EISSN: 2622-9668 | PISSN: 2622-982X
Volume 19 Nomor 1 February 2026: 28-41
DOI: 10.30996/mk.v19i1.132115

MIMBAR KEADILAN

Debt and Fiscal Justice in the Global South: Argentina and Indonesia under IMF and World Bank Intervention

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Article History:
Submitted: 10-06-2025
Received: 19-10-2025
Accepted: 24-11-2025

Keywords:
IMF; debt diplomacy; global inequality; fiscal justice

Abstract

This article examines sovereign debt as both an economic mechanism and a political instrument that sustains structural inequalities between the Global North and South. Through a qualitative comparative study of Argentina and Indonesia, and drawing on dependency theory, postcolonial political economy and fiscal justice frameworks, the paper argues that international financial institutions such as the IMF and World Bank constrain fiscal autonomy and policy space in developing countries. In the Indonesian context, domestic elites—including technocrats, oligarchs, and state bureaucrats—play a central role in entrenching project-based debt dependency for political and economic gain. While Argentina serves as a cautionary tale, early signs of resistance emerge through South-South cooperation and BRICS-led alternatives. By integrating structural and actor-centered perspectives, this study contributes to debates on global debt governance and calls for reforms that advance distributive and procedural justice in fiscal policymaking.

1. Introduction

In recent decades, sovereign debt crises in the Global South have recurred in cyclical patterns that reinforce the subordination of developing countries to global financial institutions and markets. Institutions such as the International Monetary Fund (IMF) and the World Bank no longer merely act as emergency responders to economic instability but increasingly serve as architects of a global economic agenda that directly shapes and constrains the fiscal policy space of borrowing countries. For instance, in the context of the climate transition, debt structures have become a significant impediment to environmental and fiscal justice, as Jokubauskaite et al. (2025) show.[1] Similarly, post-pandemic fiscal agendas led by the IMF have been criticized for eroding socio-economic rights and deepening structural inequality under the rhetoric of macroeconomic stability.[2]

The cases of Argentina and Indonesia offer two reflective yet contextually distinct illustrations of sovereign debt dependency and the structural influence of IMF conditionalities. In Indonesia, state-owned enterprises (SOEs) in the infrastructure and construction sectors are marked by high debt burdens, low efficiency, and heavy reliance on project-based loans—

[1] Giedre Jokubauskaite et al., "Indebting the Green Transition: Civil Society and Academic Priorities at the Nexus of Sovereign Debt and the Climate Crisis," *SSRN Electronic Journal*, 2025, doi:10.2139/ssrn.5205175.

[2] Juan Pablo Bohoslavsky and Francisco Cantamutto, "Not Even with a Pandemic: The IMF, Human Rights, and Rational Choices Under Power Relations," *Human Rights Quarterly* 44, no. 4 (November 2022): 759–83, doi:10.1353/hrq.2022.0045.

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raising questions about the effectiveness and sustainability of debt-led growth models.[3] Argentina, on the other hand, has experienced multiple waves of debt crises, where repeated lending programs failed to deliver the promised economic stability, further entrenching socio-political volatility and economic fragility.[4] Both cases underscore the role of domestic elites in reproducing debt dependency through fiscal and investment policies driven by short-term political stability and elite economic interests.

While classical dependency theory provides a foundational lens to understand these global hierarchies, it falls short of capturing the contemporary dynamics of financial power and debt governance. Newer perspectives are necessary to explore how sovereign debt operates as a regulatory political instrument under the guise of "good governance" and investor confidence.[5] In the South African context, Samir Amin's analysis remains salient: domestic elites can act as facilitators of sub-imperialism by adopting global neoliberal agendas while perpetuating internal inequalities.[6] Accordingly, frameworks such as the political economy of sovereign debt and elite capture offer more precise analytical tools to interrogate how power is simultaneously produced and reproduced across both national and transnational levels.

While a substantial body of literature has examined the inequalities embedded in sovereign debt relations and the role of international financial institutions such as the IMF and the World Bank in shaping fiscal trajectories of developing countries, much of this scholarship remains disproportionately focused on the influence of global actors. These studies tend to portray debt dependency primarily as an outcome of external conditionalities, overlooking the agency of domestic actors—such as technocrats, oligarchs, and bureaucracies—in sustaining and legitimizing loan-based development agendas. Furthermore, dominant macroeconomic approaches within IMF and World Bank literature frequently sideline critical concerns around social justice and the constrained fiscal policy space of debtor countries.

Recent works have begun to challenge this orthodoxy by framing debt negotiations not solely as economic adjustments, but as politically charged processes involving strategic signaling and elite contestation. For example, Ferry (2023)[7] highlights how sovereign default decisions are often used as political tactics rather than purely fiscal responses, shaped by internal veto players and domestic political calculations. Similarly, Redziuk (2019)[8]

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[3] Febrianto Arif Wibowo et al., "Financial Risk, Debt, and Efficiency in Indonesia's Construction Industry: A Comparative Study of SOEs and Private Companies," *Journal of Risk and Financial Management* 17, no. 7 (July 14, 2024): 303, doi:10.3390/jrfm17070303.

[4] Yevhenii Redziuk, "Cooperation With The IMF: The Impact On The Economic Growth Of The Countries Of The World And Ukraine," *Economy of Ukraine* 62, no. 5(690) (September 30, 2024): 57–67, doi:10.15407/economyukr.2019.05.057.

[5] Alejandro Gabriel Manzo, "El Discurso de La Gobernanza Como Legitimador de Las Elites Financieras En El Campo de Las Reestructuraciones de Deuda Soberana," *Revista Direito e Práxis* 10, no. 3 (September 2019): 1617–56, doi:10.1590/2179-8966/2018/30165.

[6] Patrick Bond, "'Nothing Has Changed, South Africa's Sub-Imperialist Role Has Been Reinforced': Samir Amin's Durable Critique of Apartheid/Post-Apartheid Political Economy," *Politikon* 50, no. 4 (October 2, 2023): 314–33, doi:10.1080/02589346.2023.2280800.

[7] Lauren L Ferry, "Defaulting Differently: The Political Economy of Sovereign Debt Restructuring Negotiations," *International Studies Quarterly* 67, no. 4 (September 11, 2023), doi:10.1093/isq/sqad086.

[8] Redziuk, "Cooperation With The IMF: The Impact On The Economic Growth Of The Countries Of The World And Ukraine."

underscores that the effectiveness of IMF programs hinges on institutional governance and the state's capacity to absorb reforms—factors deeply influenced by domestic elite power and interests. Jeffrey et al. (2012)[9], drawing from dependency theorist Andre Gunder Frank, trace the historical roots of Global South dependency, emphasizing how the center-periphery divide remains structurally entrenched through asymmetric global trade and financial systems.

From a decolonial standpoint, Oliveira and Kvangraven (2023)[10] advocate for a revival of dependency theory to better understand contemporary development challenges. They call for a "thinking from the South" approach that foregrounds the structural subordination of developing countries in the global economy and challenges the Eurocentric assumptions underlying much of development economics.

Taken together, this body of work reveals a significant gap in the literature: the underexploration of how domestic elites contribute to the construction and reproduction of debt dependency, and the absence of normative frameworks that center fiscal justice and equitable policy space for developing nations. This article aims to fill that gap by integrating a structural critique of global financial governance with an actor-centered analysis of elite interests in Argentina and Indonesia.

This article is guided by three interrelated research questions that aim to critically interrogate the political economy of sovereign debt in the Global South. First, it asks how global financial institutions such as the International Monetary Fund (IMF) and the World Bank continue to perpetuate economic inequalities between the Global North and the Global South through mechanisms of debt diplomacy. This question is crucial for understanding how international lending frameworks are not merely technical or financial in nature, but serve as instruments of political influence that constrain national development strategies and policy autonomy. Second, the article investigates the role of domestic elites in Argentina and Indonesia in reinforcing patterns of debt dependency through fiscal decision-making and investment policies. Rather than treating debt as an externally imposed burden alone, this question situates local actors—technocrats, oligarchs, and state officials—as active participants in the reproduction of structural dependency, revealing the multi-layered nature of power and complicity within debtor states. Third, it explores what lessons Indonesia can draw from Argentina's repeated failures to manage its sovereign debt responsibly and sustainably. In light of Indonesia's growing reliance on debt-financed infrastructure and state-owned enterprises, this comparative insight is timely and necessary to prevent future crises. Collectively, these questions matter because they connect macroeconomic governance with issues of distributive and procedural justice, highlight the enduring legacies of colonial economic hierarchies, and point to the urgent need for debt governance reforms that are responsive to the developmental and democratic aspirations of countries in the Global South.By combining a structural critique of global financial governance with an actor-centered analysis of national policy configurations, this article seeks to bridge theoretical gaps between

[9] Ikechukwu Eke Jeffrey Emeh, "A Discourse on Andre Gunder Frank's Contribution to the Theory and Study of Development and Underdevelopment; Its Implication on Nigeria's Development Situation," *Greener Journal of Biological Sciences* 2, no. 3 (November 16, 2012): 052–065, doi:10.15580/GJBS.2012.3.102712158.

[10] *The World Bank's Role in and Use of the Low-Income Country Debt Sustainability Framework* (Washington, DC : World Bank, 2022), doi:10.1596/37672.

classical dependency thinking and contemporary political economy approaches.

Theoretically, this article contributes to literature by integrating dependency theory with frameworks of sovereign debt governance, elite capture, and fiscal justice. Practically, it underscores the need for equitable and democratic fiscal reforms that challenge the asymmetries embedded in current debt regimes. The emergence of initiatives such as BRICS and dedollarization efforts under BRICS+ are interpreted here as early signs of collective resistance against debt-based global dominance.[11] In doing so, this article calls for a rethinking of the international financial architecture toward a more justice and development-responsive order.

2. Methods

This study employs a qualitative approach through a comparative case study design to examine the dynamics of global financial institution dominance over Global South countries, focusing specifically on Argentina and Indonesia. The comparative approach enables a deeper analysis of both similarities and differences in how the IMF and World Bank intervene in national policymaking, especially during economic crises.

Data collection relies on document-based library research, drawing from secondary sources such as peer-reviewed journals, official reports from international financial institutions, economic policy documents, and relevant political-economic news coverage. This method is chosen to build a context-rich and nuanced understanding of debt governance, as advocated by Batista Jeremy et al. (2022).[12]

By combining a comparative case study method, rigorous document analysis, and a critical theoretical lens, this study seeks to answer the central research questions concerning how the IMF and World Bank sustain global inequalities, the role of domestic elites in reinforcing debt dependency, and what Indonesia can learn from Argentina's sovereign debt failures.

3. Results and Discussion

3.1. Patterns of IMF and World Bank Domination in the Global Economic Architecture

Global financial institutions such as the IMF and the World Bank have long been criticized as instruments of economic domination by the Global North over the Global South. This is primarily executed through conditionality—stringent policy requirements that accompany loan agreements. These conditionalities often extend beyond fiscal matters into structural reforms, creating widespread fiscal injustice and undermining national policy autonomy.

This pattern is evident in the case of Pakistan, which faced a deepening economic crisis as a result of IMF-imposed conditions, including energy tariff hikes and cuts to social spending. Pakistani authorities explicitly linked the IMF's intervention to threats against the

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[11] Adilson Marques Gennari, Aline Marcondes Miglioli, and Paulo Alves de Lima Filho, "O Brasil e o BRICS Plus Na Nova Fase Da (Des) Globalização Multipolar," *Revista Fim Do Mundo*, no. 11 (June 30, 2024): 24–47, doi:10.36311/2675-3871.2024.v5n11.p24-47; Victoria R. Nalule, "What Is the Problem with Stabilization Clauses in Petroleum Agreements?," *Journal of Sustainable Development Law and Policy (The)* 13, no. 1 (May 24, 2022): 85–102, doi:10.4314/jsdlp.v13i1.4.

[12] Batista Jeremy and Indrawati Indrawati, "Upaya Indonesia Menjadi Tuan Rumah Pertemuan International Monetary Fund – World Bank Tahun 2018," *GLOBAL INSIGHT JOURNAL* 7, no. 1 (June 20, 2022), doi:10.52447/gij.v7i1.5928.

country's economic sovereignty, triggering social unrest and political instability.[13] Similarly, Clark and Meyerrose found that leaders in developing countries, under public pressure from IMF-enforced austerity measures, often resort to issue diversion strategies such as stoking international conflict to deflect domestic criticism.[14]

The IMF's influence is not limited to macroeconomic policy but extends to production and export structures. Yet, Demir's study shows little evidence that IMF programs improve export complexity or quality, suggesting that the structural policies promoted by the IMF are largely ineffective in driving meaningful economic transformation in developing countries.[15] On the contrary, as Mina Makboul notes[16], conditionalities such as labor market liberalization and privatization often exacerbate inequality and weaken the bargaining power of vulnerable workers.

This form of structural domination also manifests institutionally. As Gedam Kamalakar[17] highlights, countries like India have pushed for IMF governance reforms through platforms such as BRICS, aiming to correct the imbalance in global financial decision-making structures. These efforts reveal a broader dissatisfaction with the asymmetric representation of Global South interests in institutions historically shaped by the Global North.

Through the lens of dependency theory, these findings reveal that the IMF and World Bank do not operate as neutral technocratic saviors, but rather as agents of core countries' strategic interests. Their programs sustain and reproduce economic dependency in the Global South. As Andre Gunder Frank argues, the global system is deliberately structured to keep peripheral nations in a subordinate position, thereby ensuring continued economic stability and growth for developed countries.

Debt diplomacy, therefore, is not simply an economic arrangement—it becomes a tool of fiscal coercion that entrenches global inequality. In this context, fiscal injustice emerges not only through policy imposition but also through the structural denial of agency to debtor nations. The IMF and World Bank, rather than enabling economic development, often consolidate existing hierarchies, making it increasingly difficult for Global South countries to exercise sovereign control over their developmental trajectories.

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[13] N. Zamaraeva, "Pakistan – International Monetary Fund: Aid or Challenge to Economic Sovereignty?," *World Economy and International Relations* 68, no. 9 (2024): 125–36, doi:10.20542/0131-2227-2024-68-9-125-136.

[14] Richard Clark and Anna M. Meyerrose, "Austerity and Aggression: Government Responses to IMF Conditionality," *World Politics* 77, no. 1 (January 2025): 111–54, doi:10.1353/wp.2025.a950024.

[15] Firat Demir, "IMF Conditionality, Export Structure and Economic Complexity:The Ineffectiveness of Structural Adjustment Programs," *Journal of Comparative Economics* 50, no. 3 (September 2022): 750–67, doi:10.1016/j.jce.2022.04.003.

[16] Mina Makboul and Otmane Sayih, "IMF Conditionality: What Effect on the Labor Market?," *International Journal of Social Science & Economic Research* 08, no. 09 (2023): 2686–92, doi:10.46609/IJSSER.2023.v08i09.013.

[17] Gedam Kamalakar, "India's Strategic Influence in BRICS: Balancing Power with Diplomacy," *World Journal of Advanced Research and Reviews* 24, no. 2 (November 30, 2024): 269–74, doi:10.30574/wjarr.2024.24.2.3221.

Debt is no longer merely an economic transaction but a mechanism of global power. Van Mourik[18] underscores the Paris Club's role in enforcing IMF structural adjustment programs as prerequisites for market credibility. Non-compliance by Global South countries risks financial isolation, illustrating how debt operates as a disciplinary tool in the global economic system.

Following the COVID-19 crisis, Potts[19] shows that legal and contractual debt structures increasingly favor private creditors, preserving litigation rights as "absolute obligations." This reflects a shift in sovereign debt from economic support to a form of political-economic control that narrows policy autonomy in developing nations.

Within the political economy of sovereign debt, as Ferry[20] argues, debt becomes an instrument of global governance. Creditors like the IMF and Paris Club use debt leverage to impose reforms—privatization, deregulation—that reflect global capitalist interests rather than local needs. Conditionalities thus reconfigure fiscal power relations, deepening asymmetries between the Global North and South. In short, debt diplomacy sustains fiscal injustice by curtailing sovereignty and embedding neoliberal norms, reinforcing dependency rather than development.

3.2. Economic and Social Impacts of IMF Loan Conditionalities in Argentina and Indonesia

The experiences of Argentina and Indonesia in accepting IMF assistance illustrate how coercive, market-oriented loan conditionalities have inflicted severe socio-economic costs on countries in the Global South. These cases highlight how debt diplomacy often institutionalizes fiscal injustice, undermines national sovereignty, and reproduces dependency.

In Argentina, the 2018–2019 IMF bailout package exacerbated an already fragile monetary crisis. Conditions tied to the loan—particularly rapid liberalization and the removal of capital controls—led to sharp currency depreciation, skyrocketing inflation, and an unsustainable increase in external debt, without delivering meaningful improvements in economic growth or public welfare.[21] This case reflects how externally-imposed fiscal policies can destabilize rather than stabilize national economies, while intensifying social vulnerabilities.

Similarly, Indonesia's 1997–1998 economic crisis reveals how IMF conditionalities—deeply influenced by U.S. geopolitical interests—contributed not only to economic disarray but also to political upheaval. The structural adjustment package demanded deregulation, economic liberalization, and sweeping legal reforms. Notably, the IMF pushed for a new bankruptcy law that enabled foreign creditors to enforce bankruptcies on Indonesian debtors,

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[18] Sven Van Mourik, "Globalizing Neoliberalism: The IMF, the Paris Club, and the Political Economy of Sovereign Default in Africa after 1982," *Global Perspectives* 6, no. 1 (March 21, 2025), doi:10.1525/gp.2025.131862.

[19] Shaina Potts, "Debt in the Time of COVID-19: Creditor Choice and the Failures of Sovereign Debt Governance," *Area Development and Policy* 8, no. 2 (April 3, 2023): 126–41, doi:10.1080/23792949.2023.2174887.

[20] Ferry, "Defaulting Differently: The Political Economy of Sovereign Debt Restructuring Negotiations."

[21] Emiliano Libman and Leonardo Stanley, "Goodbye Capital Controls, Hello IMF Loans, Welcome Back Financial Repression. Notes on Argentina's 2018/2019 Currency Crash," *Ensayos de Economía* 32, no. 60 (January 22, 2022): 14–37, doi:10.15446/ede.v32n60.92592.

accelerating capital flight and weakening domestic financial sovereignty.[22] These reforms, implemented under duress, ultimately deepened the legitimacy crisis of the Suharto regime and expedited its collapse.

Beyond external pressure from international financial institutions, Indonesia's debt trajectory is also shaped by internal elite dynamics. Mitra and Pal[23] show how elite capture has flourished in regions with high ethnic heterogeneity and weak cooperative norms, where local elites exploit public infrastructure projects for personal or political gain, rather than equitable development. Similarly, Haryanto and Mahsun[24] examine how patronage politics operates in both bureaucratically dominant and business-dynastic regimes in two Indonesian cities. In both contexts, debt-funded infrastructure projects are repurposed as tools of political consolidation and electoral advantage—revealing that Indonesian elites are not merely victims of debt structures, but also active agents in the reproduction of fiscal dependency and social inequality.

A comparative reading of Argentina and Indonesia reveals striking parallels in how IMF policies prioritized macroeconomic orthodoxy over social protection, leading to intensified inequality, social unrest, and constrained policy space. However, while Argentina's crisis was largely driven by market volatility and policy miscalculations under a democratically elected government, Indonesia's crisis unfolded under an authoritarian regime, where IMF-driven reforms catalyzed a broader crisis of political legitimacy. In both cases, debt diplomacy created structural vulnerabilities that disproportionately harmed the poor, diminished state capacity, and transferred economic agency from sovereign governments to international creditors and domestic elites.

While these conditionalities are often justified as catalysts for institutional reform, Kee Hoon Chung et al. (2020)[25] argue that the outcomes are limited, as externally imposed reforms frequently overlook local socio-political contexts and ultimately reinforce entrenched economic oligarchies. In both Argentina and Indonesia, IMF interventions have exacerbated inequality, weakened the state's capacity to protect vulnerable populations, and triggered long-term political instability. From the lens of Dependency Theory, these experiences underscore how IMF interventions serve more as instruments of Global North hegemony than genuine efforts to promote sustainable and equitable development.

Historically and in terms of policy, Argentina and Indonesia share patterns of debt dependency, though with varying degrees of intensity and outcomes. Argentina suffered

[22] Fajar Santoso, "Mencengkeram Indonesia: Pengaruh Amerika Serikat Terhadap Kebijakan IMF Masa Krisis Ekonomi 1997-1998," *Prabayaksa: Journal of History Education* 4, no. 1 (March 31, 2024): 18, doi:10.20527/pby.v4i1.12137; Gede Aditya Pratama, Elfirda Ade Putri, and Arga Pribadi Imawan, "Indonesian Bankruptcy Law Policy After Political & Monetary Turmoil In 1998," *JURNAL ILMU SOSIAL* 23, no. 2 (February 13, 2025): 64–74, doi:10.14710/jis.23.2.2024.64-74.
[23] Anirban Mitra and Sarmistha Pal, "Ethnic Diversity, Social Norms and Elite Capture: Theory and Evidence from Indonesia," *Economica* 89, no. 356 (October 2, 2022): 947–96, doi:10.1111/ecca.12423.
[24] Haryanto Haryanto and Muhammad Mahsun, "Business and Politics in Urban Indonesia: Patrimonialism, Oligarchy and the State in Two Towns," *Journal of Current Southeast Asian Affairs* 43, no. 2 (August 23, 2024): 177–97, doi:10.1177/18681034241264574.
[25] Kee Hoon Chung, "Towards Rule-Based Institutions and Economic Growth in Asia? Evidence from the Asian Financial Crisis 1997–1998," *Asian Journal of Comparative Politics* 6, no. 3 (September 21, 2021): 274–92, doi:10.1177/2057891120962575.

severe crises driven by excessive financial liberalization under President Menem, leading to the 2001 collapse and the record IMF loan in 2018. Zhang[26] notes that Argentina's economic structure underwent irreversible changes due to these policies. In contrast, post-1998 Indonesia opted for continued external borrowing without reimposing capital controls, which, according to Azhar Mohamad et al.[27], allowed for a relatively faster economic rebound compared to countries that implemented capital restrictions. However, Agata Breczko[28] points out that Argentina's IMF-imposed reforms were relatively shallow compared to other nations, indicating a mismatch between policy design and structural needs. Without addressing Indonesia's underlying fiscal bureaucratic vulnerabilities and its flawed project financing strategies, the country may be poised to repeat Argentina's cycle of crisis.

3.3. Structural Inequality and Dependency in the Global Scheme

The policies of the IMF and World Bank have not only produced short-term impacts on economic crises in developing countries but have also entrenched long-term structural dependencies that reinforce global inequality. Within this context, Dependency Theory provides a critical framework to understand how the global system perpetuates the subordinate position of Global South countries through international economic instruments.

In Nigeria, for instance, the adoption of neoliberal policies recommended by the IMF and World Bank since the 1980s—such as deregulation, privatization, and fiscal austerity—has exacerbated inequality and deepened structural poverty, particularly in rural areas.[29] These policies, while framed as reforms, often fail to address the root causes of economic underdevelopment and instead entrench a cycle of dependency. Christian Tsaro Dii[30] underscores this point by arguing that global financial institutions' poverty alleviation strategies are largely technocratic and disconnected from the political realities and power imbalances that sustain social and economic inequalities in peripheral countries. This structural inequality extends beyond macroeconomic dimensions. It also manifests in the global production of knowledge and cultural hegemony. As demonstrated by Fuad Rayyan and Mohammad Thawabteh[31], the global translation system reflects a core-periphery structure in which languages, discourses, and intellectual contributions from the Global South are rarely translated or widely disseminated. This asymmetry reveals not only economic domination but

[26] Junpeng Zhang, "The Impact of the Menem Government's Economic Policies on Argentina through a Before-and-after Comparison Method," *BCP Social Sciences & Humanities* 21 (February 15, 2023): 300–306, doi:10.54691/bcpssh.v21i.3512.

[27] Azhar Mohamad et al., "On IMF Debt and Capital Control: Evidence from Malaysia, Thailand, Indonesia, the Philippines and South Korea," *Journal of Financial Regulation and Compliance* 29, no. 2 (May 10, 2021): 143–62, doi:10.1108/JFRC-08-2019-0108.

[28] Agata Breczko, "Structural Depth In Reforms Induced By IMF Programs: Insights From The Fund's Major Debtors," *Studia Iuridica*, 2024, doi:10.31338/2544-3135.si.2024-102.2.

[29] Adekunle Saheed Ajisebiyawo, Donald Igbinosa Eboigbe, and Osas-Osayomwanbo Ilawagbon, "Neo-Liberalism and Theoretical Explanation of Poverty in Africa: The Nigerian Perspective.," *Journal of Research in Humanities and Social Science* 13, no. 1 (January 2025): 125–33, doi:10.35629/9467-1301125133.

[30] Christian Tsaro Dii, "Poverty Reduction Strategies and National Development in Nigeria," *African Journal of Social Issues* 5, no. 1 (March 29, 2023): 100–116, doi:10.4314/ajosi.v5i1.7.

[31] Fuad Rayyan and Mohammad Thawabteh, "Translation and the Political Economy of Global Knowledge Production," *Journal of World-Systems Research* 31, no. 1 (April 17, 2025): 373–90, doi:10.5195/jwsr.2025.1284.

also epistemic marginalization, limiting the Global South's capacity to shape global narratives and frameworks.

Even within fiscal policy, the disparity between core and periphery countries remains stark. Nina Eichacker[32] illustrates that core nations such as the United States and Germany enjoy significantly greater fiscal flexibility, enabled by robust bond markets and powerful monetary authorities. In contrast, peripheral countries are constrained by market pressures and dependency on international creditors, making them vulnerable to external shocks and limiting their sovereign policy space.

Taken together, these conditions exemplify the mechanisms by which global inequality is not only reproduced through economic means but also sustained through political, financial, and cultural structures that reinforce the dominance of core countries over the periphery. In line with Dependency Theory, the persistent asymmetries in development outcomes, decision-making autonomy, and access to global resources signal a systemic configuration designed to maintain the hierarchical order of the global economy.

3.4. Resistance and Reorientation in the Global South

Although the dominance of the IMF and World Bank over Global South countries has long been a matter of concern, a range of resistance efforts and counter-initiatives have emerged, signaling a broader attempt to reorient the global financial architecture toward a more equitable order. One of the earliest forms of institutional resistance came from ECLAC (CEPAL), which historically challenged the orthodox economic paradigm represented by the IMF by promoting a structuralist approach to development rooted in Latin American realities.[33]

More recently, initiatives such as BRICS and BRICS+ have occupied a strategic position as institutional alternatives to the Bretton Woods system. These platforms provide mechanisms for financing, investment, and economic cooperation on more equal terms, including efforts to de-dollarize international trade and build alternative payment systems.[34] Similarly, Ana Garcia argues that China's investments within the framework of South-South Cooperation—particularly through special economic zones in Brazil and South Africa—reflect Global South attempts to reduce dependence on Western financial systems. However, she also cautions that these efforts must be critically assessed to prevent the emergence of new forms of subordination.[35]

Resistance is not limited to institutional frameworks. Civil society and social movements have also played a crucial role in opposing new forms of control, such as the use of

[32] Nina Eichacker, "A Political Economy of Fiscal Space: Political Structures, Bond Markets, and Monetary Accommodation of Government Spending Potential in the Core and Periphery," *Review of Political Economy* 36, no. 2 (April 2, 2024): 546–64, doi:10.1080/09538259.2023.2178843.

[33] Margarita Fajardo, "CEPAL, the 'International Monetary Fund of the Left'?," *The American Historical Review* 128, no. 2 (June 22, 2023): 588–615, doi:10.1093/ahr/rhad226.

[34] Norman Mugarura, "BRICS, World Bank and IMF Quest to Promote Economic Development of Countries," *Bishop Stuart University Journal of Development, Education & Technology*, October 7, 2023, 29–50, doi:10.59472/jodet.v1i3.32.

[35] Ana Garcia, Lisa Thompson, and Cleiton Brito, "South-South Investments: Driver for Alternative Globalization? Examining China-Led Special Economic Zones in Brazil and South Africa," *Critical Sociology* 51, nos. 4–5 (July 17, 2025): 887–905, doi:10.1177/08969205241252445.

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psychiatrization to delegitimize resistance movements in the Global South.[36] Collectively, these dynamics highlight that resistance to the IMF and global financial institutions is no longer merely reactive but increasingly articulated through alternative structures. From the perspective of Dependency Theory, these phenomena represent a shift from a "passive periphery" to an "active periphery" seeking to reclaim economic sovereignty and redefine development based on Global South solidarity, rather than continued Global North subordination.

From the lens of elite capture and internal colonialism, it becomes evident that Indonesia's national elites—bureaucrats, technocrats, and business oligarchs—are not merely passive victims of external intervention. Rather, they have acted as active agents in facilitating debt-driven projects. As Hunter Hilinski[37] argues, local elites often operate as extensions of external power, prioritizing their own political and economic accumulation over the long-term interests of the public. These elites have transformed foreign debt into tools for predatory internal power consolidation, rather than instruments of national development.[38]

In the realm of fiscal justice, the debt relationship not only undermines distributive justice—where the fiscal burden disproportionately falls on vulnerable communities rather than the elite—but also procedural justice. Strategic fiscal decisions involving sovereign borrowing are often made with minimal public participation and transparency.[39] This pattern is evident in both Argentina and Indonesia, where decisions about additional loans and major infrastructure allocations are dominated by political elites and technocrats, leaving the broader public disengaged. Yet, a justice-oriented approach to economic policymaking requires that decisions with such far-reaching consequences be subject to deliberative and accountable processes.

These findings suggest that the debt relationship between the IMF and Global South countries involves a complex interplay of external pressure and internal agency. Argentina serves as a cautionary tale of neoliberal failure, co-opted by opportunistic domestic elites. Indonesia, while not yet in the same crisis state, appears to be following a similar path marked by elite capture of debt-financed projects. At the global level, debt functions as a mechanism of power reproduction and fiscal subordination, extending far beyond its economic implications.

The debate on sovereign debt must shift away from narrow questions of economic viability toward a political reading—one that critically asks: Who makes the decisions? Who benefits? And who bears the costs? These are the lessons Indonesia can draw from Argentina's repeated failures in managing sovereign debt: sustainable debt governance cannot be achieved

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[36] Jenny Logan and Justin M. Karter, "Psychiatrization of Resistance: The Co-Option of Consumer, Survivor, and Ex-Patient Movements in the Global South," *Frontiers in Sociology* 7 (March 8, 2022), doi:10.3389/fsoc.2022.784390.

[37] Hunter Hilinski, "Review of Elite Capture: How the Powerful Took Over Identity Politics (And Everything Else)," *Lateral* 12, no. 1 (May 2023), doi:10.25158/L12.1.21.

[38] Rizky Bangun Wibisono, "Keadilan Iklim Dan Ham Di Indonesia: Mewujudkan Pembangunan Berkelanjutan Melalui Perlindungan Lingkungan," *Jurnal Politik Pemerintahan Dharma Praja* 17, no. 2 (December 31, 2024): 95–125, doi:10.33701/jppdp.v17i2.5017.

[39] Rizky Bangun Wibisono and Abd. Rohman, "Shaping Public Policy and Society: The Application of Rational Choice Theory in Indonesia and Turkiye," *Jurnal Kebijakan Pemerintahan*, June 30, 2024, 57–65, doi:10.33701/jkp.v7i1.4223.

without democratizing fiscal decision-making, curbing elite capture, and pursuing an alternative development paradigm anchored in equity and self-determination.

4. Conclusions

This study began by addressing the persistent problem of sovereign debt mismanagement in the Global South, with a particular focus on Indonesia and Argentina. The problem is not merely technical or economic, but deeply political—situated within the enduring power asymmetries of the global financial system, shaped by institutions such as the IMF and World Bank. Indonesia's growing dependence on external debt, framed by technocratic narratives of development and fiscal responsibility, echoes Argentina's historical entanglement with structural adjustment programs and debt crises, raising urgent questions about the sustainability and justice of debt governance.

Through a comparative and theoretical lens grounded in Dependency Theory and postcolonial political economy, this paper finds that Argentina's repeated debt failures are not solely the result of external policy impositions but are deeply intertwined with elite capture, fiscal injustice, and limited public accountability. Indonesia appears to be treading a parallel path, where debt-financed infrastructure projects, often driven by elite interests, risk deepening structural vulnerabilities. The global debt regime does not operate in isolation but is upheld by a matrix of economic, political, and cultural structures that maintain the periphery's subordination. At the same time, this research identifies emerging forms of resistance—from South-South cooperation and institutional alternatives like BRICS to civil society movements—signaling a shift from passive dependency to active reorientation among Global South actors.

These findings have significant implications. For Indonesia, the Argentine experience offers a critical warning: sustainable debt management cannot be achieved through economic technocracy alone. It demands democratized fiscal policymaking, genuine accountability, and a reimagining of development paradigms rooted in Global South solidarity rather than continued alignment with Global North financial hegemony. Nevertheless, this research is not without its limitations. It relies primarily on secondary data, theoretical interpretation, and case comparison, and thus cannot capture the full nuance of domestic political dynamics, especially in Indonesia's rapidly evolving fiscal landscape. The study also does not extensively engage with alternative regional financial institutions beyond BRICS, nor does it address the role of environmental and climate-linked debt, which is increasingly relevant.

5. Acknowledgments

Thank you to several parties whose contributions I cannot mention, and also to the editorial team of the Jurnal Mimbar Keadilan for publishing my article.

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