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Drop Argentina from the G-20

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The G-20 heads of state will gather June 26 and 27. One issue that should be on the agenda: Argentina's unsuitability to remain a G-20 member.

Heads of state from the Group of 20 (G-20) major industrial and developing economies will gather in Toronto for the year's first summit on June 26 and 27, under the theme "Recovery and New Beginnings." One issue that likely will not be discussed but should be on the agenda: Argentina's unsuitability to remain a member of the G-20.

Founded in 1999, the G-20 began as a forum for finance ministers and central bank presidents who met once a year to discuss international economic issues. The G-20 was established in the wake of the Asian financial crisis to advance economic cooperation and help bring stability to global financial markets. With the late 2008 economic crisis, the G-20 evolved into a forum also for presidents and prime ministers to meet and agree on cooperative solutions to international economic problems. Membership consists of the 19 largest advanced and emerging economies from all regions of the globe, including Europe's largest four, plus the European Union. India and Indonesia represent developing Asia; Saudi Arabia and Turkey stand for the Middle East; South Africa represents Africa; and Argentina, Brazil, and Mexico embody Latin America.

Argentina's inclusion seemed to make sense back in 1999 because the country had stabilized its financial affairs, modernized its economy, and was a peaceful democracy in good standing. Its strong peso, then exchangeable on a one-to-one basis for the U.S. dollar, helped Argentina's economy to rank clearly within the world's top 20.

Nearly a dozen years later, however, the suitability of Argentina as a member of the G-20 can certainly be questioned. First, notwithstanding the serious 2008–2009 recession in Europe, Japan, and North America, which had no major repercussions in South America, Argentina's economy has lagged since 1999 and now barely ranks among the top 30. It has been supplanted by a number of oil-exporting nations, starting with Norway, which does not belong to the

European Union, and ending with undesirables Venezuela and Iran, as well as by untouchable Taiwan and neutral Switzerland—all with a higher-dollar GDP. Colombia and Thailand, for their part, have by now closed most of the GDP gap between themselves and Argentina.

Second, Argentina is the only G-20 member government in default on its loan obligations to its fellow members—and it has been in default for nearly a decade. The country stopped paying interest and principal on its borrowings from foreign aid and export credit agencies (such as the U.S. Export-Import Bank) in early 2002, in the midst of a major economic crisis, but it never made amends and by now its arrears to official bilateral creditors exceed $6 billion. This is in addition to the more than $30 billion in unpaid obligations to private-sector bondholders in the G-20 community, including court judgments against Argentina totaling approximately $9 billion in the United States and Europe, plus awards of almost $1 billion against it and in favor of foreign direct investors as a result of arbitrations under the International Centre for Settlement of Investment Disputes. Despite a veritable bonanza in tax revenues and record-high international reserves, the government in Buenos Aires recently made a paltry offer to its private creditors—namely, to exchange old defaulted bonds mainly for new ones maturing in 2033 for less than one-third of what it owes. This offer has been accepted by just two-thirds of the investors, and thus the country will not be curing its default to bondholders to whom it will still owe upwards of $12 billion.

Third, Argentina is also the only G-20 member that refuses to abide by its treaty obligations to the International Monetary Fund, which include allowing the IMF to inspect its books and evaluate the country's economic performance and policies, especially its exchange-rate policies under a so-called Article IV Consultation. The IMF is supposed to hold bilateral discussions with its member governments usually every year, but Argentina has not hosted the Fund since 2006. There are two main reasons the authorities in Buenos Aires have refused: on a lesser scale than China, Argentina has also been intervening to keep its currency undervalued; moreover, the country's inflation and other economic statistics have been misrepresented, causing the Fund to have to cite official Argentine figures always with a footnote attached saying that "private analysts estimate that CPI inflation has been considerably higher," as in the latest IMF World Economic Outlook.

All things considered, countries such as Colombia or Thailand would make more suitable G-20 members. Given its track record of disdain for the international financial community, Argentina does not belong in the G-20.

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