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Argentina as a “Bad Actor” On the World Stage

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Recent headlines out of Kenya and Syria remind us that the world is not as safe a place as we’d like it to be, and that’s because of the lingering presence of what international relations experts call “bad actors.” Some of them are states, others are state-sponsored, and then there are non-state-related actors, like the pirates off the coast of Somalia recalled in the upcoming movie “Captain Phillips,” about the first American cargo ship to be hijacked in 200 hundred years – the Maersk Alabama, in 2009.

In fact, in our hemisphere we have our share of bad actors, and the ones that most readily come to mind are all the narco-traffickers who supply the United States market with most of the illegal drugs that our population consumes in vast quantities. But we also have some states that can be characterized as bad hemispheric actors, and in my view Argentina should be at the top of the list.

A few years ago I would have said that Venezuela deserved that top spot, but with the passing of Hugo Chávez from the scene, and given the ongoing implosion of the Venezuelan economy and the escalation in organized crime in that country, my assessment is that the government of Nicolás Maduro, hobbled by the poisoned legacy left by Chávez, is nowadays much less capable of causing mischief throughout the region.

To be sure, as illustrated by the recent finding of 1.4 metric tons of cocaine in three dozen suitcases on an Air France flight from Caracas to Paris, Venezuela remains a major transit point for U.S.- and European-destined cocaine. However, it is comforting to know that at least the Maduro administration has not hesitated to arrest two National Guard sergeants and one lieutenant for alleged involvement in that showcase smuggling.

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So why regard Argentina as the hemisphere's worst bad actor, you may ask? At first glance, Argentina appears respectable: it remains a member of the G-20 club of leading nations; it ranks among the top-thirty economies in the world; it is a relatively stable and peaceful democracy; and many of its main economic indicators look quite healthy.

However, a closer look reveals a mismanaged country that is only superficially democratic, which has been violating property rights and breaking the rules of international trade and finance. Moreover, it is becoming a source of economic and financial instability in South America.

Consider that Argentina is the only nation in the G-20 group of countries that is in protracted default on its financial obligations to its fellow club members. In the past dozen years, the U.S. Ex-Im Bank, its equivalent export-finance banks around the world, and a variety of official foreign-aid agencies, have not been paid one penny in principal or interest on what they are owed – an estimated \$9 billion by now.

Argentina has also defied over one hundred court judgments obtained mainly by American investors and principally in the United States, despite Argentina having formally pledged to abide by U.S. laws and to respect the decisions of U.S. courts when it sold, in the 1990s, government bonds worth tens of billions of dollars through the United States and other jurisdictions – bonds on which it later defaulted.

In addition, Argentina is the G-20 member with by far the most investor claims against it in various international arbitration tribunals. In that context, it has likewise refused to pay up on arbitral awards decided against it in proceedings concluded by ICSID, the world's premier dispute-resolution center of which Argentina is a willing member. The cases are piling up because, as recently demonstrated with the expropriation of Repsol's majority stake in the flagship oil company YPF, which is surely worth many billions of dollars, Argentina refuses to pay even a single cent in compensation for the takeover.

Argentina is also the only country in the G-20 that refuses to abide by its treaty obligations to the IMF, under Articles IV and VIII of the Fund's charter. The former relates to the obligation of member states to subject themselves to an annual check-up of economic conditions, but Argentina has refused to host an IMF inspection team since 2006. One of the reasons is that the authorities in Buenos Aires do not wish to be questioned on their economic statistics – a contentious issue because countries are obligated to furnish reliable data to the IMF, as per Article VIII, and official figures on inflation and economic growth have become widely discredited. The Fund has

recently formally censured Argentina for its failings in this regard, the first nation in decades to be reprimanded publicly like that.

During the past half-dozen years, the country has been performing steadily worse in terms of democratic governance, institution-building, sound economics, rule of law, and the protection of property rights. As you may have heard, government controls on prices, wages, imports, exports, the exchange rate, capital flows – in sum, nearly everything that moves – have distorted the economy and robbed it of its potential, and journalists, economists, businessmen, and political leaders who have dared to speak the truth or to question the increasingly authoritarian climate have been persecuted – and sometimes even prosecuted.

Consequently, Argentina has sunk very low in various measures of creditworthiness, the business climate, competitiveness, transparency, corruption and economic liberty. In the Heritage Foundation's ranking of economic freedom, for instance, Argentina has been dropping steadily for years, and has now reached the 160th place out of a total of 177 countries, barely beating the likes of Venezuela and Cuba.

In conclusion, Argentina has become an outlier in the community of nations, a “free rider” of the G-20, a rogue sovereign debtor, a terrible host for trade and investment, and as I'm sure my fellow panelist Doug Farah will explain, also a bad actor in the world in terms of its tolerance for narco-trafficking and its alliances with other bad national actors such as Iran.