With Chavez gone and disturbances in Brazil, has Latin America’s progressive march been halted?

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With Chavez gone and disturbances in Brazil, has Latin America’s progressive march been halted?

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The death of Hugo Chavez, whose towering figure symbolises the reorganization of the region on an anti-imperialist, radical bases, saw the electoral fortunes of chavismo declined to the point of near defeat, when Nicolas Maduro, his constitutional successor, won the extraordinary presidential election called to replace Chavez in April 2013, by the smallest of margins. This was followed by Colombia’s president, Juan Manuel Santos, who, departing from his country’s stance of both strong collaboration with Venezuela’s Hugo Chavez and active participation in all the key recently-established bodies of Latin American regional integration (UNASUR, CELAC, etc.), surprisingly announced that he was taking his country to join NATO, bringing about ripples of concern throughout the continent. Furthermore, Colombia’s prospects of joining NATO, took place in the context of a massive media promotion of the Pacific Alliance, a regional pact involving Colombia, Peru, Mexico and Chile, whose aim is the fostering of free trade agreements with the United States in what is tantamount to a political break from the anti-neoliberalism and socio-political radicalism of most of the other Latin American and Caribbean nations. Mainstream pundits were quick off the mark to declare the unviability of progressive economic policies in Latin America. And as though to confirm this, Brazil, the regions’ industrial and economic giant, saw mass demonstrations and social disturbances throughout the nation reminiscent of the indignados movement in Spain and Turkey. This article argues that although some of these developments do represent setbacks and complications in the deepening of anti-neoliberal policies in the region, they do not amount to a lethal threat but, that they however are objective difficulties which can be partly explained by the limitations contained in the policies being implemented by these radical governments. We hope to highlight the complexities involved in the political sustainability of the anti-neoliberal experiments underway in most of the region by focusing on what we believe to be the need to deepen the structural transformation of the countries in question in order to withstand both the formidable obstacles of their national detractors and their international supporters, as well as overcoming the unavoidable domestic contradictions their very policies bring about.

Background

With the overthrow of socialist president Salvador Allende in Chile on 11th September 1973, Latin America descended into brutal neo-liberal barbarity, situation which was to last nearly three decades. The fortunes of Latin America began to change dramatically when in 1998 Hugo Chavez Frías, then a complete non-entity in the region, was elected president of Venezuela.

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The regional context, with the exception of Cuba, was overwhelmingly dominated by intense pro-US, neo-liberal governments. Literally from Mexico to Tierra del Fuego, governments were busily privatising state assets; eliminating or reducing the few remnants left of already precarious welfare state systems; opening up their economies to greedy multinational companies that were offered abject conditions to operate within the national economy; granting shameful concessions to oil companies whose operation led to the violent displacement of indigenous communities; de-regulating financial markets thus turning the national terrain into a paradise for the nefarious (and frequently criminal) activities of unscrupulous speculators; contracting more external debt under ever worse conditions; implementing increasingly severe levels of austerity; and including the systematic violation of human rights involving police repression, illegal imprisonment, the widespread use of torture, extra-judicial killings, disappearances, thus leaving a trail of human, social and economic wreckage in its wake. Additionally, the national sovereignty of the Latin American nations, with the exception of Cuba, was in shreds.

US hegemony was not only overwhelming but also uncontested. National oligarchies or governing political classes enthusiastically embraced both US domination and its economic paradigm: neoliberalism and free trade. Any deviation from this paradigm was actively discouraged and harshly punished by severe actions by both the World Bank and the IMF. Thus, for example, when the newly elected Hugo Chavez tried to assert Venezuela’s sovereignty over its own oil industry, in the hands of the country’s oligarchy, and successfully reinvigorated OPEC, thus leading to a substantial increase in the price of the oil barrel (from US$8 to US$22 in the period of a year), the US, in alliance with the country’s old ruling oligarchy, launched a well-financed programme of destabilisation aimed at overthrowing the Bolivarian government. Destabilisation involved mass mobilisation of the middle classes; a short-lived coup d’état in April 2002; a 64-day long oil lock out in 2003 that nearly brought the economy down with the country losing about 35% of GDP; a recall referendum in 2004 aimed to oust Chavez; electoral boycott of parliamentary elections in 2005; the use of Colombian paramilitaries to assist another coup d’état and carry out the assassination of President Chavez, just to mention the most conspicuous efforts to prevent a challenge to the Washington Consensus by Venezuela’s Bolivarian government. It must also be borne in mind, the difficult regional circumstances under which the Venezuelan government faced these threats: in condition of almost total isolation. Lula, the popular Brazilian leader was elected to the presidency of his country only in 2002 and was inaugurated in January 2003.

Ever since, country after country in Latin America, elected (and in many cases re-elected) anti-neoliberal governments: Argentina in 2003 (Nestor Kirchner), Uruguay in 2005 (Tabaré Vasquez), Bolivia in 2006 (Evo Morales), Honduras in 2006 (Manuel Zelaya), Nicaragua in 2007 (Daniel Ortega), Ecuador in 2007 (Rafael Correa), Argentina in 2007 (Cristina Fernandez, Kirchner’s wife), Paraguay in 2008 (Fernando Lugo), El Salvador in 2009 (Mauricio Funes), and Peru in 2011 (Ollanta Humala). Furthermore, Uruguay and Brazil have elected former guerrilla fighters, José Mujica (2010) and Dilma Rousseff (2011) respectively; and the following presidents have been re-elected: Correa (2009 and again 2013), Evo Morales (2010), Daniel Ortega (2011), and Chavez (2006 and again 2012).

As pointed out above, with some significant exceptions, in the span of slightly over a decade the region has moved from being a neo-liberal paradise (or hell, depending on your position in the social ladder) into an anti-neoliberal zone leading to substantial socio-economic, cultural and political gains benefitting millions of hitherto socially excluded Latin Americans.
The region’s transformation

In 1990, because of the highly socially negative consequences of pro-market policies in the region as a whole, poverty has declined substantially. The Economic Commission for Latin America reported in its annual 1990 report that the level of poverty in the region was 48.4%, 22.5% of which were living in conditions of extreme poverty. This meant 200 million and over 90 million people respectively. And although by 2002 total poverty had declined to 43.9% and indigence to 19.3%, due to population growth, those percentages represented 225 million and 99 million people respectively. Such gross levels of inequity were very unevenly distributed with countries such as Uruguay having 15.4% of poverty whilst Honduras had a whopping 77.7% of poverty, with the reminder countries falling in between these two extremes and with 15 out 18 of them with rates of poverty of 30% and above.

Source: ECLAC, Social Panorama of Latin America 2012, p.14

The anti-neoliberal policies that have been applied by the pink tide governments have meant that by 2009 poverty and indigence began to decline both in relative and absolute terms. The combination of national sovereignty assertiveness over lucrative raw materials such as gas and oil, and the implementation of systematic redistributionist economic policies led to a steep decline in poverty: by 2011, Latin America’s rate of poverty was 28.8% (indigence was 11.4%), which in absolute figures were 167 million and 66 million people respectively. In other words, between 2002 and 2012, one decade, Latin America’s left-wing or radical governments have performed the feat of taking nearly 60 million people out of poverty.

Not only has Latin America reduced poverty and inequality but the application of anti-neoliberal policies has meant that it has also experienced healthy rates of economic growth thus belying the predominant Washington Consensus dogma that income redistribution is inimical to economic growth. The region reversed negative or weak rates of growth. Thus, for example, between 1981-1990 – the ‘lost decade’ – Latin America regressed and had an
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annual average rate of growth of -2.8%. Between 1991-2000 the region’s annual average rate of growth was 2.6%. Showing the effects of the new policies, between 2004 and 2012 the rate of growth was never below 3%, reaching nearly 6% in 2004, 2006, 2007 and 2010 (the exception was 2009 which, due to the ‘credit crunch’ crisis, growth in the region was negative, -2.)

Even more impressively, the economic resurgence of the region has led also to a substantial reduction of the external debt, which weighed on it as a gigantic burden, leading to the diversion of ever greater proportions of hard-won export revenues into debt and interest-debt paying. In 1987, the external debt of Latin America reached as high as near 70% of GDP (though given today’s levels of indebtedness of some European countries, this may look like not much, but the fact remains that the servicing of the debt had devastating socio-economic consequences from which the region has not yet completely recovered).

Latin America reduced its external debt from 59% of its GDP in 2003 to 32% in 2008. Ever since it has declined further to the point of emasculating the influence of the previously all-powerful IMF and World Bank. In fact, the IMF itself refers this decade (2003-2012) as ‘A decade of falling public and external debt’.

Between 2003 and 2008, Latin America witnessed a steep improvement of its fiscal sustainability indicators, most notably bringing public debt-to-GDP ratios down, on average, by about 30 percentage points of GDP (Figure 3). The decline was primarily driven by a combination of the direct effect of rapid economic growth and sizeable primary surpluses. Negative real interest rates also appeared to have played a role in the downward debt dynamics in some countries.

Systematic reduction of poverty, reduction of the external debt and anti-austerity growth policies should suffice to characterise Latin America’s performance in the last decade as impressive. But there is much more than this to the ongoing changes in the region. For reasons of space we can only do a brief discussion and analysis of the most important of these transformations.

Several countries, notably Venezuela, Bolivia and Ecuador, have undergone deep constitutional changes whose import, among many other radical features, is to make neo-liberalism and the privatisation of state assets and the nation’s raw materials illegal and unconstitutional. Many of radical governments have nationalised large sections of industry (oil, gas, telecommunications, steel, electricity, transport, airlines, minerals, even banks – many of these have been re-nationalisations) or have obtained majority state ownership over these assets. And although they are inviting foreign capital to invest in these industries they always secure majority state control or ownership and sign contracts under much more beneficial conditions for the nation than the usual comprador approach to foreign investment that normally led to abject and slavish concessions to multinational companies which severely undermined the national interest in the past. As a result, revenues to the state have substantially improved both in quantity and regularity that has allowed them to fund comprehensive and ambitious social programmes benefitting millions. The emphasis of the social programmes have been not only on poverty-eradication and/or poverty-alleviation, but also specially on free health and education as well as in expanding the number of those entitled to pensions, increasing the pension remunerations and reducing the pension age.

Illiteracy has been eradicated in Venezuela, Bolivia, Ecuador, and Nicaragua (twice in the case of Nicaragua; once with the Sandinista revolution in the 1980s and
again, after the catastrophic and ruinous right wing pro-US administrations that run the country between 1990 and 2006 leading to the resurgence of illiteracy among many other social ills).

Millions of hectares of land have been redistributed and given to poor peasants. Furthermore, indigenous peoples have been granted special cultural, political and ancestral rights in order to rectify hundreds of years of racist and discriminatory practices. These rights include among many others the defence and promotion of their languages, such in Bolivia where, for example, the new 2009 constitution recognises 39 official languages, including Spanish, the up to then, only officially recognised language. In Bolivia, the new constitution also recognises the existence of several nations within the Bolivian nation-state, thus giving specific legal and political recognition to the many ethnic groups that have existed in that South American nation and which were suppressed with Spanish colonialism from the end of the 15th century and perpetuated despite independence at the beginning of the 19th century. Similar constitutional developments have taken place in other Latin American nations in which cultural and ethnic diversity is recognised, valued and, hitherto discriminated indigenous and Afro-Latin American groups, are empowered and actively encouraged to promote their culture. Nations in the region now feel proud to have either people of indigenous or African descent in their make up and such pride is actively encouraged by the cultural policies of these governments in a sharp reverse of the centuries-long racist and Eurocentric policies of ‘whitening’ the country.

The regions’ racist legacy has pretty deep roots in centuries of colonialism, slavery and exploitation. Thus, for example, one 19th century Argentine leader took the Europeanization of his country so far as to openly advocate the extermination of the gaucho that he strongly believed to be endowed with indigenous traits and, in his view, the chief obstacle to progressing towards civilisation. In a letter to the Argentine president he urges him: “Don’t try to economize on gaucho blood – it is the only human trait they have; it will serve as a fertiliser to enrich the land and make it useful.” Thus, the region is taking giant strides to reverse centuries of racist discrimination.

The policies of social inclusion of those marginalised by centuries of colonial practices that continued despite political independence have been coupled with vigorous efforts to coalesce in regional integration by Latin America and the Caribbean.

The champion of regional integration was Hugo Chavez who provided an energetic impetus to regionally integrate as many countries in Latin America into as many areas of economic and political life as possible, starting from the economy, the most strategically important.

These developments are having significant geo-political consequences and implications not only in that Latin America is asserting its sovereignty and independence vis-à-vis the hemisphere hegemonic power, the US, but also in that the combination of regional integration, sovereignty assertiveness and the diversification of trading partners is steadily, though unevenly, moving the region away from the influence and hegemony of the US.

The region’s geopolitical reconfiguration

Above we have discussed how most countries in the region and embarked, in nationally-specific ways, on policies aimed to reverse the Washington Consensus by
either eliminating the worst aspects of neoliberalism or by seeking to eradicate neoliberalism altogether. As explained already, this has involved from redistributionist Keynesian economic policies, to rolling back privatisations, outright nationalisations and the socialisation of sections of the economy. In all cases this has also involved national reassertion over central banking authorities, retaking of control over fiscal policies, different degrees of economic regulation aimed at preventing the usually catastrophic consequences of de-regulation especially of the financial sector, and a much greater participation of the state in economic activity which in some cases is identified as the key engine of economic development and growth.

The manifestations of regional integration can be seen not only in the strengthening of already existing regional bodies but also in newly emerging institutions and regional bodies whose chief objectives aim at enhancing the region’s autonomy and the autonomy of the individual nations within the region.

Mercosur, the Common Market of the South, has been massively strengthened with the full membership of Venezuela in July 2012. Membership of Venezuela to Mercosur had been blocked for ten years by the reactionary majority in Paraguay’s parliament, however, when the Right overthrew democratically elected president Fernando Lugo in June 2012 in a 'constitutional' coup. Mercosur, resorting to its democratic clause, which makes violation of democracy incompatible with membership, suspended Paraguay from its organisation, thereby removing the block, thus Venezuela was able to acquire full membership. Since then, both Bolivia and Ecuador have formally applied to join.

The most recent additions to the Latin America’s integrationist efforts at the institutional level are: ALBA, UNASUR, and CELAC, bodies that we will briefly describe and explain.

ALBA, the Bolivarian Alternative of the Americas, is a radical body of regional integration and it includes Cuba, Venezuela, Ecuador, Bolivia, Nicaragua, Dominica, St Vincent and the Grenadines, and Antigua and Barbuda. ALBA is based on the principle of sharing the benefits of the integration process and where its guiding ethos is cooperation and solidarity “that are translated into special plans for the least developed countries in the region, should include a Continental Plan against illiteracy, using modern technologies that have already been tested in Venezuela, a Latin-American plan of free health care to citizens who lack such services and a scholarships scheme of regional character in areas of major interest for economic and social development.”

ALBA has friendly and cordial relations with other bodies of regional integration as well as with individual countries in the hemisphere. Among many others manifestation of regional collaboration there is Operation Miracle, a health programme of continental reach, launched in 2004 and originated in ALBA. Operation Miracle involves the performing of free eyesight operations for cataracts and related-eye illnesses where the patient and carer are flown into Venezuela or Cuba, free of charge, the operation and the stay is also free of charge, and after convalescence, the patient and carer are flown back home, also free of charge. The programme is so far responsible for about 2.5 million such operations. Patients come from every country in Latin America and the Caribbean, including poor people from the United States.

UNASUR was established in Brasilia, Brazil’s capital city on 23 May 2008 at the height of a destabilisation campaign against Venezuela and particularly Bolivia. It involves all the countries that are geographically in South America. Its declared objective, as stated in the Consultative Treaty of May 2008, is,

through active participation and on the bases of consensus, to build a space of integration and unity in the cultural, social, economic and political spheres,
with emphasis on dialogue, social policies, education, energy, infrastructure, the environment, all aimed at eliminating socio-economic inequality, bringing about social inclusion and citizen’s participation, strengthening national sovereignty and democracy as well as seeking to reduce the asymmetries among states.14

One offshoot of UNASUR has been CODESUL, Defence Council of the South, sometimes called a South American NATO, in which member states commit themselves to seek collaboration with each other in the military field. Its objectives are to “consolidate South America as a region of peace, base for democratic stability and full developments of its peoples, as well as contribution to world peace.” And also, to move towards a shared vision with regards to the tasks of defence and the promotion of dialogue and cooperation with other Latin American and Caribbean nations.15

UNASUR timely intervention to condemn the campaign of right wing racist forces in Bolivia, who were determined to break up Bolivia into its Eastern regions and the Highlands, and the overthrow of Evo Morales, was quite decisive in isolating them thus helping Morales to restore democratic constitutionality. The racist right had the overt and covert support of the US, with US ambassador, Phillips Golberg, playing a pivotal role in their support. Goldberg had previously been a diplomat in Colombia, but more importantly, a special assistant to Richard Holbrooke when the latter was sent to Bosnia where he played a central role in the break up of Yugoslavia. With that rich experience Goldberg was sent as Chief of Mission to Kosovo, where from 2004 to 2006 he actively encouraged the break-up of Kosovo from Yugoslavia, which would finally take place in 2008. The plan to break up Bolivia had in Goldberg an experienced US promoter of breaking up nations.

Goldberg intervention in Bolivia in support of the secessionist right racist forces in the country’s East was so overt that he would be expelled by Bolivia’s president Evo Morales on 11th September 2008. Morales charged Goldberg thus: "The ambassador of the United States is conspiring against democracy and wants Bolivia to break apart..."16 In September 2008, right wing forces in Bolivia attempted to overthrow democratically elected president Evo Morales unleash a wave of violence during which they seized public buildings, burned down several of them, and attacked indigenous people in a rarely seen racist binge in Latin America. After the failure of the coup, Goldberg went to Santa Cruz and met with the leaders of the secessionist movement. His expulsion led the secessionists to engage in wanton violence against indigenous people on 11th September, wounding hundreds and killing 13 peasants.17

UNASUR statement with regards to these developments in Bolivia was totally unequivocal: It expressed "the full and decided support for the constitutional government of President Evo Morales, whose mandate was ratified by a large majority in recent referendum", adding that UNASUR would not recognize any government, regional or otherwise that were to emerge from a coup, and expressing its strongest condemnation of the massacre against peasants, and urging all sections of Bolivian society to preserve national unity and the territorial integrity of the country.18 Symbolically, the statement was issued on 11th September 2008, from the La Moneda presidential palace, in Santiago, Chile, where 35 years earlier, Salvador Allende, democratically elected president of Chile, had lost his life defending his government from another US-orchestrated coup d’état. The pro tempore UNASUR president then was Michelle Bachelet, then also president of Chile, and herself a victim of torture, imprisonment and exile she suffered under the Pinochet dictatorship.

Allende is dead, and although his memory is very alive in Chile’s history, radical, left-wing politics has small support in a country where neo-liberal ideology,
politics and economics enjoys overwhelming supremacy. Unlike Allende, Evo Morales not only survived the US-orchestrated coup, but went on to complete his mandate in 2009, was re-elected in 2009 and has won several referenda which have moved Bolivia deeper into a radical democratic transformation of its archaic and retrograde structures.

The regional body that has organised and presided over the relations between the US and Latin America has been the Organisation of American States (OAS), which was founded in 1948 at the initiative of the US and within which the US government has had the decisive say and influence. It was the OAS, for example, that at the behest of the US, took in October 1962 the decision to expel Cuba for adhering to Marxism-Leninism, deemed by the OAS majority to be incompatible with the Inter-American system.

OAS was an instrument of the Cold War and appropriately its offices are in Washington DC. Radical governments and politicians refer to it as the ‘US Ministry of Colonies’, to signify it being one arm of US foreign policy towards Latin America. In fact, OAS has never condemned the many US military interventions in its ‘backyard’ such as the US invasions of Guatemala in 1954, Cuba in 1962, of the Dominican Republic in 1965 nor any of the so many overt US interventions in the internal affairs of all the Latin American Republics.

Showing a high degree of confidence, in the second decade of the 21st century, the countries south of the Rio Grande decided to furnish themselves with a regional instrument that explicitly and specifically excluded the US. They did this at a summit held in Bolivarian Caracas on 3rd December 2011, by establishing the Commonwealth of Latin American and Caribbean States (CELAC in its Spanish acronym). The Caracas Declaration refers to the common history, culture, objectives, independence of Latin America and the Caribbean, and makes reference to Simon Bolivar (liberator of Latin America), Toussaint Louverture (leader of the successful 18th century slave rebellion in Haiti), among others, as the source of inspiration of the struggle for solidarity and integration among the peoples of the region. The Declaration refers also specifically to ‘the 33 Latin American and Caribbean countries’, in which neither the US nor Canada are included and who are not invited to the CELAC summits. Various CELAC declarations and summits after 2011 have seen a reaffirmation and widening of the integrationist and anti-neoliberal agenda that prevails in the continent. The US is in no position either ideologically, economically or politically to actually oppose such an extraordinary undermining of its hemispheric authority and hegemony. The fact that currently the presidency of CELAC is held by Cuba, is a testimony to how much the region has not only changed, but how steadily it has asserted its own independence from the region’s Hegemon. Such unprecedented levels of assertiveness and independence have had its economic corollary: Latin America is moving steadily away from the US economic domination.

Ever since the debt crisis of the 1980s, with a few exceptions, the US has seen its trading relative position in Latin America decline. Likewise, the region is orienting itself towards Asia, and more specifically, China. As we can see from the table below, in a context of increasing Latin American trading activity, between 2006 and 2010 the US has seen its position nearly stagnate into 1.4% annual growth of its exports whilst those of China have grown by an annual average of 33.5%. For the same period, US exports have grown at an annual rate of 5.9% whilst those of China have grown by an annual average of 22.7%. All indications are that these trends will not only continue but will also exacerbate. What has also grown is Latin America’s trading activity with itself: nearly 11% on average per year in imports and slightly over 8% per year on average in exports.
The table comes in a report by ECLAC experts led by Alicia Barcena (ECLAC General Secretary) that discusses the opportunities that this blossoming relationship represents for Latin America:

China’s demand for raw materials presents a tremendous opportunity for the region, particularly South American economies. This is a favourable trade cycle that will likely transcend many individual administrations. The challenge is, then, how the region may best tap this historic opportunity to make the investments in infrastructure, innovation and human resources needed to convert the gains derived from natural resources into human, physical and institutional capital that can underpin greater productivity and competitiveness. This will allow for greater export diversification through a deliberate, sustained effort to add knowledge and value to products. Another important challenge is to attract higher levels of Chinese FDI in Latin America and the Caribbean, especially investment directed towards improving infrastructure, promoting diversification of production and encouraging interregional business partnerships. This requires a regionally cohesive approach to China to overcome the limitations of any individual country’s efforts.20

The authors of the report (p 31) conclude that the most pressing task for governments in the region is to advance an agenda that includes trade, investment, infrastructure, logistics, tourism and technological exchanges in order to foster a strategic alliance with China.

Latin America’s Asian orientation and the decline of the United States

Even though, the US remains a big player in the Western Hemisphere (and the world), its decline is all too apparent. Its military apparatus is too large (the US is responsible for nearly half the military expenditure of the whole planet21) and it has too many, very expensive, military bases around the world (anything between 700 to 1,00022), its debt, in volume, is the largest in the world, its fiscal deficit (as of 3 September 2013, officially, the US debt is US$16.7 trillion [[$16,738,618,787,875] – around 100% of its GDP – 26% of which is owed to China.23 And although its budget deficit has gone down (it was US$974 bn in 2011) it is still a whopping US$607 bn.24 Worse, its military budget massively eats into public spending into crucial areas of public services: As we can see from the graphic below, Obama’s budget for 2012, had 60% for military spending and 40% for everything else, including health, education, housing, agriculture, justice, etc.25 This means economic austerity for at least the next decade.

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A manifestation of the US’s economic woes is the prospect of 20 major cities filing for bankruptcy, which has become very real after “Detroit’s bankruptcy filing sent shivers down the spine of municipal bondholders, government employees, and big-city urban residents all over the country.”26 Detroit’s bankruptcy deserves special mention since it is illustrative of the deep malaise that affects the US economy: the city has a debt of US$20 bn, the city has one of then highest murder rates in the country, more than a third of its citizens live in poverty, and at the last count, Detroit had over 80,000 abandoned buildings.27 That is, the US, even if it succeeds in reigning in its debt, budget deficits and military spending, which is somewhat doubtful, it faces at least a decade of austerity and crisis. It is no position to offer much to anybody, let alone Latin America, which is pretty much down in the US’s food chain of interest. Furthermore, US hostility to the host of left wing and anti-neoliberal governments South of the Rio Grande, has excluded, though not completely, US companies from taking advantage of the huge infrastructural projects that are taking place in so many areas (in housing, sea, land and air transport, telecommunications, health, energy, mining, agriculture and so forth). The US is, however, keen to offer and establish military bases and militarization everywhere it can in the region, and has resuscitated the IV Fleet to patrol the Caribbean and the South Atlantic, developments that are pretty unattractive to most governments in the region.

The US has also declined in world trade and in its trade with Latin America, whilst simultaneously other regions have substantially increased their trading activities in the region. This forms part of a general pattern where by the end of this decade trade between developing countries (South-South) is expected to surpass trade between developed countries (North-North). By extrapolating current trends into 2020 the Economic Commission for Latin America and the Caribbean (ECLAC) believes that North-North trade, at 38% of world trade in 2010, will decline to less than 30%, whilst South-South trade, at 21% of world trade in 2010, will increase to about 35% in 2020.28 Furthermore, and as another manifestation of the decline of the ‘West’, including the US, ECLAC has registered that “In 2010 and 2011, the developing countries and economies in transition received 51% and 50% of global FDI flows, respectively. The two developing regions that attract the largest FDI flows are Asia and Oceania, led by China and Hong Kong (Special Administrative Region of China), and Latin America and the Caribbean, where Brazil is the main recipient.”29 Likewise, emerging and developing economies hold two thirds of international reserves; China alone has 30%. China is the most dynamic driver of growth in the world economy (with an expected average rate of growth for the 2011-2015 period of 7% annually); and, as it is universally known, China is expected to become the largest economy in the world in purchasing power parity terms in the next few years.30 China’s exports and imports with Latin America have grown steadily since 1990, whilst simultaneously its exports and imports with the US and Europe have steadily declined. Between 2000 and 2011 exports to Latin America to the US went from

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59.7% of the total to 39.6%, and imports from Latin America were 50.4% and 30.1% respectively (the trend is declining). For the same years China’s exports to the region increased from 1.1% to 8.9%, whilst imports form the region went from 1.8% to 13.8% (and the trend is increasing). Thus in the same period China has become the main trading partner or one of the main trading partners of a large number of Latin American countries. “Thus, in 2011 China was the top destination for the exports of Brazil, Chile and Peru, the second for Argentina, the Bolivarian Republic of Venezuela, Cuba and Uruguay, and the third for Mexico.” And although exports from Latin America are confined to a few products, most of them commodities, causing all sort of complications when China’s trade contracts, China potentially and actually offers high tech products in for example, telecommunications (Venezuela has two Chinese-made satellites in space, Bolivia has one and Ecuador is soon to have its own), telephony (Venezuela produces its own mobile phone, the vergatario, with Chinese technology), cars (there are no fewer than 90 Chinese car manufacturers to choose from and, because of their low prices, “Chinese brands, with their low prices, are selling like hot cakes as Latin America’s consumer class expands amid rising incomes”), oil extraction technology (many oil drills used in Venezuela, Ecuador and other oil producing countries originate in China), as well being a source of substantial credit (Venezuela’s president Maduro has just signed a “US$5 billion credit line by the Chinese Development Bank that will be used in Venezuela for housing, agriculture, transportation, industry, roadways, electricity, mining, healthcare and science and technology”, loan he would not get in the United States).

Thus, as we have seen, Latin America as a whole (including countries with conservative governments such as Chile, Colombia and Panama) have an Asian orientation and are vigorously developing trading and other links with China, and are also distancing themselves from the US, hitherto their main trading partner. China is replacing the US in that role in the region but it is also furnishing Latin America, en emerging region, with steady import and export markets, with technology for crucial areas of economic development, infrastructural improvement, telecommunications and energy, and it is an abundant source of credit without the usual strings attached when Latin America used to borrow from Western private banks or from the IMF or World Bank. Furthermore, the close relations with China do not appear to have the threatening geopolitical consequences than when Latin America was the US’ ‘backyard’. To improve, perfect and deepen the relationship with China and to intensify its distancing away from the US is in the medium and long-term interest of Latin America. The shenanigans around Wikileaks and the Julian Assange saga, the Bradley Manning story, and especially the revelations of US illegal and secret spying on the whole world (certainly including Latin America) by special NSA agent Edward Snowden make the US a highly unreliable partner and, judging by the nasty record of US interventions in the region, make Latin America’s weariness towards the US, perhaps an imperative strategy.

By way of conclusion: The limitations of redistributionist economic policies

The economic woes that Brazil is currently facing as a result of the fall in the price of commodities, the rather severe economic difficulties that Venezuela is going through and the inflationary pressures and other distortions in Argentina’s economy, to mention the economic tribulations of some countries, show that anti-neoliberal
policies cannot be sustainable by the export of raw materials and redistributionist policies alone.

The surprising, indeed perplexing explosion of mass discontent in the streets of many Brazilian cities recently must be understood as a warning that the foundation on which the region’s pink tide rests does not seem sufficiently solid. This reality is even more stark when it comes to the near electoral defeat that chavismo experienced on 14 April 2013 in Venezuela after a necessary currency devaluation. And although Rousseff, president of Brazil, has turned the street demonstrations into a political factor which she is channelling into pressure for more radical reform through a plebiscite and Maduro, president of Venezuela has managed to normalise the political situation in Venezuela, both examples show the relative precariousness of these processes of change.

One of the government critics identified “poor public services, corruption, the cost of living, extravagant spending on the World Cup and much else” as the motives that sparked the protests against Rousseff in Brazil, and points out that "Sadly, the president shows no sign of cutting the government bloat that might allow her to pay for better services.” The Economist here reiterates the oft-repeated neo-liberal argument of bloated state sectors being responsible for lack of resources elsewhere leading to overall bad economic performance, problem which, they go no to argue, is compounded by the unwillingness of ‘populist’ governments to tackle the issue at its source by reducing the state pay-roll. Furthermore, although The Economist recognizes that Brazil’s economic difficulties were triggered by China’s slowdown, thus leading to a contraction of its exports, it suggests that the problems started earlier and are home-grown, not externally caused. The real reason is “Dilma Rousseff sought to stimulate growth by hiking public spending and the minimum wage, and forcing state-run banks to lend more. The resulting inflation was tackled not by raising interest rates but by cutting sales taxes and holding down the price of items with a big impact on the inflation index, including food, petrol and bus fares.” Thus neoliberal critics go on, with the economic slowdown such state largesse brought about inflation from which everything else comes about. The difficulties created were compounded by “Clumsy interventions in the electricity and banking industries completed the picture of a heavy-handed, anti-business administration.” Lavish state spending on the 2016 World Cup has done the rest. The Financial Times has put forward pretty much the same neoliberal explanation for the sudden social eruption in Brazil: “Much of the blame, however, must rest with the PT’s economic model of pumping up consumer demand through social welfare benefits, wage increases and access to credit while neglecting to improve infrastructure. The government of Ms Rousseff, for instance, has granted numerous incentives to buy cars even though the nation’s cities are suffering from chronic congestion. Such imbalances are affecting business confidence.” And again, “Ms Rousseff is already under heavy pressure from markets to rein in the government’s budget deficit to help control persistent inflation, which is hovering near the upper end of the central bank’s target range of 6.5 per cent.” Thus, for the spokespeople of financial capital there can be no other solution to Brazil’s problems than to reduce inflation, the budget deficit and related economic issues than cutting back on state expenditure. The Wall Street Journal, as expected, repeats the same argument: “Brazilian inflation is running at 6.7%, above the ceiling of the government’s inflation-targeting range for the year of 2.5% to 6.5%. Flavia Cattan-Naslauksy, director of Latin American foreign-exchange strategy for RBS in Stamford, Conn., said Brazil should avoid repeating the mistakes of past decades when over spending helped introduce volatility to the economy. "What’s happening now is a consequence of past populist acts,” he said.”
However, Rousseff has put forward solutions which are not neo-liberal and which include earmarking oil revenues accruing to Petrobras to expand the budget on education, health and other social services, a plebiscite to reform the country’s outdated political system so as to make it more democratic and more responsive to people’s needs and bringing thousands of foreign doctors, most of whom are Cubans to be deployed to poor areas, where Brazilian doctors simply refuse to go. In August a poll by IOPE showed that Rousseff’s popularity had already gone up to 42%, still a long way from the 57% she enjoyed but probably well on the way to recovery.\footnote{40}

More importantly without Brazil and Venezuela, the pink tide of regional integration and anti-neoliberal policies is highly unlikely to survive the pressure of an albeit declining, but still very powerful and as interventionist as ever, United States. The US allies in the region with the over or covert support of the US have successfully ousted democratically elected President Manuel Zelaya in Honduras in June 2009. They also waged a successful ‘constitutional coup against Fernando Lugo in Paraguay. Democratically elected President Rafael Correa was nearly assassinated in a coup attempt in September 2010. And it is well known that there are on-going destabilisation plans against all the governments of the pink tide including the pouring of millions of dollars of US taxpayers money to fund opposition groups, so called NGOs, media outfits, TV channels, newspapers, political parties, and many other shadier activities. These resources and plans emanate from US state outfits such as the National Endowment for Democracy, the International Republican Institute (whose chair is John McCain), the National Democratic Institute (whose chair is Bill Clinton’s intensely hawkish State Secretary, Madeline Albright)\footnote{41}, USAID, of questionable notoriety, and other outfits that are actively seeking to undermine progressive development in the region by creating the conditions of destabilisation leading to their to ousting, ideally through electoral defeats, if necessary by more forcible means. Furthermore, SOUTHCOM, the hemispheric branch of the Pentagon, is busily seeking to obtain military positions and bases everywhere in the region, including 7 military bases more in Colombia, the resuscitation of the IV Fleet that is to patrol the Caribbean and the South Atlantic and the stationing of thousands of GIs everywhere it can. You underestimate the destructive potential of the United States at your peril. Painfully aware of the interventionist bent of the US, Venezuela, Bolivia, and Ecuador have terminated all US military presence in their countries. There is no military US presence in Brazil, but the US has military bases and military facilities in just about any other Latin American country. They pose a permanent threat.

Additionally, the failure of the Brazilian PT to gain the presidency in the coming presidential elections on 5th October 2014 would represent a heavy blow to the credibility of anti-neoliberal policies in the region as a whole such that it would probably unleash a dynamics by which substantial sections of the poor and middle classes may electorally migrate abandoning radical options elsewhere in Latin America with momentous consequences for the viability of several radical governments in the region. Such a possibility is more than mere logical deduction, the street disturbances that engulfed Brazil in last June-July led to a sharp drop in Dilma Rousseff’s rate of approval of 27 points (from 57% to 30%).\footnote{42} One will find the same argument deployed by most of the mainstream media.

Additionally, Brazil’s GDP represents about 40% of the Latin American total and also about 25% of its total imports and exports.\footnote{43} The sheer weight of Brazil in the region, especially South America, makes political change in Brazil a crucial factor in the domestic circumstances all of its Latin American neighbours. Suffice to mention, for example, that between 2010 and 2011 intra-regional trade in Latin America grew by 26%.\footnote{44} Thus a return to the bad old days of neo-liberal policies, crisis-prone economy,
social exclusion, with a politically pro-US administration, such as the 1994-2002
government of Fernando Henrique Cardoso, would have negative consequences for the
most radical partners of Brazil such as Argentina, Ecuador, Bolivia, Venezuela and
Cuba, among others. The conservative leaders of the Brazilian Right who could aspire
to be presidents of the country, people such as Jose Serra or Aecio Neves, are
significantly more neo-liberal than Cardoso. The transformation of the political
correlation of forces in the region would be more than substantial with the likelihood
to lead to a setback for existing regional integration bodies (such as Mercosur, Unasur,
Celac, Bank of the South, and so forth) and the strengthening of bodies where the US
commands weighty influence, such as the Organization of American States (a body
that for most practical purposes as the hitherto favourite conduit of US policy towards
the region has, for all practical purposes, been neutralised).

The left-wing and radical governments in the region need to deepen the
progressive transformation of their societies by not only empowering their citizens
much more than thus far and need to introduce further radical changes in the
economic sphere, especially banking and industry, so that they can enjoy a greater
degree of influence over economic processes thereby allowing them to make faster
adjustments when and if the world economy brings about ‘complexities’ such as falling
commodity prices or impose forcible devaluations. Improving the quality of life and
the standard of living must be the absolute priority, and this involves not just
redistributionist policies, however necessary they are, but more importantly the
accruing to the state of greater resources to improve citizen’s opportunities through,
education, housing, public services, and so forth. This can only be achieved through
deepening radical reform.

This is easily said than done. Nevertheless the problem does exist: redistributive policies do significantly contribute to eradicate or reduce poverty, in
many countries they are the mechanism through which millions have had access to
active citizenship, and they do enhance objectively as well as subjectively the cultural,
social and economic horizons of millions of hitherto excluded and marginalised
people. But in and of themselves, they do not address all the problems posed or
created by the ebb and flow of the impact of the capitalist cycle, whose dips, because
of the gigantic influence and control that financial capital have over the influx or
outflow of colossal amounts of money, have become ever more severe and ever more
global in their reach. The issue is not so much the inclination of radical governments
to implement anti-cyclical, growth economic policies, but the ability to ensure they
actually produce the desired results. This depends not so much on the refined or
adequate design of those policies but rather on the capacity of the state to ensure that
they work. The more the state is dominated by traditional forces of traditional
establishments the less effective the policies, and vice versa. In short, unless the state
apparatus is substantially transformed, not only in its personnel and objectives, but
also in its ability and legitimacy to intervene in economic processes (which is not to be
confused with all-out economic socialization, although it may include substantial
portions of the latter), such policies might be totally ineffectual. This is a central
structural limitation that affects the Brazilian government in the current situation it
finds itself in to address the issues posed by the externally driven economic
contraction, but it is also the ‘complexity’ that besets Venezuela’s precarious, though
extremely rich, economy. In the case of Venezuela, the chief difficulty stems from the
fact that the economy has remained fundamentally capitalist and heavily dependent
on oil exports, whilst the state is socialist. Many critics such as Steve Ellner, for
example, identify the revolutionary mass mobilization of grassroots support as a
defining difference between radical and moderates among left wing governments in
the regions. Furthermore, they also in the fact that radicals “have taken advantage of their rise to power and subsequent political victories by moving quickly against political adversaries and deepening the process of change” which contrasts with that of more moderate ones (such as the Lula government) “who upon assuming the presidency designed more conservative macroeconomic policies than those called for by international agencies.”

For Sara Motta, on the other hand, in Venezuela, the main problem arises from the contradiction between existing forms of “counter-hegemonic forms of democracy and development based on popular class rationality and political agency [Communal Councils] are being forged that challenge the hegemony of elitist liberal democracy and the market economy.”

On Bolivia, John Crabtree, focuses on the unique character and force of ethnic politics which led to the election of Evo Morales in 2005, and the organization that propelled him to power, the MAS, “an organization without parallels elsewhere in Latin America, a movement rather than a party, but one that could lay claim to be effectively providing new linkages between civil society and the state in ways that traditional parties simply could not.”

Another author adds that if Bolivia does not take advantage of this, then what might be created is a sort of plurinational capitalism, though with a strong social protection for the vulnerable, but which will reproduce all the contradictions of the past.

Atilio Boron, Argentine sociologist, on the other hand, has a more worrying perception of the contradictions generated by the mass of the people under a left wing government: the event of a crisis leads to increased demands by the underprivileged, which intensifies tensions that may be capitalised by imperialism and the old ruling classes thus leading to ungovernability, the loss of legitimacy of existing state institutions and a probable military dictatorship.

This small but representative sample of scholars’ analyses of the limitations of redistributive policies without further radicalising the process will suffice to substantially explain the common obstacles the governments of the Left in Latin America face today.

Finally, so as not to unwittingly convey the wrong message. In the same way that one should never underestimate the destructive potential of the United States and its allies, the commitment to independence and national sovereignty are the driving forces of the progressive transformation of the region is as strong. Ecuador’s unilateral renouncing the Andean Trade Preference Act in response to a blackmail threat by a US politician who suggested the US to withdraw it if Ecuador were to give asylum to NSA whistle-blower, Edward Snowden, proves this conclusively. No doubt Latin America has come a long way. It needs to go much further if it does not wish to be set back.

Notes

1 For details and analysis on the ‘pink tide’ of left wing governments that have swept into office in this period see Lievesley and Ludlam (eds.) Reclaiming Latin America. Experiments in Radical Social Democracy, Zed Books, London / New York, 2009.


4 Juan Carlos Moreno Brid and Esteban Pérez Caldentey, Trade and economic growth: A Latin American perspective on rhetoric and reality, CEPAL - Serie Estudios y perspectivas – Mexico – Non19, December 2009, p.46
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5 Economic Commission for Latin America and the Caribbean, Preliminary Overview of the Economies of Latin America and the Caribbean, 2012, p.9.
10 The grotesque policies of ‘whitening’ were actively pursued in the region as a whole during the 19th century and up to as late as the late 20th century (see, for example, Pedro Pérez-Sarduy & Jean Stubbs (eds.), No Longer Invisible: Afro-Latin Americans Today, Minority Rights Group Publications, London, 1995.
11 Cited in Eduardo Galeano, The Open Veins of Latin America, Latin American Bureau, 1997, p.187. The author of this grotesque assertion is Domingo Faustino Sarmiento, deemed one of the Argentina’s greatest statesmen and intellectuals, who formulated his views on ‘Europeanising Latin America to get it out of barbarism and as a precondition to civilisation in a ‘classic’ of Latin American intellectual works: Life in the Argentine Republic in the Days of the Tyrants, Facundo (published in 1845) but better known as Facundo or Civilisation or Barbarism (Penguin, 1988).
12 Mercosur, Spanish acronym for the Common Market of the South, founded in 1991 by the Treaty of Asuncion, a body of regional integration economic area, originally made up of Argentina, Brazil Uruguay and Paraguay now it includes Venezuela. Mercosur now has high levels of industrialization (Brazil), highly developed agriculture (Argentina), and huge reservoir of oil (Venezuela), additionally, membership of Bolivia and Ecuador will make Mercosur rich in gas and lithium (Bolivia).


ECLAC, op.cit., p.7.


ECLAC, op.cit., p.27.

ECLAC, op.cit., p.31.


See the latest on commodity prices in Index Mundi http://www.indexmundi.com/commodities/ (accessed 28th June 2013)


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41 The IRI and the NDI are official think tanks of the US Republican and Democratic parties, respectively.
43 ECLAC, Updated Economic Overview of Latin America and the Caribbean 2012, April 2013, p.17.

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Political Constitution Of Plurinational State Of Bolivia, promulgated on February 7, 2009;


