

Balance-of-Payments Constraints as the Key to Dependency

The Case of Argentina

by

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Considering the constraints to growth derived from the balance of payments and the external sector as the area in which the dependency of Latin American countries is most clearly expressed, application of the contributions of dependency theorists concerning external restrictions to growth in Argentina shows that the fate of surplus value in this economy is a key factor in the explanation of its dependent nature.

Considerando las restricciones al crecimiento derivadas del balance de pagos y el sector externo como el ámbito donde se expresa más nítidamente la relación de dependencia, la aplicación de los aportes de la teoría de la dependencia referentes al problema de la restricción externa al crecimiento en la Argentina muestra que el destino que se le da al plusvalor en esta economía es un elemento clave para explicar su situación de dependencia.

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With the consolidation of their national states in the nineteenth century, Latin American countries sealed their integration into the world market by becoming subordinate to the dynamics of industrialized countries via the provision of food and raw materials. The industrialization that emerged from the crisis of the 1930s and World War II rearticulated these bonds, and, while Latin American nations mostly maintained their role as exporters of primary products and derived manufactures, the greater complexity of the productive structure fueled new import needs that resulted in recurrent foreign currency shortages and hindered the development of the forces of production. This process was addressed by dependency theories, a wave of Latin American research that encompassed a relatively heterogeneous set of participants and led to intense debates with important contributions to the social sciences. Probably

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the only common ground among these scholars was the general assessment of the relative backwardness of Latin American countries as a typical by-product of global capitalist development, which presents different variants according to the particular historical conditions (economic, social, and ideological) of each social formation.

During the last quarter of the twentieth century, many of the dependentist ideas were overshadowed by neoliberal approaches arguing that removing trade, production, and financial barriers would allow for a more efficient and “impersonal” allocation of resources across markets. Thus, the productivity levels of “underdeveloped” countries, by specializing in activities with comparative advantages, would rapidly converge toward those of “developed” countries. After more than four decades it is possible to assert that these promises have not been fulfilled in Latin America. Latin American countries that followed the neoliberal recipe did not overcome their status as underdeveloped, and many have even deepened their dependency. This includes Argentina, which not only did not improve its productive capacity but, following the neoliberal reforms initiated by the last civil-military dictatorship (1976–1983) and deepened during the 1990s, reversed much of the progress made during the previous stage of import-substitution industrialization.

Although at the beginning of the twenty-first century the Argentine government deployed some political initiatives that tried to counter this path, these did not substantively upset class relations or the composition of the dominant bloc and thus failed to overcome the contradictions inherent in a peripheral and dependent economy. In this context, the purpose of our paper is to determine whether so-called external constraints to growth remain the most visible expression of the dependency relationship. The main hypothesis is that neoliberal reforms sharpened the dependent character of the Argentine economy. External constraints seem to remain this dependency’s main expression, but the way they operate has been altered by local and global changes in capitalism and the hegemonic consolidation of financial capital. While many of the neodevelopmentalist policies adopted under Kirchnerism (2003–2015) sought to increase national autonomy, the limits of this national-bourgeois project are highlighted by its failure to change the structural conditions that recreate dependency. The reaffirmation of neoliberal policies with the government of Mauricio Macri (2015–2019) served only to bury any trace of autonomy, once again subjecting local economic policy to the dictates of international financial capital.

EXTERNAL CONSTRAINTS AS AN EXPRESSION OF UNDERDEVELOPMENT AND DEPENDENCY

Dependency theories arose in opposition to the structuralist thinking emanating mainly from the Economic Commission for Latin America (ECLAC). In opposition to the view of development held by Latin American structuralism, dependency theory considered dependency due not to a lack of capitalist development but to the articulation of underdeveloped countries as such (and the existing social groups within them), along with the industrial powers, within the framework of the world capitalist system. Therefore, for most

dependency theorists (with the notable exception of Fernando Henrique Cardoso), “backwardness” could not be simply overcome via “modernizing” economic policy measures as long as class relations remained unaltered and subordinate relations unbroken (Marini, 1973; Bambirra, 1978; Dos Santos, 1986; Frank, 1979).

Despite their sharing this general idea, there were many differences among scholars: the core of the dependent relationship might be understood to lie in trade, the types and forms of production, or more political conditions such as the types of alliances established between local elites and the bourgeoisies of core countries.¹ In general, “advanced” countries (or imperialist powers) appropriated a significant portion of the wealth generated in dependent countries by various mechanisms, among them direct exploitation by transnational corporations of the local workforce, unequal exchange, and technological dependency (via the purchase of means of production, patents, and royalty payments).

Following Oscar Braun (1973), we consider that the central mechanism of dependency in countries such as Argentina (which advanced in their industrialization from import substitution) is expressed in external limitations. Among the balance-of-payments factors that account for the dependent nature of the capital accumulation of these economies are a trend toward trade deficits and an inability to retain the surplus value generated that has to do with the heterogeneity of the structures of production, the absence of new investment fields, and the key role played by transnational firms. This highlights the local bourgeoisie’s inability to and lack of interest in forming an integrated industrial system to take over the direction of the capitalist accumulation process on a national basis (Arceo, 2011). Thus dependency implies that, in the context of the development of capitalism on a global scale, the national economy is subordinated to the needs of developed countries. This situation is nurtured by a local bourgeoisie that, with greater or lesser bargaining power depending on the historical circumstances (e.g., international power relations, the state of the class struggle in each country, and the degree of development achieved), acts (albeit not without conflict) as an appendage to the bourgeoisies of the core countries.

Since the mid-1970s, dependency in countries such as Argentina has deepened with the implementation of neoliberal policies, which resulted in the opening up of the economy, the disintegration and simplification of productive structure, and the consolidation of the hegemony of financial capital. Nation-states’ unwillingness to implement active industrial policies aggravated the productive shortfall of the means of production and led to a setback in the production of consumer goods, exacerbating structural heterogeneity and the tendency toward trade deficits. This increased the need for access to external credit to finance the excess of imports over exports and the remittance of profits by the predominant transnational companies, a process that was favored by the expansion of the international capital market and the policies driven by multilateral credit agencies. In turn, the opening of the capital and financial account and the internationalization of production reduced the reserve-of-value function of local currency (at least for the capitalist class). As a result, not only is a smaller proportion of surplus value being reinvested in the country,

with its negative consequences for capital accumulation, but what is not being reinvested exerts pressure on the country's external accounts by favoring the demand for foreign exchange for savings. This is the way current external constraints to growth express both economic (in productive and commercial terms) and financial dependency.

ECONOMIC CYCLES DURING ARGENTINE INDUSTRIALIZATION AND DEINDUSTRIALIZATION

THE DEVELOPMENTALIST PERIOD: A TRUNCATED INDUSTRIALIZATION (1958–1975)

In what is known as the second phase of import-substitution industrialization or the "difficult industrialization" stage, Argentina's economy exhibited a cyclical behavior that was described by some as the "stop-and-go" pattern (Braun and Joy, 1981). The internationally competitive primary sector was the main and almost exclusive foreign-exchange provider, while the industrial sector had lower relative productivity and was largely in deficit with regard to foreign trade (Diamand, 1973). In the face of the virtual exhaustion of the agricultural frontier, this situation resulted in the impossibility of sustaining exchange-rate parity, thus leading to a devaluation of the currency, a decline of real wages, and the consequent contraction of industrial goods production. Braun (1973) claimed that this foreign-exchange shortfall conditioned dependent countries to receive foreign capital penetration through foreign direct investment. Indeed, this happened during the developmentalist period between the late 1950s and the early 1970s, when foreign direct investment in industrial areas considered strategic, such as the steel, chemical, petrochemical, and automotive sectors, was encouraged.² Thus dependency deepened on the basis of the decisive importance acquired by foreign capital at different stages of the capital cycle.

In the first phase of the cycle, the key role of foreign capital via direct investment made it one of the most important elements in the formation of money-capital that drove the accumulation process, shaping the production structure decisively. This kind of industrialization involved the production of widely used inputs and consumer goods destined for the middle- and upper-income sectors but did not address the production of capital goods with the same depth. This truncated industrialization was enhanced as foreign companies increased the import of the means of production needed for the new industries. This, in turn, intensified technological dependency and added tensions to trade (Marini, 1979).

Foreign capital's advantaged conditions for production, which generally included technologies more modern than the national average, generated, on the one hand, an accelerated concentration and centralization of capital and, on the other hand, greater exploitation of labor on the periphery with regard to the core. This was possible because the lower wages in the periphery did not play the same role in the demand for high-value-added goods as they did in the core countries, thereby establishing a pattern of dual consumption (luxury goods and necessary goods) in which popular consumption was secondary in the

realization of the value of these sectors (Marini, 1979). These changes in the structure of production also involved transformations in the working class, since workers in the new industries generally had higher wages than the rest, but this did not prevent them from actively participating in the most important protests and rebellions of the time such as the Cordobazo of 1969.³

Finally, foreign investment did not contribute to a sustainable improvement in the balance of payments. On the one hand, foreign exchange income through foreign direct investment was offset in the medium term by the remittance of profits made by subsidiaries of transnational firms and through various resource-transfer mechanisms such as trade managed prices and the payment of intracorporate interest (Braun, 1973). On the other hand, the currency “savings” generated from local production of final and intermediate consumer goods ended up generating new import needs (new intermediate and capital goods) that increased the total volume of purchases from abroad (Diamand, 1973).

NEOLIBERALISM, DEINDUSTRIALIZATION, AND INDEBTEDNESS (1976–2001)

The drop in the rate of profit, which was at the source of the global accumulation mode crisis until the mid-1970s, prompted large firms to move the most labor- and natural-resource-intensive production processes to the periphery with the aim of reducing their costs. This relocation was made possible by the accelerated liberalization of international capital movements following the breakdown of the Bretton Woods agreements, the reduction of protectionist barriers, and technological advances in communication and transport (Arceo, 2011). In this context, the cyclical dynamics of Argentina’s economy underwent significant alterations, especially after the civil-military coup of 1976. The economic policy driven by the dictatorship was not restricted to a typical stop-and-go plan of economic stabilization but set out to eradicate the fundamentals of import-substitution industrialization. The policy of deindustrialization coupled with extremely harsh clandestine state repression (both of which were supported by the major economic conglomerates) aimed at drastically reducing the capacity for organization and struggle of the Argentine working class (Canitrot, 1980; Schvarzer, 1986; Villareal, 1985).

The opening and deregulatory policies, along with severe wage contraction, had a particular impact on the industrial sectors of the domestic market. While the overall unemployment rate did not increase significantly, industrial employment and wages fell sharply, with an increase in self-employment and employment in the tertiary sector (Beccaria, 2007). These changes in the labor market, together with the clandestine repression and the ban on union activity and strikes, strongly impacted workers’ ability to organize and mobilize. In addition to initiating strong trade openness, the dictatorship imposed financial liberalization and prompted massive indebtedness. From there on, the main mechanisms of value transfer and foreign exchange drainage were partially modified, since interest payments (Figure 1) and capital flight (Figure 2) increased significantly. This process changed the dynamics of the external sector, allowing a partial dissociation of the economy’s ability to generate “genuine” foreign currency (via exports) from the evolution of the economic cycle.

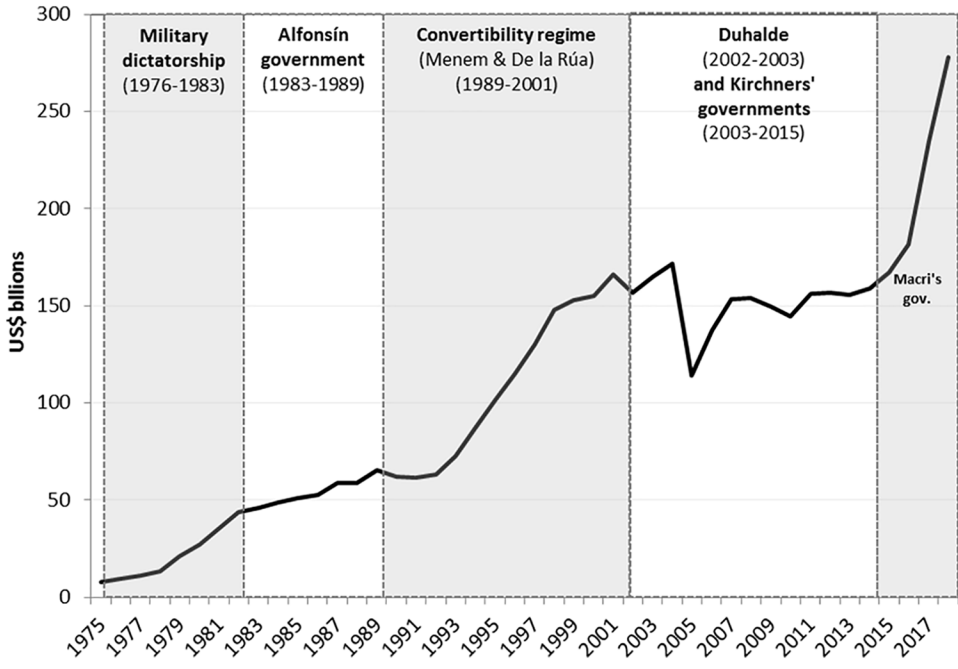


Figure 1. Argentina, evolution of total external debt (nonresidents' holdings, US\$ billions), 1975–2017 (data from Bona and Barrera, 2018).

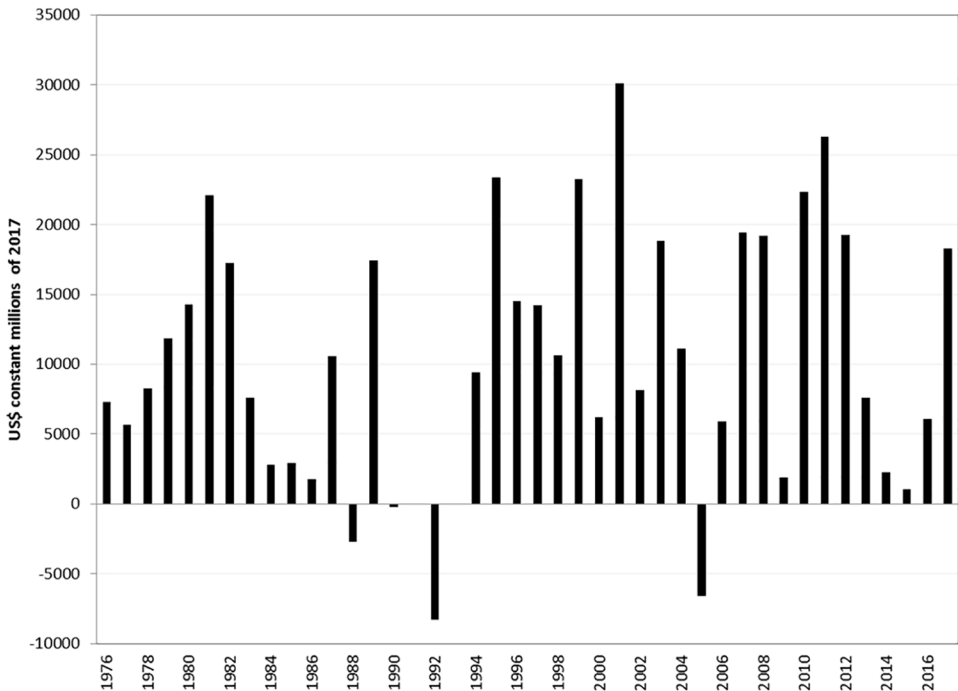


Figure 2. Argentina, evolution of local capital flight (US\$ millions), 1976–2017 (data from Bona and Barrera, 2018).

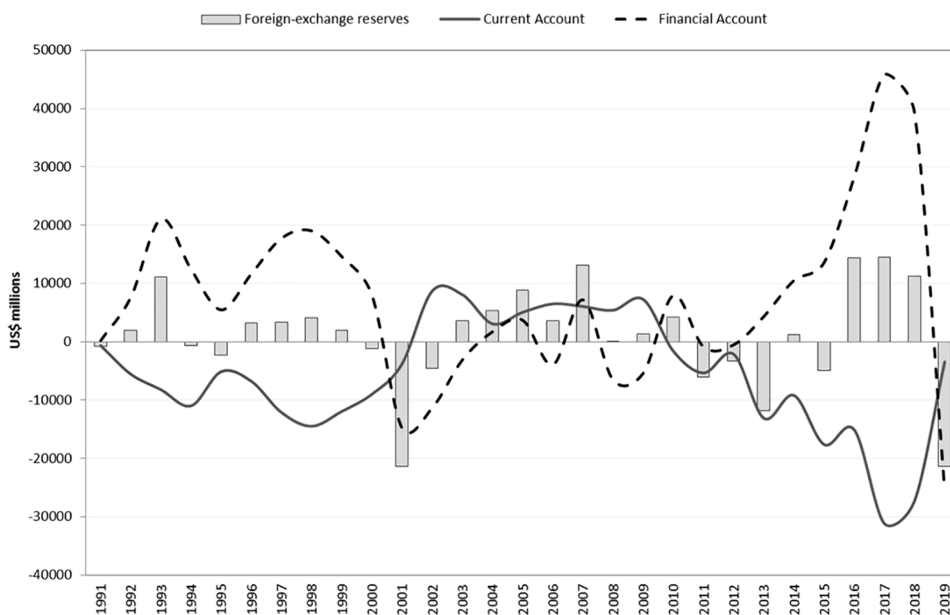


Figure 3. Argentina, evolution of main components of the balance of payments (US\$ millions), 1991–2018 (data from ECLAC, 2019, and INDEC, 2019).

From these initiatives, problems on the external front increased. While, in the short term, the level of activity was decoupled from the commercial result, changes in the pattern of accumulation ended up increasing balance-of-payments sustainability problems via the systematic net outflow of local capital abroad. In this way, financial liberalization and massive foreign indebtedness not only failed to resolve this weakness but aggravated it, leading to deeper and longer-term crises. With small changes and contradictions, some of the main elements established by the last civic-military dictatorship that led to deindustrialization took hold during the first government of the democratic recovery (1983–1989) and, above all, throughout the 1990s. By following the guidelines of the Washington Consensus almost to the letter, economic opening and deregulation of the economy further increased under the Carlos Menem governments (1989–1999).

The combination of trade openness with exchange-rate overvaluation resulting from the implementation of the Convertibility Plan in 1991⁴ led to a growing trade deficit that was financed by foreign direct investment income and foreign indebtedness. In the case of foreign direct investment, exhaustive privatization of public enterprises in the early 1990s played an essential role (Abeles, 1999; Azpiazu and Schorr, 2002). Once this stage had been exhausted, denationalization continued with the sale of many of the leading domestic private equity firms to foreign companies (Gaggero, Schorr, and Wainer, 2014). However, foreign exchange income obtained in this manner was not enough to finance the current account deficit (Figure 3). Thus, in order to sustain convertibility, Argentina's economy became increasingly dependent on foreign indebtedness (see Figure 1), a process that ended up acquiring a Ponzi-like dynamic.⁵

The extreme fragility of this scheme was evident from a succession of external crises that had a strong impact on the country, both financially (as in the Tequila crisis in 1995 and the Asian one in 1997–1998) and commercially (as in the Brazilian crisis of 1999). This situation was aggravated by the falling prices of major export commodities. These processes were triggers for Argentina's deepest economic crisis in over a century, culminating in a default on most public debt and a sharp currency devaluation (Cantamutto and Wainer, 2013).

Argentina's incorporation into the globalization and financialization process during the last quarter of the twentieth century led to a qualitative change in the nature of its dependency. Strong financial imbalances brought about by the obligations generated by enormous foreign indebtedness and capital flight added to the growth limitations based on recurrent trade deficits and the pressure exercised on the balance of payments by the remittance of profits by foreign firms' subsidiaries.

NEODEVELOPMENTALISM AND A LIMITED REINDUSTRIALIZATION (2002–2015)

After the abandonment of convertibility in 2002 and up till the end of the first decade of the new century, the economy experienced a surplus in the balance of payments that benefited all social sectors. The improvement in the situation was due to the restructuring of the foreign debt and the reduction of imports—a result of devaluation and the decline of production—and a subsequent improvement on the terms of trade that produced a favorable balance of trade (Figure 4). This period of affluence was a necessary but not sufficient condition for the economy to record high growth rates for six years (8.5 percent per year between 2002 and 2008), with more prominent industrial activity (which recorded an annual growth of 9.3 percent) and significant improvement across numerous social indicators (Wainer and Belloni, 2018). This led to an incipient industrialization, and the external constraints to growth appeared to have been overcome.

However, the growth recorded by the Argentine economy in that period was derived not from significant changes in the structure of production or predominant class relations but mainly from the state's implementation of expansive policies after four years of crisis and a favorable international context (Wainer, 2017). Following the 2002 devaluation, several industrial areas (e.g., metals and machinery and transport equipment) showed strong growth while protected by a devalued currency and decreasing costs due to the decline of the relative price of public services and wages (Costantino, 2017). The constraints of this type of growth began to become visible toward the end of the first decade of the new century, when the real exchange rate began to decline, wages recovered, and the external situation deteriorated. In this context, manufacturing industry stagnated during the last years of Kirchnerism. The crisis triggered by subprime mortgages in the United States in 2008 had strong global consequences, and Argentina was no exception, although, given the nation's virtual exclusion from capital markets after the debt default at the end of 2001, the crisis's greatest impact on the country was not financial but commercial. In addition, an extreme drought assailed the Pampean region in 2009, severely

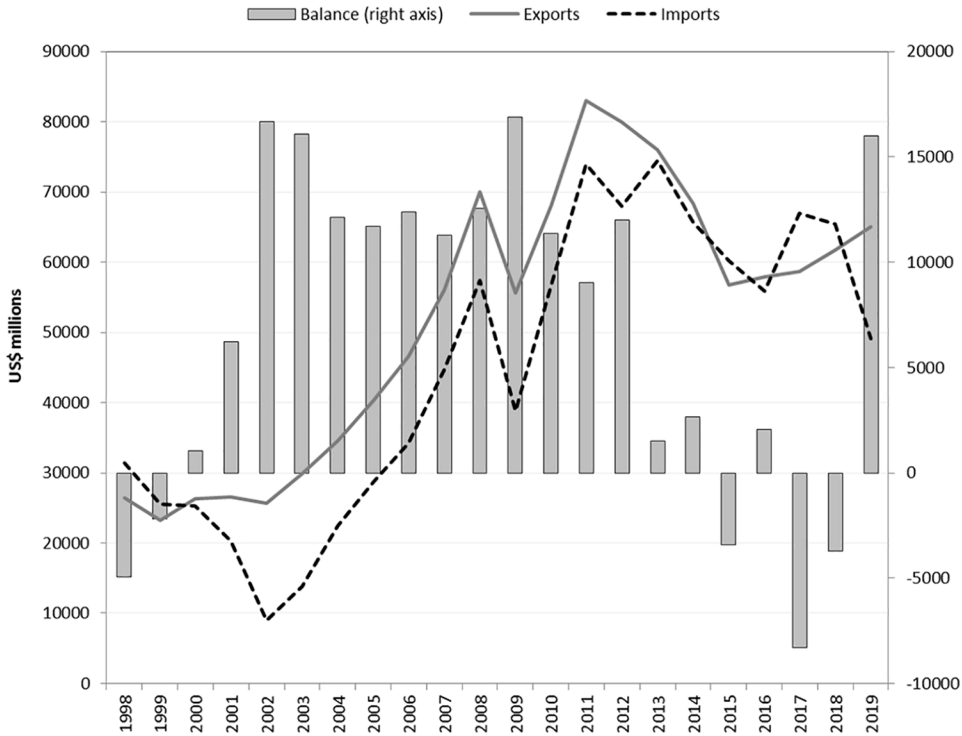


Figure 4. Argentina, exports, imports, and trade balance (US\$ millions), 1998–2018 (data from INDEC, 2019).

affecting agricultural production. This, along with the international crisis, led to a 6 percent decline of the gross domestic product (GDP).

With the global crisis, the loss of exchange-rate competitiveness was coupled with lower imports demand from Brazil (the main destination for Argentine manufacturing exports) and the increasing imports from China. This particularly affected several of the industrial sectors that had grown the most after the end of convertibility, among them the automotive (machinery and transport equipment) and other branches that included medium-tech products. Branches more closely linked to the processing of natural resources (e.g., food, beverages, tobacco, rubber and plastic products, chemicals, and paper) regained prominence (Costantino, 2017). Although during 2010 and 2011 the economy showed a significant recovery (10.1 percent and 6.0 percent respectively), it could not be sustained because, despite increased state intervention in economic activity, there was no industrial policy aimed at structural change (Katz and Bernat, 2013; Schorr, 2013) that could modify the foreign-trade profile and allow a sustained improvement of the trade balance.⁶

Beyond possible coordination failures and “technical” deficiencies in the implementation of sectoral policies (Kulfas, 2016), the main limitation was the absence of a social subject interested in producing a reindustrialization of the country on other bases. The national bourgeoisie to which Kirchnerism appealed during its early years did not exist as such. It was not that there were no big local capitalists at all but that their interests did not differ substantially

from those of foreign capital (Gaggero, Schnorr, and Wainer, 2014). During these years, foreign capital sought to deepen the comparative advantages that the country possessed, mainly those anchored in its natural resources and privileges derived from certain public policies such as those of the automotive sector.⁷ Since the only opportunity for the domestic bourgeoisie to dispute some of the locally generated value to foreign capital was through the exploitation of natural comparative advantages (where productivity differences between different types of capital were smaller), major investments recorded by the Argentine economy during those years were concentrated in rent-generating sectors, which attempted to further diversify the structure of production.⁸

In this context, and once the exceptional conditions that had alleviated external pressure during the early years of Kirchnerism had come to an end, signs of deterioration began to show in the trade balance. This situation was aggravated by the lack of investment in exploration for hydrocarbons following the privatization of the state oil company YPF in 1999, which led to an energy trade deficit starting in 2011.⁹ The most obvious sign of this deterioration of the balance was the persistent loss of foreign currency reserves in the Central Bank beginning in 2011 (see Figure 3).¹⁰ Given the failure of the first Kirchnerist government to empower a national bourgeoisie, the second government of Cristina Fernández de Kirchner (2011–2015) undertook some macroeconomic measures to address the situation. These included greater control over imports,¹¹ the establishment of foreign exchange controls that severely limited foreign exchange acquisition for hoarding,¹² and the reabsorption by the state of the majority stock package of YPF aimed at reducing energy imports.¹³ The results of these measures were mixed: while the first two were temporary (in the face of an urgent need to stop the currency bleed), the reabsorption of YPF entailed a change with potential long-term structural effects.

In this way, during the two Fernández de Kirchner administrations (2007–2015) the Argentine state achieved greater autonomy. However, as under Louis Bonaparte's government in mid-nineteenth-century France, state power was not suspended in the air but aimed to represent the interests of a metamorphosed "polyclass populist alliance" (considering the great transformations that have occurred in Argentina's social structure) between a weaker capital oriented toward the domestic market and the popular sectors. Inasmuch as high growth and a "win-win" scenario was running down with the deterioration of foreign accounts, tensions began to emerge not only within the ruling class but also within the polyclass alliance itself, which had originally encompassed domestic market-orientated capital and the popular sectors (Wainer, 2018).

In short, given the absence of foreign financing, the government chose to enact more regulations in the exchange market and foreign trade to try to avoid a major economic adjustment (i.e., currency devaluing and reducing public spending) that would have heavily damaged its social base, the polyclass alliance. Despite managing to partially preserve the income level of employees and domestic market-orientated capital, the conciliatory strategy did not seek to alter the structure of production of the Argentine economy and therefore could not prevent further bottlenecks in the balance of payments and GDP stagnation (see Figure 3).

**THE NEW CYCLE OF DEINDUSTRIALIZATION AND FOREIGN INDEBTEDNESS
(2015–2019)**

At the end of 2015, a new government opposed to Kirchnerism and led by the businessman Mauricio Macri quickly reversed the first two strategies implemented by Fernández de Kirchner's government to contain the loss of international reserves: it repealed foreign exchange regulations (which resulted in a significant devaluation of the currency, leading to a contraction in wages) and began a new phase of trade opening in the hope of attaining a greater volume of agricultural and agro-industrial exports.¹⁴ Additionally, Macri relaxed or directly eliminated various regulations on capital movement¹⁵ and, having reached a favorable payment agreement with the funds that had been suing the country,¹⁶ cleared the way for accelerated foreign indebtedness (see Figure 1). His government pushed for a new capital offensive against labor by prioritizing first the interests of international financial capital and second those of the agricultural exporting bourgeoisie. Following the adoption of these measures, the deficit in the current-account balance, far from shrinking, increased, reaching a record US\$31 billion in 2017 (Figure 3), equivalent to almost 5 percent of the GDP. This deficit was covered by foreign indebtedness and the inflow of speculative capital attracted by the high interest rates presented by the financial instruments offered by the government.

This dynamic again increased the external vulnerability of the Argentine economy, which became extremely dependent on the income of financial capital, either under the portfolio investment modality or via borrowing. The fragility of this scheme was exposed when a virtual closure of international financial markets took place in early 2018 and many of the speculative investments were withdrawn, a process that sparked a foreign-exchange race. The government then reached an agreement with the International Monetary Fund (IMF).¹⁷ The IMF's return to Argentina entailed the imposition of drastic fiscal and monetary adjustments that depressed economic activity, restricting freedom in economic policy management and furthering the deterioration of the working class's situation. The latter was reflected in an increase in unemployment, a sharp reduction in pay, and increased labor precariousness (Barrera Insua and Pérez, 2019). The country went from being in an economic impasse (ever since 2012, years of weak growth had alternated with moderate contractions) to a situation of profound economic and social deterioration.

While the crisis somewhat alleviated the current-account situation, capital flight intensified (see Figure 2) and was sustained by the sale of Central Bank reserves obtained through prior borrowing from the private sector and, above all, by the IMF's new loan. In short, the policies implemented by the Macri government, far from resolving external restrictions, aggravated them. He ended his term in 2019 without having been able to cope with the external commitments made.¹⁸ As in other stages of neoliberal dominance (the dictatorship and the 1990s), Argentina resorted to speculative capital inflows and foreign indebtedness to compensate for its structural imbalance, which was exacerbated by deregulatory and free-market policies. Recent experience has shown, once again, that while foreign-exchange income under the modalities of speculative investment and foreign indebtedness can indeed operate as a temporary palliative, inasmuch as this strategy is not intended to generate or save foreign

TABLE 1
Gross Foreign Direct Investment, Accrued Profits, Reinvestment, and Profit Remittance (in US\$ millions and Percentages), 2005–2015

| | <i>FDI Inflows</i> | <i>FDI Profits</i> | <i>Profit Reinvestment</i> | <i>Profit Remittance</i> | <i>Remittance/Profits</i> | <i>Remittance/FDI</i> |
|-------------------|--------------------|--------------------|----------------------------|--------------------------|---------------------------|-----------------------|
| Average 1992–2000 | 8,253 | 2,379 | 591 | 1,787 | 75.1 | 21.7 |
| Average 2003–2011 | 6,552 | 6,826 | 1,991 | 4,835 | 83.6 | 80.5 |
| Average 2012–2015 | 10,548 | 8,801 | 7,336 | 1,466 | 16.3 | 16.3 |
| 2003 | 1,652 | 1,084 | –808 | 1,892 | 174.5 | 114.5 |
| 2004 | 4,125 | 3,149 | 71 | 3,078 | 97.7 | 74.6 |
| 2005 | 5,265 | 4,917 | 1,156 | 3,761 | 76.5 | 71.4 |
| 2006 | 5,537 | 6,577 | 3,108 | 3,469 | 52.7 | 62.7 |
| 2007 | 6,473 | 6,728 | 2,050 | 4,678 | 69.5 | 72.3 |
| 2008 | 9,726 | 7,418 | 396 | 7,022 | 94.7 | 72.2 |
| 2009 | 4,017 | 7,919 | 2,894 | 5,025 | 63.5 | 125.1 |
| 2010 | 11,333 | 11,671 | 5,322 | 6,349 | 54.4 | 56.0 |
| 2011 | 10,840 | 11,970 | 3,732 | 8,238 | 68.8 | 76.0 |
| 2013 | 9,822 | 9,396 | 7,821 | 1,575 | 16.8 | 16.0 |
| 2014 | 5,065 | 7,702 | 6,121 | 1,581 | 20.5 | 31.2 |
| 2015 | 11,979 | 8,294 | 8,058 | 236 | 2.8 | 2.0 |

Source: Data from INDEC (2019).

exchange it ends up aggravating external restrictions, with severe economic and social consequences.

THE FATE OF SURPLUS VALUE IN A DEPENDENT ECONOMY

Argentina lacked the economic, social, and political conditions to become an export platform for labor-intensive goods and was therefore not fully integrated into global manufacturing production networks within the framework of neoliberalism.¹⁹ Thus the growing interference of foreign capital did not lead to relevant contributions with regard to the expansion of the capital stock, let alone a positive redefinition of the profile of productive-industrial specialization, nor did it generate significant spillovers. During the 1990s, foreign direct investment was instead oriented toward the total or partial acquisition of public and private enterprises and conglomerates of national origin (Burachik, 2010; Kulfas, Porta, and Ramos, 2002).²⁰ This meant that foreign direct investment revenues were moderate relative to profits earned and remitted, especially at the beginning of the neodevelopmentalist period (Table 1).

It should be clarified that the decline of the remittance of profits between 2012 and 2015 was due not to lower profits (which remained high) but to the government's controls in the exchange market and a series of negotiations with transnational firms aimed at temporarily curbing foreign-exchange output via pathways that prevented further deterioration of the Central Bank's assets. Additionally, there was a further reinvestment of profits in the oil sector following the partial state reabsorption of YPF, the country's largest company.

Beyond this short period of exception, the contribution of foreign direct investment in terms of net foreign currencies was minor—this without taking into account the foreign-exchange output established by transnational corporations by other means, such as the payment of royalties and fees abroad, export underbilling, import overbilling, and/or interest payments to affiliated companies.²¹ The opening and deregulation initiatives carried out by the Macri government under the promise of reincorporation of Argentina into the world economy only aggravated the situation, as they had a greater impact on the remittance of profits than on the entry of new foreign investment (Belloni and Wainer, 2019).

But the interest in dollarizing profits is not exclusive to foreign capital; in the framework of globalization, the measure of the degree of valorization of the capital accumulation circuit as a whole is established in terms of foreign-exchange currency. In this regard, big capitalists in the periphery also undertake transactions and save on foreign exchange. This allows them, among other things, to participate in cross-border production chains, joint ventures, and mergers and acquisitions and to respond to overcapacity difficulties in domestic markets by entering foreign markets or by channeling the accumulated surplus to the financial sector (Smith, 2005). Moreover, the usual instability of the currencies of most peripheral countries encourages the placement of local savings in dollarized financial assets or directly in dollar bills. This phenomenon has become particularly important since the deregulation of the capital and financial account, which in Argentina was carried out both during the last civil-military dictatorship and during the 1990s. Moreover, the various fiscal avoidance practices and significant crises suffered by the local banking sector (in 1981, 1989, 1995, and 2001) mean that, in Argentina, most of the savings of the middle- and upper-class sectors are not only dollarized but outside the local financial system.

Capital flight, a recurring phenomenon in Argentina's economy since the late 1970s, has decreased the surplus value available for reinvestment in the "real economy" (see Figure 2). The neodevelopmentalist Kirchnerist governments have been no exception, though, in contrast to what happened during the dictatorship and the 1990s (when it was mostly financed by foreign indebtedness), the flight was supported by dollars obtained through the trade surplus. The measures regulating the exchange market implemented during Fernández de Kirchner's last term sought to contain this form of currency flight. While these measures managed to reduce flight, the basis of the phenomenon remained unchanged, since no new productive investment fields were generated to significantly encourage capital formation. Between 2012 and 2015, gross capital formation in relation to the GDP remained virtually unchanged from the values recorded in 2010 and 2011.²² From then on, capital flight accelerated following the Macri government's elimination of controls.²³

It should also be taken into account that, although the proportion of the value invested in local productive activity was relatively small, it tended to favor currency drainage because of the acquisition of means of production from abroad, especially those more technologically advanced and costly (Schorr and Wainer, 2013; Belloni and Wainer, 2012; Katz and Bernat, 2013). This weakened local

technological development and increased growth distortions, shrinking investment fields and reinforcing the weakness of investment in production.²⁴

FINAL COMMENTS

The nature of dependency has undergone significant alterations given the changes in global accumulation processes that began in the 1970s and have since deepened. Neoliberal reforms, far from fostering a convergence of Latin American economies with those of the developed countries, have increased their financial dependency and distanced them from the East Asian economies that were once in a similar situation but took different paths, with strong state intervention that challenged free-market-oriented policies.

In Argentina, dependency relations continue to be expressed mainly in the external sector with recurring balance-of-payments crises. They no longer refer, however, merely to deficits in trade exchange of goods but now to financial transactions that have created new challenges. The neoliberal reforms disrupted the already heterogeneous productive fabric, paving the way for a greater penetration of foreign capital via foreign indebtedness and foreign direct investment, which operated as means of financing growing trade imbalances. Dependency has fed itself to the extent that foreign companies send their profits abroad and debt interest payments increase the need to regain access to external financing, which in turn increases the interest burden, resulting in a constant and incremental drain of surplus value (and foreign exchange).

At the same time, the opening of the economy has narrowed investment fields, virtually restricting them to sectors with natural comparative advantages, nontradable sectors that do not face external competition (such as privatized public services), and speculative activities. This, in conjunction with the deregulation of capital movements, has facilitated and enhanced profit remission and capital flight, which expresses the Argentine economy's inability to retain locally generated value. In this way, the weakness of productive investment not only affects the development of productive forces at the local level but generates greater pressure on external accounts. While in the first decade of this century the international economic situation (high commodity prices) and the national political situation (which responded largely to the state of class struggles after the convertibility crisis) made possible an increased degree of national autonomy, given a reduced need for external financing and greater financial regulation, the fact that no changes in ownership relations took place means that the conditions for overcoming the contradictions of a peripheral and dependent economy such as Argentina were not created.

The new neoliberal cycle under Macri, with trade and financial-account openness in a new cycle of foreign indebtedness, put an end to the impasse of the various social forces. It favored the interests of international financial capital and thus canceled the limited autonomy the country had attained. However, this was not merely an ideological option of the new government but also the result of the impossibility of overcoming external restrictions and the need to finance the imbalance in the balance of payments by regaining access to international financial markets.

Overcoming external restraints required a profound transformation in Argentina's productive structure that could not be carried out under the strategy of class interest conciliation espoused by Kirchnerism. In this regard, the dominant role played by foreign capital has done nothing but deepen the absolute comparative advantages of the country, anchored mainly in its natural resources. Meanwhile, the remains of the domestic bourgeoisie has not only failed to confront this national vision but strengthened it, since the chance of contesting a portion of the locally generated value to foreign capital is mainly through the exploitation of natural comparative advantages (where productivity differences between different types of capital are smaller) or in the remaining regulated sectors (e.g., some public services).

The expansion of trade and the internationalization of finance and production have reduced the ability of local bourgeoisies to hinder the action of the law of value in peripheral economies, reducing the autonomy of state-driven policies and forcing them to take refuge in sectors with natural and institutional comparative advantages or perish at the hands of external competitors. Margins for advancing capitalist state-driven accumulation processes in alliance with local bourgeoisies, as some Latin American countries did in the mid-twentieth century, seem to have narrowed. Under these conditions, the pending developmental tasks in Latin America are tied to the popular majorities' ability to attain social emancipation.

NOTES

1. The most prominent circulationist views were those of Frank (1979) and the theory of unequal exchange, while writers such as Cardoso and Faletto gave more importance to the role played by the dominant social groups in the dependent country and their relationship with foreign capital. For their part, Dos Santos and Marini mixed elements involving both exchange and production, giving foreign capital a prominent role. In Marini's case, the focus was on unequal exchange, the gaps between the different spheres of circulation, and the superexploitation of peripheral labor. For a summary of the stances of the "classic" dependency theory writers, see Chilcote (1974).

2. Law No. 14.780, issued in 1958 by Arturo Frondizi's developmentalist government established a number of incentives to foreign investment. These included but were not limited to the fact that said investment could be made up of, in addition to foreign exchange, machinery and equipment (largely already amortized in the countries of origin), the free remittance of profits and the repatriation of capital, the release of tariff duties on the import of capital goods, ad hoc tariff and exchange-rate treatment, preferential granting of credits, privileged treatment in purchases by state agencies, and certain tax exemptions or reductions.

3. The Cordobazo was a popular rebellion led by workers from the main factories of the city of Córdoba and surroundings along with university students on May 29, 1969. When the news broke that an automotive worker had been killed during an act of repression, workers and students took the city center, setting up barricades to confront the police. Although the rebellion was decimated the next day, it considerably weakened the dictatorship of General Juan Carlos Onganía, who resigned a year later.

4. Convertibility was the fixed-exchange-rate regime that ruled in Argentina between April 1991 and December 2001. The Central Bank could issue currency only on the basis of foreign-exchange reserves and was required by law to respond to demand at the fixed value (1 peso to the dollar). Foreign-exchange supply thus became key to the sustainability of the scheme (Cantamutto and Wainer, 2013).

5. The Ponzi dynamic refers to the mechanism in which new debts are incurred to pay previous credits. Insofar as financing conditions (interest rate and deadlines) do not improve, this

scheme becomes unsustainable and generally “explodes” when creditors decide to stop providing financing by gauging that the debtor’s level of indebtedness has reached a level that jeopardizes repayment capacity.

6. While exports of both primary and manufactured goods increased during this period, low- and medium-low-tech exports continued to dominate (Belloni and Wainer, 2012; Schorr and Wainer, 2013).

7. In this sense, the trade agreements with Brazil and Mexico that, since the 1990s, had given some protection to large automotive terminals have been highlighted, but they are also allowed to import most of the vehicle components.

8. For the whole neodevelopmentalist stage (2002–2015), the most relevant GDP industrial sectors continued to be food, beverages, and tobacco (33.5 percent average participation), chemical products (13 percent), fuels and lubricants (10 percent). The latter, however, retracted substantially because of the depletion of energy reserves and lack of investment (Costantino, 2017).

9. Argentina’s trade surplus in energy had been declining since 2007 and had become a deficit by 2011 because of increasing restrictions on local hydrocarbon production as part of increasing domestic demand (Barrera, 2013).

10. The only year between 2011 and 2015 with no loss of foreign-exchange reserves was 2014 (when they increased by just over US\$1 billion). This was mainly because of the activation of a financial agreement with China, coupled with other factors such as the transitional improvement in the trade balance due to currency devaluation at the beginning of that year and the international tendering for new mobile services providers (Schorr and Wainer, 2017).

11. In 2013, faced with the growing difficulties experienced in the external sector and, especially, the sharp reduction in the trade surplus, the Ministry of Commerce applied a number of measures aimed at restricting the output of foreign exchange by imports or at least compensating its egress with exports. Among the most relevant are Export Plans 1 to 1, the extension of the number of nonautomatic import licenses and their subsequent replacement with advance import affidavits and the requirement that mining and oil companies settle currencies in the country.

12. At the end of October 2011, special authorization was implemented with the tax authorities for all individuals who wanted to acquire foreign exchange without a specific productive purpose, and it was extended in February 2012 when regulations were implemented for the purchase of dollars by companies for all types of operations that had to be endorsed by the Central Bank.

13. In May 2012 the government decided to expropriate 51 percent of the shares of YPF, which were, at the time, owned by the Spanish company Repsol.

14. These affidavits were denounced to the World Trade Organization by the United States, Japan, and the European Union, and the ruling required Argentina to withdraw them by December 31, 2015 (Padin, 2018). The new government that took charge in December took advantage of the removal of both the affidavits and the pre-consultation regime, replacing them with nonautomatic import licenses, an instrument that was used by the previous government but with much more flexible criteria and covering fewer items.

15. Among other measures involving foreign exchange entry and exit from foreign trade and/or portfolio investments, Macri’s government first significantly extended export liquidation time spans into the exchange market (taking it from 30 days to five years and then to ten) to eliminate the obligation of entering the country altogether. The minimum period of 120 days that governed all foreign investments (including portfolio investments) was also eliminated. In addition, the monthly cap (US\$2 million) that had governed prior to the imposition of regulations for the acquisition of foreign exchange for hoarding by individuals was fully eliminated.

16. In 2012, a federal judge of the Southern District of New York, Thomas Griesa, ruled in favor of a request by hedge funds with holdings of Argentine government bonds that did not accept swaps for payment of their total value. The Argentine government’s claim went all the way to the U.S. Supreme Court, but the latter did not take the case.

17. Argentina’s return to the IMF’s debtor portfolio involved a three-year standby agreement that had to be reformulated less than three months after it was signed, advancing disbursements and expanding the total amount to more than US\$56 billion.

18. Contrary to promises on the topic, by the end of his term the Macri government had not just imposed new exchange-rate controls but announced the “reprofiling” of a portion of the maturities of public debt (those with the nearest end dates), thus implicitly recognizing the inability to meet its commitments.

19. The only relevant case in which multinational companies based in the country adopted a productive internationalization strategy is that of the automotive industry using the framework of the Southern Common Market. A “task division” agreement with Brazil sought to balance and complement the production of the two countries. This led to a virtually assembly-plant industry with a very low level of production integration at the local level (Castells and Schorr, 2013).

20. After the accelerated denationalization that the Argentine economy suffered during the 1990s, following the crisis of convertibility the foreign component of the business elite continued to increase until 2007 and was followed by a slight decline. Despite this change in recent years, foreign capital maintained dominance, particularly in the sectors that define the country’s productive specialization and role in the international division of labor (Schorr and Wainer, 2017).

21. I have previously estimated that intracorporation interest payments between 2002 and 2015 should not have been less than US\$861 million per year (Schorr and Wainer, 2017). In addition, remittances sent abroad for royalty payments and professional fees increased from US\$960 million in 2002 to US\$4,973 million in 2015, a significant portion of which corresponds to distributions made by foreign capital. As mentioned above, other transfers made by transnational corporations under various maneuvers such as export underbilling and import overbilling, although difficult to estimate, should be added to this (Arelovich, 2011; Grondona and Burgos, 2015).

22. While gross capital formation in 2010 and 2011 accounted for 19.5 percent and 21.6 percent of GDP respectively, between 2012 and 2015 it accounted for between 19.4 percent and 20.3 percent (data from INDEC).

23. This drain was not larger during 2016 because of the extraordinary foreign-exchange income achieved by the money-laundering scheme launched by the Macri government.

24. One of the reasons for poor local technological production is low investment in research and development by countries such as Argentina, where it only amounted to 0.6 percent of the 2014 GDP.

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