

When Argentine President Mauricio Macri visited the White House in April, President Trump, announced the two countries were "great friends, better than ever before." As he so often does, Trump gave a blunt summary of what would be discussed by the two former business associates, saying: "I will tell him about North Korea, and he will tell me about lemons." Argentina is the world's fourth-largest producer of the fruit and since 2001 had been unable to export to the world's biggest consumer due to bans imposed by the Bush Administration. The ban is now lifted and acts as a symbol for a new Argentina, attempting to come in from the cold and join the world economy.

After several decades of serving as a testing ground for economic and social theories, Argentina is starting to resemble a sensible player in the international arena. As the leader of the Cambiemos (Let's Change) party, President Macri has sought to convince the electorate that the protectionism and social tribalism of the past had been an own goal for the country. Macri implemented market-friendly policies that lifted Argentina out of a prolonged recession in 2016 and raised its gross domestic product figure to \$550 billion, making it the third largest economies in Latin America after Mexico and Brazil.

The efforts of the Macri Government have been acknowledged by international institutions such as the World Bank, who view the country as integrating into the global economy through an economic transformation that encourages sustainable economic development. This embrace of current economic orthodoxy will be confirmed in 2018 when Argentina will be the first-ever South American country to host a G20 summit. A further sign of growing international confidence in Argentina is the creation of a 100-year bond, only the second Latin American state (Mexico in 2010) to issue a so-called 'century bond'. Argentina sold \$2.75bn of the debt with a coupon of 7.125 percent, equating to an annual yield of 7.9 percent, attracting \$9.75bn in orders from investors. The sale came as a surprise to many inside and outside the country with many Argentines joking there may not be an Argentina left in 100 years.

While the demand may better reflect the state of the international financial sector, rather than confidence in the stability of the country, such a sale ten years ago would have been unfathomable. This was due to a historically low credit rating, a result of defaulting on its sovereign debt eight times since its 1816 independence (three in the last 23 years and one is the \$100 billion default- the highest ever default at the time). The fact that the recent sale was successful shows that the changes being enacted by the Macri government are viewed by many as having a chance to move the country to the centre in its economic policy.

Argentina is continuing a trend amongst many nations in Latin America in its embrace of international integration. An issue in the past (other than a lack of political will) has been an absence of an intrastate organisation similar to the EU. At present two bodies represent Latin America: Mercosur (Argentina, Brazil, Paraguay, Uruguay and a suspended Venezuela) and the Pacific Alliance (Chile, Colombia, Peru and Mexico). Traditionally Mercosur has acted as a state focused loose organisation, while the Pacific Alliance has supported free trade agreements. Argentina has been at the

forefront of an initiative to advance a political and trade convergence with a possible merger or sustained engagement of the two organisations. The two blocs make up over 90 percent of the GDP and foreign direct investment in Latin America and the Caribbean. However, trade between Latin American countries only accounts for 20 percent of total exports compared to 60 percent within the EU and 50 percent within the East Asia-Pacific.

The lack of inter-regional trade was addressed by officials of both blocs in Argentina, where a roadmap was agreed that would increase cooperation and information exchange. Argentine Minister for Economic Development Francisco Cabrera acknowledged that Mercosur had been “languishing... (and was) one of the most isolated blocs in the world” Cabrera said that the Argentine government needs to reform Mercosur into “a powerful trading platform with a huge export potential for all international markets”.

The move for a Latin American unification comes at a time when its most significant economy Mexico is moving away from an increasingly belligerent USA and the death throes of the Trans-Pacific Partnership. It is also a sign of a consensus growing towards free market-based economies after entrenched protectionism or as Cabrera describes ‘an isolated, closed economy policies which had harvested poverty’.

Caberea argued that the efforts of the Argentine government, such as new productivity and logistics legislation geared towards inwards investment, will not be characterised by false starts or cycles of hard left and right policies of the past. The possible merging of Mercosur and Pacific Alliance would have tangible benefits to Australia after the start of free trade agreement negotiations between Australia in the Pacific Alliance.

However, recently, and at the worst possible time for Macri, the economy has slowed, jobs have been lost, and inflation has risen. A people who experienced the most severe aspects of the Washington consensus economics and it has associated neo-liberal structural adjustment policies are starting to wonder if Macri merely is Menem 2.0 (Carlos Menem was the architect of the radical capitalism that characterised Argentina in the 1990’s). Macri has been astute in what he is austere, but eventually, he will have to touch the public-sector employment third rail. Presently, government wages and pension payments` makeup one-third of the budget meaning that Macri may have no choice but to target savings through bureaucratic cuts, allowing his critics (led by former Argentine President Cristina Fernandez (Cristina)) to increase their support with their traditional base.

Macri only won the 2015 election by the smallest of margins in a contest characterised as an opportunity to move away from the policies enacted Cristina. In spite of the lack of a clear mandate, Macri has performed admirably and won time and patience (a valuable commodity in Argentina) from a public burnt out from extreme pendulum swings of economic theory. Macri’s has shown leadership in the region, resolved long-term disagreements with international creditors, cut energy subsidies and focused on

combining traditional energy sources with renewables and shale, re-established credible statistics, and eliminated a whole host of tariffs, quotas, and export licenses.

Despite concerns by the international community that Argentina would once again embrace the unknown, October's legislative election (and an unofficial referendum on free trade policies) produced a decisive victory for Macri. Macri's Cambiemos coalition outperformed expectations by winning the five most populous Argentine provinces, and a total of 13 of the country's 23 regions. Cambiemos increased its presence in the Senate from 17 to 26 seats and gained 20 new seats in Argentina's lower house. Cristina's attempts to rejoin the political discourse ended in a humiliating loss in her bid for a Senate seat, losing handily to the Cambiemos candidate.

Many saw Argentina as at another precipice before the elections, with results offering two distinct possibilities. Macri could have lost seats and his mandate for change, plunging the country into a renewal of hostilities between right and left, a tango that has been danced in the country since its inception. Instead, Macri gained seats and a mandate to increase his reforms internally and continue discussions with the Pacific Alliance from a position of strength. As a result, Argentina may improve its status as a viable investment destination that is putting behind the times of extremes and embracing normality.

Macri will hope that his reforms have shown Argentines a glimpse of the stability and profitability his government can bring for all and not just a few. After all, as Mr Trump said in April: "the lemon business is big, big business".



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