

“Resurgence of Far-Right Government in Argentina and Prevailing Economic Situation: Lessons for Pakistan”

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Executive Summary

Both Argentina and Pakistan are facing various political and economic challenges. Argentina is a presidential republic with approximately 47 million people. Under the presidency of Javier Milei, the country is pursuing a strict economic reform policy that includes aggressive economic liberalization through a reduction in the size of government, cuts in subsidies, and dollarization to dampen high inflation and public debt which is contributing to social unrest. On the other hand, Pakistan is a federal parliamentary republic with a population of over 252 million. The country is pursuing economic stabilization under international aid to manage a large fiscal deficit and high inflation. However, it has amplified the economic challenges and political fragmentation. Furthermore, the economic freedom index is slightly better for Argentina as compared to Pakistan due to its high GDP and FDI inflow, though Pakistan's economic environment dampens the opportunity to attract huge investments. Pakistan should focus on pragmatic economic reforms and debt management to effectively resolve fiscal problems and ensure productive use of the funds to avoid unsustainable levels of debt. The strict austerity measures by Argentina has deepened social fragmentation so, Pakistan must carefully evaluate the policy repercussions to manage the social discontent. The rising social and political disparities emphasizes the need for continued dialogue and consensus building in Pakistan's approach towards social and economic balance. It is also significant to strengthen the institutional structures, foster economic diversification, attract foreign direct investment, and assure transparency in the regulatory frameworks for economic growth and resilience.

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Introduction

Argentina and Pakistan have to go through certain economic and political issues in the year 2024 and it's important to know that Argentina and Pakistan have really different journey towards political and economic struggle. While, Viz., Argentina's current President Javier Milei is having more radical policies aiming at economic liberalization and shift of allegiance and Pakistan on the conservative line with policies awaiting stabilization through international assistance and keeping up political alignments. Argentina's domestic political and social crisis can be attributed to economic liberalisation while, as in many other countries, Pakistan's problems stem from economic adversity and divided political sentiments although there has not been a shift in policy goals in this case. They are discontent with a vast population of politics, yet the aspect in each of the countries differs depending on the political–economic environment of the countries in question.

Comparative Analysis of Argentina and Pakistan

Comparative analysis of the political and demographical structure and national policies of Argentina and Pakistan in 2024, presented in a table format:

Aspect	Argentina	Pakistan
Area	2,780,400 sq. km ¹	796,095 sq. km ²
Population	46,994,384 ³	252,363,571 ⁴
Government	Presidential Republic	Federal Parliamentary Republic
Executive Branch	Chief of State: President Javier Milei Head of Government: President Javier Milei	Chief of State: President Asif Ali Zardari

¹ 'Argentina', in *The World Factbook* (Central Intelligence Agency, 17 July 2024), <https://www.cia.gov/the-world-factbook/countries/argentina/>.

² 'Pakistan', in *The World Factbook* (Central Intelligence Agency, 17 July 2024), <https://www.cia.gov/the-world-factbook/countries/pakistan/>.

³ 'Argentina'.

⁴ 'Pakistan'.

		Head of Government: Prime Minister Shahbaz Sharif
Legislative Branch	Bicameral National Congress consisting of the Senate (72 seats) and the Chamber of Deputies (257 seats)	Bicameral Parliament consisting of the Senate (96 seats) and the National Assembly (336 seats)
Economic Reforms	Aggressive economic reforms under President Javier Milei, including reduction of government size, dismantling subsidies, and potential dollarization.	Focus on economic stabilization through international financial aid, maintaining subsidies for essential goods, and managing fiscal deficits.
Government Size	Reduction in government size and elimination of subsidies as part of Milei's reforms.	No significant reduction in government size; maintaining subsidies to protect low-income populations.
Foreign Policy Realignment	Shift towards closer ties with Western liberal democracies, distancing from China and Russia.	Maintaining strategic relationships with both China (through CPEC) and the United States, without significant realignment.
Public Debt Management	Struggling with growing public debt despite IMF supervision; focused on gradual economic adjustment.	Managing a large fiscal deficit and balance of payments issue, relying on IMF support for economic stabilization.
Social Unrest	Increased social unrest due to public spending	Social unrest is mainly due to economic hardships,

	cuts and economic hardship, with frequent protests.	with protests against inflation and fiscal issues.
Political Fragmentation	Milei's La Libertad Avanza coalition lacks a majority in Congress, making it difficult to pass key reforms.	Political fragmentation and polarization, with multiple parties vying for power and opposing reforms.
Subsidies	Plans to dismantle subsidies quickly under Milei's administration.	Continuation of subsidies to support the low-income population as well as elite segments despite fiscal strain.
Strategic Goals	Aims to overhaul the financial system and stabilize the economy through radical reforms.	Aims to stabilize the economy through international aid and gradual reforms, with a focus on maintaining social stability.

Economic Situation of Argentina

Argentina has already had an experience of default on its international sovereign debt in 2001, whereas Pakistan, being in rather a precarious economic situation, has not experienced this. This rooted contrast may imply that Pakistan will not find Argentina's economic experiences very helpful. IMF reviews suggest that Pakistan has been reviewed 24 times while Argentina has been reviewed 21 times mainly regarding standby arrangements. While both countries had similar economic trends and faced similar problems and risks related to their sovereign debts, the country steering clear of sovereign debt default standpoint, Pakistan dramatically differs from Argentina where sovereign debt default became somewhat traditional. Such commitment makes it easier for Pakistan to engage with the IMF, which has undergone 24 reviews as compared to Argentina's 21, thereby reasserting confidence in its own debt management strategies. Moreover, variations in economic systems – Argentina is

appealing to investors since it boasts of natural resources, industrious sector, and large and diverse middle-income earners that provide a market for the business while on the other side, the factors that make it difficult for Pakistan to attract FDI in Pakistan include restricted government finances, dangers of alterations in exchange rates and inflation, catastrophe prone country that affects agricultural sector, and feeble manufacturing and export sector with little diversification. Therefore, Pakistan needs to study more its own experiences and those of the countries which have comparable characteristics of economic development.

Variables	Pakistan	Argentina	Sources
Index of Economic Freedom (World Ranking)	147/184 (Score 49.5)	145/184 (Score 49.9)	World Bank ⁵
FDI inflow	\$1.3 bn (2023)	\$15.1 bn (2023)	World Bank ⁶
GDP	\$338.24 bn (2023)	\$604.26 bn (2024)	IMF ⁷
GDP per capita	\$1680	\$12.81 Thousand	Economic Survey of Pakistan 2023-24 IMF
Inflation Rate (CPI) annual % change	24.8%	249.8%	IMF
Unemployment rate	6.3% ⁸	10% ⁹	Pakistan Economic Survey 2023-2024 BBVA Research
General Government Gross Debt	72.8% of GDP (2024)	86.2% of GDP (2024)	IMF
Foreign reserves	\$14.645 bn (Aug 2024) ¹⁰	\$28.7 bn (2024) ¹¹	State Bank of Pakistan BBVA Research

⁵ Heritage.org. Index of Economics Freedom, Pakistan. October 2023. Available at: <https://www.heritage.org/index/pages/country-pages/pakistan>

⁶ Heritage.org. Index of Economics Freedom, Argentina. October 2023. Available at: <https://www.heritage.org/index/pages/country-pages/argentina>

⁷ International Monetary Fund. Pakistan Profile. April 2024. Available at: <https://www.imf.org/external/datamapper/profile/PAK>

⁸ Pakistan Economics Survey 2023-2024. Available at: https://www.finance.gov.pk/survey/chapter_24/Highlights.pdf

⁹ BBVA Research. Argentina Economic Outlook. Available at: <https://www.bbva.com/en/publicaciones/argentina-economic-outlook-june-2024/#:~:text=In%20the%20first%205%20months,of%20GDP%20for%20this%20year.>

¹⁰ State Bank of Pakistan. Liquid foreign exchange reserves. Available at: <https://www.sbp.org.pk/ecodata/forex.pdf>

¹¹ BBVA Research. Argentina Economic Outlook. Available at: <https://www.bbva.com/en/publicaciones/argentina-economic-outlook-june-2024/#:~:text=In%20the%20first%205%20months,of%20GDP%20for%20this%20year.>

Exports	\$28.7 bn (June 2024) ¹²	\$23.9 bn (May 2024) ¹³	Pakistan Ministry of Finance MOFA, International trade and worship, Argentina ¹⁴
Imports	\$49.5 bn (June 2024) ¹⁵	\$17.8 bn (May 2024)	Pakistan Ministry of Finance MOFA, International trade and worship, Argentina ¹⁶

Economic Performance and Challenges

- *Economic Freedom and Foreign Direct Investment (FDI):* According to the World Bank's Index of Economic Freedom Pakistan is low ranked 147th and Argentina is 145th with a score of 49.5 and 49. But Argentina receives more than five times greater amount of FDI, approximately \$15 billion. It is expected to generate \$1 billion in 2023 compared to Pakistan which is having \$1.3 billion. This means that Pakistan must try to make its environment more attractive for investors to increase the level of FDI inflows.
- *Inflation Rate:* Argentina has already dealt with hyperinflation with an inflation rate of 249 percent per annum. 8% while Pakistan's rate is 24 percent." 8%. While it is seen that Pakistan also suffers from high inflation rate this rate is comparatively lower in Pakistan. So, for both the countries it is important to have appropriate monetary policy that can act against rising inflation rates.
- *Unemployment and Population:* They both are the same regarding the unemployment rate as the percentage is 8%. However, a greater and more diverse population of Pakistan and its unemployed youth numbering 236.17 million compared to Argentina's 47.16 million pose greater challenges in job creation and economic

¹² Ministry of Finance. Pakistan's Economic Outlook. Available at: https://www.finance.gov.pk/economic/economic_update_June_2024.pdf

¹³ Ministry of Foreign Affairs, International Trade and Worship. Argentine Trade Exchange – First four months of 2024. Available at [Argentine trade exchange – First four months of 2024 | Ministerio de Relaciones Exteriores, Comercio Internacional y Culto \(cancilleria.gob.ar\)](https://relaciones.gob.ar/en/cie/news/argentine-trade-exchange-first-four-months-2024#:~:text=In%20the%20first%20four%20months,USD%206.2%20billion%20was%20reached.).

¹⁴ Ministry of Foreign Affairs. International Trade and Worship, Argentina. Available at: <https://cancilleria.gob.ar/en/cie/news/argentine-trade-exchange-first-four-months-2024#:~:text=In%20the%20first%20four%20months,USD%206.2%20billion%20was%20reached.>

¹⁵ Ministry of Finance. Pakistan's Economic Outlook. Available at: https://www.finance.gov.pk/economic/economic_update_June_2024.pdf

¹⁶ Ministry of Foreign Affairs. International trade and worship, Argentina. Available at: <https://cancilleria.gob.ar/en/cie/news/argentine-trade-exchange-first-four-months-2024#:~:text=In%20the%20first%20four%20months,USD%206.2%20billion%20was%20reached.>

rights. In this context, sound labour market policies remain core to Pakistan's ability to steer its demographic dividend.

Lessons for Pakistan

Based on the comparative analysis of Argentina and Pakistan's political and economic policies in 2024, there are several key lessons that Pakistan can learn from Argentina's approach:

- ***Economic Reforms and Government Size***

The current scenario in Argentina where President Milei attempts to cut back the government size and eliminate subsidies shows why structural reforms are conducive to eliminating fiscal issues. Even now that Pakistan still possess subsidies and a very large governmental bureaucracy it also needs to embark on structural reforms that will remove those unnecessary expenses while at the same time protecting vital services. This could imply the stressing of rationality in government functioning, which may implies the elimination of unnecessary layers of bureaucracy and enhancement of the delivery of services to the public.

- ***Foreign Policy Realignment***

The recent change of direction of Argentina from the extra-hemisphere axis of nations for closer relations with Western democracies is the best example of strategic reorientation by shifting away from traditional strategic partners like China and Russia as part of effective adaptation of international politics. Pakistan being an ally of both China and the US, should consider reviewing its foreign policy to fully exploit the geopolitical opportunities that favour the establishment of trade, commodity and economic partnership within the region and elsewhere.

- ***Debt Management and Fiscal Discipline***

it is important to understand how the country failed to manage its public debt or control its fiscal deficits even with the IMF supervision as evidenced by the Argentinian experience. Same like Pakistan, which is also an IMF client country, should also pay its attention to fiscal as well as monetary policies so that there should not be a tendency of excessive borrowing and hence the accumulation of unsustainable debts. This encompasses increasing the efficiency or collection of taxes, cutting down on government expenditure on the non-essential sectors and ensuring that borrowed monies are spent productively to stimulate economic growth in the long run.

- ***Handling Social Unrest***

The social tensions existent in Argentina because of the economic crises compounded by aggressive spending restraints act as a signpost for Pakistan. Before making any changes to the structure of subsidies or the Pakistani economy in general it must be noted that subsidies are an important aspect of Pakistani social fabric and any alterations should be made with great consideration to prevent the people's backlash to austerity measures. This may include the use of policies such as the social protection floors, more public debate to garner support and the phase-in approach to avoid groups of the society suffering severe setbacks while making the transition.

- ***Political Fragmentation and Reform Implementation***

Argentina's struggle to pass crucial structural reforms is that bipartisan consensus is crucial. Even in Pakistan political segregationism is observed, therefore the dialogue with the opposition and other stakeholders should be the primary objective of the government to gain support for the necessary reforms. It is to be noted that it is possible to obtain political stability and unity only to work out long-term economic policies.

- ***Strategic Economic Planning***

Argentina's drastic changes in its economy indicate that it has planned its economy in the long run. Pakistan can benefit from this by formulating a well-coordinated policy concerning its short-term and long-term problems and opportunities. This implies not only a response to crises but also the prospect of further development that implies making necessary investments in such spheres as construction, education, and technology.

- ***Balancing Economic Reforms with Social Stability***

Argentina's attempt at the economic liberalization was aggressive, but it has resulted in electoral instability arising from spending cuts. This is because, like any other country, Pakistan has to deal with its own problems of a sustainable economy while also working towards ensuring the necessary fiscal reforms put in place do not lead to social unrest. Political ideals should be made with considerable regard for social ramifications so as to safeguard the dignity of the downtrodden while pressing for the required economic reforms.

- ***Effective Political Communication***

The social turmoil going on in Argentina clearly shows the necessity and importance of the implementation of political policies to the general public. Pakistan can learn from

this by the fact that any major change in the political or economic policies in the country is conveyed effectively to the people. The public can therefore be engaged and a story built that justifies why reform is needed, this will go a long way in reducing social unrest.

- ***Strengthening Institutional Frameworks***

The condition in Argentina, where the parties struggled to manage the political aspects of the country, must have weak institutions for other forms of governance to supplement government policies. Pakistan should also concentrate on building institutional capacity and making its political institutions ready and competent enough to put into practice and execute political decisions and strategies in the country despite the fragmentation.

- ***Maintaining Fiscal Discipline and Sustainable Funding***

Argentine experience clearly shows that the process of printing money to finance government expenditure result in inflation. Fiscal discipline should be given the topmost priority in Pakistan by expanding the tax net, enhancing tax administration, and searching for some other modes of revenue mobilization. Funding of social programs and infrastructure must be done in a sustainable manner so that this does not result in inflation.

- ***Promoting Economic Diversification***

Sustaining agriculture or any type of industry alone makes them open to any shift that may occur. It is therefore important for Pakistan to diversify its economy through export-oriented manufacturing, IT tourism and renewable sources of energy. Agricultural value-added products also increase the economy's buffer against shocks.

- ***Attracting Foreign Investment***

Argentina was able to receive a large amount of FDI but on the other hand, the country also faced many problems due to excessive reliance on foreign capital. It means that Pakistan can learn the ways how to attract foreign investment while maintaining control over certain strategic sectors for the national state. Where there is opacity in the legal environment and experience reveals difficult regulatory circumstances, transparency in regulation and encouragement of cooperation between the government and private actors are effective ways to guarantee investors' confidence.

- ***Strengthening Institutional Framework and Governance***

Institutions play a crucial role. The unpredictable business environment in Pakistan calls for the strengthening of regulatory agencies, support of the rule of law, and fight against corruption. Measures that can strengthen justice are capable of bringing back the public's trust in the economic system of the country.

- ***Encouraging Innovation and Entrepreneurship***

There is potential, for instance, for a policy that fosters innovation and entrepreneurs to encourage the diversification that expands an economy. Pakistan can open innovation campuses, give initial capital for start-ups and propose tax incentives for start-ups. There are positive effects of interactivity and interface between schools, businesses and government such as the promotion of research and development.

- ***Implementing Targeted Social Programs***

While social programs and policies are important they need to be sustainable. Pakistan can combine selective public policies that strengthen the social protection system like conditional cash transfers and community-based interventions to assist the needy and the deserving to come out of the vicious cycle of poverty without putting much pressure on the government's fiscal resources.

Conclusion

The divergent political and economic trajectories of both Argentina and Pakistan are interlinked with their specific historical backgrounds. The comparative analysis underscores the challenges faced by both states and the relevant lessons that can be drawn particularly in the context of Pakistan. Argentina has adopted strict economic reforms including reduction in the size of government and cutting of subsidies to address the high fiscal imbalances and inflation which was causing widespread social discontent. It is requisite for Pakistan to effectively assess the impact of economic reforms or policies on the most vulnerable sections of the society for ensuring social harmony. Pakistan should adopt economic expansion that could result in foreign direct investment and economic stability. Argentina's case of default on sovereign debts is a lesson for Pakistan to implement the strategies for efficient debt management. The country needs to promote enhanced institutional capacity, innovation, and entrepreneurship. Thus, by drawing lessons from the experiences of Argentina, Pakistan can move towards the path of economic growth and social stability by reinforcing strategic economic planning and effective regulatory frameworks.

Action Matrix

Problem/ Issue	Pathways to Solution	How to Implement Each Solution	Actors Responsible	Implementation Timeliness
Rampant corruption and incompetency	Ensure transparency, rule of law, and accountability in government institutions	Strengthen institutional framework by implementing anti-corruption measures	National Accountability Bureau (NAB)	Medium-term (2-5 years)
Social polarisation as a source of conflict	Implement policies to foster mutual respect among diverse populations for national cohesion	Establish mechanisms to regulate media platforms and counter polarising narratives through dialogue and reconciliation	Pakistan Electronic Media Regulatory Authority (PEMRA) and Ministry of Information Technology (IT)	Medium-term (2-3 years)
Maintaining Fiscal Discipline and Sustainable Funding	Broaden the tax base, improve tax collection mechanisms, and explore alternative	Reform tax laws and increase enforcement. Implement progressive taxation	Ministry of Finance Federal Board of Revenue (FBR)	Short-term (1-2 years)

	revenue sources			
Promoting Economic Diversification	Develop export-oriented manufacturing , IT, tourism, and renewable energy sectors	Provide incentives for export-oriented industries Invest in technology infrastructure Develop a tourism master plan	Ministry of Commerce Ministry of IT Ministry of Tourism	Medium-term (2-5 years)
Attracting Foreign Investment	Balance attracting foreign investment with domestic control of strategic sectors	Create a transparent and investor-friendly regulatory framework Establish SEZs	Board of Investment (BOI) Ministry of Commerce	Short-term (1-2 years)
Encouraging Innovation and Entrepreneurship	Establish innovation hubs, provide seed funding, and offer tax incentives for startups	Set up innovation hubs in major cities Collaborate with academia and industry for R&D	Ministry of Science and Technology Higher Education Commission (HEC)	Short-term (1-3 years)