May 3rd, 1:15 PM - 2:30 PM

Argentina's 2001 Default: Foreign Policy Considerations and Consequences

Joshua K. Alley
Gettysburg College

Description
Argentina's 2001 default was at the time the largest in history, with the Peronist government of Adolfo Rodriguez Saa declaring a cessation of payments on over 80 billion dollars in government bonds. Historically, the political science and economics literatures have emphasized the economic considerations surrounding the decision to default. Recent literature has explored the political motivations for default, but there has been little scholarship on the possible political consequences of default. Some authors have emphasized that default can have important audience costs for leaders, but other issues have been left unexplored. However, it is clear that Argentina's 2001 default had important consequences in the international political arena, departing as it did from the international norms surrounding default and serving as an important signal of Argentina's shifting international orientation.

Location
Breidenbaugh Hall 112

Disciplines
Economic Policy | Economics | International and Area Studies | International Economics | International Relations | Latin American History | Political Economy | Political Science

Comments
This paper was written for the International Bridge Course, Spring 2014, and was funded by the Mellon International Bridge Course Grant.

The International Bridge Course is a unique opportunity for Gettysburg students to engage in a faculty-mentored research project of their own design over a three-semester period. IBC scholars began their research in semester one, carry out continuing or comparative research while studying abroad in semester two, and complete their research and submit their final project in semester three. Credit is awarded in semester three via an independent study. In this way, students, under the continued mentorship of a faculty member, may truly integrate their study abroad experience with the coursework they have taken on campus.

This paper was also a recipient of the 2014 Stock Writing Prize.

Argentina's 2001 Default: Foreign Policy Considerations and Consequences

By: Josh Alley

Gettysburg College

Abstract: Argentina's 2001 default was at the time the largest in history, as the Peronist government of Adolfo Rodriguez Saa declared a cessation of payments on over 80 billion dollars in government bonds. Historically, the political science and economics literatures have emphasized the economic considerations surrounding the decision to default. Recent literature has explored the political motivations for default, but there has been little scholarship on the possible political consequences of default. Some authors have emphasized that default can have important audience costs for leaders, but other issues have been left unexplored. This study argues that Argentina's 2001 default had important consequences in the international political arena, as it departed from the international norms surrounding default and served as a clear signal of Argentina's shifting international orientation.

Introduction

Default has most frequently been conceptualized as a purely economic issue for states. The existing literature on debt and default points to the importance of economic considerations such as interest rate swings, the overall debt burden, and the maturity of debt tranches (Reinhart and Rogoff 2008). The economic consequences of default, from capital market exclusion to other forms of financial instability, are also well documented. Some scholars have sought to move beyond purely economic factors, emphasizing the importance of the political conditions within a state as the most important determinant of whether or not a state will repay its foreign and domestic creditors. Others have argued that a state's debt repayment is indicative of a more general sense of trustworthiness (Cole and Kehoe 1998). This expansion of the literature on default beyond the purely economic arena is important. It also raises an interesting question: if political considerations are important in determining the likelihood of default, might there be political consequences of default, particularly at the level of the international system?

In order to answer this question, this paper seeks to identify the foreign policy considerations and consequences of Argentina's 2001 debt default. Argentina's declaration of a cessation of payments on 80 billion dollars in government bonds at the end of 2001 was at that time the largest default ever recorded. As such, it provides a useful case study of the possible consequences of default. The highly unstable political situation in Argentina at the time of the default and the transfer of power from the Union Civica Radical (UCR) to the Peronist Partido Justicialista (PJ) is linked important theoretical considerations on the survival of leaders (Bueno de Mesquita et al. 2002) and international negotiations (Putnam 1988). This paper will review the existing literature on debt and default, summarize the Argentine crisis, default and foreign policy context of 2001, then examine to what extent foreign policy considerations constituted part of the decision to default. Following that, the foreign policy consequences of the default will be analyzed.

The Importance of Domestic Politics in Default

The nature of relations between creditor and debtor nations has been extensively debated, as have the economic conditions that precipitate default. The central puzzle, which Argentina's 2001 default once again raises, is why states repay their debts in the first place. There are a variety of competing answers to this puzzle, many of which focus on the sanctions available to creditors. This coercive line of thinking is countered by a literature which emphasizes the importance of maintaining a reputation for repayment in order to retain market access.

Sovereign creditors have no supranational mechanism to manage the default of a state, in contrast to cases of private or corporate bankruptcy (Wright 2011; Bulow and Rogoff 1989b). There have been calls for the creation of such a system (Wigglesworth and Beattie 2013), but those have so far gone unheeded. States are further protected by the principle of sovereign immunity, wherein states are not required to consider lawsuits brought by private actors. These rules also preclude the seizure of state assets abroad, a tactic that has been used infrequently and that has been totally unsuccessful when applied.

Gunboat Diplomacy

The oldest explanation for debt repayment is one of “gunboat diplomacy” whereby creditor nations forced debtors to pay via the threat or application of force. Mitchener and Weidenmier (2005), who use the growth of Central American bond markets in the aftermath of the Roosevelt Corollary as their primary case study, argue that it is only the availability of coercion to creditors that allows extensive sovereign credit markets to exist. The 1905 US intervention in the Dominican Republic in which Marines took control of customs in Santo Domingo to ensure the remuneration of several major creditors is a famous example. However, it is the 1902 British intervention in Venezuela that is most frequently cited by proponents of this theory (Mitchener and Weidenmier 2005, Suter and Staam 1992). It should be noted that the debt-centric narrative of the Venezuelan case is disputed, as the crisis also contained domestic political considerations related to the treatment of foreign nationals and their property (Tomz 2007).

The gunboat hypothesis, in fact, seems to have become an anachronism given the transformations that the international system has undergone in the post-World War II era. With the diminished utility of force as a tool for resolving international disputes (Keohane and Nye 2000), and the concurrent expansion of sovereign debt markets, alternative explanations for debt repayment are needed. Trade sanctions leap to the forefront of the possible means of coercion. Bulow and Rogoff (1989a) argue that that under a series of negotiations or the “Constant Recontracting Model,” the influence of creditors on their domestic legislatures is likely the most effective tool for ensuring debt repayment, especially given the ability of states to create diverse asset portfolios to meet their financing needs. These authors also argue that reputational concerns are an insufficient deterrent for smaller nations to repay their debts (Bulow and Rogoff 1989b). An empirical test of the effect of default on trade by Rose (2005) finds that debt renegotiation leads to a decline in trade of 8% over the course of 15 years. However, the causal link of that particular study is weakened by the extended timeframe over which the change in trade is measured.

Other Sanctions

For trade sanctions to be effective, the durability of the sanctioning coalition of creditors is a matter of great importance, yet several studies cast doubt on the efficacy of such groups. It may be that groups of private actors cooperate to deny credit access, but Wright (2005) argues that the expansion of sovereign bond markets has offered delinquent creditors multiple avenues for the acquisition of credit, even after they have entered into default. Furthermore, creditors both inside and outside of any sanctioning coalition have incentives to break from any sanctioning coalition and restore market access, given the potentially lucrative nature of sovereign lending (Wright 2011).

This difficulty of maintaining a sanctioning coalition is particularly salient where another possible avenue available to creditors facing a sovereign default is concerned, the use of legal measures. The Foreign Sovereign Immunities Act (FSIA) of 1976 allows for the possibility of lawsuits which the state in question has not acquiesced to. Despite this legislation, legal challenges are still unlikely to succeed (Panizza, Sturzenegger, and Zettlemeyer 2009; IMF 2012). The decay of absolute to partial immunity[1] for states which the FSIA codified gave rise to the so-called "vulture firms." These hedge funds' business model consists of buying the bonds of countries in crisis at a discount and then entering into a legal battle with the country in question for payment of the full value of the same bonds. This method is controversial, but it has scored some high profile successes (Bosco 2007). The uncertainty and protracted nature of this approach means that it is not widely followed, and that the majority of creditors facing default are more likely to enter into a restructuring agreement or accept a haircut[2].

---

[1] States no longer have absolute protection from lawsuits by private actors

[2] Colloquial term used to refer to a debt renegotiation which reduces the expected payout from a sovereign bond

The sanctions hypothesis also faces a major challenge from scholars who emphasize reputational concerns and the attendant future exclusion from bond markets as the explanation for sovereign repayment. Tomz (2007) makes the case that prior examples of coercion, specifically the 1902 Venezuelan blockade, were not focused on debt repayment, and that issue linkages such as trade sanctions are inadequate explanations for debt repayment. Instead, Tomz focuses on the reputation of a state within the market for sovereign debt, which controls market and hence credit access. Given that credit has many uses, states that desire access to credit markets must maintain a good reputation for repayment, or face prolonged exclusion. Additionally, market access at higher interest rates is another likely consequence of a squandered reputation for repayment, an outcome experienced by many states (Miller, Tomz and Wright 2007; Suter and Staam 1992). One study finds that the average duration of capital market exclusion after a default is 8.4 years, with significant regional disparities (Richmond and Dias 2009). This reputational explanation faces the fewest theoretical challenges, and is borne out in several case studies, including that of Argentina in 2001.

Domestic Considerations

Sovereign debt and default is not an issue that resides exclusively in the international arena. Another plausible explanation for the repayment of debt is the potential reaction to default by domestic actors. This backlash is primarily focused on the economic costs of default, which are well documented. Panizza, Sturzenegger and Zettlemeyer (2009) see this as the most important constraint on any government considering default. Default has been associated with banking crises (Wright 2011; Miller, Tomz and Wright 2006; IMF 2002) and a corresponding decline in output, which inevitably increases domestic discontent. Governments have also adopted measures such as capital controls and wage freezes in a number of instances (IMF 2002). Lastly, has been connected with a deterioration in the terms of trade a country may have previously enjoyed (Kohlscheen & O’Connell 2007).

Default also almost inevitably impacts domestic creditors, as a large portion of sovereign debt is often held by domestic, not foreign, creditors (Reinhart and Rogoff 2008). States entering into default will often distinguish between domestic and foreign creditors in the application of haircuts, or even the bonds on which they default. As key domestic political actors are also often major holders of sovereign debt, these actors can comprise a constituency which, if in power, reduces the possibility of default (Hatchando and Martinez 2010). Varying levels of information and potential personal loss induced by default or austerity can also help to explain domestic divisions regarding the payment of foreign debt (Tomz 2003). In this line of thinking, any international agreement creates winners and losers within a society, thus helping to shape public opinion regarding those same international agreements.

The possibility for changes in public opinion followed by an electoral shift constitutes the primary danger of default in any democratic society (Hatchando and Martinez 2010). If domestic actors who support the repayment of the state debt are deposed, creditors have few protections. This threat of electorally-induced default does not appear, however, to put democratic states at a disadvantage in credit markets (Schultz and Weingast 1998). Democratic states, with their limited government powers and strong judicial institutions, have actually enjoyed a historic advantage in gaining access to credit (Schultz and Weingast 2003). The inability of democratic executives to take unilateral action in default without first taking into account a major political or institutional backlash is at the heart of the democratic advantage in borrowing, and helps explain why parliamentary coalitions are less likely to enter into default (Saiegh 2009). However, foreign-held government debt is also vulnerable to the populist pressures that can gain influence in a democratic system (Kaufman 1985). Argentina's 2001 default is an excellent example of how democrats and the corresponding institutions do not always favor repayment. It is for this reason that Stasavage (2003) emphasizes the importance of checks and balances in a democratic system, as this can help prevent a declaration of default, particularly by the executive.

The exception to this paradigm is that developing states, regardless of their regime type, do not possess strong domestic constituencies which favor repayment. This increases both their chances of entering into default and difficulty in accessing capital markets (Saiegh 2005). These states also lack the necessary institutional consolidation, which has been identified as another important consideration in explaining the probability of default (Van Rijckegham and Weder 2009).

Furthermore, some scholars have argued that the domestic considerations attendant to the cost of structural adjustment are important even in autocratic societies (Kaufman 1985). Austerity is often painful for civil servants, unions, and other key political constituencies, and in the larger context of an economic crisis, initiatives to ensure debt repayment can flounder. Austerity imposes major costs on any society, while also creating new sets of winners and losers, and some governments may decide that default is preferable to the political and human costs of austerity.

What then, inspires the decision to default? At first glance, it would seem that if a certain level of debt as a percentage of GDP is reached, making the maintenance of debt service overwhelming, default would then occur (Reinhart and Rogoff 2009). This idea of debt intolerance is widely accepted, but does not tell the whole story. Exogenous shocks to either the state's economy (Van Rijckegham, and Weder 2009) or the bond markets can also spark a crisis (Tomz and Wright 2013). The most famous example of such a shock to the bond markets was Mexico's 1982 default, which sparked a series of defaults in Latin America as interest rates skyrocketed. Emerging nations are most vulnerable to these swings in bond market rates, with another prominent example being the 1997 "Asian Flu" and Russian crisis. Indeed, several Argentine academics attributed the sharp increase in the foreign debt which preceded the 2001 crisis to the spike in international interest rates (Damill, Frenkel and Rapetti 2005). The direction of the causal relationship between debt loads and international interest rates can be raher uncertain at times.

The historical picture is one of defaults under a variety of macroeconomic and market conditions. Countries do not always default under serious economic duress or elevated debt levels (Tomz and Wright 2007). Factors such as domestic debt, which is not always figured into the data on sovereign debt and default, may lead to underestimates of sovereign indebtedness (Reinhart and Rogoff 2008). With this variation in mind, the focus of the literature has begun to turn towards the influence of domestic politics in determining the likelihood of default or repayment (Tomz and Wright 2013). The idea of "political default" has now entered the literature via the work of Hatchondo and Martinez (2010), who argue that government stability and the preferences of elected officials are essential variables in determining whether or not a state will default. Cole and Kehoe (1998) previously argued that default can also damage a sovereign's reputation in the international arena in areas which are not explicitly economic. Having already discussed some of these domestic and international considerations, particularly the importance of changing leadership in the determination of state policy towards creditors, I will now turn my focus to some of the additional theoretical considerations which must be understood if scholars and policymakers are to make sense of Argentina's 2001 default.

Theoretical Considerations

The first theoretical model I consider is Bueno de Mesquita, Morrow, Siverson and Smith's selectorate and winning coalition (2002). According to the authors, any prospective leader must assemble and maintain a "winning coalition" of selectorate members; these actors determine the survival of a leader in office. The selectorate is defined as the actors that have a say in the selection of a leader, electorally or otherwise. The winning coalition then, is a sub-group of the selectorate whose support ensures the selection and/or survival of a leader in office. Argentina, as a presidential democracy, had a large selectorate and winning coalition. In such a system, leaders must provide public goods to their supporters, as the provision of private goods is infeasible on such a large scale. Promises of public goods were part of the reason why De la Rua was elected in 2000, however the economic and debt crises severely restricted his ability to realize his promises. This is true of economic shocks in general, which reflect poorly on the performance of the leader in delivering on promises to members of the winning coalition (Bueno de Mesquita, Morrow, Siverson, and Smith 2002, 283-5).

De la Rua faced a serious shortage of public goods as economic growth and the corresponding tax revenue suffered due to the recession. Austere budget policies, which were implemented in hopes of securing funding from multilateral organizations and maintaining the government's creditworthiness, further restricted the ability of De la Rua's government to provide public goods. This led to recriminations from provincial governors, especially those Peronist governors who were not part of the initial winning coalition and thus had ample incentives to advocate for a change of leadership in the Casa Rosada. Strikes by unions, which more often than not advanced grievances related to the provision of state subsidies and salaries, also increased in frequency during this period (Tomz 2002). Under these conditions, the desertion of almost all of De la Rua's winning coalition is not surprising. Later in 2001, even his own party abandoned him, thus reducing the President to ruling by decree (Mustapic 2005). Once this occurred, the odds of his continued survival in office in the crisis-wracked, semi-consolidated Argentine democracy of that era were slim indeed. These factors prompted De la Rua's successor to strive to increase the amount of available public goods by defaulting and promising to use the funds previously marked for debt payment to provide other goods.

As the De la Rua administration's survival became more precarious, an equally important consideration was the anticipated negotiations between Argentina and her creditors. Finance Minister Domnigo Cavallo had planned a major debt exchange for January of 2002, once the budget for that year was passed (Ambito Financiero December 17 2001b). This orderly default would have taken place under a traditional international bargaining structure, which has best been explained by Putnam (1988). Under this framework, governments engaged in negotiations with another actor in the international system are metaphorically seated at two tables, one with their domestic constituents and the other with their international negotiating partners (Putnam 1988, 434). Agreement is mostly likely when the domestic and international negotiating "win sets" of the two bargaining actors overlap. As such, states at the negotiating table can profess, credibly or otherwise, that domestic constraints make implementation of the other actor's proposal impossible. Argentina's domestic situation, however, flipped the international negotiating table in December 2001. The resignation of De la Rua changed the manner of Argentina's all-but inevitable default. Instead of an orderly default under the auspices of the planned *megacanje II*, Argentina made a unilateral move with Rodriguez Saa's declaration of a cessation of payments. The immediate prospect of negotiations that fit the Putnam framework was undone by this maneuver. Negotiations, including the critical talks with the IMF, would only restart with the ascension of Eduardo Duhalde to power in January 2002 (Amadeo 2003, 51). These negotiations would fit the Putnam framework in a way that the initial decision to default did not.

While the change in leadership that took place in December of 2001 is accounted for by Putnam's two-level games framework, the Argentine default does depart from this model in a significant way. Bargaining between the leader, his constituency and the bureaucracy is an essential part of the two-level games framework (Putnam 1988, 436) but such discussions were absent in the case of Argentina in December 2001. The decision to default was taken quickly and under great pressure, with little input from actors within the Argentine polity which might have otherwise weighed in on the decision. While this action was a major departure from the traditional theories of international negotiation, the political environment that the decision to default occurred gives some insight into the pressures faced by Argentine policymakers in December 2001.

The Argentine Crisis and Default of 2001

Argentina's default can only be explained by the confluence of international forces and turbulent domestic politics. Long known for political instability, Argentina returned to democracy in 1983 after an extended period of military rule. The military had overseen a major increase in the foreign debt, which was driven by the boomlet of petrodollars in the international financial system (McLaughlin 2006, 169). The nascent democracy under Raul Alfonsin was then forced to confront an economy in dire straits, as the 1982 Latin American debt crisis led to default, the implementation of austerity, inflation and a deep recession. Prolonged social unrest led to the early assumption of the Peronist Carlos Menem as president in 1989, as Alfonsin stepped aside. Menem departed from the PJ's populist roots and implemented a series of neoliberal measures, as well as the *convertabilidad* (convertibility) regime. Menem's administration regained access to international capital markets after participating in the Brady Plan in 1993 (Tomz 2002), which led to a surge in investment, much of which increased the debt load of many non-financial enterprises (Basualdo, Nahon and Nochteff 2007).

Convertibility, which fixed the exchange rate between the Argentine peso and US dollar, quickly succeeded in taming the historic scourge of inflation, which made it enormously popular. It also took away one of the primary counter-cyclical tools of the monetary authoritires as the Central Bank's ability to print money was constrained by both the number of dollars in circulation and Argentina's own holdings of foreign currency. Two-thirds of Argentina's monetary base had to be backed with hard currency (Sturzenegger and Zettlemeyer 2006, 165). At the same time, there was a persistent fiscal deficit at the national level, which did not even take into account provincial spending. The fiscal imbalance was exacerbated by an equally indomitable current account deficit (IMF 2003). As long as growth, much of which was financed by contracting debt to finance state and private spending, continued to surpass 5% annually, these flaws were not self-evident. Argentina was even able to shake off the effects of the Tequila crisis as FDI returned, with growth hitting 5% again in 1996 and 8% in 1997.

This led many analysts to believe that Argentina had entered a period of sustained high growth, without the inflation which had historically dogged the economy (IMF 2003).

This precarious balance was undone by the 1998 Asian flu and Russian crisis which caused a spike in interest rates for emerging markets worldwide. Russia's 1998 default drove up bond spreads and financing costs in all emerging markets. Then, in 1999 Brazil devalued the real. This sparked serious pessimism regarding the future of Mercosur which, coupled with Argentina's fixed exchange rate, led to a sharp drop in investment and the balance of trade (IMF 2004). This proved to be the beginning of a deep recession. At this time, a tranche of debt matured, and Menem's government refinanced at the prevailing market rates (Sturzenegger and Zettlemeyer 2006, 168).

This uncertain economic picture was further complicated by Menem's attempt to alter the Constitution and run for a third term. This effort ultimately failed, and the subsequent election became a referendum on economic issues, including the foreign debt. Eduardo Duhalde, the Peronist candidate, was neck and neck with Fernando De la Rua of the Union Civica Radical (UCR) until he called for a suspension of debt payments to help alleviate the economic crisis (Tomz 2002). This ill-timed maneuver led to De la Rua's election in an unsteady coalition with the leftist Frente Amplio Progresista (FREPASO) Immediately following his election De la Rua faced a run in the bond market, as well as worsening fiscal imbalances as the public deficit hit 4% of GDP in 1999 and 3.5% in 2000 (IMF 2004).

Facing an increasing debt burden and a steadily deepening recession, Argentina was trapped in an economic catch-22 (IMF 2004). The same convertibility regime which had so effectively tamed inflation by taking away control of the printing press from the historically profligate Central Bank now left authorities with no means of implementing an expansionary monetary policy. The convertibility regime was politically popular for taming inflation and was also seen as indispensable for attracting much-needed foreign capital (Amadeo 2003, 38). The fiscal deficit and rapidly mounting sovereign debt meant that fiscal stimulus to counteract the recession was impracticable. The same pro-cyclical policies which had left the Argentine economy running above its potential for much of the 1990s (IMF 2003) also served to aggravate the downturn and limit the policy options for the De la Rua administration.

With this dilemma in mind, and the paramount importance of retaining the confidence of both international investors and the IMF, De la Rua implemented a highly contractionary fiscal policy which only aggravated the prevailing recession. Unemployment began to climb, reaching 15% in 2000 (IMF 2003). As the deficit ballooned and recession deepened, the chances of Argentina maintaining its ability to service its debt slid further away. By December 2001, default was considered inevitable by most Wall Street analysts (Clarin December 20 2001a). The economic picture was further complicated by the defaults of 196 Argentine businesses on their foreign loans (Ambito Financiero, December 17 2001a), and the inability of the national government to meet its obligations to the provinces (Ambito Financiero-Ambito Nacional, December 19 2001). Federal parsimony in provincial transfers added another level of dissension as governors protested the lack of support from the national government, with the Peronist governor of Cordoba, Jose Manuel de la Sota, going so far as to say that there was a fiscal rebellion in the country, which was exacerbated by the fact that “no one pays taxes” (La Nacion December 19 2001a). The national government also used the emission of *letras de cancelacion de obligaciones provinciales* or Lecop bonds to cover national obligations[3].

Meanwhile, De la Rua faced a pressurized political situation, with three finance ministers appointed from May to December 2001. The first, Jose Luis Machinea, resigned after missing first quarter deficit targets by one billion dollars, and thus failing to secure IMF funding for debt-rollovers (Sturzenegger and Zettlemeyer 2006, 170). After him, Ricardo Lopez Murphy attempted to implement around two billion dollars of cuts, only to lose the support of De la Rua and resign after two weeks.

[3] These became something of a substitute for normal taxes.

Serious political opposition to those proposed cuts led to the appointment of Domingo Cavallo as finance minister. Cavallo, the architect of the convertibility regime, was given emergency economic powers. However, the political opposition which had deposed his immediate predecessor led to a serious defeat for the UCR in the 2001 congressional elections (Tomz 2002). This left the Peronist Partido Justicialista in control of both houses of the legislature, an outcome that would prove critical when the dual crisis finally came to a head. Argentina's politically powerful unions, including *La Confederacion General de Trabajadores* (CGT), were also highly active, engaging in a series of strikes (Tomz 2002). A separate strike by shoemakers protesting competition from cheap Brazilian imports (La Nacion, Section 2, December 19 2001) also indicated the growing resurgence of economic nationalism in Argentine politics after the neoliberalism of the 1990s.

Throughout the 1990s, Argentina's application of neoliberal policies won the praise of many multilateral financial institutions and investors, especially the IMF, whose role in the crisis would become one of the Fund's most controversial and difficult moments. In 1998, the Fund disbursed an aid package of 20 billion dollars in hopes of staving off the crisis (Amadeo 2003), but this proved insufficient to restore confidence, especially as Argentina's macroeconomic and fiscal prospects continued to deteriorate. The period between 2000 and the fall of the De la Rua administration saw another 11 billion dollars disbursed by the Fund. These disbursements were accompanied by conditionality agreements which stipulated extensive labor market reforms and set fiscal targets, neither of which were realized (IMF 2003). This left the IMF facing a perceived moral hazard (Amadeo 2003, 35), wherein the Fund was seen as supporting a government which was unwilling or unable to make the necessary economic reforms. However, the IMF was also seen as vulnerable to criticism were it to "pull the plug" and end its program in Argentina (IMF 2003), leaving Argentina with a deep and difficult crisis.

Argentina's dependence on multilateral funding, as well as the debt repayment platform on which De la Rua had triumphed, meant that even in the weeks leading up to default there was a great deal of rhetoric regarding the importance of Argentina fulfilling her responsibilities as a member of the international community (Clarin, December 17 2001a). Adalberto Rodriguez Giavarini, the Foreign Minister, went so far as to promise Secretary of State Colin Powell 650 Argentine troops and a field hospital for the ISAF mission in Afghanistan (Clarin, December 19 2001a). In keeping anti-terrorism and the Latin American Free Trade Area at the center of his discussions with Powell, Giavarini strove to present Argentina as "*un socio previsible, consecuente, y util* (a predictable, important and useful friend)" in the international community (La Nacion, December 19 2001b). Despite the depth of the domestic crisis, Giavarini and De la Rua were determined to present Argentina as a norm respecting, rule abiding member of the international community.

In early December, Cavallo declared the "*corralito*" measures, which restricted the amount of cash individuals could withdraw from their bank accounts. The *corralito* was enormously unpopular, and became a major focal point of the ensuing protests (La Nacion Seccion 2, December 18 2001). On Monday December 17th, the first reports of "*saqueos*" came from the interior provinces of Mendoza and Entre Rios (La Nacion, December 17 2001a). These riots, during which supermarkets were looted, occurred despite a heavy police presence, with some blaming members of the Partido Justicialista for initiating the violence (Diario de los Andes December 18 2001a). In response to the riots, which were to some degree prompted by the perilous economic situation in which many families found themselves, the national government delivered 9,000 kilograms of food to the interior (Diario de los Andes December 18 2001b). On this same day, however, Cavallo presented his budget proposal for the following fiscal year. In the proposed budget, which was considered critical for garnering the support of the IMF for a debt exchange the following month, the minister doubled down on austerity as he aimed for "*deficit cero*," with 9.2 billion in cuts. With the proposed layoffs of 24,000 state workers, a 13%

decrease in state transfers to the provinces, and the possibility of a further 1.5 billion in cuts, Cavallo's proposal was politically explosive (Clarin, December 19 2001a). The situation was further complicated by an interview in which the IMF's chief economist, Ken Rogoff, stated that the "mix of fiscal policy, debt and exchange regime is unsustainable" (La Nacion, December 19 2001c).

December 19th saw the outbreak of further rioting, in which at least six people died, 108 were injured, and over 300 arrests took place (La Nacion, December 20 2001b)[4]. These protests encompassed a diverse cross-section of Argentine society, as poorer Argentines looted supermarkets and fought with the police during the day and the middle class engaged in the better known *cacerolazo*[5] at night (Schvarzer, 2001, 3). This forced the resignation of Cavallo and left De la Rua clinging to power with little support even from his own party, thus seriously reducing the chances of passing the budget which was indispensable to the chances of receiving much-needed multilateral aid (El Cronista Comercial, December 20 2001a). At this point, De la Rua was forced to negotiate with the PJ in hopes of forming a unity government to deal with the crisis, which was also the recommendation of the Bush administration (Ambito Financiero, December 19 2001). The PJ, however, had already begun to organize its own economic plan and political endgame which included the possibility of default (La Nacion, December 18, 2001). At the same time, a dissident faction of the UCR led by Elisa Carrio -Argentina por una Republica de Iguales (ARI)- had been advocating for a cessation of payments on the debt, further complicating the congressional picture (Clarin, December 23 2001a). After further riots and protests on December 20th, which saw pitched battles between rioters and police in the Plaza de Mayo of Buenos Aires and widespread anarchy in the rest of the country, De la Rua resigned (Clarin, December 21 2001a; La Nacion December 21 2001a). One of the most important obstacles to the formation of the unity

[4] Other newspapers published much higher totals (Clarin December 20 2001b)
[5] Protest marches involving the banging of pots and pans to symbolize economic difficulty

government which might have saved his presidency was deemed to have been his refusal to consider a cessation of payments on the debt (Clarin, December 21 2001b).

Upon De la Rua's resignation, political power immediately passed to the Peronists, as the President of the Senate, Ramon Puerta, became president pro-tempore. De la Rua's Vice-President, Carlos "Chaco" Alvarez of the FREPASO, had resigned earlier in the year due to a corruption scandal, which left Puerta as the next in line. A 1975 law empowering Congress to form a transitional government and determine the timing of the next elections was then applied by the PJ (Mustapic 2005). This process proved to be somewhat controversial due to opposition to early elections by the UCR - which had sunk to a distant fourth in public opinion polls- and infighting in the PJ, which then delayed the eventual ascension of Adolfo Rodriguez Saa to December 23 (La Nacion December 24 2001a; Clarin, December 24 2001a). To rapturous applause, Rodriguez Saa gave stated that Argentine policy towards the debt was to be transformed via an immediate cessation of payments (Rodriguez Saa 2001). Specifically, he argued that: "*lo que es más grave, se ha priorizado el pago de la llamada deuda externa frente a la deuda que este país tiene con sus propios compatriotas*. (What is most grave, they have prioritized the payment of the foreign debt ahead of the debt this country has with its citizens)." Hence, the new president promised that the funds which would have gone to pay foreign creditors would instead be used to generate employment and fund social programs (La Nacion December 24 2001a, Clarin, December 24 2001a). The politically and socially influential Catholic church also came out in support of the decision to default, stating that the debt *no debe ser pagado sobre el hambre del pueblo* (It should not be paid over the hunger of the people) (La Nacion December 31 2001a). With a corresponding surge in nationalistic rhetoric in every major newspaper (La Nacion, December 23 2001a; Alulicino, 2001 5; Restivo 2001, 10; Corres 2001, 35; Fernandez and Portes 2001) and the long-discussed possibility of default lurking in the background, the levee which De la Rua had kept intact for the duration of his truncated term finally broke. This default would have important consequences for Argentine foreign policy.

The Democratic Trajectory of Argentine Foreign Policy

In order to discuss the foreign policy consequences of the 2001 default, a brief synopsis of Argentine foreign policy in the democratic era inaugurated by Alfonsin is needed. The disastrous invasion of the Falkland Islands by the junta in a bid to shore up public opinion left Argentina isolated internationally. This deterioration of international ties was most pronounced in the bilateral relationship between Argentina and the UK. The botched invasion of the Falklands was simply the coup-de-grace after an enormous gap gradually appeared in what had once been Argentina's closest international relationship (Moneta). The domestic instability that characterized the Alfonsin administration meant that Argentina struggled to articulate a consistent foreign policy (Margheritis 2010). Once Menem came to power and the 1990s progressed, Argentina grew closer to the US and to the multilateral financial institutions. As part of this shift, Argentina, which hewed closely to the "Washington Consensus," was touted as a model economy by the IMF. This stood in marked contrast to Argentina's history of challenging US hegemony in Latin America, especially in inter-American multilateral forums (Tulchin 1990; Bender 1976). Other authors have also identified a historic tendency towards isolationism on the part of Argentina (Bender 1976, Heuser 1998).

One of the most important outgrowths of this sea change in Argentine foreign policy was an enormous growth in Argentina's participation in peacekeeping missions; Argentina had an unprecedented 1021 peacekeepers deployed abroad in 1994 (Heuser 1998). More importantly, the Menem administration also sent a frigate and destroyer to participate in the international coalition assembled in response to the Iraqi invasion of Kuwait, and joined several non-proliferation regimes. By 1997, relations had grown so close that President Clinton designated Argentina as a major non-NATO US ally (Larringa 2000). These deployments were the most tangible indicators of Argentina's shift from international pariah to a close partner of the US and willing participant in the post-Cold War international system (Norden 1995). Some authors have attributed this change to a desire on the part of Argentina to secure economic support from Washington as part of improved relations (Russell and Norden 2002 70-71). Argentine relations with the other nations of the Southern Cone were also significantly warmer as Mercosur moved forward slowly with the creation of supranational structures and a common market. These changes were unprecedented, but the decision to default would in many ways mark a return to Argentina's prior behavior of isolationism and defiance of international norms. But were Argentina's leaders considering the potential foreign policy consequences of the decision to default?

Foreign Policy Considerations of Default

The absence of major institutional or political discussions regarding debt default in the run-up to Rodriguez Saa's declaration of a cessation of payments suggests that the Argentine government was not considering the consequences its actions might have in the international arena. In December 2001, the more salient issue was undoubtedly the *corralito* measures which, while they prevented a bank run, were also enormously unpopular due to the withdrawal limits placed on ordinary depositors. Based on a survey of major Argentine newspapers from December 2001, debt repayment was not even the second most important issue. Instead the *convertabilidad* regime attracted much more ire for allegedly aggravating the recession (Diario de los Andes December 20 2001). To that end, a group of governors from the PJ created an *antidolarización* plan. That competing economic vision, however, had nothing to say about the foreign debt (La Nacion December 17 2001b). There were scattered calls for default (Diario de los Andes December 20 2001; Corres 2001), but public attention was fixed on other issues.

The first political rumblings of change came from a meeting of the members of the PJ, at which the possibility of default was broached (La Nacion December 18 2001b).

This nascent discussion of default came only two years after, the Argentine electorate had decisively rejected a platform espousing such a course of action in the 2000 presidential election (Tomz 2002). That result can likely be attributed to the widespread view in 2000 that the debt load was sustainable, as well as Argentina's determination to abide by international norms (Larringa 2000). However, mounting social pressures led to greater political instability and allowed for the resurgence of the more economically nationalist PJ. When couched as the need to care for Argentine citizens before paying foreign banks (Rodriguez Saa 2001), default became a widely popular and easily realized measure for the PJ to enact upon taking power. Other measures, such as removing the *corralito*, might have led to a major bank run and when the convertability regime was eventually dismantled, even that planned devaluation exceeded the Central Bank's target (Amadeo 2003, 51). And so, instead of a controlled exchange to reduce the debt service burden, Argentina took unilateral and drastic action.

In addition to the forces discussed above, it must be noted that the financial world viewed an Argentine default as inevitable (La Nacion Seccion 2, December 20 2001). The impact of this information on public opinion at the time is uncertain, but it surely helped make a cessation of payments more palatable. Equally important was the speed with which the crisis moved, as De la Rua resigned three days after Cavallo presented his budget. There were some indicators of the brewing crisis in early December, but when the social unrest exploded, it did so with such speed that the traditional bargaining and decision-making structures were of little use.

De la Rua's resignation placed both the executive and legislative branches under the control of the PJ, which meant that the internal deliberations of the PJ determined state policy. The Peronist movement's history of economic nationalism, the newfound popularity of default, and the difficulty of implementing any other major economic measures made a cessation of payments much more likely. Furthermore, Argentina was not bound by any supranational structures in the manner of European nations such as Greece and Spain during their recent debt crisis. With serious social, political and economic instability, no supranational obligations, and an elevated debt burden, the omnipresent temptation to renege on debt commitments was all the more appealing. Argentina's 2001 default is anything but shocking. However, this action would not be without consequences in the international arena. The disorderly default, with Rodriguez Saa's strident declaration of a cessation of payments, marked a major turning point in Argentine foreign policy after the deference to international norms and the Washington Consensus that had characterized the 1990s.

Foreign Policy Consequences of Default

A detailed survey of Argentine newspapers in the week after De la Rua's resignation and Rodriguez Saa's short-lived ascension to the Presidency reveals that default had a series of foreign policy ramifications. While the consequences of default have previously been conceptualized in almost purely economic terms, this decision had broader implications as a signal of Argentina's international realignment. The decision to default also seriously impacted Argentina's international reputation. The depth of the crisis and the rapidity of the decision to default battered Argentina's image as a reliable partner in the international arena. This sentiment was further reinforced by the newly appointed foreign minister, Jose María Vernet. In officially communicating the default, Vernet stated emphatically that *"los imagines de asalto a los supermercados te quita todo el derecho en la mesa de negociación"* (The photos of assaults at the supermarkets take away your rights at the negotiating table) (Ambito Financiero, December 26 2001). With those words, Rodriguez Saa's government declined to participate in the negotiations that comprise any orderly default, an act that would have serious consequences for Argentine foreign policy. Most of the changes in Argentina's foreign policy must be understood in light of the corresponding expansion of nationalist economic and political rhetoric. With any discussion of the debt, especially foreign-held debt, an easy rhetorical course for politicians is to play to nationalist sentiments, a course of action that occurred in Argentina. Instead of the *deuda publica* (public debt), officials spoke of the *deuda externa* (foreign debt), marking an important rhetorical shift (El Cronista Comercial, December 26 2001a). This nomenclature, as well as the promise that the state would honor its obligations to domestic creditors (Clarin, December 26, 2001a), was a logical extension of Vernet's stated desire to return to an active international role (including negotiations with financial institutions) only after the domestic situation had been stabilized. While Rodriguez Giavarini had insisted on fighting to maintain Argentina's expanded role in the international system, his successors in the Cancillera had no such intentions.

Rising Nationalism

A tangible indicator of Argentina's growing nationalism can be seen in poll data from the Latinobarometro Surveys of Argentina which were conducted in 2000 and 2003. In that three-year span, Argentine opinion towards the United States became significantly more negative, as the share of those with a poor opinion of the US increased from 23.7% to 40.1%, and the share of individuals with a very poor opinion of the US rose from 3.8% to 21.8%. The share of individuals who didn't know their opinion about the US also plummeted from 22.2% in 2000 to 8% in 2003 (Latinobarometro 2000, 76: Latinobarometro 2003, 104). Support for privatization also dropped; while 26% of respondents agreed to some extent that privatization had benefited Argentina in 2000 (Latinobarometro 2000, 28), only 11.7% of respondents shared that opinion in 2003 (Latinobarometro 2003, 61). These data show that neoliberal measures were never wildly popular, but that nationalism and skepticism of the United States also increased in the period after default.

With this surge in nationalism, the first change in Argentine foreign policy was the immediate retreat from Argentina's recently discovered internationalism. The policy of expanded participation in peacekeeping missions had been a cornerstone of Menem and De la Rua's foreign policy, but Argentina's participation in the ISAF mission to Afghanistan, which had been formally requested by the UN on December 19 (La Nacion December 19 2001d), disappeared completely from the agenda. The promised 650 soldiers and field hospital would never materialize (ISAF 2014).Even if the PJ, which had supported several internationalist ventures under Menem, had a desire to make another major overseas commitment, such a commitment would have been logically incompatible with the declaration of Argentina's grave domestic needs. Indeed, some had questioned De la Rua's determination to forge ahead with an Argentine contribution to the ISAF despite Argentina's status as the only Latin American country to offer troops and the depth of the economic crisis (Diario de Los Andres December 19, 2001). The new government of Rodriguez Saa also declared a suspension of all foreign transfers, which included Argentina's dues to international organizations such as the UN (La Nacion December 28, 2001a).

The decision to default also had serious consequences for multilateral economic and political integration in the Southern Cone as the Argentine crisis and default reflected poorly on Mercosur. Just as the contemporary Greek default created serious doubts as to the long-term sustainability of the European project, Argentina's default sent a glaring signal of weakness in Mercosur's second-largest member. Chile, in particular, was seen as drawing closer to the United States and the Free Trade Area of the Americas (FTAA) initiative of the Bush administration in the wake of the Argentine default (Clarin December 31 2001b). Brazil, the leading partner of Mercosur, advocated for Argentina to come to an agreement with her creditors in order to avoid long-term damage in the bond markets (La Nacion December 24d). The fear of contagion in the Mercosur region as financial markets reacted to the Argentine default, which would eventually come to fruition in Uruguay (Sturzenegger and Zettlemeyer 2006), was a major concern for all actors involved (La Nacion December 24b; La Nacion December 22

2001b). The Argentine crisis led to the break-up of the concurrent Mercosur summit in Montevideo, and the statement by Brazilian Prime Minister Henrique Cardoso that the Argentine crisis had totally transformed the agenda of the meeting. Given the importance of Mercosur to Brazilian foreign policy at the time, Brazil's support and advocacy for Argentina in the international arena after the default was understandable (Amadeo 2003, 91). However, the Argentine default seriously blunted the prior forward momentum of supranational integration in the Southern Cone.

Bilateral Transformations

The next major consequence of Argentina's decision to default was found in international reactions to the default. One of the most salient reactions was that of Fidel Castro, who interpreted the default as a positive signal from Argentina and lent his rhetorical support to the new government (El Cronista Comercial, December 26, 2001b). This was an enormous change after the harsh words and distance which had characterized relations between Havana and Buenos Aires during De la Rua's term. Cuba clearly saw a sign of a change or opportunity for change in Argentina's international orientation in the decision to default. Hugo Chavez, in turn, used the default as a rhetorical cudgel, attributing the Argentine crisis to a *sobredosis de neoliberlismo* (overdose of neoliberalism) (La Nacion, December 24 2001b). In flouting the international norms surrounding default, Argentina gave opponents of the Washington consensus a powerful case study, and complicated bilateral relations with both the IMF and the United States.

The economic and political issues surrounding the default transformed Argentina's relationship with Washington from one of long-term strategic cooperation (La Nacion December 19 2001d) to crisis management and greater distance (Amadeo 2003, 81). This was most clearly expressed by Argentina's resentment of the isolating effects that Washington's emphasis that Argentina was a unique case had on the country (Amadeo 2003, 110). Washington's desire to avoid contagion was manifest in this policy, but the Argentine perception was that the US was treating Argentina differently from other allies such as Turkey, a country which had received economic assistance from the US (La Nacion December 26 2001a). The influence of domestic interests and industry groups which pressed the US to force Argentina to either pay its creditors, or at least take the necessary steps to mitigate the effects of the crisis, was also felt in Buenos Aires (Amadeo 2003, 85). The actions of US businesses would further complicate the bilateral agenda in the coming years as creditors sued in US courts, hoping to use the FSIA to recoup the full value of their bonds. One of the most salient issues in US-Argentine relations during the past decade has been the legal efforts of the “vulture funds,” with President Obama’s administration taking a stance in favor of Argentina (Baron 2013).

The default presented similar difficulties for Argentina in its other bilateral relationships at the time. The economic costs of default were borne by businesses and individuals in a variety of nations and these individuals put pressure on their home governments to remonstrate with Argentina on their behalf (Amadeo 2003, 90). Even Spain, a long-standing ally and close partner of Argentina, expressed concern regarding the default, and asked for protections for the Spanish businesses and investments which were historically some of the largest foreign ventures in Argentina (La Nacion, December 28 2001b). Italian and British banks also feared for the impact of the default on their balance sheets (La Nacion December 24 2001c; La Nacion December 22 2001a). As such, the international distribution of the economic costs of default created difficulties for Argentine foreign policy.

The decision to default also marked a decisive breaking point in the already strained relationship between Argentina and the IMF. For many in Argentina, the IMF was associated with the austerity and conditionality agreements which were seen as aggravating the recession (Muchnik 2001). IMF criticism of Argentina’s policies did nothing to reduce tensions (La Nacion, December 19 2001c). However, as strained as the relationship had become after the goodwill which had characterized the 1990s, Argentina and the IMF could not go their separate ways. The Fund disbursed over 8 billion dollars during the course of 2001 alone (IMF 2004), leaving it heavily invested in Argentina's recovery and repayment. Argentina, for their part, needed further funding or at least the all clear from the IMF to have any hope of reentering capital markets (Amadeo 2003, 51). The United States' insistence that Argentina and the IMF resolve matters between them, as well as the decision of the Treasury Department to leave the operative reaction in the hands of the Fund (La Nacion December 21 2001b), meant that Argentina was forced to go through the IMF to find an exit from the crisis.

Those negotiations were at first delayed by the decision of the Rodriguez Saa government to forego international negotiations while working to stabilize the domestic situation and then the subsequent fall of Rodriguez Saa from power after a week. However, Rodriguez Saa was succeeded by Eduardo Duhalde, who made negotiations with the IMF a central part of his crisis resolution efforts (Amadeo 2003). Hence, Putnam's framework would certainly apply to the later negotiations between Argentina and the IMF, especially given the restrictions placed on the executive by Argentine courts (Amadeo 2003, 108). Argentina would, however continue to meet its obligations to the Fund (La Nacion December 29 2001). During the course of 2002, Argentina made a net transfer to the IMF of 574 million dollars (IMF 2004), although the government would miss a payment to the World Bank due to a lack of international reserves (Amadeo 2003, 307). After long negotiations during the course of 2002, a new program was approved, partially due to pressure from the G7 and support of the European Parliament (Amadeo 2003). However, the close cooperation with the IMF which had characterized the 1990s was shattered by Argentina's 2001 default and the recriminations that followed.

International Reputation and Disorderly Default

The last major foreign policy consequence of Argentina's 2001 default was the general consequences for Argentina's reputation in the international system. Cole and Kehoe's (1998) argument that sovereign default indicates that the state is unable to be trusted in other areas as well is certainly borne out by the Argentine experience. Mercer's (1996) finding that states view the actions of other actors via a prism which attributes positive actions to situational forces and negative actions to dispositional forces is also borne out by the Argentine experience. These twin theoretical considerations are especially relevant given Argentina's history of nationalistic behavior in foreign policy. The decision to declare a cessation of payments instead of entering into an orderly default and *megacanje* II in January 2002 fit a longstanding perception of Argentina as a state which was disposed to break international norms, particularly those related to sovereign debt and default. A cessation of payments flies in the face of the norm for default, which is a renegotiation of the debt load with external creditors, almost always after the implementation of a conditionality agreement with the IMF. Hence, Argentina's decision to both leave the negotiating table and declare default with no immediate possibility of negotiations, which was to some extent induced by the circumstances, also broke international norms and damaged the country's reputation in areas that were not merely economic.

The expectation on Wall Street and in many foreign capitals was that Argentina would default at some point (La Nacion, Seccion 2, December 20 2001). The debt load was unsustainable, and given the long-standing recession, many analysts questioned the De la Rua administration's decision to strive to avoid even a technical default (Fernandez and Portes 2001b; El Cronista Comercial December 20 2001b). However, few would have advocated a unilateral cessation of payments, especially with the attendant rhetoric on the impossibility of engaging in international negotiations or paying the debt while the crisis raged. In the opinion of Duhalde's press secretary, Eduardo Amadeo, officials at the Argentine Foreign Ministry had the difficult task of trying to restore a destroyed international reputation (2003). The sheer scale of the Argentine default seemed to be a mark of irresponsibility on the part of Argentina. The default also sparked serious instability in the markets for Latin American bonds, which was invariably attributed to the decision to default.

Disorderly default, which transformed Argentina's relationship with the IMF, United States and Mercosur, contributed to the retreat from the multilateral efforts of the 1990s, and seriously damaged Argentina's international reputation. Default served primarily as a tangible signal of Argentina's changing international orientation and something of a return to Argentina's historic foreign policy of isolationism and lack of adherence to international norms. The decision to default and the ensuing legal battle with the "vulture funds" such as Eliot Associates has become one of the most salient international issues for Argentina, with complications including the seizure of an Argentine naval training vessel (which was eventually released) in Ghana and a legal battle which will likely be settled by the US Supreme Court (Davidoff 2014). An unfavorable decision for Argentina could easily result in a fresh default, given the fragile macroeconomic situation Argentina currently faces 13 years after the 2001 crisis.

Conclusion

Argentina's default raises a series of important questions, regarding the manner in which the decision to default was arrived at as well as the consequences of default. Argentina's 2001 default occurred under a highly unstable political situation, and brought to power Peronist leaders who were both less concerned with the economic and political consequences of default and who found default to be an easily implemented means of taking action to address the economic crisis. As such, the normal model of simultaneous domestic and international bargaining was undone and Argentina entered into a disorderly default. This default was especially harmful to Argentina's international reputation as a state that was closely aligned with the United States, and had begun to participate more in multilateral initiatives and show greater respect for international norms. The economic damage which the default caused for creditors in other states and in Latin America also presented serious complications for Argentine foreign policy.

Going forward, the Argentine case raises several important questions for future study. First, do policymakers consider the foreign policy consequences of default? The Argentine policymakers who decided to default almost certainly did not, but it is uncertain if that aspect of this case study is generalizable. Second, do other policy decisions which are primarily seen as economic in nature serve as a signal of international orientation? Argentina's default was an economic decision that was shaped by and in turn shaped political forces in 2001 and onwards.

The recent experience of Greece and several other countries in the European Union which have entered into default also raises the question of how default impacts multilateral or supranational integration efforts. The Greek, Spanish, Portuguese and Irish crises all exposed major flaws in the architecture of the EU, in the same way that the Argentine crisis raised serious questions about the viability of Mercosur. Some authors have drawn parallels between the experiences of Argentina and Greece (Velasco 2012), and these are worth exploring.

These questions can all be condensed under the question of whether or not the foreign policy considerations and consequences of Argentina's 2001 default can be generalized to other debt defaults, particularly disorderly defaults. Signals of changing international orientation such as a nation's voting record in the UN General Assembly would be particularly important. This offers one potential avenue of for future study and a manner of operationalizing the sometimes nebulous shifts in international orientation that states undertake in the international system.

Regardless, Argentina's 2001 default clearly demonstrates that default has important foreign policy consequences. After the disorderly default, Argentina's international reputation, bilateral relationships, and international orientation have all undergone an important shift. Default is ostensibly an economic decision, but the case of Argentine clearly demonstrates that economic decisions can have consequences in the international arena.

Newspaper Bibliography

Clarin

Aulicino, Eduardo. 2001. “La deuda, el tema vedado.” Clarín December 24, 5.

Baron, Ana. 2013. “Buitres: apoyo de EE.UU. a la Argentina en la Corte Suprema.” Clarin December 7. http://www.clarin.com/politica/Buitres-EEUU-Argentina-Corte-Suprema_0_1043295773.html (December 16th 2013)

“Carrio ya lanzó su candidatura y propone no pagar la deuda.” 2001. Clarín (December 23a): 10.

“Chile se acerca a Estados Unidos.” 2001. Clarín (December 31b): 29.

“EE.UU. quiere ver un acuerdo político por el Presupuesto.” 2001. Clarín (December 19a). 24.

“El Recorte será de 6.000 millones.” 2001. Clarin (December 19a): 3.

“Indiferencia en Wall St. por Argentina.” 2001. Clarín (December 20a): 5.

“La UCR peleó hasta el final por un gobierno de unidad.” 2001. Clarín (December 21b): 13.

“La moratoria es solo para los acreedores externos.” 2001. Clarín (December 26a): 4.

“Las dudas de la iglesia con Rodriguez Saa.” 2001. Clarín (December 31a): 13.

Muchnik. Daniel. 2001. “El Fondo Monetario dice “Yo no fui.” Clarin December 23.

“Renuncio De la Rúa.” 2001. Clarín (December 21a): 1.

Restivo, Nestor. 2001. “Deuda externa: una moratoria obligada por falta de fondos.” Clarín December 24, 10.

“Saqueos y 7 muertos.” 2001. Clarín (December 20b): 1.

Schvarzer, Jorge. 2001. “El Estadillo y Después.” Clarín December 23, 3.

“Se suspende el pago de la deuda y sigue el 1 a 1.” 2001 Clarín (December 24a): 1.

“Viajó Giavarini con una carta para Bush” 2001. Clarín (December 17a): 7.

La Nacion

“Afirman que en enero llega el default.” 2001. La Nacion, Seccion 2 (December 20): 2.

“America Latina intenta tomar distancia de la crisis argentina.” 2001. La Nacion (December 24b): 15.

“Asumió Rodríguez Saá y suspendió de toda la deuda externa.” 2001. La Nación (December 24a): 1.

"Con reparos, España apoya al Gobierno." 2001. La Nación (December 28b): 11.

"Cuestionó el FMI la política económica de la Argentina." 2001. La Nación (December 19c): 1.

"De la Sota: En el Pais hay rebelión fiscal." 2001. La Nación (December 19a): 10.

"Diferencias con Turquia." 2001. La Nación (December 26a): 9.

"EE.UU. mostó su preocupación y delegó en el FMI las reacciones." 2001. La Nación (December 21b): 18.

"El caso que sufrió la Argentina provoca dudas sobre el FMI." 2001. La Nación (December 23a): 18.

"El gobierno le pagó al FMI." 2001. La Nación (December 29): 6.

"El PJ empezó a armar su plan para llevar a la concentración." 2001. La Nación (December 18b): 10.

"En Brasil afirman que la decisión era esperada." 2001. La Nación (December 24d): 15.

"En la cumbre de Mercosur hubo buenos deseos y una silla vaca." 2001. La Nación (December 22b): 17.

"En Londres temen que se declare un default." 2001. LA Nación (December 22a). 17.

"Gobernadores del PJ arman un plan "antidolarización"." 2001. La Nación (December 17b): 7.

"La ONU pedirá hoy la intervención militar argentina en Afganistán." 2001. La Nación (December 19d): 11.

"Manifestaciones por la inhabilidad retirar efectivo." 2001. La Nación Seccion 2 (December 18a): 1.

"Más saqueos en Comercios de Mendoza y Entre Ríos." 2001. La Nación (December 17a): 8.

"Renuncio De la Rúa." 2001. La Nación (December 21a): 1.

"Rige el estado del sitio después de los saqueos; renunció Cavallo." 2001. La Nación (December 20a): 1.

"Significativa Cara de De la Rúa a Bush." 2001. La Nación (December 19b): 11.

"Temor, pero no sorpresa en Italia." 2001. La Nación (December 24c). 15.

"Un sector de calzado reclamó que se frenen las importaciones." 2001. La Nación Sección 2 (December 19): 3.

"Vernet piensa en una gestión de sólo 60 dias." 2001. La Nacion (December 28a): 11.

Ambito Financiero

"Bush alentó el acuerdo politico." 2001. Ambito Financiero (December 19): 3.

"Gobierno comunicó oficialmente el default." 2001. Ambito Financiero (December 26): 9.

"Lanzan el 20 de enero el canje II." 2001. Ambito Financiero (December 17b): 7.

"Morosidad record de deuda externa." 2001. Ambito Financiero (December 17a): 20.

"Sin justicia en Entre Rios por deudas." 2001. Ambito Financiero: Ambito Nacional (December 19): 1.

El Cronista Comercial

Corres, Jose Luis. "Bienvenido sea el default." 2001. El Cronista Comercial (December 18): 35.

"Cavallo no resistió y De la Rúa esta forzado a negociar con el PJ." 2001. El Cronista Comercial (December 20a): 2.

"Fidel Castro salióa apoyar al nuevo gobierno." 2001. El Cronista Comercial (December 26b): 10.

Fernandez, Raquel, and Jonathan Portes. 2001b. El Cronista Comercial (December 19): 35.

"La deuda pública y la tentación populista." 2001. El Cronista Comercial (December 26a): 12.

"Standard and Poor's cree que la Argentina se decalará en default durante enero." 2001 El Cronista Comerical (December 20b): 17.

Diario de los Andes

"Argentina confirmó su presencia en la fuerza de paz." 2001. Diario de los Andes (December 19): 8.

"Frases del Dia". 2001. Diario de los Andes (December 20): A4.

"Intentan Desctivar los Saqeos con 9,000 kilos de alimentos." 2001. Diario de los Andes (December 18b). A1.

"Más Saqueos." 2001. Diario de los Andes (December 17): 1A.

"No creen en un accion espontanea." 2001. Diario de Los Andes (December 18a). 2A.

General Bibliography

Abeles, Martin, and Esteban Kiper. 2010. "El G20 y el rol de Argentina ." *Serie Aportes* . 9: 1-30.

Altman, Daniel. 2013. "Size Isn't All That Matters." *Foreign Policy*. Web. 15 January 2013.

Basualdo, Eduardo M., Cecilia Nahon and Hugo J. Nochteff. 2007. "La deuda externa privada en la Argentina." *Desarrollo Economico* 47 (186): 193-223.

Bender, Lynn Darrell. 1976. "Argentine Foreign Policy: A History of Chameleonic Nationalism." *Revista/Review Interamericana*. EBSCO:Historical Abstracts. Web. 27 March 2013.

Berensztein, Sergio. 2004. "The Closing of the Argentine Mind." *Foreign Policy*. Web. 24 Nov 2012.

Bosco, David. June 11, 2013. “The Debt Frenzy.” *Foreign Policy* June 11, 2007.

Bueno de Mesquita, Bruce, Alastair Smith, Randolph M Siverson, and James D. Morrow. 2002. *The Logic of Political Survival*. Cambridge Massachusetts: The MIT Press.

Bulow, Jeremy and Kenneth Rogoff. 1989a. “A Constant Recontracting Model of Sovereign Debt.” *Journal of Political Economy* 97(1): 155-178.

Bulow, Jeremy, and Kenneth Rogoff. 1989b. “Sovereign Debt: Is to Forgive to Forget?.” *American Economic Review* 79(1): 43-50.

Buera, Francisco, and Juan Pablo Nicolini. 2011. “The Fiscal and Monetary History of Argentina 1960-2007.” *The World Bank*. Web. 28 Feb 2013

Cole, Harold L., and Patrick J. Kehoe. "Models Of Sovereign Debt: Partial Versus General Reputations." *International Economic Review* 1 (1998): 55. JSTOR Arts & Sciences II. Web. 18 Feb. 2013.

Damill, Mario, Roberto Frenkel and Martin Rapetti.2005. “La deuda Argentina: Historia, Default y Reestructuracion.” *Desarrollo Economico* 45 (178): 187-233.

Das, Udaibir S., Michael G. Papaioannou, and Christoph Trebesch. 2012. “Sovereign Debt Restructurings 1950–2010: Literature Survey, Data, and Stylized Facts.” IMF.

Davidoff, Steven M. 2014. “Argentina Takes Its Debt Case to the U.S. Supreme Court.” *New York Times*, February 26, B7.

Fernandez, Rachel, and Jonathan Portes. 2001a. “Argentina: A Senseless Policy.” *Financial Times* December 19. http://salsa.babson.edu/Pages/MBALAM/Articles/011219ArgRaqFernImf.htm (February 4, 2014).

Fishlow, Albert. 2013. “Crying for Argentina.” *Foreign Policy.* Web. 18 Jan. 2013

Gourevitch, Peter. 1978. “Second Image Reversed: The International Sources of Domestic Politics *International Organization* 32(4): 881-912.

Hatchondo, Juan Carlos, and Leonardo Martinez. 2010. “The Politics of Sovereign Default.” *Economics Quarterly* 96(3).

Huser, Hubert C. 1998. “Democratic Argentina’s “Global Reach”: The Argentine Military in Peacekeeping Operations.” *Naval War College Review* 52(3).

IMF. 2002. Sovereign Debt Restructurings and the Domestic Economy: Experience in Four Recent Cases. http://www.imf.org/external/np/pdr/sdrm/2002/022102.pdf

IMF. 2003. “The Role of the IMF in Argentina 1991-2002.” http://www.imf.org/External/NP/ieo/2003/arg/070403.pdf

IMF. 2004. “Evaluation Report: The IMF and Argentina 1991-2002” http://www.ieo-imf.org/ieo/files/completedevaluations/07292004report.pdf

ISAF. 2014. “Troop Contributing Nations.” http://www.isaf.nato.int/images/stories/File/2014-01-15%20isaf%20placemat-final.pdf

James, Harold. 2012. “The Debtor Prisoner’s Dilemma.” *Project Syndicate*. Web. 11 Dec 2012.

Kaufman, Robert R. 1985. Democratic and Authoritarian Responses to the Debt Issue: Argentina, Brazil, Mexico. *International Organization* 39(3): 473-503.

Keohane, Robert O. and Joseph S. Nye. 2000. *Power and Interdependence.* London: Longman.

Kohlscheen E, O’Connell SA. 2007. “A sovereign debt model with trade credit and reserves.” Unpublished manuscript, Univ. Warwick

Larringa, Federico Luis. 2000. “Argentina, a New US Non-NATO Ally: Significance and Expectations.” *Naval War College Review* 43(2): 127-154.

Latinobarometro. 2000. “Argentina 2000.” Libro de Codigos. (January 22, 2014).

Latinobarometro. 2003. “Argentina 2003.” Libro de Codigos. (January 22, 2014).

MacLachlan, Colin M. Argentina : What Went Wrong. 2006. Praeger Publishers: eBook.

Margheritis, Ana. 2010. *Argentina's Foreign Policy: Domestic Politics and Democracy Transformation in the Americas*. Boulder: FirstForumPress.

Martin, Fernando M. and Christopher J. Waller. 2012. “Sovereign Debt: A Modern Greek Tragedy.” *The Federal Reserve of St. Louis Review* 94(5): 321-339.

Mercer, Jonathan. 1996. *Reputation and International Politics*. London: Cornell University Press.

Merke, Frederico. 2012. “Argentina’s foreign policy in Kirchner’s second term.” London School of Economics.

Miller, David A., Michael Tomz and Mark L. J. Wright. 2006. “Sovereign Debt, Defaults and Bailouts.” Working Paper.

Mitchener, Kris James, and Marc Weidenmier. 2005. Empire, Public Goods, and the Roosevelt Corollary. *The Journal of Economic History* 65(3): 658-692.

Moneta, Carlos Juan. "Argentine Foreign Policy in the Cold War." Trans. Array The Impact of the Cold War: Reconsiderations . Web. 5 Apr. 2013. <http://ezpro.cc.gettysburg.edu:2075/illiad/illiad.dll?Action=10&Form=75&Value=227167>.

Munck, Ronaldo. "Argentina, Or The Political Economy Of Collapse." *International Journal of Political Economy* 31.3 (2001): 67-88. Business Source Elite. Web. 24 Nov. 2012.

Mustapic, Ana Maria. 2005. “Inestabilidad sin colapso. La Renuncia de los presidents: Argentina en el año 2001.” *Desarrollo Economico* 45 (178): 263-80.

Navarro-Staicos, Juan F. 2012. "Greece should follow Argentina into default and devaluation." *Christian Science Monitor*. Web. 24 Nov. 2012.

Norden, Deborah L. 1995. Keeping the peace, outside and in: Argentina's UN missions. *International Peacekeeping* 2(3):330-49.

Norden, Deborah L. and Roberto Russell. 2002. The United States and Argentina: Changing Relations in a Changing World. New York: Routledge.

Panizza, Ugo, Federico Sturzenegger, and Jeromin Zettelmeyer. 2009. “The Economics and Law of Sovereign Debt and Default.” *Journal of Economic Literature* 47(3): 651-698.

Putnam, Robert D. 1988. "Diplomacy And Domestic Politics: The Logic Of Two-Level Games." *International Organization* 42(3): 427-460.

Reinhart, Carmen M., and Kenneth S. Rogoff. 2009. *This Time Is Different : Eight Centuries Of Financial Folly*. Princeton : Princeton University Press.

Reinhart, Carmen M., and Kenneth S. Rogoff. 2008. “The Forgotten History of Domestic Debt.” National Bureau of Economic Research.

Reynolds, Richard. "The Guardian: Seven years on, Argentina heads for return of debt default that 'left it out of the world'." *The Guardian* (London, England) 02 Apr. 2009: NewsBank. Web. 24 Nov. 2012.

Richmond, Christine and Daniel A. Dias. 2009. “Duration of Capital Market Exclusion: An Empirical Investigation.” Working Paper.

Rose, Andrew K. 2005. “One Reason Countries Pay Their Debts: Renegotiation and International Trade.” *Journal of Development Economics* 77(1): 189-206.

Russell, Roberto, and Juan Gabriel Tokatlian. 2006. "Will Foreign Allies Help?." Trans. Array Broken Promises? The Argentine Crisis and Argentine Democracy. Lanham MD: Lexington Books.

Saiegh, Sebastian. 2005. “Do Countries Have a ''Democratic Advantage”? : Political Institutions, Multilateral Agencies, and Sovereign Borrowing.” *Comparative Political Studies* 38: 366-387.

Shapiro, Robert J. and Nam D. Pham. 2006. *Discredited – The Impact of Argentina’s Sovereign Debt Default and Debt Restructuring on U.S. Taxpayers and Investors*. Working Paper.

Sheinin, David M. K. 2006. *Argentina and the United States: An Alliance Contained*. Athens, Georgia: University of Georgia Press.

Stasavage D. 2003. *Public Debt and the Birth of the Democratic State: France and Great Britain, 1688–1789*.Cambridge, UK: Cambridge Univ. Press

Stasavage D. 2011. *States of Credit: Size, Power, and the Development of European Polities*. Princeton, NJ: Princeton Univ. Press

Sturzenegger, Federico, and Jeromin Zettelmeyer. *Debt Defaults And Lessons From A Decade Of Crises*. n.p.: MIT Press, 2006. eBook Collection (EBSCOhost). Web. 24 Nov. 2012.

Suter, Christian and Hanspeter Staam. 1992. Coping with Global Debt Crisis Settlements, 1820-1986. *Comparative Studies in Society and History* 34(4): 645-678.

Tomz, Michael. 2002. “Democratic Default: Domestic Audiences and Compliance with International Agreements.” Unpublished Working Paper.

Tomz, Michael. 2003. “Domestic Attitudes Toward Debt Repayment: Public Opinion and Economic Sophistication in Argentina.” Unpublished Working Paper.

Tomz, Michael. “Interests, Information, and the Domestic Politics of International Agreements.” 2004. Unpublished working paper.

Tomz, Michael, and Mark J. Wright. 2013. “Empirical Research on Sovereign Debt and Default.” *Annu. Rev. Econ*. (3) 1-36.

Tomz, Michael, and Mark J. Wright. 2007. “Do Countries Default in “Bad Times”?” Working Paper. Accessed February 14, 2013
http://www.econ.ucla.edu/mlwright/research/workingpapers/DCDBT051707.pdf

Tomz, Michael. 2007. *Reputation and International Cooperation: Sovereign Debt Across Three Centuries*. Princeton, NJ: Princeton University Press.

Tulchin, Joseph S. 1990. *Argentina and the United States: A Conflicted Relationship*. Boston: Twayne Publishers.

"Two-Level Games and the Greek Financial Crisis." World Politics News Review. WordPress , 11 2011. Web. 30 Nov 2012. <http://worldpoliticsblog.wordpress.com/2011/07/08/two-level-games-and-the-greek-financial-crisis/>.

Van Rijckegham, Caroline, and Beatrice Weder. 2009. Political Institutions and Debt Crisis. *Public Choice* 138(4): 387-408.

Velasco, Andres. “An Argentine Guide to the Greek Crisis.” *Project Syndicate*. 30 May 2012. Web. 12 Dec. 2012.

Wigglesworth, Robin and Alan Beattie. “Bankruptcy regime for nations urged.” *Financial Times*. 6 Jan 2013. Web. 7 Jan. 2013.

World Bank. “External Debt of Developing Countries.” 2012. 11 February 2013

Wright, Mark L. J. 2005. Coordinating Creditors. American Economic Review P&P 95(2): 388-392.

Wright, Mark L. J. 2011. The Theory of Sovereign Debt and Default. Working Paper UCLA and NBER.