



A Critical Analysis Of The Development Efforts Of Argentina

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Abstract:

Argentina is one of Latin America's largest economies and an important trading partner for the United States, China, and the European Union (EU). The country's economy is driven by the oil and gas industry, boasting significant onshore, offshore and shale oil and gas reserves, alongside its agricultural and livestock industries. Argentina's policies are rooted in Peronist ideologies and the economy has benefitted largely from the abundant natural resources available and has attempted to boost its workforce by tackling the literacy problem. Argentina does suffer from the resource curse as the abundant natural resources may have lulled policy makers into a sense of inaction when it comes to handling its foreign debts and optimally utilising the available production capacity. The main objectives of the paper are to analyse the overt development requirements of the country and outlining the policy support to the development efforts. The research is conducted based on secondary data. Secondary data were collected from the internet, website, articles from different newspapers and scholarly journals, etc.

Keywords: economy; development requirements; policy support; trading; industries; oil & gas.

1. Introduction:

Argentina is one of Latin America's largest economies and an important trading partner for the United States, China, and the European Union (EU). In the post-World War II period, the country's politics have been dominated by Peronism, a broad and diverse populist movement led by three-time President Juan Peron. Peronism is a political and social movement which continues to play an important role in Argentina's political landscape. Historically it has incorporated beliefs from both sides of the political divide from radicals and leftists to conservatives (Chambers, 2019).

The country's economy is driven by the oil and gas industry, boasting significant onshore, offshore and shale oil and gas reserves, alongside its agricultural and livestock industries. Health care and education have seen significant investment over the past decade, and account for around 7% and 6% of GDP, respectively (*Argentina seeks to unlock natural resource potential - Argentina 2018, 2022*).

1.1. Geography and Topography:

Argentina is a land of vast geographical and climatic diversity. Around 10.7% of the country is forested, with agricultural land occupying 53.9% (*Argentina seeks to unlock natural resource potential - Argentina 2018, 2022*).

Argentina's agricultural sector contributes 7.2% to the gross domestic product. National agriculture provides key staple foods for the nation's 41 million inhabitants, such as bread, beef, and milk (*Climate-smart agriculture in Argentina 2014*).

1.2. Demography:

Argentina's population continues to grow but at a slower rate because of its steadily declining birth rate. The youth cohort - ages 15-24 - is the largest in Argentina's history and will continue to bolster the working-age population. If this large working-age population is well-educated and gainfully employed, Argentina is likely to experience an economic boost and possibly higher per capita savings and investment. Although literacy and primary school enrolment are nearly universal, grade repetition is problematic and secondary school completion is low. Both of these issues vary widely by region and socioeconomic group.

Argentina ranked 47th out of 191 countries in the UN's 2021 "Human Development Report", With a LEI of 75.4, EI of 14.5 and GNI per capita at \$20,925 (*Human development index, 2023*).

1.3. Basic Ideological Leanings:

In the post-World War II period, the country's politics have been dominated by Peronism, a broad and diverse populist movement led by three-time President Juan Peron. Perhaps because of its near undefinable nature, that it neither sits comfortably on the left, right nor centre. (Refer to Appendix for more details)

Argentina has adopted IMF's SAP modalities of operation; in June 2018, Argentina took up its 21st arrangement: a \$50bn loan, later increased to \$57bn, backed by the government's promises to cut the budget deficit and strengthen the central bank in the hope of quelling inflation and stabilising the peso. It has left Argentina so in hock to the fund that the country will need a new longer-term loan to help it repay its existing one (*The IMF bashes the IMF over Argentina, 2022*).

2. Overt Development Requirements:

2.1. Social Infrastructure:

With the introduction of the Universal Health Plan, Argentina has gone some way to addressing Argentina's health care system. Inefficiencies and bureaucratic blocks in the sector can be improved by the introduction of new technologies, appointment scheduling systems and the harmonization of data across the fragmented model, but the biggest challenge will be to provide quality treatment to provinces in the country's more remote areas. Argentina boasts one of the best education systems in Latin America, in terms of both attainment and funding of institutions. More than 98% of citizens over the age of 15 are literate, and public and private universities frequently perform in global rankings systems (*Health & Education, from the report: Argentina 2018 2022*).

2.2. The inequality in Argentina's social infrastructure:

Poorer families often inhabit substandard housing in tenements or shantytowns. More than two-fifths of homes in the city of Buenos Aires are rented. Apartments and condominiums account for three-fourths of homes in the capital but only about one-eighth of those in the surrounding suburbs. Therefore, Argentina's economy is Lewis in character because of the ghetto and the rich coexisting. At least one-fifth of Argentines occupy substandard housing, lacking indoor plumbing (drinking water or toilets) or having either dirt floors or temporary flooring (*Housing of Argentina n.d.*). More than three in 10 persons lack adequate housing. They often experience critical overcrowding, lack of access to drinking water and sanitation services, dirt roads, and no means of transportation or access to the main services.

Migratory movements, the limited scope of social housing programs, and the scarcity of mortgage loans are factors influencing the housing deficit, which is aggravated by the significant increase in land prices, high inflation, currency devaluation, and successive economic crises (*Argentina 2017*).

2.3. Economic Infrastructure:

Economic Infrastructure is important for the smooth functioning of the economy, development of various sectors of an economy, promotion of investment, improvement in productivity and for employment generation. Argentina's overall infrastructure and construction sectors experienced a strong contraction during the pandemic, though residential construction is slowly beginning to recover.

The Inter-American Development Bank and World Bank have committed funding for new roads, rail, ports, and utilities under Argentina's previous administration. In the short term, the current administration is reportedly focused on small-scale infrastructure projects – in the \$20 million range – featuring opportunities for local companies in an effort to create local jobs, as well as other projects tendered and awarded under the previous administration (*Argentina - infrastructure/construction 2022*).

2.4. Environmental Issue:

Argentina faces the many challenges that the continued expansion of industrial-scale agriculture, especially soy and cattle production, has brought about in the last few decades. The ever-increasing global demand for food means that farmed areas keep increasing and that deforestation and habitat conversion have become major environmental issues. These problems will require solutions with an increasingly focused change to set long-term success in motion (*The nature conservancy in Argentina* n.d.).

The Nature Conservancy (TNC) has been driving initiatives that combine value for nature and production and use technology and innovation to leverage existing knowledge and expertise to implement solutions that reduce the agricultural footprint and boost the preservation of forests, grasslands, wetlands, and other ecosystems across the working landscape.

3. Deliberations on inequality:

In 2020, the percentage of income held by the richest 20 percent of the population in Argentina remained nearly unchanged at around 47.3 percent. Between 2010 and 2021, Argentina's data on the degree of income in wealth distribution based on the Gini coefficient reached 42.3. Nevertheless, Argentina was deemed as one of the most equal countries in Latin America (Romero, 2023).

Argentina's former president presented data indicating that the country is constantly growing and exporting, but at the same time the poverty level remains (or increases), and the vast majority of its population is affected by rampant inflation.

However, at the same time that the country is registering macroeconomic growth, record exports and a far from minor recovery in relation to the effects of the pandemic and the global war.

The percentage of people living below the poverty line exceeded 37%, currently affecting more than 17 million Argentines. To make matters worse, inflation continues unabated, increasing poverty (Pilatti, 2022).

4. Policy support to the development efforts:

4.1. Budgetary allotments:

President Alberto Fernandez's 2023 budget, which forecast economic growth of 2% and annual inflation of 60% next year. Argentina has been in economic difficulty for years, and many people now live in poverty. Its government has been trying to stem price rises by capping the prices of food and other products. But the food and drink sectors saw the most dramatic recent increase, with prices growing by 9.8% in February compared to January. Argentinian media said that this increase could partly be due to a sharp hike in the price of meat, which rose by almost 20% in the space of a month.

Inflation of 60% next year would be an improvement in the South American country, where prices rose 88% in the year through October, government data showed this week.

“The budget aims to achieve economic stability, which is why objectives were set to promote fiscal discipline, address the trade surplus, strengthen reserves in the Argentine central bank and promote development with social inclusion,” said ruling party Senator Ricardo Guerra (Staff, 2022).

Thereby, inducing growth by raising real per capita income and indirectly addressing the widespread poverty problem.

The present government in Argentina inherited a particularly high level of public spending compared to the country’s own history. Consolidated public expenditure for the three levels of government – nation, province and municipalities – reached 32.6% of Gross Domestic Product (GDP) in 2023. This is a 7-point hike from before the 2001-2002 crisis when this expenditure was 25.6% of GDP.

The National Primary Expenditure is 16.8% and the Provincial and Municipal Primary expenditure is 15.8%.

The current government is working to gradually stabilise the level of public spending at reasonable and sustainable levels for a country at Argentina’s level of development. Starting from the peak reached in 2015, primary expenditure fell by almost 2 points of GDP during 2017. This was achieved despite the increase in social protection spending carried out by the national public sector during that period (Refer to Figure 1 in Appendix).

This is a very important challenge for Argentina. If achieved, it would mark the first time in the country’s history to have overcome a preoccupying fiscal trend without any economic and/or political crisis. Not only that, but meeting this challenge means continuing to grow while reducing the weight of the state in the economy significantly. This also requires considerably improving the efficiency of the state (Development Matters, 2020).

4.2. Domestic Financial Involvement:

Promoting the well-being of the population, enhancing economic recovery, job creation and competitiveness in Argentina is a priority for CAF—development bank of Latin America—whose Board of Directors approved three credit operations for a total of USD 645 million for nutrition and social protection programs, water and sanitation, and roads, which will benefit more than 4 million Argentines in the coming years.

Argentina will also receive a USD 245 million loan for the AySA Clean Water Basic Works Program – Phase IV, which calls for projects that integrate the Southern Water System managed by the company. These include a new intake of raw water in Río de la Plata, with a 3,000-meter adduction pipe, and the construction of drive pipes and accessory equipment in a total length of 31,253 meters.

This Program is expected to benefit approximately 2 million residents (and a projected 2.5 million in 2040) of the regions of Almirante Brown, Lomas de Zamora, Ezeiza, Esteban Echeverría and La Matanza, providing them with cleaner water.

4.3. Global Financial Involvement:

The World Bank in the past approved a new financing package that includes two loans totalling US\$950 million to help Argentina cope with economic difficulties and reinforce social protection for its most vulnerable citizens.

The first loan will provide US\$500 million to help cover budget needs in the country. This support, known as Development Policy Financing (DPF), recognizes country efforts and public policies that promote inclusive growth.

The Board also approved US\$450 million in additional financing for the Children and Youth Protection Project, with the aim of reaching 250,000 children not yet included in family allowance programs, including the Universal Child Allowance (AUH, in Spanish).

While, the board of the International Monetary Fund approved a new program with Argentina for about \$44 billion, the IMF said, but acknowledged that it comes with "exceptionally high" risks. Therefore, Rodan's theory characterizes this economy, because of the large-scale investments taking place to push the economy out of the underdevelopment trap.

About \$9.66 billion will be disbursed immediately, the fund said (Person & Jorgelina Do Rosario, 2022).

FDI inflows in Argentina have been unstable for several years. According to the 2022 World Investment Report published by UNCTAD, Argentina's FDI inflows returned to pre-pandemic levels in 2021, as they increased from USD 4 billion in 2020 to USD 6.5 billion, largely driven by mining projects. Moreover, FDI stocks amounted to USD 98 billion in 2021. The US, Spain and the Netherlands represent more than the half of FDI inflows. Other main investing countries are Brazil, Chile, Switzerland, Uruguay, France, Germany, and Canada. These investments have been mainly oriented towards manufacturing, mine and oil extraction, retail, banking and other financial entities, information and communication, and agriculture (Argentina: Investing in Argentina, 2023).

5. Conclusion:

Argentina's policies are rooted in Peronist ideologies and the economy has benefitted largely from the abundant natural resources available and has attempted to boost its workforce by tackling the literacy problem. Argentina does suffer from the resource curse as the abundant natural resources may have lulled policy makers into a sense of inaction when it comes to handling its foreign debts and optimally utilising the available production capacity. Measures are being taken in the economy to improve the infrastructure and environmental scenario. Argentina has also received support both domestically and internationally for its development efforts, however the involvement has not benefitted Argentina and has put them in a more vicious debt trap. A few suggestions have been mentioned below to adopt a course correction and get Argentina back on track.

5.1. Suggestions:

1. Argentina should aim to lower the fiscal deficit to moderate import growth, accumulate reserves, strengthen debt sustainability and further reduce reliance on central bank financing of the deficit.
2. Inflation targeting should be the focus of monetary policy, so that interest rates are down and because of that investments will come.
3. The most vulnerable need to be empowered to reduce inequality which can be achieved by improving the social content of the Social Assistance Programs.
4. Guaranteeing the central bank's autonomy is imperative to control inflation in a better way. Therefore, political interference should be curtailed and ensure the executive powers are not bound to certain political decisions.
5. Strengthening the relations with the main trading partners (Brazil, the United States, and China) to boost exports by strengthening the requisite infrastructure.

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Appendix:

-SAPs- Structural adjustments are the policies implemented by the International Monetary Fund (IMF) and the World Bank (the Bretton Woods Institutions) in developing countries. These policy changes are conditions for getting new loans from the International Monetary Fund (IMF) or World Bank, or for obtaining lower interest rates on existing loans. Conditionalties are implemented to ensure that the money lent will be spent in accordance with the overall goals of the loan. The Structural Adjustment Programs (SAPs) are created with the goal of reducing the borrowing country's fiscal imbalances. The bank from which a borrowing country receives its loan depends upon the type of necessity. The SAPs are supposed to allow the economies of the developing countries to become more market oriented. This then forces them to concentrate more on trade and production so it can boost their economy (**Effects of structural adjustment programs (saps), 2012**).

-A short description of Argentina's geography- Argentina has vast natural resources in energy and agriculture. Within its 2.8 million square kilometers of territory, Argentina is endowed with extraordinary fertile lands, gas and lithium reserves, and has great potential for renewable energy. It is a leading food producer with large-scale agricultural and livestock industries (**Overview 2022**).

-Resource curse- The resource curse, also known as the paradox of plenty or the poverty paradox, is the phenomenon of countries with an abundance of natural resources (such as fossil fuels and certain minerals) having less economic growth, less democracy, or worse development outcomes than countries with fewer natural resources (Nguyen, 2021).

-Argentina is attracting capital which is leading to growth and not development and trapping them in a vicious debt trap, therefore there is development induced displacement in Argentina and the brunt of this effect is being faced by Argentina's residents.

- It is an idea founded on Christian social values that has three basic principles: social justice, political sovereignty and economic independence.

Figure 1:

