions of work (both in the formal and informal sector), job insecurity and low wages.

1.4. Research Methods

1.4.1. Case Study Selection

Using the case study method enables the researcher to pursue a rich, in-depth, and multifaceted examination of a single social phenomenon and provides validity and reliability (Feagin *et al.*, 1991:2-15). I use Argentina as a case study to investigate whether there was a shift from neoliberalism to new developmentalism. Argentina is a promising case to investigate the extent and nature of the shift from neoliberalism to new developmentalism as it was highly appraised as a success case for neoliberalism in the early 1990s by the international financial institutions (IFIs) (Carranza, 2005) whereas after the financial crisis of 2001/2002 it was widely interpreted as an emblematic case for the post-neoliberalism (Grugel and Riggirozzi, 2007; Riggirozzi, 2009; Wylde, 2012). In this context, Argentina is an interesting case to examine the hypothesis of this thesis that post-neoliberalism does not represent a process which is opposed to neoliberalism, and the argument that developmentalism and neoliberalism can be compatible.

In order to explore the extent and nature of the shift from neoliberalism to new developmentalism in Argentina, I investigate the responses to the financial crisis of 2001/2002 between 2002 and 2007 under the transitional Eduardo Duhalde government and the Néstor Kirchner government. As the financial crisis of 2001/2002 is widely viewed as a critical juncture for a case for post-neoliberalism, I limited my focus on the period between 2002 and 2007, comparing it to the period between 1989 and 2001 in which neoliberal reforms reached its peak. Furthermore, as the global crisis posed a new set of challenges for Argentina`s political economy, I decided to limit my research to the period between 2002 and 2007. In exploring the extent and nature of the shift from neoliberalism towards new developmentalism in Argentina, I look at four policy areas: finance, trade, investment and labour. I look at policy responses in finance, trade and labour areas, as the financial crisis of 2001/2002 heightened dislocations in the social and economic fabric of the Argentine political economy in these critical policy areas. I also chose to investigate policy responses in investment areas. Although Argentina was a successful case in attracting flows of FDI, I chose to explore policy responses in this area as Argentina`s foreign investment strategies were characterised by rent-seeking activities which contributed to dislocations in the social and economic fabric in Argentina.

This research uses qualitative methods to explore whether there was a shift from neoliberalism to a neo-developmentalism in Argentina. Qualitative research allows an intense and detailed analysis in pursuit of understanding a social setting, concept or event. It allows the researcher to explore a social reality in the context of people's "interpretation" of the social setting they are involved in (Bryman, 2012:380). Ormston *et al*. argue that there are divergent approaches to the study of qualitative research. This thesis will acknowledge that "the reality exists independently of those who observe it, but it is only accessible through the perceptions and interpretations of individuals" (Ormston *et al.,* 2014: 21-22). In this context, I did not solely seek to explore how actors perceive a social reality, but also how they reflect upon the structures and institutions within that they act. I sought to explore how domestic agents perceived the implications of the financial crisis of 2001/2002 and I investigated their perceptions of why and how they implemented policy changes.

In order to understand the nature of responses to the crisis, I used semi-structured interviews to explore interviewees' perceptions of the social settings in which they acted. Semi-structured interviews allow the respondent to give detailed answers to "why" and "how" questions (Bryman, 2012:470). I interviewed officials that had governmental positions participating in the process of decision-making or influencing policy-making in response to the financial crisis of 2001-2002. I interviewed government officials such as Ministers of Economy, and officials from the Central Bank of Argentina, the Ministry of Labour, Employment and Social Security of Argentina, the Ministry of Industry of Argentina and the Ministry of Economy and Public Finance of Argentina. Interviews were not limited to government officials who participated in policy-making. As the financial crisis was unfolded as a social and political legitimacy crisis, I also interviewed civil society actors from relevant social movements and labour unions, as well as business organisations to understand their perceptions about the financial crisis of 2001/2002 and its implications for the Argentine political economy between 2002 and 2007.

Legard *et al*. (2014:143) argue that it is important to ask appropriate questions that are perceived as "meaningful by the participant". Therefore, it is essential to organise questions in more specific terms based on "particular topics or concepts" to enhance reliability (Legard *et al.*, 2014:149). This enables the researcher to examine perceptions of the interviewees "that underlies descriptions of behaviour, events or experience, and that help to show the meaning that experiences hold for interviews'' (Legard *et al*., 2014:150-151). In this context, I sought to explore the views of the policy-making elite on particular policy responses by asking how and why these policy responses were designed and implemented. Hence, while I used semi-structured interviews to lead interviews in a flexible, interactive and detailed manner, I also focused on particular policy changes to ask relevant questions. In analysing the documents, Rubin and Rubin (2005:206-207) argue that it is important to elaborate relevant "concepts, themes and events" whilst reading the interviews in order to transform the data into a more articulate body of work. Hence, I examined the interviews through the lenses of concepts, events and themes that are relevant to my thesis. As Silverman (2013:281) noted, scholars raised concerns about the validity of interview analysis: "Many have doubts about the extent to which respondents` answers really relate to what they do outside the interview". According to Silverman, one way of responding to this challenge is to provide a more in-depth examination of the data to enhance validity (Silverman, 2013:282). Hence, I researched a wide range of government documents, international organisation documents, and newspaper archives to support interviews.

1.4.2. Limitations and Difficulties

One of the difficulties of undertaking interviews is to maintain neutrality. The interviewer`s values and perceptions about the social setting he/she examines may shadow the validity and reliability of the interviews (McNaughton *et al*., 2014:245). Although it is difficult to be absolutely objective about a social reality, I aimed to stay neutral as far as I could. Moreover, in order to overcome such limitations, I aimed to provide a wide range of data such as reports, documents and newspaper archives to strengthen the validity and reliability of this research. Another difficulty was related to data collection. I had difficulty locating some interviewees who were no longer in a governmental position at the time of the fieldwork trip. Therefore, I interviewed fewer participants than I initially planned. I interviewed 23 participants. However, I interviewed government officials who actively participated in the decision-making process after the financial crisis of 2001-2002 to increase the quality of the fieldwork research. Furthermore, my personal contacts helped me to reach officials who were no longer actively involved in governmental institutions.

1.5. An Outline of the Thesis:

In Chapter 2, after a brief background of transition from the ISI policies to neoliberalism in the wider Latin American context, I present a critical examination of the scholarly debate on the Latin American political economy in the context of the rise of the New Left. The review of the literature will be followed by the introduction of the conceptual framework used in this thesis to analyse the shift from neoliberalism to neo-developmentalism in Argentina. The chapter draws conceptual tools from the literature exploring neoliberal transformation in Brazil, which was crystallised around the "new developmentalism" concept by Bresser-Pereira in 2003 and extended to the rest of the region in the 2000s. Based on this literature, I offer a nuanced approach to post-neoliberalism, seeing it not simply in opposition to neoliberalism, but as an intermediate case between neoliberalism and old developmentalism.

In Chapter 3, I explore the background to the Argentine political economy. This chapter evaluates a period stretching from the 1940s, when ISI started to dominate Argentina's development, up to the financial crisis of 2001/2002. It will be argued that although ISI did not necessarily avoid entry into the global economy, neoliberalism represented an explicit shift towards a more market-oriented integration in the 1990s. Argentina`s path was close to a neoliberal orthodoxy characterised by the dismantling old state institutions and the establishment of free markets as the key drivers of growth and welfare. I argue that even if the crisis was not simply due to hyper-liberalisation, since Argentina did have weaknesses due to its path dependent development, the dominant free-market ideology of neoliberalism and the functioning of the global economy exacerbated Argentina`s weaknesses. I argue that unfettered market-led entry into the global economy exposed Argentina to various negative externalities of economic globalisation. Furthermore, reforms were implemented without taking into account political and social realities which created dislocations in the social fabric by exposing local producers and workers to unfettered competition.

In Chapter 4, I examine responses to the crisis in the area of financial regulation between 2002 and 2007 by comparing this period to the period 1989-2001. It will be argued that while there were strong post-crisis elements that resemble developmental tendencies towards re-politicising markets and promoting local priorities, Argentina`s post-neoliberal path was more complex. The chapter provides a background of the neoliberal policy in Argentina. The background is followed by critical analysis of key policy changes in the financial regulation area: intervention in foreign exchange markets, acting as a lender of last resort, banking regulation and debt restructuring. The empirical case, seen through the conceptual framework, shows that Argentina`s post-crisis financial regulation departed markedly from the heyday of neoliberalism. There were strong elements of the rejection of unfettered financial liberalisation and deregulation, and indeed re-activation of regulatory elements that protected from financial crises and promoted domestic economic and productive goals. Yet, it will be argued that Argentina`s path in the period between 2002 and 2007 was still conditioned by the exigencies of maintenance of credibility in global financial markets.

In Chapter 5, I explore trade policy responses between 2002 and 2007 by comparing this period to the period 1989-2001. I provide a background of the neoliberal trade policy in Argentina. Next, I move on to examine essential policy changes in trade: tariff barriers, Argentina`s *Mercado Común del Sur* (MERCOSUR – the Southern Common Market) strategies, and trade relations with China. The findings of this chapter show that post-neoliberalism did not mean a break with economic liberalism. It was observed that re-activation of tariff barriers and export duties allowed for a rebuilding of state capacity to promote industrial competitiveness, representing a departure from pursuing pure economic goals under unilateral trade liberalisation. These elements were combined with strong trade liberalisation, especially in the area of capital goods imports, and promotion of efficient firms based on comparative advantage or capital-intensive industries that have potential to enter new markets. In effect, in trade policy, there were strong elements of economic liberalism characterised by Argentina`s reliance on foreign technology and comparative advantages based on natural resource-related industries.

In Chapter 6, I explore investment policy responses between 2002 and 2007 by comparing this period to the period 1989-2001. After examining neoliberal investment policy in Argentina, I critically investigate main policy changes in this area: regulation in strategic sectors and industrial incentives. By comparing the two periods, I found that there were distinct elements of re-embedding state regulatory mechanisms such as capital controls, regulation in strategic sectors, and re-activation of fiscal activism to promote domestic industrial production and exports. However, it was observed that there was not a rejection of economic liberalism, and that dependence on foreign capital and technology and strong participation of foreign firms in the domestic economy remained an active means of achieving global competitiveness. Rather, there were efforts to create liberal and transparent frameworks to enable efficiency and promote spillovers of technology and capital. For instance, new developmentalism was seen to provide tax incentives to efficient firms to enable them to upgrade technology and enhance export competitiveness.

In Chapter 7, I explore labour market policies between 2002 and 2007 by comparing this period to the period 1989-2001. Empirical data shows that this area saw strong revitalisation of developmental elements, albeit to function under a globalised market activity. After presenting neoliberal labour policy in Argentina, I examine key changes in labour policy that constitute alternatives to neoliberalism. Although it was observed that there were developmental elements in the form of re-regulation of labour markets and re-activation of protection of collective rights of labour, I argue that there were still constraints owing to Argentina`s market-led integration into the global economy.

In the conclusion of this thesis, I revise the conceptual debates about the rise of the New Left and post-neoliberalism in Latin America. I offer insights from new developmentalism to investigate the extent of the shift from neoliberalism to neo-developmentalism in Argentina between 2002 and 2007 in comparison to the neoliberal policies of the Menem government between 1989 and 1999. I examine the key policy changes in financial regulation, trade, investment and labour markets.

CHAPTER 2. CONCEPTUAL FRAMEWORK: TOWARDS A “NEW” APPROACH TO NEO-DEVELOPMENTALISM

Argentina went from being seen as the “poster child” of neoliberalism in the early 1990s to the “basket case” after experiencing its deepest economic and social crisis in late December 2001 which outspread in the form of social protests, resignation of two presidents in 10 days, debt default and a massive devaluation. Both non-elected interim President Eduardo Duhalde (January 2002-May 2003) and President Néstor Kirchner (2003-2007) signalled their commitment to a return to local ideas about development based on a critique of extreme liberalisation (Carranza, 2005). Néstor Kirchner who campaigned on a centre-left platform strongly criticised Menem`s neoliberal reforms in the 1990s (Levitsky and Murillo, 2003). Post-crisis political economy of Argentina was conceptualized as part of a wider trend in Latin America as the region saw a resurgence of the Left based on a critique of neoliberal reforms. This prompted a debate about a return to local ideas of developmentalism and the state`s centrality in economic management and welfare in the region which marked a distinct departure from neoliberalism that had dominated the political economy of Latin America in the 1980s and 1990s. Some scholars talked about the beginning of a new consensus which was labelled as post-neoliberalism. However, despite affirming the state`s centrality in development with a focus on local ideas, the literature lacks a clear conceptualisation of the New Left or post-neoliberal projects. Although the literature points out the difficulties of the search for a new balance between states and markets, especially those arising from the constraints of integration into the global economy, there is not yet sufficient attention to what type of state has emerged to respond to these challenges (Kirby, 2010; Puntigliano, 2007).

In search for a conceptual framework to examine the extent and the nature of the shift from neoliberalism to neo-developmentalism in Argentina between 2002 and 2007, this chapter explores conceptual debates about the rise of the New Left governments in the wider Latin American setting. This study employs the conceptualisation utilized by scholars of Brazil to examine its neoliberal transformation since mid-1990s, which was crystallised around the “new developmentalism” concept by Bresser-Pereira in 2003 and extended to the rest of the region in the 2000s. Rather than a distinct break from neoliberalism, new developmentalism offers the advantage of achieving compatibility between neoliberalism and old developmentalism. In doing so, it provides a conceptualisation of possible post-neoliberal projects in the region, which are found to be characterised by a renewal of developmental practices and statism within a wider context of globalised market activity. The chapter will be divided in three sections. The first section will provide a brief background about the transition from old developmentalism to neoliberalism in Latin America followed by a discussion of the scholarly debate on the post-Washington Consensus. It will be shown that transition to neoliberalism was propelled by specific problems of the ISI model although ideological and material transformation in the global economy played a role in embracing neoliberal reforms. Due to complex interactions between domestic and global spheres, neoliberalism found profound embrace in the region. The second section will analyse the literature that observe the resurgence of developmentalism and the Left in the wider Latin American context and will reveal its limitations. The third section will introduce the concept of new developmentalism which will be utilised to examine the shift from neoliberalism to neo-developmentalism in Argentina.

2.1 From Developmentalism to Neoliberalism in Latin America

Developmentalism was inspired by the ideas of the Economic Commission for Latin America the Caribbean (ECLAC), which were a response to global structural asymmetries and aimed to reduce dependency on the commodity-led insertion into the global economy (Green, 1995). It was developed under the name of structuralism. Structuralism viewed economic decision-making not only as a matter of technological progress, but also of socio-cultural progress and local ideas about how development should be. Developmentalism gave a central role to the state in economy. It embodied aspects of Keynesianism about the importance of the domestic market and its role in gaining a degree of national autonomy through planning and industrialisation (Puntigliano, 2007). The key characteristics of its theoretical foundations were to reduce dependence on primary products and expand domestic manufactured goods, to invest heavily in infrastructure, to protect local industries against foreign competition by imposing tariff and non-tariff barriers, to nationalise key industries such as oil, utilities, iron and steel, and to establish new ones supplied with imported machinery and inputs (Green, 1995). The ISI model heavily depended on the stimulation of domestic markets through creation of demand for industrialised products. Thus, the inward-oriented accumulation mode was highly connected to nationalism and populism, which was sustained by building coalitions with the industrial bourgeoisie and labour unions. In this sense, governments had a role in investing in infrastructure and industry, supporting the industrial sector through subsidies and protecting them from foreign competition through high domestic tariffs, whilst also developing relations with labour unions through collective bargaining and wage increases (Rapley, 2007:36).

This model went hand in hand with populism, with Perón (Argentina), Cárdenas (Mexico), and Vargas (Brazil) incorporating urban masses around national development. Perón and Vargas built coalitions with urban working classes and union movements developed. This model was not without problems. It was capital-intensive and failed to generate new employment in conditions of underemployment. Although it reduced imports of consumer durables, it was dependent on the imports of capital goods such as heavy machinery. Trade deficits and overvalued exchange rates combined with increasing imports and a failure to develop export competitiveness. Key industries in nationalised sectors came accompanied with public deficits and money printing. There was also contentious debate with transnational companies. Although the nationalist project objected to the repatriation of profits, this industrialisation model required capital formation and technology in order to sustain itself since it relied on the import of capital goods to implement industrialisation. Especially from the 1960s onwards, TNCs captured most of the dynamic areas of industry and left slow-moving sectors to the locals (Green, 1995). As Cardoso and Faletto put it, late-industrialising countries could not escape from the dependent position in the world economy even though they shifted from an economy solely based on production of primary products. This derived from the fact that semi-peripheral and peripheral countries lacked technology and organisational capacity to sustain an independent economic model (Cardoso and Faletto, 1979:xxi-xxii).

The problems of the ISI worsened throughout the 1960s and 1970s, which witnessed the transformation of investment from public towards private sectors, with a massive increase in financial flows. A global financial market was created by the surplus that emerged from petrodollars during the oil crisis of 1973, which were transferred to American and European banks. Moreover, the rise of the Eurodollar market was an important factor in the transformation of the financial system. These two developments led the region to rely on foreign investment to finance industrialisation, in a more ambitious direction. The shift towards private funding from the restricted structure of state-based aid rendered foreign investment more flexible. As Hoogvelt summarizes, the debt dilemma in the developing world related to the heavy public borrowing which was needed to support industrialisation in the 1970s (Hoogvelt, 2001:176-177).

While the ISI model found itself in a balance of payments dilemma, which was disastrously revealed by the 1982 debt crisis, the world economy in the 1960s and 1970s was going through a crisis which led to the decline of Bretton Woods, which had incorporated the responsibilities of the Keynesian state into a liberal world order. In practice, the Bretton Woods regime collapsed because of Nixon`s decision to remove the fixed exchange rate (Frieden, 2007:339-42). At ideational level, neoliberalism which had roots in classical liberalism started to be vocalised as a response to the supposed failure of Keynesianism, accompanied with neoliberal experiments in the US, Chile and Britain in the 1970s. In this period, Friedman and other conservative economists criticized the Keynesian growth theory and the welfare state as causes of the recession and inflation in the world economy. Preferring methodological individualism and rational utility maximization adopted from classical economics, neoliberalism rejects the social and political foundations of Keynesian state management and defends free-market and monetarist solutions, thereby constituting a transformation in state–market relations (Payne and Phillips, 2010). Consequently, instead of the state, neoliberalism favours the establishment of free markets and pro-market institutions, to allocate resources and welfare as Harvey put it:

> Neoliberalism is a theory of political economic practices that proposes human wellbeing can be best advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets, and free trade (Harvey, 2007:2).

Neoliberalism rested on a critique of statism and politics, which were seen to be driven by self-interested individuals. It was embedded in the neoclassical economics revived by monetarism in the 1960s. Monetarism was a political attack on the Keynesian state and its welfarism. Inflation control was a political strategy to separate politics and the economy in order to manage economic matters on a solely technical basis. Inflation control represented an ideological shift that reconfigured the relationship between the state, labour and business. In this context, collective action and the politicised nature of Keynesianism – with its corporate bargaining, union activism and full employment – was seen as a political threat. While orthodox versions of monetarism dissolved, the ideas of the triumph of free markets and pessimism about the state remained and were transferred to the developing world as universal solutions. Import-substitution industrialisation based on price controls, capital formation, subsidisation, and protection were seen as causes of inefficiency and subject to rent-seeking based on promotion of uncompetitive industries (Gamble, 2001:132; Harvey, 2007:27-30; Payne and Phillips, 2010:86-92).

Neoliberalism was not solely concerned with domestic reform. It was accompanied by structural transformations in the global economy which was characterised by “global restructuring of capital” or “economic globalisation”. It was a political project to enhance the “structural power of global capital” (Gill, 1995:404; Harvey, 2007:28-29; Payne and Phillips, 2010:91). Neoliberalism rested on prioritisation of money capital over production capital and sought to free capital from its fixed positions (Gamble, 2001). This political and economic project was institutionalised through increasing leverage of global institutions such as the International Monetary Fund (IMF) and the World Trade Organisation (WTO) in matters of global finance and trade (Gamble, 2001:131-133; Harvey, 2007:27-30). Therefore, the neoliberal view suggested that freeing the markets and setting appropriate economic criteria for capital would create trickle down effects as markets were deemed to be neutral and rational. Neoliberals argued that the state`s politicised macro-economic management causes inflationary pressures and leads highly mobile capital to exit. Neoliberals, hence, advocated that costs and benefits of capital mobility entail depoliticization of economic policy making with a distinct emphasis on ensuring competition based on integration into the global economy (Payne and Phillips, 2010:92; Phillips, 2004:61-64). This required establishment of an appropriate environment for competition and private entrepreneurship via liberalisation and deregulation, adequate taxation, and sound money criteria. Neoliberalism encouraged free trade based on comparative advantage for technology exchange and export diversification (Gamble, 2001:131-132; Payne and Phillips, 2010:93-95). These ideas were collectively represented under the WC coined by Williamson which included maintenance of fiscal discipline, real positive interest rates to prevent capital outflow, re-ordering public expenditure, tax reform, competitive exchange rates, FDI liberalisation, privatisation, deregulation and trade liberalisation (Payne and Phillips, 2010).

The exhaustion of ISI, East Asian export growth perceived as a success for free markets, and the withdrawal of communism as an alternative ideology with the collapse of the Soviet Union all paved the way for market triumphalism. It was argued that through Western capitalism and democracy, now a dominant ideology without an alternative in the world, all of the countries of the world would reach prosperity by transforming old-fashioned economic and political institutions (Callaghy, 1993:161). Throughout the 1982 debt crisis in the region, the neoliberal reform agenda gained impetus under the IFIs` ideological and material leverage.

Privatisation, liberalisation and deregulation did not only become subjects of debt restructuring, but also spread as essential criteria to access capital mobility and free trade (Panizza, 2009; Phillips, 2004). Although the IFIs played a role in diffusing the neoliberal agenda in the region, the reforms were not purely imposed externally. Deregulation and trade integration were seen as benefits by the political elite who saw the problems as inherent in the ISI model. This was followed by the spread of neoliberal ideas via technocrats in university economics departments, government ministries, banks and international institutions (Green, 1995; Stallings and Peres, 2000:38). Furthermore, for a region in need of capital and technology transfer, neoliberalism differed from its developed-world version. Neoliberalism meant drastically dismantling previous state institutions and establishing free markets as the key mechanism to access mobile capital and to liberalise trade (Naím, 2000).

Argentina, Chile, Colombia and Uruguay were early reformers, beginning in the 1970s. Far reaching reforms started in the mid-1980s and the rest started to catch up (Stallings and Peres, 2000). By early 1985, policy elites were resorting to a mix of orthodox and heterodox ways to find solutions to the crisis such as freezes on wages, prices and exchange rates whereas they also resorted to more orthodox measures via public cuts in infrastructure, education and health. With the exception of Mexico (1988), the Austral Plan in Argentina (1985), the Cruzado Plan in Brazil (1986), and the Inti Plan in Peru (1985) had mixed results, with rising inflation and unmanageable deficits. In trade, the neoliberal agenda found profound embrace, exposing previously protected industries to foreign competition. Unilateral trade liberalisation was the order of the day. In 1984, Chile and Ecuador began cutting tariffs. A year later, Mexico, Bolivia, and Costa Rica followed. However, after the export boom, in 1984, terms of trade declined for raw materials and imports surged. Foreign investment remained low and debt continued to rise. Between 1984 and 1987 debt continued to accumulate (Green, 1995).

This mixed period was replaced by a growing orthodoxy in the early 1990s. Trade liberalisation, cuts in spending, privatisation and deregulation paved the way for a restructuring of state, market, and society through insertion into the global economy (Green, 1995). The region experienced an increasing reliance on private capital flows accompanied by elimination of budget deficits, fixed exchange rates, monetary tightening, and deregulation of interest rates (Stallings and Peres, 2000:27). The Brady Plan, in 1989, marked an era of debt restructuring replacing the debt for bonds at fixed exchange rates. This was implemented in Argentina, Mexico, Costa Rica, Uruguay, Venezuela and Brazil. Privatisations were used to recover revenue, make debt payments and bring the private sector into production with the expectation of new technology and capital from TNCs. Chile was an early privatiser while Mexico's ambitious privatisation quickly overtook its early preference for reform. In the early 1990s, Mexico privatised its Telecommunication Company and 12 banks. Argentina privatised nearly every state company between 1990 and 1993, be it the state oil company, airlines, or telecoms companies (Green, 1995).

Although neoliberalism entailed a dismantling of the state via privatisations, cuts in public spending and removal of regulations, it was also characterised by the rebuilding of state power in social and economic areas whilst guiding market-orientation. Many governments entered into negotiations in attempts to appease and neutralise opposition to neoliberal reform, aiming at creating what they hoped to be a "coalition of winners" (Panizza, 2009:56-68). Neoliberalism was not uniform in each country. For instance, neoliberal reforms saw heterodox experiments and consensus-building in countries such as Brazil. Brazil`s market reforms were not guided primarily by economism, but rather resulted from a process of reforming the state and re-interpreting its developmental practices (Phillips, 2004; Panizza, 2009). Even in Chile, which was seen one of the symbolic cases for free market economy, there were elements of statism which guided liberalisation and deregulation which in Argentina appeared much more pronounced, and expressed themselves in the orthodox manner in which previous political and social settings were dismantled (Boschi and Gaitán, 2009a).

Using his party`s ties with labour unions, the Menem government in Argentina engaged in complex negotiations with labour unions which were granted privileges in return for agreeing to trade liberalisation, privatisations, and labour flexibility (Madrid, 2003:71-80). The reforms were shaped by pure economic strategies of Argentina which were driven by coalitions with powerful interests of large financial and industrial groups (Teichman, 2001:121-127). The Menem government deliberately constructed alliances with powerful local and foreign business, and created new areas of rent-seeking during the implementation of privatisations. Menem also mediated potential opposition from domestic industrialists which had previously enjoyed protection under ISI (Schamis, 1999; Teichman, 2002:496). For instance, car and steel industries enjoyed special trade regime to minimise potential risks of trade liberalisation (Panizza, 2009:59-60).

Neoliberalism, as a dominant ideology in the region went into a legitimacy crisis in the late 1990s (Grugel and Riggirozzi, 2009). Most criticism was related to neoliberalism`s obsession with inflation while failing to deliver growth, quality of life, and job security, especially given that the 1990s were marked by financial volatility in the region (Green, 1995;

Panizza, 2009:225). Even in the circles of the IFIs, this marked the beginning of a debate in bringing back the state and institutions to guide economic growth and reduce social inequality (Grugel and Riggirozzi, 2009:16). Joseph Stiglitz (1998), who previously worked for the World Bank, was among the scholars that criticised the lack of emphasis on institutions in the Washington consensus paradigm, arguing that East Asian success was based on upgrading technology via industrial policy to reduce the gap between the developed and developing countries. Hence, he argued that there was a need to go beyond the Washington Consensus (referred to as the Post-Washington Consensus or PWC) by rethinking the state`s role in the economy. However, he maintained the view that macro-economic fundamentals matter for growth, as he argued that an emphasis on low inflation does not contradict the East Asian experience. According to Stiglitz, while macro-stability was necessary to pursue growth strategies within the global economy, the Washington Consensus focused too much on inflation, overlooking other elements. He argued that one missing link in the IMF`s approach was the avoidance of the timing of liberalisation under weak institutions such as banking systems in developing countries. Furthermore, Stiglitz argued that too much emphasis on inflation reduced growth possibilities and led to rigidities in the economy. Hence, institution building should be central to developing competitive strategies and correcting market imperfections. Stiglitz` recipe, however, was more occupied with domestic reform of bank and firm assets than tackling negative externalities (Stiglitz, 1998:2-14).

In a similar vein, Stiglitz (1998) pointed out the importance of strong domestic institutions to tackle problems of trade competitiveness. On the trade side, he agreed with the WC that governments were responsible for fostering competitiveness, but he asserted that there are market imperfections as well as state failures. Markets do not only promote competitiveness, and indeed competitive strategies may lead to monopolistic structures and, in turn, high prices. Furthermore, if companies are not prepared for competition, they may remain inefficient. Regarding privatisations, Stiglitz argued that privatisation is necessary as he still believed that markets function better than states. However, he argued that this does not mean that a minimalist state should occur. In contrast, to promote efficiency of markets, states should provide the necessary regulations and infrastructure. That is, states and markets are complementary to each other. Finally, Stiglitz argued that the Washington Consensus should be humanised because self-regulated markets, especially in developing countries where markets are weak, fail to meet the basic needs of the vulnerable sectors of society. As a result, governments should assume a greater role in public education and helping to meet the poor`s basic needs (Stiglitz, 1998:18-28).

Williamson (2003), the architect of the term Washington Consensus, argued that there was general agreement over what reforms should look like in Latin America in the 1990s (Williamson, 2003:1476). However, he continued that the term went beyond his initial usage and was perceived as a set of "desirable" reforms to re-activate growth in Latin America. For instance, fiscal discipline was one of the main desirables given large public deficits and high inflation. Williamson (2003) argued that the problem was not privatisation, import liberalisation or any of other reforms. For instance, Williamson did not consider the Argentine crisis as related to the WC as his fiscal discipline and competitive exchange rate prescriptions did not necessarily occur in Argentina. According to Williamson, a new reform agenda was proposed: crisis-proofing, completing the first generation liberalising reforms, complementing them with second generation reforms (institutional) and broadening the reform agenda to include a concern with income distribution. First, Williamson recognized the structural vulnerabilities to external shocks such as dependence on primary commodities and an inability to diversify industrial products. However, he argued that this structural volatility should be addressed in the long term.

Hence, proposed solutions which were already part of the Washington Consensus should be put into action to prevent financial crises and price shocks: budget surpluses, budget constraints on sub-national governments, accumulated reserves and stabilisation funds, a flexible exchange rate regime (mostly through currency depreciation when there is sudden drop to capital inflows) supported by a monetary policy focused on low inflation, capital regulations such as reserve requirements, and fostering a prudential banking system. Second, Williamson offered the completion of first generation reforms such as the rigidity of labour, which he sees as a problem to increase jobs in the formal sector. He continues with a similar argument that such rigidity prevents the rest of the society and the informal sector from accessing job opportunities or social safety nets such as health insurance, pensions, and other safeguards (Williamson, 2003:1478). Other necessary reforms would be privatisation of banks, completion of the Free Trade Area of the Americas (FTAA), and import liberalisation. Third, Williamson acknowledges that there is a need to go beyond first generation reforms that are also addressed by other scholars. These reforms, though they address market failures, aim to complement the market rather than restricting it. Hence, the state could be seen as complementary, providing public goods and the infrastructure of a market economy. In order to prevent rent-seeking behaviour, industrial policy should not be one of the goals of institutional reform under the second stage reform. Instead, governments should focus on innovation and technological infrastructure since Latin American countries have failed to increase high technology exports. Furthermore, interest groups which may be captured by political interests, such as the judiciary and public school teachers, should be reformed, whereas institutions should gain more independence. Finally, Williamson concluded that a social agenda should be defined. Williamson claims progressive taxes, such as a tax on property, should be expanded to provide basic health, education and micro-credits (Williamson, 2003:1478-1481).

Birdsall *et al*. (2010) argued that the Washington Consensus was not a call for orthodox neoliberal policies as it is often depicted by scholars. For instance, they argued that Williamson`s guidance on neoliberal reforms that became contentious was wrongly interpreted by those scholars. They asserted that Williamson did not necessarily propose financial liberalisation in non-FDI sectors, nor did he propose a fixed exchange rate. They argued that Williamson prompted designation of competitive exchange rates by suggesting an autonomous central bank. They continued defending the Washington Consensus by saying that Williamson did not mention a minimalist state or reducing the size of the state in economy, even if privatisation still plays an important role in neoliberal reforms. According to them, neoliberal reforms rather focused on a competitive and efficient state. They argued that the main problem was the timing of the reforms that occurred without adequate regulation during financial opening. They claim that weak domestic banking systems were one of the main problems that Latin American countries faced. Weak banking systems cannot effectively deal with capital flows and are more vulnerable to credit bubbles. Hence, institutional design and prudential regulation is important, with a need for a legal framework, regulation, and supervision and accounting prior to financial opening. Furthermore, currency mismatches between the private and public sector in developing countries should be addressed (Birdsall *et al*., 2010:7-8).

Critics of PWC argued that although PWC incorporated institutions and social legitimacy into the economistic understanding of the Washington Consensus, it still did little to tackle its methodological individualism and universal approach. Therefore, they fall into the same theoretical and practical problems that do not recognize the specificity of local institutions and the challenges to developing countries’ participation in global economy (Fine, 2001; Phillips and Higgott, 2000). “Stateless markets” proved to be socially and economically destabilising in developing countries which lack a strong presence in global decision-making and do not hold adequate regulatory mechanisms as observed in developed countries (Phillips and Higgott, 1999:13-23; Higgott and Phillips, 2000:389). These challenges continue to shape the way developing countries insert their economies into the global economy, with highly volatile and mobile financial markets, the necessity of debt management, and power asymmetries concerning the way global trade agreements function (Phillips, 2011).

2.2. Approaches to the New Left

An important challenge to the PWC framework came from scholars of Latin America who observed the rise of the New Left governments in the 2000s. While neoliberals emphasized that liberalisation was not to blame and instead suggested strengthening domestic institutions to complement markets, this group of scholars argued that the problem was too much rolling back of the state and liberalisation, pointing out a greater shift towards state interventionism. Castañeda (2006) in particular stimulated much controversial debate about the nature of the Left in Latin America in the 2000s. Many scholars begin their analysis with a critique of his dichotomization of the New Left in the region. Castañeda did not associate the effects of neoliberalism with the resurgence of the Left in Latin America, but he accepted that there was rising inequality and an increasing gap between the rich and the poor in the region. Castañeda made a clear distinction between Left-wing parties in the region. While Brazil, Chile and Uruguay constituted examples of the reformed communist Left, countries such as Argentina and Venezuela were classed as anti-American, old school populism. Castañeda divided these Left-wing parties based on their respect for market-values and democratic institutions. On the one hand, the reformist Left respected market-led growth and democratic institutions while pursuing social programmes that target education, poverty, health care and housing. On the other hand, the anti-American Left, such as Argentina and Venezuela, did not share the same enthusiasm for markets and democracy. As a result, their disrespect for markets means they rely on abundant resources from commodities, rejecting the IMF, international investors, and free trade agreements without developing sustainable social programmes (Castañeda, 2006:38-39).

Cameron (2009) cautioned against Castañeda`s classification of the New Left as good social democrats and bad populists and argued that it represented another attempt to claim, as the Washington Consensus did, that development was only compatible with liberal Western values and market principles. Rather than focus on the distinction of "good" and "bad" Cameron pointed out that the resurgence of the Left can be understood as part of the disappointment with the neoliberal view that self-regulating markets would be adequate to bring growth and welfare for all:

> The end of the Washington Consensus was followed by deepening doubts about the presumption, inherent in neoliberal thought, that the adoption of the 'right policies' would be sufficient to generate the growth necessary for sustained and shared prosperity. During the apogee of the Washington Consensus, the expectation of an economic take-off allayed concerns about whether economic openness would increase the vulnerability of poor and marginalised sectors in the unfolding processes of global and regional integration. Optimism was gradually lost as a result of modest economic performance during the 1980s and 1990s and the external shocks caused by financial crises in some of the larger economies of the region in the 1990s (Cameron, 2009:337).

Neoliberalism particularly had devastating social consequences in countries where market reforms lacked an adequate level of institutionalization to combine the reforms with social cohesion, by solely privileging certain groups who share interest in "privatisation, deregulation, liberalisation and foreign investment promotion" (Cameron, 2009:338). As a result, disillusionment with neoliberalism was not only embedded in the economic problems but also the isolation of the reforms from politics lied at the heart as Cameron put it:

> The backlash against neoliberalism was as much a story of political failure as it was one of economic disappointment. This failure was linked, in turn, to the inability of policy makers to undertake deeper institutional reforms to ensure that the benefits of macroeconomic openness and stability translated into opportunities for social mobility, access to public goods, and a stronger public commitment to welfare and equity (Cameron, 2009:338).

According to Cameron, today the stark distinction between the Lefts that either seeks to alter radically production relations in favour of the excluded masses or project social change by respecting the core institutions of capitalism and democracy is questionable, notwithstanding their differences from each other owing to their attitude towards the "constitutional rules of the game" (Cameron, 2009:338). The New Left is more moderate today than Castañeda claimed, that it rather represents an attempt to reject the neoliberal orthodoxy that prioritises markets at the expense of the state and social groups. As Cameron argued:

> Many of the leaders associated with the electoral shifts to the Left since 1998 continue to favour market-oriented policies, and none advocates centrally controlled economies based on planning. The backlash against neoliberalism does not signal a rejection of markets, but a repudiation of the ideology that places markets at the centre of the development model to the detriment of public institutions and their social context (Cameron, 2009:338).

Sader (2009) shares Cameron`s view that the New Left governments emerged as a response to the disenchantment with neoliberal reforms which reduced the role of the state in economic and social governance. Neoliberalism represented a distinct type of capitalism based on trade and financial liberalisation which replaced interventionist and Keynesian models of state-led capitalism. This new capitalism, however, was not isolated from power relations and reflected consolidation of financial capital within core capitalist countries. Consequently, governments in the region embraced market-oriented growth and fiscal discipline, trade liberalisation, privatisations and suppressing labour unions` rights through IMF interventions (Sader, 2009:172-174). With the exception of the more radical Left of Venezuela, contrary to the good/bad categorisation of the Left, the New Left parties are moderate in appealing to their constituencies and adopt more moderate fiscal policies, as compared with traditional populism (Sader, 2009:178-179). Yet, in the region, even more moderate cases like Argentina are seeking alternative ways to enhance state power through halting privatisations and designing redistributive social programmes for their constituencies (Sader, 2009:178-179). Emerging resistance to neoliberalism was also evident in the region`s increasing trade cooperation through MERCOSUR and the *Alianza Bolivariana para los Pueblos de Nuestra América* (ALBA) – the Bolivarian Alliance for the Peoples of Our America, along with rejection of the FTAA. This emerging anti-neoliberal sentiment opposed the United States (US) influence in the region, evident in the US`s new strategy of offering bilateral agreements (Sader, 2009:173).

Vilas (2008) argued that the resurgence of Left-wing governments represented a departure from orthodox neoliberalism and sought to promote nationalism and state interventionism, but also that, excepting Venezuela, the New Left pursued moderate and less transformative policies than old Left governments. With favourable prices for their commodities, Left-wing governments took a strong role in the economy that enabled them to gain autonomy through fiscal surpluses. They, hence, assumed a greater role in redistribution by shifting those resources towards increased social equality. Furthermore, they paid their debt to the IMF which enabled them to regain autonomy. Thus, while the New Left respects some aspects of markets, such as fiscal discipline, it seeks to take a more interventionist role in the economy through regulatory mechanisms, diverting investment, re-nationalisation, and active social policies such as housing, education, health and transportation (Vilas, 2008:115-122).

Panizza (2005) argued that owing to the wave of democratization, the Left-wing parties were able to build links with old and new social movements. These governments appealed to their traditional constituencies and new social movements, based on a critique of neoliberalism which failed to create employment and economic growth despite its success to reduce inflation (Panizza, 2009:179-181). According to Panizza, the resurgence of the Left parties reflected the revival of progressive economic and social policies of the old Left that was characterised by "redistribution of wealth through progressive taxation, structural reforms (such as agrarian reform), the expansion of welfare services, the protection and expansion of workers' rights, a strong participation of the state in the process of industrialization and hostility to foreign capital" (Panizza, 2005:726). Yet, due to political, social and economic changes in the 1980s and 1990s, today the Leftist parties pursue more moderate economic policies than their historical counterparts. While the Left-wing parties depended on an anti-neoliberal discourse in the 1980s and 1990s, they moderated their political and economic outlook in the context of dual transitions of democratization and economic liberalisation. Particularly, their experiences in the national and local governments enabled Leftist parties to adjust to the changing political and economic context, by building new coalitions outside their traditional electoral base. They constructed hybrid coalitions with new social actors such as the self-employed, and informal and unemployed workers as well as organised labour unions (Panizza, 2005:718-727; Panizza, 2009:179-181). Moreover, although neoliberalism deepened social and economic inequalities in the region, some successes of free market reforms such as controlling inflation led the Left to redefine its vision of the state`s role in economic management and embrace some aspects of neoliberalism in a socially viable manner as Panizza (2005) put it:

> This shift entailed the practical acceptance of some of the principles and policies originally associated with the so-called neoliberal model while attempting to make policies more compassionate and sensitive to the needs of the poor and the excluded. Thus, many tenets initially associated with the neoliberal policy agenda became part of a new economic common sense to which LOC parties in Latin America now subscribe in different degrees (Panizza, 2005:727).

This "rethinking of the role of the state" required a questioning of the heavy handed statism of the past, whilst embracing market principles as Panizza noted:

> These include the importance of a sound fiscal policy, the importance of low inflation, an awareness of the inefficiencies associated with many forms of state intervention and state ownership, the acceptance of the primacy of the market in setting up prices, the abandonment of economic protectionism in favour of at least relative economic opening and regional integration and a general welcoming of foreign investment (Panizza, 2005:727).

In effect, although New Left governments took power based on an anti-neoliberal discourse, "when in power, left-of-centre parties have followed a strategy of "bending and moulding" existing political institutions and the free-market economic model rather than attempting radical political and economic reforms" (Panizza, 2005:716). Consequently, the agenda of the New Left governments does not conflict with the PWC framework, in a rethink of the state`s role in economy as Panizza put it:

> What is politically relevant for LOC governments is that the agenda of the post-Washington Consensus has shifted towards a terrain in which the Left should feel naturally at home: to the negative consensus about the undesirability of returning to the old policies of state-led development and the positive consensus on the importance of sound macroeconomic management, the new consensus has incorporated a new agenda about the value of democracy for economic development, the strengthening of state institutions, the need for strategic state intervention, the importance of investment in health and education and a higher priority for social justice and the fight against poverty (Panizza, 2005:728).

Panizza also argued that there were external constraints on state activism. Consequently, reliance on foreign capital to fund debt and mobility of financial capital pressurizes macro-economic policy autonomy. Furthermore, binding multilateral and bilateral trade agreements constrain industrial and trade policy activism (Panizza, 2009:225). However, Panizza argued that external pressures imposed upon by the economic globalization do not solely explain the path taken by the New Left governments. While the New Left parties moderated their programmes, they demonstrated differences owing to their political trajectories and the degree of institutionalization of the political system in which they arose. For instance, while Uruguay and Brazil where the party system was well institutionalized falls into the 'liberal-republican' tradition, Argentina and Venezuela in which institutions were weak or strongly discarded are classified as radical populism (Panizza, 2005:722; Panizza, 2009:228). Panizza (2009) argued that while Brazil maintained strong continuities with the PWC framework, the New Left governments from populist traditions such Argentina, Bolivia, Ecuador and Venezuela pursued a more interventionist and economically nationalist agenda that went further beyond the core principles of the WC and PWC framework. This agenda was a "much more politicized approach to the economy that blurs the dividing line between politics and markets that was the key principle of the free market reformation and downplays the importance of institutions, perhaps the most crucial addendum of the PWC to the free market agenda of WC" (Panizza, 2009:242). This robust re-politicization of economic management entailed a more "active" role for the state in a rethink of unfettered liberalisation, whilst incorporating the rights of popular groups who were marginalized under neoliberalism as Panizza put it:

> In reaction against the embracing of globalization by both the WC and the PWC, there has been a revival of economic nationalism, manifested in the practical abandonment of the free trade agenda of the 1990s, in a more confrontational attitude towards foreign companies, particularly in the mineral resources sectors, and in the selective nationalization of some of the utilities privatized in the 1990s. The new nationalism cannot be separated from appeals to new popular identities, which in the case of these governments comprise policies aimed at contemplating the demands of both the collective actors mobilized against neoliberalism in the late 1990s and early 2000s, such as the *piqueteros* in Argentina and the social movements of el alto in La Paz, Bolivia, and, more generally, the losers from the free market reformation (Panizza, 2009:242-243).

In Argentina, the Kirchner government combined neo-developmentalism with some elements of PWC, opting out for a more moderate stance compared to the Venezuelan case owing to its more diversified economy. Yet, the Kirchner government`s search for alternatives to abandon neoliberalism proved to be more radical than its counterparts in the Southern Cone due to its ambitious project to reinforce statism and confront domestic and global business interests, taking advantage of the weakly institutionalized party system (Panizza, 2009:243-244). Accordingly, "ideology, politics and economics were combined in the service of a project aimed at strengthening the authority of the state and the power of the presidency and at implementing an economic strategy that retrieved elements of Argentina`s national popular tradition" (Panizza, 2009:245). The Kirchner government promoted a devalued exchange rate to encourage exports and import substitution, increased state revenue through taxation of commodity exports, and took control of many previously privatised companies. The Kirchner government allied with the labour unions and particular branches of the business, as well as *piqueteros* (unemployed movements) and used the resources from taxes to finance social policies (Panizza, 2009:245-246).

According to Heidrich and Tussie (2009), the resurgence of the New Left was embedded in their adaptation to the structural economic and social changes in the 1980s and 1990s in which they took dual lessons from neoliberalism. Neoliberalism entailed a rolling back of the state and reducing its role in economy through privatisations, liberalisation and empowering the private sector induced under the ideas of IFIs. Yet, neoliberalism did not mean purely a decline of the state power. Instead, neoliberalism represented a deeper transformation of the relationship between states and markets, and capital and labour. Such transformations such as trade and financial liberalisation enforced states to adapt to competition in global markets. Accompanied with the decline of socialism as an alternative ideology, Left parties also took lessons from their experiences in the local governments 1980s and 1990s. As a result, the New Left re-interpreted the objectives of the classical Left in a new political, economic and social environment (Heidrich and Tussie, 2009:38-39).

This learning process, hence, was more complex than a simply return to old policies of the Left. On one hand, a "positive consensus" materialized from the experiences of the Left parties in the municipalities that recognized the need to encourage competitiveness, invest in infrastructure and energy, and expand safety nets in health and education. On the other hand, a "negative consensus" emerged as the Left parties learnt that "no amount of continuous pro-market reforms can feed the expectations of future gains of foreign and local investors for ever" (Heidrich and Tussie, 2009:39). This negative learning from neoliberalism prompted a rethinking of privatisations and unilateral trade liberalisation and regulation of monopoly firms. Furthermore, financial crises and volatility of currency movements in globalised financial markets showed the vulnerabilities of macro-economic imbalances, prompting New Left leaders to be cautious about fiscal deficits. Unilateral trade opening led to an increase in imports. Exports did increase as imports did, rendering the region reliant on foreign debt. The region remained vulnerable to hidden protectionism in the US and Europe (Heidrich and Tussie, 2009:39-42). This experience demonstrated that "the previous policy just opening unilaterally and promoting 'open regionalism' with neighbours was insufficient to generate balanced trade accounts" (Heidrich and Tussie, 2009:41). However, rather than a rejection of integration into global trade markets, the lessons from unilateral trade liberalisation was complex. This required sustaining the support for export-oriented business, seeking mutuality in trade agreements, and enhancing negotiation capacity to gain access to new markets as well as managing trade liberalization that is also sensitive to the interests of import-facing producers (Heidrich and Tussie, 2009:41-42).

Therefore, except the uniqueness of oil abundant Venezuelan case, the differences of the New Left governments should not be exaggerated. For instance, even in one of the most radical cases, Morales government in Bolivia followed heterodox strategies. While Morales took a tough stance vis-à-vis foreign investors, he also advanced bilateral trade agreement with the US. In Argentina, Kirchner government achieved fiscal and trade surpluses, induced a devalued currency to promote local production, invested in public infrastructure, and negotiated the debt with investors. Yet, he remained fiscally conservative in the area of wage increases and social spending. He did not deepen privatisations whereas he was less ambitious to nationalise (Heidrich and Tussie, 2009:44-52). Overall, despite his commitment to a populist discourse, the Kirchner government took a pragmatic approach to markets as Heidrich and Tussie put it:

> In fact, railing against the IMF`s role in Argentina's crisis, and the complicity of international banks against debt negotiations stands in the strongest of possible contrasts with the government`s mainstream macro-economic policies and the visible neglect of an active social policy to reduce poverty. Markets seems to be the answer, as a way to accelerate economic growth under rather severe "guidance", in the guise of selective price controls and some export taxes (Heidrich and Tussie, 2009:45).

As a result, Heidrich and Tussie concluded that "all told, if we are to point the single coincidence in this diversity, there is a very significant one: the search for a new social contract and the emergence of a pragmatic belief in a role for state management combined with prudent macroeconomics" (Heidrich and Tussie, 2009:52). Therefore, in addition to political motivations, economic constraints should be taken into account as Heidrich and Tussie stated:

> A return to protectionist predecessors is not noticeable, but especially the fiscal and monetary policies espoused by newly elected governments show a strong awareness that despite the current bonanza of high commodity prices, volatile world markets can only be ignored at their own peril (Heidrich and Tussie, 2009:52).

Tussie (2010) also claimed that recently the region witnessed an increased political and economic integration. Tussie (2010) argued that the emergence of post-hegemonic regionalism can be understood not only as a reaction to asymmetries of trade liberalisation but also to the US` attempt to assert political hegemony in the region. While the end of the Cold War led to a rethinking of the region`s ISI-based political economy, for the US it provided an opportunity through the FTAA. This strategy to create a common trade area in the Americas was not only part of the new global restructuring of trade and investment ties, it also represented a new dimension to the expansion of US hegemonic power. The agreement sought to allow the US to take political leadership in the Americas, along with the expansion of multinational companies and neoliberal reforms. Yet, as the expected gains from free trade agenda did not deliver its promises, the early optimism faded away. For instance, establishment of the North American Free Trade Agreement (NAFTA) created discontent among the countries which were not included in the agreement. While countries in the region enjoyed to some extent the flows of investment and market access, their lack of representation in multilateral agreements overshadowed any optimism (Tussie, 2010:4).

Hence, open regionalism became an important arena for collective action for the Latin American elite. Regional cooperation provided them space to gain some autonomy and protection for domestic industries threatened by competition following removal of protection mechanisms (Tussie, 2010:5-6). Meanwhile, the contested nature of the US strategy created pessimism about the nature of the FTAA and led to a loss of enthusiasm amongst Latin American countries in 2005 (Tussie, 2010:7). US strategy started to be shaped increasingly by bilateral agreements with local governments to ensure trade liberalisation and respond to increasing raising regional leadership from Brazil and Venezuela. Brazil`s leadership sought new alternatives through expanding MERCOSUR’s ties with the Andean community. Meanwhile, the Chávez government, with abundant oil resources, sought political and economic leadership by building close ties with the Caribbean, Bolivia and Cuba (Tussie, 2010:8). Tussie argued that despite the differing nature of Venezuela’s ALBA project and Brazil`s MERCOSUR leadership, both countries’ efforts towards sub-regional integration reduced US influence in the region. Tussie argued that these emerging alternatives to US hegemony may result in further cooperation in the region, notwithstanding the complex nature of competition and diverse interests in the region. According to Tussie (2010), re-politicised regionalism has so far managed to initiate social programmes, cooperation in infrastructure and energy (Tussie, 2010:14-15).

Some scholars termed the rise of the New Left governments as post-neoliberalism (Grugel and Riggirozzi, 2009; Hershberg and Rosen, 2006; MacDonald and Ruckert, 2009). The Washington Consensus in the region saw the decline of the ideas about the state-led developmentalism in the region. Neoliberalism was an ideological attempt by the technocratic elite and conservative governments to give the state a new reduced role, contrary to the Keynesian state`s welfarism and economic interventionism. This assault on the state was transmitted to Latin America through structural adjustment programmes propelled by the debt crisis in 1982, and global ideas to free markets presented as universal recipes under the material and ideological influence of the IFIs and the US (Grugel and Riggirozzi, 2009:5-6; Hershberg and Rosen, 2006:7-9; MacDonald and Ruckert, 2009:3). Latin American countries, in a general sense, were constrained in decision-making as the international institutions such as the IMF, World Bank and WTO were able to enforce the rules of the game (Grugel *et al.*, 2008) although some countries such as Chile and Brazil implemented reforms maintaining some degree of national autonomy (Grugel and Riggirozzi, 2009:7). Owing to its technical expertise, financial resources and ties with the global capital, the IMF exerted great influence over policy making under the debt restructuring. Later, these short-term conditions to assist debt management were transformed into a set of development recipes. The US government also played an important role to expand neoliberal agenda in the region which was materialised through a proposal of a free trade agreement across the Americas to liberalise trade and investment. The agreement marked greater influence of the US over regional trade that new regionalism required conformity to the US policy preferences to free markets in order to access US trade markets and investment (Grugel and Riggirozzi, 2009:12-13). Consequently, an agreement among governmental agencies, business, and IFIs emerged to free the markets and reduce the role of the state, thereby discrediting local ideas about development (Grugel and Riggirozzi, 2012:4).

Therefore, beyond only rolling back the state, a reorganisation of state-market and state-society relationships in the region. In this scenario, the neoliberal orthodoxy embodied by the Washington Consensus meant that the state would respond to the demands of the private sector and create a favourable environment for foreign investors and exporters. Hence, neoliberalism represented a transformation of the state, making it more sensitive to the logic of global investors. In this context, reorganisation of public spending through privatisations, retreat from public responsibilities such as health, infrastructure and education, and tax reform rather represented a shift towards satisfying international investors. Privatisations were designed with a sense of urgency to signal a commitment to gain investor confidence. Tax reform were destined simply to reduce taxes for business, while exchange rates and interest rates were modified to attract investment and boost exports. Unilateral trade opening and labour market flexibility served to increase competitiveness (Grugel and Riggirozzi, 2009:6).

According to Grugel and Riggirozzi, a new consensus emerged embodied around a post-neoliberal governance which was seen as "something sufficiently distinct from the consensus that reigned in the 1990s to merit investigation" (Grugel and Riggirozzi, 2012:3). Financial volatility, growing foreign indebtedness, rising unemployment and poverty, and industrial decline in the late 1990s raised questions about desirability of neoliberalism as a dominant growth model in the region (Grugel and Riggirozzi, 2009:5-9; Hershberg and Rosen, 2006:10). The failure of neoliberalism to promote growth and reduce social inequality prompted the emergence of a new paradigm of post-neoliberalism which was seen as "a reaction against what came to be seen as excessive marketization at the end of the twentieth century and the elitist and technocratic democracies that accompanied market reforms..." (Grugel and Riggirozzi, 2012:3-4). Hence, rather than solely being an economic one, the problem was the neglect of local institutions and political and social aspects of development as Grugel and Riggirozzi put it:

> In the end, therefore, it was the difficulty of embedding the neoliberal state in a stable model of democracy and inclusive politics, rather than a failure of its strictly economic rationale, that has led to its unravelling. The difficulties of making neoliberalism 'fit' in Latin America point to the problems of political economy in general: such models do not take into account the particularities of state formation and practices or cultures of representation and participation (Grugel and Riggirozzi, 2009:10).

All New Left governments assigned the state an active role to manage growth and industrialization, whilst rejecting orthodox faith in markets (Grugel and Riggirozzi, 2009). More importantly, they rejected to pursue growth at the expense of the society. Post-neoliberalism was then crystallized around an attempt to redefine the relationship between the state and the society to encourage social equality, while assuming a renewed and dynamic role for the state in the economy:

> The set of *political aspirations* centred on "reclaiming" the authority of the state to oversee the construction of a new social consensus and approach to welfare, and the body of *economic policies* that seeks to enhance or 'rebuild' the capacity of the state to manage the market and the export economy in ways that not only ensure growth but are also responsive to social need and citizenship demands (Grugel and Riggirozzi, 2012:2).

Furthermore, Riggirozzi (2012) argued that the region witnessed a distinctive form of political and social integration beyond neoliberalism and that the re-politicization of regionalism represents a deeper attempt to redefine and rebuild the identity of the region in its political, social and economic areas. Riggirozzi argued that one aspect of the declining US influence in the region`s political economy emerged during the FTAA negotiations when the MERCOSUR countries, Venezuela and Bolivia rejected further talks (Riggirozzi, 2012:430). According to Riggirozzi (2012), the region is moving beyond trade and financial dependence on the US and is being reshaped towards a more national course of development encompassing political, economic and social spheres, as evidenced by the activism of ALBA and MERCOSUR, as well as related political cooperation under the *Unión de Naciones Suramericanas* (UNASUR – the Union of South American Nations). Riggirozzi asserts that both UNASUR and ALBA now represent a trend towards convergence of the region that occurs without rejecting markets and trade liberalisation (Riggirozzi, 2012:431-432). For example, increasing cooperation on infrastructure between Chile, the Andean community and MERCOSUR; Venezuela`s membership in MERCOSUR as a potential source of financial and energy related aid to member countries; and initiation of a common energy agenda are important areas of cooperation to enhance the autonomy of the region vis-à-vis the US and the IFIs (Riggirozzi, 2012; 433-434).

Overall, a new agenda in the region emerged, notwithstanding commitment of New Left governments to market-led growth. The New Left governments do not reject the need to stimulate local and foreign private investment and encourage export-led growth, and do not pursue expansionary fiscal policies of the past (Grugel and Riggirozzi, 2009; MacDonald and Ruckert, 2009:7). In effect, one impetus for emerging state activism was made possible by increased export revenues impelled by favourable international prices and increased Chinese demand for commodity goods. In the wake of the commodity boom, the New Left governments shifted the direction of the economy, enhancing their policy autonomy global economy (Grugel and Riggirozzi, 2012:1-4). Post-neoliberalism, then, represented a return to local ideas and practices of developmentalism, albeit functioning under the legacies of the neoliberal inspired conservative fiscal policy and export-led growth. As Grugel and Riggirozzi put it:

> The point we are making here is that there was a growing consensus, extending beyond the Left, about the need for states to actively encourage production, strengthen their regulatory and fiscal capacities and address the social debt. Ruckert and Macdonald (2010) refer to the policies that ultimately emerged as the return of the "developmentalist state". But it is also the case that, whilst governments are seeking to enhance their policy autonomy and

> expand their space for policy innovation, meaning that industrial policy, infrastructural development and higher corporate taxes are now back on the agenda, innovation in these areas sits alongside the retention of neoliberal legacies around 'responsible' fiscal policy and export expansion (Grugel and Riggirozzi, 2012:11).

For these purposes, it is not yet clear whether post-neoliberal projects represent a coherent alternative to neoliberalism. The New Left governments tended to be rather pragmatic in their economic policy making owing to the integration into globalised market activity. This blurred the divide between neoliberal and post-neoliberal models. In effect, post-neoliberalism had much more to offer as a project of enhancing democratic participation and reducing poverty than economic matters as Grugel and Riggirozzi put it:

> Yet in practice, post-neoliberal governments have tended to be perhaps surprisingly pragmatic, especially in so far as the economy is concerned, where policies work with the grain of a liberalized global economy. The contrast between neoliberalism and post-neoliberal growth strategies, in other words, is there; but it should not be drawn too starkly. In the end, the biggest difference lies in government attitudes to the poor and discourses of citizenship rather than economic management as such (Grugel and Riggirozzi, 2012:5-6).

Argentina`s path after the financial crisis of 2001/2002 was seen as part of the emerging post-neoliberal governance in the region which was embodied around *neo-desarrollismo.* This model was crystallized around rebuilding the state capacity in social and economic governance based on the principles national developmentalism of Peronism, which rests alongside integration into the global economy (Grugel and Riggirozzi, 2007:87; Riggirozzi, 2009:106-107). As Riggirozzi put it, post-neoliberal project in Argentina can be understood as "open-economy nationalism":

> But instead of a semi-closed economy based on national promotion of domestic markets and import-substitution, the post-crisis political economy is based on a strong state (and governmental) leadership in the economy while taking advantage of the regional and international markets dynamics that offered opportunities for Argentine export markets. All this comes together as 'open-economy nationalism', an attempt at reconciling the centrality of the state in social life and its role as an economic agent through policies that bring together social spending and intervention, export-led growth and a revival of regional integration as a platform for an alternative political economy (Riggirozzi, 2009:106).

Aided by the exit from Convertibility and devaluation, maintenance of a competitive and flexible exchange rate and expansionary monetary policy marked a strong break away from the free market model induced by the IFIs, thereby constituting a main pillar of post-crisis political economy in Argentina based on the promotion of national industry and exports under the Duhalde and Kirchner governments. Accompanied with favourable prices of raw materials, a competitive and stable currency boosted exports and enabled the of increase tax revenues from exports of commodities which were used to finance social programmes (Grugel and Riggirozzi, 2007:95-96; Riggirozzi, 2009:107). Alongside a competitive exchange rate, since 2003 the Kirchner government expanded promotion of local industry and consumption via various policy instruments such as public investment in infrastructure, subsidies in public services, social security benefits, selective price and tariff controls, and re-negotiation of contracts with the privatised utilities (Grugel and Riggirozzi, 2007:95-97; Riggirozzi, 2009:106-107; Wylde, 2011:438). Furthermore, tax revenues allowed the Kirchner government to reduce the public debt which provided protection against external volatilities associated with traditional currency crises. Furthermore, exchange rate policy enabled accumulation of reserves, which in return created macro-stability for local business and protected from price fluctuations in export prices (Wylde, 2011:448). Expansion of state spending and debt payment was also a political decision to gain policy autonomy from the IMF, which allowed the Kirchner government to increase its interventions in economy to finance industrialization and social programmes (Riggirozzi, 2009:107). Furthermore, the Kirchner government prioritized regional cooperation through active promotion of MERCOSUR and development of a joint venture in the energy sector with Venezuela by the state owned company *Energía Argentina Sociedad Anónima* (ENARSA) (Grugel and Riggirozzi, 2007:99).

Although the Kirchner government made enormous use of a Peronist discourse, his policies were less ambitious in the area of social spending, employment creation and wage increases. He relied on neoliberal safety nets such as workfare initiatives and cash transfers which targeted social groups outside traditionally organized labour. This policy reflected an attempt to contain the legacies of neoliberalism which led to a mass of informal labour, thereby shifting the welfare away from classical policies based on employment and labour rights. This changing relationship between state and society was also evident in the re-activation of corporatist ties with the organized labour unions. While rebuilding corporatist alliances with the labour, unions promoted wage increases and collective bargaining; it was selective as it excluded workers in the informal sector it rested on controlling. Furthermore, the Kirchner government was cautious in wage increases not to spur inflation (Riggirozzi, 2009:104-109; Grugel and Riggirozzi, 2007; Wylde, 2012:90-100).

As a result, like the other post-neoliberal projects in the region, there were limitations on the neo-developmentalism as a more open and market-oriented global economy increasing the influence of markets over economic decision-making. This exerted pressures on the states` ability to act autonomously. Hence, due to the economic demands of insertion into a changing global economy, state interventions can be only designed in a "selective" manner as Grugel and Riggirozzi put it:

> This new role for the state undoubtedly challenges the assumptions about a global trend towards policy convergence and the triumph of neo-classical economics based on an extreme interpretation of globalization and global markets. But the internationalization of the economy is nonetheless real and it imposes real policy constraints. In particular, it means that state intervention is driven mainly by technical demands for 'better' regulation and can be employed within the economy only selectively. This in turn influences the form *neo-desarrollismo* and other post-neoliberal projects can take in practice. In so far as Argentina is concerned, the weight and the authority of private and foreign capital on policy-making are much greater than they were at any point under desarrollismo, and there are as a result much stricter limits on how far government can raise taxes, provide subsidies, regulate privatized companies or support labour movements in their struggles to raise wages (Grugel and Riggirozzi, 2007:100-101).

Overall, Grugel and Riggirozzi concluded that due to constraints of integration into globalized market activity, *neo-desarrollismo* under the Kirchner government was rather "ad hoc" and "experimental" (Grugel and Riggirozzi, 2007:100):

> In a broad sense, it parallels the trend away from neoliberalism and towards a renewed focus on the state`s role in governance elsewhere in Latin America. The crisis of 2001 proved to be a turning point from which an alternative project of political and governance has developed. *Neo-desarrollismo* is an ambitious, if sometimes vague and ad hoc, strategy for growth, and managing growth, based on macroeconomic prudence, moderate state intervention and reindustrialization. To some extent, it also represents a new strategy of social inclusion based economically on a state-led revival of domestic markets and politically on a renewal of populist strategies of social conflict management; however, in the social domain the revival of the state certainly has very fixed limit (Grugel and Riggirozzi, 2007:106).

As a result, due to challenges of integration into the global economy, which is market-driven, the potential of the neo-developmental or post-neoliberal project in Argentina to offer coherent alternatives to neoliberalism remains unclear as Grugel and Riggirozzi stated:

> As a result of these constraints, *neo-desarrollismo* embodies a series of latent tensions, including a lack of clarity about the boundaries of state intervention within the economy and the appropriate relationship between the state and foreign capital. How to combine a proactive state with an economy reliant on foreign investment and vulnerable to fluctuations in external demands, and how to promote a social inclusion agenda in a situation where citizenship has been separated from concepts of social rights and universal welfare also remain unanswered questions (Grugel and Riggirozzi, 2007:101).

There is also a growing body of scholarly debate on the Latin American political economy that devoted analysis to the diversity of the New Left. Levitsky and Roberts (2011) criticized Castañeda`s dichotomization between good and bad Lefts and argue that there were multiple types of New Left projects, such as social democrats (Chile and Brazil), populism linked to labour-based parties (Argentina), top-down mobilisation marked by excessive individual leadership (Venezuela and Ecuador) and social movement-based populism (Bolivia). Levitsky and Roberts argued that the 1990s witnessed the rise of market individualism and conservative parties in the region, which applied Washington consensus policies under the influence of the IFIs and the US government. Decline of socialism, difficulties of the debt crisis and inflationary pressures led to a dismissal of state-led developmentalism, forcing them to drastically liberalise trade and financial markets to compete in the global economy. Therefore, Leftist parties went into a crisis of identity and lost legitimacy due to a loss of power amongst their labour-union constituencies and an ideological attack on their historical expansionary polices. Paradoxically, Left-wing parties re-gained power through the contradictions of neoliberalism and they re-oriented the state`s role to enhance social welfare and revive the social contract with their mass constituencies (Levitsky and Roberts, 2011:2-8).

Despite its success to control inflation, neoliberalism failed to deliver its promises as evident in the recurrent financial crises and increasing social economic inequalities. Excessive marketization and liberalisation had destabilizing impacts on the region`s production structure and the positioning of social groups, thereby causing huge social and economic inequalities. Privatisation and trade liberalisation led to a decline in industrial activity and the transfer of labour from the formal sector to the informal sector, which was historically affiliated with a low-skill base. Furthermore, neoliberal policies strongly undermined collective action, especially labour unions, by lowering wage costs, reducing collective bargaining and flexibilizing employment conditions. These radical dislocations in society led to the eruption of new forms of collective resistance to neoliberalism. The *piqueteros* in Argentina, urban protests in Venezuela, and indigenous movements in Bolivia signalled the emergence of a new kind of mass mobilization by the New Left governments to contain social dislocations caused by neoliberalism (Roberts, 2012:13-14).

The New Left parties and governments went beyond the programmes of their counterparts in the 1980s and 1990s that were committed to neoliberal policies despite their electoral campaigns. Hence, as Levitsky and Roberts argued, the resurgence of the New Left since 1998 represented a distinct hallmark in the region`s political economy which was characterized by a genuine return to a Leftist agenda:

> Unlike the 1980s and 1990s, when candidates often campaigned for office on vague Leftist platforms but governed as pro-market conservatives, the post-1998 wave Leftist victories ushered in a new era of policy experimentation in which governments expanded their developmental, redistributive, and social welfare roles. The 'Left turn', therefore, changed not only who governed in Latin America but also how they governed (Levitsky and Roberts, 2011:2).

Hence, the New Left governments shared an agenda that aims to expand classical principles of the Left to "reduce social and economic inequalities", notwithstanding the moderation of their programmes that accepts "private property" or "market competition"[4]. (Levitsky and Roberts, 2011:5). Hence, as Levitsky and Roberts put it, they all sought to go beyond free market fundamentalism and enhance social mobilization of excluded masses:

> Although the contemporary Left does not necessarily oppose private property or market competition, it rejects the idea that unregulated markets can be relied on to meet social needs. In the political realm, the Left seeks to enhance the participation of underprivileged

[4] As Levitsky and Roberts noted, "The Left refers to political actors who seek, as a central programmatic objective, to reduce social and economic inequalities. Left parties seek to use public authority to redistribute wealth and/or income to lower-income groups, erode social hierarchies, and strengthen the voice of disadvantaged groups in the political process. In the socio-economic arena, Left policies aim to combat inequality rooted in market competition and concentrated property ownership, enhance opportunities for the poor, and provide social protection against market insecurities" (Levitsky and Roberts, 2011:5).

> groups and erode hierarchical forms of domination that marginalize popular sectors (Levitsky and Roberts, 2011:5).

While neoliberalism was characterised by private-led social security and provision for only basic needs, the New Left governments directed state resources towards redistributive goals. Left-wing governments today engage in more expansive social policies such as targeted conditional cash transfers that meet the housing, education, health and dietary needs of the poor. Furthermore, as part of their classical agenda to protect labour markets, the New Left governments in Argentina, Chile, Brazil, and Uruguay promoted wage increases, and in cases such as Argentina, the Kirchner government encouraged collective bargaining. As a result, “although not all New Left governments in Latin America abandoned macroeconomic orthodoxy, all of them broke with neoliberalism and embraced redistributive social policies” (Levitsky and Roberts, 2011:22-23). Thanks to the rise in the prices of commodities in the 2000s, the New Left governments were able to increase fiscal revenues and correct trade and financial imbalances, increase social spending, and gain policy autonomy vis-à-vis the US and the IFIs in their effort to expand state interventionism (Levitsky and Roberts, 2011:10). Although the New Left governments departed from neoliberalism in their effort to assume the state a more active role to expand social redistribution, the New Left governments had different economic objectives. Yet, Levitsky and Roberts cautioned against a dichotomization of the Left as “good” or “bad”. Instead, they focused on different levels of institutionalization (e.g. parties` organisational structures, support networks, and identities) and the locus of political authority. Consequently, as Levitsky and Roberts put it, the New Left today is much more diverse, as some of the New Left governments take a more active role to regulate markets and deliver welfare:

> Although all of them are committed to a more equitable growth model, some are more willing than others, to break with neoliberal orthodoxy, by using state power to regulate markets, alter property relations, and redistributive income (Levitsky and Roberts, 2011:3-4).

Under a weakly institutionalised political system, Chávez’s policies in Venezuela were classified as statist where the populist Left emerged by the collapse of the established party system and the resurgence of outsiders who appealed to excluded, but also disorganized, masses. Hence, in Venezuela where the established system dissolved, resistance to neoliberalism took a distinct form and departed from the orthodox emphasis on inflation control and fiscal discipline, preferring greater intervention in markets through nationalisations, strict control on trade and foreign investment, and re-direction of oil revenues towards extensive social programmes (Levitsky and Roberts, 2011:14-22; Roberts, 2012:13-18). Conversely, some New Left governments conformed to "social liberalism" in their political outlook, maintaining core elements of economic liberalism regarding their approach to macro-economic management, private ownership and foreign investment and trade liberalisation. These governments in Brazil, Uruguay and Chile come from a more "institutionalized" party tradition that had previously a socialist agenda based on mobilization of organized working classes and other social groups. Although they were initially opposed to neoliberal policies in the 1980s, they moderated their programme, by embracing the efficiency of markets and mobilizing their social constituencies within the existing institutions. Furthermore, although these parties took governments owing to the discontent with the economic stagnation in the late 1990s, these countries did not experience breakdown of the political or party system or a huge disillusionment with neoliberalism by the masses. Consequently, despite expanding social policies, these New Left governments were committed to fiscal and monetary tightening, deepening the participation of the private sector in production and determination of prices and wages, and did not radically alter foreign investment and trade liberalisation (Levitsky and Roberts, 2011:17-21).

The New Left government in Argentina was positioned as "heterodox" Left which combined orthodox and statist elements. The heterodox Left was characterized by a vague approach to state`s interventionism in markets and not assuming the state a central role in the economy. This was evident in the "selective" manner that re-nationalizations, price and investment regulations, and export duties were designed (Levitsky and Roberts, 2011:22). Argentina was politically labelled as "populist machine". In countries like Argentina (Peronism) and Peru (Aprismo) historically populist machines depended on the mobilization of popular movements based on a centralized manner by a strong leader through patronage networks, thereby incorporating ideologies either from the Left or Right into the party organisation. Due to their flexible organisation and ambiguous ideological approach, populist machine based parties did not strongly oppose neoliberalism. In effect, President Carlos Menem, in effect, drastically implemented neoliberal reforms, taking advantage of the Peronist *Partido Justicialista*`s (PJ – the Justicialist Party) patronage networks. Despite governing from the Leftist division of Peronism, populist legacy of its party meant that the Kirchner governments` policies were not coherent as they were informed by pragmatic economic calculations and conflicting sections within the party organisation. As Levitsky and Roberts put it:

> Likewise, the PJ opposed market liberalization as an opposition party in the 1980s, embraced radical neoliberal reforms under President Carlos Menem in the 1990s, then turned to the Left under Néstor Kirchner in the aftermath of Argentina`s 2001 financial debacle. Neither party then, is a fixed member of the Latin American Left; their policy and spatial locations are highly contingent on prevailing economic opportunities and constraints, along with competitive dynamics among party leaders or factions and within their larger party systems (Levitsky and Roberts, 2011:18).

Rodríguez-Garavito *et al*. (2008) argued that there are multiple lefts associated with diverse social movements involving women, students, indigenous people and landless rural workers (Rodríguez-Garavito *et al*., 2008:19). Furthermore, they argued that Left-wing parties do not seek structural transformations today, having retreated from such expansionary policies. Hence, similar to Levitsky and Roberts, Rodríguez-Garavito *et al*. (2008) argued that what makes the Left “new” was that to take an active role in economic management and pursue redistributive goals alongside macro-economic goals and private-led growth:

> This apparent New Left “agenda” takes for granted the basic principles of market economics, while promoting reforms such as the implementation of welfare programmes for the poorest members of society (such as the Fome Zero in Brazil or the Panes in Uruguay), a renewed concern for public security, a more active role for the state as regulator and mediator between capital and labour, the expansion and improvement of public services, and the introduction of a more progressive tax regime (Rodríguez-Garavito *et al*., 2008:25).

Kaufman (2007) argued that there are more diversities of the Left in the region than Castañeda assumed. He agrees with the conceptualisation of Roberts that addresses plurality of the Left based on institutional divergences: social democrats (Chile and Brazil), populism based on labour-linked parties (Argentina, Mexico), top-down mobilisation marked by excessive individual leadership (Venezuela and Ecuador) and social movement-based populism (Bolivia). Moreover, Kaufman argued that there is still room for making distinctions in exploring the nature and the extent of state intervention in the economy. While in some countries the New Left was shaped by the introduction of social programmes and an acceptance of market-led growth, others enjoyed more control over the economy based on national principles. According to Kaufman, the New Left can be understood both in terms of discontent with neoliberal policies that left legacies of poverty and inequality and also in terms of the institutional and political coherence of each country. As a result, he argued that neoliberal reforms in weakly institutionalised political systems such as Venezuela resulted in the emergence of outsiders that pursued more interventionist approaches towards the economy. According to Kaufman, the "anti-market" Left is associated with increased demand for commodities, which gave them enough room to manoeuvre to shift resources towards the poor (Kaufman, 2007:28-29).

Madrid *et al*. (2010) argued that the New Left governments are not homogenous and they have diverse characteristics dependent on their political agenda and levels of institutionalisation (Madrid *et al*., 2010:140-141). For instance, the New Left varies from the "centrist and left-wing parties" of Chile to the most "radical" attempts of Venezuela. Chile adopted market-based growth and established democratic institutions, while the Venezuelan Left sought to undermine the institutional roots of the previous system (Madrid *et al*, 2010:141-142). Weyland argued that there were intermediate cases such as Brazil and Uruguay which shared features of the Chilean case, while Bolivia and Ecuador resembled Venezuela. Argentina, on the other hand, appears as an intermediate case among these lefts (Weyland, 2009:145). Meanwhile, in particular, Brazil and Chile stood out from the rest of the Lefts as they combined liberal and democratic principles with safety nets and a degree of intervention in the economy (Weyland *et al*, 2010:141). However, Weyland noted that solely, the level of institutionalization cannot explain the diversity of the New Left. For instance, Bolivian neoliberalism in the 1980s and 1990s was not accompanied with a complete deinstitutionalization of the political system. An important factor that led to the emergence of radical projects was the commodity boom in the 2000s, which enabled Venezuela, Ecuador and Bolivia to pursue expansionist and interventionist policies (Weyland, 2009:149-152).

As shown in this review of the literature, there was a growing body of literature that emphasized the emergence of a new consensus in the region which sought to recover the state`s authority to manage markets and deliver social equality, without rejecting a more open and market-oriented growth. The resultant was assuming the state a renewed and active role to drive industrialization, regulate markets, and respond to demands from below. However, post-neoliberalism was often defined vaguely (Yates and Bakker, 2014). Although scholars of the New Left emphasized difficulties of entrenching a more dynamic state that assumed a leading role in economy and welfare provision, it was not clearly defined what this new state formation looked like or what type of policies were designed to respond to the challenges of integration into a more market-oriented and liberal global economy (Kirby, 2010:2010:9-10; Puntigliano, 2007:71). As Kirby put it:

> In parallel with the emergence of "New Left" governments in the region, the scholarly literature has become more critical of what was being attempted over this phase, evaluating it in the context of the developmental challenges facing Latin American countries. Yet, as has been made clear, this literature has few detailed proposals to offer on what precise policies should be implemented to address these challenges, apart from a general stress on the importance of the state, of addressing citizens' needs and of fashioning responses from within the region rather than adopting ideas that come from without (Kirby, 2010:9-10).

2.3. Compatibility of Neoliberalism and Developmentalism

This thesis utilises conceptual tools from the literature analysing the neoliberal transformation of Brazil since the mid-1990s to contribute to the literature of post-neoliberalism and critically investigate whether Argentina`s responses to the financial crisis of 2001/2002 constitute a coherent shift from neoliberalism to a new developmentalism. The literature is significant for its ability to highlight a middle ground between neoliberalism and state-led developmentalism, thereby offering a more nuanced approach to post-neoliberalism. Contrary to universalising and market triumphalist claims of neoliberals, the Brazilian neoliberal model in the 1990s did not proceed down a homogenous path and did not render "statism" obsolete. Developmental elements were re-interpreted to shape a new market-orientation: "The defining feature of neoliberalism in Brazil is that it is not on classical neoliberal objectives of retrenching the state and depoliticising economic management, but rather on the use of economic reforms as a mechanism of restructuring and rebuilding the state" (Phillips, 2004:73). Burges (2009) argued that Brazil`s transformation did not conform to market fundamentalism of neoliberalism:

> Rather than pursuing economic reform as a stand-alone goal, the new policies launched in the early 1990s were quickly integrated into a deeper, more probing programme of socio-political reengineering that built upon the electoral procedural changes implemented during the democratic transition of the 1980s (Burges, 2009:195).

In a similar vein, Pereira (1996) argued that the embrace of market-orientation was accompanied by a re-embedding of the state`s national and political priorities in designing market-reforms, thereby going beyond the pure market fundamentalism and universalism of neoliberalism. Yet, developmental practices were designed in a different way, creating a new form during the transition to a more open and market-oriented strategy (Bresser-Pereira, 1996). Inspired by the East Asian statist model, Bresser-Pereira (2006, 2008) coined the term "new developmentalism" to explain this new form of state activism. Bresser-Pereira and Theuer (2012) also applied it to Argentina. According to Bresser-Pereira, new developmentalism means rejection of the dogmatism of free markets and the universal principles of Anglo-Saxon models of capitalism previously advocated by neoliberalism. While it acknowledges the process of economic globalisation, heightened global competitive pressures, and spatial transformations of production guided by TNCs, it does not share the view of globalisation as an extension of a purely technological and economic process that renders states and diverse models of capitalism obsolete. Strong markets require strong states. New developmentalism does not see the relationship between states and markets as a zero-sum game. It acknowledges that markets are socially and politically embedded institutions regulated by the state, which represents collective interests. Contrary to pure neoliberal assertions, these institutions cannot be habituated by the pure logic of global economic and technological processes (Bresser-Pereira, 2008:559-564; Bresser-Pereira, 2012:23).

Hence, the new developmentalism approach does not comply with the neoliberal view that pressures for competition among states due to processes of economic globalisation renders the state`s industrial policy, or the state`s role in planning and investment, promotion of solidarity and social justice goals irrelevant (Bresser-Pereira, 2009:17-19). New developmentalism, then, shares elements of old developmentalism yet it represents a break from heavy-handed statism and protectionism. Although new developmentalism shares elements of old developmentalism, "new developmentalism regards the market as a more efficient institution, one more capable of coordinating the economic system, then did the old developmentalists although it is far from conventional orthodoxy`s irrational faith in the market" (Bresser-Pereira, 2006:114). Accordingly, new developmentalism assigns the state an important but not a principal role in investment and production: "But new developmentalism understands that, in all sectors where reasonable competition exists, the state must be not an investor, instead it must concentrate on defending and ensuring competition" (Bresser-Pereira, 2008:14).

In doing so, it does not conform to neoliberal pessimism about the state and recognizes that markets are not perfect, instead requiring restrictions and guidance. Consequently, new developmentalism means re-inventing statist and national goals in a complex way within a more market-oriented and globalised context so as to access efficiency of markets (Bresser-Pereira, 2009:13-17; Bresser-Pereira and Theuer, 2012:12). Hence, as an intermediate case between free market fundamentalism and old developmentalism (Pereira, 2006), new developmentalism reinforces national goals while retaining a distinct emphasis on integration into market-led processes of globalisation. As Bresser-Pereira put it:

> The central difference between conventional orthodoxy and new developmentalism lies in the fact that conventional orthodoxy believes that the market is an institution that coordinates production optimally if it is free of interference, whereas new developmentalism views the market as an efficient institution to coordinate economic systems, but knows its limitations and the need for regulation (Bresser-Pereira, 2009:17).

For instance, new developmentalism rejects trickle down effects of unilateral trade liberalisation. However, unlike old developmentalism, it rejects protectionism and pursues export-oriented growth that rests on the empowerment of efficient firms that have the potential to enter new markets. As old forms of protection from imports are constrained under binding trade agreements, it may rely on old mechanisms of export taxes to re-allocate resources and promote the technology upgrading of industry towards higher value-added products, thereby surpassing neoliberal free market fundamentalism. It seeks private competitiveness and embraces openness to foreign investment. Its novel developmentalism requires new practices to enable and restrict markets given their increasing primacy in resource allocation. For instance, states may intervene to mediate monopolistic abuse of markets, provide infrastructure where monopoly firms do not invest or provide incentives to attract FDI for the domestic market (Bresser-Pereira, 2006:111-118; Bresser-Pereira, 2009:11-20).

New developmentalism does not directly promote deficit-driven industrialisation as the old developmentalism did; instead it ensures macro-stability to promote the global competitiveness of the private sector and thereby supports industrialisation. In doing so, it uses price stability and sound macro fundamentals to enable the private sector to access capital and new technologies from global markets. However, it does not pursue pure economic goals to achieve stability and efficiency. It is new developmental in the sense that it uses counter-cyclical policies and strengthens state capacity to mitigate the destabilising effects of volatile capital inflows and sudden capital outflows, also ensuring industrial competitiveness and meeting employment targets (Bresser-Pereira, 2009:14-15). Furthermore, new developmentalism rejects enforcing precarious conditions for labour. Instead, it seeks to reduce social inequality, investing in social spending and promoting higher minimum wages (Bresser-Pereira, 2006:118; Bresser-Pereira, 2009:22).

Ban (2010) argues that the new developmental concept is useful to study intermediate cases between neoliberalism and old developmentalism, as with Brazil and the wider region in the 2000s. Ban prefers to label regional tendency as “liberal” neo-developmentalism since the region still preserves the core principles of the Washington Consensus. Hochstetler and Montero (2013) prefer the label “renewed developmentalism” instead of new developmentalism, arguing that neoliberal transformation via privatisation and liberalisation did not mean dissolution of statist and developmental elements. In effect, statist principles were preserved to enable effective participation in market-led processes of globalisation. Rather than simply return to old developmentalism, traditional state practices were re-invented to interact with globalised market activity. In a similar vein, Filho and Morais (2011) emphasize that new developmentalism does not mean a break with neoliberalism and constitutes a paradoxical interaction of statism and neoliberalism. Due to its mixed nature, new developmentalism is still conditioned by the processes of economic globalisation and the constraints of capital mobility, but alternatives to neoliberalism do exist.

Arbix (2010) calls the period since the mid-1990s, which complies neither with new developmentalism nor neoliberalism, “inclusionary state activism without statism”. He argues that although state activism in the traditional sense has been eroded by market-led integration into the global economy, old developmental features have been maintained. Neoliberalism did not mean simple erosion of state capacity and its developmental history. Instead, new types of interventionism emerged in a complex manner within the increasingly liberalised market environment. In a similar vein, Diniz (2010) argues that while old forms of nationalism and the state`s principal role were eroded, this did not mean dismantling statism. Instead of market fundamentalism, developmental traits such as industrial policy, protection and subsidies were re-invented and questioned the nature and degree of market-led liberalisation and privatisation.

Boschi and Gaitán argue that new developmental practices break from old developmentalism given its prioritisation of private competitiveness and focus on insertion into globally integrated markets. Meanwhile, it contains elements of developmentalism, ranging from industrial policy to nationalisation, adapting them to the changing economic environment to garner benefits and mitigate negative aspects of globalised economic activity. However, they argue that there has not yet been a distinct path towards consolidation of the new developmental paradigm in the region. Furthermore, unlike East Asian states, the region`s countries do not have such autonomous and consistent state elites and bureaucracies to define more coherent and institutionalised patterns of national developmental activism (perhaps with the exception of Brazil and Chile). They argue that different institutional capacities and types of insertion into the global economy should be taken into account. For instance, they argue that Argentina still lacks a clear redefinition of coherent developmental goals (Boschi and Gaitán, 2009a; Boschi and Gaitán, 2009b:7-8).

Ebenau (2011) criticizes the assumption that there is a positive sum game between states and global markets which is deemed to benefit all sectors and countries in the same manner. Based on the Argentine experience, he argues that not all countries in the region have the same institutional capacity to enjoy such a strong insertion into the global economy. In understanding new developmentalism, then, different institutional capacities should be taken into account. As other scholars also argued, although ISI was driven by state activism and nationalism, even in the closest cases of Brazil and Mexico, it did not fit with the East Asian version of developmentalism. More autonomous forms of state developmentalism achieved by East Asian states did not exist in Latin America (Evans, 1979). Payne and Phillips (2010) argue that the region`s developmentalism was instead characterised by a lack of adequate levels of domestic technological and capital formation and incoherence of developmentalist projects. Brazil and Mexico are the states that stand out as exceptions to the region`s particularity, but they still do not fully conform to East Asian models. Kohli (2009) also makes the distinction between East Asian and Latin American models of capitalism. While he singles out the Brazilian case, he argues that it does not still fit with active forms of developmentalism existing in East Asia. In effect, neoliberalism was not fully accommodated in the East Asian region. He shows that the East Asian model was embedded by prioritising local capital formation with less reliance on foreign capital, by restricting foreign investment and through strong manufacturing-oriented exports. Meanwhile, Latin America conformed to the principles of global restructuring of capital under neoliberalism. However, the rise of the New Left governments should not be avoided from this discussion. Notwithstanding the path-dependent institutional change, the changing politics in the region should be taken into account to explore the region`s new development path in the 2000s in a dynamic way. In understanding new developmentalism, then, different institutional capacities, negotiation capacities with foreign investors, and the nature and degree of insertion into the global economy will be taken into account without excluding the importance of the changing politics in the region.

Therefore, a better understanding of the shift from neoliberalism to neo-developmentalism in Argentina could be achieved by considering a co-constitutive and dynamic relationship between state and global markets in which developmental goals are situated within broader notions of competitiveness in the global economy. I will take this task one step further by analysing Argentina's political economy between 2002 and 2007 using the lens of new developmentalism and providing a rich empirical analysis of Argentine political economy.

2.4. Conclusion

This chapter presented conceptual tools with which to understand alternatives to neoliberalism in Argentina. It was argued that the existing literature presents a vague picture of post-neoliberal possibilities. New developmentalism offers a more nuanced approach of alternatives to neoliberalism, showing compatibility between neoliberalism and old developmentalism. Accordingly, post-neoliberalism is not seen as opposed to neoliberalism or a return to old developmentalism. The next chapter will evaluate the background of the Argentine political economy. It will track the transition from developmentalism to neoliberalism in Argentina. It will be argued that market reforms were designed in an orthodox manner that undermined previous political and social settings of the ISI-led development. This process did not simply remove state intervention, but it was characterised by a complex process of interactions and contradictions which created winners and losers. The financial crisis of 2001/2002 which revealed sudden costs of integration into the global economy should be understood as a critical juncture that heightened Argentina`s political and economic dislocations.

CHAPTER 3. A BACKGROUND TO THE ARGENTINE POLITICAL ECONOMY: FROM ISI TO THE FINANCIAL CRISIS OF 2001-2002

This chapter will explore the background to Argentina`s development between 1946 and 2001. I argue that while the ISI period was not a fully closed economy, the neoliberal opening of the 1990s did represent an explicitly market-oriented opening-up to the global economy. While neoliberal strategies were embedded in Argentina`s path dependent development strategies, neoliberal thinking in the 1990s and external constraints played a role in the nature of Argentina's orthodox path to neoliberalism. Neoliberal strategies in Argentina conformed closely to this orthodoxy, which called for drastic dismantling of old forms of state regulation and unfettered insertion into market-led processes of globalisation. I argue that while Argentina had pre-existing political and institutional weaknesses, this neoliberal orthodoxy and negative externalities compounded them, culminating in the financial crisis of 2001/2002.

The chapter is divided into three sections. The first section presents the pillars of ISI in Argentina. It will be argued that despite its success, the ISI model went into a deep crisis in the late 1970s, culminating in foreign indebtedness and social crisis during the military period. In the second section, it will be argued that, after a failed attempt at adjustment in the 1980s, neoliberal reforms in the 1990s were implemented against this background of social and economic crisis. The reform path was driven by economic needs to access global capital by dismantling old state institutions and depoliticizing economic decision-making. In the third section, it will be argued that while Argentina`s path was highly contentious and volatile, external shocks in the 1990s sharpened these weaknesses and resulted in the economic and social crisis of 2001/2002. This section will analyse the main contradictions of neoliberalism in Argentina. Finally, a conclusion will be presented.

3.1. Beginnings of ISI: The First Phase of ISI under Peronism (1946-1955)

Argentina in the early 20th century accomplished high rates of growth under an oligarchic regime based on an agricultural, export-led economic model. However, negative impacts of the Great Depression on the terms of international trade in the 1930s led to a re-evaluation of developmental strategies amongst the state elite in Argentina. In effect, the

Depression led to a regional trend across Latin America for questioning the survivability of open market economies faced with high tariffs in European countries. Furthermore, the institutional capacity of oligarchic regime to establish citizenship rights for all citizens was questioned. These related problems were translated into a question about the state`s role in economy in the 1930s, marking a shift in developmental ideas from an export–led and market-orientated model towards state interventionism and promotion of national industrialisation. While the state elite took more pragmatic solutions to the consequences of the Depression in the 1930s, the 1940s saw a more comprehensive economic and political strategy for the national model (Lewis, 2005:1-2).

It was Juan Perón, a military officer appointed as the Minister of Labour and Social Security during the military regime that changed the political and economic scene of the country. As he took over as Minister after 1943, Perón strengthened his position through building alliances with the labour unions and within the military (Collier and Collier, 2002:332). In the 1930s and 1940s, labour unions became highly mobilized and there was a need to bring these unions under the umbrella of the state. Given the institutional weakness of the previous political elite, Perón took action to establish a strong alliance with the labour unions in the wake of social unrest. Through the Law of Professional Associations, Perón mobilized labour unions and changed the oppressive labour policy of previous governments, improving social and economic rights through social security, minimum wages and collective bargaining (Basualdo, 2006).

When Perón took power in 1946 by challenging the military with the support of labour unions, he opted for an economic model based on import-substitution led industrialisation which accepted the need to maintain social peace (Collier and Collier, 2002). On the institutional front, some regulative measures had already been implemented starting in 1929. The Instituto Argentino para la Promoción de Intercambio was established to control import and export markets. In 1944, the Banco Industrial was initiated to allocate state funds to the industrial sector. When Perón was in office, he expanded the role of the state in the economy to foster national industry and expand the domestic market. The state actively protected industry from foreign competition and forced up domestic savings. These measures included protectionist measures on tariffs, exchange rate controls, low interest rates, credit allocation, restrictions on capital flows, and taxes on agricultural exports. Furthermore, Perón nationalized various public services (Ácuna et al., 2006; Brennan, 2007:51-58).

Another aspect of ISI was the promotion of labour rights and corporatist relations between labour and business in line with the expansion of domestic markets. The social and economic rights of the workers were expanded and provided them with better living standards while encouraging their participation in economic and political matters. Subsidies for housing and food, improvements in health insurance, promotion of the formal economy and job creation accompanied by increases in wages contributed to the welfare of the working classes. By 1952, 70 per cent of workers were covered by social security while wages increased by 60 per cent between 1946 and 1949 (Collier and Collier, 2002:341). Perón also built a direct relationship with the unions which gave him huge control over them. The PJ enabled labour leaders from the *Confederación General del Trabajo* (CGT) to increase their power through party politics, becoming a weakly-institutionalised party machine under Perón `s control (Patroni, 2001:257; Collier and Collier, 2002:341-346).

However, Perón was not able to create political consensus around the ISI model. The national development model still required agricultural exports to finance itself. Exports constituted an important component of the industrial economy since Perón relied on the agricultural economy to sponsor industrial production and subsidise the working class. Economic policies during the Peronist government favoured an increase in industrial prices over agricultural prices. Furthermore, subsidised food prices to protect the working class also discouraged potential exports, which were instead sold in the domestic market. This dilemma created economic tensions regarding the market`s orientation and required mediation between industrialists, exporters and the working classes. Argentina's economy then became exposed to external price fluctuations and increasing public deficits (Ácuna *et al*., 2006:2). On top of this economic conflict, Perón`s use of power and building of coalitions was important in shaping the political economy of this period. Basualdo (2006) emphasized that the direction of Perón `s policies should be understood as an extension of the immediate need to respond to Argentina`s social problems given the institutional weakness of previous governments.

As mentioned above, ISI did not eradicate the significance of the agricultural exporters. Perón sought the support of the old oligarchy by providing positions as Ministers. However, the oligarchic elite and its main umbrella organisation Sociedad Rural Argentina (SRA) were forced to accept Perón`s arbitrary decisions and lost their voice in policy-making (Manzetti, 1992:607). Perón `s policies were not only contentious in terms of his relationship towards exporters, as he did not have strong ties with big industrialists either. *Confederación General Económica* (CGE), an umbrella organisation for small and medium light industry companies, was granted official recognition, whereas the *Union Industrial Argentina* (UIA), which represented the interests of old industrialists with foreign links in heavy industry, was officially closed (Teichman, 1981:144-148). Perón left legacies of highly politicised debate about the role of the state in markets and the state`s integration into the global economy. This was a weak state that aimed to control opposition groups which fought for access to state resources rather than developing coherent state-led strategies. This also signalled that a shift in the development model and alliances meant damaging other groups in opposition (Schneider, 2004:174). Hence, even though welfare allocation and import-substitution were central to national development, the scope of state intervention was highly contested (Patroni, 2001:260). As Schneider put it:

> Cleavages within business between sectors, especially agriculture versus industry, between small and big business, and between protectionists and free traders all acquired strong organisational manifestation and contributed to polarising debates (Schneider, 2004:250).

After Perón`s overthrow in 1955, a conservative anti-Peronist coalition was built around the interests of the landed elite and large industrialists linked to multinational corporations. This was supported by the military, non-Peronist parties, urban and rural middle classes and the Church (Cavarozzi, 1986:23). On the economic front, civilian and military governments continued to stimulate state-led industrialisation with an emerging emphasis on heavy industry. At the same time, those governments incorporated the interests of a liberal agricultural business whose support was essential to sponsorship of industrialisation. This period was shaped by conflicts over redistribution between industrialists, working classes and export-oriented agricultural producers. The period saw expansion and contraction of the economy and increasing external vulnerability due to dire need for foreign capital to finance industrialisation. Meanwhile, political instability accelerated since the new power bloc was unable to manage political instability caused by Peronist unions, which were deprived of institutional representation in an attempt to eliminate Peronism from Argentine political culture. The state became an arena of political and economic clashes between social and economic actors that undermined the state`s capacity to deliver on its developmental goals; on one hand, the politically mobilized masses under an ambiguous Peronist identity, and on the other, a weak and incoherent anti-Peronist coalition built around the economic interests of industrialists and the export-oriented landed elite. Failure to overcome this impasse resulted in polarization and radicalization in society, ultimately leading the military to employ harsh political measures (Cavarozzi, 1986:19-20). Military and civil governments tilted towards prioritisation of foreign direct investment and the private sector through interest-rate liberalisation, privatisation of the state oil company and maintenance of a fixed exchange rate to attract foreign capital flows. Hence, a mixed form of developmentalism persisted, regulating prices, allocation of taxes and foreign exchange controls to sustain redistributive coalitions with Peronist labour unions and small and medium sized companies backing ISI-led industrialisation (Phillips, 2004).

In 1958, the newly elected Frondizi from the *Unión Cívica Radical* (UCR – the Radical Party) took power and signalled his commitment to the developmentalist national project. His developmentalist policies, however, shifted from those of Perón since he regarded foreign capital and technology as a key mechanism to promote industrialisation. Frondizi promoted heavy industrialisation in specific sectors such as steel, oil and automobiles in line with the second phase of ISI, whereas privatisations took place in energy, transport and communications (Cavarozzi, 1986:24-27). In 1963, Illia from the Radical Party took over. Between 1964 and 1966, a brief recovery was made possible by a mix of heterodox and orthodox policies, with fiscal contraction, exchange controls, but also rising exports due to increasing international prices. General Onganía, who took power from 1966 onwards, aimed to promote exports with an emphasis on reducing export taxes and a 30 per cent devaluation. However, the structural problems of ISI continued with persistent indebtedness and attempts of devaluation leading to increasing inflation (Maynard, 1989:171-172). Declining terms of trade accelerated from 1966 onwards. Between 1967 and 1970, a stabilisation programme was implemented which ended up increasing inflation, the public deficit and overvalued currency (Di Tella, 1989:214).

While the civilian and military governments accomplished moderate levels of growth, albeit in an unstable pattern, political instability dominated this period and overshadowed the economy. In effect, the problems of the market`s orientation and capital accumulation were highly linked to the nature of political coalitions during this period. The military and civilian governments failed to incorporate Peronist institutions after the overthrow of Perón while they sought to control labour unions under state tutelage in an oppressive manner. Peronist labour leaders increased their power and blocked the initiatives by civilian and military governments through rising activism in collective negotiations and militancy (Cavarozzi, 1986:25). While General Lonardi, in 1955, signalled the first attempts to repress Peronism, it was General Aramburu who shifted towards a more oppressive strategy. This logic led him to attack the Peronist symbols, i.e., the CGT and labour unions, so as to transform them into non-Peronist organisations. In addition to the ban on the PJ, most of the Peronist leaders of labour unions were arrested, the CGT was banned, and the right to strike were suspended (Collier and Collier, 2002:484-485; McGuire, 1997:82-83). However, the strategy of the military failed as the new labour leaders managed to create a sense of cohesion among Peronist constituencies in the wake of independence from Perón despite their political fragmentation (Patroni, 2001:260). During this period the “62” Organisations emerged as an informal umbrella to mobilize workers against the governments. Though they lacked institutional power to access economic and political decision-making, they were able to block strategies of the government due to the electoral power of Peronism and their collective bargaining power (Cavarozzi, 1986:24; Patroni; 2001:260). The rising activism and militancy of the labour unions played an important role in undermining stability under General Aramburu. Frondizi chose a more moderate approach to address the Peronist unions. Frondizi made an agreement with the exiled Peron and sought the support of Peronist union leaders. However, Frondizi`s strategy was only slightly better than Aramburu`s and the coalition broke down as suspension of strikes and wage freezes persisted and economic conflicts arose regarding participation of foreign corporations in the economy (Collier and Collier, 2002:491). Increasing instability led the coalition to become weaker and the liberal oligarchy became more antagonistic with the Peronist unions. Supported by the liberal oligarchy, the CGT and “62” organisations, and having more bureaucratised and conservative interests, General Onganía increased attacks on the leftist and militant aspects of Peronism (Cavarozzi, 1986:32-35; Adelman, 1994:70). However, the coalition broke down as Onganía signalled his commitment to the liberal oligarchy and put into action a series of oppressive measures including suspension of collective bargaining (Mc Guire, 1997:155). While some labour unions from sectors such as petrol chose to accommodate the system, the “62” Organisations continued strikes and resisted the government. Moreover, the labour resistance expanded to other cities such as Córdoba. Guerrilla groups increased in number and started to kidnap the union leaders and government officials. In this environment of instability, General Lanusse issued the decision to allow Peron to return to Argentina as a last chance to bring political and economic stability (Adelman, 1994:70-72).

The return of Perón in 1973 signalled the revival of the old populist alliances with the CGE and CGT. Perón`s return meant a revision of the state-society relationship undermined during the unstable military and civilian governments. However, Peron`s strategy was rather heterodox and pragmatic in that it involved mild redistribution with strong interventionism in an environment where large industrialists and the export-oriented agricultural elite linked to foreign interests had increased their power over 18 years (Basualdo, 2006:110; Di Tella, 1989:216-218). In the light of these events, Perón initiated a three year programme called the "Social Pact", which aimed to bring stability and to stimulate industrial production through a freeze on wages and prices (Epstein, 1987:993-994). However, these attempts to revive old populist coalitions failed due to the continuing inflation and the international oil crisis in 1973 (Adelman, 1994:70-72). Relaxing prices in 1973 and Perón`s death in 1974 undermined hopes for stability in Argentina, leading the military and oligarchy to become antagonistic with Peronism again (Cavarozzi, 1986:30; Mc Guire, 1997:154-165; Panizza, 2000:745).

An environment of instability and loss of legitimacy served the military and oligarchic regime in shifting blame on to the Peronist movement. The military coup d'état in 1976 led by General Videla signalled an antagonistic stance towards Peronist constituencies and a shift towards the oligarchy in the state-society relationship (Basualdo, 2003:117). Diagnosis of the society as "sick" by the military led to attempts to treat these symptoms through violence (Epstein, 1987:995). The rights of labour unions were suppressed, even those that had collaborated with the previous military governments, with strikes banned, union leaders imprisoned and welfare programmes taken into state control (Patroni, 2001:262). In addition to political attacks, a series of liberal economic measures were implemented in favour of the interests of the oligarchy, essentially financialization and trade liberalisation supported by an alliance with the IMF (Basualdo, 2003).

Between 1976 and 1978 an economic programme which targeted a reduced fiscal deficit and inflation and promoted exports was initiated by the Economy Minister Hoz. Measures included liberalisation of the currency regime, deregulation of prices and interest rates, and reducing wages (Beccaria and Carciofi, 1982:154-155). However, the plan resulted in overvaluation of the currency, undermining industrial production, mainly in the textiles, clothing and electronics sectors. At the same time, due to overvaluation the export-oriented elite found their interests were not being protected (Epstein, 1987:999). As a response, a fixed exchange rate was introduced under a new programme in December 1978 (Beccaria and Carciofi, 1982:157-158). In 1981, devaluations by 10 per cent and 30 per cent followed. However, an economy which was fed by overreliance on financialization with a deteriorating trade balance contributed to growing foreign indebtedness and inflation (Ácuna *et al.*, 2006:5; Teubal, 2004:177-178). Foreign debt in 1976 was 10 billion dollars but reached 45 billion dollars in 1982, while interest increased from 515 million to 5.4 billion in 1983 (Teichman, 1997:42; Teubal, 2004:176). In 1982, international banks refused further lending when the Mexican debt crisis occurred, leading the Argentine government to nationalize foreign debt in an attempt to re-schedule it. In effect, this decision meant the collapse of the economy, in an environment of huge fiscal deficit with extortionate interest rates (Canitrot, 1994:76; Teichman, 1997:42). The repression of the old populist policies created a huge unease amongst workers. Labour resistance against these measures was reflected in a massive general strike in March 1982. Hence, the army had to counter the political crisis as well as the economic crisis. As a last solution, the military attempted to compensate its failure using the Falkland/Malvinas Islands crisis. This attempt resulted in losing the war against Britain and paved the way for the collapse of the authoritarian regime (Adelman, 1994:73-75).

In Argentina, the state historically lacked a developmental apparatus with which to design coherent and nationally oriented growth strategies (Lewis, 2005). During the ISI period, the Argentine political economy was marked by economic crises and unstable periods of growth and recession followed by economic crises in 1949, 1952, 1959, 1974, 1975 and 1978. The economic crises were related to inherent contradictions of ISI itself. Since industrialisation required imports of intermediate and capital goods, there was still a need for agricultural exports. This led to tensions over the market`s orientation and trade balance problems. Maintaining an overvalued currency, except periodic attempts to devalue to resolve trade deficits, led to inflation, while fiscal deficits became one of the main characteristics of the Argentine economy (Alschuler, 1980:225; Di Tella and Dornbusch, 1989:2-4).

3.2. Argentina`s Neoliberal Transformation

The early 1980s saw the exhaustion of ISI policies which had resulted in industrial decline and uncompetitive exports accompanied by high inflation and foreign indebtedness. Furthermore, the military`s attack on the leftist Peronist movement led to social chaos and the collapse of the military regime. Democratization then opened a new space for those who were exposed to state violence during the military regime. In 1983 newly elected president Alfonsín from the UCR signalled his commitment to universal democracy and economic recovery. The Alfonsín government initiated the Austral Plan which pegged the peso to the US dollar to fight inflation and stabilize the economy. Other pillars of the programme included freezing wages, prices and public utilities (Epstein, 1987:1000). However, persistent inflation and overvaluation of the currency led to protests by farmers and labour unions (Epstein, 1987:1001). Measures to reduce export taxes and further relax wages and prices were introduced in 1986. Overall, the economic programme accomplished a degree of economic recovery with a temporary decline in the fiscal deficit, albeit accompanied by inflationary pressures reaching three digits per year. In the late 1980s, the fiscal deficit started to grow and hyperinflationary pressures rose accompanied by a decline in international commodity prices. However, as Canitrot argued, Alfonsín lacked the political strength to sustain the success of the economic programme (Canitrot, 1994:81-86). Historical weak ties with the business sector and Peronist unions meant he lacked the political legitimacy sufficient to deliver economic goals. In this period, labour unions under the CGT leadership emerged as strong challengers to the government, blocking the economic programme (Patroni, 2001:268). The trade unions' opposition to the government became overt, and 13 general strikes were led by the CGT (Adelman, 1994:77).

In 1989, inflation reached nearly 4000 per cent, and the inability of Alfonsín to bring about economic recovery via stable coalitions with business and labour unions created a sense of emergency since hyperinflation undermined living conditions throughout society (Biglaiser and Brown, 2005:677). This chaotic atmosphere and an enormous fiscal deficit favoured the embrace of neoliberal ideas promoted by the IMF around the Washington Consensus in 1989 (Teichman, 1997:31). While Menem appealed to Peronist discourse before elections, in office he prioritised "credibility" to attract foreign investment and shifted towards a conservative ideology to incorporate liberal interests. Menem`s conservative turn was evident in his appointment of a representative of agricultural conglomerate Bunge y Born as Minister of Economy. Prior to this, the Peronist Party was historically opposed to the financial and liberal interests defended by the agricultural business and large industrialists (Teichman, 1997:44-45).

Nevertheless, it was not surprising that most scholars emphasized that Argentina embraced neoliberal reforms in a dramatic way. In addition to hyperinflation, as Palermo put it, Peronism`s traditional emphasis on low institutionalization fitted well with the technocratic approach promoted by neoliberalism, which saw state institutions as a barrier to efficiency and change (Palermo, 1996:87). While the politics and economics of Argentina are key to understanding the reform path taken, we must also take into account the dominant paradigm of neoliberal ideology backed by IFI conditionalities and demands for "credibility" to access foreign capital flows. For developing countries in need of capital formation, this meant tying development to the economic logic of credibility and adopting IMF-led orthodox recipes such as "getting the prices right", low taxes, and high interest rates (Phillips, 1999:72). For instance, debt negotiations were carried out through the Baker Plan in 1985 and Brady Plan in 1989, leading to privatisations of oil and minerals and opening to foreign investment (Teichman, 2004:42).

Menem centralised power and issued decrees like the Law of State Reform and the Economic Urgency Law, which saw a dramatic shift towards pro-market policies in line with integration into the global economy (Teichman, 1997:45). After a few attempts that failed to stabilize the economy, Menem appointed a technocrat (Cavallo) as Minister of Economy, and he became the architect of the Convertibility Plan in 1991 that underpinned Argentine neoliberalism (Teichman, 1997:46). The Convertibility Plan sought to bolster credibility to attract foreign investment and to bring down inflation by establishing a stable exchange rate regime by pegging the peso to the dollar (Teubal, 2004:181). Drastic liberalisation, privatisation and deregulation of investment were carried out to attract foreign investors. Foreign firms were permitted to invest in the country and enter strategic areas which were previously in state hands. More than 30 state firms were privatised, covering a wide range of sectors: telecommunications, airlines, petrochemicals, petroleum, railways, natural gas distribution, electricity, water, iron and steel industries, coal, and hydroelectric dams (Rock, 2002:68). The Economic Emergency Law in 1989 extended privileges for foreign investors through dollarization, tax exemptions, and releasing licenses in mining, oil and gas extraction. Price regulations were left to the discretion of domestic and global participants in order to maintain investment flows (Teichman, 2003:42). Even though an energy regulator was formed, it was subject to lobbying from powerful interests. Investment policies were driven by a lack of strategic allocation of FDI-related investment and industrial design. Most FDI from TNCs was directed towards privatization of natural resources, telecommunications and came into low value-added sectors like food, rubber, chemicals and plastics, mainly connected to natural resources (Chudnovsky and López, 2007:74-92). In a similar vein, privatisations of utilities were motivated by short-term interests to increase revenues and provide credibility (Teubal, 2004:181). Menem issued decrees and laws such as Decree 2184, Decree 435, Decree 612, Labour Law 24.013 and 24.467 which abolished the right to strike, promoted the use of temporary contracts, and then removed severance payments and social security contributions (Patroni, 2001:269-270).

Trade opening was characterised by dismantling previous forms of protection to access new foreign markets. Menem pursued unilateral trade liberalisation to access new markets and attract FDI (Chudnovsky and López, 2007). In March 1991, he reduced import tariffs in primary products to 0 per cent, for consumption to 11 per cent and in manufacturing to 22 per cent. Non-tariff barriers and export duties were removed (Teichman, 1997:46; Viguera, 1998:14). Regional integration strategies also constituted an attempt to enable the region's economies to move from import-substitution towards trade liberalisation and attraction of FDI (Devlin and Estevadeordal, 2001:21-22). Open regionalism was associated with strategies that sought to develop collective action to adapt to competitiveness pressures from globalisation, such as enhancing access to new markets and foreign investment. Thus, states deliberately reduced their policy autonomy through seeking participation in binding trade agreements and implementing legal frameworks designed to attract foreign investment (Phillips, 2003). MERCOSUR in 1993 became an important agreement in the search for new markets and investment (Tussie, 2010:3). While within the region tariffs were drastically reduced, the Uruguay Round expanded similar legal arrangements at the multilateral level. The Marrakesh "Final Act" signed in 1994 resulted in reduced trade barriers for goods and services and became binding under WTO arrangements (Devlin and Estevadeordal, 2001:21-22). In a similar vein, Menem relied on unilateral mechanisms in MERCOSUR and multilateral agreements to seek access to new markets through tariff reduction (Phillips, 2004).

Put simply, neoliberal transformation was shaped by a wholesale dismantling of the previous developmental practices and state institutions and their replacement by faith in the trickle-down effects of free markets. Reform was driven by pure economic considerations and lacked a long-term industrial strategy, which meant appealing to powerful local business and TNCs driven by profit-seeking without regulatory and compensatory mechanisms (Etchemendy, 2003:33; Teubal, 2004:180). Public policies to increase domestic savings, direct public investment to strategic industries in higher value-added sectors and the incorporation of small and medium sized companies into production chains – often seen in East Asian paths of development – were here nearly absent (Pastor and Wise, 1999a:42-43; Teubal, 2004:175).

Despite the centralised governance of the Menem period, implementation of neoliberal reforms entailed negotiations with society. In effect, neoliberalism was embedded in complex coalitions involving different elements of society. Despite his leftist discourse in the elections, he quickly signalled his alliances with agri-business and large industrialists through a conservative turn in party politics which undermined traditional links with the urban Peronist coalition (Ácuna *et al.*, 2006:14). Using the old party machine, Menem sought to gain support from provincial areas, which constituted a significant share of the vote. Though federal government transferred its responsibilities to the provincial governments, the latter still relied on state finances in the 1990s. In effect, as fiscal revenues increased through Convertibility, Menem created a Fiscal Pact with provincial leaders in 1992 and 1993 and thereby created new funds for *coparticipación* (Gibson and Calvo, 2000:43).

Menem also distributed benefits to labour unions, which enabled them to maintain their control over welfare funds. Furthermore, labour unions were assigned 10 per cent of assets privatised via gas, electricity and oil firms (Murillo, 1997:86; Etchemendy, 2005:18). However, Menem`s divisive strategy led to labour flexibility and a decline in workers` political rights (Pastor and Wise, 1999a:39-42; Patroni, 2001:269). The CGT did not oppose a ban on strikes and accepted flexibility measures such as contract elasticity and reductions in redundancy payments (Etchemendy, 2001:6-8). In line with neoliberal ideas, Menem retained only safety nets for the very poor. Universal social programmes for the very poor were employed under the responsibility of provincial governments. These programmes were financed by the national government through discretionary funds that financed housing, public works, health and education. However, these subsidies were not distributed equally in rural and urban provinces. While 7 percent of public spending in urban provinces was subsidized by the government, the number reached to the 78 percent in provincial ones. Moreover, neoliberal reforms in 1990 were intensified in urban areas. For example, while the restructuring of public administration that removed 37 per cent of public employees in cities was completed by the early 1990s, the same reform was not begun until 1994 in rural areas (Gibson and Calvo, 2000:43).

Menem followed a strategy that sought to gain support of strong liberal-oriented sectors with global ties (Teichman, 1997:47). In terms of the business sector, Menem followed a dual strategy; while he supported large conglomerates and agricultural exporters that sought alliances with TNCs, he aimed to prevent resistance from those who opposed neoliberal reforms due to their inability to compete in a global economy (Teichman, 1997:47; Viguera, 1998). First, big conglomerates in steel and oil constituted an important element of the Menemist alliance. Those conglomerates in heavy industry had enjoyed a privileged position during the ISI regime through producing at high prices for state companies such as *Yacimientos Petrolíferos Fiscales* (YPF). As a result, though they were pro-liberal, privatisations would pose uncertainties for them; Menem gained their support by privileging their interests over foreign firms such as Shell during privatisations of state enterprises. Techint participated in privatisation of steel, oil and electricity firms while Perez-Companc was granted participation in privatisations of telecommunications, electricity and oil companies (Etchemendy, 2005:8-9;

Rock, 2002:69). At the same time, for automobile, electronics and petrochemical producers, which had started to export to MERCOSUR in the mid-1990s, import tariffs offered state protection (Viguera, 1998:14). For local car producers such as *Compañía Interamericana de Automóviles S.A* (CIADEA) (linked to Renault), Sevel (linked to Fiat and Peugeot) and Iveco a 30 per cent tariff was employed (Etchemendy, 2005:9-10). Furthermore, as Viguera argues, it was not only those small and medium firms that were losers, as negotiations based on specific sectors created complex negotiations. For instance, UIA, an organisation for local industrialists, had diverse orientations that made it difficult to negotiate their interests, whereas big conglomerates used organisational lobbying to defend their interests (Viguera, 1998:26-27). Overall, Menem`s strategies were highly depoliticising and divisive, favouring particular groups and particular sectors that had ties to global capital. However, reaction to his policies was quite weak (Teichman, 1997:47).

In the short-term, Menem`s economic policies managed to reduce inflation and create macro-economic stability for domestic and foreign investment, including small savers, with a favourable international environment, low interest rates, and huge capital flows. Furthermore, agreement on an IMF stand-by arrangement and debt rescheduling under the Brady Plan contributed to further stability (Gerchunoff and Torre, 1996:741). Between 1991 and 1994 GDP annual growth of 7.6 per cent surpassed Latin American average growth rates (Etchemendy, 2005:7). However, liberalisation was highly dependent on foreign flows and economic reforms created winners and losers. The unfettered capital account liberalisation and financial deregulation favoured non-tradable services and put the burden on manufacturing sectors. The resultant fiscal and trade deficits were sustained by foreign debt and privatisations. Capital inflows increased from 3.2 billion USD to 10 billion USD in 1993 (Rock, 2002:65). In addition to capital inflows, privatisation income reached 31 billion by 1995, allowing the government to finance external debts and fiscal deficits (Rock, 2002:68).

Argentina`s competitive strategies were mainly driven by comparative advantages based on low value-added natural resources and their related products, such as chemicals, plastics and food. These sectors, affiliated with TNCs, achieved global competitiveness through the incorporation of foreign inputs and capital, FDI and privatisations (Chudnovsky and López, 2007). This period of transformation in exports of oil and agriculture was outstanding. Manufacturing exports, especially automobiles to MERCOSUR, increased by 70 per cent (Rock, 2002:66-67). However, domestic-facing producers who operate in engineering-intensive and labour-intensive manufacturing sector were exposed to competitive pressures. In addition to costs of financial deregulation, privatisations which were subject to rent-seeking and price manipulations increased costs of production. Furthermore, unilateral trade liberalisation to quickly import foreign inputs and machinery exposed local manufacturing to foreign competition. Traditional local producers in textiles, clothing, metallurgy and machinery became losers of unfettered financial deregulation and trade liberalisation. Small and medium sized enterprises (SMEs) especially could not compete with cheap imports and were exposed to negative externalities of interest rates and exchange rate appreciation (Chudnovsky and López, 2007; Teubal, 2004:175). The historic skill gap of labour was deepened due to skill-based technological change which favoured capital-intensive and natural resource sectors with low and medium labour intensity. Hence, neoliberalism contributed to an informal-formal labour gap that harmed the SMEs that traditionally employ low-skilled labour (Patroni, 2001:269; Pastor and Wise, 1999a:39-42). Job insecurity, informality and unemployment expanded in small and medium sized companies as they were deprived from old regulatory and protectionist mechanisms (Pastor and Wise, 1999a:42).

Despite a brief recovery from the hyperinflationary crisis in the early 1990s Menem`s reforms were exhausted after the mid-1990s, exposing the banking sector`s vulnerability to external shocks. Poverty reached extreme levels, especially in metropolitan areas where the burden of reforms was sharpest. This process of pauperization led to the emergence of the "new poor", which started to protest using roadblocks in 1993 in Salta following privatisation of the oil company YPF. In 1996, a massive march was organized under the leadership of labour confederations, later being joined by the *piqueteros* created during the 1990s. In 1999, the Alliance for Work, Justice and Education (*Alianza por el Trabajo, la Justicia y la Educación*) took power which was established by the coalition of the UCR and the *Frente por un País Solidario* (FREPASO - the Front for a Country in Solidarity), the latter formed by opponents within Peronism like Carlos Álvarez. The *Alianza* government had a divergent political-economic orientation. While Álvarez was a defender of nationalist policies, De la Rúa and his Minister of Economy, Machinea, were supportive of Convertibility and dollarization, while also promising better health and education conditions (Rock, 2002:81-82). In effect, anti-Menemist discourse was the main motivation that brought the coalition together. During pre-election campaigns, the *Alianza* criticised the corruption scandals of the Menem period and promised to improve "the social" (Ciberia, *Página/12,* 26 May 1999). After a rapid recovery from the Mexican crisis, known as Tequila crisis, from 1998 onwards the Argentine economy was vulnerable to external crises; the Russian crisis in 1998 led to a sudden stop in capital flows and Brazilian devaluation in 1999 hurt the competitiveness of its exports. In the context of increasing debt and uncompetitive exports, the government attempted to restore credibility before international markets and financial institutions and to reverse the signals of the economic crisis. Despite its promise to tackle social issues, the *Alianza* government and its economic team sought to restore credibility through further deregulation of the labour market and by reducing the public deficit (Carranza, 2005:69; Tedesco 2002:471). Part of the reason to maintain Convertibility related to pressures from international financial institutions while the middle classes with dollar-denominated bonds also voted for stability. Overall, these austerity measures only exacerbated social unrest (Carranza, 2005:70). As Rock (2002:83) puts it, the success of the *Alianza* government did not derive from its own strength but from divisions in the Peronist government. The coalition government was too divided and weak to manage the political and economic crisis.

After failed attempts from Ministers of Economy, Machinea and López, in March 2001 the architect of the Convertibility Plan Cavallo took over. Despite Cavallo`s attempts, outflow of capital, fuelled by fears of devaluation, continued. In June, Cavallo announced euro-dollar parity. Even though euro-dollar parity was not implemented because of market fear, the announcement worsened the situation as markets immediately responded by increasing Argentina`s country risk. The *mega canje* issued by Cavallo, which included a debt swap of 30 billion dollars, only aggravated matters. In search of IMF aid for credibility, Cavallo announced the “Zero Deficit Plan”, which projected a 13 per cent cut in public salaries and pensions, leading to massive protests by the *piqueteros* and labour unions. In July, due to fear of devaluation, a run on deposits began. The social unrest, the run on deposits by middle classes and the tense negotiations with the IMF were a part of Argentine daily politics in the following months. The IMF ultimately rejected further lending and the government declared *Corralito,* which restricted cash withdrawals from bank accounts. *Corralito* spurred the anger of middle classes, who joined the poor in the streets with slogans of *Que se vayan todos* (“Out with all of them”). The accumulated anger transformed into a massive explosion when De La Rúa declared State Siege on 19 December 2001. His resignation was followed by devaluation and a public default on debt, as announced by the interim president Rodríguez Saá on 23 December 2001 (Bernhardt, 2008; Vilas, 2006).

3.3. Lessons from the Financial Crisis of 2001/2002

While Argentine domestic politics and economic strategies should be taken into account in understanding the financial crisis of 2001/2002, these domestic weaknesses were heightened by a neoliberal orthodoxy that exposed Argentina to competitiveness challenges due to unregulated global market activity. Although free markets were not entirely to blame, the financial crisis of 2001/2002 stemmed from the rising costs of insertion into the global economy, with a series of external shocks that exacerbated Argentina`s vulnerabilities. One weakness was a lack of fiscal discipline. Corrales (2002) argued that it was not only rigidity of the currency, but also a lack of sound macro-fundamentals such as careful debt management. According to Mussa (2002:10) high government spending was mainly due to the federal system`s financial structure. This view argued that while provincial governments were free to spend based on national government resources, they did not need to worry about fiscal discipline since national government was in charge of revenue raising and debt repayment. This created a vicious cycle of political negotiations with provincial leaders who pressurized the national government to increase resources. As a result, to maintain political support, the state spent more revenue than it raised from taxes. However, the government ran a primary surplus through most of the period. Furthermore, the fiscal deficit and foreign liabilities did not only derive from heavy government spending and borrowing. As Haussmann and Velasco (2002) and Perry and Servén (2003) argue, these imbalances were also rooted in heavy private indebtedness. Private indebtedness in external markets was an important part of the public debt which contributed to fiscal and external imbalances. Moreover, as Perry and Servén (2003) put it, these fiscal imbalances, in fact, were aby a decline in tax revenue and debt service throughout the last years of Convertibility. Recognition of Brady Bonds with high interest rates also contributed to increasing the fiscal deficit (Haussmann and Velasco, 2002:14).

One cause of the crisis was currency appreciation and rigidity of the exchange rate regime (Fanelli, 2003; Galiani *et al*. 2003; Perry and Servén, 2003). The Convertibility Plan was designed explicitly to prioritise financial capital at the expense of industrial competitiveness and was reliant on external funds to finance deficits and foreign debt. Furthermore, the rigid design of the Convertibility Plan prevented devaluation and tied the monetary base to unrestricted flows of capital. This restricted use of exchange rate, fiscal and monetary policy rendered the regime highly vulnerable to external shocks. Banking deregulation and encouragement of dollar contracts were other sources of fragility (Bernhardt, 2008). From 1998 onwards the Russian crisis meant that the positive conditions in capital markets deteriorated, changing investor expectations. In effect, after 1994, the peso constantly appreciated and foreign debt continued to grow. Yet, even during the Mexican crisis, Menem did not break his commitment to the Convertibility Plan and chose to increase interest rates to stop capital outflows while continuing to allow dollar contracts for privatised companies (Bernhardt, 2008; Carranza, 2005).

While Argentina was not particularly affected on the financial side, Brazil`s devaluation in 1999 constituted a critical point in Argentina`s decline as it exacerbated overvaluation and trade deficits. As well as the rigidity of its currency regime, Argentina`s weakness was its reliance on Brazil`s performance, having previously enjoyed its neighbour`s currency appreciation. Furthermore, stability of the peso vis-à-vis the dollar did not help as Argentina mainly exported to Brazil rather than the US (Fanelli, 2003; Pastor and Wise, 2001). While Argentina enjoyed some degree of competitiveness in the automobile sector through the complementarity agreement in MERCOSUR, devaluation of Brazil's currency led to a halt in regional trade and investment in this sector (Corrales, 2002). Furthermore, the *Alianza* government continued to be committed to the Convertibility Plan. While the lobby of privatised utilities with contracts in dollars partially played a role in maintenance of the currency, the fear of hyperinflation and the credibility of the Convertibility were key reasons for resistance to policy change (Pastor and Wise, 2001:66). While Argentina did not undertake diversification of exports and relied on comparative advantage, declining terms of trade and continuing protection in developed countries for agricultural goods also contributed to declining export performance (Fanelli, 2003). Furthermore, sudden changes in investor expectations and draining of foreign funds after the Russian financial crisis occurred in 1998. This process and rising costs of borrowing heightened appreciation which exacerbated fiscal and trade deficits and undermined investor confidence. Overall, as the investors retreated from further lending, public debt became unsustainable (Galiani *et al*., 2003). Nevertheless, Argentina`s experience was unique after 1999 as it experienced one of the biggest defaults in world history. According to Perry and Servén (2003), under a flexible exchange rate regime the imbalance with foreign liabilities could be solved through amending the nominal exchange rate. However, under a fixed exchange rate regime, the adjustment could only be implemented via domestic prices, which in Argentine's case meant only 3 per cent (Perry and Servén, 2003:11).

The financial crisis of 2001/2002 showed that credibility and competitiveness would not be achieved without gaining social legitimacy and delivering protection to popular groups.

Unfettered financial and trade liberalisation, skill-based technological change and monopolies in privatisations created social dislocations characterised by a skill-wage gap, unemployment and informality. As Grugel and Riggirozzi (2007:7) put it, neoliberalism undermined the historical relationship that the Peronist movement had established with the working classes, leading to emergence of the "new poor" in the neoliberal period. While labour union activity was weakened through institutional reform and economic dislocations, a new form of activism was seen from the movements of the unemployed (Vilas, 2006). The *piqueteros* were newly pauperized unemployed workers in the 1990s, deprived of basic services and seeking a return to employment. Such unemployed workers and families had unmet basic needs, such as food, education and health, which the state used to guarantee as citizenship rights. These groups were not only a reaction to the *Alianza* government`s decision to cut fiscal spending, they represented a decades-long thrust within the state towards dismissal of social legitimacy, which essentially shifted the burden of global competitiveness onto the most vulnerable sectors of society. The first demonstrations had already started in 1993, with public workers in La Rioja, and they continued in 1994 in Jujuy and Tucumán due to privatisations (Carranza, 2005). Exhausted by increasing poverty and unemployment, the *piqueteros* started to vocalize their anger in the form of roadblocks and mobilisations in local territories and neighbourhoods. Furthermore, the leaders of the unemployed movements used to belong to organised labour unionism, and the 1996 general march saw realignment with this group. In the wake of this coordination, social anger was translated into new forms of resistance through local assemblies which vocalised demands for employment. Unemployed movements established local assemblies and demanded promotion of the formal economy, work training and implementation of social programmes to deliver welfare transfers (Vilas, 2006:170-171).

Although the *Alianza* government created job programmes like *Plan Trabajar*, these policies were highly limited given fiscal pressures and the declining competitiveness of industry. Like Menem, who shifted the burden of the financial costs onto production and social groups, *Alianza* continued its monetary and fiscal adjustment to the detriment of the domestic market (Corrales, 2002; Vilas, 2006). In early 2002, Argentina was in a state of economic and social chaos. Peronist Duhalde was appointed by Congress in January 2002 as transitional president. Duhalde made devaluation official and declared "asymmetrical pesification" in February 2002 (Etchemendy and Garay, 2011:288). The challenges for the non-elected Duhalde government to bring stability were remarkable. The country had declared a default of 155 billion USD, which meant a strained relationship with multilateral institutions and international markets. Low tax revenues made things even worse, leaving the government with few resources (ECLAC, 2003a:133). Devaluation of the peso by 55 per cent left it exposed to further fluctuations throughout the first half of 2002. Uncertainty was spurred further by public utility prices and hyperinflationary pressures. On the social front, the impact of the crisis was devastating. Poverty jumped to 57.5 per cent while extreme poverty rose to 27 per cent in 2002. *The piqueteros* continued to demonstrate in the streets calling for food supplies and income transfers. Furthermore, middle-class anger worsened as their bonds lost value due to “pesification” (ECLAC, 2003a:133-134).

Even though a provisional agreement with the IMF was issued in early 2003, the government did not have fresh funds from the IMF as it rejected more conditionalities and interest payments on debts. The Duhalde government sought to appease social protests by launching the Mesa de Diálogo proposed by the Church and the United Nations Development Programme (UNDP) representatives. The proposal included issues related to labour policy, production, education and health, delivering an agenda to tackle unemployment, support productive sectors and promote formal employment (Uranga, *Página/12*, 1 March 2002). In 2003, Néstor Kirchner, a little-known Peronist governor from Santa Cruz, was elected president. Kirchner criticised the decade of neoliberal policies and campaigned on a centre-left, progressive and neo-Keynesian platform (Levitsky and Murillo, 2003).

3.4. Conclusion

It was argued in this chapter that free market fundamentalism in Argentina created social and economic dislocations which culminated in the financial crisis of 2001/2002. Argentina`s neoliberal reforms conformed to the orthodoxy of distrust in statism and politics. The crisis exposed Argentina to unfettered liberalisation, privatisation and deregulation, not only exposing it to external shocks but also creating huge dislocations in local production and the social fabric. The following chapters will analyse responses to the crisis in four areas: financial regulation, trade policy, investment policy and labour market policy and will examine to what extent Argentina`s policy responses form a coherent shift from neoliberalism to neo-developmentalism.

CHAPTER 4. FINANCIAL POLICY RESPONSES BETWEEN 2002 AND 2007

The financial crisis of 2001/2002, accompanied by devaluation of the peso, banking collapse and debt default in Argentina, led to a rethinking of the desirability of unfettered financial deregulation and liberalisation. Scholars argued that Argentina`s post-crisis political economy was characterised by a distinct departure from neoliberalism (Grugel and Riggirozzi, 2007; Riggirozzi, 2009). I argue that post-neoliberalism in Argentina was more nuanced. The Duhalde and Kirchner governments did not reject the efficiency of markets or the establishment of a liberal and sound macro-economic environment to achieve credibility and enable private entrepreneurs to gain access to global capital and technology. There was re-activation of the state`s regulatory mechanisms, albeit in a different manner than old developmentalism, to function under a globalised market activity. Meanwhile, the financial crisis of 2001/2002 in Argentina showed that stateless markets can lead to huge social and economic dislocations under unregulated global financial markets. Hence, albeit not rejecting efficiency of markets to garner benefits of capital mobility, the financial volatility led to re-empowering of the state to achieve more flexible, heterodox and locally viable strategies, rethinking costs associated with the financial globalisation. A new developmentalism was observed that sought to claim sovereign right to protect from volatile speculative capital flows and to gain a degree of flexibility in local policy-making in order to promote industrial competitiveness and domestic consumption. However, Argentina`s political economy continued to be conditioned by external constraints of globally mobile capital and debt management structures in global financial markets which pressurised monetary and fiscal autonomy. The chapter will be divided into two sections. The first part will evaluate the nature of neoliberal financial policy during the Menem administration (1989-1999) and the De la Rúa government (1999-2001). The second part will explore the responses to the financial crisis of 2001/2002 during the Duhalde and Kirchner governments and will analyse to what extent they constitute a coherent shift from neoliberalism to new developmentalism. Finally, a conclusion will be presented.

4.1. Convertibility Plan and Financial Deregulation in Argentina (1989-2001)

Neoliberal ideology rests on pessimism about tenets of Keynesian and developmental state intervention to promote consumption, employment, and investment through expansive fiscal and monetary policy (Biersteker, 1990:16). Neoliberalism privileges monetarism based on a strict control of the money supply over fiscal demand management, seeking to depoliticise state intervention in the economy. As a result, price stability is favoured over political and social principles supporting creation of economic growth and full employment (Gamble, 2001; Phillips, 2004:60; Taylor, 2009:30). Neoliberalism is not only preoccupied with reforming the domestic sphere as it was driven by economic transformations in the global economy. It promotes liberalisation of global financial capital from its fixed positions. It depends on the establishment of hegemony of mobile finance over fixed productive capital (Payne and Phillips, 2010:93). Neoliberalism was, hence, established based on the costs and benefits of capital mobility. Expansionary monetary and fiscal management was seen to raise costs of capital and lead to capital flight and devaluationary expectations (Phillips, 2004:61-62). At the same time, neoliberalism rested on the ideological assumption that capital mobility responds in a rational manner. Accordingly, instead of the state, freeing markets and sound money would be adequate to attract capital flows which would lead to automatic benefits such as reductions in the cost of borrowing, alongside increases in domestic savings and international reserves. Strict control of the money supply, fiscal discipline and a stable exchange rate (fully floating or fixed) were deemed essential to attract capital flows and achieve confidence (Edwards *et al*., 2003:32; Soederberg, 2001:455). Financial liberalisation and deregulation of the domestic financial system was an important aspect of the neoliberal agenda. Along with opening up to private capital flows, deregulation of interest rates was foreseen in the hope of allowing interest rates to adjust to global interest rates and lower costs of capital (Thomas-Bulmer, 1996:12). This restructuring entailed deregulation of the domestic financial system via elimination of direct credit allocation, allowing foreign bank entry and ownership, and reducing capital reserve requirements (Edwards, 1995:208).

As elsewhere in Latin America, Argentina liberalised and deregulated its financial system and adopted exchange rate stabilisation to gain the confidence of foreign investors. Though hyperinflationary crises, high deficits and IMF conditionalities were important factors that constrained policy options, high liquidity, low interest rates and availability of credit in global markets fed into an optimistic environment in the early 1990s (Stallings and Studart, 2002:14). Although neoliberals see capital flows as virtuous, the dangers of short-term capital flows are well known. While capital inflows foster capital and technology, equity portfolio investment and bank loans are speculative, short-term and pose challenges for domestic financial systems. Short-term capital flows seek to profit from currency appreciations and interest rate differentials. Short-term capital flows further lead to increases in exchange rates, stock prices and interest rates, attracting more flows of short term capital. Short-term capital is speculative and volatile, seeking gains during boom periods that may be easily reversed when a sudden change occurs to investors' expectations due to macro-economic imperfections. For instance, increasing foreign indebtedness may change expectations if the country does not have adequate reserves (ECLAC, 2002a:71). Furthermore, financial speculation increases costs for investment while undermining the industrial competitiveness. This feeds into increasing dependence on short-term capital to finance current account deficits and foreign indebtedness; this in turn triggers capital flight and speculation on the local currency and leads to loss of reserves. The absence of regulatory mechanisms makes capital flows even more destabilising. Fixed exchange rate and financial deregulation attracts more short-term capital seeking financial gains (ECLAC, 2002a:65-70; Schamis, 2002:84).

The Convertibility Plan established in 1991, which pegged the peso to the dollar and removed discretion over fiscal and monetary policy, was the key to price stabilisation and financial deregulation in Argentina (Phillips, 2004:67; Stallings and Studart, 2002). Argentina became one of best-known cases of orthodox neoliberalism in the 1990s, mainly because of its dismantling previous political and social settings and establishment of free markets as the key mechanism to access mobile capital and signal confidence. As Pastor and Wise (1999a) pointed out, the state`s interference was limited to maintain the exchange rate. The Convertibility Plan depended on the role of the Central Bank as a currency board, with its monetary base (commercial bank reserves in the Central Bank) fully backed by international foreign exchange reserves. Accordingly, the monetary base would be determined by flows of capital and fully adjusted to the increase and decrease in foreign exchange reserves (Domínguez and Tesar, 2007:300). As Starr (1997) argued, a currency board is a quick solution to control inflation and respond to investor expectations by leaving the money supply and control of the monetary base at the discretion of mobile capital. Furthermore, by removing the issuance of money, currency board signals a commitment to fiscal discipline, again to attract foreign investors (Starr, 1997:88). Furthermore, to prevent expansion of the money supply, the Menem government implemented conversion of time deposits into dollar denominated bonds, allowing the Central

Bank to finance itself through the domestic financial system (Starr, 1997:91). Further deregulation of the domestic financial system was implemented through reduction of capital reserve requirements, retreating from direct allocation of credit and adjustment of interest rates to international interest rates so as to attract flows of capital. In 1991, taxes on transfers of securities were removed, and there was an exemption of stocks, bonds, and securities from income tax (Edwards, 1995:209).

A pegged currency in a positive international environment successfully attracted capital flows. With favourable international interest rates, Argentina`s higher interest rates allowed for gains and attracted capital flows, leading to substantial amounts of foreign exchange reserves and a recovery from capital flight (Starr, 1997:92). As capital flew to the domestic economy and the monetary supply expanded, Menem supported this process through a reduction of reserve requirements, stimulating further expansion of the money supply and credit (Starr, 1997:94). A stabilising peso further increased confidence and enabled increasing productivity and exports through technology transfer. Furthermore, flows of capital enabled the government to finance a current account deficit and foreign debt (Starr, 1997:94).

However, Argentina`s currency board had vulnerabilities. Removing the role of the exchange rate meant discarding monetary and fiscal flexibility. As a result, its quick success was dependent on its rigidity, with the monetary base and liquidity having to be backed by foreign exchange reserves that depended on capital flows. When the capital flows dried up, the monetary and fiscal policy had to be contractionary, as the supply of money was dependent on the expansion of foreign exchange reserves and the lender of the last resort role of the Central Bank was restricted. The currency board is highly vulnerable to changes in investors' expectations, which may easily switch focus towards more profitable economies. Furthermore, a currency board constrains the possibility of devaluation which is central to the maintenance of credibility and price stability, meaning that any change in currency would threaten credibility and lead to volatility (Starr, 1997:90). In the Argentine case, this rigidity was more nuanced as devaluation was prevented by the Convertibility Plan. Furthermore, mobile capital and investor expectations played a role in constraining policy alternatives. In 1992, Menem attempted to reduce a growing trade deficit by raising tariffs and providing export subsidies, but this was received as a signal of devaluation and led interest rates to rise and capital to exit (Starr, 1997:95). Financial deregulation and the rigidity of a currency board limited domestic influence on the domestic financial system and exposed the banking system to external volatility (Fanelli and Frenkel, 1999; Pastor and Wise, 1999a:37). By 1994, 60 per cent of time deposits and 50 per cent of loans were issued in dollars (Domínguez and Tesar, 2007:300). Furthermore, as the currency board limited the ability to issue debt in pesos, the debt was denominated dollars (Domínguez and Tesar, 2007:314).

Meanwhile, the currency board was established at the expense of competitiveness. In Argentina, inflation was much higher than the US, which was reflected in price increases of 45 per cent in 1993 and 50 per cent in 1994. This price increase reduced its competitiveness as the peso appreciated constantly against dollar (Starr, 1997:95). However, Menem`s strategy was based on reducing inflation by allowing appreciation of the peso to provide cheap imports for technology upgrades and stimulate domestic financial expansion (Phillips, 2004:67; Starr, 1997:96). Its orthodoxy prioritised the financial sector, which led to increasing speculative activities and financial gains from high interest rates and appreciated currency at the expense of industrial competitiveness and employment creation. This orthodox strategy then contributed to allowing the currency to appreciate, which led to investment in more profitable short-term portfolio equity, raising costs of borrowing for productive capital (Teichman, 2002:497). Furthermore, currency appreciation heightened dependence on external markets to finance current account deficits and debt (Fanelli and Frenkel, 1999:60, Phillips, 2004:69).

The Mexican crisis revealed Argentina`s vulnerabilities especially in the case of the banking sector given the rigid design of the currency board. The crisis exposed the banking sector to outflows of deposits and a run on dollar accounts (Domínguez and Tesar, 2007:307). Under the limits of the currency board, the Menem government responded by lowering reserve requirements on dollar and peso deposits to support banking liquidity. With monetary inflexibility, the Central Bank did not have adequate options to manage the destabilising effects of capital outflows as its lender of last resort was restricted by the currency board (De la Torre *et al.*, 2002:1). The government had to opt for lowering capital requirements and raising interest rates to maintain capital, which fed into increasing speculation and capital flight. Furthermore, the government`s response of injecting dollar bonds to provide liquidity heightened currency mismatches in the banking system and led the Central Bank to lose foreign exchange reserves (Schamis, 2002:84; Stallings and Studart, 2002:15). International reserves declined from 15.5 million USD in 1993 to 13.7 million USD in 1995. Net portfolio equity inflows dropped from 4.2 million USD in 1994 to 1.5 million USD in 1995 and 867, 340 USD in 1996 (World Bank, 2015). The IMF and Inter-American development Bank provided funds to strengthen international reserves. Accompanied by appreciation of the Brazilian real, these measures were able to recover flows of bonds and FDI. Liquidity continued to expand and credibility was recovered (Domínguez and Tesar, 2007:308-309; Galiani *et al*., 2003:132). Furthermore, the Menem government increased capital requirements and the ratio of short term flows to M2 was lowered (ECLAC, 2002a:72). International reserves recovered increasing to 19.7 million USD in 1996 and 22.4 million USD in 1997 and net portfolio equity inflows recovered reaching 2.3 million USD in 1997 (ECLAC, 2002b).

Although Argentina recovered quickly from the destabilising effects of the Mexican crisis, a series of external shocks in the late 1990s heightened Argentina`s domestic vulnerabilities vis-à-vis currency appreciation, foreign indebtedness, current account and fiscal deficits, and rigidity of Convertibility which culminated in the financial crisis of 2001/2002 (Torre *et al*., 2002:1). After the Asian financial crisis of 1997 and the Russian financial crisis of 1998, the region was exposed to a new perception of sovereign risk by investors, capital outflows and uncertainties on the stock exchange (ECLAC, 1999a:38-53). A rise in interest rates and currency fluctuations deepened overvaluation and current account deficits, increasing foreign indebtedness with higher costs in Argentina (Carranza, 2005:71-72; Vilas, 2006:165). Appreciation of the dollar, stagnant growth in Argentina`s main trade partner Brazil and devaluation of the Brazilian real in 1999 hit Argentine exports and the real economy. Brazilian devaluation induced an overheating of Argentine bonds and led to an increase in short-term flows and portfolio equity investments (Galiani *et al*., 2003:132-133). Brazilian devaluation in 1999 was the turning point for Argentina as its export competitiveness was tied to Brazil (Pastor and Wise, 2001:63). In this context, stability vis-à-vis the dollar did not help much as Argentina`s exports were mainly oriented towards Brazil and Europe rather than the US. This created an important imbalance in dollar-peso parity since Brazilian and European currencies were also affected by any change in the dollar`s value. As a result, the real effective exchange rate (RER), which is measured on the basis of tradable prices, was exposed to overvaluation throughout the decade. The currency appreciated by more than 75 per cent between 1990 and 2001 (Bernhardt, 2008). After a slowing in overvaluation between 1993 and 1997, the RER started to appreciate again, reaching its peak in 2001, with an overvaluing of 50 per cent. This further harmed the sustainability of a current account balance and debt solvency, provoking a change in investor expectations (Galiani *et al*., 2003:132).

The rigidity of Convertibility meant that Argentina did not have policy space to prevent devaluationary expectations and capital exit (Galiani *et al*., 2003: 133). Furthermore, increasing interest rates put pressure on the fiscal policies and constrained fiscal counter-cyclical measures to defend the currency (Stiglitz *et al*., 2006:82). With reserves being drained, flexible monetary policy would have conflicted with the promises of a fixed exchange rate, eroded confidence and risked further loss of reserves. Hence, Argentina did not have much option but to allow fiscal and monetary contraction, which worsened the situation by stagnating domestic economy (Galiani *et al*., 2003:137; Porzecanski, 2009:24). In this context, the government had to opt for tightening monetary and fiscal policy and raising interest rates to prevent capital flight (ECLAC, 1999a:38-53). The growth of the money supply decreased from 25.5 per cent in 1997 to 10.5 per cent in 1998, 4.1 per cent in 1999 and 1.5 per cent in 2000. However, rising interest rates further contributed to increasing public debt (ECLAC, 1999a:46).

As Sebastián Katz, the Chief Director of Economic Investigations of the Central Bank of Argentina, put it, Argentina`s main weakness was the rigidity of the Convertibility, which exposed the Argentine economy to external shocks and undermined its export competitiveness:

> It was a regime in which Argentina agreed to maintain a fixed parity rate and the Central Bank essentially abandoned the task of formulating monetary policy. And obviously it was a fairly rigid system in the sense that it promised a permanently fixed exchange rate. That worked very expansively with capital entering the economy: a boom in money and credit and a rise in activity. The inflation rate rose and began to converge with international levels by the year 1994. The main themes in Argentina during the 90s were the problem of external competitiveness and how to cope with external shocks. The problem was that the scheme was designed for everything except processing the need for a strong modification of the real exchange rate and this I think is a key question.[5]

As an Economist from the UIA put it, Argentina's orthodox path was dependent on external capital flows and vulnerable to external shocks:

> Well Argentina had an orthodox policy during the Convertibility period in the 90s, and two things stand out as results in negative terms. One was the dismantling of productive and social fabric with the degree of opening and the level of financial costs, with a simultaneous increase in the amount of debt. It destabilised employment-related local production, for instance textiles, metallurgical, auto parts. The problem of Convertibility also affected the productive and social fabric in Argentina in that it was very inflexible. The weak macroeconomic situation with the external financial crisis meant less funding in dollars and appreciation of the US dollar. It could only mean refinancing debt, and interest burdens from the debt were increasing. This began to generate a loss of competitiveness and closure

[5] Author interview with Sebastián Katz, Chief Director of Economic Investigations, Central Bank of Argentina, October 2011, Buenos Aires.

> of major companies as world conditions changed with the Asian crisis and then the Russian crisis and finally the crisis where Brazil devalued.[6]

Argentina`s current account deficit was 8,161 million USD in 1993 which reached 11,157 million USD in 1994. After a slight recovery between 1994 and 1996, the current account deficit increased to 12,341 million USD in 1997, then 14,632 million USD in 1998. Total disbursed foreign debt increased from 72,209 million USD in 1993 to 124,696 million USD in 1997 and 140,480 million USD in 1998. Moreover, interest payments on outstanding debt increased from 3,793 million USD in 1993 to 10,749 million USD in 1997. In 1999, the current account deficit was still high although the deficit decreased to 12,038 million USD as exports decreased from 26,431 in 1997 to 23,309 million USD in 1999. External debt reached 145,300 million USD in 1999 and interest payments on outstanding debt increased to 11,440 million USD in 1999 (ECLAC, 2002b). Total debt service to exports of goods, services and primary income increased from 25.3 per cent to 44.2 per cent in 1997, and 74 per cent in 1999. Meanwhile reserves to external debt decreased from 21.3 per cent in 1994 to 17.6 per cent in 1999 and 9.7 per cent in 2001. At the same time, the short-term external debt stock rose from 7,170 million USD to 31,988 million USD in 1997 (World Bank, 2015).The primary balance showed deficits after 1994, having been positive between 1992 and 1994 (Domínguez and Tesar, 2007:307). While both government and private sector external indebtedness continued to increase after 1997, the domestic financial system became increasingly vulnerable to a sovereign debt crisis (Galiani *et al*., 2003:132; Torre *et al*.; 2002:2). In 2001, over 80 per cent of time deposits were issued in dollars (Dominguez and Tesar, 2007:307).

In March 2001, the De La Rúa government appointed the architect of the Convertibility Plan, Cavallo, who tried to revive confidence through some heterodox elements but resisted breaking away from the Convertibility. Including the euro in the currency basket and establishing a mega debt swap of 32 billion USD only created more negative expectations about the stability of the peso and fuelled capital flight (Carranza, 2005:69-70; Pastor and Wise, 2001:68). Hence, costs of adjustment fell on the domestic social groups. The government responded with restrictions on the withdrawal of deposits (the *Corralito*) and the 'Zero Deficit Plan' (Galiani *et al*., 2003:138-139). The crisis saw significant outflows of capital, especially dollar-denominated deposits, which undermined the banking sector and led to loss of

[6] Author Interview with Diego Coatz, Economist, UIA, November 2011, Buenos Aires.

international reserves and devaluation, followed by debt default (Carranza, 2005:71). Withdrawal of deposits in 2001 was 18,312 million USD while international reserves decreased from 26,491 million USD in 2000 to 19,425 million USD in 2001 (Ministerio Economía y Producción, 2001:16). In the last two months of 2001 alone, deposit withdrawal was 6,400 million USD, which was twice the amount of capital flight in 1995. Deposit interest rates jumped to 16.2 per cent in 2001 from 8.3 per cent in 2000. Furthermore, net portfolio equity inflows showed sudden expansion and contraction of short-term capital, with a balance of 31,126 million USD in 2001 and a negative balance of 115,880 million USD in 2002 (World Bank, 2015).

4.2. Post-crisis Financial Regulation Policies (2002-2007)

According to scholars such as (Riggirozzi, 2009; Wylde, 2011), the exit from Convertibility, competitive devaluation via Central Bank interventions and expansionary monetary policy were seen as signals of a distinct departure from neoliberalism. Scholars argued that devaluation changed relative prices and favoured productive sectors over the financial sector, making a definitive break in terms of gaining autonomy from global capital and the IMF (Grugel and Riggirozzi, 2007:95; Riggirozzi, 2009:107). This was followed by a pragmatic commitment to have fiscal discipline to control inflation and pay the debt, rejecting inefficiencies associated with old forms of state intervention (Grugel and Riggirozzi, 2007:95-96).

Meanwhile, neoliberals argued that responses to the crisis entailed crisis proofing and completion of second generation reforms. These entail strong, competitive and transparent institutions to complement markets, alongside sound macro-adjustments (Williamson, 2003:1478-1479). In this context, competitive and flexible exchange rates, fiscal discipline, reserve accumulation, and inflation-controlling monetary policy were deemed to be produced, having been incomplete during the 1990s. According to the IMF, stability of currencies, low inflation and sound financial systems are still primary goals to achieve competitiveness and signal certainty to markets. States should not intervene in the exchange rate and inflation-targeting should be the primary goal of monetary policy. In order to promote low inflation under an inflation-targeting scheme, overvaluation of currency is accepted (IMF, 2011:22;

IMF, 2013:11-27). Neoliberals also recognized the destabilising effect of crises and the possible need for regulations such as reserve requirements and less dollarization (Williamson, 2003:1478). However, neoliberals – especially the IMF – emphasized that these regulations should not distort markets and should only be implemented temporarily if facing financial difficulties (IMF, 2013:11-16).

Meanwhile, elected in 2003, President Néstor Kirchner emphasized the need for strong state capacity to achieve rational and transparent management of the public finances and debt, to promote technological transformation and competitive exports, and to combine these virtues and global commitments with social responsibilities:

> The country cannot continue to cover deficits towards lifelong indebtedness and cannot resort to printing money without control by running inflationary risks that always end up affecting the lower income sectors" (La Nación, 25 May 2003).

> We must secure the existence of a normal country, smoothly, with the public sector and the private sector each in their respective roles. You have to give the Argentine Republic sound administration, governance, including stability and social progress and competitiveness. With fiscal balance, the absence of exchange rate rigidity, maintaining a floating system with a certain macroeconomic policy based on long-term growth cycle, maintaining the primary surplus and the continuity of the external trade surplus, we will grow in direct proportion, recovery in consumption, investment and exports" (La Nación, 25 May 2003).

> We know that our debt is a central problem. We are not the default project. But we cannot pay the expense of increasingly neglecting Argentines access to decent housing, job security, education of their children, or health (La Nación, 25 May 2003).

> This government will continue its firm principles of negotiating with the holders of sovereign debt in default situations immediately and with three objectives: reducing the amount of debt, reducing interest rates and extending deadlines for maturity of the bonds (La Nación, 25 May 2003).

I argue that the Duhalde and Kirchner governments undertook a departure from free market fundamentalism and economic orthodoxy towards rebuilding state capacity to protect against financial shocks and to promote national productive goals. However, these policies did not mean a return to national developmentalism. The Duhalde and Kirchner governments embraced the efficiency and primacy of global markets in allocating resource and continued to promote liberal and sound macro-economic criteria to restore credibility and enable exporters to access external finance and technology. However, going beyond neoliberal orthodoxy, credibility was managed via revival of regulatory mechanisms and fiscal capacity of the state, mitigating destabilising effects of capital flows as a cushion for financial volatility. However, the search for alternatives to neoliberalism in Argentina was constrained due its market-led integration into the global economy.

4.2.1. Foreign Exchange Intervention

The Convertibility Plan was formally abandoned through Law 25.561 (Public Emergency and Reform of the Exchange Regime) on January 6, 2002. An important policy reversal was the establishment of the exchange rate regime (Law No 25.561) and amendment of the Central Bank charter (Law no 25.562) to regulate supply and demand of money as part of its new monetary policy. The Public Emergency and Reform of the Exchange Regime Law set the Central Bank the task of determining a new relationship between the peso and foreign currencies, authorizing the Central Bank to intervene in the foreign exchange market and issue currency without the need to back it up with international reserves, unlike in the 1990s (BCRA, 2004a:22-24). Abandonment of the Convertibility brought challenges for the Duhalde government, with concerns about a return to hyperinflation and a pressurised exchange rate undermining investor confidence and stability (BCRA, 2004a:12; Chudnovsky and López, 2007:149). Furthermore, the domestic financial system faced a crisis of illiquidity characterised by a continuing loss of bank deposits and international reserves (Ministerio Economía y Producción, 2001:16). Despite maintenance of restrictions on withdrawal of deposits, a legal procedure allowed the *Corralito* to be relaxed, having previously been issued in 2001 under the De La Rúa government. Reaction among depositors protesting their losses due to the "pesification" led to a significant amount of capital flight (Chudnovsky and López, 2007:150-151). In 2002, outflow of capital in the financial and capital account reached 12.8 per cent of GDP, which led to a significant loss of reserves. Deposit interest rates increased to 39.2 per cent in 2002, while lending interest rates jumped from 27.1 per cent in 2001 to 51.7 per cent in 2002 (World Bank, 2015). Between early 2002 and late July, capital outflows reached 2.5 million pesos per month (BCRA, 2004a:83). The peso continued to lose its value, which reached 2.9 pesos to the dollar in March 2002. In late June 2002, this was 3.87 pesos per dollar (74 per cent devaluation), while the current account deficit rose due to capital flight (BCRA, 2004a:12-14).

Hence, the challenge was to reduce financial volatility, restore confidence of the financial system and stabilize prices. The Duhalde government intervened in markets to prevent financial speculation and stabilise prices. The government established a dual foreign exchange market, one at 1.40 pesos to the dollar in commercial operations operated through Central Bank, and a free rate for other transactions (BCRA, 2004a). The Duhalde government introduced foreign exchange controls and entered into negotiations with large domestic companies and TNCs operating in production and exports of grain and oil[7].These exporters speculated about further devaluation and the idea of taking dollar earnings abroad. This led Duhalde to pressurize exporters to bring back their foreign currency to reduce pressures on the peso and restore reserves under the constraints of external financing (Página/12, 17 February 2002). While the government unified the foreign exchange market and floating the currency, the Duhalde government declared that it would pursue a managed floating regime and the Central Bank intervened in foreign exchange rate via selling international reserves to reduce devaluationary expectations (BCRA, 2004a:12-25; Frenkel and Rapetti, 2008:217; Nudler, *Página/12*, 4 February 2002).

In May 2002, the Economy Minister Roberto Lavagna tightened controls on the foreign exchange market. In May 2002, the government announced that 1 million USD from exports would be liquidated through the Central Bank (BCRA, 2004a:45; Frenkel and Rapetti, 2008:217). While mining and oil companies were exempted from foreign currency settlements, the government entered into negotiations with oil companies to bring back part of their export earnings that had been deposited abroad (Página/12, 5 March 2002). The Central Bank also increased regulations to force exporters to liquidate their dollars. These measures involved heavy fines in the event of a delay in currency liquidation, initiation of judicial complaints, and establishment of a team to locate the top 20 exporters and force them to change dollars at the current exchange rate. (Página/12, 27 May 2002). The introduction of foreign exchange controls was essential to stabilize the peso and recover reserves, thereby restoring the

[7] During December, there were almost no foreign exchange settlements with the Central Bank, even though resolution 269/2001 of the Ministry of Economy made it mandatory for all operations. Resolution 13/2002, promulgated in the Official Gazette on January 14, modified the deadlines contained in the previous one (Página/12, 17 February 2002).

confidence in currency and financial system (BCRA, 2004a:12-13; Frenkel and Rapetti, 2008:217).

Intervention in foreign exchange markets and reserve accumulation represented a deliberate attempt to constrain volatile capital flows to protect from financial shocks and mitigate exchange rate volatility (Ocampo and Vos, 2008:32). Another impetus was to mediate volatility of price hikes in the context of a commodity boom in the 2000s. One policy change in the region was increasing trade relations with China, stimulated by high demand for commodity goods as China expanded its own industrialisation. In the context of favourable prices for commodities in global markets, the region benefited from increasing demand especially commodities, which contributed to a positive balance in external accounts. However, the commodity boom had also destabilising effects which led to excessive foreign exchange flows, creating overvaluation and destabilizing investment in the manufacturing sector. Moreover, according to the United Nations Conference on Trade and Development (UNCTAD), in the 2000s the financialization of commodity markets increased financial volatility. High prices of commodities, especially in oil and agricultural products, rendered commodity markets attractive for short-term investment by holders of portfolio assets. This led to an asset bubble, contributing to further destabilisation in investment via price and currency fluctuations and hikes in interest rates (UNCTAD, 2013a:113-114).

Hence, in addition to constraining capital flows, foreign exchange bubbles in commodity markets led governments in the region to opt for a managed floating regime rather than adopting an IMF induced “fully” floating exchange rate regime to achieve confidence, thereby pursuing a degree of flexibility in exchange rate policy. Hence, foreign exchange controls and reserve accumulation acted as a cushion for excessive currency appreciation and devaluation, protecting the peso in the event of capital volatility and sudden retreat of external capital, unlike the rigidity of the Convertibility Plan that had prevailed in the 1990s (ECLAC, 2011a:62-71; Frenkel and Rapetti, 2008:219; Ocampo and Vos, 2008:32). Hence, there was a renewal of developmental practices and a rebuilding of the state`s regulatory capacity in order to protect against financial volatility. This did not mean, however, rejection of floating exchange rates via maintenance of some degree of appreciation and sound macro-economic fundamentals such as price stability and reserve accumulation to provide liberal and transparent framework, thereby maintaining capital flows (ECLAC, 2011a:73). Thus, while markets were recognized as efficiently allocating resources to enable private enterprise to access capital and technology upgrades, the policy challenge was re-activating regulatory mechanisms to constrain the destabilising effects of capital flows. As Sebastián Katz, the Chief Director of Economic Investigations of the Central Bank of Argentina, put it:

> The exchange rate dynamic was the main issue to avoid hyperinflation. During the month of January there were many people who thought that the solution in Argentina was to dollarize the economy and therefore, many people had the view of the financial community and foreign banks that Argentina no longer had a solution. Initially there were quite contradictory and chaotic processes with financial tension, trying to stabilise the economy but without a clear idea where to go, a lot of sectors were pushing for different solutions. Look what happened to the exchange rate initially; the IMF recommended that the exchange rate had to float. There was an increase in income coming from export taxes, the impact of an increase in inflation, and the decision to reinforce in April 2002 exchange rate controls to try to stop the bubble in the foreign exchange market. Obviously the idea was to take advantage of the very important real exchange rate regime. We could use macroeconomic policy to manage foreign exchange rate appreciation, in a soft way.[8]

Furthermore, unlike the 1990s, the Duhalde and Kirchner governments deliberately reduced excessive overvaluation to promote domestic production and export competitiveness of tradable goods. Constraining speculative capital flows via foreign exchange controls and reserve accumulation encouraged a stable environment for investment and technology upgrades whereas prevention of excessive currency appreciation favoured exports of the manufacturing sector (Bresser-Pereira and Theuer, 2012; Ocampo and Vos, 2008:32; O’Connor, 2010:66). In effect, when pressures for devaluation were reduced, the Central Bank started to purchase dollars in daily auctions on foreign exchange markets to stabilize the exchange rate and reduce excessive currency appreciation (BCRA, 2004a:15-16; Frenkel and Rapetti, 2008). By the end of 2002, the peso had stabilised around the rate of 3.36 to the dollar (BCRA, 2004a:37). As Frenkel and Rapetti argued, foreign exchange intervention and reserve accumulation became a long-term policy objective to maintain a “competitive and stable real exchange rate”. From May 2003, the Kirchner government and Minister of Economy Roberto Lavagna aimed to keep the peso within a band of 2.80 and 3.05 (Frenkel and Rapetti, 2008:219). Furthermore, export promotion enabled accumulation of current account surpluses which provided a cushion for financial volatility, by this means reducing dependence on short-term capital flows to cover deficits (Ocampo, 2009:718). Consequently, there was departure

[8] Author interview with Sebastián Katz, Chief Director of Economic Investigations, Central Bank of Argentina, October 2011, Buenos Aires.

from signalling pure economic prices to control inflation and it marked the emergence of political prices to promote domestic industry and export competitiveness as former Minister of Economy Roberto Lavagna put it:

> The IMF came to Argentina with a series of proposals about fiscal adjustment and a loan to go forward. The response of the government in this case was that we would not accept any fund programme they served us that meant simply adjusting. There was a very strong halt to inflation which helped the economy. What one expects of devaluation is that something changes in relative prices and not simply a spiral where prices are devalued. The President had committed himself and we said that was impossible, that was a deal which we would not accept, and it became a dirty floating regime. The program was to stabilize inflation by getting relative prices favourable to the domestic industry and to capitalize via a process of import substitution because the prices were more favourable to the domestic industry and provided greater opportunities for export than the 1-1 of Convertibility.[9]

4.2.2. Acting as a Lender of Last Resort

Another policy change was assigning the Central Bank its lender of last resort role via issuance of local deposits called Lebac bills and setting a benchmark interest rate for the domestic financial system (Ministerio Economía y Producción, 2003:3). The authorization of the Central Bank to issue Lebacs deposits was an essential tool for regulatory control, to regulate the domestic financial system and money supply (BCRA, 2004a:17-36; BCRA, 2004b:14). This represented the emergence of a flexible monetary policy that saw the Central Bank deliberately seeking to reduce interest rates and discourage speculative capital flows in a clear break from financial orthodoxy (Ministerio Economía y Producción, 2004a:6-7; Ocampo, 2009:721; O'Connor, 2010). While foreign exchange intervention was a key factor in stabilisation of the currency and reserve accumulation, it also enabled a more flexible monetary policy (Ocampo, 2009:722). This contributed to restoring financial stability via reducing interest rates and complementing the Central Bank`s goal to stabilize the exchange rate (BCRA, 2004a:17-36). This permitted attracting more stable sources of investment for tradable goods and reducing costs of borrowing (BCRA, 2004a:17; Jeanneau and Tovar, 2008:60).

[9] Author interview with former Minister of Economy Roberto Lavagna, November 2011, Buenos Aires

Moreover, acting as the lender of the last resort allowed the Central Bank assisting liquidity, thereby, reducing the banking sector`s volatility to financial shocks and reducing its illiquidity risk (BCRA, 2004a:12-32). Against a backdrop of falling deposits and capital flight in early 2002, the Central Bank issued Lebac bills to restore bank deposits and reduce dollar outflows (BCRA, 2004b:19-33). Furthermore, the government compensated the losses of banks deriving from the "pesification" of deposits to provide liquidity for banks (BCRA, 2004a:22). Furthermore, assisting liquidity by issuing Lebacs and setting a benchmark interest rate for the financial system represented re-activation of financial regulation to reduce a maturity, interest rate and currency mismatch and palliate volatilities of bank deposits (BCRA, 2004b:44). The Central Bank extended maturities of short-term deposits and dealt with exchange rate mismatches to mediate the banking sector's vulnerability to currency appreciation and international interest rates (ECLAC, 2003a:139; ECLAC, 2004:131). The Kirchner government continued to lower interest rates through issuing longer maturities for Lebacs. Accordingly, Lebacs were extended to 237 days at the end of 2003 and early 2004. In addition to Lebacs, the government issued long-term Nobac notes with fixed interest rates and terms of up to three years (Ministerio Economía y Producción, 2004b:6-14).

Another regulatory mechanism to protect from speculative capital flows was raising capital requirements to mitigate illiquidity risk and reduce the banking sector`s volatility to currency and interest rate mismatches. Capital reserve requirements were modified in 2003 to reduce speculative capital flows and the risk of banks to financial speculation and illiquidity. In 2004, a capital requirement policy was designed according to Basel I, to be settled at around 8 per cent by the end of 2008, which also included supplementary regulation to prevent mismatches between inflation and interest rates. In 2005, the Central Bank increased its capital requirement to around 13 per cent. Lending to the banks by the Central Bank was regulated through establishment of a maximum liquidity ratio of 25 per cent. Furthermore, lending to public sector was limited, with banks' lending restricted to a maximum of 40 per cent of assets from January 2006 and 35 per cent from July 2007. This represented regulation to reduce their mismatches with speculative capital flows (BCRA, 2004b:21; BCRA, 2007:7). Finally, the Central Bank established a strict requirement to prevent currency mismatches between debtor loans and income, which started to be implemented in 2003 (BCRA, 2004b:6). This regulation required debtors to hold assets sufficient to repay the same amount of foreign currency, and it was expanded to loans for producers of export goods (BCRA, 2004b:20).

Furthermore, deliberate reduction of interest rates gave greater priority to the local economy and productive sectors instead. Stabilization of the financial system allowed a more flexible monetary policy providing lower interest rates, credit allocation for SMEs, and reducing minimum cash reserve requirement. Furthermore, capital requirement was compensated for small businesses (BCRA, 2004b:5-6; Ministerio Economía y Producción, 2004a:6). In January 2005, the cash requirements were reduced, which gave more flexibility to monetary policy and stimulated liquidity and credit (BCRA, 2004b:5-6; Ministerio Economía y Producción, 2005a:8). These policy changes favoured domestic consumption and production as well as export competitiveness (Ocampo, 2009:721). President Néstor Kirchner emphasized rebuilding developmental tenets to protect against financial shocks in global markets and promote more locally defined goals:

> The accompanying monetary policy contributes to economic growth and macro-economic stability to underpin the competitiveness of the tradable sectors of the economy and to ensure, via accumulation of international reserves, the necessary coverage against possible turbulence in international markets, while also domestic credit expands, directed especially to SMEs. [10]

Furthermore, a regulatory exchange rate and monetary policy allowed greater room for fiscal policy to subsidize exports and production (Ocampo, 2009:721). In effect, both Duhalde and Kirchner governments rejected more funds from the IMF and increased financial regulation to negotiate a more flexible fiscal policy (Montenegro, *Página/12,* 3 September 2003; Zlotnik, *Página/12,* 3 September 2002). Roberto Lavagna, then Minister of Economy, emphasized his commitment to a balance between global competitiveness and domestic stability: “We must reconcile the inner Argentina with the outer. Never again can we make external agreements that lead to internal explosion and worsen this poverty, homelessness and lack of investment in which we live’ (Página/12, 13 August 2003). In a similar vein, rejecting a 3.5 per cent fiscal surplus, Minister of Economy Roberto Lavagna stated:

> Every point of fiscal surplus is four billion pesos that we took to social welfare and development. If I accept a larger surplus I'm relegating issues that cannot be further delayed. Exceeding 3 per cent fiscal surplus threatens the economy (Página/12, 13 August 2003).

[10] President Néstor Kirchner`s speech in the Legislative Assembly, March 2006.

Hence, there was a strong effort to pursue more flexible and heterodox strategies to favour industrial competitiveness, albeit not rejecting the primacy and efficiency of markets in allocating resources. In this context, there was not a departure from the core principles of a liberal and transparent macro-economic framework to signal predictability and confidence. However, lessons from the financial crisis of 2001/2002, and its socially and economically destabilising effects, led to a rethink on alternative ways to achieve credibility and global competitiveness alongside a commitment to national priorities. Regulatory monetary and exchange policy sought to achieve global competitiveness, not in the orthodox sense but by rebuilding state capacity to intervening actively to constrain capital flows to reduce reliance on short-term flows as cover for deficits, stabilize liquidity, reserves and prices. This allowed greater financial flexibility to manage capital volatility, allowing stable access to investment and promoting domestic production and exports of tradable goods.

Between 2003 and 2008, the exchange rate continued to be stable, reaching 2.90 pesos to the dollar in 2003, 2.92 in 2004, 2.90 in 2005, 3.05 in 2006, and 3.10 in 2007 (World Bank, 2015). In 2003, deposit rates with 30-day and 59-day maturities were around 4 per cent while 90-day maturities were around 9 per cent (BCRA, 2004b:33). Deposit interest rates were reduced from 10.2 per cent in 2003 to 2.6 per cent in 2004 and 3.8 per cent in 2005 (World Bank, 2015). Furthermore, this represented harmonization of interest rates for lending and deposit as of mid-2004, suggesting a stable financial system (ECLAC, 2006a:58). Lending interest rates were reduced from 19.1 per cent in 2003 to 6.8 per cent in 2004, 6.2 per cent in 2005 followed by slight increases in 2006 and 2007, which reached 8.6 per cent and 11.1 per cent (World Bank, 2015). The foreign currency ratio of deposits was at very low levels, as with 1.4 per cent in 2003, 2.5 per cent in 2004, 2.2 per cent in 2005, 2.4 per cent in 2006 and 2.7 per cent in 2007 (ECLAC, 2011a:101).

4.2.3. Debt Management

The Duhalde and Kirchner governments showed a tougher stance against the IMF and foreign investors. The Duhalde government made a debt proposal to creditors which did not include interest payments. A 75 per cent reduction in debt was offered with coupons tied to GDP growth and a primary surplus of 2.7, which was not accepted by creditors. But the favourable global environment in 2004 and the increasing attractiveness of developing markets led creditors to ultimately accept the offer (Damill *et al.*, 2006). In 2005, the government restructured 76 per cent of the public debt with external creditors in exchange for 62 billion USD. 35 billion USD of new debt was taken on with GDP-linked debt coupons. The debt was restructured with more favourable interest rates, longer maturity and an increased proportion of peso issued bonds. Furthermore, the Kirchner government declared that it froze its relationship with the IMF and later paid off its entire debt there (Bustillo and Velloso, 2013:36; ECLAC, 2007a, 106; ECLAC, 2012a:98). The government sought to gain more room to manoeuvre in policy-making to promote domestic priorities, as well reducing financial volatility and dependence on external capital to cover deficits as former Minister of Economy Felisa Miceli put it:

> When the Kirchner government arrives what he does is change the logic of economic policy very explicitly. He begins to take the recommendations of some economists who had been absolutely neglected in earlier times, who in the 80s and 90s spoke of living within our means to develop the domestic market and consumption, and not to borrow, and to break with the International Monetary Fund. Roberto Lavagna and I, who was a disciple of the two, we saw that the solution to the problems for the Argentine economy was breaking with the neoliberal paradigm that was a path of economic constraints. The first of these was the external debt of the country, with a level of debt needed to transfer abroad almost every dollar generated in resources. Hence the debt was a priority and that culminated in a proposal. One voluntary debt exchange was opened after two and a half years that Argentina did not pay during the years of Duhalde and it was very important for the development possibilities in our country that roughly 76% of the bondholders took part. That became an effective exchange and began to normalize this issue, and it was so important with a different impact on GDP and public spending; interest on the debt is now much lower.[11]

This provided greater financial stability and reduced the total external debt-to-GDP ratio from 62.1 per cent to 50.8 per cent in 2006. The total external debt to GDP ratio was reduced to 47.5 per cent in 2007 (ECLAC, 2009a). The short-term external debt stock was reduced from 26,464 million USD in 2004 to 34,844 million USD in 2005, 28,303 million USD in 2006 and 19,272 million USD in 2007. Furthermore, reserves to external debt recovered from 11.9 per cent in 2004 to 22 per cent in 2005, 27 per cent in 2006, and 38.3 per cent in 2007.The total debt service to exports of goods ratio improved, reducing from 29.6 per cent in 2004 to 19.6 per cent in 2005, and 12 per cent in 2007 (World Bank, 2015). Furthermore,

[11] Author interview with former Minister of Economy Felisa Miceli, November 2011, Buenos Aires.

expenditure on interest payment/GDP ratio was reduced from 3.4 per cent in 2000 to 2.1 per cent in 2007 (ECLAC, 2009a).

4.2.4. Constraints of Financial Policy

Although the Duhalde and Kirchner governments pursued greater flexibility in financial policy-making, their policy activism was constrained due to Argentina`s market-led integration into the global economy. Both governments maintained fiscal surplus and accumulated reserves, and even pursued contractionary monetary policy to maintain financial stability and make debt re-payments (Katz, 2007:14; Gallagher and Porzecanski, 2009:24). As financial crises demonstrated, speculative private capital flows may destabilize domestic economies causing financial volatility and currency appreciation, thereby undermining stability and industrial competitiveness. Furthermore, short-term capital flows may be easily reversed as they are sensitive to changes in macro-economic imperfections, leading to a loss of reserves, illiquidity and devaluationary expectations (ECLAC, 2002a; UNCTAD, 2012:99) Therefore, although economic globalisation enables access to external channels of capital and technology, financial volatility and the capital exit option held by mobile investors make it crucial to meet accepted economic performance criteria (ECLAC, 2011a:68). Financial volatility and a capital exit option constrain policy space, with states required to achieve a sound macro-economic policy framework with inflation-controlling, fiscal surpluses, control of the money supply, and cautious debt management (Cleary, 2006:45; Leiras, 2007:11). Commodity boom in the 2000s and high prices of commodity goods attracted not only FDI but also speculative and short-term capital flows. As the region increasingly relies on export revenues and FDI from commodities, one form of financial volatility in the region was increasing financialization of commodity markets in the 2000s in which commodities became assets for portfolio investment by TNCs, hedge funds, and banks. The financial volatility led Argentina and the rest of the region to accumulate fiscal surpluses and foreign reserves, cautious debt management, and build stabilisation funds to maintain financial stability. Although these policies were achieved via reviving regulatory mechanisms to provide confidence vis-à-vis foreign investors, they constrained states` fiscal ability to stimulate the domestic market and pursue social goals. For instance, reserve accumulation was used to maintain financial stability rather than going towards the real economy and employment creation. Furthermore, reserve accumulation may lead to high yields on international reserves and attract more portfolio investment. This requires further reserve accumulation to protect against capital volatility (ECLAC, 2011a:51; UNCTAD, 2013a:106-119). Finally, reserve accumulation has costs leading to inflationary pressures that enforce raising interest rates and monetary sterilisation of the expansionary effect of reserve accumulation to appease devaluationary expectations (Stiglitz *et al.*, 2006; ECLAC, 2011a:71).

As the peso stabilised through regulatory mechanisms to constrain speculative capital flows, monetary policy showed flexibility which moved towards quantity targets. Hence, the government sterilised the inflationary impact of foreign exchange intervention via quantitative monetary targets (ECLAC, 2003a:135; Frenkel and Rapetti, 2008:213; Ministerio Economía y Producción, 2004b:15)[12]. The Central Bank sterilized the inflationary impact of reserve accumulation through issuing Lebac short-term deposits in pesos adjusted to retail inflation while the stock of reserves was planned in light of future sterilisations (BCRA, 2004a:17-35; Ministerio Economía y Producción, 2004a:6-7). However, though Argentina was able to stabilise the peso, it continued to be exposed to such financial volatility that the high share of foreign exchange represented a dilemma in the 2000s, thereby constraining its monetary activism. Since 2005, price hikes accompanied by appreciation pressures on the exchange rate led to an increasing reserve accumulation and monetary sterilisation to reduce the exchange rate risk (ECLAC, 2007a:13). As inflation climbed throughout the 2000s which increased from 3.7 per cent in 2003, to 6.1 in 2004 and 12.3 in 2005, the government opted for a more contractionary monetary policy to contain inflation, thereby reducing exchange risk and preventing capital outflows (ECLAC, 2006a:53). The government sterilised the inflationary impact of monetary expansion via the Central Bank's bond placements, reverse repos, the recovery of rediscounts granted during the financial crisis, public-sector operations and raising benchmark interest rates (ECLAC, 2005:139; ECLAC, 2006:a123; ECLAC, 2007a:35). Increasing inflation, which was spread through financial channels, also led the government to shift towards using liquid assets for monetary policy (ECLAC, 2006a:57). Moreover, although in January 2005 cash requirements sought to release credit, this was used to overturn the repo market to achieve price stability against financial volatility (Ministerio Economía y Producción, 2005a:8).

[12] The Central Bank started to use quantity targets to maintain the monetary base through accumulation of minimum amounts of international reserves and maximum amounts of domestic assets to maintain price stability (BCRA 2004a).

In Argentina, the structure of debt negotiations with creditors was also an important factor that constrained government spending and cooled growth. Although debt restructuring enabled lower interest rates and a longer-term payment, the restructuring entailed regressive payment conditions such as interest payments that constrained the government`s fiscal policy (Katz, 2007). The Duhalde and Kirchner governments constrained spending and achieved fiscal surpluses above 3 per cent between 2003 and 2007 to maintain price stability and make debt payments (Ministerio Economía y Producción, 2007:14). In 2004, the government employed fiscal rules that sought to constrain debt expansion. The fiscal rule on spending required that primary spending should not exceed nominal GDP growth and a current account rule required maintenance of financial equilibrium in designing the budget. The debts of provincial government had to remain within 15 per cent of revenue-sharing transfers from national government (ECLAC, 2011a:51). Furthermore, the government introduced a counter-cyclical fund to make debt payments and reduce exchange rate risk (Página/12, 10 November 2005). As mentioned above, these policies were not accompanied by a dismantling of state institutions but rather a rebuilding of state capacity to strengthen public finances and activate regulatory policies. Introduction of taxes on exports of commodity goods and regulatory monetary, exchange rate and fiscal policy enabled to service external debt payment and mitigate financial volatility (ECLAC, 2011a:49-54; Ocampo, 2009:721).

Deposit interest rates showed gradual increases that reached 6.4 per cent in 2006 and 8.0 per cent in 2007 (World Bank, 2015). In 2004, 7.9 billion pesos of 13.7 billion pesos foreign exchange purchases were sterilised. In 2005, 14.9 billion pesos of 19.7 billion pesos foreign exchange purchases were sterilised. During 2006, 13 billion pesos of 27.9 billion pesos foreign exchange purchases were sterilised. In 2007, 19.1 billion pesos of 27.4 billion pesos foreign exchange purchases were sterilised. Overall, the monetary policy saw a sterilisation of 59 per cent of foreign exchange purchases (BCRA, 2010:22). In 2004, the Central Bank accumulated 19,659, 593 million USD reserves, while in 2005 reserves reached 28,081,732 million USD, 32, 022,296 million USD in 2006 and 46,149, 450 million USD in 2007 (World Bank, 2015). In this sound macro-economic environment, despite increases in private credit, the financial sector lending to GDP ratio still remained similar to the 1990s, averaging at below 40 per cent (Agnoli and Vilán, 2008:22). In 2004, the ratio was 45.4 per cent which decreased to 38.3 in 2005, 30.8 in 2006, and 28.5 in 2007. The domestic credit for private sector/GDP ratio, which includes public lending, also remained at low levels. The ratio was 10.5 per cent in 2004, 11.7 per cent in 2005, 13 per cent in 2006 and 14.5 per cent in 2007. However, this occurred in a context of negative interest rates and less reliance on short term equity flows. In 2004, net portfolio equity flows were -86,150 in 2004, -48.1 in 2005, 706,670 in 2006 and 1,784 in 2007 (World Bank, 2015). Furthermore, as shown in Table 4.1, the public social spending/GDP ratio has not changed much despite its increasing share since in comparison to 1998/1999.

Table.4.1: Public social spending/GDP ratio

	1998-1999	2002-2003	2004-2005	2006-2007
Public social spending as percentage of GDP	21	19.4	19.6	22.1
Public social spending on social security and assistance/GDP	9.9	9.7	9.2	10.1

Source: ECLAC, 2010c

As Sebastián Katz, the Chief Director of Economic Investigations of the Central Bank of Argentina, put it, fiscal autonomy was constrained by impediments in the global economy, namely the need to make debt payments and prevent further indebtedness:

> It was a very well conducted debt negotiation and generally allowed us to defend the interests of the country and the domestic economy even though Argentina was facing a difficult domestic situation and did not enjoy the support of the international financial community. The IMF adopted an aggressive stance against Argentina and one very favourable to the interests of creditors of Argentina. I think that the main conflict was obviously the view of creditors that Argentina’s ability to pay was much higher. Our view was that in Argentina basically we said a good negotiation was to say the rate of growth that Argentina can commit to, say what the future ability to pay will be, then we said that Argentina could commit to a payment rate based on a growth rate of 3% per year in real terms by 2030. Actually it was an effort that we could make to compromise. It was not that Argentina had a higher ability to pay. What we argued was that recklessness had led us off track many times and we preferred to be cautious.[13]

As a result, Argentina`s post-crisis state activism was constrained by external volatilities and debt restructuring e.g. interest payments, with the government resorting to

[13] Author interview with Sebastián Katz, Chief Director of Economic Investigations, Central Bank of Argentina, October 2011, Buenos Aires.

monetary and fiscal tightening to reduce exchange rate risk and make debt payments in order to achieve credibility. This was implemented through rebuilding developmental practices to increase public finances and activate regulatory mechanisms. As Sebastián Katz, the Chief Director of Economic Investigations of the Central Bank of Argentina, put it:

> Until 2003-2004 when the economy started to function, it was a big challenge to bounce back from the bottom, but there were good decisions on the fiscal and monetary and exchange rate fronts, and that default gave us freedom with favourable international prices. At the same time, Lavagna took the important decision not to allow nominal spending increases along with rising prices. However, in 2005 the economy started to reduce its GDP gap, and the economy was experiencing very high monetisation, the main challenge was trying to make fiscal policy. For example we had a 3.5 per cent primary surplus. The main challenge was how to administrate fiscal policy to help monetary and exchange rate policies that were trying to give more time to depreciate the exchange rate, but for that situation the fiscal policy had to be more counter-cyclical than it was in reality... With Lavagna, we asked for constitution of a counter-cyclical fund in October 2005. The idea was to save transitory revenues coming from extraordinary levels of commodity prices. Fiscal policy started to complicate the situation for Central Bank, especially the intention to maintain fixed nominal parity and unavoidable currency appreciation... the idea was to try to soften that.[14]

In a similar vein, as former Minister of Economy Felisa Miceli put it:

> We had to demonstrate that we could consolidate all aspects i.e. financially have a very strict financial program that would be recognized by the economic and financial actors as credible. Argentina was considered as having no credibility in the international financial market. A very strong move that forced us to further consolidate the economic development model, and not to end up without reserves, had to show a very solid financial program. We paid promptly and performed all our obligations. We worked with a lot of intensity so that funds arrived on time when you had to pay interest. We set out to recover 10,000 million reserves in a year, which we did to take back more financial autonomy since financial matters work in this direction, and we consolidated the fiscal surplus. We demonstrated an important point: that we could get a fiscal surplus if we could launch an anti-cyclical fund. We established the surplus in the public accounts. We worked hard to improve tax

[14] Author interview with Sebastián Katz, Chief Director of Economic Investigations, Central Bank of Argentina, November 2011, Buenos Aires.

> collection to exchange information or do it in a smart way with modern management, and we greatly improved tax collection. [15]

4.3. Conclusion

In the 1990s, the free market orthodoxy was embraced in Argentina in the context of drastic dismantling of previous regulatory institutions, an approach to gaining access to mobile capital and fostering confidence in foreign investors. Argentine neoliberal reform was characterised by opening to capital flows, deregulation of interest rates, a fixed exchange rate regime and a rigid anti-inflationary monetary policy to achieve confidence. Furthermore, Argentina retreated from influencing the liquidity of banks, lowered capital requirements and left credit allocation to banks` discretion. Though Argentina succeeded in containing inflation, it was dependent on short-term capital flows and its currency appreciation was remarked by growing current account deficits and foreign indebtedness. It was vulnerable to sudden changes in capital flows under the rigidity of a currency board that prevented action as a lender of last resort and tied liquidity to flows of capital. Furthermore, in the absence of banking regulation, the banking system was vulnerable to external shocks, with high maturities and high levels of dollar deposits.

These weaknesses heightened with financial and trade shocks, culminating in the financial crisis of 2001/2002 and leading to a questioning of the desirability of stateless markets given highly volatile global financial markets. Under the Duhalde and Kirchner governments, foreign exchange intervention, acting as a lender of last resort, reducing public debt, and banking regulation represented emergence of the state`s regulatory mechanisms to constrain capital flows which departed from autopilot strategies to access capital mobility and signal credibility. This, however, did not mean a return to old developmentalism. Argentina`s reliance on foreign investment and technology amounted to maintenance of liberal and sound macro-economic performance criteria to maintain credibility and enable private entrepreneurs to compete globally. Instead, there was re-activation of developmental practices, albeit in a different manner, to function under a globalised market activity. As a result, there was re-activation of regulatory policies to seek more flexible and locally defined competitive strategies

[15] Author interview with former Minister of Economy of Argentina Felisa Miceli, November 2011, Buenos Aires.

to achieve credibility in the global economy. Debt reduction, reserve accumulation, banking regulation, and acting as a lender of last resort enabled to recover stability and credibility vis-à-vis foreign investors. This created stable environment to access technology and capital in global markets. Moreover, financial regulation provided a degree of flexibility in monetary and exchange rate policies which enabled to promote domestic industry and export competitiveness of tradable goods. Furthermore, counter-cyclical monetary and exchange rate policies provided a degree of manoeuvre in fiscal policies which enabled to promote incentives for exports.

However, as Argentina continued to pursue market-led and globally driven capitalism, it was constrained by integration into the global economy. As a result, the Duhalde and Kirchner governments continued to promote fiscal and monetary discipline to make debt repayments and maintain financial stability and credibility. Instead of free market fundamentalism, fiscal and monetary discipline was pursued via counter-cyclical policies and strengthening public finances through tax allocation. However, since 2005, financial volatility, which caused inflationary pressures and currency appreciation and debt repayments, led the Kirchner government to tighten monetary policy and fiscal policy. This enforced establishing a stabilisation fund, increasing monetary sterilisations and reserve accumulation which constituted challenges to promote autonomous fiscal policies.

CHAPTER 5. TRADE POLICY RESPONSES BETWEEN 2002 AND 2007

The financial crisis of 2001/2002 led to a rethink of unfettered trade liberalisation in Argentina. The Duhalde and Kirchner governments undertook a re-activation of state activism and regulation. Scholars of Argentina (Grugel and Riggirozzi, 2007; Riggirozzi, 2009; Wylde, 2011) argued that policy responses represented a distinct departure from neoliberalism and a shift towards re-activation of a national and productive alliance within open markets. This chapter explores the nature of trade policy changes in response to the financial crisis of 2001/2002 in Argentina. This thesis argues that post-neoliberalism cannot be seen either in opposition to neoliberalism or as a return to old developmentalism. I argue that there was a revival of developmental traits, yet without rejection of more globally and market-oriented competitive strategies. Free market fundamentalism was replaced by re-inventing developmental practices with a commitment to industrial goals to both constrain and guide markets while accessing new markets and upgrading technology. The chapter will be divided into two sections. The first section will evaluate the nature of neoliberal reforms in the trade arena between 1989 and 2001 and will track the unfolding of the crisis that led to rethink of neoliberalism in Argentina. The second section will analyse responses between 2002 and 2007 to the crisis and explore whether these policy changes represented a coherent shift from neoliberalism to of new developmentalism. This second section will be divided in three parts: tariff barriers, Argentina-MERCOSUR trade relations and Argentina-China trade relations. Finally, a conclusion will be presented.

5.1. Trade Policy and Neoliberal Transformation in Argentina (1989-2001)

Neoliberalism discards principles of state interventionism and protectionism common in inward-looking industrialisation as tariffs, non-tariff barriers, and taxation are deemed to be inefficient, inflationary and costly for capital (Gamble, 2001:130-132). Neoliberalism favours free trade as the key to the evolution of price mechanisms, industrial growth and technology upgrading (Payne and Phillips, 2010:90-93). As markets are deemed to be rational, tariff liberalisation and adjustment of prices to global prices would reduce imports costs and promote certainty for investors and producers. Setting markets as the determinant of prices would attract

FDI and allow access to capital goods that would allow for technological upgrades, as well as enabling export diversification based on comparative advantage and boosting the balance of payments (Payne and Phillips, 2010:93; Thomas-Bulmer, 1996:11). Another aspect of neoliberalism was trade opening under guidance of the WTO, which set out to form global trade rules and bind individual countries to the practices of the neoliberal project (Harvey, 2007:32). Accordingly, in the Uruguay Round, institutions such as the General Agreement on Tariffs and Trade (GATT) (later replaced by the WTO) provided an external impulse for a neoliberal transformation (Lall, 2003:5-6). In this context, unilateral trade liberalisation was one of the key elements of neoliberalism, implying removal of tariffs, non-tariff barriers, and import/export duties that were seen as creating an anti-export-bias to compete globally. Furthermore, rationalisation of trade via import duty exemptions and adjustment to multilateral tariffs were seen as essential to reduce this anti-export bias (ECLAC, 1999b:82-140; Fitzgerald, 1996:33).

Another aspect of neoliberalism was promotion of open regionalism. Though open regionalism does not directly imply neoliberalism, it was seen as complementary to the global restructuring of capital associated with neoliberalism. Unlike old regionalism, which was affiliated with the inward-looking industrialisation based on the protection of domestic industry, the "new regionalism" emphasized productive integration via liberalisation of trade in goods and preferential access to new trade markets with a commitment to binding rules of trade liberalisation under multilateral agreements (ECLAC, 2001:191-192). In Latin America, in effect, emerging regional agreements were accompanied by preferential interregional, bilateral and multilateral agreements to access new markets and attract FDI (ECLAC, 2001:197-201).

As described above, neoliberalism sees free markets as the key to resource allocation and technology transfer. However, despite its explicit focus on the integration into the global economy, it does not tackle the negative consequences of the way the global economy works. An important aspect of neoliberalism is the focusing of trade flows on horizontal technology incorporation, which exposed local producers that previously produced inputs, machinery equipment, and consumer goods to sudden and unfettered global competition (Goldberg and Pavnick, 2007:34; Paus, 2004:430). With increasing flows of imports and new technology incorporation, neoliberalism did not take into account differences in technological structure amongst countries inserting themselves into global trade (Reinhardt and Peres, 2000:1546). In the region, capital-intensive sectors have less technological content compared to those in developed countries. This meant a sudden tariff reduction accompanied with capital account liberalisation to favour capital-intensive sectors, which was characterised by a surge in imports via appreciated currencies. While this allowed new technology access, this skill-biased change exposed labour-intensive sectors and locally produced engineering-intensive goods to uneven competition from imports and harmed export competitiveness. Hence, in the region, while exports rose, imports rose faster in the 1990s (Peres and Stumpo, 2000: 1643-1644; Pastor and Wise, 1999a:42). While sudden trade liberalisation accompanied with capital account liberalisation harmed exports and attracted imports, the region also had domestic weaknesses. The region`s specialisation based on comparative advantage of natural resources created disincentives for manufacturing and reduced their share in global trade (ECLAC, 2008a:73).

Furthermore, multilateral negotiations were subject to asymmetries of power as the Uruguay Round showed that developed countries had a better position from which to influence market-access negotiations. They had advantages in opening-up manufacturing goods as they had a greater share of technologically intensive goods, and enjoyed a gradual opening in sectors such as textiles and clothing. In agricultural liberalisation, which was crucial for developing countries, expected benefits were not realised as developed countries used hidden mechanisms like subsidies and anti-dumping measures. Furthermore, agreements on agricultural subsidies and countervailing measures favoured the interests of developed countries. For instance, agricultural subsidies were exempted from elimination of export subsidies. Hence, in practice, developing countries made commitments based on unilateral rather than multilateral liberalisation (ECLAC, 2001:205-218).

Argentina pursued a growth strategy based on unfettered trade liberalisation and deregulation in the 1990s. Argentina sought to secure positive externalities to access freer trade, FDI and technological upgrading (Chudnovsky and López, 2007; Phillips, 2004:102-103). Argentina’s orthodox strategy was explicitly tied to spillovers from trade liberalisation, which would reduce the relative price of imported capital goods and intermediate goods while stimulating investment in the context of currency appreciation (Bugna and Porta, 2007:66). Trade liberalisation had been initiated in 1988 under the Alfonsín government. Between 1988 and 1991, tariffs were reduced to 22 per cent for manufactured final goods, 11 per cent for intermediate goods and 0 per cent for raw materials, while for motor vehicles and electronics 35 per cent tariffs were preserved (Phillips, 2004:67). Between 1989 and 1994, Argentina only applied non-automatic import licences to 3 per cent of production, while the use of these measures was at 1 per cent between 1995 and 1998. Automatic licenses were applied only for sensitive sectors such as apparel, footwear and carpets, with non-automatic licences and quotas only for automobiles and auto parts (ECLAC, 2001:112-123). Argentina`s interests in multilateral negotiations was primarily driven by agricultural access, where it has comparative advantage, rather than industrial goals. Despite weak negotiating capacity, some concessions were gained, such as zero tariffs on soybeans (Ablin and Bouzas, 2004:165-166).

Integration into MERCOSUR, which was created in 1991, constituted a complementary pillar of Argentina`s trade liberalisation process. After the *Acta de Buenos Aires* between Brazil and Argentina, the MERCOSUR agreement was signed between Uruguay, Paraguay, Brazil and Argentina on March 26, 1991. The agreement aimed for removal of trade barriers, establishment of a common external tariff (CET), and harmonisation of macro-economic and sectorial policies. Initially, the agreement was concerned with trade liberalisation matters and provided unilateral tariff reductions between 1991 and 1994. This resulted in zero per cent tariff rates by 1995, with the exception of sugar and the automobile regime. Though non-tariff barriers did not show significant reduction, it was agreed that 13 non-tariff barriers, such as quantitative restrictions, would be removed by December 1994. In 1995, an imperfect customs union was established and a CET was adopted, preserving national tariff lines in 300 products. A capital goods tariff, which was at the 0 per cent rate in Argentina, was among these exempt goods which would be adapted to the CET in 2001 and 2006. Some products, such as chemicals, steel, paper and footwear, would be added to intra-regional trade in 1999. Meanwhile, the car industry enjoyed a special regime to promote economic integration in the automotive sector with Brazil which was established in 1990. In July 2000, a common automotive-sector regime was adopted using a CET of 35 per cent, import quotas, minimum local content requirements, and preferential import tariffs (Chudnovsky and López, 2007:70-76).

Despite succeeding in trade liberalisation, MERCOSUR did not accomplish harmonisation of macro-economic and sectorial policies or creation of a customs union due to national differences in trade policy. According to the ECLAC, a successful regional integration requires harmonisation and coordination of national polices seeking to promote economic integration, increase competitiveness of regional exports and act collectively to increase negotiating capacity at the multilateral level (ECLAC, 2001:197-201). Although MERCOSUR achieved establishing a common policy agenda in particular areas, national preferences shaped the regional bloc. In exchange policy, policy differences were explicit. While Argentina employed a currency board based on the dollar-pegged peso, Brazil pursued a more flexible exchange rate, often resorting in currency devaluations. Argentina supported macro-economic convergence in MERCOSUR as it depended on the Brazilian market for its export expansion. Brazilian stability, therefore, constituted an important priority for Argentina, leading to complaints about Brazilian devaluations and their divergence from regional principles. However, despite emphasizing macro-economic convergence, Argentina did not fully support a customs union. This reflected Argentina`s prioritisation of free trade and market access for agricultural products. Argentina focused on closer relations with East Asian countries, NAFTA, and the US. Argentine trade policy was, thus, concerned about trade access in line with open regionalism, seeking to reduce tariff barriers and establish regional and extra-regional preferential agreements (Chudnovsky *et al.*, 2000:40-41).

Accordingly, Argentina distanced itself from the idea of a customs union and sought to gain relative policy autonomy so that regionalism would not distort its extra-regional market access. While Argentina emphasized the necessity of convergence on common macro-economic rules, this orientation was related to its dependence on Brazilian stability due to its orthodox strategy and production asymmetries. This led Argentina to resort to protectionist measures to mediate trade asymmetries (Ablin and Bouzas, 2004:169; Phillips, 2004:102-103). At times, Argentina and Brazil maintained some degree of cooperation to address policy asymmetries via informal agreements. For instance, in order to address trade imbalances in Argentina deriving from the peso`s overvaluation, Brazil agreed to Argentina`s statistical tax surcharge in 1992 (Bouzas, 2001:182).

As shown in Table 5.1, despite some degree of specialisation towards medium level technology content exports, export strategies were based on promotion of sectors with comparative advantage based on natural resources and natural resource-related industries (Ernst, 2005:15-18). Winners among exporters were natural resources and its related sectors with comparative advantages and capital-intensive sectors, mainly TNCs and domestic conglomerates (Peres and Reinhardt, 2000:1556). Centralisation and concentration of assets, incorporation of new technology through cheaper imports and privatisation based on exploitation of natural resources favoured natural resource-related industries (Chudnovsky and López, 2007:107; Porta, 2007:142). Exports were concentrated in soy pellets, crude oil, fats and oils, soybean, and grains (Bugna and Porta, 2007:142). Automotive exports, including auto parts, grew due to FDI and the special trade regime within MERCOSUR (Pastor and Wise, 1999b:487).

Table 5.1: Export diversification (percentage of total exports)

	1985-87	1999-2001
Commodities	52.8	47.5
Natural resource-related industry	25.4	47.5
Low-technology manufacturing industry	10.1	8.6
Mid-level technology manufacturing industry	9.5	17.3
High-technology manufacturing industry	2.2	3.3

Source: ECLAC, 2003b

As shown in Table 5.2, although exports increased thanks to technology incorporation, exports did not enjoy outstanding performance in Argentina. SMEs had difficulties competing since they did not have access to the needed technological support. This was not the same in all SMEs. Those depending on skilled labour and new technology such as machinery equipment performed better in exports (Ernst, 2005:25-26; Pastor and Wise, 1999b:487). Incorporation of new technology via unilateral trade opening accompanied with currency appreciation exposed the local manufacturing sector which produces intermediate and consumer goods to unrestricted flows of imports (Ernst, 2005:23; Reinhardt and Peres, 2000:1553). As shown in Table 5.3, there was a surge in imports during a decade of major external volatility. The value of imports in 1994 increased 400 per cent, and Argentina had a trade deficit of 4.2 billion in 1994 (Pastor and Wise, 1999b:480). The import penetration ratio increased from 5.7 per cent in 1990 to 19 per cent in 1999. In particular, labour-intensive areas (such as footwear) or higher value-added goods such as machinery and equipment were affected from an imports surge. The sectors most affected by imports were electric motors and generators, medical appliances, electronic tubes, TV and radio receivers, and special purpose machinery (Chudnovsky and López, 2007:71; Ernst, 2005:19-23).

Table 5.2: Export value of selected goods (1992-1997) (US$M)

	1992	1993	1994	1995	1996	1997
Parts of motor vehicles	271	419	450	517	430	497
Motor vehicle	164.3	399.4	550.6	887.5	1,321.0	2,465.7
Manufacturing of tubes, halves	11.7	12.7	13,9	14.9	24.5	37.7
Manufacturing of TV and radio receivers	3.2	4.2	35.7	73	37.3	43.8
Manufacturing of office and computing machinery	112.3	81.6	83	68.9	45.4	30.4
Household goods and electrical appliances	7.3	11.6	15.8	44.2	28	26.5
General purpose machinery	162.4	197.3	197	287	302	359
Manufacturing of chemical	251.3	302.2	377.8	473.3	516.2	673.7
Footwear and parts	51.6	92.3	86.7	102.4	72.7	105

Source: Ministerio de Industria

Informes y Estadísticas Industriales

Table 5.3: Import value of selected goods (1992-1997) (US$M)

	1992	1993	1994	1995	1996	1997
Manufacture of parts and accessories for motor vehicles	797	943	1,096.1	971	1,169.1	1,769.2
Motor vehicle	1,098.4	1,342,8	2,250.9	1,350.8	2,061.4	3,038.2
Manufacture of tubes, halves and other electronic components	691.7	805.8	1,048	840	884	1,469.6
Manufacturing of TV and radio receivers	716.4	650.5	748.7	411.8	443.5	612
Manufacturing of office and computing machinery	583.1	664	927.4	707.7	81.2	1,125.5
Household goods and electrical appliances	253.2	344.9	348.5	244.2	327.2	398.9
General purpose machinery	869.4	1,033.3	1,528.4	1,643.4	1,764.9	2,133.0
Footwear and parts	135.7	123.1	135.1	183.4	202.1	180.5

Source: Ministerio de Industria

Informes y Estadísticas Industriales

Argentina`s economy entered into recession in 1997 as exports stagnated and imports surged due to appreciation of the US dollar and declining terms of trade for agricultural commodities. The fall in terms of trade was 11.1 per cent between 1998 and 1999, while devaluation of the real versus the peso was 18.4 per cent in the same period. Brazilian devaluation was the key element that led to Argentine suffering given the effects of appreciation of the US dollar (Chudnovsky and López, 2007:141). As shown in Table 5.4 and Table 5.5, external shocks heightened Argentina`s volatile growth, with stagnant exports, a surge in imports and current account deficits. Furthermore, Argentina was vulnerable to external shocks as it depended on Brazilian stability (Pastor and Wise, 1999b: 487). Argentina`s exports to Brazil declined by 30 per cent between 1998 and 1999 (Chudnovsky and López, 2007:141). Furthermore, external shocks heightened distortions in intra-regional trade and suppressed trade flows. While financial volatility was an important cause of problems in MERCOSUR, divergent macro-economic responses and a lack of coordination played an important role in slowing regional trade. Argentina`s macro-economic problems and devaluation of Brazilian real created tensions in intra-regional trade and led to unilateral policy decisions by both sides (Bouzas, 2001:184-187). In order to mediate these market failures, Argentina applied several anti-dumping measures towards MERCOSUR members, especially Brazil, and extra-regional trade partners for metal, chemical and electronic goods in the late 1990s (ECLAC, 2001:123). Between 1997 and 1999, anti-dumping measures increased by 10 per cent. These measures added up to 50 per cent of total imports to Brazil and 6 per cent and 7 per cent for China and South Korea. In 1999, three special safeguards were put into effect in textiles and fibres against Brazil and four Asian countries (including China). Since 1999, safeguards have been employed for footwear and toys (ECLAC, 2001:123).

Table 5.4: Export value of selected goods (1998-2001) (US$M)

	1998	1999	2000	2001
Parts of motor vehicles and accessories for motor vehicles	538	572	596	596
Motor vehicle	2,689.1	1,272.8	1,544.9	1,593.0
Manufacturing of tubes, halves	29.1	26.9	32.3	40.8
Manufacturing of TV and radio receivers	31.4	24.7	23.4	16.6
Manufacturing of office and computing machinery	36.2	28.5	40.6	37.1
Household goods and electrical appliances	15.5	18.3	13.9	16
General purpose machinery	356.7	422.6	449.6	368.0
Footwear and parts	68.3	35.8	27.6	17.7

Source: Ministerio de Industria

Informes y Estadísticas Industriales

Table 5.5: Import value of selected goods (1998-2001) (US$M)

	1998	1999	2000	2001
Parts of motor vehicles	1,831.9	1,151.5	1,273.8	875,1
Motor vehicle	3,384.4	1,915.6	1,546.3	1,092.8
Manufacture of tubes, valves	1,478.5	1,248.1	1,694.8	822.2
Manufacture of TV and radio receivers	554.7	528.4	628	486
Manufacture of office and computing machinery	1,251.0	1,162.8	1,191.3	951
Household goods and electrical appliances	348,1	303	342,4	281,1
General purpose machinery	2,208	1,948	1,615	1,395
Footwear and parts	202,1	180,5	200,8	193,6

Source: Ministerio de Industria

Informes y Estadísticas Industriales

Brazilian devaluation was an important factor in heightening the volatility of Argentine industrial competitiveness. While Argentina`s orthodox path rendered it volatile to external shocks, there was no adequate regional mechanism to deal with the impact of crises. As Cintia Quiliconi from the Ministry of Industry noted:

> You just get all the imports because your exchange rate is overvalued. It worked for a while. They should have abandoned the regime right after the De la Rúa regime. At that time, Convertibility was solving every problem. It was about liberalisation, without many protectionist measures even in the De La Rúa government. I do not remember using many compensatory measures. With the Brazilian devaluation it was very difficult. Brazil was very important in terms of export basket. We were trying to negotiate some kind of compensatory mechanism but they were not willing to. Brazil said you should devalue as we did and it is not a MERCOSUR problem. It was impossible to export anywhere. The trade deficit was huge. The industrial sector was more affected.[16]

5.2. Trade Policy Responses (2002-2007)

The financial crisis of 2001/2002 led to a discourse in government circles about re-activating state capacity in line with prioritisation of local and regional priorities and to promote exports of higher value-added goods. As President Néstor Kirchner put it:

> The State must have proactive policies to promote exports and this requires creating an environment in the national economy, in wide consultation with civil society. Strengthening trade policy as a policy of a permanent state that transcends the terms in office of governments and has the concurrence of the private sector, academia and civil society in general, will be a prime strategic objective of this administration; deepening the strategy of opening markets, substantially increasing our trade with the rest of the world and diversifying exports towards higher value-added goods (La Nación, 25 May 2003).

President Néstor Kirchner said, "I am not a fundamentalist but I believe we should first consolidate MERCOSUR without dismissing the European Union, United States or any other country". He indicated that that the consolidation of a free trade zone and perfecting a customs union needs a strong political-economic foundation in line with "mutual trust and a clear definition, beyond any doubt, of common objectives" (MercoPress, 19 June 2003).

[16] Cintia Quiliconi, former Advisor to Secretariat de Industria and researcher in FLACSO, November 2011, Buenos Aires.

5.2.1. Trade Barriers

One significant policy change that signalled a revival of industrial goals and developmental traits was application of tariff barriers to protect local manufacturing from import flows, albeit within the constraints of binding multilateral agreements (Bouzas, 2007:67-68; Peres, 2006:76). As Cornia (2010) argued, instead the Kirchner government mostly relied on the exchange rate to provide some degree of protection for the domestic industry from uneven competition. Starting in 2004, the Kirchner government implemented various non-tariff barriers in the form of quantitative restrictions. Automatic and non-automatic import licences (NALs) were issued to monitor imports for industrial goods such as footwear, washing machines, tyres, bicycles, and paper. Furthermore, several anti-dumping measures were applied in the chemical and steel industries. By December 2005, 35 products had anti-dumping measures in place, especially for imports from Brazil and China (WTO, 2007). Another revival of developmental traits was re-activation of export duties to mitigate inflationary pressures and price fluctuations due to the commodity boom in the 2000s. This is known as Dutch disease in which high prices for commodities and foreign exchange earnings from commodity exports leads to appreciation of currency, which affects profitability and threatens competitiveness of the manufacturing sector (Bouzas, 2007:68-69; MECON, 2010:69-72). Furthermore, in the region, economic globalisation strengthened the share of TNCs in domestic production and exports of commodities. This resulted in rising income concentration and an oligopolistic share in domestic markets and exports. In the 2000s, accompanied with windfall profits in commodities, concentration in assets and production led large firms and TNCs to make extraordinary gains at the expense of the manufacturing sector and distort prices of inputs used by local producers (UNCTAD, 2013a:54). In this context, tax changes signalled re-activation of developmental traits to prevent rent seeking in sectors where monopolies exist, and promote an industrial policy that re-allocates resources and reduces costs of intermediate goods to favour the domestic market, exports of manufacturing goods and diversify export structure (Ortiz, 2008:2-3; UNCTAD, 2007a:60).

In March 2002, the Duhalde government introduced export taxes for primary products. Taxes were implemented for soybean at 10 per cent, crude oil at 20 per cent, oil derivatives at 5 per cent and agricultural and industrial manufacturing at 5 per cent. Taxes had four main goals. First, the Duhalde government sought to capture enormous gains made by agricultural and oil exporters due to the impact of devaluation and rising global demand for commodities.

Second, oil and agricultural exporters which controlled the domestic market and exports were aligning their prices in pesos and pressurising domestic prices. The Duhalde government aimed to prevent price hikes for domestic producers and tradable goods exporters. Third, the government sought to stabilise the foreign exchange market as exporters of oil and agriculture were delaying foreign currency settlements and speculating in the expectation that there would be further devaluation (Página/12, 5 March 2002).

The Kirchner government increased its intervention through tax policies and demonstrated a tougher stance against TNCs and large conglomerates. Although the government and oil companies agreed to maintain stable prices for the domestic market, oil companies started to increase gasoline and gas oil prices. In early 2004, the government increased export duties on crude oil from 20 to 25 per cent. Furthermore, in the same year, the government announced a surcharge on exports of crude oil, with taxes increasing to 45 per cent when prices rose above 45 USD (Dellatorre, *Página/12*, 5 August 2004; WTO, 2007:110)[17]. Roberto Lavagna, then Minister of Economy, declared that the decision was taken to protect the population:

> When there are exceptional price hikes in the international market, as is now the case for oil, many countries capture those exceptional benefits through state enterprises, as with copper in Chile or oil in almost all countries in the world. Argentina, because of choices made in past years, has no state enterprise that allows you to capture a portion of these extraordinary benefits of non-renewable resources; consequently, we develop a special instrument, which in this case means retention (Página/12, 5 August 2004).

Furthermore, in 2004 the government taxed exports of natural gas to prevent price increases for domestic markets (UNCTAD, 2007a:60). The government declared the Regularisation Programme for natural gas exports which sought to constrain excessive exports made by oil producers, thus leaving an adequate volume of natural gas for domestic markets. The programme regulates production and exports of natural gas taking into account supply requirements for residential users, small and medium traders and industrial users (Página/12, 1 April 2004; WTO, 2007). As Diego Coatz, an economist from the UIA, put it, these taxes

[17] This was a significant change, with taxes being fully mobile, without a ceiling, and with values depending on international prices. Accordingly, this regulation required that the higher the value of goods, the higher the taxed percentage would increase (WTO, 2007).

represented a re-embedding of national and political priorities in order to re-allocate resources to promote industrial competitiveness:

> The most important thing is the exchange rate regime to support exports. The exchange rate in our country is very important. Kirchner started to put tax up for farmers and minerals. Kirchner taxed farmers and minerals by an exchange rate for soybeans and minerals of 2.60, while manufacturing exports were maintained at 4.2. You need to pay a fee if you want to export soya. In the 1990s, the governments tried to solve problems through fewer taxes. Now the government is aware that you need to increase domestic demand.[18]

However, the Kirchner government did not retreat from market efficiency, even if it did not advocate free market fundamentalism either. Unlike old developmentalism, the Kirchner government`s policies sought to enable an efficient export sector to increase their potential to compete in global markets. Hence, new developmentalism was characterised by the revival of state activism to create a liberal and transparent framework that signals competitive prices for exporters and reduces their organisational costs. Promotion of free trade zones, signing bilateral, preferential and multilateral agreements, and provision of tax incentives constituted pillars of new state activism in Argentina to enable exporters to access new trade markets and incorporate foreign technology (Peres, 2006:71-75; WTO, 2007:19-21). These policies prioritised large conglomerates and TNCs primarily based on comparative advantage in natural resources and its related industries, use of foreign technology, and a search for access to regional and global markets. Even sectorial policies that aim to enhance efficiency of industrial sectors targeted selected capital-intensive industries such as automobile and knowledge-intensive sectors that have potential to gain access to global markets (Azpiazu and Schorr, 2010:118-122; Peres, 2006:69-72; Schorr and Wainer, 2005:41-46).

After the devaluation in 2002, the government lowered tariffs back to their previous rates. In 2006, the simple average most-favoured-nation (MFN) tariff was 10.4 (WTO, 2007:38)[19]. Trade liberalisation was more extensive in the capital goods sector, which was embedded in excessive reliance on foreign capital and technology (Azpiazu and Schorr, 2010:130; Ortiz and Schorr, 2009:6-7). The Kirchner government extended the zero rate for capital goods from outside MERCOSUR. The government also lowered tariffs for auto parts to 2 per cent from outside MERCOSUR due to demands from automotive subsidiaries of TNCs.

[18] Author Interview with Diego Coatz, Economist in UIA, November 2011, Buenos Aires.
[19] In 1998, the simple average MFN was 13.8 per cent due to temporary tariff increases (WTO, 2007).

However, extensive liberalisation was not accompanied with pure market fundamentalism. The Kirchner government responded to demands from local industrial sectors which claimed that such extensive liberalisation would harm local producers. In an effort to mediate the demands of local industrialists, Kirchner gathered with representatives of industry and declared a tax rebate of 14 per cent to promote purchases of locally sourced capital goods (Página/12, 27 July 2004; Página/12, 22 December 2005).

The Kirchner government promoted tax incentives to create a favourable investment environment supportive to efficiency. In 2005, the Kirchner government established import duty exemptions for capital goods in the hydrocarbons and mining sector. In the motorcycle sector, the government promoted a 60 per cent exemption from import duty to attract foreign investors. Furthermore, other tax incentives for temporary imports of capital goods and VAT reductions were provided (Ministry of Foreign Affairs and Worship Argentine Republic, 2013:4-9). The Argentine government also promoted incentives such as free trade zones, as in Tierra del Fuego, for knowledge-intensive electronic goods that provided exemptions from import duty and VAT for local and foreign investors (Anós-Casero and Rollo, 2010:4). This was, in part, responding to competitive pressures as other MERCOSUR members established free trade zones (Sainz, *La Nación*, 27 December 2006). For instance, one form of activism emerged to provide incentives to promote knowledge-intensive sectors and high-skilled employment creation, as former Minister of Economy Felisa Miceli stated:

> We worked hard to improve the competitiveness of economic sectors with sectorial plans so they could export and generate foreign exchange and get involved in foreign markets. We created an area of nanotechnology to develop a new economic sector that now leads the field of science and technology. We created sectorial programs such as biofuels, software, the computer industry in Tierra del Fuego, so that these sectorial programs could employ a lot of labour with better conditions and benefits.[20]

Hence, as this thesis argues, responses to the financial crisis revealed a new form of developmental traits, instead of a return to old developmentalism. New developmentalism was characterised by nationally sensitive and politically viable competitive strategies, departing from free market fundamentalism and a lack of trust in the state. New developmentalism did not rest on direct protectionism of industry based on import-substitution. Instead, these policies promoted efficient sectors such as natural resources and its related industries based on

[20] Author interview with former Minister of Economy of Argentina Felisa Miceli, November 2011, Buenos Aires.

comparative advantage and capital-intensity. Sectorial polices were developed to promote knowledge-intensive industries and capital-intensive industries that have potential to enter new markets. Given reliance on comparative advantages with high export intensity and local and dependence on foreign technology and capital, the Kirchner government pursued extensive trade liberalisation and horizontal incentives to benefit from efficiency gains of markets. Although post-crisis trade policy rested on strong economic liberalism, old type of policies were re-invented to promote exports of higher value-added goods, enable export diversification and provide protection for sectors that face competitive pressures.

As commodity prices continued to increase, the Kirchner government resorted to higher export duties to constrain price increases. In July 2006, a tax on exports of natural gas was increased to 45 per cent (WTO, 2007:110). In March 2007, taxes on soybeans were increased to 35 per cent, while increases on corn and wheat were applied at 20-28 per cent (MercoPress, 7 November 2007). The Kirchner government also resorted to restrictions on exports to prevent price increases. In March 2006, the government imposed a 180 day ban on beef exports. In May 2006, this export ban was lifted and replaced by an export quota of 40 per cent of exports during a reference period (WTO, 2013:125-126). Increasing regulation sought to re-allocate prices favourable to domestic-facing SMEs as former Minister of Economy Felisa Miceli put it:

> Argentina has a historical problem of hyperinflation. We worked hard to manage it in a smart way and sat at the table with consumer associations and the entire value chain to see where the problem was and to lower costs so that prices would not increase too much.[21]

> We did not want to generate a concern among entrepreneurs and society, and then we all made changes according to the needs that were evaluated. For example, we increased the rate of tax on exports of the most profitable products such as soy and spent 20 to 27% from 27 to 35%. I believe it is essential to continue with this exchange rate - 4.30 is not a bad rate for SMEs. It is true that there may be individual companies that are very uncompetitive. Argentina really has to solve the problem of relative returns. It is obvious that with an exchange rate with returns like this the agriculture sector has plenty of competitiveness with these world commodity prices.[22]

[21] Author interview with former Minister of Economy of Argentina Felisa Miceli, November 2011, Buenos Aires.
[22] Author interview with former Minister of Economy of Argentina Felisa Miceli, November 2011, Buenos Aires.

While the government applied export restrictions to promote industrial competitiveness, exemptions for agro-exporters were provided in order to promote export competitiveness. As former Minister of Economy Felisa Miceli put it:

> At one point the meat price climbed and we put a brake on exports of meat, but only for a few days until we agreed 40% to 50% a day. We agreed that the industry could export and we worked with food producers and lowered VAT rates for food, flour, meats, down to 10.5% instead of 21%. [23]

In 2006, the government increased tariffs slightly (WTO, 2013:38). Tariffs were increased to protect labour intensive and higher value-added sectors that were most harmed by unilateral trade liberalisation. Tariffs for such goods were high: textiles and clothing, footwear, and motor vehicles (WTO, 2013:59-60). In 2006, the Kirchner government expanded non-tariff barriers to mediate market distortions and protect against uneven competition (WTO, 2013:76). As Kirchner stated:

> Measures have been taken to control imports to promote the growth of our producers. So we have established non-automatic imports of toys, appliances, bicycle tires, bikes and recently also footwear and leather uppers, along with a number of customs measures for better control of import licensing, policies on dumping and other forms of unfair competition, all to re-industrialize the country, leaving aside anti-industrial prejudices and prioritizing objectives that protect our production from those imports that do not respect the rules of trade.[24]

From 2003 onwards, export duty policy helped in re-allocation of prices, thereby creating favourable prices to support tradable exports and the domestic market. Furthermore, export performance allowed for a current account surplus (Schorr, 2012:122-124). Furthermore, labour-intensive and engineering-intensive local producers also increased their exports. Machinery and equipment, electrical appliances, radio and TV equipment, metalworking, footwear, and textiles were among the goods that increased, where previously they had suffered from unilateral trade liberalisation and currency appreciation (CEP, 2008:31-

---

[23] Author interview with former Minister of Economy of Argentina Felisa Miceli, November 2011, Buenos Aires.

[24] President Néstor Kirchner`s speech made in the celebration of the Industry Day, September 2007.

34). SMEs which mainly operate in these sectors showed export dynamism (Fundación Observatorio PyME, 2006).

As shown in Table 5.6 and Table 5.7, although labour-intensive and engineering-intensive industries increased their share, except the machinery and equipment sector, the most dynamic sectors were capital-intensive sectors such as the automobile sector and commodity goods related industries (Azpiazu and Schorr, 2010:119-122). Argentina continued to concentrate on low value-added primary goods, especially hydrocarbons and agricultural commodities like soybean, cereal and oilseeds. Despite a decrease in the quantity of primary exports, their value to Argentina's exports rose (Anós-Casero and Rollo, 2010:4). Industrial specialisation was developed in capital-intensive and commodity related industrial goods, such as iron and steel, petroleum refining, basic chemicals, aluminium, animal feeds, oil and fats and agricultural related food and beverages (Bekerman and Dulcich, 2013:156-163; Bugna and Porta, 2007:115). These capital-intensive commodity industries and the automobile sector became export leaders, accounting for 83 per cent of industrial exports (Belloni and Wainer, 2012:21).

In this context, unlike primary goods and its related industries which have comparative advantages, labour-intensive and engineering-intensive local producers continued to be disadvantaged to compete (Azpiazu and Schorr, 2010:132; Bekerman and Dulcich, 2013:168). Local producers of engineering-intensive goods such as radio and TV equipment, consumer electronics, manufacturing of tubes and valves did not show adequate dynamism due to lack of adequate use of more complex technology (Bekerman and Dulcich, 2013:165-168). In a similar vein, although SMEs increased their exports, only 9 per cent of them directed their sales to external markets. 88 per cent of small firms and 70 per cent of medium firms exported only 10 per cent of their sales. Although new pricing structures improved their domestic and export performance, only 21 per cent of SMEs accessed imported inputs. As a result, most of the SMEs still lack more complex forms of technology to achieve export competitiveness (Fundación Observatorio PyME, 2006:5-13).

Table 5.6: Export value of selected goods (2002-2007) (US$M)

	2002	2003	2004	2005	2006	2007
Medical, optical and precision instrument	85.9	82.3	134.7	163.6	197.7	198.4
Manufacture of household and electrical appliances	19.9	19.8	26.2	37.3	51.5	76.6
Food	6,382	8,267	9,443	10,265	11,996	15,262
Manufacture of chemicals	829	778	1,010	1,179	1,440	1,857
Motor vehicle	1,194	976	1,468	2,177	3,163	4,248

Source: Ministerio de Industria

Informes y Estadísticas Industriales

Table 5.7: Export value of selected goods (2002-2007) (US$M)

	2002	2003	2004	2005	2006	2007
Parts and accessories of motor vehicles	517.1	583	768.3	929	1,091	1.282
Manufacture of tubes, valves and other electronic components	25.8	15.2	14.2	16	27.6	35.6
Manufacture of TV and radio receivers	42.4	32.4	42.6	36.4	64.6	80.8
General purpose machinery	368.9	339.2	445.5	560.3	732.9	4,248
Manufacture of motors and electric generators	77.6	59.6	76.9	95.6	106.6	140.3

Source: Ministerio de Industria

Informes y Estadísticas Industriales

Furthermore, new developmentalism in Argentina was constrained under globalised market activity. Taxes may not be progressive enough as concentration of exports and production may lead to tax evasion and TNCs benefit from tax incentives. Furthermore, as used in Argentina, export taxes based on price ceilings may not necessarily affect profitability but rather affects the prices (UNCTAD, 2007a:165-166). In Argentina, where TNCs control more than half of the production of oil and gas, these companies continued to have high profits (Ortiz and Schorr, 2007:22-24). Despite a moderate degree of diversification in medium to high technology, specialisation based on comparative advantages of low value-added commodity and its related industrial goods still dominated Argentina`s export structure (Azpiazu and Schorr, 2010:118). As shown in Table 5.8, according to estimates of the Ministry of Industry, Argentina`s share of high and medium-high technology content exports only reached 12.9 per cent of total manufacturing exports (75.3 per cent), while low technology manufacturing`s share was 52.1 between 2005 and 2007 (CEP, 2009).

Table 5.8: Technology content of industrial exports/total industrial exports (%)

	1996-1998	2005-2007
High-technology	5.3	9.7
Medium-high technology	3.6	3.2
Medium-low technology	10	9.5
Low-technology	51.1	52.8
Total industrial goods	71	75.3

Source: CEP (2009)

Table 5.9: High-technology content of industrial exports/total industrial exports (%)

	1996-1998	2005-2007
Medical appliances	0.22	0.40
Agrochemical, pharmaceutical	3.54	6.34
Electrical apparatus in motorcycle and automobile	0.19	0.30
Auto parts	1.85	2.32
Radio and TV transmitters	0.12	0.07
Office machinery	0.15	0.06

Source: CEP (2009)

Table 5.10: Medium-high technology content of industrial exports/total industrial exports (%)

	1996-1998	2005-2007
Domestic appliances	0.09	0.13
Special purpose machinery	0.65	0.61
General purpose machinery	1.37	1.22
Metal products	0.45	0.23

Source: CEP (2009)

Table 5.11: Medium-low technology of industry exports/total industrial exports (%)

	1996-1998	2005-2007
Metal and non-ferrous metal	0.82	1.62
Receivers of TV and radio	0.16	0.20
Rubber	0.48	0.59
Electric motors	0.16	0.20
Paper	1.20	1.35

Source: CEP (2009)

Table 5.12: Low-technology content of industrial exports/total industrial exports (%)

	1996-1998	2005-2007
Plastic	0.67	0.94
Beverage	0.80	0.80
Food	25.97	29.11
Automotive	8.13	6.75
Furniture	0.36	0.25
Textile	0.66	0.47
Basic chemical	3.45	4.46
Petroleum refining	3.28	3.07

Source: CEP (2009)

High import prices provided some degree of protection owing to the export duties and tariff and non-tariff barriers, bringing lower levels of imports than in 1998. However, imports continued to increase as Argentina`s strategies was shaped by a reliance on imported capital goods, inputs and parts (Bekerman and Dulcich, 2013:171; Bugna and Porta, 2007:128-129). Hence, local producers of capital goods and machinery were among the sectors which were affected from flows of imports (Bekerman and Dulcich, 2013:166). Furthermore, Argentina still primarily depends on low value-added exports of primary goods to insert into the global economy and lacks a sufficient degree of diversification towards higher value-added goods. While it heavily exports primary goods, its structure of imports is characterised by mainly medium-high and high value-added goods. This creates challenges for industrial competitiveness as new technological changes in the global economy intensified competition among states based on knowledge and technology upgrading (Rivas and Stumpo, 2012:55-56). This type of integration into the global economy exposed Argentine industry (from low to high value-added) to compete with flows of more complex technology added goods (Anós-Casero and Rollo, 2010:7). This creates competitive pressures for small and medium producers of consumer goods and intermediate goods, lacking adequate imported content and productivity.

According to Fundación Observatorio Pyme (2006), SMEs which operate in the production of footwear, textile, auto parts, and electrical machinery declared that they were exposed to import competition[25]. As a result, as shown in the tables below, despite an increase in exports and achievement of a current account surplus, Argentina`s external vulnerability continued in the form of an import surge and a declining trade surplus (Bugna and Porta, 2007:128-129).

Table 5.13: Import value of selected goods (US$M)

	2002	2003	2004	2005	2006	2007
Medical, optical and precision instrument	207.1	342.7	497.2	656.3	806.4	996.6
Household goods and electrical appliances	32.5	133.7	214.6	286.6	347.3	511.2
Food	105.1	176.7	205.2	218.8	246.7	365.4
Footwear and parts	27.8	94.8	146.1	183.3	242.7	300.5
Chemicals	1,068	1,377	1,634.4	1,853.3	2,175.3	2,713.8
TV	188.9	415.9	672.3	818	816.4	853
Motor vehicle	353.4	953.7	2,134	2,970	3,630	4,652

Source: Ministerio de Industria

Informes y Estadísticas Industriales

[25] 88 per cent of footwear producers, 65 per cent of textile producers, and half of the auto parts and electric machinery perceived threat from imports surge (Fundación Observatorio PyME, 2006:4).

Table 5.14: Import value of selected goods (US$M)

	2002	2003	2004	2005	2006	2007
Parts and accessories for motor vehicles	497	644.1	1,089	1,455	1,985	2,600
Manufacture of office and computing machinery	204.3	497	777.1	1,033	1,216	1,360
General purpose machinery	618.8	858.1	1,322	1,812	2,207	2,914
Manufacture of motors and electric generators	196.9	242.1	401.2	541.6	739.7	1,103

Source: Ministerio de Industria

Informes y Estadísticas Industriales

5.2.2. Argentina-MERCOSUR Trade Relations

MERCOSUR was driven by economic goals and unilateral liberalisation, with an excessive focus on tariff reduction in the 1990s. The Argentine financial crisis and devaluation of the real vis-à-vis the peso, led to stagnation of intra-regional trade and increasing trade disputes in MERCOSUR. This revealed a marked inability to set a coherent agenda, promote intra-regional trade flows, and tackle volatilities and external shocks. It led to attempts to revive collective action in response to the financial crisis, moving towards greater harmonisation of macro-economic policy, trade policies, and productive integration to enhance the export competitiveness of MERCOSUR countries, especially the smaller ones (UNCTAD, 2007b:44). As MERCOSUR constitutes the main direction of Argentina`s manufacturing exports, deepening cooperation in the regional bloc constituted one of the priorities of Argentina (Anós-Casero and Rollo, 2010:4). Scholars argued that this represented a re-activation of national and regional developmental goals, bringing a new political, economic and social agenda to regionalism after open regionalism failed to provide stable growth (Riggirozzi, 2012:431-432; Tussie, 2010:15).

I argue that while the financial crisis and external shocks led to cooperation and collective action to mitigate the negative consequences of trade liberalisation and reap the benefits of market-led regionalisation; these efforts have not yet produced developmental space for MERCOSUR. While there were increasing efforts by Argentina to promote domestic and regional cooperation within the bloc, these attempts were not institutionalised via long-term strategies. Rather they were constrained by a weak institutional structure within MERCOSUR and divergent development paths and trade strategies amongst members whose trade and production asymmetries persisted.

In line with its emphasis on local industrial priorities, Argentina emphasized the need for policy coordination at a regional level to reduce regional asymmetries and promoted reactivation of regional cooperation to promote productive sectors. In line with this policy re-orientation, Argentina often criticised the MERCOSUR agenda for solely focusing on trade liberalisation and the CET instead of "productive" priorities (ECLAC, 2007b:118-119; IDB/INTAL, 2008:67). In October 2001, Argentina and Brazil agreed to discuss unilateral measures that destabilize intra-regional trade (ECLAC, 2002c:99). One form of cooperation was voluntary agreements between Brazil and Argentina that sought to reduce production asymmetries (IDB/INTAL, 2007:53). Following demands from local exporters, Argentina promoted bilateral trade monitoring through based on negotiations between Brazilian and Argentine private sectors. Furthermore, Argentina defended the establishment of automatic mechanisms for responding to exchange rate or GDP changes to further tackle macro-economic asymmetries (IDB/INTAL, 2005:64-71; IDB/INTAL, 2007:53). The Argentine government emphasized its intention to build a collective mechanism to tackle trade asymmetries rather than using unilateral measures. As Roberto Lavagna, then Minister of Economy, put it, "This is not to create barriers or safeguards, but balance growth conditions, working with the idea of expanding trade and not restricting it" (Página/12, 14 June 2005).

In a similar vein, Kirchner emphasized his commitment to promote nationally and regionally defined strategies that go beyond solely economic goals and unilateral trade liberalisation. As President Néstor Kirchner stated:

> We have structurally redesigned MERCOSUR to make it bigger and deeper. In the 90s, the Argentine State validated neoliberalism and the weakness of our industry. Some of you gave us warning at the time of the damage that the naive attitude of Argentina was generating. Today, recognizing the strategic alliance of the bloc, valuing the development of Brazil, we also claim our national interests, including those of Argentina. We promoted

> a competitive adaptation mechanism, i.e. the scope for tariff measures within MERCOSUR to prevent sectorial damage. This mechanism is important as a sign to our long-term investors and strengthens the consistency of MERCOSUR.[26]

While the automatic mechanism was not accepted initially by Brazil, creation of bilateral monitoring groups was agreed, with specific sectors involved, such as domestic appliances, footwear and textiles (IDB/INTAL, 2005:71). In February 2006, the Competition Adaptation Mechanism (MAC) was also agreed upon following Argentina`s request to address trade asymmetries. Accordingly, each country would be able to impose safeguards to protect its industry when it was harmed by imports. This mechanism would be put into action when 65 per cent of producers were harmed by imports. MAC was important as a collective defensive measure to protect textiles, television sets, and other household equipment through institutionalised intra-MERCOSUR safeguards (IDB/INTAL, 2007:53). Under the bilateral monitoring scheme, 25 products were negotiated and an agreement was made on 20 products based on quotas, price floors, and voluntary restrictions (IDB/INTAL, 2008:70-71). For plasma TVs, quotas of 3,000 units for Manaus free zone were agreed in August 2006. For the first half of 2007, exports from the Manaus free trade zone would not exceed 4,000 units, or 5,000 units in the second half. For the footwear sector, the benchmark for imports to Argentina was set between 12m and 13m pairs a year. In February, a quota was agreed for Brazil imports to settle at around 70 per cent in footwear. In 2006, for washing machines a quota of 28 per cent for imports from Brazil and 9 per cent from third countries was set. For refrigerators, a quota of 42,370 units was set for Brazilian export. In stoves, Brazilian exports would be limited to 90,000 units in 2004 and 47,500 in the first half of 2005. The original agreements for refrigerators and stoves expired in December 2005. The agreement for washing machines expired in March 2006. For stoves, the Brazilian sector agreed an extension to January 1, 2006, setting a quota of 8,334 units. While Argentina requested extension of the agreements for three more years, Brazilian business wanted to deal with bilateral agreements via the safeguard mechanism established in 2006. As a second alternative, Brazil offered to negotiate trade through a bi-monthly mechanism (IDB/INTAL, 2008:71-76).

Although there was greater cooperation beyond commercial integration, with the creation of mechanisms to promote productive integration, regional cooperation is still being carried out via informal bilateral agreements between Argentina and Brazil. Furthermore,

---

[26] In a speech made by President Néstor Kirchner in the celebration of the Industry Day, September 2007.

voluntary agreements were subject to tensions between Brazil and Argentina since both resorted to unilateral trade measures rather than using institutional mechanisms under MAC (Bouzas, 2007:68; ECLAC, 2005b:103; IDB/INTAL, 2007:53). Argentina was the partner which resorted most to unilateral mechanisms, arguing that the existence of production asymmetries meant it could seek protection via safeguard mechanisms or automatic licences (ECLAC, 2005b:101). As one official put it: “If Brazil does not want to sit down and negotiate instruments to regulate trade, we will not passively allow imports to continue destroying sectors” (Página/12, 6 July 2004).

In footwear, in addition to voluntary agreements, Argentina maintained its import licences. After these restrictions, Brazil’s share in Argentine imports was reduced to 60 per cent and 65 per cent from 80 per cent and 70 per cent in 2004 and 2005 (IDB/INTAL, 2009:110). The UIA lobbied towards protectionism for manufactured goods like televisions, and white goods (Página/12, 24 July 2003). For washing machines, the Argentine government continued to enforce NALs as both sides could not agree on quota quantities (IDB/INTAL, 2008:75-76). While NALs represented Argentina`s shift towards prioritisation of industrial goals to mediate negative aspects of trade liberalisation and pursue more nationally and regionally defined strategies, its practice mostly involved unilateral measures in the context of a continuing lack of regional policy convergence to reduce trade distortions (IDB/INTAL, 2005:65; IDB/INTAL, 2011:113). In 2006, Argentina applied new NALs that provoked a reaction from Brazil. While Brazil claimed that Argentina had increased its imports from Mexico and China, Argentina defended its policy by saying that this protection derived from its need to reach the same level of production as Brazil (ECLAC, 2007b:123). Furthermore, Argentina continued to use various safeguards against imports from Brazil. 40 tariff lines were subject to safeguards in 2006. Colour TVs especially created tensions between Brazil and Argentina. In 2005 a 100,000 unit quota was established, rising to 169,000 in 2006. The quota was increased to 235,000 in 2007. Meanwhile, exports above this level were subject to 21.5 per cent import duty in the free trade zone of Tierra del Fuego. While LCD and plasma TVs were subject to voluntary restrictions, Argentina extended safeguards by establishing a new quota of 175,000 in 2008 (IDB/INTAL 2009:111).

Another important arena for cooperation was re-activation of negotiations towards a common automotive policy in 2006. In the 1990s, the most successful aspect of regional cooperation was seen in this sector driven by TNC strategies. While MERCOSUR was primarily focused on enhancement of trade flows, the common automobile regime rested on promotion of productive integration of consumer and intermediate goods (Phillips, 2003:224). However, the late 1990s witnessed a stagnation of trade relations a war of incentives to attract foreign investors, eventually leading auto parts factories to move to Brazil (ECLAC, 2002c:98-99). The agreement in 2001 was carried out following these tensions, alongside a balanced regime with a flex ratio (imports per dollar) of 2.1 in 2002, 2.4 in 2003 and 2.6 in 2005 and a reduction in local content to 20% in 2003, 10% in 2004 and 5% in 2005. The agreement was more consistent with Brazil's preference for more liberal trade. In 2006, the agreement foresaw the implementation of free trade and the reduction of local content requirements to 0 per cent (ECLAC, 2003b:158). Negotiations were held between 2002 and 2006 about definition of the CET and preferential quotas. Argentina, in line with its emphasis on industrial policy and enhancement of regional cooperation, sought to achieve a more balanced regime with a flex ratio of 2.1 to protect especially its auto parts industry which was heavily affected from flows of imports (Página/12, 21 June 2006). As President Néstor Kirchner said:

> We believe that, on the one hand, the agreement consolidates the automotive sector in MERCOSUR between Brazil and Argentina, consolidating Argentina's auto industry, which is what we are looking to heavily promote in MERCOSUR, as auto parts suffered so much in our country under the policies of the 90s. We believe that it is an important base, as the floor of flex.[27]

In 2005, Brazil and Argentina agreed to import from each other at export/import coefficiency of 2.6 times the FOB value of car exports. In mid-2006, the agreement was extended but sought to reduce the ratio to 2.1 for 2007 and 1.95 for July 2008, which reflected Argentina's demand for balanced trade (IDB/INTAL, 2008:78-104). A special regime was also designed to protect against extra-regional exports. The agreement provides for the application of a 35% extra-zone tariff on cars, trucks and coachwork, and 14% on tractors and machinery. Auto parts not originating in MERCOSUR would be subject to tariffs ranging between 8% and 10%. This agreement represented an important source of cooperation that goes beyond solely economic interests to reduce tariff barriers in MERCOSUR (IDB/INTAL, 2007:49; IDB/INTAL, 2008:78-79). The agreement provided expansion of automobile exports between Argentina and Brazil (UNCTAD, 2007b:143). Furthermore, despite asymmetries of production and investment capacity between Argentina and Brazil, Brazilian real`s appreciation provided more favourable terms of trade for Argentina (IDB/INTAL, 2008:78).

[27] President Néstor Kirchner at the signing agreement with Brazil, July 2006.

However, this cooperation has not yet promoted specialization and productive complementarity as an extension of MERCOSUR integration (Intal, 2006-2007:78). Instead, the agreement was managed through temporary bilateral informal agreements between Argentina and Brazil with a lack of commitment to set common goals for the long term (IDB-Intal, 2008:78; Malamud, 2013:6-7). In auto parts, for instance, there has not yet been a common agenda about a specific list for the CET. Both governments maintained their specific lists for capital goods from third parties and maintained lower levels of tariffs in this line to attract investment (IDB/INTAL, 2007:49-51; IDB/INTAL, 2008:78-79). Argentina defended its exception from extra-MERCOSUR imports saying that tariff treatment should be organised at firm level (Página/12, 21 June 2006). Furthermore, the agreement did not set goals for free trade, unlike the previous agreement in 2001 (IDB/INTAL, 2007:48-49). This mostly responded to Argentina`s fear of Brazilian imports. Partly, not setting a free trade agreement deadline was in line with Argentina`s defensive concern for its own industrialists (IDB/INTAL, 2007:51). The Kirchner government especially resisted a free trade area, claiming that asymmetries of market size between Argentina and Brazil are too great as President Néstor Kirchner put it:

> Governments are not going to watch this further deepening of negative asymmetries, especially in this line of production. In this regard, we took the decision in 2006 not to liberalize the market to aid sales of the automotive industry in Brazil. It cannot be that Argentina is flooded permanently with imports and our production, our exports and our share of the market will decline. You have to balance asymmetries. We want the auto industry to develop in our dear sister Republic of Brazil but we also want it to develop in Argentina on equal terms, with the same potential for competitiveness, growth and employment.[28]

MERCOSUR members sought to re-activate regional cooperation and establish a new agenda to tackle asymmetries, promote macro-economic harmonisation and perfect a customs union (ECLAC, 2002c:99). However, contrary to the expectation that MERCOSUR would be an arena of harmonisation of policies towards a common external tariff, customs union and common currency, MERCOSUR has not yet accomplished this kind of economic integration (IDB/INTAL, 2009:75-104; Malamud, 2013:8; Phillips and Prieto, 2011:118-119). In July 2006, an ad hoc group was established to coordinate a common tariff policy and a customs

[28] President Néstor Kirchner in the Act of Polo Classic of Volkswagen, September 2004.

code. However, the committee met five times and did not reach a consensus (IDB/INTAL, 2008:43-44). Another agenda in MERCOSUR was harmonisation of the CET policy, which is crucial for its customs union and for enhanced negotiating capacity in extra-MERCOSUR trade agreements. In order to achieve policy coordination in this policy area, members gathered to eliminate the double levying of CET. One improvement in the area of the customs union was the establishment of decision Common Market Council (CMC) in 2004, which allowed imported extra-zonal goods that complied with the common tariff policy to enjoy the same treatment. In line with this decision, in December 2005, it was decided to regulate a list of goods at 0 per cent, a list of goods at a 100 per cent tariff, and a list of goods with safeguards and anti-dumping measures. Despite this, the list of exceptions to the CET prevailed and elimination of double CET levying was postponed. Members still maintained more than 300 product lines that were excluded from the CET. In capital goods and information technology, each member maintained its national preference below aliquots of CET until 2005, with an extension until 2009. Only in new capital goods was it agreed to have a common regime starting from 2011 (IDB/INTAL, 2009:75-81). Argentina`s emphasis on policy harmonisation still remained ambiguous (Bouzas, 2007:68). Argentina was particularly interested in reducing asymmetries rather than supporting policy convergence, especially regarding establishment of a customs union. In this sense, Argentina insisted on gradual elimination of the double CET (IDB/INTAL, 2011:71-72). President Néstor Kirchner said, "We have profound asymmetries and until we solve them, MERCOSUR will not be viable for further integration" (Página/12, 29 May 2005).

Furthermore, differences in development strategies between Argentina and Brazil played a role in hampering further integration. Argentine business was concerned about Brazil`s extensive industrial and export policies creating asymmetries in bilateral trade (IDB/INTAL, 2003-2004:64-71). Argentina`s export composition for Brazil did not change significantly, constituting raw materials and industrial commodities, with the exception of automobiles. Argentina mainly imports manufacturing goods, machinery and equipment from Brazil (IDB/INTAL, 2006:33). Divergent understandings of MERCOSUR also prevailed. For Argentina, as a smaller economy, MERCOSUR is very important for access to markets and as a means of maintaining Brazil`s interest in the region. Brazil`s competitive strategies are more extra-regional and global (Malamud, 2013:8). Brazil`s increasingly global outlook also confuses strategies towards integration, leading to a persistence of production asymmetries.

Brazil`s strategies outside MERCOSUR raised concerns in Argentina, which feared that it was losing its share in Brazil`s manufacturing imports (IDB/INTAL, 2009:103).

Argentina`s manufacturing share in the Brazilian market declined, especially given an increasing Chinese manufacturing share in the Brazilian market since 2006 (IDB/INTAL, 2010:103; Wise and Quiliconi, 2007:426). However, it was not only Brazil that caused trade divergence. In effect, divergences of interest often played out in the context of bilateral preferences of MERCOSUR members within the larger region and outside the region. For instance, Paraguay, Brazil and Argentina increased their exports to China. Meanwhile, Argentina and Brazil increased their exports to Mexico, whereas Uruguay started to shift its exports towards the US (IDB/INTAL, 2007:82; ECLAC, 2010a:95). Despite emerging local and regional priorities in Argentina which went beyond a focus on trade liberalisation, an adequate developmental approach in MERCOSUR has not yet been achieved. The regional bloc still requires a strong redefinition of its economic integration. As an economist from the UIA noted:

> MERCOSUR has been quite similar, there is not much change. There were more macro-economic changes. We have a very good relationship with Brazil. MERCOSUR has two important countries, Brazil and Argentina. When Brazil had a strong devaluation in 1999, it was bad for Argentina. Later, devaluation of the Argentine peso changed this, and now we have similar policies to Brazil and fewer difficulties, plus a better exchange rate regime, and it has been better for cooperation within MERCOSUR. MERCOSUR has been very important for the manufacturing sector, especially automobiles, but there have not been major changes. We need more coordination on fiscal and exchange policies. Uruguay, Paraguay and Brazil still have independent policies.[29]

Thanks to bilateral voluntary agreements, Brazil`s investment in the region and a favourable peso and parity with the real, trade disputes among Brazil and Argentina decreased and trade flows recovered and reached the levels of 1999 in 2006 (IDB/INTAL, 2007:49-51; IDB/INTAL, 2009:103). Bilateral trade, especially in the manufacturing of vehicles, improved between Argentina and Brazil (ECLAC, 2007b:118). Argentina`s exchange rate policy provided more favourable terms of trade with Brazil and that proved slightly advantageous for Argentina. Furthermore, stability of the Brazilian economy stimulated Argentina's exports,

[29] Author Interview with Diego Coatz, Economist, UIA, November 2011, Buenos Aires

while Argentina started to use more capital goods and intermediate goods from Brazil. However, asymmetries of production and trade persisted between Argentina and Brazil. Argentina still continued to have trade deficits with Brazil, especially in higher value-added goods. Furthermore, while Argentina loses its share in Brazilian purchases of its manufacturing goods, Brazilian manufacturing goods, especially capital goods continued to increase its share in Argentina`s imports (IDB/INTAL, 2006:33). Despite a favourable exchange rate for Argentina, production asymmetries continued to exist between Brazil and Argentina due to their differences in development strategy. As former Minister of Economy Felisa Miceli put it:

> Today we are at a time where Argentine industry is recovering in 5 or 6 years after 10 years of protection. With the high exchange rate we have to compete better with Brazilian industry. They are still exporting because they had 40 years of industrial policy and credit. Hence, a better exchange rate that does not seem to be very correct.[30]

5.2.3. Multilateral and Preferential Negotiations

Another visible change in policy making in Argentina was rejection of unilateral trade opening and re-activation of collective regional action to address asymmetries in preferential and multilateral agreements for both agricultural and manufactured goods. The Doha Round, which started in November 2001, had an ambitious agenda: market access, elimination of export subsidies, reduction of domestic trade distortions in agricultural goods, and market access for non-agricultural products. Its agenda for agricultural liberalisation meant that the Doha round was seen as an important developmental step in multilateral negotiations. Argentina resisted further trade liberalisation in manufacturing via preferential and multilateral agreements while it continued to promote market access in the agricultural sector (Bouzas, 2007:68). Due to the agriculture sector`s importance to Argentina`s trade structure, Argentina sought to secure better conditions for access to agricultural markets by seeking removal of export subsidies in the US and the European Union (EU). At the same time, it took a more defensive stance on liberalisation of its manufacturing industry as Rafael Bielsa, then Minister of Foreign Affairs, said in the fifth session of Cancún conference in 2003:

> The high concentration of technological progress in developed countries, the macroeconomic vulnerability of most developing countries, and the stark contrast of

[30] Author interview with former Minister of Economy of Argentina Felisa Miceli, November 2011, Buenos Aires.

> opportunities for future generations of both worlds, is characteristic of distinctive asymmetries in the current international economic order. This Conference gives us an historic opportunity to redirect international trade towards more balanced forms in which the developing world can find a clear justification to support the negotiation process. This is Development Round and market access for developing countries is vital. If there is no genuine access to the products in which the developing world is competitive, the multilateral trading system loses its credibility.[31]

Unlike in the 1990s, there was emphasis on harmonisation of interests in MERCOSUR to achieve better terms in negotiations on agricultural and non-agricultural products (IDB/INTAL, 2007:90). MERCOSUR acted collectively in WTO negotiations and an ad-hoc committee for Consultation and Coordination for Negotiations in the area of WTO and the Global System of Trade preferences was established to synchronize policy goals externally (ECLAC, 2010a:198; IDB/INTAL, 2008:85). Doha Round negotiations focused on agricultural subsidies and tariff liberalisation in agricultural products, as well as some non-agricultural liberalisations that were unresolved from the Uruguay Round. In agricultural negotiations, the G-20, in which Argentina and Brazil participated, demanded elimination of all export subsidies in the US and the EU, plus liberalisation of agriculture tariffs (ECLAC, 2009c:60). In agricultural negotiations, developing countries were able to secure some benefits which provided improvements in access to agricultural markets in the US and EU countries. In August 2004, negotiations succeeded in setting a date for removal of subsidies in agriculture, a move crucial for developing countries. It was agreed that agricultural subsidies would be removed by 2013, while subsidies in cotton would be eliminated in 2006 (ECLAC, 2010a:56-57; IDB/INTAL, 2007:95).

However, in manufacturing goods negotiations, there were fewer consensuses among MERCOSUR members, despite a degree of coordination (ECLAC, 2009c:61-64). Divergent goals prevailed during the negotiations due to different production and trade strategies, market sizes, and varying developmental goals in Brazil and Argentina. Argentina was not willing to liberalise tariffs in manufacturing goods, while Brazil pursued a more open agenda to access new markets (ECLAC, 2010a:75; IDB/INTAL, 2008:85). At the WTO, Argentina often lobbied alone to raise its concerns about trade liberalisation in industrial goods (MercoPress, 29 November 2008). Brazil`s interest converged with the so-called BRICs (China, India and

[31] Former Minister of Foreign Affairs Rafael Bielsa in the fifth session of Cancún conference, September 2003.

South Africa) rather than with regional neighbours (Phillips and Prieto, 2011:122). Argentina participated in the NAMA-11 group to negotiate non-agricultural products (ECLAC, 2010a:193).

The Doha Round sought to achieve progress in three areas: a non-linear formula for flexibilities of sensitive goods, sectorial tariff liberalisation and harmonisation of tariffs. The negotiations were carried out on the basis of a Swiss formula. According to this formula, the maximum consolidated tariff would be 12.73 per cent for a 20 coefficient index and 14.5 for a 25 coefficient index. This average consolidated in the CET (without exceptions) would result in a tariff between 11.74 per cent and 13.34 per cent, which is higher than the CET (10.77). Furthermore, given the differences between applied and consolidated tariffs, the reduction would be less. Meanwhile, this would imply 50 per cent reductions in nearly 56 per cent of products (those products with coefficients between 20 and 22). Hence, 1,238 sensitive products around a coefficient of 20 would be affected significantly. As a higher coefficient would mean lower tariff reductions, Argentina and Brazil defended a coefficient of 30 and resisted a harmonised system for tariff liberalisation in manufacturing goods Furthermore, MERCOSUR sought to increase the number of sensitive goods listed and secure special treatment for customs unions. Due to their differences in sensitive product lists, MERCOSUR members used Brazil`s list, which included a higher number of sensitive goods (IDB/INTAL, 2009:125-128; IDB/INTAL, 2007:95-96). In addition to divergent interests in policy priorities, the absence of adequate harmonisation, especially in the CET, and persistence of different tariff preferences in specific products represented an important barrier to a more coherent regional agenda in multilateral negotiations (IDB/INTAL, 2008:85). For instance, despite defending flexibility in tariff liberalisation, exceptions to the CET were a barrier to its effective implementation (IDB/INTAL, 2007:97). In effect, despite success in setting an agenda for removal of agricultural subsidies, progress was not made in terms of tariff liberalisation and treatment of special safeguards (ECLAC, 2010a:56-57; IDB/INTAL, 2007:95).

An important policy shift in MERCOSUR was to resist the US influence in the region which resulted in suspension of the FTAA negotiations as MERCOSUR countries cancelled the continuation of the agreements (Riggirozzi, 2012:430). This policy shift was consistent with MERCOSUR`s attempt to create a common agenda to negotiate better terms in multilateral and preferential area and Argentine authorities' effort to negotiate preferential agreements in the Americas with the regional bloc. During Puebla negotiations Brazil and Argentina asked the US to provide better terms of tariffs and mediate the impact of large farm subsidies in agriculture in the US. MERCOSUR authorities insisted that FTAA negotiations would not be completed without dealing with the farm subsidies. However, negotiations with the US were more complex than a heuristic rejection of FTAA. The US` lack of interest in FTAA with the MERCOSUR also played a crucial role in suspension of the agreement. The US was willing to offer a 50 per cent tariff reduction for MERCOSUR members, which was less than the tariff reductions offered by the US to the rest of the region. Furthermore, the US favoured an agreement regarding the farm subsidies within the negotiations of WTO (La Nación, 11 March 2004; La Nación, 18 February 2003).

Regarding trade negotiations with the EU, MERCOSUR was not able to present coherent shared goals due to different priorities (Phillips and Prieto, 2011:123). There was little progress in negotiations with the EU, and they were halted in 2004 then re-instated in 2010. While the EU`s loss of interest partially affected progress in negotiations, divergent interests and an absence of policy harmonisation over the CET played a role too. While Uruguay and Brazil were eager to make concessions, Argentina pursued a more defensive approach to protect its manufacturing industry (IDB/INTAL, 2009:141). Argentina`s stance was seen as a barrier to progress towards an agreement with the EU (IDB/INTAL, 2006:89). MERCOSUR did not succeed in producing a common agenda in the manufacturing sector to negotiate tariffs in textiles and automobiles. Application of non-automatic licences also created problems in negotiations with the EU (ECLAC, 2010a:95; IDB/INTAL, 2006:86).

5.2.4. Argentina-China Trade Relations:

China`s rise in international trade and its commodity demand have had important implications for Argentina`s development path since the financial crisis of 2001/2002. In the 2000s, China` s increasing demand for commodities and its entry into the WTO stimulated high Argentine growth, exports and a fiscal surplus in the context of favourable global prices for oil, minerals, soybean, beef and cereals (ECLAC, 2008c:22-28; UNCTAD, 2008:19). China, which accounted for half of the global consumption of soybean oil and a third of soybean demand, became the fourth largest trade partner of Argentina (ECLAC, 2008c:22). In signing a bilateral agreement with China, President Néstor Kirchner showed his commitment to promoting commercial integration based not only on comparative advantage but also on productive integration:

> We propose productive complementarity with China, a partnership for growth in Argentina … Working together for the development of natural resources and the production of goods and services that meet the growing consumption needs of the population. We believe there is a favourable situation for both countries to develop a mutually beneficial relationship, using their respective competitive advantages and taking advantage of the complementarity in our production structures. Argentina may be associated with China in various fields, not only as a supplier of raw materials. One of the areas of a mutually beneficial partnership is that of development in the agricultural sector and in specific knowledge-intensive sectors. [32]

Yet, there was no retreat from market liberalisation in response to challenges of global competitiveness. Argentina accepted China`s status as a market economy, meaning there would be no discriminatory treatment against imports from China, partially as a response to competition among South American countries (Oviedo, 2012). In a break from the neoliberal mantra of the 1990s, this acceptance of the market economy status of China was accompanied by protectionist mechanisms for local industrialists. In 2004, the government implemented non-tariff barriers in toys, textiles and footwear to provide a cushion against imports from China so as to protect domestic production and employment. As the Chief of the Cabinet of Ministers Alberto Fernández put it:

> Employers should be clear that the government knows which sensitive sectors to protect and how not to repeat past experiences that led to the closure of many industries and generated high unemployment levels (Página/12, 19 November 2004).

Scholars of Argentina argued that the country benefited from China`s entry into the WTO, its demand for commodities and favourable international prices provoking a dilution of asymmetries in global trade and a reduction on dependency on the US (Grugel and Riggirozzi, 2012). While earnings from commodity exports provide opportunities for developing countries to upgrade exports and finance productive investment (UNCTAD, 2008:19), they raise questions about the region`s capacity to promote industrial competitiveness especially which had been a historical concern for the region (Phillips, 2007:11; Wise and Quiliconi, 2007:425). Overvaluation was propelled by historical Dutch disease, with heavy flows of foreign exchange and gains from natural resources that create pressures for price hikes and currency appreciation,

[32] President Néstor Kirchner at the Seminar for Growth for China-Argentina, June 2004, Shanghai.

destabilizing the manufacturing competitiveness. Another challenge has been the highly speculative nature of commodity markets marked by increasing financialization that heightened price fluctuations (ECLAC, 2011a:54-83; UNCTAD, 2008:19-39). In Argentina, the peso had started to appreciate since 2006. Although the appreciation was more moderate than its counterparts in the region, Argentina was vulnerable in terms of price hikes and fluctuations (Wise and Quiliconi, 2007:425-426).

Furthermore, another concern has been asymmetrical trade relationship between Argentina and China. While Argentina heavily exports a few raw materials to China, Argentina`s import content is heavily dominated by low to medium technology goods but also higher value-added goods (Wise and Quiliconi, 2007:426; IDB/INTAL, 2010:112). While primary resources make up 82.9 per cent of Argentina`s exports to China, while low and medium technology based manufacturing goods are less than 20 per cent (ECLAC, 2008c:28; Jenkins, 2012:1350)[33]. Since Argentina's exports structure is concentrated in low technology primary goods, this causes asymmetrical trade relationship with China that creates competitive pressures for local producers that compete with manufacturing imports and may pose challenges in terms of diversification potential of exports in Argentina (ECLAC, 2008d:48-49). Among these sectors, whose production and competitiveness is increasingly harmed by heavy penetration of Chinese exports, were traditional sectors (textiles, clothing, and footwear) and also higher value-added goods such as metalworking, machinery and equipment, automobiles and auto parts (ECLAC, 2012b:56). This led the government to increase protective measures such as anti-dumping and NALs for products such as plastic, toys, metal tools, electrical machinery, textile, footwear, leather and tyres in 2007 to protect from flows of imports (Jenkins, 2012:1346).

5.3. Conclusion

Neoliberalism saw free market fundamentalism as the key mechanism for allocation of resources to access capital mobility and new trade markets. In Argentina, the neoliberal transformation saw unilateral trade liberalisation pursued by pure economic goals to promote

[33] Soybean accounts for 46.2 per cent, soy oil accounts for 23.4 per cent and petroleum accounts for 13.3 per cent of total primary exports (ECLAC, 2008:61).

export competitiveness. While regional integration was not part of neoliberalism, Argentina`s focus has instead been trade policy and unilateral tariff reduction in MERCOSUR. Furthermore, its position in multilateral negotiations was driven by market access for agricultural products and unilateral liberalisation. The crisis of 2001/2002 led to a questioning of free market fundamentalism and the wisdom of stateless markets. With sudden trade and capital account liberalisation, the decade was characterised by a surge in imports and stagnant exports. This escalated throughout the crisis and especially harmed manufacturing of intermediate and consumer goods. Furthermore, MERCOSUR rested on unilateral trade liberalisation and was subject to lack of common agenda which led to volatility to external shocks.

The crisis led to a revival of developmental activism and political priorities to promote sustainable insertion into a global economy. Important policy shifts involved a re-imposition of protectionist trade barriers and export duties. These policies sought to strengthen manufacturing sectors with higher value-added goods, enable technology upgrading and diversify exports. In line with this shift, Argentina emphasized local and regional priorities to encourage economic integration in MERCOSUR rather than focusing solely on tariff reductions. In response to the asymmetries of multilateral negotiations, the government emphasized active participation in negotiations in line with local and regional priorities. One aspect of this has been to use the MERCOSUR agenda to determine common goals in multilateral and preferential agreements and gain better concessions for agriculture and protect industrial sectors.

However, there was not retreat from recognition of markets as efficient institutions. Argentina continued to promote trade liberalisation in line with multilateral and preferential commitments, as well as import duty exemptions to signal predictability and efficiency. These policies prioritised on promotion of sectors with comparative advantages in natural resources and its related industries that have the potential to enter new markets. Sectorial policies were also deployed to support specific industries such as the car industry and knowledge-intensive industries. There was not adequate product specialisation towards higher value-added goods that would lessen Argentina`s vulnerabilities. Argentina continued to be exposed to surges in imports which threaten local producers of intermediate and consumer goods, leading to a gradual reduction in its current account surplus.

Argentina is also vulnerable to external shocks as it still pursues comparative advantages based on low value-added primary goods. Furthermore, the expected developmental space offered by a regional bloc did not produce adequate results. First, regional cooperation was hampered by divergent interests, development strategies and market size, on top of institutional weakness. Second, despite increasing trade flows due to exchange parity between the two countries, trade asymmetries between Argentina and Brazil continue and Argentina still produces trade deficits vis-à-vis its main trade partner. Argentina`s policy priority was to reduce short-term volatilities via protectionist measures at unilateral and bilateral level rather than promoting policy harmonisation. The regional bloc has not yet achieved significant results in multilateral negotiations due to incoherent policy design as well as problems inherent to WTO negotiations. Finally, Argentina and China's bilateral relations also raised concerns about productive insertion into a global economy. Argentina and China`s trade relations was characterised by asymmetries of integration in which the former exported raw materials and the latter exports mainly higher value-added goods. This hurt Argentina`s industrial competitiveness, with its producers exposed to flows of industrial goods from China.

CHAPTER 6. INVESTMENT POLICY RESPONSES BETWEEN 2002 AND 2007

The Duhalde and Kirchner governments demonstrated greater state activism through price controls, subsidies and capital controls to promote productive investment and industrial competitiveness in response to the financial crisis of 2001/2002. Scholars of Argentina argued that the financial crisis of 2001/2002 saw a return of state control over markets via subsidies, establishment of state energy company ENARSA, and price controls, marking a turn towards post-neoliberalism (Grugel and Riggirozzi, 2007:97; Wylde, 2011:438-446). This chapter offers a more nuanced approach to the state`s return to active investment policy in Argentina following the crisis. It will be argued that while there was a strong revision of neoliberalism that revived developmental practices and the state`s role in industrial promotion, there was not a return to old forms of state developmentalism. Instead, there were elements of developmental tenets, albeit different in their acceptance of elements of economic liberalism. There was not a retreat from the efficiency of markets for resource allocation or reliance on foreign capital and technology. This saw creation of a transparent and liberal environment to attract foreign investors via FDI liberalisation, tax incentives and deregulation. Instead of dismantling the state, as occurred in the heyday of neoliberalism, market-orientation and global competitiveness were combined with a rebuilding of regulatory tenets to constrain market distortions and guide markets as required by domestic and political priorities.

6.1. Investment Policy and Neoliberalism in Argentina (1989-2001)

Neoliberals assume that state-led investment and industrial policy are obsolete within fully integrated markets where global firms will naturally locate new technology and investment in the most cost efficient ways and at the right price (Lall, 2003:12). Furthermore, state investment and ownership as a means of allocating resources, as well as regulatory mechanisms for FDI, were assumed to be distorting, inflationary and costly, leading mobile global investment to exit. This optimism on the benefits of global capital was translated into a set of criteria to transform local economies, with spillovers from FDI thought to be best achieved through setting appropriate economic prices in the form of freeing markets (Haslam, 2009:122; Hay, 2006:66). Accordingly, privatisation, deregulation and liberalisation of FDI was seen as essential, leading to positive effects from foreign technology and capital which would stimulate productivity, export competitiveness, revenue and balance of payments solvency (Green, 1995:74; Lall, 2003:12).

Nevertheless, neoliberals do not consider the social and political embeddedness of markets and the harmful aspects of the global economy. For developing countries that lack adequate regulatory mechanisms to tackle negative externalities and reap the benefits of globalised market activity, stateless markets proved highly destabilising and politically and socially troublesome. TNCs increased their influence over regulatory options available to states while increasingly financing themselves through global activities such as transfer pricing, overstatement of costs, and underreporting of revenue (ECLAC, 2013b:80; UNCTAD, 2007a:166). FDI flows today are also an important component of the balance of payments in host countries. Meanwhile, capital mobility presents greater opportunities to TNCs to repatriate earnings, which lessens the effect of reinvested earnings in host countries and destabilises the balance of payments (UNCTAD, 2013b:31-36). Furthermore, concentration in strategic sectors such as oil and gas harms value added production leads price distortions since they provide essential intermediate goods (UNCTAD, 2013a).

Argentina`s neoliberal transformation was widely seen as one of the closest to free market fundamentalism, which assumes that pure economic goals and trickle down effects of self-regulating markets are enough to promote productivity and efficiency. After the Alfonsín government`s failure to mediate distributional conflicts and stabilise the economy in the 1980s, the Peronist Menem took a drastic approach to neoliberal reforms, which represented a significant departure from his populist past. Menem took up ambitious privatisation, deregulation and liberalisation through centralisation of power and use of decrees to signal credibility vis-à-vis foreign investors. In this context, the Law for the Reform of the State and the Economic Emergency Law constituted the main institutional elements of neoliberal reforms (Teichman, 2004:56-57). Initial reforms involved reducing the size of the state through removal of industrial subsidies and cuts in state spending to appeal to foreign investors (Schamis, 1999:262-263). The investment regime was already open to foreign competition in 1976 during the military regime when capital goods imports were liberalised, restrictions on transfer of profits and capital gradually lifted, and foreign investors benefited from tax incentives (Alschuler, 1980). In 1993, through the Foreign Investment Law, Menem removed the rest of the barriers to foreign investors: entry procedures, licences for mining, oil and gas (Ortiz, 2007:6-7).

In mining, investors were rewarded through tax incentives guaranteeing tax stability, deduction of expenditures from income tax, capitalisation of 50 per cent of reserves and accelerated amortization for investment in machinery (Chudnovsky and López, 2007:79). In the hydrocarbon sector, deregulation took place through providing investors the right to determine prices, production levels, and transfer of 70 per cent of export gains. While counterparts in the region opted for productive sharing arrangements, in Argentina privatisations of strategic industries became the most emblematic form of deregulation for attracting FDI. After 1990, various privatisations took place in telecommunication and airlines, steel, oil, electricity and gas utilities (Etchemendy, 2001:11; Ortiz, 2007:6-7). In 1993, the assets of the YPF, which operates in exploration of oil and gas, were privatised through asset sales (58 per cent of total assets) on the New York stock exchange. In a similar vein, public assets in strategic industries such as the chemical industry were transferred to private asset holders. In 1999, complete privatisation of the YPF was completed through sale of the government`s minority share to Repsol of Spain (Chudnovsky and López, 2000:37; Edwards, 1995:196).

Though regulatory agencies such as *Ente Nacional Regulador del Gas* (ENARGAS) were established, they were practically absent given the strong lobby of foreign investors and domestic business groups that benefited from generous concessions, such as monopoly control over prices, tariffs and assets (Chudnovsky and López, 2000:45; Pastor and Wise, 1999b:489-490). Deregulation through privatisation gave power to TNCs with unrestricted access to international financial markets, giving ascendancy to global finance over production in line with the orthodox spirit of neoliberalism. In hydrocarbons, mining, telecommunications, electricity, and gas distribution they held their shares and assets abroad to sponsor their investment. For instance, financial transactions through mergers and acquisitions were forms of this strategy which reached 75 per cent (ECLAC, 2002d:64). Furthermore, privatised utilities were granted contracts in US dollars which were indexed to US inflation (ECLAC, 2002d:72).

Overall, Argentina's investment strategies were driven by anti-statism and a free-market strategy wherein privatisations, drastic deregulation and liberalisation of FDI would bring trickle down effects and spillovers of capital and technology, increased revenues and balance of payments solvency (Bugna and Porta, 2007:65; Chudnovsky and López, 2007:75).

These strategies enabled Argentina to attract huge amounts of FDI and transform the production structure such that it became one of the most transnationalised countries in the 1990s[34]. FDI reached its highest levels in 1999 (23,984 billion USD) especially in telecommunications, energy, agro-industry, chemicals and automobiles, often through mergers and acquisitions and privatisations (Chudnovsky and López, 2007:74; ECLAC, 2002d:56). Among leading transnational players were Telefónica de España and Telecom Italia in the service sector, while Ford Motor Company, Fiat Auto, DaimlerChrysler A.G., and Renault were strong players in industrial investment. New investors such as Repsol were allowed to enter domestic oil and gas markets while pre-existing investors such as Royal Dutch/Shell maintained their position (ECLAC, 2002d; ECLAC, 2004). In 2000, 75 per cent of oil production, 67 per cent of oil reserves and 60 per cent of gas production was concentrated in foreign companies (ECLAC, 2002d:81).

As seen in Table 6.1 and Table 6.2, investment strategies favoured large capital-intensive industries and TNCs, enabling them to modernize their technology and integrate into global markets at the expense of the manufacturing industry. Monopoly ownership became a significant source of rent-seeking (Chudnovsky and López, 2007:74-95; ECLAC, 2004:52-53; Pastor and Wise, 1999b). Furthermore, under full capital account liberalisation and fixed utility prices, industrial competitiveness was undermined in the context of currency appreciation. The burden of increasing costs fell on the tradable sector through unfavourable relative prices (Galiani *et al*., 2002:19; Pastor and Wise, 1999b). Small and medium sized firms struggled to survive due to the increased costs of investment (Schorr, 2005:8). While production and profitability increased due to privatisation and liberalisation in oil sector, this did not mean new exploration for oil reserves, raising questions about long term investment and industrial strategies (ECLAC, 2002b:82).

[34] However, foreign portfolio investment was more significant than foreign direct investment (Chudnovsky and López, 2000:42).

Table 6.1: Gross value added share of selected industries in total industry (%)

	1994	1995	1996	1997	1998	1999	2000	2001
Yarn, fabrics and finishing textile	2.6	3	2.9	2.4	2	1.4	1.3	1.2
Footwear and parts	1.4	1.4	1.3	1.2	1.2	1.1	1	0.8
Household appliances	0.8	0.6	0.7	0.9	1	1	0.9	0.8
Office, accounting and computer machinery	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TV and radio receivers	0.9	0.5	0.6	0.7	0.7	0.6	0.6	0.5
Motors, electric generators	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.3
Non-ferrous metals	0.7	0.9	0.8	0.8	0.7	0.9	1.2	1

Source: Ministerio de Industria

Informes y Estadísticas Industriales

Table 6.2: Gross value added share of selected industries in total industry (%)

	1994	1995	1996	1997	1998	1999	2000	2001
Iron and steel	2.7	3	3.2	3	2.9	2.5	2.7	2.7
General purpose machinery	1.6	1.9	1.8	1.6	1.6	1.4	1.5	1.5
Food	12.5	13.4	13.2	13.5	13.5	14.3	13.7	13.7
Liquid, gaseous fuels and lubricant	7.6	7.2	7.1	8.2	8.2	9.2	10.5	11.2
Manufacturing of chemicals	7.3	7.5	7.7	7.5	7.6	8.2	7.7	8.3

Source: Ministerio de Industria

Informes y Estadísticas Industriales

The government also initiated export incentives for local producers to lower costs of imports through VAT refunding and reimbursements. The government also re-activated incentives to enable capital goods imports and technology transfer for SMEs. These incentives involved creation of public institutions like the Investment and Foreign Trade Bank (BICE). In 1992, the Industry Secretariat initiated programmes to provide subsidized credit. Furthermore, in 1997, a Secretariat was founded to support SMEs in accessing funding. These heterodox measures were not fully implemented due to fiscal pressures under increasing costs of financing in global markets. Meanwhile, subsidized credit interest rates did not provide lower rates than international markets (Chudnovsky and López, 2007:75-83).

6. 2. Investment Policy Responses (2002-2007)

Interim President Eduardo Duhalde emphasized recovery of state activism in investment in favour of domestic productive sectors. Duhalde declared that his proposal "requires a major cultural change" and said that due to the "denationalization" of the economy, the State must "protect what we have left" (Página/12, 5 January 2002). As interim President Eduardo Duhalde put it:

> My commitment today is to go from an exhausted model, which has plunged the vast majority of our people into despair and lay the foundations of a new model capable of recovering production, the work of the Argentines, the domestic market and promote a fairer distribution of wealth (Página/12, 2 January 2002).

In a similar vein, Eduardo Duhalde`s successor, Néstor Kirchner (2003-2007), who assumed the presidency in May 2003, signalled that he would pursue policies characterised as "national capitalism":

> National capital is an essential part of a process of reconstruction of society. It is impossible to have a national project if we do not consolidate a national bourgeoisie" (Página/12, 30 September 2003).

> This model of production, employment and sustainable growth with clear rules, generates tax revenue, fiscal sustainability and macroeconomic solvency creating conditions to generate new and higher value-added (La Nación, 25 May 2003).

> We will maintain the highest levels of public investment without jeopardising the balance of public accounts. They do not like this policy and become hysterical when discussing any investment made by the state (Página/12, 3 September 2003).

President Néstor Kirchner mentioned that he would combat monopolies and market concentration to rescue small companies (Granovsky, *Página/12*, 26 May 2003). Furthermore, he stated that there would be limited appeal to foreign investment for productive investment as he put it:

> External funds should complement the development of local markets and its great appeal is linked to foreign funds that are directly productive investment - which not only provide resources but also they bring about progress in process technology and production (La Nación, 25 May 2003)

6.2.1. Regulation in Strategic Industries

One policy change was regulation in strategic sectors such as oil and gas to promote industrial goals which had seen emergence of rent-seeking activity in the 1990s (Peres, 2006:70-71). Duhalde and Kirchner governments re-activated regulations on prices and volume of reserves to promote domestic production (Ortiz, 2008:3-4). This signalled an important departure from the neoliberal idea that prices are automatically adjusted and productivity is spread naturally (Haslam, 2009:131-132). In the wake of financial collapse, inflationary pressures and debt default in early 2002, as part of the Public Emergency and Reform of the Exchange Rate Regime, the government declared that prices in privatised utilities would be frozen, banning dollar indexation, and pesifying previously dollarized contracts. The Law envisaged utility rates renegotiated to take into account competitiveness, quality of provision and investment plans, as well as income distribution (ECLAC, 2002d:72-73;WTO, 2007:80-81). Furthermore, in 2002, *Fondo para Inversiones Necesarias que Permiten Incrementar la Oferta Energía Eléctrica en el Mercado Eléctrico Mayorista* (FONINVEMEM) was established to promote new investment and to fund two gas-fired thermal generation stations in Argentina that would provide and transport gas for the domestic market. Accordingly, half of the project would be financed by the government (Haselip *et al*., 2010:1173).

While Duhalde's government froze utility prices, he also sought to guarantee profitability for foreign investors (Varesi, 2011). During 2002, as part of the Renegotiation committee established by Duhalde, informal talks were held with individual firms which declared their demands for price increases to cover the costs of devaluation (Haselip, 2005). Under pressures from the IMF and utility firms which demanded 40 per cent price hikes, the Duhalde government sought to create an urgent decree bypassing Congress and establish moderate price increases without affecting residential consumers. The price increases were set at 7.2 per cent for gas and 9 per cent for electricity, with no increases for residential users (Página/12, 27 January 2003). Hence, although there was no rejection of the primacy of markets in creating a transparent and liberal environment to ensure profitability and signal competitive prices, interim President Eduardo Duhalde sought a balance between domestic priorities and global competitiveness:

> I raised the need for Argentina to quickly rebuild the legal certainty of contracts so that we would regain confidence and receive investment. Legal certainty for contracts is important, but so is the certainty associated with basic human rights such as life, health, food and education (Página/12, 27 January 2003).

In a similar vein, the Chief of the Cabinet of Ministers Alberto Fernández declared: “It is true that there may be delays in tariffs that businesses need to correct, but it is also true that people have suffered deterioration in their earnings” (Página/12, 9 June 2003). Furthermore, the Duhalde government sought to mediate price increases in the oil sector, which was gaining from devaluation and high international prices. In January 2003 the government agreed to prevent increases in gasoline and diesel for three months. The government and oil companies sought to maintain the barrel price of oil around 28.5 USD, while the government threatened companies with export duties in the case of an increase in prices (Página/12, 19 February 2003). The agreement was extended in June 2003 to maintain stable prices of oil and natural gas (Página/12, 6 June 2003).

The Kirchner government extended the state of emergency and showed a tougher stance towards foreign investors (Varesi, 2011). Kirchner sought to control the volume of oil and gas provided for the domestic market and pressurised companies to deliver lower prices for domestic industry through the Public Emergency Law and decrees (Ortiz, 2008:3-4). The government established the *Unidad de Renegociación y Análisis de Contratos de Servicios Públicos* (UNIREN) to renegotiate the contracts in privatised utilities and prepared a draft that envisaged a regulatory framework for negotiations. The most significant aspect of the draft was banning automatic price adjustments and maintaining a social tariff to achieve “fair” and “reasonable” prices. Otherwise, the draft repeated the previous legislation which said that prices could be revised taking into account tax neutrality and seasonal adjustments to guarantee efficiency and profitability (Página/12, 30 August 2004).

Kirchner defended the price freeze for small industries and residential users while price adjustments were allowed only for large consumers of gas to ensure efficiency (Etchemendy and Garay, 2011). After an informal public hearing, producers and the government agreed an increase of between 35 and 50 per cent for large industrial users in return for provision of 121 million cubic meters of natural gas for the domestic market (Página/12, 8 April 2004). From May 2004, these price increases would be translated into transmission and distribution of gas, with 15 to 25 per cent for the large industrial sector (Página/12, 25 November 2004). In public hearings in 2005, Uniren made an offer of a 15 per cent increase for large industries, but the only agreement made was with Gas Natural Ban (WTO, 2007:111). The government made an agreement with oil companies to maintain low prices until March 2004 (Página/12, 6 January 2004). Furthermore, the government subsidised energy companies to guarantee service to industrial consumers and keep prices unchanged (IDB/INTAL, 2006:12).

There was an emphasis on rebuilding state capacity, which represented a departure from free market fundamentalism that says productivity and investment will automatically be adjusted by global investors. As President Néstor Kirchner put it in a meeting with micro-enterprises:

> We are paying the price of having absolutely renounced the state participation in control of the energy equation. We must be clear that since 1996 they have been earning many billions of dollars per year but they do not invest. Companies that are working in Argentina have to keep up because we need energy to keep growing (Página/12, 26 March 2004).

In a similar vein, there was greater state activism to constrain rent-seeking. President Néstor Kirchner said, “They want to blackmail us by saying ‘give us a price and we’ll give you a volume of fuel. Now they complain because they had losses in the past two years. However, Repsol-YPF had 2.6 billion pesos of profit in 2003” (Página/12, 6 May 2004). Furthermore, re-activation of developmental practices represented an effort to promote productive sectors like SMEs that were exposed to the costs of rent-seeking in the 1990s as President Néstor Kirchner put it:

> Argentina, although it has oil and gas, is not an oil or gas country; we should set restrictions until the right amounts are realized in investments and provision to ensure domestic consumption. Argentina needs investments that are intended to be productive rather than speculative. We want to build a serious economy where no monopoly prevails, where concentration does not stifle the initiative of small and medium enterprises.[35]

[35] President Néstor Kirchner in Argentina forum organised by the Council of the Americas, New York, May 2004.

Furthermore, in 2004, in response to energy problems, the state energy company ENARSA was created to explore and develop the county's petroleum and natural gas reserves, as well as to generate, transport, distribute and market petroleum, natural gas, electricity and define prices and investment plans (Haselip *et al*., 2010; WTO, 2013). ENARSA was also granted the right to renegotiate utility contracts with privatised firms. President Néstor Kirchner noted: "Energy Argentina SA may intervene in the market in order to avoid abuses of dominant position arising from the formation of monopolies or oligopolies" (Página/12, 4 June 2004). In a similar vein, President Néstor Kirchner defended national and productive priorities, albeit not rejecting setting an appropriate framework to promote private competitiveness:

> There has been a decision to return to a National Energy Company. We want to be where there is discussion of the energy equation and where they are discussing the interests of Argentina. If Argentina today has an energy crisis, it is unfortunately because they had no investment. Mainly from 1998, but even before that Argentina needed it. Those working in Argentina hope you can make a lot of money, but you have to invest, stop speculating and thinking that these people have to grow. Obviously, going from a tariff which was in dollars that later produced pesification may have generated a loss in business profitability, but what I say is that we must try to have an absolutely sincere conversation.[36]

As this thesis argues, post-neoliberalism does not constitute opposition to neoliberalism but rather represents re-activation of developmental practices within a context of globalised market activity. There was no rejection of market efficiency, liberalisation and deregulation to incorporate foreign capital and technology and integrate into the global economy. In the wake of reorganisation of global production, TNCs` ability to transfer capital and technology exert pressures for competitiveness and erodes regulatory options available to states in areas such as taxation. Economic globalisation led to a change in the costs and benefits of integration into the global economy and redefined the state-market relationship. Technological change and trade integration enforces competition among states. For instance, globalising strategies of TNCs provides opportunities for technology and capital formation and boosts export competitiveness. Meanwhile, their mobility creates pressures for competition among states and promotes environments conducive to private competitiveness (as through tax incentives) (ECLAC, 2013:80; UNCTAD, 2007a:166). The Kirchner government did not shy away from creating a liberal and rule-based environment for private entrepreneurship to achieve global

[36] President Néstor Kirchner, Kirchner at the launch of Trust Funds for the Extension of Transport and Distribution of Natural Gas, April 2004.

and local competitiveness. In effect, the Senate envisaged that ENARSA would be subject to commercial and private law, thereby taking the needs of efficiency and competitiveness into account as Alicia Castro from the Committee for Energy and Fuels declared “it was never the intention of the promoters of the law … that state action could be transferred to the private sector”. The legislator considered “instruments to analyse and control the transparency of the standard … The state is the one to set goals and policies, but nothing prevents them from associating with other foreign companies” (Página/12, 29 September 2004).

Argentina relied on economic liberalism and maintained its reliance on foreign capital and technology to allocate resources and achieve global competitiveness. The government provided generous incentives for foreign investors to ensure efficiency. Rather than through productive arrangements, Argentina`s investment strategies were characterised by deregulation and liberalisation, with concessions to appease foreign investors.[37] Following the creation of ENARSA, in June 2005, the Kirchner government initiated the Energy Plan (2004-2008) to increase reserves and open up new areas of extraction in search of solutions to the energy crisis. The Plan envisaged concessions such as tax incentives for new investments in oil and natural gas (ECLAC, 2006b:27; Ortiz, 2008:6)[38]. The Law 26.154 of October 2006 gave early VAT refunds on expenses and investments for exploration, import duty exemptions for capital goods manufactured abroad, amortizations of income tax and fiscal stability to reduce the risk of investment and organisational costs. Concessions were granted for 15 years of exploration and exploitation on the continental shelf, 12 years for areas in sedimentary basins without production, and 10 years for areas in sedimentary basins with production. (Ministry of Foreign Affairs and Worship, 2013:9-10; Ortiz, 2008:6-7). Furthermore, there is no special discrimination to restrict foreign investors; they can access domestic markets without prior approval and they are treated in the same way as local investors in Argentina to benefit from incentives. Investors have the right to transfer their profits and dividends abroad. FDI is also exempt from a 30 per cent deposit requirement established by Exchange Market Decree No.616/2005 as a prerequisite to foreign capital inflows (Ministry of Foreign Affairs and Worship, 2014:85; WTO, 2007:21). [39]

[37] Furthermore, in 2003, the Kirchner government granted provinces control over royalties and concessions in their territory, except offshore areas, though the federal government still retains the authority to implement permissions for concessions (WTPR, 2007:110).
[38] The tax bill to provide incentives was accepted in October 2006 with 35 votes against 21 votes in the Senate. Both the Radical party and the Peronist party saw the bill as an economic necessity to improve oil reserves (Página/12, 12 October 2006).
[39] The repatriation of direct investments (through the sale or transfer of the investment), exceeding 2 million USD per month, is subject to the prior authorization of the Central Bank (WTO, 2007:21).

While the government remained committed to the provision of tax incentives attractive to foreign investors, this was not accompanied by a dismantling of the state. Unlike pure deregulation and liberalisation in its 1990s heyday, there was a new type of fiscal activism in the form of tax incentives to signal competitive prices and ensure efficiency as President Néstor Kirchner put it:

> I think the Minister for Planning has been absolutely clear; this is a great challenge. The truth convinced me, and I hope that employers will convince me that it is entirely possible to work together towards growth of production, growth, employment, investment, self-sufficiency. We are making a very big fiscal effort, it hurts, but I think the investment effort will leave great results throughout Argentina. We Argentines have put everything into it. God willing in a few months and years, between three or five years we can say that Argentina began to strongly recover its gas reserves and sharply increased its operating capacity and oil production.[40]

Furthermore, companies operating under the Hydrocarbons Law were asked to pay royalties of up to 12% for natural gas and petroleum exploitation (WTO, 2007:110). The government also increased regulation to ensure that oil companies charged lower prices and provided adequate volumes of oil to promote domestic industry. In 2006, the government requested that companies provide the same amount of hydrocarbons and its derivatives in the same month of the previous year to meet domestic demand, given a correlation between increased demand and increased GDP (WTO, 2007:111). In 2006, the Minister of Economy requested that oil companies fulfil the Law of Supply and threatened to fine companies (Página/12, 16 October 2006). In 2007, the government fined the oil company Shell for not complying with the Law of Supply or providing investment for the domestic market (Página/12, 3 July 2007). Meanwhile, the government increased gas utility tariffs in 2007, except for residential users and SMEs (Página/12, 12 January 2007). Furthermore, in 2007, the government introduced a subsidy programme to guarantee provision of natural gas for productive sectors and residential users (Dellatorre, *Página/12*, 13 July 2007).

While there was not a rejection of global competitiveness, regulatory practices were activated through rethinking domestic priorities. The director of ENARSA Aldo Ferrer noted:

> We must create the conditions to expand reserves and produce the oil which is lacking. There is no problem with legal certainty or profitability but with compliance of conditions

[40] President Néstor Kirchner at the announcement of Hydrocarbon Law, May 2005.

> of contracts, and hence, the state retains all administrative power and now has a company to see that these objectives are met. It is necessary to find a balance between the interests of business, a reasonable return, and the country's interest. The main thing is to produce, explore, and expand reserves (Página/12, 6 October 2005).

Finally, as Ministry of Planning Julio De Vido put it at the Council of the Americas, despite an embrace of market liberalisation and deregulation to attract foreign investors, there was an emphasis on domestic industrial goals:

> The United States is one of the largest foreign investors in our market and we intend to increase their relative share. We provide a legal framework for highly deregulated and modern foreign investments. In my country there is free movement of capital consistent with the functioning of the real economy. There is a guarantee of non-discriminatory treatment to foreign investors and agreements to avoid double taxation (Página/12, 7 December 2005).

In a similar vein, there was not rejection of free market fundamentalism towards re-empowering the state to search for alternative and heterodox ways to achieve global competitiveness and re-activate the state`s guiding role in industrial policy as Ministry of Planning Julio De Vido put it:

> In 2004, the energy situation was very complex, but we now have in place a plan to move forward without ruining residential rates and jeopardizing the competitiveness of the economy. We will not stop interfering. We respect the rules of capitalism, but we are not a passive spectator in the free market (Página/12, 22 January 2007).

6.2.2. Industrial Incentives and Capital controls

One policy change was re-allocation of public resources to promote export competitiveness and industrialization (Peres, 2006:76). This goes beyond the neoliberal assumption that reducing the state`s size is essential and adequate for markets to efficiently allocate resources and unlock productivity. State investment did not mean a return to old developmentalism where the state takes a leading role in production and investment. Instead, developmental practices were revived to promote private entrepreneurship and global competitiveness alongside a commitment to local industrial goals. In Argentina, investment in industrial policies was characterised by reliance of horizontal tax incentives to bolster efficient sectors` export competitiveness. This contrasts with state guided import-substitution based industrialization strategies to create new industries through vertical incentives and heavy protection. State activism was directed at creating opportunities for efficient sectors to enable them to access new technology while removing barriers to imports and establishing a rule-based environment to boost export competitiveness. These policies targeted large domestic firms and TNCs which operate in capital-intensive industries such as the automobile industry, knowledge-intensive industries and natural resource-related industries based on comparative advantages that have potential to have greater share in export markets. Though they represented a departure from the fiscal orthodoxy of the 1990s, incentives were strategically allocated for the purposes of innovation and technology upgrading from external markets to ensure export competitiveness (Peres, 2006:73-76; Ortiz and Schorr, 2007:31-33; Schorr, 2005:12-13). While taxes represented greater state regulation and resource allocation, there was not retreat from tax incentives to promote efficiency and global competitiveness. As former Minister of Economy Roberto Lavagna put it:

> Two pillars were consumption as an engine of growth, but articulated with increased investment. Basically every lower tax that the IMF wanted was out, but the system was not to raise taxes but rather upside down, especially two taxes – the value-added tax on capital goods – to be returned to businesses and an accelerated depreciation scheme that allowed their businesses to exploit their balances of good investment. [41]

The Investment Promotion Law 26.360 was established in 2004 that provided a regulatory framework for investment incentives and included early reimbursement of VAT and accelerated depreciation for machinery and equipment, both reducing the tax burden for local and foreign investors to upgrade technology via imports of capital goods. Law No. 25.924/2004 on the Promotion of Investment in Capital Goods and Infrastructure Works established a special fiscal regime for investments in capital goods (except cars) intended for use in industrial activity or infrastructure works. Under the scheme, when enterprises purchase new capital goods they receive an advance refund of VAT and/or accelerated amortization of income and profit taxes (Ministry of Foreign Affairs and Worship, 2013:2; WTO, 2013:36-37). In the software industry, incentives were given for tax stability on all national taxes until 2019, with a 60 per cent of reduction in total income tax. In biotechnology and biofuels accelerated

[41] Author interview with former Minister of Economy Roberto Lavagna, November 2011, Buenos Aires.

depreciation on income tax and early refund of VAT were provided for the purposes of incorporation of new technology in global markets (Ministry of Foreign Affairs and Worship, 2013:6).

Another policy change was revival of direct fiscal incentives with subsidized interest rates that signalled re-allocation of public resources to support industrialization. While these subsidies resembled old style industrial policies, they were also meant to assist with the import of capital goods from external markets (Peres, 2006:72-76). The *Banco de la Nación Argentina* (BNA) provided credit lines to purchase capital goods and investment capital to finance imports. The Ministry of Industry provided young companies with export pre-financing and financing worth up to 800,000 pesos with fixed interest rates between 9 per cent 11 per cent. In this context, the Secretaría de la Pequeña y Mediana Empresa y Desarrollo Regional (SEPyMe) and the BNA cooperated to provide at fixed interest rates up to 80 per cent of the purchase price of capital goods excluding VAT and not exceeding 800,000 pesos. The *Fondo Nacional para el Desarrollo de la Micro, Pequeña y Mediana Empresa* (FONAPYME) provided loans that ranged from 100,000 to 3,000,000 pesos with terms varying from 60 to 84 months at fixed interest rates of 9 per cent. The *Fondo Tecnológico Argentino* (FONTAR) allocates loans ranging from 1,000,000 to 4,000,000 pesos excluding VAT, which will cover 80 per cent of an investment. This loan aims to improve competitiveness through improvement of technology in export companies. The National Programme for Micro-credit funded companies with low interest rates or no interest rates and helps them to manage financial resources through technical assistance. The BNA promoted export financing for consumer durables at up to 100 per cent of the value of the documents with maturity up to one year, whereas for auto parts this is up to 100 per cent of the value of the documents with maturity of 18 months (Ministerio de Industria, 2013:84-94).

Finally, the government introduced controls on capital flows to prevent currency appreciation and promote stable investment in pursuit of productive goals. In 2003, upon the appreciation of currency, the government ruled that all income for financial capital would stay in the country at least for 180 days. As Minister of Economy Roberto Lavagna put it, this represented rethinking destabilising effects of speculative capital flows to promote industrial competitiveness: “These are preventive measures that seek to stem decline of the dollar which is affecting the level of activity, employment, revenue and competitiveness” (Página/12, 26 June 2003). Furthermore, in 2005, the government tightened controls on short-term capital flows to prevent appreciation of currency and applied 30 per cent volume ceiling for the financial transactions between banks and their subsidiaries (Página/12, 24 June 2005).

These policy changes signalled re-activation of the state`s developmental practices and provided protection and regulation in favour of local industry. Producers whose investment was crowded out in the 1990s under high interest rates and currency appreciation, rent-seeking behaviour of privatised utilities, and a lack of fiscal incentives benefited from these policies. Change in relative prices and tariffs in public services and prevention of currency appreciation allowed the labour-intensive manufacturing sector and SMEs to increase their production. In addition to the capital-intensive agro-industry and automobile sector, which were among the most dynamic sectors, producers of textiles, metalwork, machinery and equipment increased their production once benefiting from the protection and regulation provided by the state (Acosta, 2010:98; CEP, 2008:31-34; Kulfas, 2009:9). Furthermore, there was an increase in the share of the manufacturing sector in FDI stock (UNCTAD, 2013b:60). The volume of production between 2003 and 2007 increased by 39 per cent in the manufacturing industry and this success was even higher among SMEs. SMEs increased their physical production 45 per cent in this period. However, the production structure has not changed much and asymmetries of insertion into the global economy between large and smaller firms prevailed in this period. The success of SMEs did not imply a structural change in terms of new technology incorporation and access to credit (Acosta, 2010:86). Argentina`s production structure continued to be dominated by low value added natural resource-intensive industries such as the manufacturing of chemicals, steel, agriculture and capital-intensive automobile industry, which primarily benefited FDI and technological modernization (ECLAC, 2008b:13; Ortiz and Schorr, 2009:3-4).

SMEs, which operate primarily in labour-intensive and engineering-intensive production, were not efficiently incorporated into the global economy to use more complex technology from global markets. Quantity of SMEs which use traditional (old and very old) machinery investment only declined from 52 per cent in 2003 to 49 per cent in 2007, whereas only 4 per cent of SMEs invested in machinery and equipment with high technology. Although the share of bank credit in SMEs` financing increased from 3 per cent to 25 per cent between 2004 and 2008, SMEs continued to be constrained by poor access to bank credit. Only 13 per cent of SMEs accessed bank credit in 2007, notwithstanding improvement of this rate which was 8 per cent in 2004. Furthermore, only 15,000 of total 1,200,000 SMEs benefited public subsidies (Acosta, 2010:87-99; Kulfas, 2009:112). As a result, the productivity gap between large firms and SMEs continued to exist. SMEs mostly relied on price stability and subsidies from reinvested earnings. In the wake of a commodity boom, they continued to be exposed to costs of production due to price increases and market concentration by large firms which produce intermediate goods for industry. SMEs` profitability remained only 3 per cent of GDP (Kulfas, 2009:110-111). As shown in Table 6.3 and Table 6.4, contribution on gross value-added production by primarily domestic-facing labour-intensive industry and engineering-based industries remained at low levels.

Table 6.3: Gross value added share of selected industries in total industry (%)

	2002	2003	2004	2005	2006	2007
Yarn, fabrics and finishing textile	1.1	1.4	1.3	1.2	1.2	1.2
Footwear and parts	0.6	0.8	0.9	0.9	0.9	1.1
Household appliances	0.4	0.6	0.8	1	1.1	1,3
Office, accounting and computer machinery	0	0.1	0.1	0.1	0	0.1
TV and radio receivers	0.6	1.4	1.9	2.3	2.4	1.8
Motors, electric generators	0.2	0.3	0.4	0.5	0.5	0.6
Non-ferrous metals	1.5	1.4	1.4	1.4	1.9	1.7

Source: Ministerio de Industria

Informes y Estadísticas Industriales

Table 6.4: Gross value added share of selected industries in total industry (%)

	2002	2003	2004	2005	2006	2007
Iron and steel	4.2	4.5	5	5.4	5.3	4.8
General purpose machinery	2.2	1.9	2	1.8	1.8	2
Food	18.1	17.1	16	15.2	14.7	15.7
Liquid, gaseous fuels and lubricant	11.1	12.5	10.7	10.5	10.1	9.6
Manufacturing of chemicals	6.6	6.5	5.8	5.7	5.6	5.5

Source: Ministerio de Industria

Informes y Estadísticas Industriales

Although privatised companies endured losses due to conversion of contracts into pesos and freezing of prices (EIU, February 2005:2), energy companies have not developed adequate investment and demanded tax incentives in order to increase investment and cover their losses due to frozen prices (Zaiat, *Página/12*, 16 September 2006). These constraints forced the government to guarantee external debt service of utilities and increase subsidies to energy companies to sustain investment for the domestic market (Haslam, 2009:128). Prices of crude oil and its derivatives continued to rise in a context of high market concentration where four companies shared 66 per cent of oil production and 75 per cent of gas production. Though oil reserves reached 400, 000 cubic meters, this was less than in 2000. In a similar vein, reserves of gas above 400, 000 cubic meters were still less than the levels in 2000 (MECON, 2011a:10-15). Thus, while there was greater emphasis on constraining markets when prices are not automatically adjusted, there were constraints on state activism. As former Minister of Economy Roberto Lavagna put it:

> There were some subsidies and we had to renegotiate all the contracts for privatized firms, most of them European and some American, achieved during the time of the currency peg in Argentina, when they were indexed to inflation in U.S. dollars, and therefore complete nonsense. All of these contracts had to be renegotiated. The Supreme Court in 2004 generally agreed and consequently everything was pesified. 2005 ended subsidies to energy, since at that time the amount of subsidy was not too much, and it was necessary to

> be attentive to the social situation. Unfortunately the government after 2006 kept it for economic or political reasons, leading to this current situation of absolutely untenable fiscal surpluses.[42]

6.3. Conclusion

In the 1990s in Argentina, investment strategies conformed to the pure market optimism of the heyday of neoliberalism. This optimism assumed that ensuring a friendly environment for foreign investors via deregulation, privatisation and FDI liberalisation would adjust prices, lead to balance of payments solvency and higher revenue. The financial crisis led to a significant departure from the market fundamentalism, which assumed that the state was obsolete given perfectly functioning markets. Today, increasing public use of resources and regulation in strategic sectors go beyond orthodox faith in stateless markets. However, the state`s return under the Duhalde and Kirchner governments did not mean a departure from economic liberalism. New developmental practices were activated alongside globalised market activity.

For instance, Duhalde and Kirchner governments signalled reactivation of regulatory mechanisms to constrain rent-seeking activities made by TNCs to deliver favourable prices for the manufacturing sector and ensure production for the domestic market. Meanwhile, the Kirchner government did not necessarily retreat from price adjustments for large industrialists and tax incentives to ensure efficiency and profitability. Another policy reform occurred in the use of public resources to support exporters and domestic industrialists, which departed from the fiscal orthodoxy of the 1990s. This did not mean a departure from horizontal incentives to attract FDI and promote export competitiveness, as the Argentine industrial path depends on capital and technology transfer from global markets. These policies favoured efficient sectors that are capital and knowledge-intensive or have potential to access export markets easily based on comparative advantages in natural resources. While subsidized credit and direct lending for SMEs represented revival of old style direct subsidies, this did not mean rejection of market

[42] Author interview with former Minister of Economy Roberto Lavagna, November 2011, Buenos Aires.

efficiency to benefit lower cost technology in external markets. Furthermore, this did not tackle structural asymmetries between SMEs and large firms in access to FDI and new technology.

CHAPTER 7. LABOUR POLICY RESPONSES BETWEEN 2002 AND 2007

Labour market policies in response to the financial crisis of 2001/2002 led to a debate about the role of the state in delivering welfare in Argentina. Scholars of Argentina (Grugel and Riggirozzi, 2007; Roberts, 2012; Wylde, 2011) argued that these policies represented a distinct departure from neoliberalism. I offer a more nuanced approach to post-neoliberalism in Argentina. I argue that while was a strong revitalisation of developmental tenets to regulate labour markets and promote collective labour rights, these policies were constrained under market-led integration into the global economy. The chapter will be divided into three sections. The first section will evaluate neoliberal policies in the 1990s. The second section will explore key policies that constitute alternative thinking to neoliberalism that seeks to re-embed the state`s regulatory role re-politicising and promoting collective action. The third section will present the constraints that represented limitations within the political economy of labour market policies. Finally, a conclusion will be presented.

7.1. Neoliberalism and Labour policy in Argentina (1989-2001)

Neoliberalism represented a critique on the Keynesian state with its welfare provisions and aim of full employment, both of which were seen as causes of inefficiency. The politicised nature of corporatist Keynesian and developmental states was deemed to create rigidity in labour markets, preventing labour mobility in both formal and informal labour markets (Cook, 1998:319; Pribble *et al.*, 2009:387). Politicised forms of collective action in Keynesian welfarism such as bargaining power of labour unions and creation of full employment was seen as a political obstacle for capital. Depoliticising economic management under inflation-controlling, hence, would become a political attack on the power of labour unions (Gamble, 2001:131).

Hence, neoliberalism entailed a redefining the state`s role as a mediator between capital and labour in an attempt to empower the former. One aspect of neoliberalism is favouring capital over labour, with management of labour relations seen as a cost that reduces global competitiveness in the eyes of mobile finance capital and TNCs (Hay, 2006:66; Phillips, 2004). Restructuring the relationship between states, capital and labour saw depoliticization of economic decision-making and dismantling of state regulation and protection in labour markets via flexibilization of labour markets; this was held to prevent the obstructive effects of labour market organisation on capital. Flexibilization meant introduction of temporary employment contracts, reducing/eliminating employers` social security contributions, easing firing conditions, decentralising and suppressing collective bargaining and wages (Phillips, 2004:147). Neoliberalism, alongside changes in labour market regulation, envisages indirect flexibilization, taking deregulation and liberalisation as the key mechanisms for welfare. Capital freed from barriers would automatically locate investment in the best conditions, and this would create growth and jobs and increase wages (Thomas, 1996:79-86). As a result, neoliberalism envisages a shift to take out social and collective foundations of economic management and transfer the burden of welfare from state to markets, individuals and labour unions (Gamble 2001; Harvey, 2005). These processes of redefining state, capital and labour relationships entailed shifting away from politicised forms of social contract based on collective bargaining and full employment, with a shift towards a new social policy matrix in the region. Social protection would be handled via less politicised and cost-efficient means, with an understanding of poverty as an individual responsibility outside of corporatist bargaining as safety nets (Cortés, 2008).

Neoliberal claims did not reflect reality as the trickle-down effect of liberalisation and deregulation did not occur in the region. Driven by flows of global capital that are increasingly private and mobile in nature, the one central aspect of neoliberalism is favouring money capital over production capital. This shifts investment away from productive sectors and exposes local economies to unregulated and speculative capital flows. Dismantling previous protectionist schemes via unfettered financial liberalisation and deregulation, and monetary and fiscal tightening burdened domestic-facing producers, exposing those producers to destabilising effects of global financial markets and increasing costs of production. New technology incorporation via unilateral trade liberalisation dismantled previous protectionist schemes. Substitution of domestic inputs and goods with cheaper imports exposed producers oriented to domestic markets to uneven competition. Financial deregulation and privatisations led to concentration of assets and production and strengthened the power of TNCs and large firms with global ties. These processes of concentration at local and global level privileged financial services and natural resources and sharpened structural asymmetries between globalised large firms and labour-intensive manufacturers oriented towards domestic market (Phillips, 2004:148-185; Stalling and Peres, 2000).

Furthermore, globalisation created a skill bias in labour markets. New technology incorporation via liberalisation and deregulation introduced labour saving equipment and rationalisation of production, increasing demand only for highly skilled labour (Stallings and Peres, 2000:81-82). Privatisation, financial deregulation and trade liberalisation favoured large companies associated with TNCs that can access foreign technology and investment. In the region, neoliberalism strengthened existing capital-intensive large firms with links to global networks, especially those that were capital-intensive and natural resource-related industries and had low to medium labour intensity. Unilateral trade liberalisation and financial deregulation acted as a fast way to import capital goods to upgrade technology and raised demand for high-skilled labour. In the absence of regulation, rising financial costs, cheaper imports, and lack of access to new technology burdened SMEs which are historically a source of low-skill employment. As SMEs struggled to compete locally and globally, this sharpened the traditional skill gap between high and low-skilled workers. The combination of use of labour-saving technology, a lack of demand for low-skilled labour and this skill bias in technological incorporation fuelled a rise in unemployment and the transfer of labour into sectors of low productivity. Given costs of adjustment, workers were employed in low paid, informal, precarious conditions with no social protection. Institutional deregulation only heightened deteriorating conditions for labour, with stagnant wages, rising informality and unemployment (Pastor and Wise, 1999a:41-42; Phillips, 2004:148-149).

As macro-stabilisation did not lead to the expected spill over effects by creating jobs and reducing poverty, a second stage of reforms was promoted by the World Bank to incorporate a more coherent poverty reduction strategy into the neoliberal agenda. The market fundamentalism that prioritised macro-stabilisation with minimal social protection gave way to increasing concerns about poverty alleviation within catch-all terms such as “neoliberalism with a human face” or “good governance” (Molyneux, 2008:780). The institutional aspect of development was emphasized and called for an empowering of civil society through promotion of community projects, provision of health and education, training for employment and supporting local communities via micro-credits (Molyneux, 2008:781-783). However, the new agenda did not foresee changes to the essence of the first stage reforms (Pribble *et al*., 2009:388). It did not tackle stabilisation based on sound monetary and fiscal policies, which subordinated welfare to the imperatives of a global restructuring of capital which in turn, produced a dependency relationship between state and social groups (Peck, 2011:170-173). Although there was recognition from IFIs of the need to incorporate human aspects of development as part of the neoliberal agenda, as Molyneux argued that the agenda for empowering society did not move beyond the essence of neoliberalism: building human capital meant provision of targeted cash transfers and workfare programmes to tackle poverty outside of labour markets (Molyneux, 2008:781-783).

While Menem signalled a most orthodox neoliberal path by dismantling previous state institutions that protected labour markets, neoliberalism did not erode labour unions as important social actors in the political scene of Argentina in the 1990s, and reforms were subject to complex negotiations and contestations. Garnering support from Peronist labour unions and incorporating them into coalitions has been essential in the Argentine political arena as they have been amongst the most militant unions in the region (Phillips, 2004). For instance, though Argentina was an early reformer in the 1980s, Peronist unions were able to block proposals for flexibility and destabilised attempts at macro-stabilisation by the Radical Party government through 13 general strikes. In the early 1990s, however, labour unions witnessed a weakening of their negotiating power through an intensified process of neoliberal reforms. One reason was that, despite being elected with the Peronist party, Menem departed from his party`s populist tradition, even if he also made extensive use of traditional elements of Peronism. Second, despite its militancy, the dependence of Peronist unions on the state enabled Menem to gain support from them to initiate reforms. Third, the economic emergency discourse and hyperinflation enabled depoliticization of economic policy-making, and Menem used a divisive strategy to implement reforms. Finally, unfettered trade liberalisation and financial deregulation also weakened the negotiating power of labour unions. Hence, with the support of unions, Menem implemented extensive flexibility of labour markets in the 1990s (Cook, 2002:7-11).

One of the first measures by Menem was his issuing of a decree that foresaw suspension of strikes, wage increases linked to productivity, and decentralisation of collective bargaining from industry to company level (Cook, 2002:6-7). The National Employment Law of 1991 (Law 24.013) introduced further changes that promoted deregulation of labour markets via temporary contracts, atypical contracts without social security contributions, easing firing costs, reducing taxes on social security contributions, and eliminating severance payments for fixed-term contracts. Furthermore, training and internship contracts for young people were promoted (Cook, 2002:12). The reform was extended in 1995 by Law 24.467, which was restricted to small and medium sized companies, allowing temporary hiring with lower security contributions (Murillo, 2005:451). Meanwhile, labour unions were able to prevent decrees that addressed social welfare programme (*obras sociales*), which had historically been under union management (Mc Guire, 1997:226-231; Murillo, 1997:84). Menem distributed benefits to labour unions by giving them control over welfare funds. Furthermore, labour unions were assigned 10 per cent of assets in privatised gas, electricity and oil firms (Etchemendy, 2005:18; Murillo, 1997:86). In return, the CGT did not oppose a ban on strikes, elasticity of contracts, or reduction of termination payments (Etchemendy, 2001: 6-8). Introduction of temporary contracts, weakening labour regulation, elimination of social security contributions and severance payments resulted in job insecurity and informality in Argentina (Cook, 2002:13).

The impact of flexible measures was heightened by unfettered trade liberalisation, privatisations and financial deregulation, all of which exposed local producers to foreign competition and unregulated global market activity. In Argentina, the costs of neoliberalism were even felt earlier than any external shocks (Chudnovsky and López, 2007). While privatisations played an important role in reducing employment, financial deregulation favoured the financial sector at the expense of the manufacturing industry, and the rigidity of the currency regime prevented mediation of financial volatility, which not only reduced capacity to create jobs but also led to loss of jobs. Technological change in the wake of unilateral trade liberalisation, accompanied with an appreciated currency, exposed domestic producers to competition from cheaper imports which raised unemployment. (Chudnovsky and López, 2007:87-106; Stalling and Peres, 2000:156).

Another aspect of neoliberalism was the increasing dominance of low value-added natural resources and services which incorporated technology and capital in the form of mergers, acquisitions and privatisations. This sharpened the costs of neoliberalism, favouring low value-added natural resources with low labour intensity and few linkages to the domestic production and services sector. Although the service sector contributed to employment, the increased share of the service sector in employment was not enough to compensate for declining numbers of jobs in manufacturing sector (Chudnovsky and López, 2007:93-98). One aspect of unemployment was abrupt technology transfer in capital-intensive sectors that did not create job demand beyond high-skilled labour (Lo Vuolo, 1997:394). Technological change at a global scale favoured skill-biased technology upgrades through capital goods and machinery, meaning that foreign investment sharpened the historical gap between high and low-skilled workers. This saw increased demand and increasing wages for high-skilled labour, whereas this demand was not adequate to compensate employment. As strategies to import capital goods and upgrade technology favoured large and capital-intensive sectors with transnational linkages, labour-intensive manufacturing sectors –SMEs with a low-skill premium – were exposed to external competition against a backdrop of rising financial costs, flows of cheap imports, and a lack of new technology or credit. This saw scarce demand for low-skilled labour and worsened the skill gap in Argentina (Acosta and Gasparini, 2007:793-794; Pastor and Wise, 1999:486-487; Stalling and Peres, 2000:156). Even more dynamic medium and large firms in the manufacturing industry with a higher skill premium, such as machinery and equipment and the automobile sector, were exposed to increasing pressures from trade competition and saw a decline in jobs (Chudnovsky and López, 2007:95; Ernst, 2005). There was no coherent approach to tackling poverty, informality and unemployment; Menem did not introduce employment programmes (Etchemendy, 2004:283-284). In line with fiscal orthodoxy, Menem instead sought to compensate the social dislocation via minimal social safety nets for those below the poverty line (Pastor and Wise, 2003).

Unregistered employment increased from 29.6 per cent in 1991 to 37.3 per cent in 2000 and 44.8 to in May 2003 (Novick and Tomada, 2007:15). Unemployment increased from 5.8 per cent in 1991 to 18.3 per cent in 2001 (World Bank, 2015). Workers without contracts hit 33 per cent in 1997, having been 21.9 in 1990. Furthermore, workers without social security increased to 74.1 in 1997 from 64.8 in 1990 for firms which employ up to 5 workers. In firms with more than 5 employees, this rate increased from 18.2 per cent in 1990 to 22.7 per cent in 1997 (Phillips, 2004:149-153). Poverty increased from 16.3 per cent in 1993 to 41 per cent in 2002. Extreme poverty increased from 3 per cent to 18 per cent in 2002. Collective bargaining at company level reached 78 per cent while sectorial level bargaining was only 22 per cent between 1995 and 1999 (Novick and Tomada, 2007:16).

While a divided labour movement was unable to resist flexibilization, the growing discontent led to contestation and questioning of neoliberal reforms in Argentina (Cook, 2002:13). This led to increasing discontent among labour unions. The *Central de Trabajadores* Argentina (CTA), which split from the CGT in the early 1990s, and a dissident group within the CGT led by Hugo Moyano became critical of neoliberal policies and organised national strikes. Furthermore, social and economic dislocations and de-politicization led to emergence of unemployed movements seeking alternative spaces for mobilisation (such as roadblocks) and demanding social security and job creation (Vilas, 2006). In 1996, Menem urged more flexibilization in line with an IMF programme and introduced further decentralisation of bargaining, more flexible hours, reduced powers for unions in management of *obras sociales* and cuts in severance payments. As this decree was resisted by the MTA and CTA, the government negotiated another reform with unions which served their organisational interests (Cook, 2002:15-16). Furthermore, the unions were able to influence the reform process as collective bargaining was centralised, atypical contracts were inhibited and the probationary period was lowered to one month (Law 25.013) in 1998. Although this reform succeeded in reversing temporary contracts, employer contributions were lowered and severance payments reduced (Cook, 2002:17; Etchemendy, 2004:279). Furthermore, despite union opposition, in 2000, the De La Rúa government was able to introduce labour reforms which decentralised collective bargaining, and reduced employer`s social security contributions, which played an important role in heightening the relationship between the labour unions and the *Alianza* government (Madrid, 2003:77-78). Finally, though some community work programmes were created in the late 1990s, they were targeted at the very poor in the provinces and were subject to fiscal orthodoxy and rising financial costs (Pastor and Wise, 2003:33-34).

7.2. Labour Policy Responses (2002-2007)

Néstor Kirchner said that the challenge of Argentina was to strengthen social inclusion and institutions combined with economic growth. He emphasized that social programmes implemented by the government are not merely “care plans”, pointing out his desire to incorporate the excluded into the social structure by generating genuine work. The president said that to meet this central objective the work of grassroots organisations and municipalities had to be accompanied by an active and dynamic state (La Nación, 7 October 2003). He mentioned in various speeches that he would prioritise production and employment-oriented growth: “We’re going to launch a production and job-creating model including a public works program” (MercoPress, 19 May 2003).

The Labour Minister Carlos Tomada said that the “basic purpose” of economic policy of the government was “to ensure stable economic growth with expansion in activity and decent employment” when speaking before the 91st Annual Meeting of the International Labour Organisation (ILO). He continued that the economy was directed towards those sectors that generate more employment. Construction, public investment in infrastructure and housing meant choosing a policy that favoured job creation (La Nación, 26 October 2003).

The Labour Minister Carlos Tomada said that the policies of labour flexibility and economic deregulation “failed miserably” and caused “deterioration" of employment in Argentina. The official also said that these policies created “unemployment, underemployment and uncontrolled growth of the informal economy,” which he considered “the main problem in improving the quality of employment” (Página/12, 12 June 2004).

Scholars of Argentina who observed the Duhalde and Kirchner governments` labour policies argue that Argentina`s post-crisis political economy represented renewal of the state`s ties with social actors and return of the state`s welfare responsibilities in the context of employment and social security. Grugel and Riggirozzi (2012), Grugel and Riggirozzi (2007), Riggirozzi (2009) and Wylde (2011) argued that especially the Kirchner government`s policies represent a distinct departure from neoliberalism in the context of promotion of domestic production, public works, rebuilding ties with organised labour, and expansion of social spending. However, authors argue that ‘fiscal conservatism’, decision to prioritise debt payment, led the governments not to structurally tackle legacies of neoliberalism. These scholars argue that the Kirchner government still relied on neoliberal workfare programmes targeted at the poorest sectors of the society which acted as re-production of conditions of job insecurity and informality. Although the Kirchner government appealed to labour unions through re-activation of the state`s mediatory role between state and business, the government was concerned about controlling wage increases to control inflation. Furthermore, the government did not expand those corporatist ties with unorganised labour. Instead of a distinct break with neoliberalism, I argue that there was reinvention of the state`s developmental tenets to protect from market insecurities, albeit in an environment where the state`s main welfare provisions were transformed and eroded in a globalising market environment.

7.2. 1. Employment Creation

After the financial crisis of 2001/2002, unemployed movements and barrio assemblies continued their mass street protests and road blockages with distrust in traditional institutions and political parties during the 1990s (Petras, 2004:15). In the wake of social unrest, interim President Eduardo Duhalde aimed to restore social legitimacy by reviving ideas about the state`s role in social inclusion and redistribution after years of unemployment, poverty and exclusion. As an initial response, Duhalde appealed to various actors from civil society, such as Non-governmental organisations (NGOs), UNDP, political parties, business and trade unions. Meanwhile, Duhalde appealed to the unemployed organisations to join the social dialogue (Vales, *Página/12*, 15 January 2002). In May 2002, Duhalde's interim government created the *Programa Jefes y Jefas de Hogares Desocupados* (PJH – the Programme for Unemployed Male and Female Heads of Households). The PJH provided a 150 peso cash transfer to the unemployed, households with children or disabled members of any age, households where the head of the house or the spouse is pregnant, and elderly people over 60 years old without pensions (Ministerio Economía y Producción, 2005b:16). In return for the cash transfer, PJH beneficiaries participated in four to six hours of public or private work in community infrastructure, habitat improvement, community garden projects, and micro-enterprises. Conditionality was also attached to make training, school attendance, and vaccination obligatory (Lo Vuolo, 2007). The programme represented a departure from neoliberal safety nets that prevailed during the 1990s and signalled a shift towards provision of cash transfers and job creation for the poor (Garay, 2007:313-319) . Furthermore, the introduction of export taxes to finance social plans was also an important reversal of neoliberal fiscal orthodoxy in the 1990s (Wise and Quiliconi, 2007:426). However, the PJH was essentially a conditional cash transfer programme that provided incomes for the poorest in exchange for community work, registration with health services, education, and participation in training programmes; these are part of the second generation of reforms designed to humanise the market fundamentalism of neoliberalism (Peck and Theodore, 2010:196). These are passive welfare policies and part of the global restructuring of capital that required fiscally sound economic management. These workfare policies target members of local communities as individuals capable of managing their own welfare, and they depend on depoliticised forms of social provision that grant benefits rather than face organised labour relations (Cortés, 2008:16; Peck, 2011:170-176). In effect, the PJH was an extension of the previous workfare programme *Plan Trabajar* that was developed in 1997. Meanwhile, the PJH was more universalised. While the PJH reached nearly 2 million families from the poorest 20 per cent of households in Argentina, *Plan Trabajar* reached only 62,000 beneficiaries (Garay, 2007:313-319). Furthermore, despite being a community programme, it involved incorporation of job plans and an extension of budget allocation which were amongst demands of the unemployed movements (Huber and Stephens, 2005:22-23). However, despite being a measure to protect the poor from the impact of devaluation, the benefits of the plan were very limited and only covered a third of the minimum-needs basket (Petras and Veltmeyer, 2009:72). Though the plan did not have an important effect on poverty reduction, it was an immediate response to the dislocations created by the financial crisis and was successful in preventing the poor from falling into indigence. As Galassa and Ravallion argue, if the plan had not been initiated, the 40 per cent of the poor below the poverty line would have become indigent (Galassa and Ravallion, 2004:394).

Following the transitional Duhalde government, in 2003 the Kirchner government was elected after appealing to the social and economic foundations of classical Peronism based on job creation and job security (Levitsky and Roberts, 2011). The Kirchner government re-activated the state`s welfare responsibilities to create jobs which goes beyond the heydays of jobless growth neoliberalism (Fraile, 2009). The Kirchner government expanded workfare programmes and supported micro-enterprises to create jobs with a component of skill training (Grugel and Riggirozzi, 2007:98-99; Weller, 2008:38-39). The Community Employment Programme was implemented, involving training, community projects and productive tasks, and a 150 peso subsidy for beneficiaries (La Nación, 17 June 2007). The *Manos a la Obra* programme by the Ministry of Social Development was designed to address problems that micro-enterprises and cooperatives were experiencing in the 1990s accompanied with offering 150 pesos in benefits. In August 2003, the government started more than 1,000 projects via new micro-enterprises within the framework of the National Plan for Local Development and Social Economy with participation from provincial government, municipalities and NGOs (La Nación, 7 October 2003). The plan was important as it provided training and micro-credits to purchase input materials and machinery, especially in production of clothing and baking (La Nación, 1 October 2003). A large scale public work plan, the Federal Emergency of Housing, was implemented by the Ministry of Federal Planning and Public Investment, seeking to incorporate PJH beneficiaries into new public work programmes in housing (MTEySS, 2004:63). Furthermore, the Kirchner government increased political incorporation of unemployed movements and legally recognized unemployed movements (Yates and Bakker, 2014). Some were integrated into Peronist party circles. For instance, the *Federación por la Tierra y la Vivienda* (FTV), which had emerged in 1997, became one of the close allies of the government (Garay, 2007).

Hence, Kirchner government re-activated collective action incorporating demands of unemployed movements and providing assistance to them to create jobs with a training component. As José Chapu Urreli from the unemployed movement *Movimiento Territorial Liberación* (MTL) put it:

> Since the 2001 crisis, food aid remained in the social plans but they also began to incorporate genuine work. They began to develop some productive projects primarily in the family economy where the barter process was a form of exchange. Then small productive businesses emerged on community land. I believe there is significant progress from the point of view of participation … because there is consistency between what the government said and what Kirchner did. We joined with cooperatives and government projects to build houses. We built 326 houses in the community.[43]

Furthermore, the Kirchner government provided subsidies to companies to prevent job losses. The government created the *Programa de Recuperación Productiva* (REPRO) in 2003 to provide assistance to 16,000 workers and 1,328 companies for 6 months (MECON, 2011b:48). The Kirchner government also created the *Plan Más y Mejor Trabajo* to promote employability of workers and assist them in increasing their skills in 2003 (Bertranou, 2014:7). This programme represented the return of the state to regulation of labour markets as a means of promoting workers to insert into formal labour markets and creating quality employment with a training component (Cook and Bazler, 2013:5; Goldin, 2009:98-99). This plan sought labour-market insertion of the unskilled unemployed and informal workers. The programme was coordinated by various state institutions such as the Ministry of Labour, employment offices and a network of agencies administered by provincial and municipal governments, universities and NGOs, working in a dialogue with trade unions and companies. These institutions provided assistance to unemployed workers through education and vocational training. Beneficiaries are provided a month's training and induction in the workplace. Companies were subsidized through the benefit of 150 pesos to support wages during the 6 month contract of PJH beneficiaries. Minister of Employment Carlos Tomada and Kirchner agreed with various industrial firms that training programmes would take place in sectors such as the naval industry, agricultural production, construction, footwear, metalworking, textiles, food, and clothing. Furthermore, the programme was expanded to assist job creation and skill training in sectors such as automobiles, winemaking, and software (Madoery, 2011: 9-23). As President Néstor Kirchner put it in his speech, public policies were increasingly oriented towards active employment and industrial promotion to reduce social exclusion and precariousness:

[43] Author interview with José Chapu Urreli, Coordinator of MTL, 23 November 2011, Buenos Aires.

> I think as we deepen the task together as employers, workers and the government, we will end up defeating this scourge of black-market work and we will train thousands and thousands of Argentines for incorporation into employment and building optimism in people. Much has been said about the training of workers; much has been said about the exclusion process and the challenges of re-integration into productive economic activity. Larger exclusion processes were generated in different areas like training of workers, and all the schools of arts and crafts in the country were closed. We believe that this step is significant: workers, employers and the national government working together in sectorial training.[44]

In 2006, the *Más y Mejor Trabajo* programme was restructured towards the creation of the *Seguro de Capacitación y Empleo* (SCyE – the Training and Employment Insurance) that aimed to enhance job opportunities through training and education. The insurance allowed for a 50 per cent increase on the previous programme, reaching 225 pesos for the first 18 months and 200 pesos for the last six months. Furthermore, companies especially SMEs which hired beneficiaries would enjoy the benefits for 6 months so as to assist wages. Participants in the programme are expected to attend training activities and complete primary and/or secondary studies and to accept job offers in public, private and domestic work or self-employment according to their skills (Madoery, 2011:23; Roca *et al*., 2012:135). While this plan had a similar logic of income benefits for unemployed workers, it was an active policy that sought to integrate workers into the labour market (Goldin, 2009:100). Both programmes represented incorporation of the demands of unemployed movements and provided regulatory forms of action to promote decent jobs. As Hector Cabrera, Union Director of the labour confederation CTA put it:

> *Piquetero* protests were caused by the crisis of vast unemployment and a lack of social containment. When we arrived in 2001, the day before we established the Frenapo against poverty, we carried out a referendum in which people voted for employment insurance training to pay every unemployed person a salary, not only so he could live and eat but so that that he could get a profession and enter the labour market. That was part of the program that had led us to organizing Frenapo during social unrest. Subsequently, this measure was taken on board by the government of Néstor Kirchner. [45]

[44] President Néstor Kirchner`s speech in the presentation of the *Más y Mejor Trabajo* programme, September 2004.

[45] Author interview with Hector Cabrera, Union Director of CTA, 28 November 2011, Buenos Aires.

Hence, there was a re-invention of welfare provision and that the state took an active role to insert workers into labour market as former Secretary of Employment Enrique Deibe put it:

> We had to transform the secretariat, and we had to make our policy an employment policy. We started active employment policies. We started creating government services, training institutions, creating programmes that we asked what they want to do and trying to give them different training courses, assistance in taking, paying attention to what the people want to do and what the market offers, that people can take a job or have their own job. We took their labour history and we started to work with them on different kinds of activity, like training courses and work practice in companies. [46]

Furthermore, the Kirchner government re-activated the state`s regulatory role to promote productive sectors that create and preserve jobs. Tax allocation, reductions in currency appreciation and interest rates through financial regulation and debt payment provided protection for labour-intensive sectors and exports and production of manufactured goods and promoted expansion of jobs, unlike in the 1990s (Cornia, 2010:109; Novick and Tomada, 2007:19-25). Furthermore, the Kirchner government employed price and investment regulations and subsidies to reduce costs for inputs such as fuel for industrial production, thus promoting job creation. Accordingly, the economic policies of the Kirchner government were oriented to favour a Peronist alliance around job creation unlike free market fundamentalism of the 1990s (Calvo and Murillo, 2012; Yates and Bakker, 2014) as former Secretary of Employment Enrique Deibe put it:

> During the 90s, you have an open market, an open economy and an exchange rate of one dollar to one peso and there are a lot of neoliberal policies, not only in the labour market, but all kinds of level to reduce state intervention. Then contracts with no security, part-time, without pensions, no protection for workers… And there were high rotations between one job and another, a high unemployment rate, and the economy had a lot of vulnerability. President Kirchner decided to put employment at the centre of all economic decisions. That decision was the most important decision in the administration of Kirchner, because all kinds of economic, monetary, international, and commercial actions were thinking about the impact on employment and the generation of new jobs.[47]

[46] Author interview with Enrique Deibe, former Secretary of Employment in Ministry of Labour, Employment and Social Security, 22 November 2011, Buenos Aires.
[47] Author interview with Enrique Deibe, former Secretary of Employment, Ministry of Labour, Employment and Social Security, 22 November 2011.

In a similar vein, the government promoted productive sectors to expand jobs as Gabriel Martínez from the Ministry of Economy and Public Finance noted:

> One very important thing that you have to take into account is that the government has given a high priority to public investment. This has been a feature of the last seven years. A big investment, especially in the area of the road network, the water system, housing, and these sectors invigorate the economy and generate labour demand. [48]

According to Director of the CGE, Alfredo Álvarez de Toledo, an important change was promotion of a domestic industry that has the potential to create jobs:

> From 2003 the first steps began: while the government did not directly touch SMEs, there was a policy of containing the crisis through subsidies. They began to understand the need for strengthening the domestic market because the SMEs' produce in the domestic market and few export. These are the largest source of employment.[49]

7.2.3. Re-regulation of Labour Markets

The Kirchner government appealed to Peronist unions, which were in conflict with the *Alianza* government due to its attempts to implement labour flexibilization, by promising social dialogue and collective bargaining (Etchemendy and Collier, 2007:372). The Kirchner government emphasized social dialogue with labour unions and sought to reverse flexible measures to reduce casualization and informalization of labour markets (ILO, 2009:12). An important policy change was re-regulation of labour markets through promotion of formal employment. The Ministry initiated the *Plan Nacional de Regularización del Trabajo* and *Programa de Simplificación Registral* to promote registration in the formal sector and to detect unregistered work, subcontracting, and covert forms of atypical employment. These programmes aimed to sustain protection and job creation by targeting informal workers in the formal sector. Labour inspections were carried out jointly by the various agencies of the National Government and the labour authorities of provincial governments, with the intervention of the Federal Labour Board. A new registration scheme used a single procedure

[48] Author interview with Gabriel Martínez, Director de Evaluación Presupuestria Oficina Nacional de Presupuestos, Ministry of Economy and Public Finance of Argentina, 1 December 2011, Buenos Aires.
[49] Author interview with Alfredo Álvarez de Toledo, Secretary General of CGE, 3 November 2011, Buenos Aires.

to facilitate the registration process and control compliance with regulations to reduce informal jobs. Meanwhile, the Labour Law 25.877 of March 2004 provided a discount on social security contributions (equivalent to one third of the contributions) for twelve months for SMEs with up to 80 workers on condition that companies would hire and register workers. The Law provided a 50 per cent reduction and a wage subsidy of 150 pesos on condition that the companies would hire PJH beneficiaries (Madoery, 2011:22; Novick and Tomada, 2007:28; La Nación, 25 June 2004).

In 2005, the government issued the *Régimen Especial de Seguridad Social para Empleados del Servicio Doméstico* (Special Social Security Regime for Domestic Employees) that promoted registration of domestic workers through exemptions from social security for employers. Unemployed movements also signed public employment contracts (Bertranou *et al*., 2013:21-23). The cooperatives that did not directly work with the government were incorporated into the *Monotributo Social* scheme that sought to register cooperatives and integrate beneficiaries of these schemes into formal employment relationships (La Nación, 26 June 2004).

In 2004, the Labour Law also reversed flexible measures undertaken before the crisis that had led to polarisation of the relationship between the *Alianza* government and labour unions. The Law reversed previous flexibility measures: reduction of probationary periods from 6 to 3 months and re-establishment of severance payments (La Nación, 20 March 2004; La Nación, 16 July 2006). In addition, the government accepted industrial conflict through strikes and wage bargaining, unlike in the 1990s (Etchemendy and Garay, 2011). In order to protect salaries and enhance social dialogue, the Ministry of Labour re-initiated collective bargaining between labour unions and business. The Law promoted social dialogue through collective bargaining, which addressed not only wages but also working hours, contracts and social security (La Nación, 20 March 2004; La Nación, 16 July 2006). Furthermore, the government promoted the creation of a National Council for Employment, Productivity and Minimum Salary, in which the state re-initiated its intermediary role between representatives of workers and employers under the leadership of the Ministry of Labour and with participation of the Federal Employment Council. The Council was involved in discussions on social issues such as levels of unemployment insurance and the minimum wage (Cook and Bazler, 2013:27). Unlike depoliticised management of labour relations in the 1990s, these policies involve strong re-politicization via empowerment of workers, promotion of industrial activity, formality and protection of workers` rights under a collective umbrella (Cook and Bazler, 2013:5-9). There was a re-politicization of development around collective rights of labour unions to protect against market insecurities. As Gabriel Martínez from the Ministry of Economy and Public Finance put it:

> We still have the combination of how to stabilize the economy without lowering the growth because that is what allows incorporating population including sectors that have been excluded in recent years. Important steps were made to give importance to the establishment of the minimum wage and revitalization of the collective bargaining between unions and employers. Unionized sectors have most likely improved their purchasing power with respect to the low levels in 2003, but it is another story in the highly fragmented unregistered informal sector which of course does not have unions that defend wages. These have lagged behind surely, but they have also improved nonetheless. [50]

Re-activation of developmental practices through heterodox economic policies, active job programmes, collective bargaining, minimum wage policies and re-regulation of labour markets promoted industrial activity and formal and higher-quality employment and higher wages. As shown in Table 7.1, minimum wages continued to increase between 2003 and 2007. These policies also increased wages for the informal sector (Arceo *et al*., 2008:88; Lustig *et al*., 2013; Cornia, 2010:99). As shown in Table 7.2, urban unemployment dropped to 8.5 in 2007 (ECLAC, 2009a). Informal employment was reduced from 48.7 in 2003 to 42 per cent at the end of 2006. Formal employment increased 1.4 per cent between 2002 and 2003, 6.8 per cent between 2003 and 2004, 8.9 per cent between 2005 and 2006, and in 2006 7.7 per cent (Novick and Tomada, 2007:31-32).

[50] Author interview with Gabriel Martínez, Director de Evaluación Presupuestria Oficina Nacional de Presupuestos, Ministry of Economy and Public Finance of Argentina , 1 December 2011, Buenos Aires

Table 7.1: Minimum wages (ARS$)

		*Index
2003 July	250	125
Jan 04/Aug 04	350	175
Sep04/Apr05	450	225
July05/July06	630	315
Nov06/July07	800	400
Oct07/Nov07	960	480

Source: MTEySS (2012)

*Index: 1993:100

Table 7.2: Urban Unemployment (%)

	1995	2000	2005	2006	2007
	17.5	15.1	11.6	10.2	8.5

Source: ECLAC 2009a

The nature of unionisation, which promotes sectorial arrangements and acts as a cushion from subcontracting, also encouraged workers in small firms to participate in collective bargaining. 50 per cent of registered workers in the private sector participated in collective negotiations, while 85 per cent of urban registered workers negotiated wages until 2006. This allowed non-unionised workers to participate in collective bargaining who constituted 37 per cent of urban registered workers. Only 9 per cent of these negotiations were held at firm level. Furthermore, union membership density reached from 37 per cent in 2005 to 39.7 in 2007 (Cardoso and Gindin, 2009:34-46; Cook and Bazler, 2013:26).

7.2.4. Constraints of Labour Policies

One aspect of economic globalisation has been the increasing mobility of capital and technology at a global level which favours flexible production strategies and labour saving strategies (Weller, 2008:15-16). While labour saving technology reduces demand for workers, it does not offer jobs outside of the high skilled labour market (ECLAC, 2010b:51; ECLAC, 2011b:105-106). Another aspect of globalisation has been the widening skill gap, which sharpened traditional asymmetries between high productivity high-skilled sectors and low productivity low-skilled sectors. Changes propelled by liberalisation of trade, finance and foreign investment creates pressures on states and firms to adapt achieving technology upgrading, innovation and rationalisation of production in order to compete in local and global markets. In the region, skill-biased technological change favours large capital-intensive and natural resource-related sectors with low and medium labour intensity and high export concentration that have access to global sources of finance, technology and investment. Economic globalisation and concentration of exports and income sharpens the productivity gap between large firms that are globally-oriented and smaller firms that are predominantly oriented towards the domestic market and are leading sectors in creating jobs. This asymmetry in productivity creates disincentives for domestic manufacturing sectors with high labour intensity. Micro firms and SMEs face difficulties to compete locally and globally, they are exposed to unregulated flows of trade and capital lacking adequate ties with global capital, technology incorporation and credit. As a result, structural asymmetries between small and large firms persist, with the former experiencing low productivity, low wages, informality (both in formal and informal sector) and low social security provision, meaning that precariousness and job insecurity persists (ECLAC, 2010c:59; ILO, 2008:48-49; OECD/ECLAC, 2012:46-52).

Micro-enterprises (with 6-10 employees) and micro-establishments (with 2-5 employees) have very low levels of productivity and a historical tendency towards informality, often being oriented towards the domestic retail sector. However, informality is not unique to micro-enterprises. SMEs produce in retail, manufacturing, and construction, which have higher productivity although they still have low levels of job quality and productivity (ECLAC, 2011b:105-111; ILO, 2008:48-49). Concentration of exports and income and asymmetries in productivity continues to expose employment-oriented industries with few linkages to global capital to competition via unregulated global financial and trade markets. This poses difficulties, destabilising jobs and incomes and exerting pressures for informality. Meanwhile, skill-biased technological change favours labour in more dynamic and productive sectors such as manufacturing, finance, and telecommunications where highly skilled labour enjoys formal and more stable employment relations and higher wages (OECD/ECLAC, 2012:46-48). Hence, redefinition of the state`s role in economic management erodes traditional forms of welfare provisions of employment creation and protection under increasing primacy of markets to allocate resources. While the state`s welfare provision shifted towards protecting the poor and vulnerable against insecurities of market-oriented global integration, direct and indirect jobs act as protection of individual workers from the worst effects of informalization and job insecurity. Under exigencies of job insecurity and job scarcity, in countries such as in Argentina these policies were guided by conditions of employability, meeting market demand and targeting poorer strata of the society to prevent them falling into exclusion. This contrasted with previous forms of regulation to protect labour markets and expand public sector employment (Lo Vuolo, 2007:25-26).

In Argentina, economic strategies continued to prioritise large firms. Product specialisation is still predominantly natural resource-related industries, with reliance on comparative advantage, low value-added, and low labour intensity, with strong export orientation. The first percentile of large companies in capital-intensive and natural resource-related sectors dominates 70 per cent of exports (ECLAC, 2012b:102-106; Novick and Tomada, 2007:40). As shown in previous chapters, although regulatory policies led to promote the tradable sector and manufacturing production in SMEs, they still lack strong levels of modernization and incorporation of new technology and credit. In addition to asymmetries of productivity and technological change, concentration of production and assets in large firms increases their economic influence and heightens the gap in productivity (Kulfas, 2009:110-111). In Argentina, a reliance on comparative advantages based on natural resources and low value-added insertion into global production continued to destabilise job creation due to exposure to foreign competition. Despite increasing regulation in this area, Argentine industry faces competitive pressures through flows of low to higher value-added manufacturing imports, especially from China (Arceo *et al*., 2008:96). Furthermore, SMEs remain exposed to price hikes due to concentration of income and production in large firms which gained from high international prices of oil and agricultural commodities. Especially since mid-2007, price hikes have pressurised the exchange rate destabilising manufacturing producers` potential to create stable jobs (Campos *et al*., 2009:67-68; Kulfas, 2009:111).

Hence, while there was active promotion of job creation and protection, most of the direct jobs were created temporarily in low productivity sectors without providing adequate mobility towards higher skill sectors whereas skill training programmes mostly favoured workers in large private firms. Public works and support of self-employment were provided to mediate scarcity of jobs. Under the conditions of job insecurity and job scarcity, employability and low wages acted as selective mechanism to target the low income groups. Most beneficiaries accessed jobs in informal and low-skill intensive sectors such as construction, infrastructure or domestic service with low wages. These jobs function as targeting mechanisms that appeal to the unemployed and workers in the informal sector which offers low wages (ECLAC, 2009b:75-84; Novick and Tomada, 2007:31-32; Weller, 2008:35-36). Although job creation was a significant departure from jobless growth which prevailed in the 1990s, it was dependent on micro-enterprises and SMEs characterised by conditions of precariousness, informality and low productivity. In 2007, 25.3 per cent of total private employment was created in micro-establishments and micro-enterprises while 9.9 per cent was created in small-sized firms. Medium-sized firms contributed to 4.2 per cent of private employment whereas large firms contributed to 7.3 per cent of employment (Fraile, 2009:223; ILO, 2008:48-49; Novick and Tomada, 2007:31-32). Although the percentage of workers in low productivity was reduced from 42.3 per cent to 40.8 per cent in 2006, it still remained high (ECLAC, 2006c:120-129). Goldin (2009) argues, while the government promoted job creation and labour registration, the results of this policy were mixed as informality also continued to rise due to continuing structural dislocations in labour markets associated with market-led insertion to the global economy. While small-sized and micro firms contributed little to the formal employment, medium firms, which have lower labour intensity, hired more formal workers (ECLAC, 2006c:120). Furthermore, non-wage issues under collective conventions did not change the essence of flexibility in working hours and work organisation at firm level

(Cardoso and Gindin, 2009:38). For instance, wage modalities in individual contracts still remained. This allowed reductions in labour costs through deduction of wages when calculating social security contributions (Goldin, 2009:92). While the state subsidized wages through social plans, the rest of the wage was subject to wage modalities (La Nación, 6 January 2007). However, these flexible measures were accompanied with unemployment insurance and severance payments which acted as an obstruction, making firing more costly. Nevertheless, the coverage of unemployment insurance remained very limited and only 1 in 25 workers could access to the benefit in 2006 (Goldin, 2009:91-92). As shown in the tables below, job insecurity, low wages and informality prevailed especially in small-sized and micro firms. Furthermore, as shown in Table 7.10, the share of the manufacturing sector`s contribution to employment creation is declining.

Table 7.3: Unregistered labour according to the branch of economic activity (%)

	2003	2004	2005	2006	2007
Primary activities	65.2	58.9	53.9	40.4	26.7
Manufacturing industry	41.5	39.2	38.7	37.2	32.8
Construction	76.8	78.6	69.4	68.5	63.5
Domestic service	95.3	94.7	96.1	90.5	89.7

Source: MTEySS

Boletín de Estadísticas Laborales

Note: Data based on the fourth trimester of each year

Table 7.4: Unregistered labour according to the size of the firm (%)

	2003	2004	2005	2006	2007
Up to 5	81.7	82.3	82	79.9	75.6
6 and 40	44.8	44.8	40.8	34.9	33
More than 40	18.5	15.8	13.8	13.1	10.7

Source: MTEySS

Boletín de Estadísticas Laborales

Note: Data based on the fourth trimester of each year

Table 7.5: Net change in employment

	2003/04	2004/05	2005/06	2006/07
Creation of employment (thousands)	621	630	679	769
Firms opening	169	148	179	184
Firms expanding jobs	451	482	500	585
Destruction of employment (thousands)	229	270	334	384
Firms closed	65	90	120	154
Firms contracting jobs	165	180	215	230
Net change (thousands)	447	411	354	387

Source: MTEySS (2012)

Table 7.6: Net change in employment according to the size of the firm (%)

	2003/04	2004/05	2005/06	2006/07
Medium sized firms (net change in jobs)	12	10	7.5	7.2
Job creation	15.6	14.6	14.1	14.3
Job destruction	5	5.6	6.7	7.1
Small sized firms (net change in jobs)	14.1	12.3	9.3	7.6
Job creation	21.3	20.2	19.7	19
Job destruction	8.7	9.3	10.5	11.3
Micro-sized firms (net change in jobs)	25.8	15.1	12.5	9.4
Job creation	40.5	32.4	32.5	30.9
Job destruction	16.2	18.3	20.2	21.6
Large sized firms (net change in jobs)	8.6	8.6	7	8.8
Job creation	10.4	10.4	10.5	12.8
Job destruction	3.5	3.2	3.8	4.1

Source: MTEySS (2012)

Table 7.7: Wages according to registration (ARS$)

	2004	2005	2006	2007
Registered	889	1,096	1,337	1,659
Unregistered	432	496	603	742

Source: MTEySS

Boletín de Estadísticas Laborales

Notes:

1. Average income of employed workers
2. Data based on the fourth trimester of each year

Table 7.8: Wages according to the size of the firm (ARS$)

	2004	2005	2006	2007
0-5	534	648	767	1,005
0-40	760	947	1,219	1,431
40-	1,011	1,179	1,485	1,887

Source: MTEySS

Boletín de Estadísticas Laborales

Notes:

1. Average income of employed workers
2. Data based on the fourth trimester of each year

Table 7.9: Wages according to skill formation (ARS$)

	2004	2005	2006	2007
Professional	1,574	1,882	2,446	2,598
Technicians	903	1,081	1,335	1,719
Operative	619	773	977	1,262
Without qualification	354	448	538	682

Source: MTEySS

Boletín de Estadísticas Laborales

Notes:

1. Average income of employed workers
2. Data based on the fourth trimester of each year

Table 7.10: Percentage of contribution to job creation according to economic activity

	2002/06	2005/06	2007
Manufacturing industry	29.4	21.5	21.5
Construction	15.3	17.2	11.2
Financial services	15.1	22.1	29.5
Commercial services	17.6	15.5	14.6

Source: MTEySS (2006, 2007)

7.3. Conclusion

This chapter explored labour market policy responses to the financial crisis of 2001/2002, which led to a rethinking of neoliberal strategies in Argentina that had failed to promote employment, and widened informal and precarious forms of working conditions. Especially, the Kirchner government emphasized its priority to incorporate new workers in the labour markets. The government appealed to labour unions and unemployed workers re-incorporating their demands of employment and job quality and security. Public works, support of micro enterprises via subsidies to access technology and capital, and skill training policies represented greater levels of protection and regulation unlike the free market fundamentalism in the 1990s. In a similar vein, the Kirchner government promoted active intervention in the economy and labour markets appealing to traditional Peronist constituencies. These policies included the reversal of some elements of flexibility, including promotion of formality, revival of collective bargaining and departure from unfettered liberalisation that supported the domestic economy and the tradable sector with labour intensity. However, these policies were constrained under integration to market-led global capitalism.

CHAPTER 8. CONCLUSION

In this thesis, I examined policy responses to the financial crisis of 2001-2002 in Argentina and whether they constituted a coherent shift from neoliberalism to neo-developmentalism in Argentina. The existing literature in the wider Latin American context explained Argentina`s post-crisis political economy from a conceptual perspective, which emphasized the return of old developmental ideas in an attempt to recover state`s authority in social and economic governance, marking a distinct break from neoliberalism which had dominated the Argentine political economy in the 1990s. As I suggested in the literature review conceptualization of the resurgence of the Left and post-neoliberalism involved imprecise definitions about what type of state formation emerged to respond to the challenges of global competitiveness. In a constructive engagement with the debate, I proposed that the "new developmentalism" concept can contribute to the understandings of post-neoliberalism and the rise of the New Left in Argentina. This conceptualization offers a more nuanced approach to a post-neoliberal or neo-developmental project in Argentina which does not constitute a wholesale break from neoliberalism or a return to old developmentalism. It was suggested that post-neoliberalism can be best understood as a complex and dynamic process that entails the re-inventing of developmental practices, not in a rejection of primacy of markets as efficient institutions, those are in globalising and liberalising nature.

Empirically, I investigated four areas of policy-making to analyse whether there was a coherent shift from neoliberalism to neo-developmentalism in Argentina between 2002 and 2007 in comparison with the neoliberal policies of the Menem government between 1989 and 1999. As I suggested in the background chapter, "stateless markets" in Argentina revealed dangers of dismantling previous social and political arrangements given the destabilising effects of unregulated global markets. Empirical findings of the case studies show that instead of a whole departure from neoliberalism, there was a shift from neoliberalism towards neo-developmentalism between 2002 and 2007 in Argentina that maintains core principles of a more market-led and globally-oriented strategy in the context of low tariffs (e.g. zero rate for importing capital goods), FDI liberalization, various import duty exemptions, income tax breaks, and monetary and fiscal tightening via quantitative targets, fiscal stabilization funds, and reserve accumulation to access capital mobility and free trade.

Empirical findings suggest there was a departure from orthodox understanding of neoliberalism in Argentina towards re-interpreting previous forms of social and political arrangements such as the principles of collective action, the regulatory and welfare role of the state, and the state`s strategic role in industrial transformation based on classical elements of Peronism. Although domestic politics played a role in the unfolding of the shift from neoliberalism to new developmentalism in Argentina, findings suggest that Argentina`s strategies to compete in the global economy played a role in the unfolding of the post-crisis political economy. The next section of this conclusion will summarize the review of the literature, pointing out that it frames post-neoliberalism and the rise of the New Left in an unclear manner. The section will be followed by an analysis of empirical findings of the thesis through the lens of new developmentalism.

8.1. Problematizing the approaches to the New Left: Towards a "New" approach to Neo-developmentalism

The resurgence of the Left marked a revival of the progressive agenda of the classical Left which was characterized by "redistribution of wealth through progressive taxation, structural reforms (such as agrarian reform), the expansion of welfare services, the protection and expansion of workers' rights, a strong participation of the state in the process of industrialization and hostility to foreign capital" (Panizza, 2005:726). As Heidrich and Tussie (2009) argued the Left is different from its counterparts in the past owing to its learning process from neoliberalism which entailed a transformation of state and market relationship. Beyond simply a return to old politics of the Left, the process of learning from neoliberalism created a positive and negative consensus about the role of the state in the economy:

> The outcome was the translation of lessons learned into new economic conditions and a new climate of opinion composed, on one hand, of a positive consensus from the experiences in local government about the need to step up public investment in health and education, to bring the state back in to coordinate the provision of physical infrastructure and energy and other measures assisting the overall competitiveness of the economy; and, on the other, of a negative consensus derived from the critique of neoliberalism, including a moratorium on privatizations, stricter regulation of private monopolies, and a halt to further unilateral trade liberalization (Heidrich and Tussie, 2009:39).

As a result, Heidrich and Tussie concluded that "all told, if we are to point the single coincidence in this diversity, there is a very significant one: the search for a new social contract and the emergence of a pragmatic belief in a role for state management combined with prudent macroeconomics" (Heidrich and Tussie, 2009:52). Furthermore, economic policy constraints should be taken into account to have a more clear understanding of this phenomenon. As Heidrich and Tussie put it:

> A return to protectionist predecessors is not noticeable, but especially the fiscal and monetary policies espoused by newly elected governments show a strong awareness that despite the current bonanza of high commodity prices, volatile world markets can only be ignored at their own peril (Heidrich and Tussie, 2009:52).

Other scholars mentioned the emergence of a new consensus embodied as post-neoliberalism in the region. This was crystallized around assigning the state a new and dynamic role to lead and regulate markets, drive industrialization and enhance social equality, without rejection of integration into a more liberal global economy (Grugel and Riggirozzi, 2009; MacDonald and Ruckert, 2009). As Grugel and Riggirozzi (2012) stated, as a political and economic project, post-neoliberalism marked the emergence of a new and active role for the state:

> The set of *political aspirations* centred on 'reclaiming' the authority of the state to oversee the construction of a new social consensus and approach to welfare, and the body of *economic policies* that seeks to enhance or 'rebuild' the capacity of the state to manage the market and the export economy in ways that not only ensure growth but are also responsive to social need and citizenship demands (Grugel and Riggirozzi, 2012:2).

Grugel and Riggirozzi (2009) emphasized that the New Left governments do not reject market-oriented growth as they acknowledged the need to stimulate local and foreign private investment and promote exports (Grugel and Riggirozzi, 2009). Therefore, Grugel and Riggirozzi (2012) argued that the distinction between post-neoliberalism and neoliberalism should not be overstated. They argued that the New Left parties in power acted rather pragmatically under a more liberal global economy:

> Yet in practice, post-neoliberal governments have tended to be perhaps surprisingly pragmatic, especially in so far as the economy is concerned, where policies work with the grain of a liberalized global economy. The contrast between neoliberalism and post-

> neoliberal growth strategies, in other words, is there; but it should not be drawn too starkly. In the end, the biggest difference lies in government attitudes to the poor and discourses of citizenship rather than economic management as such (Grugel and Riggirozzi, 2012:5-6).

In this context, due to challenges of integration into a more market-driven and liberal global economy, Grugel and Riggirozzi concluded that it was not clear whether post-neoliberalism constituted a coherent alternative neoliberalism:

> As a result of these constraints, *neo-desarrollismo* embodies a series of latent tensions, including a lack of clarity about the boundaries of state intervention within the economy and the appropriate relationship between the state and foreign capital. How to combine a proactive state with an economy reliant on foreign investment and vulnerable to fluctuations in external demands, and how to promote a social inclusion agenda in a situation where citizenship has been separated from concepts of social rights and universal welfare also remain unanswered questions (Grugel and Riggirozzi, 2007:101).

Some scholars devoted analysis of the multiple and diverse nature of New Left projects owing to their level of social mobilization and party organisation (Levitsky and Roberts, 2011; Rodríguez-Garavito *et al.*, 2008). While neoliberalism was marked by private-led social security and provision for only basic needs, the New Left governments direct state resources towards redistributive goals. Left governments engaged in more expansive social policies such as targeted conditional cash transfers that meet the housing, education, health and dietary needs of the poor (Levitsky and Roberts, 2011:22-23). Accordingly, Levitsky and Roberts argued that "although not all New Left governments in Latin America abandoned macroeconomic orthodoxy, all of them broke with neoliberalism and embraced redistributive social policies" (Levitsky and Roberts, 2011:22). Meanwhile, although the New Left governments shared the common view of assigning the state a more dynamic and regulatory role, they differed in their attempt to search alternatives to free market fundamentalism: "Although all of them are committed to a more equitable growth model, some are more willing than others, to break with neoliberal orthodoxy, by using state power to regulate markets, alter property relations, and redistributive income" (Levitsky and Roberts, 2011:3-4).

As this brief literature showed, although the literature much emphasized the state`s renewed role, to deliver growth and respond to popular demands from below, the vast literature vaguely defined what type of regulatory tools were designed in order to respond to the challenges of integration into the market-oriented global capitalism (Kirby; 2010:2-10). As it was shown in the literature review of this thesis, the New Left or post-neoliberal projects were often defined vaguely which was motivated by pragmatic concerns of policy elite to integrate with global economy. In order to address these unclear definitions of the resurgence of the Left and post-neoliberal projects in the region, I adopted conceptualization of "new developmentalism" offered by Bresser-Pereira in 2003. New developmentalism offers a more nuanced and complex approach to post-neoliberalism or neo-developmentalism, showing compatibility between neoliberalism and old developmentalism. Consequently, post-neoliberalism does not mark a wholly distinct break away from neoliberalism or a return to old developmentalism. It assigns the state an important role in development but not a principal one to participate directly in investment and production. Meanwhile, it does not agree with the neoliberal view that markets are self-regulating or state and its politicised forms of intervention is irrelevant due to processes of economic globalisation. Consequently, this concept offers a more clear understanding of post-neoliberalism which can be seen as a "re-interpretation" of developmental practices to guide and regulate markets, whilst recognising the markets as efficient institutions.

Before undertaking this re-conceptualization of new developmentalism, I define neoliberalism. Neoliberalism can be defined as "a theory of political economic practices that proposes human wellbeing can be best advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterised by strong private property rights, free markets, and free trade" (Harvey, 2007:2). Neoliberalism was not only an attack on the interventionism of developmental and Keynesian states; it also rested on a rejection of the institutional foundations of developmental and Keynesian states, thereby constituting a transformation in state–market relations. Hence, neoliberalism rests on a critique of statism and politics, which are seen as driven by self-interested individuals. Hence, neoliberalism shifts the burden of welfare from the state to the markets, individuals and labour. Furthermore, monetarism was a political attack on the Keynesian state and its welfarism. Price stability was a political strategy to separate politics and the economy in order to manage economic matters on a solely technical basis. In this context, collective action and the politicised nature of Keynesianism – with its corporate bargaining, union activism and full employment – was seen as a political threat. This neoliberal critique was extended to the developing countries. Import-substitution industrialisation based on capital formation, subsidisation, and protection were seen as over-politicised and subject to rent-seeking based on the promotion of uncompetitive industries (Payne and Phillips, 2010).

Furthermore, neoliberalism was not solely concerned with internal reform, but it was a political and economic project to enhance structural power of global capital (Gill, 1995:404; Payne and Phillips, 2010:91-93). For instance, neoliberal ideas were impelled by the integration of financial markets and gained ascendancy to prioritise capital as money over production (Gamble, 2001:131). Therefore, neoliberalism rested on a distinct emphasis in integration into the global economy, by suggesting that freeing the markets and setting appropriate economic criteria would create trickle down effects as markets were seen as purely neutral and rational (Phillips, 2004:61-64). Hence, instead of the state, neoliberalism favoured the removing obstacles to the capital, and empowering the capital and private entrepreneurship as a key mechanism to allocate resources and welfare. This required establishment of an appropriate environment for competition and private entrepreneurship via liberalisation and deregulation, flexibilization of labour markets, adequate taxation, and sound money criteria to access capital mobility. Furthermore, neoliberalism encouraged free trade based on comparative advantage for technology exchange and export diversification (Gamble, 2001:131-132; Payne and Phillips, 2010:92-95).

In this context, despite allowing for the primacy of markets and individual entrepreneurship, what distinguishes new developmentalism from neoliberalism is its rejection of rejects of free market dogmatism, universalism and pessimism about the collective action and political and social foundations of the developmental state: a strategic role in industrial growth, welfare and collective ties with labour unions and business (Bresser-Pereira, 2006). It rejects the notion that only firms can be competitive; states also compete in the global economy. Furthermore, new developmentalism does not see the state-market relationship as a zero-sum game. New developmentalism rejects that markets are pure and self-regulating, but it recognises that they are institutions that are socially and politically embedded as a “historically situated economic system reflecting technological change and political struggles through which ideologies and institutions are experienced and modified” (Bresser-Pereira, 2012:22). In this view, the no-alternative rhetoric of neoliberalism, capital mobility rendering states` autonomy and local models of capitalism obsolete, is not plausible. Strong markets entail strong states, and markets are socially and politically embedded institutions that are guided by states. Market-oriented growth does not render obsolete the state`s guiding role in industrial policy, nor its regulatory and welfare provisions embodied in collective forms of politics (Bresser-Pereira, 2008:557-562; Bresser-Pereira, 2009:17-19; Bresser-Pereira, 2012:23).

However, new developmentalism does not mean a return to old developmentalism, but it re-invents old developmental and statist principles in more complex ways, as part of a more market-led and globally-oriented strategy (Bresser-Pereira and Theuer, 2012:4). Although new developmentalism shares tenets of old developmentalism, it does not reject the notion of competition and acknowledges efficiency gains of markets. It does not assign the state centrality of participation in investment and production, but it requires a state that creates incentives to compete in global markets, corrects market imperfections and reduces social and economic inequalities (Bresser-Pereira, 2006:103-114; Bresser-Pereira, 2009:11-23; Bresser-Pereira and Theuer, 2012:19). For instance, new developmentalism rejects trickle down effects of unilateral trade liberalisation. However, unlike old developmentalism, it does not pursue protectionism and seeks to upgrade technology from global markets. As old forms of protection from imports are constrained under binding trade agreements, it may rely on mechanisms such as export taxes to promote the technology upgrading of industry towards higher value added products, thereby surpassing free market fundamentalism. It seeks private competitiveness and embraces foreign investment. Its novel developmentalism requires new practices to enable and restrict markets given their increasing primacy in resource allocation. For instance, states may intervene to mediate monopolistic abuse of markets, provide infrastructure where monopoly firms do not invest or provide incentives to attract FDI for the domestic market (Bresser-Pereira, 2006:112; Bresser-Pereira, 2009:19-20).

New developmentalism does not directly promote deficit-driven industrialisation as the old developmentalism did, instead it ensures macro-stability to promote the global competitiveness of the private sector. In doing so, it uses price stability and sound macro fundamentals to enable the private sector to access capital and new technologies from global markets. However, it does not pursue pure economic goals to achieve stability and efficiency. It is new developmental in the sense that it uses counter-cyclical policies and strengthens state capacity to mitigate destabilising effects of volatile capital inflows and sudden capital outflows, also ensuring industrial competitiveness and meeting employment targets (Bresser-Pereira, 2009:14-15). Furthermore, new developmentalism rejects enforcing precarious conditions for labour. Instead, it seeks to reduce social inequality, investing in social spending and promoting higher wages (Bresser-Pereira, 2006:118; Bresser-Pereira, 2009:22).

The next part will evaluate the background of the Argentine political economy in the context of transition from developmentalism to neoliberalism. It will analyse the nature of the financial crisis in Argentina as a critical juncture to give insights into the implications of the financial crisis of 2001-2002 on the transition from neoliberalism to neo-developmentalism between 2002 and 2007. It was suggested that Argentina`s neoliberalism was characterised by the drastic dismantling of previous forms of regulatory and welfare mechanisms and free market fundamentalism to achieve access to global capital mobility and free trade.

8.2. Understanding the Financial Crisis of 2001-2002

As argued in the third chapter, adhesion to neoliberal orthodoxy provoked the financial crisis of 2001/2002, which constituted a critical juncture that exposed Argentina to the negative effects of a globalised economy and created severe social and economic dislocations. The reform path was strongly driven by dismantling previous developmental schemes, establishment of appropriate orthodox economic criteria to signal credibility vis-à-vis foreign capital. The Convertibility Plan in 1991, which was designed as the key mechanism for neoliberal transformation by the Menem government, rested on the trickle down effects of unfettered capital mobility in which the state`s role was to limited to sustain the exchange rate. The Regime tied the peso to the dollar to signal credibility vis-à-vis foreign capital which constituted essential pillar of trade liberalisation, privatisation and financial deregulation to attract capital flows, upgrade technology and access free trade (Philips, 2004). In this context, Argentina`s path was highly driven by the economic interests and orthodox faith in trickle down effects of global markets. Although hyperinflationary processes, exigencies of global competitiveness and the IFIs` ideological influence and conditionality played a role in embracing an orthodox path, Argentina`s path-dependent domestic politics, and institutions should be taken into account. Hence, neoliberalism was not externally induced and did not represent solely dismantling the state.

First, Menem built alliances with large capital-intensive business such as steel and cars which had previously enjoyed protection under the ISI regime and engaged in the promotion of compensations through privatisations and special trade regime (Panizza, 2009). Furthermore, Menem built new alliances with TNCs, foreign banks and the agriculture business that favour liberalisation and have strong ties with foreign capital (Teichman, 2002). Second, Menem used the urgency of controlling inflation to neutralise Peronist unions. Peronist labour unions are one of the most conflictive labour unions in the region and acted as powerful actors to block the military regime and the Alfonsín government`s attempts to implement neoliberal reforms (Philips, 1998). Menem, a Peronist, used his labour party`s populist ground to appeal to the unions, whereas he followed a divisive and depoliticising strategy to redefine the relationship between capital and labour. In line with new alliances with large capital and TNCs, Menem implemented drastic flexibility reforms in labour markets to achieve global competitiveness that shifted the burden of welfare to the individuals and labour unions (Phillips, 2004). However, Menem did not pursue these strategies in isolation from the labour unions. He entered into complex negotiations with organised labour and provided concessions in exchange for deregulation in other areas of labour markets, for instance, for workers in SMEs (Madrid, 2003).

Following an orthodox strategy based on depoliticization of economic policy-making and dismantling previous forms of political and social settings, key dislocations were revealed in four main areas: finance, trade, investment and labour market policy. It is argued that the unfolding of the crisis was embedded in both domestic and external factors. The crisis which revealed sudden costs of economic globalisation heightened Argentina`s domestic vulnerabilities. As argued in Chapter 4, Argentina opted for unfettered financial deregulation and liberalisation accompanied by a rigid currency regime in which monetary expansion rested explicitly on the flows of foreign capital enjoying the interest rate differentials between local and international rates. Its orthodox strategy functioned at the expense of industrial competitiveness and invoked a reliance on foreign capital to access capital mobility. The rigid currency regime meant that Argentina did not have regulatory options to manage the destabilising effects of capital flows, thereby resorting to fiscal and monetary tightening (Starr, 1997; Teichman, 2002). In Argentina, the effects of external shocks in the late 1990s were felt on the production side. For instance, Argentina`s dependence on its main trade partner Brazil` stability was sharpened when Brazil devalued its currency in 1999 and thereby played a crucial role in weakening Argentina`s industrial competitiveness. Moreover, capital volatility exacerbated Argentina`s overvaluation and limited Argentina`s options to manage external shocks, thereby undermining its credibility (Pastor and Wise, 2001; Perry and Servén, 2003).

As argued in Chapter 5, Argentina pursued unilateral liberalisation driven by pure economic interests to gain access to free trade and technological upgrading. Argentina`s trade strategies were driven by comparative advantages in agricultural commodities. In a similar vein, Argentina`s trade strategies in MERCOSUR and multilateral agreements were shaped by unilateral tariff reductions by seeking access to agricultural markets (Chudnovsky *et al*., 2000;

Ernst, 2005:15-18). Argentina`s weakness was a lack of diversification in its trade strategy, weak bargaining in multilateral negotiations and promotion of technology upgrading via an overvalued currency and unfettered import liberalisation, thereby dismantling old forms of vertical integration to a global economy (ECLAC, 1998; Pastor and Wise, 1999a). The result was increasing vulnerability of domestic-facing industries to global competition (Reinhardt and Peres, 2000). A series of external factors – such as deteriorating terms of trade, overvaluation of the currency and a protectionist bias in developed countries – increased Argentina`s vulnerabilities. Furthermore, the institutional weakness of MERCOSUR and divergent interests played a role in stagnating Argentina`s exports in the late 1990s (Chudnovsky and López, 2007).

In Chapter 6, it was argued that Argentina`s investment strategies in the 1990s were shaped by its dismantling of the state's role in industrial policy and planning, and pursuit of pure economic interests based on the trickle down effects of global markets (Bugna and Porta, 2007). This involved a dismantling of previous developmental practices via cuts in subsidies, privatisations, deregulation and FDI liberalisation to achieve efficiency and competitiveness. Meanwhile, privatisations of utilities were also motivated by short-term interests: to increase revenues and provide credibility (Teubal, 2004). FDI was directed towards privatization of natural resources and telecommunications and came into low value-added sectors like food, rubber, chemicals and plastics, mainly connected to natural resources. This increased the power of large firms and TNCs in natural resources and services, which had few connections to the domestic economy and employment. While the FDI prevailed, Argentina lacked adequate regulation, exposing it to rent-seeking and its reliance on natural resources and services as a source of growth favoured the non-tradable sector over tradable goods and crowded out manufacturing goods and domestic-facing SMEs (Chudnovsky and López, 2007; Stallings and Peres, 2000).

Finally, in Chapter 7, I argued that Argentina maintained a highly orthodox path in the 1990s in the area of labour policy. Menem, against his party tradition, pursued drastic flexibilization and suppressed the collective rights of labour unions which were seen as a political and economic obstacle to the establishment of global competitiveness. The Menem government drastically redefined the capital and labour relationship in favour of the former through institutional reforms such as suppression of corporate bargaining and industrial strikes, promotion of temporary contracts and removal of severance payment and social security contributions (Cook, 2002; Patroni, 2001). At the economic level, Menem`s autopilot economic strategies to insert into the global economy exposed locally-oriented producers to unfettered competition at a local and global sphere. Furthermore, he attempted to incorporate new technology without creating linkages to SMEs. These economic dislocations sharpened the traditional skill gap in the labour market and led to huge social dislocations in the form of informalization, unemployment and wage decline and tensions between the party and Peronist constituencies (Phillips, 2004; Stalling and Peres, 2000). Instead, Menem relied on neoliberal safety nets based on the provision of food aid for the very poor (Pastor and Wise, 2003).

8.3. From Neoliberalism to Neo-developmentalism in Argentina (2002-2007)

As argued in the financial regulation chapter, a shift from neoliberalism to new developmentalism in Argentina emerged in response to the socially and politically disastrous effects of free market fundamentalism under negative workings of the global economy, which became clear with the unfolding of the financial crisis of 2001/2002. The findings of the financial policy show that post-crisis financial regulation policies in Argentina did not represent a wholly distinct break from neoliberalism. There was not a return to old developmentalism which assigns the state a central role in investment and production. Instead, the findings show that there was a shift from neoliberalism to neo-developmentalism in the form of re-empowering the state to regulate and guide markets, albeit not rejecting efficiency gains of markets. This refers to a new type of state activism to ensure a sound and liberal environment to enable private enterprises to access finance and technology via global markets driven by the needs of credibility, albeit rejecting the orthodoxy that markets are self-regulating. Credibility and price stability was pursued through re-activation of developmental practices to mitigate the destabilising effects of volatile mobile capital flows and promote a stable environment for investment and technology upgrading for tradable goods. The Duhalde and Kirchner governments accumulated reserves via foreign exchange controls, activated the Central Bank`s a lender of last resort function, and enforced banking regulation to promote the state’s sovereign right to protect from speculative capital flows and promote industrial goals (BCRA, 2004a; Frenkel and Rapetti, 2008; Ocampo, 2009). Foreign exchange controls and reserve accumulation acted as a cushion for fluctuations in currency, protecting the peso in the event of capital volatility and sudden retreat of external capital, unlike the rigidity of the

Convertibility Plan that had prevailed in the 1990s (Ocampo and Vos, 2008). Banking regulation and acting as a lender of last resort provided cushion from an illiquidity crisis and reduced banking sector`s vulnerability to exchange rate and interest rate movements (BCRA, 2004a).

Breaking with financial orthodoxy, the findings of this thesis show that there was a shift from neoliberalism towards new developmentalism to combine stability with domestic industrial and employment goals. In effect, re-inventing regulatory mechanisms allowed some degree of flexibility to pursue exchange rate, monetary and fiscal policies that supports export competitiveness of tradable goods and domestic production (Ocampo, 2009). Despite maintaining a degree of currency appreciation via a floating exchange regime, both governments intervened in foreign exchange markets to reduce excessive currency appreciation. Both governments promoted flexible monetary policies that allowed a reduction in cash requirements, negative real interests and credit allocation for the domestic industry and consumption. As a result, an important aspect of new developmentalism was re-inventing regulatory practices which enabled lowering the costs of borrowing and to encourage more stable sources of investment for tradable goods. A counter-cyclical exchange rate and monetary policy enabled a degree of flexibility in fiscal policy making, encouraging provision of export and industrial incentives (Jeanneau and Tovar, 2008; Ministerio Economía y Producción, 2004a; Ocampo, 2009). Another aspect of new developmentalism was prioritisation of domestic commitments that sought to gain policy autonomy from the IMF and restructure public debt on more favourable terms. This new state activism permitted reducing interest costs of debt service, mitigating external vulnerability and achieving fiscal flexibility (Bustillo and Velloso, 2013; ECLAC, 2012a).

The results of this thesis suggests that although there were robust renewed developmental practices to gain a degree of policy autonomy to promote industrial goals, state activism was constrained under the exigencies of integration to the global economy. Although Argentina`s reliance on foreign capital and technology entails conformity with the core of sound macro-economic fundamentals, financial speculation and an exit option of mobile asset holders exerting constraints on autonomous monetary and fiscal policies. As financial crises showed, short-term speculative capital flows create financial volatility, and having the option to exit they threaten local economies leading illiquidity crises, loss of reserves and attack on currencies (UNCTAD, 2012). This entails maintenance of sound macro-economic fundamentals such as reserve accumulation, stable prices and exchange rates, transparent management of the debt, and monetary and fiscal discipline to restore confidence (Leiras, 2007; UNCTAD, 2013a). Unlike the free market fundamentalism of neoliberalism, the governments opted to recover the state`s regulatory and fiscal capacity to make the debt payment and restore stability and confidence (Frenkel and Rapetti, 2008). Yet, to make debt payments, interest payments, and mitigate financial volatility, both Duhalde and Kirchner governments maintained fiscal and monetary targets to achieve credibility. Especially after 2005, financial volatility and debt repayments prompted the Kirchner government to resort to further reserve accumulation, monetary tightening via sterilisation of inflationary impact of reserve accumulation, fiscal tightening via fiscal rules on debt, building stabilization funds, and achievement of fiscal surpluses (ECLAC, 2007a; ECLAC, 2011a). According to the UNCTAD (2013a) although these policies restore financial stability and confidence, they constrain expenditure on social welfare and real economy. In Argentina, the results of this thesis show that financial credit to the private sector remained similar to the levels of the 1990s with an average below 40 per cent. Furthermore, the social spending/GDP ratio has not change much despite increased levels compared to the 1990s (Agnoli and Vilán, 2008:22; ECLAC, 2010c).

As shown in the trade policy chapter, there was a shift from neoliberalism to neo-developmentalism rethinking of the costs of unfettered trade liberalisation, leading to a strategic role in industrial policy, and a will to rebuild state capacity to promote higher value-added exports. This, however, did not mean a return to old developmentalism based on vertical integration to the global economy to expand and protect domestic industry. The findings of this chapter show that post-neoliberalism was more nuanced and complex, that there was no rejection of efficiency gains of global markets and promotion of private entrepreneurship. Unlike old developmentalism, the Kirchner government`s policies sought to enable an efficient export sector to increase its potential to compete in global markets, thereby ensuring a liberal and transparent framework to access efficiency. New state activism was characterised by a guiding role for the state to expand trading markets and product diversification via technology upgrading in global markets to ensure competitiveness (Boschi and Gaitán, 2009a; Peres, 2006). The findings suggest that this was embedded within a strong export-orientation and trade liberalisation to enable efficient firms that have potential to enter new markets and make intensive use of foreign technology. This meant a strong economic liberal orientation since Argentina`s competitive strategies were shaped by a reliance on foreign technology and primarily promotion of comparative advantages of commodities and its related goods with greater potential to expand new markets (Azpiazu and Schorr, 2010). Even sectorial policies that aim to enhance the efficiency of industrial sectors targeted selected capital-intensive industries such as automobile and knowledge-intensive sectors, thereby mostly relying on horizontal incentives to ensure technology upgrading in global markets (Peres, 2006). The Kirchner government pursued capital goods liberalisation at zero rates to lower the costs of imports, thereby responding to the demands of capital-intensive export-oriented firms that face competitive pressures. This did not entail a return to economism and pure faith in markets that the Kirchner government provided such as tax incentives for the purchase of locally produced capital goods to protect domestic producers (Página/12, 27 July 2004).

Hence, contrary to pure market dogmatism, the findings of this thesis suggest that that the Duhalde and Kirchner governments tailored trade liberalisation to national priorities in a rethink of the costs and benefits of integration to the global economy. Another characteristic of renewed state activism was promotion of tax incentives such as exemptions from import duty and VAT to ensure exports competitiveness and technology upgrading in global markets. Although tax incentives go beyond the neoliberal orthodoxy that assumes the state`s guiding role industrial policy is irrelevant, they are not direct subsidies. They are horizontal incentives to induce imports of capital goods in global markets, reducing the organisational costs of efficient firms to export (ECLAC, 1999b; Peres, 2006). For instance, responding to competitive pressures among MERCOSUR members, Argentina promoted a free trade zone to develop knowledge-intensive sectors within MERCOSUR which provided generous import duty exemptions to ensure export competitiveness and attract foreign investors (La Nación, 27 December 2006).

Another aspect of new developmentalism was the activation of old forms of regulation, albeit not directly protectionist, to promote the local manufacturing sector, tradable exports and diversify export structure towards higher value-added goods. Old style developmental practices were re-invented via tariff and non-tariff barriers to protect local producers from uneven import flows, albeit under binding constraints of preferential, bilateral and multilateral agreements (Bouzas, 2007; Peres, 2006). In effect, as Cornia (2010) argued the Kirchner government mostly resorted to the exchange rate mechanism to provide a degree of protection for local industry, maintaining a liberal trade regime. Moreover, export duties represented a reformed developmental activism to re-allocate resources in favour of competitiveness of the industrial sector. In a clear break from free market fundamentalism, these policies sought to promote labour-intensive local industrial sectors and tradable goods with higher value-added goods. Export duties were redefined taking into account the costs of rent-seeking activity of primary goods such as soybean and oil where concentration of income and production prevails to re-allocate resources and prices in favour domestic industry (Ortiz, 2008; UNCTAD, 2007a). However, in Argentina where foreign firms account for more than half of the production, domestic-facing SMEs continue to be exposed to price movements of large firms which had high profits from the commodity boom in the 2000s (Kulfas, 2009). SMEs in labour-intensive industries and engineering activities still lack adequate technological modernization and do not show strong participation in exports structure (Fundación Observatorio PyME, 2006). Furthermore, despite some degree of diversification of exports towards medium to high technology goods, Argentina`s trade structure is still primarily oriented towards promotion of low value added natural resource related large industries and TNCs (Bugna and Porta, 2007; CEP, 2009). While Argentina exports primary goods and its related industries, its structure of imports is characterised by higher value-added industrial goods. This creates challenges for industrial competitiveness as new technological changes in the global economy intensified competition among states based on knowledge and technology. Hence, despite a degree of protection, Argentina`s external weakness continued in the form of a surge of imports and a low degree of diversification which threatens competitiveness of industry (Rivas and Stumpo, 2013:55-56).

Another area of departure from autopilot strategies was re-activation of regional cooperation, promoting policy harmonisation and productive integration within MERCOSUR and defining common goals with MERCOSUR to enhance negotiation capacity in multilateral and preferential trade agreements. There was also increasing promotion of regional cooperation to increase the negotiating capacity in preferential and multilateral agreements both to seek better access to agricultural products and to defend protection of industrial goods. In order to promote the common goals of enhancing regional trade and integration of productive sectors, the Kirchner government supported the creation of voluntary agreements with Brazil and the establishment of institutional mechanisms to deal with trade asymmetries. Furthermore, the government revived a common automobile policy with Brazil to promote productive integration alongside commercial integration. Nevertheless, although unfettered competition based solely on tariff liberalisation, which prevailed in the 1990s, was replaced by some elements of cooperation, it is argued that these policies did not have a developmental potential towards rebuilding collective action to promote industrial competitiveness among members. Instead, competing understandings of MERCOSUR, lack of policy harmonisation and special treatment of local tariffs especially in capital goods prevailed. Regional cooperation was often incoherent and it was limited to informal short-term agreements between the two largest members, Argentina and Brazil, characterised by bilateral and unilateral protectionist mechanisms (Bouzas, 2007; IDB/INTAL, 2007). Although the regional bloc promoted the manufacturing of automobiles, an asymmetric relationship between Argentina and Brazil prevailed. While Argentina`s manufacturing sector loses its share in Brazil`s trade structure (mainly to China), Brazil increased its exports of high value-added goods especially capital goods in Argentina`s imports. The lack of policy convergence in MERCOSUR, especially in the area of CET, also reduced the bloc`s negotiating capacity in multilateral and preferential agreements. Although the bloc was able to achieve some gains in access to agricultural goods within the multilateral framework, the bloc was unable to pursue a coherent agenda to represent its collective agenda especially in the area of negotiation of opening industrial goods (IDB/INTAL, 2009).

Relating to China, a new state activism was seen to enhance market access for agricultural exports. These policies were primarily driven by efficiency gains from comparative advantages based on natural resources (ECLAC, 2008c). In contrast to pessimism on the state, achieving competitiveness was combined with regulatory trade policies to protect industrial sectors and exports of tradable goods with employment potential (Página/12, 19 November 2004). Nevertheless, Argentina`s exports to China is heavily concentrated in a few commodities, whereas a large share of Argentina`s imports from China is composed of medium to high value-added manufacturing goods. This asymmetric relationship between Argentina and China continues to threaten Argentina`s domestic industry and exports competitiveness of tradable goods (ECLAC, 2012b).

In the investment policy chapter, the results show that a shift from neoliberalism to new developmentalism was revived in the form of fiscal activism, establishment of state energy company ENARSA and regulation in strategic industries to promote tradable exports and domestic production. Yet, the empirical findings of this chapter show that post-neoliberalism was more nuanced. While mobility of TNCs and their ability to transfer capital and technology creates competitive pressures among states (UNCTAD, 2007a), it was argued that Argentina maintained strong elements of economic liberalism due to Argentina`s reliance on foreign capital and technology. Instead of a return to old developmentalism in which the state assumes a central role in investment and production, local developmental priorities were re-articulated without rejecting efficiency gains from markets; those that are in globalising and liberalising nature. Establishment of the state energy company ENARSA signalled a new form of new developmentalism to regulate the investment and prices in the energy sector, albeit taking into account competitiveness and transparency that permits association with foreign capital (Haselip *et al.*, 2010; Página/12, 29 September 2004). Although there was a renewed developmentalism to regulate investment, there was not a robust developmental potential in Argentina as ENARSA did not directly participate in production (Boschi and Gaitán, 2009b:14). Instead, Argentina relied on foreign capital and technology in the energy sector to achieve competitiveness. Argentina`s strategies rested on extensive liberalisation that recognizes repatriation of profits and income, various income tax breaks, and concessions to ensure profitability and efficiency (Ortiz, 2008; ECLAC, 2006b).

Although these policies favour large firms with global links, in an attempt to re-politicise development to favour domestic production, the Kirchner government tailored market-orientation and liberalisation, redefining developmental goals. Consequently, ENARSA actively intervened in the energy market and increased restrictions on foreign investors, thereby reducing the rent-seeking activity in the strategic sector where concentration of income and production prevails. For instance, the Act of Supply was activated to provide adequate volumes of oil and gas for the domestic-facing producers (WTO, 2007). The Duhalde and Kirchner governments negotiated with oil and natural gas companies to prevent price increases for domestic industry, thereby reducing the costs of inputs for production (Ortiz, 2008). Furthermore, the Kirchner government revised the regulatory framework for negotiations with utility companies banning automatic price adjustments, thereby maintaining a social tariff to achieve “fair” and “reasonable” prices for the domestic industry and consumers. This regulatory framework, however, recognized seasonal price adjustments and tax neutrality which was designed taking into account the needs of efficiency and profitability (Página/12, 30 August 2004). Another aspect of new developmentalism was the provision of infrastructural investment to favour the industrial sector when the monopoly firms failed to provide investment (IDB/INTAL, 2006). The introduction of capital controls represented a departure from financial orthodoxy that sought to mitigate speculative flows capital and currency appreciation to provide stable investment for industry (Página/12, 24 June 2005). This study has found that another aspect of the shift from neoliberalism to neo-developmentalism was promotion of tax refunds to enable efficient firms to upgrade technology in the global economy and enhance export competitiveness. Except automobiles and a few knowledge-intensive industries, these incentives favoured large firms and TNCs that operate in the production of low value-added natural resource related industries with high intensity to export.

However, the Kirchner government also provided interest subsidised credit to enable SMEs access to capital goods from external markets to modernize technology (Ortiz and Schorr, 2007; Peres, 2006).

These developmental practices, however, did not bring about a robust developmental potential in terms of creating linkages for manufacturing-oriented SMEs with higher labour intensity. Productivity gaps between large firms and SMEs continued to exist. Only a few SMEs made use of complex technology from global markets (Fundación Observatorio PyME, 2006). Furthermore, Argentina`s insertion into a global economy put constraints on the coherence of developmental practices. Domestic-facing SMEs continued to be exposed to the destabilising effects of rent-seeking activities of large firms and TNCs. In the wake of a commodity boom, they continued to be exposed to price increases due to market concentration by large firms and TNCs (Kulfas, 2009). Furthermore, concentration enables large firms and TNCs to use mechanisms that lead to tax evasion and they are able to benefit from various tax exemptions which pose challenges to promote a manufacturing industry (ECLAC, 2013; UNCTAD, 2007). In Argentina, faced with an energy crisis and price hikes by energy firms, the governments resorted to tax exemptions to ensure investment and respond to demands of companies to cover their losses due to frozen prices (Zaiat, *Página/12,* 16 September 2006).

As shown in labour policy, findings of this study suggest that there was a strong re-socialisation around principles of Peronism and a renewed state mediation in labour markets based on solidarity as part of a rethinking of negative aspects of integration into the global markets. Founding the state around principles of Peronism meant prioritising employment creation through economic regulation to favour domestic-facing productive sectors and tradable exports from market insecurities, as well as designing active training policies to promote quality and stable jobs (Goldin, 2009; Novick and Tomada, 2007). Another aspect of renewed developmentalism was recognising collective demands of unemployed movements, assigning them legal status and providing subsidies to access inputs to create quality jobs. The Kirchner government also expanded public works (MTEySS, 2004; Yates and Bakker, 2014). Finally, another tenet of neo-developmentalism was provision of assistance to companies that faced economic difficulties and enable them to maintain jobs (MECON, 2011b).

In a clear break from neoliberalism’s pessimism about collective action and corporatism, the Kirchner government appealed to Peronist unions, which were in conflict with the *Alianza* government due to its attempts to implement labour flexibilization, by promising revival of corporatist ties and industrial activity (Etchemendy and Collier, 2007). An important policy change was promotion of formalization of employment via various policy initiatives such as simplification of registration and discount on social security contributions for SMEs to hire registered workers. This signalled a renewed state activism to encourage quality jobs and protect labour from falling into precarious and informal conditions of work. Furthermore, unemployed movements that did not directly work with the government were incorporated into the *Monotributo Social* scheme that sought to integrate beneficiaries of these schemes into formal employment relationships (Bertranou *et al*., 2013; La Nación, 26 June 2004; Madoery, 2011:22). Another aspect of neo-developmentalism was reversal of flexibility measures on severance payments to promote stable jobs and quality jobs (La Nación, 16 July 2006).

Furthermore, the Kirchner government appealed to labour unions redefining old forms of corporatist relations that allowed centralisation of collective agreements and revival of wage bargaining and strikes (Etchemendy and Garay, 2011). Law 25.877 promoted social dialogue through collective bargaining, which addressed not only wages but also discussion of working hours, contracts and social security (La Nación, 20 March 2004; La Nación, 16 July 2006). The government promoted the creation of a National Council for Employment, Productivity and Minimum Salary, in which the state re-initiated its intermediary role between representatives of workers and employers under the leadership of the Ministry of Labour. The Council was involved in discussions on social issues such as levels of unemployment insurance and the minimum wage (Cook and Bazler, 2013). Unlike depoliticised management of labour relations in the 1990s, these policies marked a strong re-politicization via empowerment of workers under a collective umbrella, promotion of industrial activity, protecting income of workers and promotion of stable and quality jobs (Cook and Bazler, 2013:5-9).

Nevertheless, empirical findings of this chapter reveals that state activism in labour policy and employment creation was constrained by the manner in which Argentina integrates into the global economy. As the state's role increasingly moved towards enabling a liberal and rule-based framework for private enterprise and global competitiveness, traditional welfare mechanisms are eroded by globalised market activity. One aspect of economic globalisation has been the increasing mobility of capital and technology at a global level which privileges flexible production strategies and labour saving strategies. Another aspect of globalisation has been the widening skill gap, which sharpened traditional asymmetries between high productivity high-skilled sectors and low productivity low-skilled sectors (ECLAC, 2010b; Weller, 2008). Moreover, concentration of production and income in large firms and TNCs sharpened Argentina`s historical asymmetry between large firms versus domestic-facing labour-intensive manufacturing producers. This asymmetry in productivity creates disincentives for domestic manufacturing sectors with high labour intensity. Micro firms and SMEs face difficulties to compete locally and globally, they are exposed to unregulated flows of trade and capital lacking adequate ties with global capital, technology incorporation and credit. As a result, structural asymmetries between small and large firms persist, with the former experiencing low productivity, low wages, informality (both in formal and informal sector) and low social security provision, meaning low quality of jobs and job insecurity. Meanwhile, skill-biased technological change favours labour in more dynamic sectors such as manufacturing, finance, and telecommunications where highly skilled labour enjoys formal and more stable employment relations and higher wages (OECD/ECLAC, 2012:46-48).

As empirical findings show, Argentina`s competitive strategies still favour large firms and TNCs based on capital intensity, comparative advantage, and low labour intensity. The findings suggest that SMEs still lack adequate technological modernisation and capital formation to effectively enter into the domestic and global markets. As shown in previous chapters, despite improvements in physical production and exports, there was not a structural change in the form of new technology incorporation and productivity, leaving domestic firms vulnerable to competition from unregulated global activity and rent-seeking activities of concentrated export and production by large firms (Kulfas, 2009). Especially since 2006, price hikes have pressurised the exchange rate destabilising manufacturing producers and SMEs` potential to create stable jobs (Campos *et al*., 2009). This study found that Argentina`s dependence on exports of comparative advantages based on natural resources with low value-added insertion into global production continues to destabilise job creation due to exposure to foreign competition. Despite increasing regulation in this area, Argentine industry faces competitive pressures through flows of low to high value-added manufacturing imports, especially from China (Arceo *et al*., 2008:96).

The findings suggest that despite improvements in labour market conditions, informality, job insecurity, and low wages prevailed in micro firms and SMEs. Most workers accessed jobs in informal, labour-intensive and low-skill intensive sectors such as construction, infrastructure or domestic service. Direct and indirect job policies often acted as mechanisms of targeting, inducing low wages and conditions of employability constrained by the scarcity of jobs and low demand for low-skill employees (Lo Vuolo, 2007; Novick and Tomada, 2007; Weller, 2008). Although there was distinct departure from jobless growth that prevailed in the 1990s, job insecurity persists, not only threatening the workers in the informal sector but also workers in the formal sector with a possible fall into informality (Bertranou *et al*., 2013). Although informality was reduced from 81.7 per cent in 2003 to 75.6 per cent in 2007 in firms with up to 5 employees, informality levels still remained high. In firms with 6 to 40 employees, though at more moderate levels, informality was 33 per cent which was reduced from 44.8 per cent in 2003. In the manufacturing sector, in 2007 32.8 of workers were hired informally notwithstanding the improvement from 41.5 per cent in 2003. However, in construction informality was much more nuanced reaching 63.5 despite decreasing from 76.8 in 2003. The findings of the net change in employment also show that job insecurity continues. In small-sized firms, for instance, job creation was 19 per cent in 2007 whereas job destruction was 11.3 per cent. In medium-sized firms, job creation was 14.3 per cent whereas job destruction was 7.1 per cent. In micro-sized firms, this was more nuanced. In 2007, job creation was 30.9 per cent while job destruction was 21.6 per cent. Finally, this study has found that despite increases in wages, there was persistent asymmetry between high-skill and low-skill workers. In firms with less than 5 workers average income increased from 534 pesos to 1,005 pesos in 2007 whereas in firms with more than 40 employees average income increased from 1,011 pesos in 2003 to 1,887 pesos in 2007. Wages of unregistered workers increased from 562 pesos to 958 pesos whereas registered workers` wages reached 1,775 pesos in 2007 from 960 pesos in 2004 (MTEySS).

8.4. Moving the Debate Forward

In this thesis, I focused on the strategies of the governmental institutions to examine the extent and nature of the shift from neoliberalism to neo-developmentalism in Argentina. However, although governmental actors play a critical role in the economic and political decision-making process, it should be highlighted that various non-governmental actors also influence the decision-making process and participate in the policy implementation. Although this research aimed to provide an account of the perceptions of social and economic actors outside government circles, this thesis primarily investigated the policy responses of the governmental institutions given the limitations of time and word space of a PhD thesis. This limitation may provide an opportunity for a future research agenda to examine the strategies of non-governmental actors such as labour unions and business organisations in order to understand further complexities of the nature of the shift from neoliberalism to a neo-developmentalism in Argentina.

I chose a case study method in this thesis since it enables the researcher to pursue a rich, in-depth, and multifaceted examination of a single social phenomenon and provides validity and reliability. However, one single case may not be adequate to reach generalisations for the wider Latin American context. I believe that this thesis made contributions to the literature by exploring Argentina`s path which was seen as a case for a distinct break from neoliberalism, providing a rich and detailed analysis through the lens of "new developmentalism". Conceptual tools of new developmentalism provide insights into understanding alternatives to neoliberalism, going beyond distinct contrasts between neoliberalism and post-neoliberalism. As a result future research tasks such as comparative studies on the countries of the region would be promising in exploring the nature and extent of possible alternatives to neoliberalism. Comparisons of Argentina could be made with other cases such as Peru which was seen as a moderate case or radical cases such as Venezuela. Comparing Argentina with moderate and radical cases would provide further insights to the understanding of the political economy of the region in the 2000s. As Kaltwasser (2011) argued the current literature tended to focus its analysis on radical cases such as Venezuela whereas they did not pay sufficient attention to the cases such as Peru. Therefore, there is a need for more comparative analyses to explore the shift from neoliberalism to neo-developmentalism in Latin America.

8.5. Conclusions

In this thesis, I analysed to what extent policy responses to the financial crisis of 2001/2002 constituted a coherent shift from neoliberalism to a neo-developmentalism in Argentina between 2002 and 2007. Argentina went from being seen as the poster child of neoliberalism in the early 1990s to the basket case after experiencing its deepest economic and social crisis in late December 2001 which outspread in the form of social protests, debt default and a massive devaluation. Post-crisis of the political economy of Argentina was conceptualized as part of the wider trend in Latin America as the region saw a rebirth of the Left. In the past decade, this prompted a debate about a return to local ideas of developmentalism in the region, which marked a distinct departure from neoliberalism that had dominated the political economy of Latin America in the 1980s and 1990s. The resultant was assuming the state a renewed and active role to drive industrialization, regulate markets, and respond to demands from below. However, much of the literature was characterised by vague conceptualisations of the New Left or post-neoliberalism in Latin America. In particular, it was not clearly defined what type of policies were designed to respond to the challenges of integration into a more market-oriented and liberal global economy.

Using the framework of “new developmentalism” labelled by Bresser-Pereira in 2003 and a rich empirical analysis, this thesis sought to contribute to debates on post-neoliberalism and the New Left in the wider Latin American context. I offered a more nuanced approach to post-neoliberalism in Argentina. I argued that post-neoliberal project in Argentina did not represent a wholesale break from neoliberalism or a return to old developmentalism. Instead, it embodied a more hybrid and complex process that maintained core elements of economic liberalism. Developmental tenets were re-invented without rejecting efficiency gains from markets; those that are in globalising and liberalising nature. I argued that Argentina`s post-neoliberal project should be understood in the form of evolving balances between states and markets under a globalised market activity which changed costs of and benefits of integration into the global economy. In this context, Argentina`s path-dependent reliance on foreign capital and technology as well as pressures of global competitiveness led to a crystallisation of a form of new developmentalism which maintained strong elements economic liberalism.

BIBLIOGRAPHY

Ablin, E. and Bouzas, R. (2004) 'Argentina's Foreign Trade Strategy: The Curse of Asymmetric Integration in the World Economy'. In V. K. Aggarwal, R. H. Espach and J. S. Tulchin (eds), *The Strategic Dynamics of Latin American Trade*. Chicago: Stanford University Press, p. 159-174.

Acosta, P. and Gasparini, L. (2007) 'Capital Accumulation, Trade Liberalisation, and Rising Wage inequality: The Case of Argentina', *Economic Development and Cultural Change*, 55 (4), 793-812.

Acosta, S. (2010) 'Las PyMI Argentinas en el Escenario Post-convertibilidad', *Boletín Informativo Techint*, 332, 81-104.

Ácuna, C. H., Galiani, S. and Tommasi, M. (2006) 'Understanding the Political Economy of Structural Reform: The Case of Argentina', *The University of San Andrés Working Paper No. 91*, 1-37.

Adelman, J. (1994) 'Post-Populist Argentina', *New Left Review I*, 203, 65-65.

Agnoli, M. Q. and Vilán, D. (2008) 'Financing Trends in Latin America', *BIS Papers No.36*, 15-27.

Alschuler, L. R. (1980) 'The Struggle of Argentina within the New International Division of Labour', Canadian Journal of Development Studies, 1 (2), 219-241.

Anós-Casero, P. & Rollo, V. (2010) 'Argentina: Trade Patterns and Challenges Ahead', *World Bank Policy Research Working Paper Series No. 5221*, 1-20.

Arbix, G. and Martin, S. B. (2010) 'Beyond Developmentalism and Market Fundamentalism in Brazil: Inclusionary State Activism without Statism', paper presented at Workshop on "States, Development and Global Governance", University of Wisconsin Madison, 12-13 March.

Arceo, N., Monsalvo, A. P., Schorr, M. and Walter, A. (2008) *Empleo y Salarios en la Argentina: Una Visión de Largo Plazo*. Buenos Aires: Capital Intelectual.

Azpiazu, D. and Schorr, M. (2010) 'La Industria Argentina en la Post-convertibilidad: Reactivación y Legados del Neoliberalismo', *Problemas del Desarrollo*, 41 (161), 111-139.

Baer, W., Elosegui, P. and Gallo, A. (2002) 'The Achievements and Failures of Argentina's Neoliberal Economic Policies', *Oxford Development Studies*, 30 (1), 63-85.

Ban, C. (2013) 'Brazil's Liberal Neo-developmentalism: New Paradigm or Edited Orthodoxy?', *Review of International Political Economy*, 20 (2)**,** 298-331.

Basualdo, E. (2003) *Estudios de Historia Económica Argentina. Desde Mediados del Siglo XX a la Actualidad*. Argentina: Siglo XXI Editores.

BCRA (2004a) *Bulletin of Monetary and Financial Affairs 2002*. Buenos Aires: Central Bank of Argentina. Available from: http://www.bcra.gov.ar/index_i.htm [Accessed 18 January 2014].

BCRA (2004b) *Financial Stability Report First Half 2004*. Buenos Aires: Central Bank of Argentina (BCRA). Available from: http://www.bcra.gov.ar/index_i.htm [Accessed 18 January 2014].

BCRA (2007) *Financial Stability Report Second Half 2007.* Buenos Aires: Central Bank of Argentina (BCRA). Available from: http://www.bcra.gov.ar/index_i.htm [Accessed 18 January 2014].

BCRA (2010) Financial *Stability Report Second Half 2010*. Buenos Aires: Central Bank of Argentina (BCRA). Available from: http://www.bcra.gov.ar/index_i.htm [Accessed 18 January 2014].

Beccaria, L. and Carciofi, R. (1982) 'The Recent Experience of Stabilising and Opening up the Argentinian Economy', *Cambridge Journal of Economics***,** 6, 145-165.

Bekerman, M. and Dulcich, F. (2013) 'The International Trade Position of Argentina. Towards a Process of Export Diversification?', *CEPAL Review*, 110, 152-174.

Belloni, P. & Wainer, A. (2012) 'La Argentina en la Post-convertibilidad: ¿ Un Nuevo Modelo de Desarrollo?', *Flacso-Argentina Area de Economia y Technologia Documento de Trabajo*, 23, 5-14.

Bernhardt, T. (2008) 'Dimensions of the Argentine Crisis 2001/02. A Critical Survey of Politico-Economical Explanations', *European Journal of Economics and Economic Policies: Intervention*, 5 (2)**,** 254-266.

Bertranou, F. (2014) 'Mechanisms for the Formulation and Implementation of Employment Policy in Argentina', *MPRA Paper No. 53342*, 1-34.

Bertranou, F., Casanova, L., & Sarabia, M. (2013) 'How, Why and in What Sectors Employment Informality Decreased in Argentina from 2003 to 2012', prepared for the Third

Regulating for Decent Work Conference "Regulating for Equitable and Job-Rich Growth", Geneva, 3-5 July.

Biglaiser, G. & Brown, D. S. (2005) 'The Determinants of Economic Liberalisation in Latin America', *Political Research Quarterly,* 58 (4)**,** 671-680.

Birdsall, N., De La Torre, A. & Caicedo, F.V. (2010) 'The Washington Consensus: Assessing a Damaged Brand', *Washington, D.C. Centre for Global Development Working Paper*, 213, 1-40.

Boschi, R., and Gaitán, F. (2009a) 'Politics and Development: Lessons from Latin America', Brazilian *Political Science Review* [Online]. Available from: http://socialsciences.scielo.org/pdf/s_bpsr/v4nse/a06.pdf [Accessed 11 May 2014].

Boschi, R., and Gaitán, F. (2009b) 'Empresas, Capacidades Estatales y Estrategias de desarrollo en Argentina, Brasil y Chile', 1-51. Available from: http://neic.iesp.uerj.br/textos/renato-wkshpniteroi.pdf [Accessed 14 April 2014].

Bouzas, R. (2001) 'El MERCOSUR Diez Años Después. ¿ Proceso de Aprendizaje o Deja Vu?', *Desarrollo Económico***,** 41 (162), 179-200.

Bouzas, R. (2007) 'Algunos Comentarios sobre el Comercio Exterior Argentino en una Perspectiva de Largo Plazo', *Revista del CEI Comercio Exterior e Integración,* 8 (3), 65-70.

Brennan, J. P. (2007) 'Prolegomenon to Neoliberalism: The Political Economy of Populist Argentina, 1943-1976', *Latin American Perspectives*, 34 (3), 49-66.

Bresser-Pereira, L. C. (1996) *Economic Crisis and State Reform in Brazil: Toward a New Interpretation of Latin America*. Boulder, CO: Lynne Rienner Publishers.

Bresser-Pereira, L. C. (2006) 'The New Developmentalism and Conventional Orthodoxy', *Économie Appliquée,* 59 (3)**,** 95-126.

Bresser-Pereira, L. C. (2008) 'Globalization, Nation-state and Catching Up', *Brazilian Journal of Political Economy***,** 28 (4), 557-576.

Bresser-Pereira, L. C. (2009) 'From Old to New Developmentalism in Latin America', to be published in José Antonio Ocampo, (ed) *Handbook of Latin America Economics* (Oxford University Press). Available from: http://www.bresserpereira.org.br/papers/2009/09.08.New_DevelopmentalismLatin_America-TD193.pdf [Accessed 11 May 2014].

Bresser-Pereira, L. C. (2012) 'Five Models of Capitalism', *Revista de Economia Política,* 32 (1)**,** 21-32.

Bresser- Pereira, L. C. and Theuer, D. (2012) 'Latin America: After the Neoliberal Years, Is the Developmental State Back In?', paper presented in the panel "Models of Development in Latin America: Continuity and Change under the Left Turn", organised by Eli Diniz and Flavio Gaitán, LASA-2012 Congress, San Francisco, May 25.

Bugna, C. F. & Porta, F. (2007) 'El Crecimiento Reciente de la Industria Argentina. Nuevo Régimen sin Cambio Estructural', in B. Kosacoff (ed), *Crisis, Recuperación y Nuevos Dilemas. La Economía Argentina, 2002-2007***.** Colección de Documentos de Proyectos, Santiago de Chile: ECLAC United Nations Publications, 63-107.

Burges, S. W. (2009) 'Brazil: Toward a (Neo) Liberal Democracy?', in J. Grugel and P. Riggirozzi (eds), *Governance after Neoliberalism in Latin America***,** p. 195-216.

Bustillo, I. and Velloso, H. (2013) *Debt financing rollercoaster: Latin American and Caribbean access to international bond markets since the debt crisis, 1982-2012*. Santiago de Chile: United Nations: Economic Commission for Latin America the Caribbean.

Bustos, P. (2005) 'The Impact of Trade Liberalization on Skill Upgrading: Evidence from Argentina', *Universitat Pompeu Fabra Working Papers,* 1189, 1-43.

Callaghy, T. R. (1993) 'Vision and Politics in the Transformation of the Global Political Economy', in R. O. Slater, B. M. Schutz and S. R. Dorr (eds.), *Global Transformation and the Third World.* Twickenham: Lynne Rienner, p. 161-258.

Calvo, E. and Murillo, M. V. (2012) 'Argentina: The Persistence of Peronism', *Journal of Democracy,* 23 (2)**,** 148-161.

Cameron, M. A. (2009) 'Latin America's Left Turns: Beyond Good and Bad', *Third World Quarterly,* 30 (20)**,** 331-348.

Campos, L., González, M. and Sacavini, M. (2010) 'El Mercado de Trabajo en los Distintos Patrones de Crecimiento', *Realidad Económica,* 253, 48-81.

Canitrot, A. (1994) 'Crisis and Transformation of the Argentine State (1978–1992)', in W. C. Smith, C. H. Acuña and E. Gamarra (eds), *Democracy, Markets, and Structural Reform in Latin America: Argentina, Bolivia, Brazil, Chile and Mexico.* New Brunswick, N.J.: Transaction Publishers, p. 75-104.

Cardoso, F. H. and Faletto, E. (1979) *Dependency and Development in Latin America*. Berkeley: University of California Press.

Cardoso, A. and Gindin, J. (2009) 'Industrial Relations and Collective Bargaining: Argentina, Brazil and Mexico Compared', *Industrial and Employment Relations Department International Labour Office Working Paper No. 5*, 1-94.

Carranza, M. E. (2005) 'Poster Child or Victim of Imperialist Globalisation? Explaining Argentina's December 2001 Political Crisis and Economic Collapse', *Latin American Perspectives*, 32 (6), 65-89.

Castañeda, J. G. (2006) 'Latin America's Left Turn', Foreign *Affairs*, 85 (3), 28-43.

Cavarozzi, M. (1986) 'Political Cycles in Argentina since 1955', in G. O`Donnell, P. C. Schmitter and Laurence Whitehead (eds), *Transitions from Authoritarian Rule: Latin America*. Baltimore: John Hopkins University, p. 19-48.

CEP (2008) 'La Industria Argentina: Balance 2003-2007: Los Nuevos Sectores Dinámicos', *Síntesis de la Economía Real No.57*, Centro de Estudios para la Producción (CEP), Secretaría de Industria, Comercio y de la Pequeña y Mediana Empresa. Ministerio de Economía y Producción. Available from: http://www10.iadb.org/intal/intalcdi/PE/2008/02502.pdf [Accessed 7 February 2014].

CEP (2009) 'Contenido Tecnológico de las Exportaciones Argentina, 1996-2007: Tendencias de Upgrading Intersectorial', proceedings of the work "Análisis de la Composición de las Exportaciones Argentinas: Tras las Pistas de Tendencias Hacia la Mejora del Patrón de Inserción Internacional con Énfasis en las Exportaciones PyME", Centro de Estudios para la Producción (CEP). Available from: http://www.industria.gob.ar/wp-content/uploads/2012/08/CONTENIDO-TECNOL%C3%93GICO-DE-LAS-EXPORTACIONES-ARGENTINAS-1996-A-2007.pdf [Accessed 7 February 2014].

Chudnovsky, D., López, A and Melitsko, S. (2000) 'Has MERCOSUR fostered Argentine Economic Development?', *Integration and Trade*, 10 (4), 31-61.

Chudnovsky, D. and López, A (2000) 'A Third Wave of FDI from Developing Countries: Latin American TNCs in the 1990s', *Transnational Corporations*, 9 (2), 31-74.

Chudnovsky, D. and López (2007) *The Elusive Quest for Growth in Argentina*. New York: Palgrave Macmillan.

Cleary, M. R. (2006) 'Explaining the Left's Resurgence', *Journal of Democracy,* 17 (4), 35-49.

Collier, R. B. and Collier, D. (2002) *Shaping the Political Arena: Critical Junctures, the Labour Movement and Regime Dynamics in Latin America*. Notre Dame, IN: University of Notre Dame Press.

Cook, M. L. (1998) 'Toward Flexible Industrial Relations? Neo-Liberalism, Democracy, and Labour Reform in Latin America', *Industrial Relations: A Journal of Economy and Society,* 37 (3), 311-336.

Cook, M. L. (2002) 'Labour Reform and Dual Transitions in Brazil and the Southern Cone', *Latin American Politics and Society,* 44 (1)**,** 1-34.

Cook, M. L. and Bazler, J. C. (2013) 'Bringing Unions Back In: Labour and Left Governments in Latin America', *Cornell University Industrial and Labour Relations (ILR) School Working Papers*. Available from: http://digitalcommons.ilr.cornell.edu/workingpapers/166/ [Accessed 3 March 2014].

Cornia, G. A. (2010) 'Income Distribution under Latin America's New Left Regimes', *Journal of Human Development and Capabilities***,** 11 (1)**,** 85-114.

Corrales, J. (2002) 'The Politics of Argentina's Meltdown', *World Policy Journal***,** 19 (3), 29-42.

Cortés, R. (2008) 'The Contemporary Social Policy Debate in Latin America', *Global Social Policy,* 8 (1)**,** 109-114.

Damill, M., Frenkel, R. and Rapetti, M. (2005) 'The Argentinean Debt: History, Default and Restructuring', *Revista Economia,* 6 (3), 29-90.

De La Torre, A., Yeyati, E.L. and Schmukler, S.L. (2002) 'Argentina's Financial Crisis: Floating money, Sinking Banking [Electronic source]. Available from: http://core.ac.uk/download/pdf/24065624.pdf [Accessed 24 January 2014].

Devlin, R. & Estevadeordal, A. (2001) *What's New in the New Regionalism in the Americas?* Buenos Aires: Inter-American Development Bank.

Di Tella, G. (1989) 'Argentina`s Economy under a Labour-based Government, 1973-76', in G. Di Tella, and D.C.M. Platt (eds), *The Political Economy of Argentina, 1880-1946.* Oxford: St. Antony's/Macmillan Series, p. 213-253.

Di Tella, G. and Dornbusch, R. (1989) 'Introduction: the Political Economy of Argentina, 1946-83', G. Di Tella, and D.C.M. Platt (eds), *The Political Economy of Argentina, 1880-1946.* Oxford: St. Antony's/Macmillan Series, p. 1-15.

Diniz, E. (2011) 'Democracy, State, and Industry: Continuity and Change between the Cardoso and Lula Administrations', *Latin American Perspectives***,** 38 (3), 59-77.

Domínguez, K. M. & Tesar, L. L. (2007) 'International Borrowing and Macro-economic Performance in Argentina' in Edwards, S. (ed), *Capital Controls and Capital Flows in Emerging Economies: Policies, Practices and Consequences*, the National Bureau of Economic Research, p. 297-348. Available from: http://papers.nber.org/books/edwa06-1 [Accessed 16 January 2014].

Ebenau, M. (2014) 'Comparative Capitalisms and Latin American Neo-developmentalism: A Critical Political Economy View', *Capital & Class*, 38 (1)**,** 102-114.

ECLAC (1999a) *Economic Survey of Latin America and the Caribbean 1998-1999*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (1999b) *Latin America and the Caribbean in the World Economy 1998*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2001) *Latin America and the Caribbean in the World Economy 1999-2000*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2002a) *Growth with Stability: Financing for Development in the New International Context*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2002b) *Statistical Yearbook for the Latin America and the Caribbean 2001*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2002c) *Latin America and the Caribbean in the World Economy 2000-2001*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2002d) *Foreign Investment in Latin America and the Caribbean 2001*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2003a) *Economic Survey of Latin America and the Caribbean, 2002-2003: Current Conditions and Outlook*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2003b) *Latin America and the Caribbean in the World Economy 2001-2002*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2004) *Foreign Investment in Latin America and the Caribbean 2004*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2005a) *Economic Survey of Latin America and the Caribbean, 2004-2005: Current Conditions and Outlook*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2005b) *Latin America and the Caribbean in the World Economy 2004-2005*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2006a) *Economic Survey of Latin America and the Caribbean 2005-2006*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2006b) *Foreign Investment in Latin America and the Caribbean 2005*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2006c) *Social Panorama of Latin American 2006*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2007a) *Economic Survey of Latin America and the Caribbean 2006-2007*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2007b) *Latin America and the Caribbean in the World Economy 2006-2007.* Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2008a) *Structural Change and Productivity Growth 20 Years Later: Old Problems, New Opportunities*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2008b) *Foreign Investment in Latin America and the Caribbean 2007*. Santiago: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2008c) *Economic and Trade Relations between Latin America and Asia-Pacific: The link with China*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2008d) *Latin America and the Caribbean in the World Economy 2007-2008*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2009a) *Statistical Yearbook for the Latin America and the Caribbean 2009*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2009b) *Economic Survey of Latin America and the Caribbean 2008-2009*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2009c) *Latin America and the Caribbean in the World Economy 2008-2009*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2009d) *Social Panorama of Latin American 2009.* Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2010a) *Latin America and the Caribbean in the World Economy 2009-2010*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2010b) *Economic Survey of Latin America and the Caribbean 2009-2010*. Santiago: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2010c) *Social Panorama of Latin American 2010.* Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2011a) *Economic Survey of Latin America and the Caribbean 2010-2011*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2011b) *Social Panorama of Latin American 2011*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2012a) *Economic Survey of Latin America and the Caribbean 2012*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2012b) *Latin America and the Caribbean in the World Economy 2011-2012*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2013a) *Economic Survey of Latin America and the Caribbean 2013*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

ECLAC (2013b) *Foreign Investment in Latin America and the Caribbean 2012*. Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC).

Edwards, S. (1995) *Crisis and Reform in Latin America: From Despair to Hope*. New York: Oxford University Press.

Edwards, S., Cavallo, D.F., Fraga, A. and Frenkel, J. (2003) 'Exchange Rate Regimes', in M. Feldstein (ed) *Economic and Financial Crises in Emerging Market Economies*. The National Bureau of Economic Research, p. 31-92. Available from: http://papers.nber.org/books/feld03-1 [Accessed 16 January 2014].

EIU (2005) *Country Report: Argentina February 2005*. London: The Economist Intelligence Unit.

Epstein, E. (1987) 'Recent Stabilization Plans in Argentina, 1973-1986', *World Development,* 15 (8), 991-1005.

Ernst, C. (2005a) 'Trade Liberalization, Export Orientation and Employment in Argentina, Brazil and Mexico', *International Labour Office (ILO) Employment Strategy Papers No. 15,* 1-42.

Ernst, C. (2005b) 'The FDI–employment Link in a Globalizing world: The Case of Argentina, Brazil and Mexico', *International Labour Office, Employment Strategy Papers No. 17*, 1-42.

Etchemendy, S. (2001) 'Constructing Reform Coalitions: The Politics of Compensations in Argentina's Economic Liberalization', *Latin American Politics and Society,* 43 (3)**,** 1-36.

Etchemendy, S. (2004) 'Repression, Exclusion, and Inclusion: Government-union Relations and Patterns of Labour Reform in Liberalizing Economies', *Comparative Politics***,** 36 (3), 273-290.

Etchemendy, S. (2005) 'Old Actors in New Markets: Transforming the Populist/industrial Coalition in Argentina, 1989-2001', in S. Levitsky, S. & M. V. Murillo (eds), *Argentine Democracy: The Politics of Institutional Weakness.* University Park, PA: Pennsylvania State University Press, p. 62-87.

Etchemendy, S. & Collier, R. B. (2007) 'Down but Not Out: Union Resurgence and Segmented Neo-corporatism in Argentina (2003–2007)', *Politics & Society,* 35 (3)**,** 363-401.

Etchemendy, S. & Garay, C. (2011) 'Argentina: Left Populism in Comparative Perspective, 2003-2009' in S. Levitsky and K. M. Roberts (eds.), *The Resurgence of the Latin American Left.* Baltimore, Maryland: Johns Hopkins University Press, p. 283-305.

Evans, P. B. (1979) *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil*. Princeton, New Jersey: Princeton University Press.

Fanelli, J. M. (2003) 'Growth, Instability and the Crisis of Convertibility in Argentina [Electronic source]. In: J.J. Teunissen and A. Akkerman (eds), *The Crisis That Was Not Prevented: Lessons for Argentina, the IMF, and Globalisation*, Forum on Debt and Development (FONDAD), 32-68. Available from: http://www.fondad.org/publications/argentina [Accessed 12 March 2012].

Fanelli, J. M. & Frenkel, R. (1999) 'The Argentine Experience with Stabilization and Structural Reform' in L. Taylor (ed.), *After Neoliberalism: What Next for Latin America?* Ann Arbour, MI: University of Michigan Press, p. 53-80.

Feagin, J. R., Orum, A.M. & Sjoberg, G. (1991) *A case for the case study*, Chapel Hill, NC: University of North Carolina Press.

Fine, B. (2001) 'Neither the Washington nor the Post-Washington Consensus: An Introduction', in B. Fine, C. Lapavistas and J. Pincus (eds), *Development Policy in the Twenty-first Century: Beyond the Post-Washington Consensus*. London: Routledge, p. 1-27.

Fitzgerald, E. V. K. (1996) 'The New Trade Regime, Macroeconomic Behaviour and Income Distribution in Latin America', in V. Bulmer-Thomas, (ed.), *The New Economic Model in Latin America and Its Impact on Income Distribution and Poverty*. London: Palgrave Macmillan/ILAS, p. 29-52.

Fraile, L. (2009) 'Lessons from Latin America's Neoliberal Experiment: An Overview of Labour and Social Policies since the 1980s', *International Labour Review*, 148 (3)**,** 215-233.

Frenkel, R. & Rapetti, M. (2008) 'Five Years of Competitive and Stable Real Exchange Rate in Argentina, 2002–2007', *International Review of Applied Economics*, 22 (2), 215-226.

Frieden, J. A. (2007) *Global Capitalism: Its Fall and Rise in the Twentieth Century*, W. W. Norton: The University of Michigan.

Fundación Observatorio PyME (2006) *Informe sobre Inserción Internacional de las PyME Industriales.* Available from: http://www.observatoriopyme.org.ar/publicaciones/ [Accessed 11 October 2013].

Galasso, E. and Ravallion, M (2004) 'Social Protection in a Crisis: Argentina's Plan Jefes y Jefas', *The World Bank Economic Review*, 18 (3)**,** 367-399.

Galiani, S., Heymann, D. & Tommasi, M. (2002) 'Missed Expectations: The Argentine Convertibility', *William Davidson Institute Working Paper No. 515*, 1-34.

Galiani, S., Heymann, D., Tommasi, M. & Servén, L. (2003) 'Great Expectations and Hard Times: The Argentine Convertibility Plan [with Comments]', *Economía***,** 3 (2), 109-160.

Gallagher, K. P. and Porzecanski, R. (2009) 'China and the Latin America Commodities Boom: A Critical Assessment', *PERI Working Paper Series***,** 192, 1-27.

Gamble, A. (2000) 'Neo-liberalism', *Capital & Class*, 75**,** 127-134.

Garay, C. (2007) 'Social Policy and Collective Action: Unemployed workers, Community Associations, and Protest in Argentina', *Politics & Society*, 35 (2)**,** 301-328.

Gerchunoff, P. & Torre, J. C. (1996) 'La Política de Liberalización Económica en la Administración de Menem', *Desarrollo Económico***,** 36 (143), 733-768.

Gibson, E. L. & Calvo, E. (2000) 'Federalism and Low-maintenance Constituencies: Territorial Dimensions of Economic Reform in Argentina', *Studies in Comparative International Development*, 35 (3)**,** 32-55.

Gill, S. (1995) 'Globalisation, Market Civilisation, and Disciplinary Neoliberalism', *Millennium - Journal of International Studies*, 24, 399-424.

Goldberg, P. K. & Pavnick, N. (2007) 'Distributional Effects of Globalisation in Developing Countries', *NBER Working Paper Series No. 12885*, 2-67. Available from: http://www.nber.org/papers/w12885 [Accessed 14 October 2013].

Goldblatt, D., Held, D., McGrew, A. and Perraton, J. (1997) 'Economic Globalisation and the Nation-State: Shifting Balances of Power', *Alternatives: Global, Local, Political*, 22 (3), 269-285.

Goldin, A. (2009) 'Labour Flexibility and Worker Security: An Argentine Perspective', in J. Weller (ed.), *Regulation, Worker Protection and Active Labour-market Policies in Latin America.* Santiago de Chile: Economic Commission for Latin America and the Caribbean (ECLAC), p. 89-110.

Green, D. (1997) *The Silent Revolution: The Rise of Market Economies in Latin America*. New York: Monthly Review Press.

Grugel, J. and Riggirozzi, M. P. (2007) 'The Return of the State in Argentina', *International Affairs*, 83 (1)**,** 87-107.

Grugel, J. and Riggirozzi, M. P. (2009) ‘The End of the Embrace? Neoliberalism and Alternatives to Neoliberalism in Latin America’, in J. Grugel and P. Riggirozzi (eds.), *Governance After Neoliberalism in Latin America.* New York: Palgrave Macmillan, p. 1-24.

Grugel, J., Riggirozzi, M. P. and Thirkell-White, B. (2008) ‘Beyond the Washington Consensus? Asia and Latin America in Search of More Autonomous Development’, *International Affairs*, 84 (3), 499-517.

Grugel, J. and Riggirozzi, P. (2012) ‘Post-neoliberalism in Latin America: Rebuilding and Reclaiming the State after Crisis’, Development and change, 43 (1), 1-21.

Harvey, D. (2007) ‘Neoliberalism as Creative Destruction’, *The Annals of the American Academy of Political and Social Science,* 610 (1)**,** 21-44.

Haselip, J. (2005) ‘Renegotiating Electricity Contracts After an Economic Crisis and Currency Devaluation: The Case of Argentina’, *The Electricity Journal,* 18 (3)**,** 78-88.

Haselip, J. and Potter, C. (2010) ‘Post-neoliberal Electricity Market ‘Re-reforms’ in Argentina: Diverging from Market Prescriptions?’, *Energy Policy,* 38 (2)**,** 1168-1176.

Haslam, P. A. (2009) ‘Is There a Post-Neoliberal Policy toward Foreign Direct Investment in Argentina and Chile?’, in L. MacDonald & A. Ruckert (eds.), *Post-Neoliberalism in the Americas.* Basingstoke: Palgrave Macmillan, p. 120-134.

Hausmann, R. and Velasco, A. (2002) ‘Hard Money's Soft Underbelly: Understanding the Argentine Crisis’, *Brookings Trade Forum*, 59-104.

Hay, C. (2006) ‘The Genealogy of Neoliberalism’, in R. K. Roy, A. T. Denzau and T. D. Willett (eds.), *Neoliberalism: National and Regional Experiments with Global Ideas.* Abingdon, Oxon: Routledge, p. 51-70.

Heidrich, P. and Tussie, D. (2009) ‘Post-neoliberalism and the New Left in the Americas: The Pathways of Economic and Trade Policies’ in L. MacDonald, and A. Ruckert (eds.), *Post-Neoliberalism in the Americas*. Basingstoke: Palgrave Macmillan, p. 37-53.

Hershberg, E. and Rosen, F. (2006) ‘Turning the Tide?’, in E. Hershberg and F. Rosen (eds), *Latin America After Neoliberalism: Turning the Tide in the 21st Century?* London: New Press, p. 1-25.

Higgott, R. and Phillips, N. (2000) ‘Challenging Triumphalism and Convergence: The Limits of Global Liberalization in Asia and Latin America’, *Review of International Studies*, 26 (3), 359-379.

Hochstetler, K. and Montero, A. P. (2013) ‘The Renewed Developmental State: The National Development Bank and the Brazil Model’, *Journal of Development Studies*, 49 (11)**,** 1484-1499.

Hoogvelt, A. (2001) *Globalization and the Postcolonial World: The New Political Economy of Development*. Baltimore, Maryland: Johns Hopkins University Press.

Huber, E. and Stephens, J. D. (2005) ‘Successful Social Policy Regimes? Political Economy, Politics, and the Structure of Social Policy in Argentina, Chile, Uruguay, and Costa Rica’, paper delivered at the Conference on Democratic Governability, Kellogg Institute, University of Notre Dame, Notre Dame, October 7-8.

IDB-INTAL (2006) *MERCOSUR Report 2004 [second semester] -2005 [first semester]*. Buenos Aires: Inter-American Development Bank. Institute for the Integration and Development of Latin America and the Caribbean (IDB-INTAL).

IDB-INTAL (2007) *MERCOSUR Report 2005 [second semester] – 2006 [first semester]*. Buenos Aires: Inter-American Development Bank. Institute for the Integration and Development of Latin America and the Caribbean (IDB-INTAL).

IDB-INTAL (2008) *MERCOSUR Report 2006 [second semester] – 2007 [first semester]*.Buenos Aires: Inter-American Development Bank. Institute for the Integration and Development of Latin America and the Caribbean (IDB-INTAL).

IDB-INTAL (2009) *MERCOSUR Report 2007 [second semester] – 2008 [first semester]*. Buenos Aires: Inter-American Development Bank. Institute for the Integration and Development of Latin America and the Caribbean (IDB-INTAL).

IDB-INTAL (2011) *MERCOSUR Report 2009 [second semester] - 2010 [first semester]*. Buenos Aires: Inter-American Development Bank. Institute for the Integration and Development of Latin America and the Caribbean (IDB-INTAL).

ILO (2008) *Labour Overview Latin America and the Caribbean 2008*. Lima: International Labour Organisation (ILO).

ILO (2009) *Labour Overview Latin America and the Caribbean 2009.* Lima: International Labour Organisation (ILO).

ILO (2012) *Labour Overview Latin America and the Caribbean 2012*. Lima: International Labour Organisation (ILO).

IMF (2011) *Regional Economic Outlook: Western Hemisphere*. Washington, DC: International Monetary Fund (IMF).

IMF (2013) Guidance Note for the Liberalization and Management of Capital Flows. Washington, DC: International Monetary Fund (IMF) [Online]. Available from: https://www.imf.org/external/np/pp/eng/2013/042513.pdf [Accessed 6 January 2014].

Jeanneau, S. and Tovar, C. E. (2008) 'Latin America's Local Currency Bond Markets: an Overview', *BIS Papers No. 36*, 46-64.

Jenkins, R. & Barbosa, A. (2012) 'Fear for Manufacturing? China and the Future of Industry in Brazil and Latin America', *The China Quarterly*, 209**,** 59-81.

Kaltwasser, C. R. (2011) 'Toward Post-neoliberalism in Latin America?', *Latin American Research Review*, *46* (2), 225-234.

Katz, C. (2007) 'El Giro en la Economía Argentina', *Textos de Economía*, 10 (1), 100-132.

Kaufman, R. (2007) 'Political Economy and the 'New Left', in C. Arnson and J. R. Perales (eds), *The 'New Left' and Democratic Governance in Latin America*. Washington, DC: The Woodrow Wilson International Centre for Scholar, p. 24-31.

Kirby, P. (2009) 'Globalisation and the State: What Lessons Does the Latin American 'New Left' Have to Offer?', from the unpublished text of the Annual Globalisation Lecture given at the Institute for the Study of the Americas, School of Advanced Study, University of London, delivered on 21 January 2009. Available from: http://sas-space.sas.ac.uk/3100/2/Kirby_lecture_2009.pdf [Accessed 20 May 2014].

Kohli, A. (2009) 'Nationalist versus Dependent Capitalist Development: Alternate Pathways of Asia and Latin America in a Globalised World', *Studies in Comparative International Development*, 44 (4)**,** 386-410.

Kulfas, M. (2009) 'Las PyMEs Argentinas en el Escenario Post-convertibilidad: Políticas Públicas, Situación y Perspectivas', *Colección Documentos de Proyectos No.40.* Santiago de Chile: Economic Commission for Latin America the Caribbean (ECLAC), 3-116.

Lall, S. (2003) 'Reinventing Industrial strategy: The Role of Government Policy in Building Industrial Competitiveness', *QEH Working Paper Series No. 111*, 1-35.

Legard, R., Keegan, J. & Ward, K. (2003) 'In-depth Interviews', in J. Ritchie and J. Lewis (eds), *Qualitative Research Practice: A Guide for Social Science Students and Researchers* (First Edition). Los Angeles: SAGE Publications, p. 138-169.

Leiras, M. (2007) 'Latin America's Electoral Turn: Left, Right, and Wrong', *Constellations,* 14 (3)**,** 398-408.

Levitsky, S., and Murillo, M. V. (2003) 'Argentina Weathers the Storm', Journal *of Democracy*, 14 (4), 152-166.

Levitsky, S. and Roberts, K. M. (2011) 'Introduction: Latin America`s "Left Turn": A Framework for Analysis"', in S. Levitsky and K. M. Roberts (eds.), *The Resurgence of the Latin American Left*. Baltimore, Maryland: Johns Hopkins University Press, p. 1-31.

Lewis, C. M. (2005) 'States and Markets in Latin America: The Political Economy of Economic Intervention', paper presented at the first GEHN Conference, Bankside London, 17-20 September 2003.

Lo Vuolo, R. M. (1997) 'The retrenchment of the Welfare State in Latin America: The Case of Argentina', *Social policy & Administration,* 31 (4)**,** 390-409.

Lo Vuolo, R. M. (2007) 'Argentina: Labour Markets Flexibility, Life Chances and Growth', paper presented at the 8th International Scientific Conference "Economic Modernization and Social Development", State University-Higher School of Economics, Moscow, Russia, April 3-5.

Lustig, N., López-Calva, L. F. and Ortiz- Juárez, E. (2013) 'Declining Inequality in Latin America in the 2000s: The Cases of Argentina, Brazil, and Mexico', *World Development,* 44**,** 129-141.

MacDonald, L. & Ruckert, A. (2009) 'Post-Neoliberalism in the Americas: An Introduction', in L. MacDonald and A. Ruckert (eds.), *Post-Neoliberalism in the Americas.* Basingstoke: Palgrave Macmillan, p. 1-20.

Madoery, O. (2011) *Más y Mejor Trabajo para Todos del Programa Jefes de Hogar al Programa Jóvenes: Políticas Activas de Empleo, Argentina, 2003-2010, Sistematización y Análisis Integrado*. Buenos Aires: ILO (International Labour Organisation) Country Office for Argentina.

Madrid, R. L. (2003) ‘Labouring against Neoliberalism: Unions and Patterns of Reform in Latin America’, *Journal of Latin American Studies,* 35 (1)**,** 53-88.

Madrid, R. L., Hunter, W. and Weyland, K. (2010) ‘The Policies and Performance of the Contestatory and Moderate Left’, in K. Weyland, R. Madrid and W. Hunter (eds), *Leftist Governments in Latin America*: *Successes and Shortcomings.* New York: Cambridge University Press, p. 140-180.

Malamud, A. (2013) ‘Overlapping Regionalism, No Integration: Conceptual Issues and the Latin American Experiences’, *EUI Working Paper, RSCAS 2013/20*, 1-12.

Malamud, A. and Schmitter, P. C. (2011) ‘The Experience of European integration and the Potential for Integration in South America’, in A. Warleigh-Lack, N. Robinson and B. Rosamund (eds), *New Regionalism and the European Union: Dialogues, Comparisons and New Research Directions.* Abingdon, Oxon: Routledge, p. 135-157.

Manzanelli, P. & Schorr, M. (2011) ‘La Extranjerización en la Post-convertibilidad y sus Impactos sobre el Poder Económico Local: Un Balance Preliminar’, *Industrializar Argentina*, 4, 9-18.

Manzetti, L. (1992) ‘The Evolution of Agricultural Interest Groups in Argentina’, *Journal of Latin American Studies*, 24 (3)**,** 585-616.

Maynard, G. (1989) ‘Argentina: Macroeconomic policy, 1966-73’, in G. Di Tella and D. C. M. Platt (eds), *The Political economy of Argentina, 1880-1946*. Basingstoke: St. Antony's/Macmillan series, p. 166-175.

McGuire, J. W. (1997) *Peronism without Perón: Unions, parties, and democracy in Argentina*. Stanford, California: Stanford University Press.

McNaughton Nicholls, C., Mills, L. and Kotecha, M. (2014) ‘Observation’, in J. Ritchie, J. Lewis, Carol McNaughton Nicholls and Rachel Ormston (eds.), *Qualitative Research Practice: A Guide for Social Science Students and Researchers* (Second Edition). London: SAGE, p. 243-268.

MECON (2010) *Informe Económico Tercer Trimestre 2009 No.69*. Buenos Aires: Ministerio de Economía y Finanzas Públicas de la República Argentina (MECON). Available from: http://www.mecon.gov.ar/peconomica/informe/indice.htm# [Accessed 12 January 2014].

MECON (2011a) *Información Sectorial: Complejo Petróleo y Gas*. Buenos Aires: Ministerio de Economía y Finanzas Públicas de la República Argentina (MECON). http://www.mecon.gov.ar/peconomica/basehome/sectorial.htm [Accessed 25 April 2014].

MECON (2011b) *Informe Económico Cuarto Trimestre 2010 No.74*. Buenos Aires: Ministerio de Economía y Finanzas Públicas de la República Argentina (MECON). Available from: http://www.mecon.gov.ar/peconomica/informe/indice.htm# [Accessed 12 January 2014].

Ministerio Economía y Producción (2001) *Informe Económico Año 2001 No.40: La Economía Argentina durante el Año 2001 y Evolución Reciente*. Buenos Aires: Ministerio Economía y Producción de la República Argentina. Available from: http://www.mecon.gov.ar/peconomica/informe/indice.htm# [Accessed 20 November 2013].

Ministerio Economía y Producción (2003) *Informe Económico Año 2002 No.44: Dinero y Bancos*. Buenos Aires: Ministerio Economía y Producción de la República Argentina. Available from: http://www.mecon.gov.ar/peconomica/informe/indice.htm# [Accessed 20 November 2013].

Ministerio Economía y Producción (2004a). *Informe Económico Año 2003 No.* 48: *Dinero y Bancos*. Buenos Aires: Ministerio Economía y Producción de la República Argentina. Available from: http://www.mecon.gov.ar/peconomica/informe/indice.htm# [Accessed 20 November 2013].

Ministerio Economía y Producción (2004b) *Informe Económico Año 2003 No. 48: La Economía Argentina durante el Año 2003 y Evolución Reciente*. Buenos Aires: Ministerio Economía y Producción de la República Argentina. Available from: http://www.mecon.gov.ar/peconomica/informe/indice.htm# [Accessed 20 November 2013].

Ministerio Economía y Producción (2005a) *Informe Económico Año 2004 No.51: Dinero y Bancos*. Buenos Aires: Ministerio Economía y Producción de la República Argentina. Available from: http://www.mecon.gov.ar/peconomica/informe/indice.htm# [Accessed 20 November 2013].

Ministerio Economía y Producción (2005b) *Informe Económico Año 2004 No.51: Empleo y Ingresos*. Buenos Aires: Ministerio Economía y Producción de la República Argentina.. Available from: http://www.mecon.gov.ar/peconomica/informe/indice.htm# [Accessed 20 November 2013].

Ministerio Economía y Producción (2007) *Informe Económico Año 2006 No.58*: *Introducción*. Buenos Aires: Ministerio Economía y Producción de la República Argentina. Available from: http://www.mecon.gov.ar/peconomica/informe/indice.htm# [Accessed 20 November 2013].

Ministerio de Industria *Informes y Estadísticas Industriales: Fichas Sectoriales*. Ministerio de Industria Presidencia de la Nación [Online]. Available: http://www.industria.gob.ar/cep/informes-y-estadisticas/industriales/ [Accessed 22 November 2013].

Ministerio de Industria (2013) *Guía 2013 de Programas y Beneficios para la Industria Argentina*. Ministerio de Industria Presidencia de la Nación. Available from: http://www.industria.gob.ar/publicaciones/ [Accessed 5 February 2014].

Ministry of Foreign Affairs and Worship Argentine Republic (Ministerio de Relaciones Exteriores y Culto de la República Argentina) (2013) *Investment Incentives: Advantages of Investing in Argentina Today*. The Undersecretariat for Investment Development and Trade Promotion, Ministry of Foreign Affairs and Worship Argentine Republic Available from: http://www.inversiones.gov.ar/en/investment-incentives-0 [Accessed 4 November 2013].

Ministry of Foreign Affairs and Worship Argentine Republic (Ministerio de Relaciones Exteriores y Culto de la República Argentina) (2014) *Doing Business in Argentina: An Investor`s Guide*. The Undersecretariat for Investment Development and Trade Promotion, Ministry of Foreign Affairs and Worship Argentine Republic. Available from: http://www.inversiones.gov.ar/en/investment-incentives-0 [Accessed 4 November 2013].

Mollo, M. L. R. and Saad-Filho, A. (2006) 'Neoliberal Economic Policies in Brazil (1994–2005): Cardoso, Lula and the Need for a Democratic Alternative', *New Political Economy*, 11 (1)**,** 99-123.

Molyneux, M. (2008) 'The 'Neoliberal Turn' and the New Social Policy in Latin America: How Neoliberal, How New?', *Development and Change*, 39 (5)**,** 775-797.

Morais, L. & Saad-Filho, A. (2011) 'Brazil beyond Lula Forging Ahead or Pausing for Breath?', *Latin American Perspectives*, 38 (2)**,** 31-44.

MTEySS *Boletín de Estadísticas Laborales*. Ministerio de Trabajo, Empleo y Seguridad Social de la República Argentina (MTEySS) [Online]. Available from: http://www.trabajo.gob.ar/left/estadisticas/bel/index.asp [Accessed 20 November 2013].

MTEySS (2012) *Boletín de Estadísticas Laborales*. Ministerio de Trabajo, Empleo y Seguridad Social de la República Argentina (MTEySS) Revista de Trabajo No. 10. Available from: http://www.trabajo.gob.ar/left/estadisticas/descargas/revistaDeTrabajo/2012n10_revistaDeTrabajo/2012n10_a15_Bolet%C3%ADndeEstad%C3%ADsticas(BEL).pdf [20 November 2013].

MTEySS (2006) *Encuesta de Indicadores Laborales Evolución del Empleo Registrado: Informes Especiales Año 2006*. Ministerio de Trabajo, Empleo y Seguridad Social de la República Argentina (MTEySS) [Online]. Available from: http://www.trabajo.gob.ar/left/estadisticas/eil/resultados.asp [Accessed 20 December 2013].

MTEySS (2007) *Encuesta de Indicadores Laborales Evolución del Empleo Registrado Informes Especiales Año 2007*. Ministerio de Trabajo, Empleo y Seguridad Social de la República Argentina (MTEySS). Available from: http://www.trabajo.gob.ar/left/estadisticas/eil/resultados.asp [Accessed 20 December 2013].

Murillo, M. V. (1997) 'Union Politics, Market-oriented Reforms, and the Reshaping of Argentine Corporatism', in D. A. Chalmers, C. M. Vilas, K. Hite, S. B. Martin, K. Piester and M. Segarra (eds.), *The New Politics of Inequality in Latin America: Rethinking Participation and Representation***.** New York: Oxford University Press, p. 72-94.

Murillo, M. V. (2005) 'Partisanship amidst Convergence: The Politics of Labour Reform in Latin America', *Comparative Politics***,** 37 (4), 441-458.

Mussa, M. (2002) *Argentina and the Fund: From triumph to tragedy*, Washington, DC: Institute for International Economics.

Naím, M. (2000) 'Fads and Fashion in Economic Reforms: Washington Consensus or Washington Confusion?', *Third World Quarterly,* 21 (3)**,** 505-528.

Novick, M. & Tomada, C. (2007) 'Argentina 2003-2006: Economic Growth with Decent Work: A New Model for Latin America?', in M. Novick, C. Tomada, M. Damill, R. Frenkel and R. Maurizio (eds.), *In the Wake of the Crisis: Argentina's New Economic and Labour Policy Directions and their Impact.* Geneva: International Labour Organisation (ILO), p. 1-47.

O'Connor, E. A. (2010) 'El Neo-desarrollismo Brasileño como Propuesta de Desarrollo para Argentina', *Economic Studies of International Development,* 10 (2)**,** 55-80.

Ocampo, J. A. (2009) 'Latin America and the global financial crisis', *Cambridge Journal of Economics*, 33 (4)**,** 703-724.

Ocampo, J. A. and Vos, R. (2008) 'Policy Space and the Changing Paradigm in Conducting Macro-economic Policies in Developing Countries', *BIS (Bank for International Settlements) Papers No. 36*, 28-45.

OECD/ECLAC (2012) *Latin American Economic Outlook 2013*. Secretary-General of the Organisation for Economic Co-operation and Development (OECD)/ UN Economic Commission for Latin America and the Caribbean (ECLAC). Available from: http://www.oecd.org/dev/americas/latestdocuments/ [Accessed 11 March 2014].

Ormston, R., Spencer, L., Barnard, M. & Snape, P. (2014) 'The Foundations of Qualitative Research', in J. Ritchie, J. Lewis, Carol McNaughton Nicholls and Rachel Ormston (eds.), *Qualitative Research Practice: A Guide for Social Science Students and Researchers*, Second Edition. London: SAGE Publications, p. 1-26.

Ortiz, R. (2007) 'Las Empresas Transnacionales en el Sector Petrolero Argentino: Agotamiento de los Recursos Naturales, Comportamiento Oligopólico e Irresponsabilidad Socio-ambiental', *FOCO Cuadernos de Investigación No. 2*, Available from: http://www.rebelion.org/docs/52295.pdf [Accessed 11 March 2013].

Ortiz, R. (2008) 'La Extracción de Recursos Naturales y la Persistencia de las Reformas Neoliberales en la Argentina Progresista', paper presented at *Seminario Internacional "Postneoliberalismo. Cambio o Continuidad*", organised by CEDLA (Centro de Estudios para el Desarrollo Laboral y Agrario), 29-30 October, La Paz, Bolivia.

Ortiz, R. & Schorr, M. (2007) 'La Rearticulación del Bloque de Poder en la Argentina de la Post-convertibilidad', *Instituto de Altos Estudios Sociales de la Universidad Nacional de General San Martín Papeles de Trabajo* [Online], 2**,** 1-42 Available from: http://www.idaes.edu.ar/papelesdetrabajo/paginas/documentos/02_8_ortiz-schorr.pdf [Accessed 22 May 2013].

Ortiz, R. & Schorr, M. (2009) 'Crisis Internacional y Alternativas de Reindustrialización en la Argentina', *UNSAM Documentos de Investigación Social No.7*, 1-21.

Oviedo, E. D. (2012) 'Argentina y China: Causas de la Disputa en Torno al Aceite de Soja', *Estudios de Asia y África***,** 47 (2), 337-376.

Palermo, V. (1996) ‘Reformas Estructurales y Régimen Político: Argentina, 1989-1993’, *América Latina Hoy Revista de Ciencias Sociales*, 11, 85-96.

Panizza, F. (2000) ‘Beyond ‘Delegative Democracy’: ‘Old Politics’ and ‘New Economics’ in Latin America’, *Journal of Latin American Studies*, 32 (3)**,** 737-763.

Panizza, F. (2005) ‘Unarmed Utopia Revisited: The Resurgence of Left-of-centre Politics in Latin America’, *Political Studies*, 53 (4)**,** 716-734.

Panizza, F. (2009) *Contemporary Latin America: Development and Democracy beyond the Washington Consensus*, London: Zed Books.

Pastor, M. and Wise, C. (1999a) ‘The Politics of Second-generation Reform’, *Journal of Democracy,* 10 (3)**,** 34-48.

Pastor, M. and Wise, C. (1999b) ‘Stabilization and its Discontents: Argentina's Economic Restructuring in the 1990s’, *World Development*, 27 (3)**,** 477-503.

Pastor, M. and Wise, C. (2001) ‘From Poster Child to Basket Case’, *Foreign Affairs* [Online]. Available from: http://www.foreignaffairs.com/articles/57416/manuel-pastor-and-carol-wise/from-poster-child-to-basket-case [Accessed 14 March 2012].

Pastor, M. and Wise, C. (2003) ‘Picking up the Pieces: Comparing the Social Impacts of Financial Crisis in Mexico and Argentina’, paper presented at the conference “Regional and International Implications of Financial Instability in Latin America,” Santa Cruz Centre for International Economics, University of California, Santa Cruz, April 11-12.

Patomäki, H. and Wight, C. (2000) ‘After Post-positivism? The Promises of Critical Realism’, *International Studies Quarterly*, 44 (2)**,** 213-237.

Patroni, V. (2001) ‘The Decline and Fall of Corporatism? Labour Legislation Reform in Mexico and Argentina during the 1990s’, *Canadian Journal of Political Science*, 34 (2)**,** 249-274.

Paus, E. A. (2004) ‘Productivity Growth in Latin America: the Limits of Neoliberal Reforms’, *World Development*, 32 (3)**,** 427-445.

Payne, A. and Phillips, N. (2010) *Development (Key Concepts)*. Cambridge: Polity Press.

Peck, J. (2011) ‘Global Policy Models, Globalizing Poverty Management: International Convergence or Fast-Policy Integration?’, *Geography Compass*, 5 (4)**,** 165-181.

Peck, J. & Theodore, N. (2010) 'Recombinant Workfare, across the Americas: Transnationalizing "Fast" Social Policy', *Geoforum,* 41 (2)**,** 195-208.

Peres, W. (2006) 'The slow comeback of industrial policies in Latin America and the Caribbean', *CEPAL Review 88*, 67-83.

Peres, W. and Stumpo, G. (2000) 'Small and Medium-sized Manufacturing Enterprises in Latin America and the Caribbean under the New Economic Model', *World Development,* 28 (9)**,** 1643-1655.

Perry, G. E. and Servén, L. (2003) 'The Anatomy of a Multiple Crisis: Why Was Argentina Special and What Can We Learn From It', *World Bank Policy Research Working Paper No.3081,* 1-57.

Petras, J. (2004) 'Argentina: From Popular Rebellion to Normal Capitalism' [Online]. Available from: http://lahaine.org/petras/b2-img/040603petras.pdf [Accessed 9 March 2012].

Petras, P. J. & Veltmeyer, P. H. (2009) *What's Left in Latin America? Regime Change in New Times*. Surrey: Ashgate Publishing.

Phillips, N. (1998) 'Globalisation and the 'Paradox of State Power': Perspectives from Latin America', *CGSR (Centre for the Study of Globalisation and Regionalisation) Working Paper No. 16/98.*

Phillips, N. (1999) 'Global and Regional Linkages', in J. Buxton and N. Phillips (eds), *Development in Latin American Political Economy: States, Markets and Actors*. New York: Manchester University Press, p. 72-92.

Phillips, N. (2003) 'The Rise and Fall of Open Regionalism?', Comparative Reflections on Regional Governance in the Southern Cone of Latin America, *Third World Quarterly,* 24 (2)**,** 217-234.

Phillips, N. (2004) *Southern Cone Model: The Political Economy of Regional Capitalist Development in Latin America*. London: Taylor & Francis.

Phillips, N. (2007) 'Consequences of an Emerging China: Is Development Space Disappearing for Latin America and the Caribbean?', *The Centre for International Governance Innovation***,** 1-35.

Phillips, N (2011) 'Globalisation and Development', in J. Ravenhill (ed), *Global Political Economy,* Third Edition. New York: Oxford University Press, p. 344-371.

Phillips, N. & Higgott, R. A. (1999) 'Global Governance and the Public Domain: Collective Goods in a 'Post-Washington Consensus' era', *CSGR Working Paper No. 47/99*, 2-37.

Phillips, N. & Prieto Corredor, G. (2011) 'The Demise of New Regionalism: Reframing the Study of Contemporary Regional Integration in Latin America'. In A. Warleigh-Lack N. Robinson and B. Rosamund (eds), New *Regionalism and the European Union: Dialogues, Comparisons and New Research Directions.* Abingdon, Oxon: Routledge, p. 116-134.

Porzecanski, A.C. (2009) *Latin America: the Missing Financial Crisis*. ECLAC Washington Office: United Nations Publications.

Pribble, J., Huber, E. & Stephens, J. D. (2009) 'Politics, Policies, and Poverty in Latin America', *Comparative Politics***,** 41 (4), 387-407.

Puntigliano, A. R. (2007) '"Latinoamerica" Reflections around Globalization, State, Nationhood and Development', *Iberoamericana, Nordic Journal of Latin American and Caribbean Studies,* 37 (1), 59-82.

Rapley, J. (2007) *Understanding Development: Theory And Practice In The Third World*. London: Taylor & Francis.

Reinhardt, N. & Peres, W. (2000) 'Latin America's New Economic Model: Micro Responses and Economic Restructuring', *World development,* 28 (9)**,** 1543-1566.

Riggirozzi, P. (2009) 'Reasserting Nationalism in an Open Economy', In J. Grugel and P. Riggirozzi, P. (eds.), *Governance After Neoliberalism in Latin America.* New York: Palgrave Macmillan, p. 89-112.

Riggirozzi, P. (2012) Region, Regionness and Regionalism in Latin America: Towards a New Synthesis. *New Political Economy,* 17 (4)**,** 421-443.

Rivas, D & Stumpo, G. (2013) 'La Industria Manufacturera Argentina, 2003-2010. Reconstruyendo Capacidades para Enfrentar los Desafíos del Siglo XXI', in G. Stumpo and D. Rivas (eds), La *Industria Argentina frente a los Nuevos Desafíos y Oportunidades del Siglo XXI*. Santiago de Chile: CEPAL, p. 27-59.

Roberts, K. M. (2007) 'Latin America's Populist Revival' *Sais Review*, 27**,** 3-15.

Roberts, K. M. (2012) 'The Politics of Inequality and Redistribution in Latin America's Post-adjustment Era', *United Nations University Working Paper No. 2012/08,* 1-23.

Roca, E., Golbert, L. & Lanari, M.E. (2012) ¿ Piso o Sistema Integrado de Protección Social? Una Mirada desde la Experiencia Argentina. Buenos Aires: Ministerio de Trabajo, Empleo y Seguridad Social (MTEySS).

Rock, D. (2002) 'Racking Argentina', *New Left Review*, 55-86. Available at: http://newleftreview.org/II/17/david-rock-racking-argentina [Accessed 5 March 2011].

Rodríguez-Garavito, C., Barrett, P. and Chávez, D. (2008) 'Utopia Reborn? Introduction to the Study of the New Latin American Left' In P. Barrett, D. Chávez and C. Rodríguez-Garavito (eds), *The New Latin American Left: Utopia Reborn*, Pluto Press, p. 1-41.

Rubin, H.J and Rubin, I. (2005) *Qualitative Interviewing: The Art of Hearing Data.* California: Sage Publications.

Sader, E. (2009) 'Post-neoliberalism in Latin America', *Development Dialogue,* 51 (1)**,** 171-179.

Schamis, H. E. (1999) 'Distributional coalitions and the politics of economic reform in Latin America', *World Politics,* 51 (2)**,** 236-268.

Schamis, H. E. (2002) 'Argentina: Crisis and Democratic Consolidation', *Journal of Democracy,* 13 (2)**,** 81-94.

Schneider, B. R. (2004) *Business politics and the state in twentieth-century Latin America*. Cambridge: Cambridge University Press.

Schorr, M. (2005) 'La industria Argentina: Trayectoria Reciente y Desafíos Futuros', Paper presented at Hacia el Plan Fénix II. En Vísperas del Segundo Centenario", Buenos Aires: Facultad de Ciencias Económicas (UBA), Buenos Aires, 2-5 August.

Schorr, M. and Wainer, A. (2005) 'Argentina: ¿ Muerte y Resurrección? Notas sobre la Relación entre Economía y Política en la Transición del Modelo de los Noventa al del Dólar Alto', *Realidad Económica,* 211, 32-65.

Schorr, M. (2012) 'Argentina: ¿ Nuevo Modelo o Viento de Cola?', *Revista Nueva Sociedad,* 237, 114-127.

Silverman, D. (2013) *Doing Qualitative Research*. London: SAGE Publications.

Soederberg, S. (2001) 'The Emperor's New Suit: The New International Financial Architecture as a Reinvention of the Washington Consensus', *Global Governance***,** 7 (4), 453-467.

Stallings, B. & Peres, W. (2000) *Growth, Employment, and Equity: The Impact of the Economic Reforms in Latin America and the Caribbean*. Washington, DC: Brookings Institution Press.

Stallings, B. and Studart, R. (2002) 'Financial Regulation and Supervision in Emerging Markets', *UNU (United Nations University)/WIDER (World Institute for Development Economics Research) Discussion Paper No. 2002/45,* 1-22.

Starr, P. K. (1997) 'Government Coalitions and the Viability of Currency Boards: Argentina under the Cavallo Plan', *Journal of Interamerican Studies and World Affairs,* 39 (2)**,** 83-133.

Stiglitz, J. E. (1998) 'More instruments and broader goals: moving toward the post-Washington Consensus'. *Villa Borsig Workshop Series 1998,* Helsinki: German Foundation for International Development (DSE), 11-39.

Stiglitz, J., Ocampo, J. A., Spiegel, S., Ffrench-Davis, R & Nayyar, D. 2006. *Stability with Growth: Macroeconomics, Liberalization and Development: Macroeconomics, Liberalization and Development*. Oxford: Oxford University Press.

Taylor, M. (2009) 'The Contradictions and Transformations of Neoliberalism in Latin America: From Structural Adjustment to "Empowering the Poor"', in L. Macdonald and A. Ruckert (eds.), *Post-Neoliberalism in the Americas.* Basingstoke: Palgrave Macmillan, p. 21-36.

Tedesco, L. (2002) 'Argentina's Turmoil: The Politics of Informality and the Roots of Economic Meltdown', *Cambridge Review of International Affairs,* 15 (3)**,** 469-481.

Teichman, J. (1981) 'Interest Conflict and Entrepreneurial Support for Perón', *Latin American Research Review***,** 16 (1), 144-155.

Teichman, J. (1997) Mexico and Argentina: economic reform and technocratic decision making. *Studies in Comparative International Development,* 32 (1)**,** 31-55.

Teichman, J. A. (2001) *The politics of freeing markets in Latin America: Chile, Argentina, and Mexico*. Chapel Hill: University of North Carolina Press.

Teichman, J (2002) 'Private Sector power and Market reform: Exploring the Domestic Origins of Argentina's Meltdown and Mexico's Policy Failures', *Third World Quarterly,* 23 (3)**,** 491-512.

Teichman, J. (2004) 'The World Bank and Policy reform in Mexico and Argentina', *Latin American Politics and Society*, 46 (1)**,** 39-74.

Teubal, M. (2004) 'Rise and Collapse of Neoliberalism in Argentina: The Role of Economic Groups', *Journal of Developing Societies,* 20 (3)**,** 173-188.

Thomas, J. (1996) 'The New Economic Model and Labour Markets in Latin America', in V. Bulmer-Thomas (ed.), *The New Economic Model in Latin America and Its Impact on Income Distribution and Poverty.* London: Palgrave Macmillan/ILAS, p. 79-102.

Thomas-Bulmer, V. (1996) 'Introduction', in: V. Bulmer-Thomas, (ed.), *The New Economic Model in Latin America and Its Impact on Income Distribution and Poverty.* London: Palgrave Macmillan/ILAS, p. 7-28.

Tommasi, M. (2006) 'Federalism in Argentina and the Reforms of the 1990s', in Wallack, J. S. and Srinivasan, T. N. (eds), *Federalism and Economic Reform. International Perspectives*. New York: Cambridge University Press, p. 25-84.

Tussie, D. (2010) 'Hemispheric Relations: Budding Contests in the Dawn of a New Era', in G. Mace, A. F. Cooper and T. M. Shaw (eds), *Inter-American Cooperation at a Crossroads*, Basingstoke: Palgrave Macmillan, p. 23-42.

UNCTAD (2007a) *World Investment Report 2007: Transnational Corporations, Extractive Industries and Development.* New York and Geneva: United Nations Conference on Trade and Development (UNCTAD).

UNCTAD (2007b) *Trade and Development Report 2007*: *Regional Cooperation for Development.* New York and Geneva: United Nations Conference on Trade and Development (UNCTAD).

UNCTAD (2008) *Trade and Development Report 2008: Commodity Prices, Capital Flows and the Financing of Investment.* New York and Geneva: United Nations Conference on Trade and Development (UNCTAD).

UNCTAD (2012) *Trade and Development Report 2012. Policies for Inclusive and Balanced Growth.* New York and Geneva: United Nations Conference on Trade and Development (UNCTAD).

UNCTAD (2013a) *Commodities and Development: Perennial Problems, New Challenges and Evolving Perspectives*. New York and Geneva: United Nations Conference on Trade and Development (UNCTAD).

UNCTAD (2013b) *Global Value Chains - Investment and Trade for Development*, New York and Geneva: United Nations Conference on Trade and Development (UNCTAD).

Varesi, G. (2011) 'Argentina 2002-2011: Neo-desarrollismo y Radicalización Progresista', *Realidad económica***,** 264, 33-59.

Viguera, A. (1998) 'La Política de la Apertura Comercial en la Argentina, 1987-1996.', paper prepared for the meeting of the Latin American Studies Association, Chicago, Illinois, 24-26 September.

Vilas, C. M. (2006) 'Neoliberal Meltdown and Social Protest: Argentina 2001—2002', *Critical Sociology,* 32 (1)**,** 163-186.

Vilas, C. M. (2008) 'Turning to the Left-Understanding Some Unexpected Events in Latin America', *Whitehead Journal of Diplomacy and International Relations,* 9**,** 115-128.

Weyland, K. (2009) 'The Rise of Latin America's Two Lefts: Insights from Rentier State Theory', *Comparative Politics***,** 41 (2), 145-164.

Williamson, J. (2003) 'The Washington Consensus and Beyond', *Economic and Political Weekly***,** 38 (15), 1475-1481.

Wise, C. and Quiliconi, C. (2007) 'China's surge in Latin American Markets: Policy Challenges and Responses', *Politics & Policy,* 35 (3)**,** 410-438.

World Bank (2015) *World Development Indicators*. Available from: http://data.worldbank.org/data-catalog/world-development-indicators [Accessed 16 October 2013].

WTO (2007) *Trade Policy Review - Report by the Secretariat - Argentina - Revision* **(**WT/TPR/S/176/Rev.1**)**. World Trade Organisation (WTO). Available from: https://www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm [Accessed 12 October 2013].

WTO (2013) *Trade Policy Review - Report by the Secretariat - Argentina - Revision* (WT/TPR/S/277/Rev.1). World Trade Organisation (WTO). Available from: https://www.wto.org/english/tratop_e/tpr_e/tp_rep_e.htm [Accessed 12 October 2013].

Wylde, C. (2011) 'State, Society and Markets in Argentina: The Political Economy of Neo-desarrollismo under Néstor Kirchner, 2003–2007', *Bulletin of Latin American Research,* 30 (4)**,** 436-452.

Wylde, C. (2012) *Latin America after Neoliberalism: Developmental Regimes in Post-Crisis States*, Basingstoke: Palgrave Macmillan.

Yates, J. S. and Bakker, K. (2014) ‘Debating the ‘post-neoliberal turn ‘in Latin America’ *Progress in Human Geography***,** 38 (1), 62-90.

Yeo, A., Legard, R., Keegan, J., Ward, K., McNaughton Nicholls, C., and Lewis, J. (2014) ‘In-depth Interviews’, in J. Ritchie, J. Lewis, Carol McNaughton Nicholls and Rachel Ormston (eds.), *Qualitative Research Practice: A Guide for Social Science Students and Researchers* (Second Edition). London: SAGE Publications, p. 177-210.

Newspaper clippings

Ciberia, F. (1999) ‘Los Corruptos a la Cárcel’, *Página/12*, 26 May [Online]. Available from: http://www.pagina12.com.ar/1999/99-05/99-05-26/pag03.htm [Accessed 14 March 2012].

Dellatorre, R. (2004) ‘Que la Mancha de Crudo no Llegue al Surtidor’, *Página/12*, 5 August [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-39199-2004-08-05.html [Accessed 10 August 2013].

Dellatorre, R. (2007) ‘Una Dieta Líquida para la Industria’, *Página/12*, 13 July [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-88041-2007-07-13.html [Accessed 23 March 2014].

Granovsky, M. (2003) ‘Llegamos sin Rencores y con Memoria’, *Página/12*, 26 May [Online]. Available from: http://www.pagina12.com.ar/diario/elpais/1-20614-2003-05-26.html. [Accessed 20 February 2014].

La Nación (2003) ‘Lanzaron el Programa Federal de Solidaridad Habitacional’, *La Nación*, 1 October [Online]. Available from: http://www.lanacion.com.ar/532085-lanzaron-el-programa-federal-de-solidaridad-habitacional [Accessed 3 November 2013].

La Nación (2003) ‘Critican la Propuesta de los EE.UU. en el ALCA’, *La Nación*, 18 February [Online]. Available from: http://www.lanacion.com.ar/474590-critican-la-propuesta-de-los-eeuu-en-el-alca de [Accessed 5 November 2013].

La Nación (2003) ‘El Texto Completo del Discurso Presidencial’, *La Nación*, 25 May [Online]. Available from: http://www.lanacion.com.ar/498849-el-texto-completo-del-discurso-presidencial [Accessed 16 October 2013].

La Nación (2003) ‘Kirchner: "La Argentina Ha Empezado a Crecer"’, *La Nación*, 7 October [Online]. Available from: http://www.lanacion.com.ar/533739-kirchner-la-argentina-ha-empezado-a-crecer [Accessed 2 November 2013].

La Nación (2003) ‘Tomada: "Una Política Laboral no Crea Empleos, pero sí Contribuye"’, *La Nación*, 26 October [Online]. Available from: http://www.lanacion.com.ar/539383-tomada-una-politica-laboral-no-crea-empleos-pero-si-contribuye [Accessed 2 November 2013].

La Nación (2004) 'Fracasó Otra Reunión para Llegar al ALCA', *La Nación*, 11 March [Online]. Available from: http://www.lanacion.com.ar/580390-fracaso-otra-reunion-para-llegar-al-alca [Accessed 1 May 2014].

La Nación (2004) 'Se Promulgó la Ley de Reforma Laboral', *La Nación*, 20 March [Online]. Available from: http://www.lanacion.com.ar/583796-se-promulgo-la-ley-de-reforma-laboral [Accessed 14 November 2013].

La Nación (2004) 'Bajan las Cargas Laborales en las Pymes', *La Nación*, 25 June [Online]. Available from: http://www.lanacion.com.ar/613009-bajan-las-cargas-laborales-en-las-pymes [Accessed 20 December 2013].

La Nación (2004) 'Monotributo: Cambios en la Cobertura Social', *La Nación*, 26 June [Online]. Available from: http://www.lanacion.com.ar/613333-monotributo-cambios-en-la-cobertura-social [Accessed 16 November 2013].

La Nación (2006) 'Un Vacío Legal para el Compromiso Social', *La Nación*, 16 July [Online]. Available from: http://www.lanacion.com.ar/823741-un-vacio-legal-para-el-compromiso-social [Accessed 15 November 2013].

La Nación (2007) 'El Mercado Laboral: Las Empresas Pueden Acceder a Incentivos', *La Nación*, 6 January [Online]. Available from: http://www.lanacion.com.ar/873164-casi-500000-beneficiarios-del-plan-jefes-consiguieron-un-empleo-formal [Accessed 15 November 2013].

La Nación (2007) 'Se Reparten sin Control los Planes Sociales', *La Nación*, 17 June [Online]. Available from: http://www.lanacion.com.ar/918206-se-reparten-sin-control-los-planes-sociales [Accessed 3 November 2013].

MercoPress (2003) 'A New Argentina is Emerging', *MercoPress*, 19 May [Online]. Available from: http://en.mercopress.com/2003/05/19/a-new-argentina-is-emerging [Accessed 3 March 2014].

MercoPress (2003) 'MERCOSUR Target: Single Market by 2006', *MercoPress*, 19 June [Online]. Available from: http://en.mercopress.com/2003/06/19/mercosur-target-single-market-by-2006 [Accessed 11 August 2013].

MercoPress (2007) 'Argentina Hikes Export Taxes on Soybeans and Cereals', *MercoPress*, 7 November [Online]. Available from:

http://en.mercopress.com/2007/11/07/argentina-hikes-export-taxes-on-soybeans-and-cereals [Accessed 12 September 2013].

MercoPress (2008) 'MERCOSUR Partners Divided over Protectionism', *MercoPress*, 29 September [Online]. Available from: http://en.mercopress.com/2008/11/29/mercosur-partners-divided-over-protectionism [Accessed 14 September 2013].

Montenegro, M. (2003) 'El Reloj Corre, pero para el Fondo', *Página/12*, 3 September [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-24967-2003-09-03.html [Accessed 11 January 2014].

Nudler, J. (2002) 'Remes Salta al Vacío con el Flotador', *Página/12*, 4 February. [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-1525-2002-02-04.html [Accessed 3 September 2013].

Página/12 (2002) 'El Discurso Presidencial', *Página/12*, 2 January [Online]. Available from: http://www.pagina12.com.ar/diario/elpais/subnotas/1-271-2002-01-02.html [Accessed 20 March 2013].

Página/12 (2002) 'Estos son, Aquí Están los Dueños de los Dólares', *Página/12*, 17 February [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-1978-2002-02-17.html [Accessed 5 September 2013].

Página/12 (2002) 'Gobernará la Comunidad Productiva', *Página/12*, 5 January [Online]. Available from: http://www.pagina12.com.ar/diario/elpais/1-496-2002-01-05.html [Accessed 25 August 2013].

Página/12 (2002) 'Una Cuota de la Renta que da la Devaluación', *Página/12*, 5 March [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-2557-2002-03-05.html [Accessed 8 November 2013].

Página/12 (2002) 'Una Pulseada Final con el Establishment', *Página/12*, 27 May [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-5597-2002-05-27.html [Accessed 10 January 2014].

Página/12 (2003) 'Decreto en Puerta' (2003) *Página/12*, 27 January [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-15948-2003-01-27.html [Accessed 3 August 2013].

Página/12 (2003) ‘Un Discurso Herético para Irse de Davos’, *Página/12*, 27 January [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-15945-2003-01-27.html [Accessed 20 September 2013].

Página/12 (2003) ‘Gobierno y Congreso en un Tira y Afloje por el Paquete Impositivo’, *Página/12*, 19 February [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-16745-2003-02-19.html [Accessed 5 September 2013].

Página/12 (2003) ‘Acuerdo con Petroleros’, *Página/12*, 6 June [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-21059-2003-06-06.html. Accessed 5 August 2013 [Accessed 5 June 2014].

Página/12 (2003) ‘De Aumentar, ni Hablamos’, *Página/12*, 9 June [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-21194-2003-06-09.html [Accessed 4 August 2013].

Página/12 (2003) ‘Espantapájaros para los Capitales Golondrina’, *Página/12*, 26 June. Available from: http://www.pagina12.com.ar/diario/economia/2-21885-2003-06-26.html [Accessed 11 January 2014].

Página/12 (2003) ‘Negocian con Brasil’, *Página/12*, 24 July [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-23131-2003-07-24.html [Accessed 20 November 2013].

Página/12 (2003) ‘Los Límites en la Mesa de Negociación con el Fondo’, *Página/12*, 13 August [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-24057-2003-08-13.html [Accessed 11 January 2014].

Página/12 (2003) ‘Un Abrazo entre Kirchner y Scioli’, *Página/12*, 3 September [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-24987-2003-09-03.html [Accessed 9 January 2014].

Página/12 (2003) ‘La Ilusión de una Burguesía Nacional’, *Página/12,* 30 September [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-26134-2003-09-30.html [Accessed 20 September 2013].

Página/12 (2004) ‘Acuerdo por Combustibles’, *Página/12*, 6 January [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-30100-2004-01-06.html [Accessed 11 April 2014].

Página/12 (2004) ‘Golpear y Negociar’, *Página/12*, 26 March [Online]. Available: http://www.pagina12.com.ar/diario/economia/2-33277-2004-03-26.html [Accessed 10 April 2014].

Página/12 (2004) ‘Una Llave de Paso en la Cordillera’, *Página/12*, 1 April Available from: http://www.pagina12.com.ar/diario/economia/2-33538-2004-04-01.html [Accessed 10 September 2013].

Página/12 (2004) ‘La Hora de los Hornos y Hornallas’, *Página/12,* 8 April [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-33835-2004-04-08.html [Accessed 4 August 2013].

Página/12 (2004) ‘Ellos Taparon Pozos que Funcionaban’, *Página/12,* 6 May [Online]. Available from: http://www.pagina12.com.ar/diario/elpais/1-34990-2004-05-06.html [Accessed 3 August 2013].

Página/12 (2004) ‘Ni de Acuerdo ni en Desacuerdo’, *Página/12*, 4 June [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-36254-2004-06-04.html [Accessed 2 October 2013].

Página/12 (2004) ‘El FMI Presionará a Fondo por la Ley de Responsabilidad Fiscal’, *Página/12*, 12 June [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-36606-2004-06-12.html [Accessed 12 January 2014].

Página/12 (2004) ‘Suban los Puentes, que Brasil Ataca’, Página/12, 6 July [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-37675-2004-07-06.html [Accessed 15 September 2013].

Página/12 (2004) ‘Importar Será Más Barato’, *Página/12,* 27 July [Online]. Available: http://www.pagina12.com.ar/diario/economia/subnotas/2-13529-2004-07-27.html [Accessed 14 September 2013].

Página/12 (2004) ‘Retenciones por Muchos Años Más’, *Página/12,* 5 August [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-39200-2004-08-05.html [Accessed 10 August 2013].

Página/12 (2004) ‘Servicios Públicos en el Subibaja’, *Página/12*, 30 August [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-40341-2004-08-30.html [Accessed 5 October 2013].

Página/12 (2004) ‘ENARSA’, *Página/12*, 29 September [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-41662-2004-09-29.html [Accessed 6 October 2013].

Página/12 (2004) ‘Las Empresas Tienen Fe en Que no Habrá una invasión’, *Página/12*, 19 November [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-43818-2004-11-19.html [Accessed 21 November 2013].

Página/12 (2004) ‘El Ajuste de Tarifas Que Cameron Pretende y De Vido Desmiente’, *Página/12*, 25 November [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-44052-2004-11-25.html [Accessed 7 March 2014].

Página/12 (2005) ‘Velando las Armas’, *Página/12*, 29 May [Online]. Available from: http://www.pagina12.com.ar/diario/elpais/1-51678-2005-05-29.html [Accessed 6 October 2013].

Página/12 (2005) ‘Gestos de Buena Voluntad Que no Alcanzan’, *Página/12*, 14 June [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-52395-2005-06-14.html [Accessed 20 September 2013].

Página/12 (2005) ‘Balas para Bajar a las Golondrinas’, *Página/12*, 24 June [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-52803-2005-06-24.html [Accessed 6 November 2013].

Página/12 (2005) ‘Equilibrio Petrolero’, *Página/12*, 6 October [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-57530-2005-10-06.html [Accessed 6 November 2013].

Página/12 (2005) ‘Razonable, no Imprescindible’, *Página/12*, 10 November [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-59017-2005-11-10.html [Accessed 14 January 2014].

Página/12 (2005) ‘A la Conquista del Capital’, *Página/12*, 7 December [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-60152-2005-12-07.html [Accessed 7 October 2013].

Página/12 (2005) ‘Sectores Industriales Piden Garantías en el MERCOSUR’, *Página/12*, 22 December [Online]. Available from:

http://www.pagina12.com.ar/diario/economia/2-60800-2005-12-22.html [Accessed 6 October 2013].

Página/12 (2006) ‘Argentina y Brasil Buscan Cerrar un Acuerdo para las Automotrices’, *Página/12*, 21 June [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-68752-2006-06-21.html [Accessed 19 November 2013].

Página/12 (2006) ‘Para el Que Busca Siempre Hay Premio’, *Página/12*, 12 October [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-74327-2006-10-12.html [Accessed 15 February 2014].

Página/12 (2007) ‘Para Ampliar el Caño de Gas’, *Página 12*, 12 January [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-78977-2007-01-12.html [Accessed 4 November 2013].

Página/12 (2007) ‘El Que no Abastece es un Holandés’, *Página/12*, 3 July [Online]. Available: http://www.pagina12.com.ar/diario/economia/2-87536-2007-07-03.html [Accessed 5 November 2013].

Página/12 (2007) ‘Guerra Abierta por el Gasoil’ *Página/12*, 16 October [Online]. Available: http://www.pagina12.com.ar/diario/economia/2-74544-2006-10-16.html [Accessed 5 November 2013].

Sainz, A. (2006) ‘Los Extranjeros Llegan a Tierra del Fuego’, *La Nación*, 27 December [Online]. Available from: http://www.lanacion.com.ar/870603-los-extranjeros-llegan-a-tierra-del-fuego [Accessed 11 March 2014].

Uranga, W. (2002) ‘El Diálogo Argentino le Entregó sus Propuestas al Presidente, *Página/12*, 1 March [Online]. Available from: http://www.pagina12.com.ar/diario/elpais/1-2421-2002-03-01.html [Accessed 10 February 2012].

Vales, L. (2002) ‘Duhalde Se Comprometió a Estudiar el Plan para Acabar con la Pobreza, *Página/12*, 15 January [Online]. Available from: http://www.pagina12.com.ar/diario/elpais/1-840-2002-01-15.html [Accessed 12 March 2012].

Zaiat, A. (2006) ‘Crisis Energética’, *Página/12*, 16 September [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-73080-2006-09-16.html [Accessed 18 November 2013].

Zlotnik, C. (2002) ‘Plan Control para Salvar el Honor’, *Página/12*, 3 September [Online]. Available from: http://www.pagina12.com.ar/diario/economia/2-9677-2002-09-03.html [Accessed 10 January 2014].

Websites

Ministry of Foreign Affairs and Worship Argentine Republic (Ministerio de Relaciones Exteriores y Culto de la República Argentina) (2003) 11 September 2003. Discurso de Bielsa en Cancún, 11 September [Online]. Available from: https://www.mrecic.gov.ar/node/30398 [Accessed 11 May 2014].

Presidencia de la Nación Argentina (2004) *Palabras del Presidente Néstor Kirchner en el Acto de Lanzamiento de Fondos Fiduciarios para la Ampliación del Transporte y Distribución de Gas Natural,* 22 April [Online]. Available from: http://www.casarosada.gob.ar/index.php/discursosnk [Accessed 12 May 2014].

Presidencia de la Nación Argentina (2004) *Disertación del Presidente Néstor Kirchner en el Foro Argentina, Organizado por el Consejo de las Americas, en Nueva York,* 6 May [Online]. Available from: http://www.casarosada.gob.ar/index.php/discursosnk [Accessed 11 May 2014].

Presidencia de la Nación Argentina (2004) *Palabras del Presidente de la Nación, Doctor Néstor Kirchner, en el Seminario Argentina-China Socios para el Crecimiento en la Ciudad de Shanghai*, 1 July [Online]. Available from: http://www.casarosada.gob.ar/index.php/discursosnk [Accessed 12 May 2014].

Presidencia de la Nación Argentina (2004) *Palabras del Presidente Néstor Kirchner en el Acto de Lanzamiento del Polo Classica, de Volkswagen Argentina S. A.*, 8 September [Online]. Available from: http://www.casarosada.gob.ar/index.php/discursosnk [Accessed 12 May 2014].

Presidencia de la Nación Argentina (2004) *Palabras del Presidente Néstor Kirchner en el Acto de Presentación de los Planes Sectoriales de Calificación en el Marco del Programa Más y Mejor Empleo,* 21 September [Online]. Available from: http://www.casarosada.gob.ar/index.php/discursosnk [Accessed 10 May 2014].

Presidencia de la Nación Argentina (2005) *Palabras del Presidente de la Nación, Néstor Kirchner, durante la Presentación del Proyecto de Ley para Fomentar la Exploración y Explotación de Hidrocarburo,* May 2005 [Online]. Available from: http://www.casarosada.gob.ar/index.php/discursosnk [Accessed 10 May 2014.

Presidencia de la Nación Argentina (2006) *Mensaje del Presidente Néstor Kirchner ante la Asamblea Legislativa,* 1 March [Online]. Available from: http://www.casarosada.gob.ar/index.php/discursosnk [Accessed 11 May 2014].

Presidencia de la Nación Argentina (2006) *Palabras del Presidente Néstor Kirchner en la Firma de un Acuerdo con Brasil para la Industria Automotriz*, 23 July [Online]. Available from: http://www.casarosada.gob.ar/index.php/discursosnk [Accessed 11 May 2014].

Presidencia de la Nación Argentina (2007) *Palabras del Presidente de la Nación, Néstor Kirchner, en el Acto Conmemoración del 120 º Aniversario de la Fundación de la Union Industrial Argentina y Celebración del Día de la Industria,* 5 September [Online]. Available from: http://www.casarosada.gob.ar/index.php/discursosnk [Accessed 11 May 2014].

Appendix List of Interviewees

Alejandro Razzotti, former Institutional Coordinator, Ministry of Social Development, 13 November 2011, Buenos Aires.

Alfredo Álvarez de Toledo, Secretary General, CGE, 3 November 2011, Buenos Aires.

Andrés López, academic in Centro Interdisciplinario para el Estudio de la Política Pública (CIEPP), 30 November 2011, Buenos Aires.

Cintia Quiliconi, former Advisor to Secretariat de Industria and researcher in FLACSO, 21 November 2011, Buenos Aires.

Diego Coatz, Economist, UIA, 25 November 2011, Buenos Aires

Eduardo Amadeo, former National Deputy of Buenos Aires and former Ambassador of Argentina in the US, 10 November 2011, Buenos Aires.

Eduardo Basualdo, academic in FLACSO, 24 October 2011, Buenos Aires.

Enrique Deibe, former Secretary of Employment, Ministry of Labour, Employment and Social Security of Argentina, 22 November 2011, Buenos Aires.

Felisa Miceli, former Minister of Economy of Argentina (28 November 2005-16 July 2007), 15 November 2011, Buenos Aires.

García Delgado, academic in FLACSO, 9 November 2011, Buenos Aires.

Gabriel Martínez, Director de Evaluación Presupuestria Oficina Nacional de Presupuestos, Ministry of Economy and Public Finance of Argentina, 1 December 2011, Buenos Aires.

Hector Cabrera, Union Director of CTA, 29 November 2011, Buenos Aires.

Javier Finkman, Chief Economist of HSBC for South America (except Brazil), 1 December 2011, Buenos Aires.

José Chapu Urreli, Coordinator of MTL, 24 November 2011, Buenos Aires.

Juan Carlos Torre, academic in Universidad di Tella, 6 December 2011, Buenos Aires

Lucio Castro, academic in Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento (CIPPEC) 1 December 2011, Buenos Aires.

Luis Ángel D`Elía, Leader of FTV, 2 December 2011, Buenos Aires.

Mariano Rodríguez Giesso, President of Giesso, 25 November 2011, Buenos Aires.

Martín Schorr, academic in FLACSO, 28 October 2011, Buenos Aires.

Matias Woiciechowski, Director in UTE-CTERA, 26 October 2011, Buenos Aires.

Roberto Lavagna, former Minister of Economy of Argentina (27 April 2002-28 November 2005), 15 November 2011, Buenos Aires.

Rubén M. Lo Vuolo, academic in CIEPP, 18 November 2011, Buenos Aires.

Sebastián Katz, Chief Director of Economic Investigations, Central Bank of Argentina, 27 October 2011, Buenos Aires.