FES TRANSFORMACIÓN

The Waters Ahead for Latin America

Vivianne Ventura-Dias

Klaus Bodemer

Roberto Kreimerman

Álvaro Cálix

CHALLENGES AND OPPORTUNITIES FOR SOCIAL-ECOLOGICAL TRANSFORMATION

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PROLOGUE

In the face of the multiple development crises at the global level – expressed in the extreme concentration of wealth in the hands of the few, severe environmental crises (e.g. the increase in the average temperature of the Earth's atmosphere and the loss of biodiversity), and the increasing number of social and socio-environmental conflicts – progressive political debates have lacked feasible counterproposals to dominant development paradigms. While the more radical left hasn't been able to come up with politically viable proposals, progressive political actors currently in power have generally been unable to move beyond the traditional paradigms to develop proposals and visions that comprehensively answer pressing social, democratic, and environmental challenges. Despite international agreements signed by the majority of governments around the world, such as the Paris Agreement and the Sustainable Development Goals, traditional approaches and neoclassical economic policies continue to dominate national policy initiatives.

Through recognition of planetary limits and the grave social and environmental consequences of deregulated and exploitative economies, Friedrich-Ebert-Stiftung seeks to use its Regional Project on Social-Ecological Transformation to contribute a progressive perspective to the ongoing debate in Latin America regarding the development challenges currently facing the region. Headquartered and coordinated in Mexico, the Transformation Working Group consists of distinguished experts from 14 Latin American countries.

They work together to create materials, analyses, and contributions to strengthen the practical and theoretical debate on how the various socio-environmental crises currently facing Latin America and the world can be overcome through democratic means.

We are pleased to publish *The Waters Ahead for Latin America: Challenges and Opportunities for Social-Ecological Transformation*, the first volume in our new Transformation series. This publication contributes to the ongoing discussion regarding the structural changes that must be prioritized in Latin America if the region is to substantially adjust its current unsustainable development patterns, along with industrialized nations and so many other countries in the Global South. The discussions and conferences hosted by the Working Group have engaged and will continue to engage with the complexity of this debate. We hope that this publication, as well as future contributions from the Regional Project, will help enrich the political and social debate in the region and influence the global conversation regarding the concepts, challenges, and visions necessary for a just and sustainable future.

—CHRISTIAN DENZIN
Director of the Regional Project on
Social-Ecological Transformation in Latin America
Friedrich-Ebert-Stiftung

INTRODUCTION

This publication contains four incisive and well-supported essays that analyze the various international, economic, and political realities that exist in Latin America today. The analyses contained within these essays have been filtered through the debate and criticism of various workshops hosted by the Friedrich-Ebert-Stiftung Regional Project on Social-Ecological Transformation in Latin America over the last two years. In their current versions, each essay collects and captures not only the intellectual processes of their individual authors but also the maturation of the Working Group.

The publication opens with an extensive and profound reflection from Vivianne Ventura-Dias on the challenges that global capitalism represents for social-ecological transformation in Latin America. Positioning capitalism within a context of modernity, Ventura-Dias first presents the contradictions inherent in this context, as well as its complex interdependency, introducing the reader to the concept of *late modernity* and its connection with the society of risk as one of its main characteristics. Ventura-Dias also identifies three additional characteristics of the late modernity in which we live: the accelerated pace of modern life, including both consumption and leisure time; the changes in the relationship between the public and private spheres; and the emergence of citizenship, autonomy, and time for care work.

One of the most striking and concerning characteristics of global capitalism is, without a doubt, the concentration of wealth, income, and power that has gone hand-in-hand with the financialization of the economy and the no-less-concerning criminality. The latter is no longer a phenomenon external to the economy, but rather a consequence of globalization itself. Ventura-Dias sums up this concept as "the crime of globalization and the globalization of crime."

Within the framework of Latin America's necessary international cooperation, Ventura-Dias emphasizes the search for common goods governance before these goods disappear. However, this effort and other necessary commitments to human rights must not avoid answering the question "Whose rights?" The conclusion is clear, though: A new regulatory framework for global trade and investment is urgently needed.

The essay concludes by establishing certain connections between the global dynamic analyzed within the essay and the concrete expression of this dynamic in Latin America. It presents suggestions for the social-ecological transformation of the region, including a full understanding of the myth of welfare capitalism and its possibilities; a definition of the limits that financial capitalism and neoliberalism impose on the transformation of production and consumption structures; the necessary and substantial modification of Latin America's insertion within global value chains; recognition of the possible impact of the so-called Fourth Industrial Revolution; and a focus on the current controversy regarding the increasing automation of activities associated with manufacturing and services and its impact on the way we work and the type of society that the citizens of Latin America, and the entire planet, want.

In the second essay, "Beyond Neo-Extractivism: Challenges and Opportunities for Active International Insertion of Latin America," author Klaus Bodemer argues that Latin America should ostensibly improve its insertion into the global economy under the banner of sustainability and within a context of change.

Bodemer highlights some of the major ongoing transformations, including the emergence of China; trade mega-agreements; demographic changes and immigration; the exacerbation of the environmental crisis, particularly climate change; and the acceleration of the technological revolution. These phenomena all underline the need to advance towards a sustainable and more equitable development model.

In addition to this new world (dis)order, the emergence of multiple power centers without global leadership has led to a clear shift away from a core-periphery order that gave rise to the primary Latin American development theories. This has resulted in a decentralized order with competing versions of capitalism and a two-pronged transformation within trade policy: the weakening of the World Trade Organization (WTO), the supposed guarantor of trade multilateralism, and the emergence of preferential and discriminatory trade mega-agreements, such as the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP).

Where does Latin America stand in this new political and economic landscape? Despite certain achievements regarding the technology and knowledge content of exports in the region, the advances made to date are not at all sufficient to address the productivity gaps that separate Latin American economies from the most competitive markets. Beyond the extractivist-export model that was supported by raw material prices during the decade from 2003 to 2013, regional integration has been characterized by a heterogeneous and fragmented regionalism, although the position that trade agreements should be linked to other political areas has also gained strength.

How can Latin America move beyond neo-extractivism? A transformational focus remains fundamentally important for Latin America, but the region must also take advantage of the opportunities offered by the new relationship with China and focus on overcoming the "raw materials curse" to position itself as a provider of high value-added exports. Within this framework, the region's energy potential presents a clear opportunity, as long as the imperatives of education, innovation, and product and market diversification are addressed. Within an extremely pressing context, no other option exists beyond "reinforced integration based on sustainable development."

The third essay, written by author Roberto Kreimerman, argues in favor of industrial, commercial, and scientific and technological public policies that will help reinvigorate the development of Latin America within a context of new global dynamics. According to the author, we live in a new era in which capitalism is being reformulated, with outsourcing reaching levels that were unimaginable just fifty years ago. However, these changes are not solely economic, and the enormous concentration of power in the hands of a handful of large companies and multinational entities has become increasingly clear.

In this new context of challenges and possibilities, the role of science and technology is unavoidable, not only in terms of creating a *knowledge society* but also, and immediately, in the new business sectors in question. Within this new global dynamic, Latin America has made progress but has also experienced setbacks. Some such setbacks are linked to global and regional trends (such as the commodity cycle) and others reveal the driving forces behind the most profound transformations of the new international division of labor and global geo-economics.

Kreimerman's essay concludes by identifying the characteristics and basic results of neoliberal transformations in the region (the starting point for any transformative proposal), as well as the challenges facing social-ecological transformation in Latin America. This includes the need to change the region's integration into the world order and the globalized production system; transform productive structures in pursuit of diversified economies that are low in carbon emissions and have minimal and controlled environmental consequences; change the productive structure, which will not automatically result from an international insertion based on indiscriminate openness and encouraging foreign investment at all costs; finance social-ecological transformation, including both productive and social aspects; and, finally, increase the quality of life of low-income sectors and eliminate social inequalities, poverty, and marginalization, which must be the guiding north star of social-ecological transformation.

The fourth and final essay, by Álvaro Cálix, covers the limits and opportunities for social-ecological transformation within the political context. "The social-ecological transformation of Latin America is not an aspiration that can happen by spontaneous generation; it requires conditions of political viability at the national, subregional, and regional levels. Transitions towards a virtuous change in production specialization and social and environmental justice necessitate, as a *sine qua non,* broad societal agreements and the institutional capacity to process them." With these powerful words, Cálix introduces the focus of the fourth contribution to this publication. However, it could be said that the future of the region has always depended, and will always depend, on global geopolitics and the connection between the dominant Latin American sectors and the centers and empires (in the past) and transnational capital (in the current era).

The so-called "progressive cycle" of governments in Latin America was, without a doubt, marked by contrasts, tensions, and ambiguities, but it did allow various countries in the region to make progress on certain social, economic, and political challenges. These changes were possible thanks to the confluence of multiple internal and external factors that facilitated notable achievements, benefiting multiple sectors of the population that were once plagued by poverty and exclusion. But conditions have changed, some drastically, which is why it is now appropriate to re-think the reach and limitations of progressive (sometimes called post-neoliberal or socialist) initiatives. Within the context of this new economic and political reality, Cálix analyzes the challenges facing social-ecological transformation.

What are the basic political conditions necessary to implement progressive transformation in Latin American societies? These four essays seek to provide tentative answers to this critical question. The first addresses various aspects of current geopolitical trends and their relation to the region's performance. The second addresses political changes in Latin America, with an emphasis on the social conditions and electoral achievements that facilitated the emergence and continued relevance of Latin American governments that have confronted, to a greater or lesser extent, neoliberal rationality. The third essay provides an overview of the strategies and political focuses of these governments. Lastly, the fourth essay outlines five strategic reflections that synthesize the takeaways from the previous three chapters, resulting in a new and pressing question: Does the current re-emergence of conservatism in the region necessarily mean the end of a long-term, progressive political cycle? The answer, which will be developed further in subsequent publications, does not abandon hope, but also does not ignore reality: "Accepting the electoral route also means accepting the latent possibility of the alternation of governments. The problem lies in the fact that cultural and institutional bases have not been created to minimize the risks of regression." As long as true democracy lives on, the possibilities for transformation also continue to exist.

We hope that these contributions will help enrich the existing debate on development in Latin America, which must be environmentally sustainable and socially inclusive while also protecting and guaranteeing human rights.

—HENRY MORA JIMÉNEZ
Former President of the Legislative Assembly of Costa Rica
and member of the Working Group of the Regional Project on
Social-Ecological Transformation in Latin America

CHAPTER I

The Challenges Presented by Global Capitalism

for Social-Ecological Transformation in Latin America

VIVIANNE VENTURA-DIAS
Brazil

Introduction

This essay presents and problematizes some of the economic, political, cultural, and institutional features of the contemporary international context, examining the challenges that they present for the construction of a more just and ecologically responsible society in Latin America. Ultimately, the objective is to discuss the degrees of freedom that Latin American societies have to alter their productive infrastructure and consumption matrix to achieve a social and economic structure that is more equitable in terms of access to goods and services, more committed to the sustainable use of natural resources, and more focused on the freedom of each and every one of its citizens to "search for the good life." This process constitutes what is now called social-ecological transformation (SET).

The current international context is complex, marked by increased uncertainty and limited knowledge. We are currently experiencing social, economic, technological, and political changes that are full of contradictions and that we do not fully understand. The 21st-century world, described by sociologists as a risk society based on "manufactured" uncertainty, is developing in the context of acute and increasing inequality; severe financial, ecological, social, cultural, and political crises that are shaking the legitimacy of political parties and programs; and an increasing distrust in and discrediting of democratic institutions. Any attempt to extract coherent narratives from the imprecise contours of the changes currently underway will contain inevitable biases—generally pessimistic—and this essay is no exception.

On the one hand, there is evidence that ideas, values, and sentiments that are hostile to more inclusive and tolerant democratic societies are spreading. These ideas and values have gained ground in core countries, such as those in Latin America, and have facilitated the rise to power of authoritarian groups in some countries, including the United States, Poland, Hungary, and Turkey, among others. On the other hand, the 2008-2009 financial crisis, the European debt crises, and the current refugee crisis fueled by wars in the Middle East and Africa have all contributed to creating significant resistance movements in core countries. In the United States and Europe, groups of mostly young people have taken to the streets in defense of solidarity, in opposition to discrimination based on race, gender, sexual preference, nationality, religion, or ethnicity, and in favor of significant social, economic, and political changes focused on sustainability and respecting our planet.[1] In the United States,

1. It is also important to mention the Occupy Wall Street movement, which began in New York City in September 2011. The movement eventually spread to other U.S. cities, as well as countries around the world, influencing other movements such as the *Indignados* in Spain, who took their name from the book *Indignez-Vous,* published by Stéphane Hessel (2010) when he was 93 years old. It is also worth highlighting the creation of new political parties, such as Podemos in Spain and Syriza in Greece; the revitalization of existing parties, such as the Labour Party in the United Kingdom and the rise of Jeremy Corbyn; and the passionate campaign of young people in the United States for Senator Bernie Sanders.

Donald Trump's presidency is generating a nation-wide resistance movement in a country that has little history of social movements.

It is important to highlight the strength of the indigenous movements in Latin America, despite the efforts of government and progressive parties to stifle social movements. In Bolivia, Ecuador, and Peru in particular, local indigenous communities and allies have rallied together to resist the invasion of their lands, standing against both domestic and international companies and fighting back against these companies' attempts to appropriate mineral resources. As these movements have gathered strength, the number of murders of *campesinos*[2] and indigenous activists has increased across all of Latin America, from Mexico to Brazil. These activists are murdered by landowners or their hired guns, or by officials from the legal and illegal mining sectors; the murderers remain unpunished.

The rise of the far right in industrialized countries shows the power of society's fear and insecurity when faced with the *other*. If a utopian society is one where "there is room for all human beings," and that provides the means for every man and woman to "live their lives according to their own plan, with the assurance of a decent life based on their work," then the anxiety of exclusion and the primacy of individualistic solutions to collective problems represent the opposite ideal (Mora Jiménez, 2017). The dystopia created by the sectors of society disillusioned with globalization and modernity is individualistic. Enclosed in an imperialistic nationalism intolerant of diversity of thought, culture, or life plan, these reactionary societies reject the secularism of modern society. Hindered by their fears, whether real or fabricated, they seek the protection of authoritarian leaders and look for solace in mysticism and sectarian religious credos.

The *other* in this case is the immigrant—legal or undocumented—who becomes the scapegoat for the frustrations of social groups that prefer to ignore the fact that their struggles are the result of the

2. Translator's note: In Latin America, *campesino* refers to a member of a typically agrarian community and carries connotations of the long history of social, cultural, and political relationships between people and the land.

global policies and practices of CEOs, private investors, financial institutions, and technocrats. These same policies and practices work to ensure enormous benefits for a minority while transferring the costs of exploiting the planet to the rest of humanity. The critical literature review presented here highlights the crimes of globalization and capitalist companies, as well as the brutal national and international labor, environmental, and human (and non-human) rights violations that are not challenged in court.

This essay outlines the complex scenario of contemporary reality in broad strokes; the intention of this essay is to organize the questions that are relevant for SET in Latin America, rather than trying to provide concrete answers. How can we move towards a global future with a political economy that is more human, more equitable, and more responsible for the planet? What spaces exist to create policies that counter the status quo demanded by global financial capitalism? Can distinct national political economies exist within the framework of contemporary financialization in spite of the pressure imposed on nations by integration into the international economy? Are globalization and financialization truly definitive, incontestable, and irreversible? Can the relationships between machines and workers be negotiated? How can limits be imposed on growth and change? Will there be space to create the utopias of possible minority groups in both core and peripheral societies?

In addition to this brief introduction, this essay consists of three substantial sections that examine the social, economic, and political transformations derived from global financial capitalism and that form the backdrop for SET in Latin America. The essay concludes with a section on final considerations.

Mass society in global capitalism

Within the current context of neoliberalism and anti-liberal ideas, it is more important than ever to reclaim and reinforce the ideals of the thinkers of the Enlightenment—tolerance, fraternity, freedom, and equality—to prevent increasing irrationality and fear of the other from being manifested in racist, classist, and sexist violence. As Sen (2009) argues, in spite of

> grounds for skepticism about the practical effectiveness of reasoned discussion of confused social subjects, this particular skepticism of the reach of reasoning does not yield – nor... is it intended to yield – any ground for not using reason to the extent one can, in pursuing the idea of justice or any other notion of social relevance. (pp. XVII-XVIII)

The contradictions of modernity

Modernity is not an easy concept to define. It has multiple meanings, and the interpretations of its normative content have multiplied over recent decades. In the words of Bolívar Echeverría (2011), one of the Latin American authors who approaches the Eurocentric interpretation of modernity from a critical perspective, "some are more modern, others are less, but all of us, whether we like it or not, are already modern or are becoming modern, permanently" (p. 67). Beyond its contradictions, modernity encompasses concepts that have allowed part of humanity to think critically about individual and collective history and convince itself that it is possible to change it. SET falls within the philosophical tradition of modernity due to its aspiration to create social change that contributes to individual and collective autonomy.

Recently, a critical analysis of the diversity of modern institutions and cultures, in regions both near and far from Western tradition, engendered the concept of "multiple modernities"—or plural forms of modernity—within the political and social theory of modernity. This concept created space for the coexistence of different experiences of modernity by questioning the notion that modernity must necessarily be associated with the set of institutions it emerged with in Europe—i.e. an industrial, market-based economy; democracy limited by national territory; rational administration; and production backed by science and technology (Wagner, 2009). In conclusion, the cultural program of modernity in other regions does not have to assume "the basic institutional constellations" that were formed in Europe, although "the original Western project constituted the crucial (and usually ambivalent) reference point" (Eisenstadt, 2000, p. 2).

Modernity has been criticized as positivist, Eurocentric, technocentric, and rationalist, proposing absolute truths that do not correspond to the histories of all peoples, nor of all human beings, since women were excluded (Harvey, 1989). However, the strength of modernity lies in its commitment to the triumph of science over disease and pain, the comfort of material life, secularism, and the liberation of the human being from religious obscurantism. It is the modernity of the Enlightenment, with its moderate, conservative, and radical thinkers (Israel, 2010/2015); the modernity that encompasses the ideas of justice and freedom and each individual's rights to the pursuit of happiness and the good life; the modernity that has been the birthplace of the ideals of Latin America's anti-colonial movements, a result of the European expansion towards the Americas (Ribeiro, 1969/1977); the modernity of democracy, republican institutions, and the rights of citizens.

The concept of human rights is essentially a product of the ideas of the Enlightenment at the end of the 17th century. The works of Montesquieu, Voltaire, and Kant also created the philosophical foundations for 19th-century liberalism, which in turn laid the foundations for the conceptual framework of the human rights legal system implemented in the post-World War II period (Bassiouni, 2015).

However, the optimistic conclusions regarding the control of nature by human reason, science, and technology began to be questioned once the harmful effects of industrialization, urbanization, and mass consumption on the environment and the planet's resources were first documented. The speed and scale of economic growth—reflected in the negative costs of natural resources, the poorly paid work of men and women, and the unpaid work of women and girls in the home—highlighted the perverse effects of economic growth on people, societies, and the environment and further disturbed the optimistic belief that the use of science and technology would lead to social progress. On the contrary, for some classical modern philosophers, the very assumption of active control and domination of nature by human beings was leading humanity towards a tragedy that humanity itself had created.

Mass society and complex interdependence

We live in the midst of mass societies defined by the magnitude of the phenomena resulting from a world population estimated at 7.4 billion people. These societies are intensely and extensively connected by mercantile, monetary, and financial circuits, and even more importantly by circuits of ideas and information. Flows of people, goods, currencies, and information connect people and groups of people around the planet, generating a complex world with multiple interdependencies and interconnections that have the ability to quickly spread and amplify economic shocks, political tensions, disease, and cultural practices.

In the contemporary global mass society, the figures are colossal. For example, in the last quarter of 2016, more than 1.86 billion people were monthly users of the social network Facebook. That amounts to 25 percent of the world's population, including infants, the elderly, and the illiterate.[3] In fact, data indicates that more than half of the young adult population globally uses Facebook, WhatsApp, and/or Instagram. In 2017, the number of mobile phone subscribers was expected to surpass 4.77 billion. In 2016, India alone exceeded one billion mobile phone subscribers, more than 80 percent of its population (Rai, 2016).

According to data from the World Bank, only a handful of countries have fewer than 40 mobile phone subscriptions per 100 inhabitants. This means that even in poor countries such as Afghanistan and

3. Data retrieved from: <https://www.statista.com/statistics/264810/number-of-monthly-active-facebook-users-worldwide/>.

Angola, more than 60 percent of the population is connected.[4] Major sporting events, such as the 2014 FIFA World Cup or the 2016 Summer Olympics, were watched by more than 3 billion people worldwide, around half of the world's total population.[5] Local and prosaic events, such as the funeral of Princess Diana of Wales in 1997, became global spectacles—more than 2.5 billion people saw the funeral rituals. This phenomenon is unprecedented in the history of mankind. For the first time in history, the media has the ability to impact the personal and cultural life of almost the entirety of the global population in real time.

As a result of capitalist industrial development, we exist in a world built by humans via mass production methods. All of the objects and services that we use in our day-to-day lives are products of an extensive and complex industrial system that depends on the labor of men and women with diverse qualifications located around the world. These workers are supported by increasingly effective machines that will one day put them out of a job.

In this global mass economy, interdependence is profound, complex, unbalanced, and asymmetrical, touching every aspect of people's lives across the most diverse regions of the planet. Within the context of the time-space compression that characterizes globalization, the manner in which this interdependence is manifested, and the degree to which it is perceived individually, depends on the structure and depth with which individuals, societies, and regions are integrated into the global economy. In short, contemporary interdependence is the fruit of the capitalist system's dynamics of consolidation, hegemony, and expansion and, as such, is part of the analytical framework of the political economy of globalization.

The concept of complex interdependence seeks to transcend the concepts of globalization or internationalization as the articulation between the national markets for capital, labor, goods, and services; it seeks to comprehend the social and cultural processes that result

4. Data retrieved from: <http://data.worldbank.org/indicator/IT.CEL.SETS.P2>.

5. Data retrieved from: <https://www.statista.com/statistics/280502/total-number-of-tv-viewers-of-olympic-summer-games-worldwide/>.

from the formation of a worldwide capitalist system in which decisions made by economic, social, and political agents in a certain region of the globe impact the employment, livelihoods, health, and lives of people located in other regions.

Interdependence is profound and complex, involving multiple different environments, relationships, actors, and regions that create a network of interdependencies. Economic interdependence is only one aspect of this network, although in many ways it is the most relevant. Contemporary interdependence is fundamentally inequitable due to the centrality of the economic and financial aspect, which privileges the mobility of capital and the protection of investors' rights, reinforcing obstacles to labor mobility. It is also asymmetrical, implying certain power dynamics between capital and labor, between core governments and others, and between different social groups that exist outside major cities. In turn, these power dynamics establish hierarchical and authority structures between countries with dissimilar economic, technological, and military capabilities. In situations of significant asymmetry of power and resources, interdependence becomes a relationship of subordination of the weak to the strong.

Unfortunately, interdependence within the context of global mass society has not created conditions conducive to increasing the legal protections of the weak against the strong. On the contrary, in the opinion of respected legal scholar M. Cherif Bassiouni:

> We are living through a period of decline in the observance of and respect for human rights as they have evolved since the end of World War II. And we may well be witnessing a setback in the evolution of international criminal justice... in a curious, not to say perverse, way—our globalized world is becoming more interdependent and interconnected at the same time that it is becoming less committed to the identification and enforcement of the common good. (As cited in Barak, 2015, p. 104)

In the context of a global society that is unequal in its distribution of wealth and power, the negative consequences of global interdependence most heavily impact the social groups, societies, and regions that did not benefit from economic progress, nor did they contribute to the damages resulting from that same progress. Climate change is an example of long-term, collective processes whose consequences are distributed indiscriminately and unequally to individuals and groups of people, regardless of the manner and/or intensity of their contribution to the collective result.

Economic and financial crises, environmental issues, and pandemics are global issues that require global solutions. However, recent experiences show that the cumulative effects of global factors on individuals and societies become more profound and less controllable over time, making it more difficult for governments and international institutions to find effective solutions for their negative consequences, particularly in terms of the life and health of people, animals, and the environment. Returning to Bassiouni: "There are no international institutions with the capacity and effectiveness to exercise control over the negative effects and outcomes of globalized factors on the planet, states, and individuals" (Bassiouni, 2015, p. 64).

Late modernity and risk society

The interdependence imposed on the passive actors of globalization implies daily encounters with an unknown risk for which people are not prepared and that is derived from the actions of others. Within the context of global capitalism, the complexities of contemporary social life have increased the degree of uncertainty and risks inherent to everyday life, subverting one of the components of modernity and secularism that is directly associated with reason and the control of nature: the ability to use scientific and technological means to reduce the dangers of everyday life, to measure risks, and to create the appropriate instruments to limit the material impacts of these risks. On the contrary, in mature modernity, the dangers and uncertainties resulting from the high level of spatio-temporal integration and erosion of national borders, the concentration and centralization of capital, and technological development and its corresponding tensions convert societies that have overcome the basic dangers necessary to survive into risk societies.

The immediacy of these risks permeates the routine of individuals located in regions distant from the original danger, reflecting a way of life that is based on the intensive use of technology, the continuous search for high profits on capital, an accelerated rhythm of social changes, and a context of high levels of interdependence. Within a context of strongly interconnected societies among which news is circulated in real time, local problems, mainly from core countries, become global problems that end up harming periphery regions.

As established by Ulrich Beck in his pioneering work, the risks and the opportunities created by the expansion of industrial society across the globe have no comparison in human history. According to Beck (1986/1998), the term *risk society* refers to a particular set of social, economic, political, and cultural conditions and factors that are characterized by a *manufactured* logic of uncertainty that is progressively amplified and that fundamentally transforms existing structures, institutions, and social relations, introducing increasing levels of complexity, contingency, and fragmentation. Beck emphasizes that the Chernobyl disaster was an example that showed the "end of all our highly bred possibilities of distancing..." (1986/1998, p. 81).

It is important to note that modern risks are not limited to the immediate area where they occur. For example, the impacts of the Chernobyl nuclear disaster (1986), and more recently the Fukushima nuclear disaster (2011), were not limited by time or space, as radioactive material travels through the air and its effects can impact multiple generations. The costs that come with economic crises can also impact multiple generations. The distribution of these risks and vulnerabilities between local economies, families, and distant regions is completely unjust and unequal, but does not incur any responsibilities or legal obligations (Kennedy, 2016). In addition to the environmental risks, it is also important to include the planetary consequences of the financial crises and wars of mass destruction fomented in Afghanistan, Iraq, Libya, and Syria, among other countries, by the core powers. These consequences include provoking and arming legions of religious fanatics, creating millions of political and economic refugees, spreading terrorist attacks around the world, disrupting international cooperation, massacring civilian populations, and undermining international law.

The class-based society that dominated during the modernity of classical liberalism did not disappear with the advent of risk society. On the contrary, these risks exacerbate the tensions inherent in a class-based society. Beck (1986/1998) emphasizes that the distribution of risks is inversely proportional to the distribution of wealth. Wealth accumulates at the top while risks accumulate at the bottom of the pyramid, impacting the most vulnerable groups and regions. Avoiding risks is no longer an option, but rather a class-based privilege that the wealthy enjoy and the poor do not. Political agendas should include these risks in order to implement procedures and sanctions that attempt to minimize them, assign responsibilities related to the events that cause them, and allow a fairer distribution of their impacts, both within and between countries.

The disperse impacts that the actions of companies and investors have on people's lives, as well as the difficulties in establishing legal repercussions for the harm caused, facilitates impunity when it comes to crimes of globalization (Barak, 2015). The 2008-2009 financial crisis is another example of the potentially catastrophic effects of the criminal actions of global capitalist entities. The economic, social, and political effects of this crisis extended through both time and space and are still being felt in the global economy, as well as by those who lost their homes, jobs, and/or savings in the United States, Spain, and Greece. Irrefutable evidence exists proving that ongoing fraud committed by banks and financial institutions eventually led to the Great Recession. However, not a single one of these companies or their employees have been prosecuted, despite clearly being responsible for significant violations of innocent people's human, economic, and social rights.

Contemporary risks are related to another feature of modernity: the increase in the speed of individual and collective experiences resulting from technological transformations that impact the entire fabric of society within the framework of global capitalism. Historically, the process of time compression and expansion—or of technological and social acceleration—has accompanied the evolution of modern industrial society throughout the different industrial revolutions.[6] However, the technological innovations of the past few decades have exponentially increased the rate, scale, and magnitude of social transformations.

Social acceleration: Consumption time

The experience of modernity implies permanent change as a result of the essential dynamism of capitalism. This experience was outlined by Marx and Engels in their Communist Manifesto, although, according to Marshall Berman (1982/1988, pp. 92-93), this Manifesto can be read more as a lyrical celebration of bourgeois achievements than as a communist document. According to Berman, "What is startling about Marx's next few pages is that he seems to have come not to bury the bourgeoisie, but to praise it" (parodying Shakespeare). Berman, who added the subtitle *The Experience of Modernity* to his book, defined modernity as "a mode of vital experience—experience of space and time, of the self and others, of life's possibilities and perils" (1982/1988, p. 15).

The concept of constant acceleration of time or the accelerated changes of the human experience as a designation of the alteration of the rhythm of temporal experience is central to the emergence of a qualitatively different time, a new time (*eine neue Zeit*), that accompanied the advent of modernity between 1740 and 1850. It was not until this period of time that modern European society established

6. Gordon (2016) references three important "industrial revolutions". The first, which occurred between 1770 and 1840, corresponded to the introduction of the steam engine and the railroad, as well as the transition from wood to steel; the second, which occurred between 1870 and 1920, corresponded to the introduction of electricity and the development of new industries; and the third, which began in 1960, corresponded to the introduction of information technology and communications.

the concept of history, designating the difference between natural time and historical time (Koselleck, 2002). When humanity established the difference between natural time and historical time, it also began to recognize that historical time could be modified by human intervention. Koselleck incorporated the idea of an open future as a dimension of the concept of "new time," or a transition period in which it is difficult to reconcile established traditions with the necessary innovations (Koselleck, 1979/2004, 2002).

Because of their unequal and exclusive character, the processes of social acceleration and interdependence present multiple contradictions and generate a variety of tensions. The driving force of social acceleration is the inherent dynamic of capitalism that promotes continuous revolutions in the means of production, distribution, and consumption of goods and services. Today, social acceleration has been multiplied by the scientific and technological innovations of the 20th and 21st centuries, which have been extended from their initial military applications to the material, emotional, and intellectual spheres of human life. The digital revolution, the Internet, real-time information, and cultural globalization processes all contribute to create new dynamics that affect temporal aspects of existing processes. Likewise, the fall of the Berlin Wall, the end of the Soviet Union, and the integration of China and India into the global market served to further compress space, facilitating the total hegemony of the capitalist system in all regions of the world, although with local institutional and cultural specificities.

It should be noted that technology is the most visible dimension of the acceleration of time, understood as the incessant reduction of the time necessary to perform processes and daily tasks, ranging from actions related to production and the market to reproductive functions in the private sphere. On the one hand, the continuous process of productive modernization has allowed workers to do more things in less time, generating free time for the worker. On the other hand, competition among capitalists has encouraged the creation of new products, services, and entertainment to occupy said free time. These two processes increased the number of ways individuals living in a mass consumption society could use their free time.

During mature modernity, the expansion and diversification of the goods and services that make up the entertainment industry increased the ways that individuals could use their free time while also expanding the consumer base. Throughout the last century, the pleasures that were once the privilege of the few spread to the urban social classes, mainly with the creation of a mass market for entertainment goods and services such as tourism, sports, arts and games, etc. This increased supply of recreational goods and services met the increased demand resulting from the reduction of working hours in England, the United States, Continental Europe and, eventually, Latin America and the rest of the world.

Leisure time: Time poverty and modern life

The acceleration of transportation and communication methods creates the sensation that the rhythm of life is also accelerating, which, contradictorily, translates into a shortage of time to enjoy the many ways created by the leisure industries to use one's free time. Time is becoming increasingly scarce, and people in wealthy societies, or the more or less wealthy people in poor societies, are experiencing increasing time pressure.

Dealing with the pleasant dilemma of deciding between different ways of using one's leisure time was what economist John Maynard Keynes envisioned for the future of humanity 90 years ago, in a short essay that has recently acquired a sudden fame. The widespread dissemination and discussion of this essay shows the existing interest in understanding the paradox that has emerged during the past few decades: a massive increase in labor productivity has neither resulted in a continuous reduction of the working day, nor in increased quality of life for all people and less impact on the planet.

In the essay, published in 1930, Keynes optimistically predicted that over the next 100 years, the average standard of living would increase by about eight times. According to Keynes, the accumulation of capital and increasing labor productivity, supported by the technological innovations already available and those that would come later, would free humanity from the obligation to work to survive. For the first time, men and women would have to face the pleasant task of "living wisely and agreeably and well." As predicted by Keynes, the grandchildren that he never had would be able to satisfy their basic ("absolute") needs working only around 15 hours per week. In comparison, the average work week in Great Britain in 1930 was approximately 46 hours. From the perspective of Keynes, a lover of the arts, the biggest problem would be teaching workers how to better use the enormous amount of free time that they would have in the future.

Between 1930 and 2014, the world economy grew at rates close to those foretold by Keynes, but, as we know, the distribution of growth, productivity, and technological changes was not spread equally among countries, or even between individuals and social groups within industrialized countries.

The increase in productivity achieved through the automation of manufacturing and services had the potential to confirm Keynes's forecasts, leading to a significant reduction in the working day without decreasing salaries. However, between 1930 and 2014, the average number of hours worked in industrialized countries did not decrease at the same rate as it did in the decades before 1930.[7] It is difficult to imagine that the International Labour Organization (ILO) Convention concerning the Reduction of Hours of Work to Forty a Week was signed in 1935, considering that, by 1967, many of the Convention's resolutions had not been implemented in the majority of European countries.[8] Moreover, the trend of decreasing the hours in the work week has suffered a reversal since the 1970s, with the loss of union bargaining power, first in the United Kingdom and then in the United

7. In the United Kingdom, the average hours worked per week decreased from 60 to 47 from 1870 to 1929. From 1929 to 2000, the average hours worked per week decreased from 47 to 42 (Huberman & Minns, 2007, p. 542, Table 1).

8. In France, the Popular Front briefly adopted the 40-hour work week in 1936.

States. The work week in Continental Europe remains significantly shorter than in the United States and the United Kingdom.

The automation of manufacturing and the services industry occurred in parallel with the migration of jobs from industrialized countries to developing countries and China. The result has been the gradual transformation of the world of work, including increasing flexibility of the workday and a decrease in salaries. The general loss of labor rights for the majority of workers around the world has created a new configuration of social classes, in which only workers from certain professional categories with relatively secure jobs, and/or from sectors where unions still have bargaining power, can enjoy the dilemma originally proposed by Keynes (Standing, 2011).

Data from the ILO itself indicates that, in the first decade of the 21st century, the average work week still clocked in at 48 hours or more in the majority of middle-income countries. By 2005, for example, the 48-hour work week limit dominated in Latin American countries, but with an implementation rate of less than 75 percent (Lee, McCann, & Messenger, 2007).

To be sure, two fundamental considerations are missing from Keynes's essay. The first is the distribution pattern of productivity growth among social groups, separated by levels of income, age, race, and gender. The second is the changes in the function of consumption in global capitalism, which notably includes goods and services to fill leisure hours. Over the course of decades, the models of consumer desire have transformed into the global village, engendered by capital and the media.

Like the other components of modernity, inequality in the increase of leisure time is influenced by factors of gender and income, as established by feminist scholars and research (Aguirre, García Sainz, & Carrasco, 2005). Empirical analyses of the use of time throughout the 20th century in industrialized countries indicate an increase in leisure time for both men and women, although the increase was greater for men (six to eight hours per week) versus women (four to eight hours per week) (Aguiar & Hurst, 2006). The so-called "second shift," or double burden, that working women face has been recognized and debated ever since the publication of Arlie Hochschild's book of the same name in 1988. The increase in working hours for both men and women, together with a reduction in public services that help reconcile career work and care work, further exacerbated existing gender inequalities (Schulte, 2014).

However, these inequalities in the distribution of average leisure time did not prevent the creation of a mass market for entertainment goods and services beginning in the late 19th century. By the last decades of the 20th century, this market had acquired a global scale and wide diversification. The set of activities and occupations that form part of the "creative economy" (fashion, architecture, design, media, arts, sports, science, and haute cuisine, among others), together with the large and diffuse tourism sector, constitute a dynamic segment that employs a growing number of people in urban societies in both the developed world and developing regions.

Some economists criticized Keynes for assuming that basic consumption needs are finite; the dynamics of contemporary capitalism are based on the continuous creation of new consumer desires that encourage workers/consumers to prefer working longer hours to be able to consume more goods and services.[9] Many of these goods and services were not part of the consumer basket in Keynes's time, such as digital entertainment, video game consoles, etc. In the evolution of consumer society, the very notion of basic needs is dynamic, since "mad men" create and recreate people's desires to own new goods and services (Skidelsky & Skidelsky, 2012).[10] Additionally, the privatization of public services such as health, education, and pension systems implied the addition of new private expenses to the consumer baskets of the middle class in industrialized countries, including health insurance, pension plans, and private education.

In 21st-century mass society, digital media and mass communication technologies disseminate and homogenize cultural values

9. Hunnicutt (2013) analyzes the shifts in the labor movement in the United States, which stopped fighting for a reduction in the work week in the 1930s.

10. "Mad men" was the term used to refer to advertising executives in the 1950s and 60s, whose offices were located on Madison Avenue in New York City. It is also the title of a television show about the advertising industry during that era.

related to consumption across national borders, consolidating a global market for the products and brands promoted by the dominant multinational companies.

As a result, more material goods are produced and consumed in increasingly shorter periods of time. Contemporary society uses up non-renewable natural resources like gas and oil much more quickly than they can be reproduced and produces and dumps large amounts of toxic waste at faster speeds than the ecosystem is able to dispose of it.[11] The result is a temporal gap separating contemporary society's use of natural resources and nature's capacity for regeneration (Rosa & Scheuerman, 2009, p.12). Social acceleration is intimately connected to the ecological crisis that we are currently facing.

Public and private spheres: Cities, autonomy, and citizenship

Considering the above, two major issues stand out: the limits to technological and social changes and the volatile frontier between the private and public spheres. Questions regarding the limits on production and consumption became controversial issues in both academic and political debate following the dissemination in the 1970s of the conclusions of the Club of Rome regarding the impacts of human action on natural resources. Issues of limits on production and consumption returned to the agenda with the creation of the Intergovernmental Panel on Climate Change (IPCC) in 1988, set up by the World Meteorological Organization (WMO) and the United Nations Environment Program (UNEP). The IPCC's Assessment Reports, published periodically, have become increasingly confident

11. Under present conditions, the world's oceans and terrestrial biomass can absorb only a part of the 40 billion tons of carbon dioxide that humanity discharges into the atmosphere annually by burning firewood and other fossil fuels (data from 2016).

in terms of the causality between human action, greenhouse gas emissions, and climate change.

Additionally, the construction of boundaries between the public and private spheres has profoundly impacted the evolution of modern legal, political, and economic thought (Habermas, 1962/1991; Arendt, 1958/1998). These terms are used to differentiate, whether in a descriptive or normative sense, two types of human actions, two domains of social life, or two different physical and social spaces in which action and life occurs. For the political philosopher Norberto Bobbio (1978/1989), the public-private duality represented the "great dichotomy" of Western thought. Together, the two spheres cover the entire social universe—that which is private could also be defined as not-public. This dichotomy encloses values, positions, and hierarchies, and within it the boundaries between individual liberties, private property, common goods, private interests, and public interests are not neutrally defined.

The conservative movement of the 1980s rebuilt the boundaries between the public and private spheres. The current digital revolution is also reconstructing public spaces through privately-owned social networks, while digital media is increasing the state's ability to repress and electronically monitor the privacy of ordinary people. This creates a paradox, as private entities increase their influence over the public sphere and assume control of common goods, such as knowledge, water, and forests, while simultaneously restricting spaces for individual freedom. Initially, expanded access to the Internet, in itself a public good and a common good, created false hope as to its liberating potential. However, several episodes have shown that digital communication networks host unprecedented forms of power that threaten democracy and individual freedoms.

Within the framework of consumerism and global capitalism, each individual, as a consumer, is guided by his or her own narrow interests; as a citizen, however, each being is an informed free agent that opts for policies and programs that benefit the public interest and collective welfare. The division between citizens and consumers reflects the dichotomy between the public sphere, which corresponds to the citizen, and the private, which corresponds to the consumer. In an increasingly consumerist society, the structural changes impact both spheres.

The term *private* also refers to the subjective self and personal intimacy, which must be preserved in spaces separated from the interference of others, while *public* is instead concerned with general knowledge and lived in spaces shared by large groups. In this opposition between the public and the private, the concept of public is linked to the Latin term *res publica* (loosely meaning public affair), as opposed to *res privata* (private or family, or private property). The public sphere includes the administration of public goods and political action through active citizenship and the creation of the political community.

Within the area of political and legal science, feminist theorists added another element to the political debate, emphasizing the relational dimension of the human experience as central to the concepts and institutions around which we are able to organize our collective lives. In contrast to the individualistic conception of autonomy of traditional political theory, human relationships, in their various degrees and contexts, are central and constitutive to creating autonomous selves with rights and responsibilities. These relationships include intimate relationships, such as those with parents or lovers, but also include more distant relationships, such as those with professors, managers, acquaintances, and even the state.

As affirmed by Nedelsky (2011), autonomy, the still prevailing concept of modernity, "cannot be understood as independence from others" (p. 5). Every person is relational, because the identity, capacities, and desires of human beings are the result of the set relationships in which they participate. Consequently, each individual's freedom and their capacity to formulate and execute their own decisions should not be considered independent of others, but rather in coordination with others. Autonomy and political action should be built based on cooperation rather than competition. In reality, the concept of autonomy contains a set of obligations, including the recognition of the existence of others. This recognition considers the other as an end in itself and not as a means to an end (Treiger-Bar-Am, 2008, p. 550).

The notion of human beings as relational is associated with the importance of vulnerability and with care in human life. As Tronto (2013) posits, citizens are not limited to just their economic roles as workers and consumers; they also inhabit two other spheres: the world of intimate care in their homes, with their families and friends, and the world of politics. Politics belong to the public sphere, while care belongs to the private sphere. Shifting care into public life requires focusing politics on the concerns of ordinary people, because care involves feelings of affection and love, but also empathy, a behavior that implies attention and responsibility towards others.

Thinking about care as a political action means thinking about the way in which society assigns responsibilities and opportunities to reopen the political system to the real concerns of citizens. Households and politics are institutions that are both based on connections and relationships that arise when people do not exclusively pursue their self-centered interests. Politics require our attention (care), and we should expect the state to support our care needs (Tronto, 2013). The inclusion of care in political thought and action also means including vulnerable people, whether they are children, dependent elderly adults, drug addicts or alcoholics, unemployed, infirm, or have a physical and/or mental disability. Including a vision of care in political action means demanding that politics stop focusing on abstract issues and instead engage with the issues that truly concern the citizens in their regions.

Beginning in the 1990s, reflection within the wealthiest societies on the catastrophic consequences of economic growth on the environment, biodiversity, and the fate of animal species gradually engendered a movement that rejected unlimited growth and devastating consumption. For the English historian Hobsbawm (1995), the great paradox of the 20th century was that "an era whose only claim to have benefited humanity rested on the enormous triumphs of a material progress based on science and technology ended in a rejection of these" (p. 11) by the influential sectors of the wealthiest societies.

The issue of limits to technological and social change has taken on renewed importance in light of the impact of human actions on the planet. However, humanity's limited ability to face these changes is just as important as the physical limits of our planet. The acceleration of time affects the different dimensions of personal and collective life, creating imbalances between the social time necessary for sociability and citizen participation and the time imposed by technological changes. The increase in employment volatility and the mobility of people has impacted the traditional concept of the good life based on relations of community cooperation whose development is based on a trust built up through stable, long-term commitments (Sennett, 1998/2005).

Likewise, the debate must include the limits that societies can impose on the pace of technological change and the necessary negotiation between the dignity of the worker, the importance of work for all, and automation *à outrance*, as proposed by David Noble (1986):

> For the process of technological development is essentially social, and thus there is always a large measure of indeterminacy, of freedom [...]. [Technology] merely consists of an evolving range of possibilities from which people choose (p. xi).

Social practices and coexistence are based on limits, from the traditional saying "your right to swing your arms ends just where the other man's nose begins" to speed limits for cars on the roads, the limits of fine particles in fuels, or the limits that define the quality standards for products and services. Why not implement speed limits for social transformations and technological changes? In a way, this is one of the objectives of social-ecological transformation. In order to achieve this, capitalism's logic of growth and accumulation must be changed.

Global capitalism: The concentration of wealth and power

The political economy of globalization

What new questions are posed by the contemporary global economy? In the previously mentioned Communist Manifesto of 1848, Marx and Engels emphasized the global nature of capitalism due to its inherent dynamic of accumulation and growth. They described a victorious bourgeoisie that had given a cosmopolitan character to national production. The dynamics of capitalism required all nations to "adopt the bourgeois mode of production... [creating] a world in its own image" (Marx, 1848/2008). By the end of the 19th century, triumphant capitalism encouraged the integration of nations into the global economy, by force of reason and by reason of force, with the imperialist expansion of the European and Japanese monarchies, as well as the U.S. republic. The optimism of this first globalization ended in the tragedy of the Great War, and it took approximately 70 years to recreate the conditions necessary for a new integration of the national financial and production markets, as well as the full liberalization of capital (Frieden, 2006; Piketty, 2013).[12]

The second half of the 20th century was marked by the internationalization of the activities of manufacturing companies from the United States, Europe, and Japan through direct investment or other forms of control. U.S. companies were the first to internationalize their activities during the reconstruction of the European and Japanese economies, devastated by World War II. They were followed by European companies, which were in the process of forming the European Communities and actively competing with U.S. companies in periphery countries. Japanese companies then moved into international markets, and finally companies from middle-income countries in Asia, Latin America, and the Caribbean did as well.[13] Global integration gradually acquired its own organizational forms with the creation of global value chains.

Although the internationalization of large, mainly durable goods companies began in the late 1950s with the full convertibility of the primary currencies, it was not until the 1980s that these now

12. Piketty (2013, p. 76) shows that the movement to reconstitute capital began in the 1960s and picked up speed during the conservative revolution of the Thatcher-Reagan decade.

13. See Ventura-Dias (1994) for more information on the internationalization of Brazilian companies and the references mentioned.

international companies changed their strategies and began operating as multinational or transnational companies. Companies stopped conducting their business as entities concentrated in the same conglomerate but segmented by national markets, each with their own vertical operations. Instead they began to contract more services from other companies and outsource most of the less-profitable operations with higher labor costs associated with their plants and factories. Changes in the characteristics of trade became more evident during this period: 1) large multinational companies consolidated their operations in different regions; 2) the association between trade and investment in the location and relocation of productive activities increased; 3) the fragmentation of international production increased, along with the distribution of production across different countries and the creation of global value chains; and 4) trade in services acquired more importance, particularly due to the value of royalties derived from intellectual property in the form of patents, copyrights, trademarks and franchises, etc.

As a result of these changes, the 1980s saw the manifestation of contradictions between the established national regulatory frameworks and the international order sought by global capitalism. Previously, trade policy only covered measures and instruments implemented at a country's borders, primarily tariffs and quotas. With the increased connection between trade, foreign direct investment, and the location of productive activities; the increase in trade in services; and the demand for greater and more effective intellectual property protection, core governments demanded new multilateral rules that provided increased security for investors while also making it more difficult for other countries to access more advanced levels of technological development. This will be further discussed in Section 3.

Over the years, the world economy has transformed into an increasingly integrated system of production and trade in which the creation and distribution of wealth in a certain region has become dependent on the expectations, procedures, and decisions of economic and political agents located in other regions of the planet. However, it is important to emphasize that the growth of capitalism on a global scale has not created a truly global economy. Despite the power of transnational corporations, they have not yet replaced the nation-state, which remains the organizing principle of international politics.

The volume, composition, and direction of international trade have been transformed according to changes in the technical, institutional, and organizational conditions of production and consumption, which also impacted the costs and risks of international integration. Economic history, however, teaches us that change in the structures and strategies of companies is reversible. In the same way that the reduction of the risks and the costs of international operations has prompted companies to relocate their activities over recent decades, the opposite is also possible. The increase in the uncertainty of cross-border operations, whether from actions taken by national governments to protect jobs and industries or from natural disasters, can result in an increase in the costs of global integration, impacting the international organization of production and trade.

It should be noted that global integration was the result of the strategies of companies and investors, with support from technological innovation and government policy. In his lengthy study of the fall and rebirth of global capitalism in the 19th and 20th centuries, Frieden (2006) affirms that contemporary globalization, as well as the earlier attempt at global capitalism that ended with World War I, should not be analyzed as an unavoidable fact, but rather as the result of political decisions that are reflected in the definition, design, and execution of specific public policies.

In reality, global financial capitalism is supported by "a theory of political economic practices," known as neoliberalism, that proposes that human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade. In neoliberalism, the "role of the State is to create and preserve an institutional framework appropriate to such practices" (Harvey, 2005, p. 2).

Curiously, the first post-war experiments with neoliberal policies were implemented in South America in the 1970s by the "Chicago Boys": in Chile during the dictatorship of Augusto Pinochet and in

Argentina under then Minister of Economy José Alfredo Martínez de Hoz (Harvey, 2005). However, the neoliberal policies of deregulating agriculture, industry, and finance; privatizing public goods and basic services; and opening up the consumer goods and capital markets became dominant with the conservative revolution that began in 1979 and extended into the 1980s with the governments of Margaret Thatcher and Ronald Reagan, establishing the supremacy of the market and spreading neoliberalism around the globe, regardless of the political beliefs of local governments.

In recent decades, we have observed the primacy of financialization over productive globalization. According to this narrative, the actors, instruments, and financial institutions not only define the pace of the expansion of productive activities, income, and job creation, but also define the very structure of contemporary capitalism. Financialization is also a major aspect of the struggle of the core countries to maintain the hegemony of their financial centers and their metropolises.

Beyond the growth in the production of goods and services, it is the increase in profit margins that becomes an imperative issue for the dynamics of financialization. Entrepreneurs and investors are willing to use any means necessary to obtain that desired increase, as observed in the events leading up to the 2008-2009 financial crisis. These gains would not be feasible if the final prices of the products and services reflected the real costs of labor, including the unpaid reproductive labor in the home that is mainly shouldered by women and girls, as well as the use costs associated with renewable and non-renewable natural resources and damage to the environment (environmental liability).

The global economy exposes the role of financial and non-financial corporations in the legal trade of goods and services, but also their direct or indirect involvement in the black market of drugs, weapons, and human trafficking. This black market has tragic effects in both wealthy countries—drug users and weapons producers—as well as in Latin American countries—drug producers and weapons users.

Additionally, the separation between licit and illicit activities is nothing more than a formality. There is no shortage of evidence regarding the criminal nature of global capitalism, which began with its history of extermination and expropriation—primarily in Africa, Asia, and the Americas—and continues to manifest itself in a never-ending list of infamous acts: the slave or semi-slave labor of men and women who work in the textile and electronic factories in Asia and other parts of the Global South;[14] the production of foods with excessive amounts of sodium, glucose, and other substances that created the global obesity epidemic and continue to threaten the health of consumers; the active lobbying of these same companies to stall and prevent adequate regulations; the introduction, production, and diffusion of pesticides that have harmful effects on nature and on human and non-human health; the decades-long discharge of toxic waste into rivers and soils; the systematic rejection of the precautionary principle as regards the use of genetically modified organisms; falsifying information about tobacco addiction; the production of medicines with prices that put them beyond the reach of patients; the falsification of pollutant emissions data, etc. On top of all this, respectable banks and financial corporations launder the money from criminal activities, such as drug trafficking, eventually financing the legal activities of the criminal capitalists.

It is necessary to reiterate that the contemporary global integration of markets, like other themes of mature modernity, is part of a historical movement that encompasses continuities, as well as tragic ruptures. These discontinuities in the history of global integration serve as a warning that the perspectives opened up by technical innovations do not necessarily imply inevitable and irreversible outcomes. The unresolved tensions of triumphant liberalism in the 19th century finally came to a head in the major crises that shook the world from 1914 to 1945. As a whole, the predominant system in Europe prior to the Great War offered effective global governance based on the following features: 1) the broad liberalization of the consumer goods market and borders that were open to European immigration

14. "By now, these Indonesian workers were used to people like me: foreigners who come to talk to them about the abysmal conditions in the factories where they cut, sew, and glue for multinational companies like Nike, the Gap, and Liz Claiborne." (Klein, 2000/2001, p. 3)

with limited oversight; 2) financial stability and currencies that were backed by the gold standard or British pound sterling; 3) a liberal ideology based on a self-regulating market with minimal state interference; and 4) a political system facilitated by the balance of powers between the decreasing numbers of European monarchies (Polanyi, 1957/2001).

These stabilizing elements are absent from the current movement towards global economic integration. Contemporary globalization is occurring within a context of financial and monetary instability, extensive and intensive protection of the rights and property of investors, increasing barriers to the free movement of persons, progressive elimination of labor and social rights, a selective liberalization of trade in goods and services, and a total uncertainty regarding global governance and power structures.

However, both waves of globalization are similar in terms of the tensions created as a result of a severely unequal distribution of the costs and benefits of global economic integration. The growth of anti-liberal movements and a certain disillusionment with representative democracy among the working class in Europe and the United States help reveal the general lack of well-being caused by global capitalism and the dominating ideology of neoliberalism and raises concerns regarding the capacity of our collective institutions to face the negative consequences of contemporary globalization.

Finance capitalism: The financialization of economies

The changes in the global structures of production and trade represent only the most visible aspects of the transformations of the dynamics of contemporary capitalism. In fact, the true motor of the major social-economic transformations is found in the income derived from the multiplication of capital markets and financial instruments. The figures speak for themselves: in 2015, the value of the exports of goods and services was $20.7 billion, while the total sales of multinational companies in the world, with an assessed value of $105.8 billion, was estimated by the United Nations Conference on Trade and Development (UNCTAD) at $36.7 billion (United Nations Conference on Trade and Development [UNCTAD], 2016). However, the predominance of finance over trade is illustrated by the transactions in foreign exchange capital markets. In 2012, daily operations in foreign currencies reached $4 trillion, with only about one percent of operations in foreign currency markets linked to merchandise trade (UNCTAD, 2012, pp. 16-17).[15] In 2010, the total value of the world's financial stock was estimated at $212 trillion, surpassing the previous 2007 peak (Roxburgh, Lund, & Piotrowski, 2011).

In the economic sociology literature, the term "financialization" is used to draw attention to the omnipresence of the finance sector in the different aspects of personal and collective life. In contrast to the perspective of the analysts that have adopted Karl Polanyi's (1957/2001) double movement framework—which considers financial markets as independent of social organization—the discussion of financialization in the literature proposes a narrative in which financial markets are deeply embedded in social, political, economic, and cultural life, and in which their evolution depends directly on the actions of the state (Montgomerie, 2008; Goldstein, 2009; Dore, 2008). Finance ceases to be conceptualized as a set of markets for the sale and purchase of products and is instead evaluated as a set of processes and interactions intimately articulated with social practice (Montgomerie, 2008, p. 235). Studies seek to understand the impacts of institutions and financial innovations on the growth dynamics of the productive sector, corporate governance (shareholder primacy), and growing income and wealth inequality within a framework of the intentional deregulation of the markets (Goldstein, 2009; Davis & Kim, 2015).

As suggested by Ronald Dore (2008), "'financialization' is a bit like 'globalization'—a convenient word for a bundle of more or less

15. The data includes forex spots and forwards and other derivatives used in carry trade operations (UNCTAD, 2012, p. 17).

discrete structural changes in the economies of the industrialized world" (p. 1097). Kotz (2015) prefers to consider financialization as one of the consequences of the changes to the policies and institutions that make up neoliberal capitalism. In fact, neoliberalism, globalization, and financialization can be considered as separate but interrelated components of contemporary capitalism that co-evolved during the same period of time.

Beginning in the 1970s, two movements converged to facilitate the increase in high-risk investments: 1) the loss of effectiveness of the institutions responsible for controlling risk and 2) the growth of risk instruments anchored in algorithms that exploited the explosive increase in computational capacity. Since the 1970s, the changes introduced to limit governments' ability to intervene in the United States, the United Kingdom, and then in European Community countries were aimed at increasing the scope of private, high-risk activities for individuals and legal entities. Some of these changes were gradual, while others were radical. These changes began with the collapse in 1971 of the Bretton Woods fixed exchange rate system, the creation of floating currencies, and the creation of a private foreign exchange market. Simultaneously, key industries that had previously been recognized as natural monopolies (electricity transmission and telecommunications) or as public goods (education, health, security, and defense) were deregulated. In Europe, state-owned companies in these sectors were partially or totally privatized and opened to private competition.

Likewise, in the United States, both Republican and Democratic governments progressively deregulated the financial sector throughout the 1980s and 1990s and the enforcement of antitrust laws was weakened, allowing for mergers and acquisitions that led to highly concentrated goods and services markets, as discussed below (Kotz, 2015). A significant number of public functions were also privatized for the same purposes, mainly at the state and municipal levels. Certain functions were subcontracted to private companies, while others, such as the management of prisons, were completely handed over to private companies. Private military and security companies, such as Blackwater, have replaced the United States Army in certain cases and become an extension of the Army in others (Gómez del

Prado, 2010). Additionally, from the 1970s to the end of the 1990s, there was a significant reduction in social welfare programs, which had never been as strong in the United States as they were in Europe, along with the modification of the capital-labor relation, including a major decrease in workers' bargaining power.

As a result of these changes, financial markets became fundamentally involved in even daily household activities, as well as in those of corporations and the state. In almost every industrialized country, individuals and families invested the savings meant to finance their retirement and/or their children's university education in mutual funds while, unbeknown to them, their mortgages, car loans, credit cards, and student loans converted into collateralized debt obligations (CDOs) and were sold to international investors (Epstein, 2005).[16] The financial crisis revealed the full extent of the "parallel" banking system of credit intermediation—the so-called "shadow sector" or "shadow" banking system—which transforms short-term funds obtained in the currency market into long-term investments and is not subject to the periodic reporting obligations that traditional banks must adhere to.

As presented by Epstein (2005), the framework of financialization attempts to understand "the increasing role of financial motives, markets, actors, and institutions in the operation of the domestic and international economies" (p.3), as well as international power dynamics. The concept of financialization has also been applied to other diverse phenomena, such as the globalization of financial markets, the importance of shareholder primacy in the strategies and structures of large companies, and several changes related to the theory and practice of corporate governance (Orhangazi, 2008).

The studies on financialization are unanimous in concluding that finance ceased to play its traditional role as the provider of

16. In 1980, Ronald Reagan's government introduced a retirement savings vehicle known as a 401(k). Employees are able to allocate a certain portion of their salary to a 401(k) account, which can then be invested in financial vehicles. Taxpayers are also able to deduct the percentage of their salary that they contribute to this account.

capital for the productive economy.[17] On the contrary, the experiences derived from the 2008-2009 crisis questioned how an increasingly autonomous sphere of global finance modified the underlying logic of the industrial economy, even influencing the internal operation of democratic societies (Zwan, 2014).

Additionally, data shows that finance models the way the real economy generates profits. As outlined by Orhangazi (2008), empirical analysis shows that non-financial corporations (NFCs) have been increasing their financial investments relative to their real investments; they are earning a larger share of their profits from financial operations; and they are discharging higher proportions of their earnings to the financial markets in the forms of interest payments, dividends, and stock buybacks (p. 7). More profits are being generated from financial operations than from the real economy. For example, the gross value added of financial corporations in the United States rose from about 6% of non-financial corporate gross value added in the 1960s to 16% in the early 2000s (Orhangazi, 2008, p. xii). It is important to keep in mind that, beyond financial instruments, financial companies intervene in the operations of both financial and non-financial corporations in two ways: 1) by holding company capital, i.e. as shareholders, and 2) by holding positions on the board of directors of NFCs.

The financial crisis drew attention to the practices of corporate boards, in particular to the low level of independence that members had regarding decisions made by the chief executive officer (CEO), including executive compensation packages. A related phenomenon known as "board interlocking"—when one board member is also a member of various other companies—is also proof of the connections and networks that exist among companies. Inconclusive evidence exists showing that interdependence between boards is related to the degree of concentration of the market, with the interdependence

17. In the words of Orhangazi (2008), "in the so-called 'Golden Age of Modern Capitalism'... the appropriate role for the financial sector was thought to be 'servant' of the real sector rather than... as its 'master'" (p. xi).

highest at an intermediate level of market concentration of the industry (Mizruchi, 1996).

Some authors, such as Guy Standing (2016), denounce financialization as a model of rentier capitalism *à outrance* that generates and concentrates extreme wealth. Rentier capitalism is understood to be a parasitic and criminal capitalism that only produces wealth for investors, destroys jobs, and seeks to obtain short-term profits by any means possible, whether legal or illegal. As defined by Standing (2016), "rentiers derive income from ownership, possession or control of assets that are scarce or artificially made scarce," such as natural resources or intellectual property.

In rentier capitalism, the very rich live on investment income, patent rights, brands, franchises, copyrights, marketing of athletes, and business models and platforms (e.g. Uber, Airbnb, Amazon), among others. All the institutional architecture that has been built in recent decades by the World Trade Organization (WTO), the World Intellectual Property Organization (WIPO), and the mega-regional trade agreements promoted by the United States to harmonize standards, among others, all have the fundamental objective of protecting rentiers' activities. According to Standing (2016), this institutional architecture was created to establish a global market system in which rentiers can enjoy their profits without risk.

For the reasons established above, the most remarkable phenomenon of global financial capitalism is the impressive concentration of economic power with a small number of individuals and legal entities that have the means to intervene in the political life of countries and prevent the design and implementation of laws that might reduce their power to accumulate wealth.

Concentration and centralization of wealth, power, and income

In the past few years, issues related to the distribution of wealth and income inequality have assumed a central role in public discourse.

In particular, the work of Thomas Piketty (2013) disseminated the research of a group of economists who documented the gradual restructuring of the wealthiest segments of the studied countries (France, the United Kingdom, and the United States) beginning in the 1960s, as well as the continuous rise in inequality resulting from the fiscal and financial policies adopted in those countries during the 1970s and 1980s. The rapid growth of inequality in the personal distribution of income can primarily be explained by the income of the leading cadres of financial and non-financial corporations, who have the enviable condition of setting their own salaries (Piketty, 2013, pp. 52-53).

The growth of private assets (stock) is reflected in the growth of income derived from capital (flow) and, consequently, in the reduction of labor income in gross national income (without considering the extremely high wages of business executives) (Baker, 2015). In Piketty's analysis (2013, p. 76), the movement to reconstitute private capital was accelerated by the conservative Anglo-Saxon revolution of 1979-1980, the collapse of the Soviet bloc in 1989-1990, and the financial globalization and deregulation that occurred from 1990 to 2000. Despite the crisis that began in 2007–2008, by 2010, capital had reached a level of prosperity not seen since 1913.

Other authors investigated the composition of the capital encompassed within the term industrial capital, which represents the sum of all non-financial assets belonging to individuals and legal entities (residences, buildings, land, machines, equipment, patents, and other professional assets). As presented by Baker (2015), the resulting argument is that most of the income growth of the top 1 percent of the population comes from "four major areas: patent and copyright protection, the financial sector, the pay of CEOs and other top executives, and protectionist measures that have boosted the pay of doctors [artists, sports players, scientists] and other highly educated professionals" (p. 1).

In the United States, from 1993 to 2007, the income of the top 1 percent of earners grew at a rate of 10 percent per year, while the income of the remaining 99 percent grew at a total rate of only 2.7 percent per year between 1993 and 2000 and 1.3 percent per year between 2002 and 2007. As a result, the top 1 percent of earners captured 45 percent of total growth from 1993 to 2000, and 65 percent of the country's income growth from 2002 to 2007 (Atkinson, Piketty, & Saez, 2011, pp. 8-9).

In terms of the distribution of wealth, in the first decade of the 21st century, the wealthiest 1 percent in the United States owned about 35 percent of aggregate wealth, while in Europe, the proportion varied between 20 percent and 25 percent (Alvaredo, Atkinson, Piketty, & Saez, 2013, p. 9). Additionally, the wealthiest 0.1 percent of the population increased its fraction of total wealth from 7 percent in 1978 to 22 percent in 2012. To provide an idea of the magnitude of this wealth, in 2012, the top 0.1 percent included a group of about 160,000 families with net assets equal to or greater than $20 million (Saez & Zucman, 2014, p. 1). The concentration of income and wealth has also increased in other industrialized countries, although not to the same extent as in the United States and the United Kingdom (Organisation for Economic Co-operation and Development [OECD], 2011).

These figures reveal a context of extreme social injustice. Following the financial crisis, an almost obscene concentration of wealth benefited a couple of thousand people, while millions of people lost their jobs, income, and assets. This concentration of wealth is also associated with the concentration of economic-financial and political power. However, beyond the normative dimension, it is important to add that this enormous concentration of wealth threatens the sustainability of contemporary capitalism itself. For example, according to several conventional economists, this context of social and economic imbalance is a factor in the stagnation of the U.S. economy, which in turn affects the growth of the international economy.[18]

The concentration of wealth among a handful of individuals and families is also reflected in the control of the global economy by

18. Another important adverse factor is the public debt of the United States, which increased dramatically after the implementation of an expansionary monetary policy and the purchase of "toxic" assets, amounting to over 70 percent of total U.S. GDP.

a small group of multinational companies. This intuition is difficult to verify empirically due to the web of direct and indirect ownership relations through which a company is able to control many others, as well as the scale on which global companies operate. In spite of the amount of research carried out in each national context, it has been impossible to obtain sufficient empirical evidence of the global power of these corporations due to the fact that most of the data on market concentration is limited by the national boundaries where these companies operate.

Large corporations, economic groups, and investment companies extend their operations to a vast number of product markets and domestic markets through the purchase of small and large companies with consolidated brands in local markets; through takeovers, hostile or not; and through mergers and other types of operations. For example, Unilever, a Dutch-British company, is the third-largest company among the top 10 companies that control the food, non-alcoholic beverage, ice cream, home care, and personal care markets. The company has 400 brands in nearly 190 countries that employ more than 168,000 people. Fourteen of Unilever's brands have annual sales exceeding €1 billion. In 2015, the company reported total turnover of more than €53 billion and operating profit of €7.5 billion.[19]

According to Oxfam's Behind the Brands initiative, the enormous influence of the 10 largest food and beverage corporations allows them to determine how food will be produced, how natural resources will be used, and the extent to which benefits will transfer down their supply chains to the millions of workers and small-scale farmers who form the basis of their operations.

In the world of global consumer goods companies, the dominance of brand over product derives from the experience of new companies in the 1980s, such as Nike and Microsoft. These companies operated under the thesis that their primary focus was the production of brand image and equity, and that the production of goods was a secondary

19. Data retrieved from: <https://www.unilever.com/Images/q4-2015-full-announcement_tcm244-470010_en.pdf>.

aspect of their operations. The company's real work was marketing, not producing. Subcontractors that are committed to delivering the orders on time and at a low cost are responsible for production, while the company that owns the brand concentrates on marketing the products (Klein, 2000/2001).

Additionally, as documented by Klein (2000/2001), these international brands seek to cover up the poor working conditions in which their products are made, in places where the brands are not even available:

> The travels of Nike sneakers have been traced back to the abusive sweatshops of Vietnam, Barbie dolls' little outfits back to the child laborers of Sumatra, Starbucks's lattes back to the sun-scorched coffee fields of Guatemala, and Shell's oil back to the polluted and impoverished villages of the Niger Delta. (p. 6)

At the same time, companies invade private and public spaces through the pervasiveness of their brands, including physical spaces, such as sports stadiums and websites and even through the shirts and shorts of sports players.

It should be noted that the highest concentration of not only economic power but also cultural, ideological, and political influence is found in the new industries of digital media, social networks, future products, and entertainment that form the creative economy, now considered the "New Establishment." The five tech giants—Apple, Amazon, Facebook, Google, and Microsoft—have enormous power measured by their market value, earnings, and ability to influence both people and institutions. In 2015, just two companies, Google and Facebook, controlled 75 percent of all paid advertising on the Internet. In the first quarter of 2016, these two companies captured $0.85 of every dollar spent on digital media advertising in the United States (Garrahan, 2016). Google and Facebook have the capacity to mine the personal data of their more than 1.6 billion users. These corporations are then able to use this information to attract companies that want to sell their products or brands, but the information can also be used for other purposes.

The crime of globalization and the globalization of crime

The separation between licit and illicit activities depends on social, cultural, and institutional conventions, which vary over both time and geography. Alcohol is now permitted in all Christian countries, but was considered illegal in the United States for a short period (January 1920 to December 1933). Furthermore, before the second half of the 20th century, the consumption of narcotics and psychoactive drugs, such as cannabis and cocaine, was legally and socially accepted in several countries. For example, in the United States, trade and consumption of cocaine and certain other drugs was legal between 1884 and 1900 and then limited to medical prescriptions until 1914. More severe controls were implemented after 1915. These drugs were relatively inexpensive and accessible in pharmacies, department stores, and even through mail order catalogs (Brecher, 1972). The consumption of both marijuana and cocaine began to be controlled in the 1950s. In the United States, cocaine consumption dropped off before World War II, emerging again in the 1970s (Musto, 1990).

The term "organized crime" can be used, in its literal sense, to designate systematic illegal activity whose purpose is to obtain money or power outside of the sphere of legal activities. For many, the meaning of organized crime refers to organizations of criminals who have power that is not accepted "by respectable society"—either because this power was achieved through violence, or because of its ability to corrupt weak, ambitious, and "passive" public officials (Edwin H. Sutherland, as cited in Geis, 2011, p. 3).

In his various publications, Michael Woodiwiss has tried to highlight the active participation of legitimate businessmen in organized crime. From the beginning, landowners, merchants, and government officials have actively participated in illegal activities including insurance fraud, fraudulent bankruptcy, financial fraud, forgery, illegal gambling, theft, extortion, and trade of stolen or illegal goods and services.

In the 1930s, analysts in the United States concluded that, rather than being a threat to economic, legal, political, and social structures, organized crime was an integral part of them. However, the recommendations about controlling crime ceased to include the economic, political, and social systems. Film and literature reinforced the perception that the problem of organized crime could be reduced to groups of bad people that corrupted government and business. Those perceptions led to a seemingly simple solution: more power for the government to identify, investigate, and punish the bad guys. Over decades, an official consensus was formed that these negative influences were foreign to the culture of the United States and that they constituted a threat to the country's strong institutions. The hegemonic power of the United States in multilateral organizations ensured that the world order followed U.S. legislation related to organized crime, mainly with regard to drugs (Beare & Woodiwiss, 2014).

Edwin H. Sutherland, a sociology professor at the University of Indiana, introduced the term "white-collar crime" at a professional conference in 1939. In his speech, Sutherland argued that crime was not only associated with poverty and highlighted the impact of criminal behavior committed by businessmen and professionals who use their positions of influence, power, and trust in legitimate economic, political, and institutional structures. They do so to obtain illegal benefits or to commit illegal acts for their personal or organizational benefit (Geis, 2011, pp. 3-7).

Subsequently, the criminology and criminal justice literature began to use the expression "crimes of the powerful" to refer to the crimes committed by influential people or societal groups. In addition to the power they wield, similarities exist between organized crime groups and white-collar criminals:

1. Both seek economic control of the financial markets, whether legal or illegal. In general, both groups are seeking monopolistic power over the markets in order to set and control prices.
2. The two groups not only seek to control criminal legislation, but also to change the government standards and procedures

that are designed to check the predatory behavior of the powerful and protect consumers.
3. The crimes both groups commit impose both human and financial costs on society.
4. Their purpose is to accumulate wealth and exercise power for the benefit of the organization and its members, regardless of the costs imposed on the rest of society (Vito, Maahs, & Holmes, 2006, pp. 400-401).

For Barak (2015, p. 105), the "crimes of the powerful" are economic crimes, or in other words crimes of capital accumulation and reproduction. Under the dominant interests and relationships of global capital, these crimes include the institutionalized political and economic arrangements that create structured routines of harm, offense, and victimization. Crimes of the powerful refers to transgressions that simply normalize victimization as "the cost of doing business" and "collateral damage." Although they are systematic and illegal violations of civil and human rights, these crimes manage to escape judicial action and social stigmatization. A recent example is the epidemic of fraud in the largest U.S. financial institutions and in the capitalist world that spawned the Great Recession of 2008-2009.

According to Barak (2015), the crimes of the powerful are typically committed by well-established private and/or public organizations in violation of the rights of workers, women, children, taxpayers, consumers, democratic systems, and ecosystems. There is a plethora of harmful and dangerous activities that are routinely beyond legal incrimination and safe from civil action.

In contrast to drug trafficking itself, which is always present in the news, the laundering of the profits generated by drug trafficking remains in relative obscurity. The National Crime Agency (NCA) estimates that many hundreds of billions of British pounds from illegal activity is "recycled" by banks in the United Kingdom each year. In 2012, the United States levied a fine of $1.9 billion against the British bank HSBC for laundering money from the Sinaloa (Mexico) and Norte del Valle (Colombia) drug cartels (Hanning & Connett, 2015). In 2009, the total amount of money laundered from criminal activities committed by international companies, government officials, and other illegal actors, including tax evasion, was estimated to total 2.7 percent of global GDP, or $1.6 trillion.[20]

Despite the fact that the "war on drugs"—a policy that is considered highly inefficient and with a strong racist bias—has been waged for half a century, the impact of this criminalization has been minimal, both on the production and trade of drugs and on the apprehension of associated revenues: only between 10 percent and 15 percent of drugs are intercepted, while less than 0.5 percent of money associated with drug trafficking is confiscated (Ivanov, 2011).

As with the production and commercialization of licit merchandise, the distribution of profits along the supply and distribution chain of the drug trade is also extremely unbalanced. According to data from the United Nations (UN), out of the total $85 billion generated by the cocaine trade in 2009, less than 1.2 percent ($1 billion) was earned by the coca farmers in the Andean region; nearly 80 percent of the revenue from the cocaine trade that year was laundered by a legitimate financial institution in the North American and/or European financial system (United Nations Office on Drugs and Crime [UNDOC], 2011).

The conversion of money generated from illicit activities into legal financial resources is facilitated by an opaque financial world and the complicity of governments that protect tax havens. Subsequently, the now legal money can be used by organized crime to make new investments in legal and illegal activities. Organized crime groups seek legal businesses in which there are no barriers to entry and whose control implies high profits.

In addition to drug trafficking, which has an annual estimated income of between $280 billion and $320 billion, revenues from counterfeit medicines, music, and movies were estimated at $250 billion; human trafficking at $31.6 billion; illicit oil trafficking at $10.8 billion; and other activities, such as the illic-

20. For more information, visit the website of the National Crime Agency: <http://www.nationalcrimeagency.gov.uk/crime-threats/money-laundering>.

it trafficking of wildlife, weapons, human organs and works of art, illicit fishing, timber, and gold mining, among others, amount to more than $80 billion. Combined, the income from these activities totals between $650 billion and $690 billion. Global Financial Integrity, a research and advisory organization, collected this data from different sources between 2008 and 2010 (Haken, 2011). The most recent estimates of these totals present a very wide range, between $1 trillion and $2 trillion, or between 1.8 percent and 3.6 percent of gross world product (GWP). This number shows the alarming extent of criminal activities, but also the lack of more precise knowledge regarding the volume and composition of criminal markets.

It is important to note that knowledge rentiers obtain their profits by exploiting this resource, which is not scarce and whose consumption is enjoyed and shared by an infinite number of individuals and entities without this consumption decreasing the quantity offered (non-excludable). The privatization of knowledge artificially restricts access to a resource that is based on public investments and collective creation. Knowledge is a shared resource that is a common good, forming part of a commons. The planet's resources also belong to this domain, including water, forests, fishing resources, and wildlife (Hess & Ostrom, 2007).

Apart from the misappropriation of common goods, the criminal nature of capitalism is even more evident in the health sector, where companies capture scientific and technological progress for the privilege of few patients. The price of recent medicines for the treatment of different types of cancer, hepatitis C, and other diseases is so high that public insurance programs have been forced to restrict access to them. Companies manage to maintain their monopoly rights using the justification that the high price of the medication is due to significant research and development (R&D) expenses, even when research shows that pharmaceutical companies spend more on marketing their products than on R&D.

Given the evidence that R&D costs do not justify the high prices of new medicines, companies and their advocates suggest that prices should be set by the *value* that these new drugs provide. For example, if the treatment of a disease previously cost the health system $1 million per patient per year, the price of a new drug could be set at $400,000 per patient per year, regardless of the cost of R&D (LaMattina, 2015).

At the same time, groups of investors have found a way to extract extraordinary profits, even from drugs whose patents have expired. Investors purchase pharmaceutical companies that produce one or more drugs that treat rare diseases and that are used by a small number of patients; this reduced market helps ensure that there are no incentives for other companies to compete. Immediately following the purchase of the pharmaceutical company, drug prices are increased significantly, sometimes by more than 1,000 percent. This was the case for a medicine marketed in the United States under the name Daraprim, used to treat a certain parasitic infection. When Turing Pharmaceuticals, a company run by a former hedge-fund manager, acquired the drug, the price increased from $13.50 per tablet to $750 per tablet (Pollack, 2015).[21]

In the eagerness to obtain high profits, capital, in the abstract, and capitalists, in particular, have committed crimes against humanity and life on our planet without caring about the consequences for human life, animal life, and the natural heritage of the planet. Through their respective representative institutions, local governments previously tried to contain and sanction the most disastrous actions of capitalist companies with varying levels of success. But that tendency has reversed in recent years. Similarly, at the international level, the international order of the first decades of the postwar period, which favored consensus and multilateralism, was dissolved and replaced by an institutional disorder in which the United States and other core coun-

21. Another case involved Valeant Pharmaceuticals International, whose purchase of drug rights and subsequent price increases made the company's CEO a billionaire. One of the drugs purchased by Valeant, Cuprimine, is used to treat a rare inherited disorder called Wilson disease. Untreated, Wilson disease can cause severe liver and nerve damage. Prior to its acquisition by Valeant, a month's supply of Cuprimine cost approximately $888. After the acquisition, the price for a month's supply increased to $26,189 (Pollack & Tavernise, 2015). Other companies have used a similar strategy.

tries use their military power to unilaterally and arbitrarily resolve conflicts that, in other circumstances, could be mediated by diplomacy.

The political economy of international cooperation

Students of international relations are familiar with terms such as international order and global interdependence, and with institutions that effectively manage economic and political conflicts and promote cooperation among nations. The basic premise is that, in a more integrated international environment, the decisions that a government makes to defend national interests can also have an impact on the welfare of other nations and may adversely affect their interests. At the same time, the interdependence that results from economic integration offers the potential for cooperation, and the collective benefits of cooperation are greater than resolving conflicts with violence. Therefore, within the context of interdependence, rules and governing organizations are essential to promote international cooperation and prevent conflicts from ending in violence (Keohane, 2001).

The major difference between the institutions that regulate national society in democratic countries and those that regulate global society is effectiveness. There is no global government or supranational institution with the capacity to sanction national behaviors that violate the rules. Due to the absence of international institutions with the power to implement the agreed-upon standards, the adoption of and compliance with international standards and practices is decided by the existing power dynamics between countries. Additionally, these standards and practices generally seek to protect the interests of the core powers.

Concerns about the effectiveness of international organizations in offering solutions to collective problems are not a purely academic issue. In reality, collective solutions are needed to solve serious problems such as climate change, population pressure, competition for scarce natural resources (e.g. water), the emergence of new powers, nuclear proliferation (e.g. the failure of the Treaty on the Non-Proliferation of Nuclear Weapons), transnational terrorism, and religious and ideological fundamentalism. In order to avert the possibility that the core powers always opt for a military solution, it is necessary to rebuild collective institutions that favor international consensus and cooperation.

Governing common goods: Committing to protect the rights... of whom?

The UN continues to be the only universal membership international organization; it is open to all countries, everyone has a voice and vote, and all members have accepted the organization's charter. Therefore, the UN has been, and continues to be, an important framework through which governments can collectively discuss relevant issues, including international security. Considering the range of topics covered by international cooperation, the adoption of international standards that cover a broad set of technical issues, the number of countries involved, and the high participation of organized civil society, the work of the UN has never been so important.

Within the UN, human rights are embodied in the UN Charter and are a fundamental part of its history. The Universal Declaration of Human Rights sets out the fundamental human rights that must be universally protected to ensure the dignity of every human.[22] The International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights are even broader and were signed separately due to issues related to the Cold War. Historical experience has shown that economic and social rights directly condition civil and political rights. In fact, international

22. The Universal Declaration of Human Rights was adopted on December 10, 1948.

human rights treaties enshrined the concept of the indivisibility of civil, political, economic, social, and cultural rights.

The UN development agencies, particularly the Economic Commission for Latin America and the Caribbean (ECLAC), have shown time and time again in their publications that there can be no sustainable political democracy without the democratization of economic opportunities and equal access to quality education and justice for all.[23] A population in a situation of poverty or abject destitution is vulnerable to political pressure and cannot exercise its citizenship or access comprehensive justice; these populations are thus deprived of their civil and political rights. However, these covenants are not binding. States' obligations in this area are not legally recognized and do not include a dispute resolution mechanism, unlike investment treaties, which are reviewed in more depth below.

A discussion of economic, social, and cultural rights inevitably leads to a discussion of the functions of the state and the market in terms of the allocation of resources and in the distribution of production and income. In capitalist or market economy countries with neoliberal policies, economic, social and cultural rights depend on private agents that operate outside the public sphere. According to the legal literature, intergovernmental organizations therefore cannot commit to "performance obligations." International agreements established by capitalist states in which economic transactions are coordinated by private agents cannot go beyond the acceptance of "behavioral obligations," or codes of conduct.

The leaders of the United Nations System sought to provide more relevance, consistency, and impact to the work done in the field of international law and human, economic, and social rights. In line with the standards of the 1990s, the UN Secretary-General worked

23. It is important to highlight that the issue of economic and social development was "invented" during the first few years of the UN's existence and became the focus of research and political activity of organizations such as UNCTAD and the regional development commissions, especially ECLAC. See Toye and Toye (2004) for information on the intellectual history of the UN in trade, finance, and development and Ventura-Dias (1998) for the history of ECLAC.

to build relationships with the private sector, abandoning the previous rhetoric of confrontation. Under Secretary-General Kofi Annan, the UN launched the United Nations Global Compact, an initiative intended to "transform the world through business."[24] In 2000, the UN General Assembly approved the Millennium Development Goals (MDGs) after a long process during which a large number of people and organizations contributed to the creation of quantifiable development objectives. The quantification of these development objectives had been demanded by countries and organizations, private and public organizations, and development aid donors.

In September 2015, the UN member countries approved the ambitious 2030 Agenda for Sustainable Development based on the recommendations from the 2012 meeting of the United Nations Conference on Sustainable Development (Rio+20). The new agenda contained a new set of sustainable development goals (SDGs).[25] While there is not enough space in this essay to analyze the UN's activities on issues related to the environment and climate change, the unquestionable importance of this multilateral forum for scientific and political discussions was reaffirmed with the ratification on December 12, 2015, of the Paris Agreement, an agreement within the United Nations Framework Convention on Climate Change.

Within the context of the crisis scenarios that had been presented in previous sessions, in September 2015, "world leaders committed to transform our world and to leave no one behind in the quest for sustainable development" (United Nations Research Institute for Social Development [UNRISD], 2016, p. 2). The SDGs are the result of a consultation process that lasted two years and involved the active participation of member states and organized civil society.

24. For more information, visit the UN Global Compact website: <https://www.unglobalcompact.org/about>. In the words of former UN Secretary-General Ban Ki-Moon, "the United Nations and business need each other. We need your innovation, your initiative, your technological prowess. But business also needs the United Nations. In a very real sense, the work of the United Nations can be viewed as seeking to create the ideal enabling environment within which business can thrive" (UN, 2008).

25. See Adams and Tobin (2014) for more information on the SDGs.

According to Adams (2016):

> The 2030 Agenda represents an important break with past agendas, and reflects a political effort to come to terms with the new economic, political and planetary realities—at all levels. It is perhaps the first truly post-colonial agreement in that it is universal, going beyond the paradigm of development cooperation and requiring all countries to measure and report on progress, not just developing or 'programme' countries and not only in aggregate or income terms. It is also an agenda for all countries on how to tackle inequalities and insecurities living together on a planet of finite resources, with some planetary boundaries already exceeded. (p. 95)

The 17 objectives of the 2030 Agenda cover all the central areas of economic and social development, as well as economic, social, cultural, civil, and political rights. From Goal 1—"End poverty in all its forms everywhere"—to Goal 16—"Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels"—the SDGs set goals that nobody can disagree with, including even the governments in Syria and Yemen that have not stopped bombing schools and hospitals. The issue, of course, lies in the details of who, when, and how. One of the primary issues is how the 2030 Agenda will be financed to effectively solve the problems of development, inequality, and the destruction of the planet outlined in the SDGs (there are less than 15 years left).

In concept, the 2030 Agenda represents a major effort to encompass, outline, and connect the essential themes of sustainable development across its three dimensions: economic, social, and ecological. In practice, however, there are many reasons for skepticism, given the technocratic nature of a change process that should instead be political and driven from below by those excluded from growth and globalization, as well as the social movements in which they participate.

As previously mentioned, the UN Secretariat under Secretary-General Kofi Annan focused on increasingly and continuously including representatives from the private sector in its decision-making processes and project financing. Adams and Tobin (2014, p. 18) use the term "Philanthropic Colonialism"—originally coined by Peter Buffett[26]—to characterize the increasing dependence of the UN on resources from Big Business, private foundations funded by billionaires such as the Bill and Melinda Gates Foundation, and other international private organizations from wealthy countries. This increase in private financing was a result of the UN Secretariat's efforts to remain relevant in light of the increase in global issues and the reduction of funding provided by the member states. However, the impact of corporate influence on international policy issues and their governance has not been adequately debated (Adams & Martens, 2016).[27]

For example, the 2030 Agenda is structured on market-based growth and neoliberal policies that are part of the problem of an exclusionary and destructive development of the planet, and not part of the solution. In the context of market-driven growth, there are no goals that include industrial policies that encourage growth.[28] Additionally, one of the main problems facing the transformation of the SDGs into national development policies in the contemporary context of financialization, rentism, and fiscal austerity policies is the financing available to fulfill the goals, the deus ex machina of

26. Peter Buffett is the son of billionaire businessman Warren Buffett, who in 2006 donated his fortune to three philanthropic foundations managed by his children. He coined the term "Philanthropic Colonialism" to refer to the actions of wealthy donors who think that they are able to solve a local problem. Based on his great knowledge and experience in the world of the super-wealthy, Peter talks about how the process of "conscience laundering" helps these donors feel better about themselves while helping keep the structures of inequality intact. See Buffett (2013) and CKGSB Knowledge (2014).

27. Also see Adams and Martens (2016) for an analysis of the impact that these new partners have had on the operations of the UN and other independent agencies (WHO).

28. Esquivel (2016) states that "a last-minute addition qualified the countries' policy space by stressing that this exists 'while remaining consistent with relevant international commitments' (para. 63)—but it is precisely those rules and commitments that constrain countries' policy space" (p. 12).

the discussions. On the contrary, consistent with neoliberal policies, economic growth is conceptualized as the factor that will generate the internal resources that will make the SDGs viable, in combination with social protection and other redistributive policies. However, there is abundant evidence that economic growth does not automatically translate into greater social equality and, much less, gender equality (Esquivel, 2016).[29]

The points analyzed create the feeling that the SDGs fall into the voluntarism inherent in most of the initiatives created by international development agencies, which eliminate the contradictions imposed by the dominant power structures in their documents. In general, the documents try to highlight win-win proposals, but avoid discussing the sacrifices, compromises, and economic compensations that exist between actors, institutions, and nations due to existing power relations. As is standard for documents produced by international development agencies, an analysis of power relations between nations and within nations, and between men and women, is absent from the 2030 Agenda (Esquivel, 2016).

The World Trade Organization's trade and investment regulatory framework

Although the institutional architecture of financial capitalism is oriented towards protecting the interests of investors and rentiers, the post-war period has not always been this way. From 1945 to 1980, international economic law, or the multilateral system of economic rules and standards, evolved pragmatically, with enough flexibility to allow countries devastated by war (including Europe and Japan),

29. Esquivel (2016) strongly critiques the SDGs from a perspective of power and gender relationships.

as well as those in the process of industrialization (such as Australia, Canada, New Zealand, and many Latin American and Asian countries, among others) to adapt international rules to their economic development needs. Although the general purpose of trade negotiations was to create a more liberal trade regime, the specific objective of intergovernmental cooperation was not free trade itself, but rather reducing border protection through negotiated arrangements.

The term "embedded liberalism" was created by Ruggie (1982) in his seminal text on multilateralism to explain the success of the international post-war economic order. The trade regime established by the General Agreement on Tariffs and Trade (GATT) was successful because historical conditions allowed the political power of the United States to be linked to a *legitimate* social purpose: employment policies and investment. The liberalism of the postwar period was thus "embedded" in domestic policies and *legitimized* by them. This embedded liberalism was characterized by multilateral rules, in the basic sense of non-discrimination, but it was also based on domestic interventionism to maintain full employment. These conditions are no longer valid in today's reality.

The multilateral trade system was established in January 1948 with the GATT, which was subsequently replaced by the World Trade Organization (WTO) in January 1995. The continuity between the two treaties is expressed in the validity of the non-discrimination principle, the commercial relations between states, and the reciprocity of mutually advantageous concessions. But the differences far outweigh the similarities. Whereas the GATT was an informal organization, signed as a provisional agreement and conceived as part of the International Trade Organization that never materialized, the WTO is a structured legal and institutional framework characterized by universal membership with the necessary legal capacity to implement and enforce the set of rights and obligations that resulted from the Uruguay Round negotiations.

Over the past few decades, the U.S. government and other core countries, concerned with the effectiveness of international institutions and the need to increase the security of multinational companies' investments and operations, have successfully implemented changes to the commercial transaction regulatory framework with the purpose of adapting it to the new realities of emerging globalization, introducing more credible dispute resolution mechanisms and expedited sanctions. At the same time, when negotiations at the multilateral level stalled, the United States began to use the appeal of accessing its domestic market to motivate several countries to negotiate, bilaterally or in small groups, more favorable access conditions for U.S. companies to these country's markets.

The Uruguay Round of Multilateral Trade Negotiations (1986-1994) marked a significant turning point, partially because the 1982 GATT Ministerial Meeting preceded, by just a few months, the announcement of Mexico's debt crisis, which threw the rest of Latin America and the Caribbean into an acute liquidity crisis. The primary Latin American countries and large debtor nations, such as Brazil and Argentina, were well aware of the fragility of their negotiating positions, which would remain unchanged throughout the decade.[30]

On the other hand, beyond the formal discontinuities, the Uruguay Round drastically changed multilateral trade rules by extending the most-favoured-nation (MFN) principle to include the rights of companies and investors where it had previously only applied to merchandise, with the extension of trade rules to "trade-related aspects" such as intellectual property law (trademarks and patents, among others) and investment, and the inclusion of trade in services. Thanks to both the persuasive and dissuasive efforts of the United States, the Uruguay Round incorporated contractual obligations regarding the protection of intellectual property rights through the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement).

During the lengthy negotiation period, developing countries, especially in Latin America, maintained a traditional market access agenda and a defensive negotiating position regarding the new

30. See Jara (1993), Ricupero (1994), Tussie (1993), and UNCTAD (1994) for an analysis of the negotiating power of the debtor nations.

issues. Essentially, this position was due to ignorance on the part of the Latin American diplomats and trade economists regarding the implications of the new issues for their economies. Prior to the start of the Uruguay Round, the Ministries of Foreign Affairs in most Latin American countries did not encourage the study of international issues in their local universities, resulting in a lack of critical mass to formulate solid negotiating positions. Developing countries were accustomed to being mere spectators of trade negotiations among industrialized countries. From the implementation of the GATT, the few developing countries that were signatories to the agreement were not major exporters of manufactured goods, which were the only tradable products once agricultural products were excluded from the negotiations. As the number of signatory countries increased, the special and differential treatment (S&D) provisions released developing countries from the obligation to offer reciprocity in the tariff concessions received from industrialized countries.

One of the results of the Uruguay Round was the elimination of the "developing country" designation, except for the countries identified as least-developed countries (LDCs) by the UN (UNCTAD). Under WTO standards, developing countries were entitled to some flexibility, including longer periods to complete the adaptation of their local legislation to the commitments assumed as part of the WTO, among other benefits. However, once this transition period was over, every country was required to comply with the same obligations.

It is important to note that attempts to include liberalization and investment protection in the WTO were not completely successful, not only because of the coordinated actions of the developing countries, but also due to conflicts between the interests of the United States and the European Union. Only two WTO agreements contain clauses related to investments: the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Investment Measures (TRIMs). The TRIMs Agreement outlined states' ability to negotiate with multinational companies, specifically establishing that they could not implement performance requirements regarding the exportation of part of the production, entering into joint ventures with local partners, transferring or sharing technology, purchasing locally, local input coefficients, R&D spending, and local employment, among others. In other words, a host country cannot demand any counterpart commitment from the multinational company interested in operating within its territory.

The issue of investments was removed from the Doha Development Agenda after the Fifth Ministerial Conference in Cancún in 2003. As a result, home countries of large multinational companies have sought to obtain better legal provisions for investors through bilateral or plurilateral agreements all centralized in the United States, such as the North American Free Trade Agreement (NAFTA), the Dominican Republic–Central America Free Trade Agreement (CAFTA-DR), the Trans-Pacific Partnership (TPP), and the Transatlantic Trade and Investment Partnership (TTIP) between the United States and the European Union, in addition to the Trade in Services Agreement (TiSA).

These agreements tend to inhibit the state's ability to legislate for the common good and the defense of the public interest in the areas of health, the environment, education, culture, and financial prudence, among others. The purpose is to bind the state, giving companies and investors *carte blanche* in their search for private profits without having to worry about the environmental liability and the consequences of their actions on human lives, non-human lives, and nature. The agreements are extremely asymmetric in terms of rights and obligations: the state has obligations to fulfill and investors have rights to defend, and no counterpart commitment to contribute to the development of the host country is required.

It should also be noted that most countries have already signed a number of bilateral investment treaties (BITs) that provide additional protection to foreign investments and investors. After almost 20 years with these agreements in place, the conclusion is that they are not the answer to the development needs of countries receiving foreign direct investment. To better ensure the protection of intellectual property, "investment" is defined extremely broadly in these bilateral agreements as all types of property assets controlled, directly or indirectly, by a foreign investor. Investment includes patents, commercial brands, trade secrets, and copyrights, among others.

Since the 1990s, the United States has consolidated its main negotiating objectives in the areas of foreign investment and intellectual property rights based on the NAFTA negotiation process, particularly Chapter 11 of the agreement.[31] The legal text that defines the obligations of the states before foreign investors, and whose dispute resolution mechanism grants more rights to private investors and more obligations to the state, became part of all the agreements that regulate the obligations of the signatory countries regarding the treatment accorded to investors and foreign investment. The BITs also include a dispute resolution mechanism that allows private investors to litigate against the government of the host country without the support and even without the knowledge of their home country. These disputes involve onerous costs for governments, even when international arbitration decides in favor of the host country.

The TPP, signed in February 2016, is the only treaty of the three previously mentioned that has been signed. Three Latin American countries are part of the treaty: Mexico, Chile, and Peru.[32] The TPP has not yet entered into force, as it is waiting to be ratified by several countries, including Japan, Malaysia, Australia, New Zealand, and Canada. The negotiations of the other mega-regional trade agreements are progressing slowly and could become more complicated if protectionist policies in the United States are implemented and consolidated.

31. The Investment, Services, And Related Matters section of Chapter 11 of NAFTA establishes protection for foreign investments and introduces an investor-host country dispute resolution mechanism based on international arbitration and aimed at ensuring the state's compliance with the commitments assumed. See the legal text, available at: <http://www.sice.oas.org/Trade/nafta_s/CAP11_1.asp>.

32. In January 2017, the new president of the United States unilaterally withdrew the country from the TPP, fulfilling a promise made during his presidential campaign. The practical consequences of this decision are still unknown.

Final considerations

Recent changes to the global political economy

Globalization and the financialization of the economy present regulatory and political issues that must be confronted by social movements and critical intellectual activism in Latin America. The issues covered in this essay show that global criminal capitalism entails an exclusionary society in which the benefits of modern scientific and technological progress become the privileges of a minority. The enormous concentration of wealth and social exclusion and the proliferation of precarious work in both rich and poor societies all have repercussions across various institutional spheres, generating legitimation and democratic crises and facilitating the growth of intolerance and totalitarian ideologies. In light of increasing uncertainty and the collapse of illusions, the foreigner—the immigrant—again becomes the scapegoat for the frustrations and discontent of vulnerable workers and unemployed young people.

The most disturbing recent political event is the victory of the multimillionaire Donald Trump in the United States presidential elections. His victory revealed the ignorance of both the liberal elites and the conservatives, as well as the interests, anxieties, and values of 50 percent or more of the U.S. population. Predominantly white—whether in terms of race or mentality—intolerant of social change, deeply nationalist and imperialist, Trump voters manifest a strong preference for authoritarian leadership (Taub, 2016; Frum, 2017).

Likewise, in Europe, extreme right parties with populist, nationalist, and intolerant programs are attracting the support of workers who reject a political system in which they do not see their interests represented and a globalization that they do not understand, but that they feel is impacting their jobs, income, and personal lives; these same parties are those that refuse to belong to a European Union, apparently more concerned with setting standards for cheeses and consolidating market supremacy than with improving the living conditions of their citizens. As with past reactionary movements, the dissatisfied masses prefer to focus their anger on the other: the foreigner. The current process of the United Kingdom exiting the European Union (Brexit) after local voters approved the proposal by a small margin represents the victory of nationalist and xenophobic campaigns.[33]

With the advance of populism and nationalism, the social democrat, socialist, and labor parties remain divided between those who propose an anti-capitalist program and those who prefer to stick with more electable platforms, offering a socially liberal agenda that presents the illusion of controlling capital without actually altering the processes that lead to income inequality and the concentration of wealth.

In Latin America, a set of factors, including the collapse of commodity prices, led to the end of an almost two-decade period of progressive governments committed to the reduction of social debt and the promotion of more inclusive economic development in the region (Cálix, 2017). Despite their social progressivism, the impact of the changes implemented by the governments was insufficient, since the economies continued to depend on an extractivist model, without which it would have been impossible to finance the distributive policies that were implemented.

In any case, it was more due to their successes than to their mistakes that these progressive leaders were replaced by politicians determined to push Latin American economies and societies towards the *status quo ante*, either by popular vote, as in Argentina, or by parliamentary coups, as in Brazil, Honduras, and Paraguay.[34] In Brazil, politicians, bureaucrats, and a new police-judicial apparatus appropriated power to stall distributive efforts and the progressive

33. It should be noted that the Brexit victory was due only to 30 percent of the total number of voters, the Trump victory was the result of 25 percent of voters, the Conservatives in the United Kingdom won with 25 percent of the votes, and the far-right Law and Justice party in Poland won with about 20 percent of the voters (Meek, 2017).

34. Honduras in 2009, Paraguay in 2012, and Brazil in 2015-2016. The Haitian coup occurred earlier, in 2004.

agenda. With support from the financial, corporate, and landlord elites, but also from significant portions of the population, they were willing to destroy the country's national wealth, built over decades and sold at auctions, in order to oppose a more independent foreign policy and the construction of democratic institutions.

Returning to the questions proposed in the Introduction of this essay, the spaces to create policies that oppose the status quo of global capitalism, which must be included as part of SET, are indeterminate. As noted in the previous sections, the concentration of economic, financial, and political power among individuals and legal entities, the existing legal frameworks for the protection of investor rights, and the fact that the public debt of a significant number of governments is held by private finance all significantly reduce the leeway that progressive governments have to operate. In other words, it is time to recognize that the capitalist system has no intention of reforming.

However, history has shown that it was possible to reverse the impacts of the first wave of globalization and financial capitalism that was dominant until 1914. The tragedy of World Wars I and II and the Russian Revolution of 1917 imposed strategies of conciliation and cooperation between labor and capital, between developing and industrialized nations. In addition to the incessant concerns regarding the construction of a fairer distribution system for income and wealth, we must now also urgently address the need to limit the damage caused by human activity to life on planet Earth, which threatens the future of humanity.

The contradictions of modernity in Latin America

The great thinker Hannah Arendt observed that individual and social freedoms only acquired the condition of natural, inalienable, and irrevocable rights and began to play a revolutionary role when *men* in the modern age, and not before, began to doubt that poverty was inherent to the human condition. Women were not recognized as historical actors. This doubt was then replaced by the conviction that "life on earth might be blessed with abundance instead of being cursed by scarcity" (Arendt, 1963). These values of modernity arrived very late to Latin America, which modernized without having assimilated the ideals of equality, reason, and citizenship that contradicted traditional, patrimonial, and exclusive Latin American society.

Modernity refers to ways of living that Latin American populations knew as "modernizing" projects, imposed from above; far from replacing the existing exclusive, patrimonial order, these projects reproduced the existing power structure and multiplied the prevailing economic and social inequalities. However, no one can be excluded from capitalist modernity, which sustains an economy that devastates both human life and all life on the planet. As seen in this essay, all are integrated into globalized markets, whether by reason or by force, as workers and as consumers.

Latin American societies must now face the contradictions of contemporary modernity, despite the paradoxes found throughout their history. During the 19th century, Latin American modernity in the republics of Spanish America was more political than economic, with the adoption of formal republican institutions limited by the oligarchic characteristics of power.[35] The slave-holding Brazilian monarchy of the 19th century did not even adopt formal republican institutions. Even in the 21st century, secularism has still not been fully adopted in many Catholic countries.

It is also worth mentioning that the basic principles of modernity, such as the great separation between the private and public spheres, the construction of individual autonomy, the equality of individuals before the law, and the basic rights of citizens, are still ongoing issues in Latin American countries. Modernity and its ideals belong to a small cultural elite and have not been transformed into effective means to create democratic institutions and citizenship.

35. In Brazil, the First Brazilian Republic was not established until the end of 1889, a year after the formal abolition of slavery.

In most Latin American countries, the borders between the private and public spheres are very tenuous. The state—the public sphere—is perceived by the ruling classes as an extension, without interruption or opposition, of the family circle—the private sphere—a justification of their predatory practices and search for personal benefits using public resources. The "old boys' club" culture establishes the foundation for the tolerance of corruption and the privatization of power by those who hold patrimonial power and political positions. Latin American elites are characterized by the creation and exploitation of monopoly rents derived from political favoritism, using the state for their personal interests.

This Latin American ruling class is the greatest obstacle to SET in Latin America. Although an analysis of elites in Latin America requires more systematic work, it is important to consider the strength of existing institutions, which seek to prevent institutional changes, such as those necessary for SET.

The interdependence derived from global capitalism and late modernity represents challenges and opportunities for SET in Latin America. We can say that late modernity drives SET because the ideas related to ways of life that involve caring for others and the planet, and the practices associated with them, are disseminated more quickly in our interconnected world. New media facilitates access to knowledge and the exchange of new experiences. Another positive factor of the high levels of connectivity is the formation of networks among social groups from different parts of the world—including social movements and NGOs. Communities that are fighting to change the economic and social system to improve their lives are able to discover ways to mobilize public opinion, give a voice to global society, and organize large, simultaneous demonstrations around the world.

There are two sides of the coin, however. Late modernity may also limit SET in Latin America because the same new media disseminates, with greater scope and speed, behaviors and values that induce irresponsible consumption and defend forms of production and consumption that are not sustainable.

Incentives to encourage social-ecological transformation in Latin America

The post-war golden age created the myth of well-being capitalism. This well-behaved capitalism, also known as "Fordism," with its competitive markets that depended on the flourishing of mass consumption and the transfer of productivity to wages and prices for its growth, existed for a short period in some countries, while the capitalists rebuilt the personal wealth that had been destroyed by the wars. The benefits of progress were transferred to workers and consumers, while the capitalists (business people) received their normal profits and the salaries of the managers were proportional to the average salaries of the workers. Increases in productivity were transferred to workers in the form of a gradual increase in average salary and better working conditions, and economies of scale were transferred to prices, increasing access to goods and services and promoting intergenerational social mobility.

That golden age in the United States and Europe was not golden for Latin America, because the capitalist expansion in the region was derived from the low and fixed price of exported raw materials, primarily from the price of oil.

Financial capitalism and neoliberalism, in their most conservative forms, represent one of the primary constraints to changing the production and consumption structure of Latin America. In the international arena, the asymmetric relationship between nations—established by rules agreed to between governments—limits the capacity to implement policies in each country. This essay highlights that the legal framework for trade, whether at the multilateral, bilateral, or plurilateral level, has reduced national governments' leeway to implement active policies that impact the competitive conditions of national and international markets.

This review of global financial capitalism has shown that investor short-termism is dominant, and financial returns predominate over the gains of physical production. As a result, one of the great challenges to SET policies that hope to alter the production and consumption structures in Latin America lies in the types of incentives offered to alter the behavior of local business people. Recent experience in Brazil helps illustrate the difficulties of effectively using traditional incentives to induce desirable changes in private investments.

For example, during the governments of Lula da Silva and Dilma Rousseff, economists devised a strategy to promote private investment in the manufacturing industry, mainly in consumer goods production, while using the purchasing power of the large state-owned company Petrobras to encourage the capital goods industry, including the marine industry. The government would take charge of major infrastructure works and, at the same time, create a mass market based on increasing the minimum wage above the increases in productivity and inflation. Government technocrats expected that the increase in demand derived from the increased purchasing power of the new middle class would attract the "animal spirits" of both international and domestic capitalists, encouraging them to invest in the expansion of installed capacity and eventually increasing the local production of consumer goods, thus generating a virtuous cycle of growth. This objective to increase investment was not achieved, mainly because these productive transformation policies coexisted with orthodox monetary policies that established high interest rates, foreign capital flows to the country, and the overvaluation of the Brazilian currency. The demand for consumer goods was satisfied with an increase in imports, and it is suspected that all the fiscal incentives provided in the form of subsidies or tax waivers were pocketed by the "business people" and earmarked for financial activities both in Brazil and abroad.

With some exceptions, Latin America generally occupies a place at the end of the value chain, producing basic inputs derived from mining, agriculture or low-skill intensive processing activities. That is the position that the region's capitalist elites have accepted in the international division of labor. If the objective of SET is to influence the production and consumption structures of Latin American countries, it is fundamentally important to understand the characteristics of rentier financial capitalism, as outlined in this essay, and the obstacles to changing the insertion of Latin American countries in the international economy presented by current conditions. Additionally, the performance of international trade in recent years raises doubts regarding its role as a driver of growth and diversification, contrary to the experience of Asian countries.

There is still no empirical data that allows a rigorous evaluation of the impacts of the so-called "Fourth Industrial Revolution," based on the integration between products (Internet of Things), the digitalization of production with 3-D printers, new materials, artificial intelligence, bioengineering, and other innovations. The scope and reach of the innovations being implemented, the size and characteristics of the subsequent changes, and the time necessary for the impacts to be felt and measured in both the core economies and the international economy are still unknown. However, we do know that there is an ongoing process of replacing manual labor with high-performance machines (robots/artificial intelligence) and of developing more integrated manufacturing processes, which will result in less displacement of production and, consequently, in less *trade*. Obviously, the results will be different according to the characteristics of each industry.

The current controversy about increasing automation, not only in manufacturing companies but also in service companies, again centers within the discussion questions about the engine of contemporary capitalism and its inherent instability. David Noble, in his critique of the automation of human tasks and technological determinism, called attention to the fact that robots do not consume the products produced by the companies in which they "work."[36]

The apparent automaticity of the adoption of the most recent technology is highly plausible and, therefore, ideologically convincing. However, it is false, because the technological development process is essentially social and, therefore, always maintains ample room at its core for indetermination—for freedom. Each technological innovation opens a range of possibilities so that societies can choose what is most convenient for them. This open range of possibilities includes policy options. It is the institutions, ideas, and social groups that finally close

36 See also Meek (2017), who correctly observes that "robots don't eat chocolate."

the field of possibilities by adopting the most socially appropriate technologies (Noble, 1986, pp. xi-xii). Within the context of rentier capitalism, in the absence of a conscious social movement, private investors will decide the technological adjustments based on the rents available through the privatization of knowledge, without paying any attention to the effects on people's employment, income, and dignity.

Latin American countries are ill prepared to enter what is known as "Industry 4.0." In the core countries, there is a certain continuity of state policies, regardless of the color of the presidents or their parties.[37] In Latin America, policies lack continuity between administrations with different objectives, with a minimum number of government policies, infrastructure that is almost always dependent on the interests of the mining and agro-export sectors, and no attempt to resolve structural economic issues, such as low savings rates and low rates of public and private investment.

In conclusion, it is important to reiterate that global capitalism has created an exclusionary social order that exposes, at every point, its criminal nature. It is unquestionable that the global capitalist order creates dichotomies of included and excluded, native and foreign (outsiders), integrated and marginalized. On the one hand, the dominant regions and cosmopolitan actors enjoy the opportunities that have been opened to them by the increased mobility offered by major scientific and technological innovations, and they are able to access the variety of goods and services facilitated by the globalization of markets and financialization of the economy. At the other extreme exist the actors who, as undocumented immigrants to core countries or as inhabitants of the rest of the world, contribute to the low prices of goods and services available to global consumers with their unpaid or poorly paid work. Then there are also those who are excluded from modernity and globalization, even in the leading regions: the

37. The current administration of the United States is a significant exception, introducing an ideological bias into the actions of state agents and favoring the elimination of all the regulatory policies and standards of previous administrations.

chronically unemployed, the "precariat,"[38] the poor, young people who do not work or study, immigrants, political and economic refugees, criminals, and common prisoners, among others.

Finally, there are those who, in rich or moderately rich societies, can voluntarily exclude themselves from consumer society with certain comfort and opt into other ways of organizing their lives, the economy, and society, something that is only possible because of technological progress. They are the builders of utopias, men and women who participate in social movements to defend human and non-human rights; the rights of indigenous communities; the centrality of life, care, and nature; and equality, solidarity, and freedom for all. These movements oppose the current order in an attempt to build a more just one, an order in which young people are the main protagonists, based on intergenerational justice and responsible consumption within the limits of the planet.

The products of scientific and technological development and human reason allow each and every person to live a full life, while also respecting the cultural and biological diversity of the planet. However, the appropriation and use of these goods and services by the capitalist system must be confronted by organized civil society in every country, as well as globally. If it is not confronted, we may be building a dystopian society in which the work of most people becomes redundant, the income derived from work is degraded, and society is left fractured between the few that own everything and the rest of humanity that is condemned to survive on the margins of abundance. Or we can move towards a utopian society in which machines will replace humans in the most brutal, monotonous, and dangerous activities, and people will finally come to savor the dilemma, proposed by Keynes, of how to use their free time to live well, develop each individual's creative potential, and build a society that is fairer, more generous, and more careful with the planet.

38. *Precariat* is a term created by Guy Standing (2011) to refer to the social class formed by people with minimal labor or social rights.

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CHAPTER II

Beyond Neo-Extractivism: Challenges and Opportunities for Active International Insertion of Latin America

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The emergence of a new world dis(order): From the Western world to decentered globalism and a G-Zero world

The emergence of multiple power centers without global leadership

We are now witnessing a dizzying process of change in the international sphere. Many observers talk of the end of an era, of the rise of a new world order whose nature is not yet fully formed. Notable among the great transformations of the international system are the rise of China; mega-regional trade agreements; demographic changes and migration; and the worsening of the environmental crisis, especially climate change and acceleration of the technological revolution. All these phenomena underscore the necessity of advancing towards a style of sustainable development with greater equality. Notable among geopolitical trends are the rise of "the rest," with the preeminence of China; unrest in the Middle East; the United States' growing loss of power; and the redesign of Europe. While the United Nations (UN) Security Council continues to be dominated by the winners of World War II, emerging countries from the Global South have attempted to redouble their efforts to acquire greater influence on the world stage over the past decade. However, a truly consistent alternative to the Western order has not yet come into being, despite the United States having lost power; the European Union (EU) and Japan being at a standstill; and countries including China, India, Brazil, Russia, Turkey, and Indonesia simultaneously flexing their muscles, expanding their influence, and insisting louder on multilateral institutions. The hypothesis of a transfer of power to the BRICS (Brazil, Russia, India, China, and, since 2012, South Africa) is not convincing, as these powers lack a joint vision. Although they share some common ground, economic interests and controversial politicians have so far complicated intra-BRICS relations and consistent South-South strategies (Kappel & Pohl, 2013; Bodemer, 2014). To date, Asia under the supremacy of China has not been able to replace the West's values, ideas, pluralist societies, and democratic institutions, despite its impressive economic power (Rachman, 2017). This deficit tends instead to increase with the deceleration of growth of the group's members. However, twenty years after Princeton University's John Ikenberry's (1996) affirmation that the liberal Western world order is still robust, his statement seems like it is from another world. The same is true for Ikenberry's most recent article on the "The Illusion of Geopolitics: The Enduring Power of the Liberal Order" (2014). We are witnesses to the simultaneous emergence of multiple power centers with regional and global aspirations, characterized by a lack of global leadership (Stewart, 2014). According to Ian Bremmer (2013, p. 5), we live not in the world of the G8, nor in that of the G20, but rather in a G-Zero world. We are present at the dawning of a new age of a more plundering nature in terms of rights, and in which a new, more atomized and unpredictable regional and global scenario is emerging. To paraphrase the title of one of Ian Bremmer's books, *Every Nation for Itself* (2012), it is an "unruled world" (Stewart, 2014). There is still a certain hierarchy, with the UN Security Council at the top, but international politics presents (as the realism theory of international relations suggests) anarchic characteristics, under the influence of states that recognize no higher authority. The demand for international cooperation has not diminished. In fact, it is greater than ever, thanks to the endemic failure of the Security Council to suitably mediate large-scale conflicts, but also due to the multiple challenges implied by deepening economic interdependence, worsening environmental degradation, proliferating transnational security threats, and accelerating technological change. However, most cooperative multilateral bodies, even those that are binding under international law, lack real power to enforce compliance with collective decisions. What passes for governance is therefore an ungainly patchwork of formal and informal institutions (Stewart, 2014, p. 3). Effective multilateral responses instead occur outside formal institutions, and frustrated actors end up preferring informal and unconventional paths that lead them to put up with ad hoc and piecemeal solutions, or in other words, with "good enough global governance" (Stewart, 2014).

From a *core-periphery* order to a decentralized order and competing versions of capitalism

Dominant global economic and societal trends exacerbate the contradictions of a development style that has predominated for more than two centuries, but that has now become unsustainable. The old world — characterized by the emergence of modernity during the "long 19th century" (Hobsbawm, 1962), a configuration between industrial capitalism, rational-bureaucratic states, and new ideologies of progress — made the "rise of the West" possible in the 19th and 20th centuries, as well as the construction of a highly unequal global political economy (Buzan & Lawson, 2013). This same configuration is today allowing the "rise of the rest," as Buzan and Lawson have recently underscored (2014, pp. 71ff.). The center of gravity of world power is gradually shifting from West to East or, more precisely, from the triangle formed by the United States, the EU, and Japan to the emerging powers of the South, with China leading the way, followed by India, Brazil, and South Africa, as well as some "next-wave" countries such as Indonesia, Turkey, Mexico, Colombia, and Argentina. As a result of this process, the power gap that has been the basis of the international core-periphery order for centuries is closing, gradually replacing the old order with a decentered order in which no power, or network of powers, is preeminent—a completely new phenomenon. This new world of decentered globalism implies that the ideological differences between the large powers are constantly being reduced, while the gap between core and periphery is closing simultaneously (Buzan & Lawson, 2014, p. 72).

The four decades of the Cold War were marked by the competition between capitalism and socialism and a strong ideological tone. During the first decade after the end of the Cold War, the course of the socialist camp was impacted by the illusion of the "end of history" (Fukuyama, 1992). Today, the debate is focused on asking what type of capitalism is the best guarantor of welfare, political stability, security, and social harmony. The lack of a concrete alternative beyond capitalism brings with it a certain convergence between large rivals. For example, China is not an absolute enemy or friend of the United States, but both at the same time: economically it is a partner, while politically it is a rival. Once again, according to Buzan and Lawson (2014, p. 91), this is a good message. On the other hand, what is less positive is the fact that although states are supported by more or less comparable power resources, these resources are embedded into a broad spectrum of governance structures, which brings to the fore the question of how to manage relationships between the four main modes of capitalist governance: liberal democratic, social democratic, competitive authoritarian, and state bureaucratic (Buzan & Lawson, 2014, p. 72). This involves the differentiation of archetypes that are expressed on a continuum rather than in a truly pure form, due to the fact that most states tend to occupy hybrid forms. Contemporary

Russia is, for example, a mixture of state bureaucratic capitalism with competitive authoritarian capitalism. Most Central American countries and some South American countries combine competitive authoritarian capitalism with aspects of liberal or social democratic capitalism. States often move from one type to another. Chile, under Pinochet's regime, was a mixture of bureaucratic and competitive authoritarian capitalism. After the end of the military regime, the country has instituted capitalism that is an amalgamation of liberal democratic and social democratic elements (Buzan & Lawson, 2015, p. 283).

The rise of decentered globalism also means that no state is capable of replacing the United States as a superpower, not even China. Instead, the new order (or disorder) has several great powers and many regional powers: Brazil and Mexico in Latin America, and China and India in Asia. Another consequence of decentered globalism in a world of universalized capitalism is that there is no single vision regarding the combination of its three components: industrial capitalism, rational-bureaucratic states, and ideologies of progress. Each of the four variants of capitalism offer distinct responses and have advantages, disadvantages, and weaknesses regarding the objectives pursued: efficiency, welfare with equality, political stability, and social cohesion (for more details, see Buzan & Lawson, 2014, pp. 78-83). A third option that combines the advantages of the West with those of China, as proposed by Berggruen and Gardels (2012), is intellectually interesting, but does not seem realistic. The universalization of market relationships means an almost worldwide conception of *politics* and *economics*, although they are different spheres of action (Buzan & Lawson, 2014, p. 75).

The double transformation of trade policy

We are witnessing a double transformation of trade policy. Both transformations are causing the World Trade Organization (WTO), the guarantor of trade multilateralism for decades, to lose importance. Instead of the WTO, with its supposed regime of free trade without discrimination, preferential and discriminatory mega-regional trade agreements appear to be gaining ground, such as the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP), with the latter challenged by another mega-regional agreement, the Regional Comprehensive Economic Partnership (RCEP), under the leadership of the Association of Southeast Asian Nations (ASEAN) (Wilson, 2015). These agreements flank a new geostrategic mega-conflict and contribute little to the liberalization of trade; instead, they serve as protectionist instruments against new competitors and promote the exclusion of those who intend to compete, such as China. In summary, all of the largest powers are attempting to create their own preferential trade policy agreements, competing with each other for power and influence.

As a result, we are witnessing a reversal in geopolitics in which the TTIP and the TPP are, according to their defenders, not only responses to the stagnation in multilateral negotiations within the WTO framework, but also reactions to the decreasing competitiveness of transatlantic powers in respect to emerging countries and, in general, are responses to the diminished capacity of these powers to impose the rules of international trade (Dieter, 2014). Despite Trump's frontal assault of these mega-agreements (renouncing the TTIP and the TPP, and renegotiating the North American Free Trade Agreement [NAFTA]), the increasing use of these agreements has only been halted, but in no way has this trend been reversed completely.

A second trend confronting the WTO and its system of rules is the expansion of a new protectionism and economic nationalism, spearheaded by the new U.S. government. This trend had arisen over previous years as a reaction to the global financial crisis of 2008. Since 2012, world trade has grown at an annual rate of 3 percent, a figure that represents less than half of the growth observed in the previous three decades. Since 2008, national industrial policy has become fashionable once more, triggering a domino effect of protectionist measures. Both of the aforementioned trends point to the end of trade multilateralism, a basic philosophy of the global economy since World

War II (Dieter, 2015). The age of discourse about free trade without discrimination appears to have reached its end, and it is worth noting that Trump's protectionism did not begin this process; it has merely accelerated it.

In summary, the emerging world order has the shape of decentered globalism, whose main dynamics are the relationships between competitive forms of capitalist governance and the reconfiguration of the Global South (Woertz, 2016). Another fact to consider is that, while the four variants of capitalism are facing severe challenges, none of them appear likely to disappear in the short term. Although trends tend to favor divergence over convergence, a return to hard geopolitics or geoeconomics is not, according to Buzan and Lawson (2014, p. 86), more plausible, but cannot be fully ruled out (see the hardening attitudes between the United States and Russia). We can instead expect (and Buzan and Lawson finish their reflections with this optimism) an emerging concert of capitalist powers, such as the G20, supported by a set of rules, regulations, and institutions that reconstitute international society or, better put, claim to represent it, provoking an unsurprising reaction: protest from those who are excluded. This emerging concert of powers could manage competitiveness between diverse, but integrated, models of political economics and constitute a pluralist order. As all capitalist powers are interested in the wheels of the global economy continuing to turn, their mutual relationships will be both cooperative and competitive. Their common interest lies in adherence to the doctrine of multilateralism and the rejection of a unipolar, zero-sum world. Finally, should this concert be consolidated, the culture of interaction in this soft geoeconomic order would be one of friends and rivals, not one of rivals and enemies. In the words of Buzan and Lawson: "While capitalism has become the only game in town, no single form of capitalism has sufficient legitimacy or power to assert hegemony. Indeed, any attempt to do so is likely to see everyone lose" (Buzan & Lawson, 2014, p. 91). What also appears to be clear is that the notion of the world order demands transcendence of a binary categorization ("the West and the Rest") or a hierarchical one, instead demanding a relational perspective. The emerging new world order would therefore point towards an arrangement characterized by the confluence of order and disorder, of Western and non-Western worlds, and that recognizes the crucial role of the *other* in shaping their own identity and history.

Latin America's current place on the world stage

Where does Latin America stand in relation to the new political and economic geography outlined above? There is no doubt that over the past fifteen years, the region has consolidated its position within an international context characterized by the crisis or stagnation of more industrialized economies and the rise of emerging countries from the South. The *leitmotif* of this stage was the so-called "commodities consensus," based on the large-scale exportation of primary goods. Its characteristics included the expansion of extraction mega-projects (mega-mining, oil exploitation), the construction of mega-dams, and the new agrarian capitalism, with its combination of genetically modified organisms and agrotoxins, among others. According to Maristella Svampa (2017), extractive-exporter projects are characterized by "a common extraction logic: large scale, orientation towards exportation, intensive occupation of territory and seizure of lands, amplification of environmental and socio-sanitary impacts, preeminence of large transnational corporate actors, and a trend towards low-intensity democracy" (p. 56). The commodities consensus was based on favorable conditions and driven by the high prices of raw materials and the growing demand of countries such as China and India, facilitating the acquisition of surpluses that were primarily used by some progressive governments to increase social public spending. However, these conditions ended in 2014: in economic terms with the contraction of the economy, and in political terms with the end of comfortable electoral victories for progressives and entry into disputed territory. Contrary to the 2003-2014 period, progressivism now faces more hard-fought elections with uncertain results. The region, which has seen its capacity for growth conditioned by an external restriction arising from limited investment financing and recurring balance of payment crises, continues to lag behind in terms of its participation in the global economy. Although recovery of terms of trade over the past twenty years has coincided with the strong growth of the participation of China and other Asian economies in world trade, the participation of Latin America in global exports of goods and services continues to be stagnant and its share in the exchange of high-technology goods and modern services has actually decreased, even when the importance of these Asian economies as a destination for Latin American exports quintupled. Only five Latin American countries had an export participation above the regional average to ASEAN, China, and India, with percentages ranging from 13.2 percent for Argentina to 26.6 percent for Chile, with the top five rounded out by Peru (16.9 percent), Brazil (21.9 percent), and Venezuela (25 percent). Collectively, these five countries send 90 percent of Latin American exports to ASEAN, China, and India. China alone represents 73 percent of total Latin American trade (Kacef, 2016, p. 51). Trade with these three areas shows a higher degree of concentration in comparison with other destinations, has not varied significantly in the past two decades, and appears to respond to a traditional pattern of exchange between these economies. Raw materials account for 76 percent of total exports from the countries that sell the most to the aforementioned areas, and only the remaining 24 percent corresponds to manufacturing with a greater degree of processing (Kacef, 2016, pp. 53ff.).

In summary, despite certain achievements regarding the technology and knowledge content of exports, these advances have not been sufficient to close the productivity gaps that separate the region's economies from more competitive markets (Kacef & Ballesty, 2014). The region's participation in global flows of foreign direct investment (FDI) has increased while, at the same time, specialization in low-technology activities has been reinforced. Participation in global value chains (GVCs) continues to stagnate below the world average, primarily consisting of the supply of raw materials for export to third countries. Digital connectivity continues to be poor and weakens the region's participation in dynamic new sectors. Within the context of a stagnant world economy and the rise of new protectionism, Latin American trade has fallen for the fourth consecutive year and, even more seriously, only a modest regional trade recovery is projected for the 2017-2020 period (Economic Commission for Latin America and the Caribbean [ECLAC], 2016c, pp. 11-24). According to the most recent projections by the International Monetary Fund (IMF), after negative growth of -1 percent in 2016, the region is going to grow by only 1 percent in 2017 and 1.9 percent in 2018, mainly as a consequence of low confidence in the region and weak internal demand (Werner, 2017). In the medium term, the IMF projects average growth of only 1.6 percent, a figure that coincides with the forecast for advanced economies, making the situation even worse.

The new post-2014 scenario outlined above constitutes the backdrop to the implementation of the new 2030 Agenda for Sustainable Development, which is based, among other factors, on the results of the Millennium Development Goals (MDGs).[1] The 2030 Agenda poses challenges across all development spheres, from the economic to the social, environmental, and political, including issues of institutionality, governance, and international participation. According to ECLAC, the 2030 Agenda is extremely important for the region and reflects the fact that the current development model is becoming increasingly unsustainable.

Beyond the extractivist-exporter model, which benefitted from positive conditions in terms of the prices for raw materials from 2003 to 2013, regional integration is an additional factor that offers details on the manner and scope of the region's international participation. Here, we are primarily interested in the scope of the so-called "Latin American autonomous regionalism" or "defiant Latin American regionalism" that has emerged in recent years (Preciado Coronado, 2013) as one of the topics that has converged in progressive governments, and the new phenomenon of minilateralism, with its two most important instruments: cross-regionalism and the Pacific Alliance (PA).

1. Tassara and Cecchini (2016) summarize the path from the MDGs to the Sustainable Development Goals (SDGs).

The new panorama of post-neoliberal regional integration in Latin America: A suitable platform for a more active international role?

The rise of heterogeneous and fragmented regionalism

In a globalized world consisting of mega-blocks that compete with each other, each country must cooperate with other countries and contribute efforts and resources to successfully participate in the international sphere. This requires going beyond bilateral agreements with individual countries and strengthening regional integration to increase the region's competitiveness and its bargaining power with other important international players.

The rise of a new world order, characterized by decentered globalism, competing versions of capitalism and alterations in the distribution of global power, led Latin America to a new phase of heterogeneous regionalism. Postliberal or posthegemonic integration structures—such as the Bolivarian Alliance for the Peoples of Our America - Peoples' Trade Agreement (ALBA - TCP), the Union of South American Nations (UNASUR), and the Community of Latin American and Caribbean States (CELAC)—coexist with a mechanism that returns to an agenda of open regionalism through the PA and points to the construction of a launch platform towards the new pole of the global economy: Asia and the Pacific. In parallel, the traditional integration regimes remain more or less alive: the relatively successful Central American Common Market, the half-dead Andean Community, and the stagnant Southern Common Market (Mercosur), stagnant. All of these parallel, overlapping, and contradictory integration mechanisms are examples of South-South cooperation (SSC) and reconfigure the region's political and economic spheres. In parallel, the Organization of American States has lost leadership and legitimacy as a hemispherical link in recent years in the face of the rise of exclusively Latin American integration schemes, such as UNASUR and CELAC, although the changes in the political arena from 2015 to date have resulted in the loss of the initial momentum of these networks, highlighting their fundamental contradictions. Multidimensional, low-institutionalization proposals coexist with proposals containing significant ideological content, and regional fora overlap with preexisting sub-regional initiatives. With the exception of ALBA, whose focus is clearly confrontational and exclusionary of other integration regimes, the initiatives allow a division of labor and act under the imperative of the need imposed by the international situation to bestow the region with a concerted and coordinated presence (Peña, 2012). The youngest of all, the PA, includes the Pacific countries that are open to the international market (Mexico, Peru, Chile, and Colombia) and presents itself as a novel mechanism of regional integration. As an integration process, it shares characteristics with certain forms of open regionalism. Economic internationalization through participation in new markets is one of the elements shared by the four founding states. Collectively, these countries command more than half of Latin American foreign trade, although the level of internationalization of trade varies, as Colombia and Peru lag slightly behind in this area compared to Mexico and Chile (Duarte Herrera, González Parías, & Montoya Uribe, 2014). One of the challenges of this new integration regime will be accurately defining how it can meet one of its main goals: serving as a bridge between Asia and Latin America on both sides of the Pacific (Durán Lima & Cracau, 2016). The PA has acted, until now, with a great deal of initiative, and has already reached a series of concrete results, attracting no fewer than 49 observer countries, including big shots such as the United States, Japan, China, Germany, France, and Great Britain, three of the four members of Mercosur, and one member of ALBA. This mechanism entered into a new phase at the XII PA Summit, hosted in Cali, Colombia on June 30, 2017. One of the outcomes of the Summit was the decision to open bloc negotiations with Canada, Australia, New Zealand, and Singapore as a step to further solidify trade relations in the Pacific region. This decision reflects the consideration that the TPP (in which Latin America has played a rather marginal role) is temporarily stalled with the withdrawal of the Trump government from the ongoing negotiations. Considering the fact that Mercosur's engagement with the PA is essentially frozen due to its members' internal disputes, above all those of Brazil, the PA appears to have consolidated itself as the region's most dynamic political and economic space (Maihold, 2017).

Beyond the political-economic importance of the PA, this regime is an expression of a new form of cooperation and a type of economic governance that goes beyond the cooperation and integration strategies of past decades, now referred to as "minilateralism". According to Jorge Garzón and Detlef Nolte (2017), minilateralism possesses four fundamental characteristics: first, it assembles the lowest necessary number of actors to reach a specific goal; second, it favors more informal and flexible ("soft law") agreements over traditional, more formal integration agreements; third, it responds to challenges in a disaggregated and incremental manner, instead of adhering to a comprehensive agreement; and fourth, contrary to the multilateralism and regionalism that pursue the homogenization and dissemination of specific standards, practices, and models (such as European integration), minilateralism is characterized by a growing heterogeneity and diversity of forms, a reflection of diverse interests and diplomatic traditions from a scattered field of actors.

Latin America has not been excluded from this trend towards the propagation of minilateral forms of cooperation in recent years, attempting to establish minilateral relations primarily through two instruments: first, through so-called "cross-regionalism," a new bilateralism that refers to the practice or strategy of negotiating multiple bilateral trade agreements in parallel with partners that belong to different regions; second, through the aforementioned PA. Both instruments of minilateralism are clearly distinguished from traditional cooperation and integration regimes and have become a specific "governance complex" (Nolte, 2014), in which minilateral institutions coexist and compete with the regional economic cooperation agreements that arose during the "new regionalism" of the 1990s (Garzón & Nolte, 2017).

It is relevant to make a few observations regarding the PA, the youngest initiative on the region's long list of integration regimes. Its launch was not only celebrated as a major step forward, but has also advanced a great deal in a short amount of time and has even struck a chord with members of the center-left and left.[2] However, since its creation at the beginning of the current decade, the PA has received strong criticism, most of which has come from left-wing governments, as expected. Evo Morales, for example, denounced that behind the PA was the "political, military, and financial arm of the empire," whose goal was to undermine the peoples' sovereignty and weaken the regional integration of Mercosur, UNASUR, and CELAC. For Morales, the PA is nothing more than a slightly more limited attempt to resuscitate the failed Free Trade Area of the Americas (FTAA) initiative, consolidating a free trade area among the four members at the convenience of the United States, which would, among other initiatives, include a new attempt to privatize basic services (Agencia EFE, 2015).

Beyond ideological criticisms, it is worth mentioning that the PA was criticized more concretely based on the considerations that it would result in disastrous economic effects due to the asymmetries in power and production structures between its member countries. One of the sectors most likely to be impacted is Colombian agriculture.[3] There is also the real danger that the PA causes the deindustrialization of its lesser partners and, as Cristina de la Torre has criticized, converts this type of country into net exporters of services, fossil fuels,

2. For example, Pepe Mujica, the former president of Uruguay, has advocated his country's membership in the Alliance.

3. For Rafael Mejía, the president of the Colombian Agricultural Society (SAC), the Alliance is the worst trade agreement signed by the country, as it represents more disadvantages than advantages for the agricultural sector. As a plurilateral agreement that removes price bands, Colombian farmers will no longer be able to resort to the safeguards and anti-dumping measures contemplated within the wto framework that are meant to defend domestic production (García Sierra, 2014).

and bananas, while also reinforcing their passive role as importers of industrial and agricultural goods. Using the Colombian case as an example, de la Torre warns that, with full implementation of the PA, cars assembled in Mexico (which are cars from U.S. or Chinese companies) would be entering the country with zero customs duty. For de la Torre, the PA threatens to push Colombia even further off the path of industrialization and elevating agricultural productivity, accompanied by agricultural reform (de la Torre, 2014).

From a geopolitical perspective, it is interesting to look at the opinion of former Mexican Secretary of Foreign Affairs Jorge Castañeda, who perceives the PA in its original purpose as a lure to attract several Latin American countries towards the TPP, "an attempt by the United States and Japan to create a trade bloc that can stop the expansion of the Chinese economy in Latin America and other regions of the Pacific" (Borbolla, 2014). Furthermore, if the PA is meant to be a regional influence, the true challenge lies in advancing towards greater regional integration and increasing the still-low level of intraregional trade.[4] To do so, it is crucial to bring the PA closer to Mercosur, as the two blocs represent more than 94 percent of the region's GDP. However, this challenge would make sense only if one considers trade and regional integration to be a means to advance development, and not an end in itself. This development is achieved through national policies that encourage progress towards the diversification of production to overcome the region's traditional dependence as an exporter of raw materials (Campodónico, 2015).

The new differentiation of integration regimes is assessed by observers chiefly as a suitable response to an increasingly differentiated Latin America and as an opportunity to achieve greater integration in the world market and global governance structures by means of differentiation and cross-relations (Peña, 2012, pp. 6-8; Phillips, 2002). Given the bleaker international and regional outlook since 2014, this

4. The trade that occurs between the members of the PA is relatively low. According to data from the Wilson Center, it represents a mean of 5.3 percent to 7.8 percent of total exports and imports, respectively.

goal of a more active global integration for the region is in no way guaranteed. Goods markets have experienced a loss of dynamism, leading South American economies to tend towards recession or at least lower growth rates.

Considering the economic and political importance that Brazil held as sub-leader for more than a decade (i.e. during Lula da Silva's administration and Dilma Rousseff's first term), its fall is especially dramatic. As Günther Maihold recently mentioned (2017), Brazil's fall is an indicator of the end of the South American project promulgated by Brazil and transnational solidarity between left-wing governments. The region is increasingly more fragmented, and we can expect growing tensions in the sub-region and resistance to a possible reformulation of Brazil's ideas of organization. Additionally, the two instruments of minilateralism (cross-regionalism and the PA) have implemented new forms of governance that go beyond the region and in which Brazil is not included as a participant (at least for now) and that assume a new dynamic of regional and transnational economic cooperation and new drivers for trade and investments.

Despite more than 200 years of integration rhetoric and constant calls for unity and solidarity, Latin American regionalism today paints a picture of heterogeneity and increasing fragmentation, presenting various projects with different, if not incompatible, models of development, rationalizations, and agendas. In this context, it is likely that Mercosur, despite all its weaknesses, will continue to be the central point of reference for the process of Latin American integration (Heine, 2014, p. 97). However, the expectation of a substantial strengthening of its institutions will be difficult to achieve, despite all the progress made in recent years, such as the Parliament of Mercosur, the Mercosur Structural Convergence Fund, and the Mercosur Permanent Court of Review. In an increasingly pessimistic scenario, the avalanche of unilateral and bilateral actions recently implemented by its member countries appears instead to be a sign of the beginning of the end.

Summarizing what has been described in this chapter, we can say that Latin America's consistent and coordinated regional presence on the international stage today appears more distant than ever. The new bilateralism in the region (and beyond it) is also forced by Donald

Trump's America First strategy, his attack on free trade and regional integration, and his announcement of protectionist measures.[5] The Trump administration's refusal to sign the TPP is a clear sign that Latin America should seek its own path if it wishes to strengthen relations with its Asian partners, excluding possibly controversial elements such as labor and environmental demands and approaching China and its proposed trade mega-agreements, such as the RCEP, among other initiatives. Both economic and political resources are currently lacking to implement true SSC (which was one of Brazil's foreign policy priorities during Lula da Silva's two terms, for example, within the BRICS and IBSA [India, Brazil, and South Africa] frameworks). The fall of Dilma Rousseff and the swing to the right in Brazil meant the loss of one of the boldest leaders applying pressure to reform the international order to create an order in which the South will be better represented (Maihold, 2016). The new governments in both Argentina and Peru point in the same direction. As a result, the power vacuum in Latin America has been heightened. No Latin American country has the economic resources and political weight to replace Brazil's role in the region: not Argentina, not Mexico, not Colombia, and certainly not Venezuela.

The growing awareness that trade agreements should be linked to other policy areas

Despite the end of left-wing and center-left governments in most of the region's countries, and the fact that most new governments must deal with domestic problems above all, a full return to a policy

5. When British Prime Minister Theresa May announced the plans to leave the EU in January 2017, she presented a new economic foreign policy that framed the exit as the freedom to negotiate free trade agreements outside the EU, including with Australia, New Zealand, China, Brazil, and the Persian Gulf countries.

of introspection does not appear likely, nor does a return to the pure neoliberalism of the 1990s, as some voices on the left claim. The new center-right governments in Argentina, Brazil, and Peru, proponents of the new openness, expect that it will reanimate and diversify trade and attract new investments that encourage economic progress. There are, however, strong doubts regarding the likely success of this strategy, not only due to the lingering global recession, but also because the world economy is in dire straits, characterized by the triangle of low-productivity growth, huge debts, and a zero-interest policy from central banks.[6] The reanimated free-trade rhetoric not only clashes with Donald Trump's neoprotectionism and mercantilism, but apparently its center-right Latin American proponents have also forgotten that, according to the famous Washington Consensus and as seen in historical experience, unrestricted free trade agreements have few winners and many losers and are one of the sources of growing inequality, both within and between countries. Increasing inequality will lead to increasing resistance from the sectors of society that feel disconnected, as is the case for noncompetitive small and medium enterprises. It is no coincidence that the new transnational mega-agreements, such as the TTIP, the TPP, and the Comprehensive Economic and Trade Agreement, also known as the Global Economic and Trade Agreement, have met with strong resistance in Global North countries, particularly the EU, as a reaction to the antidemocratic manner in which these treaties are negotiated: in secret, with little transparency, and without the participation of the broad spectrum of social actors who might be affected by their content. These protests, however, go beyond criticism of negotiation style; they imply a deeper criticism. Historical evidence shows that David Ricardo's theorem of comparative advantages should be extended to include power structures and actors' interests, which would contribute to a real understanding of trade advantages. Against this backdrop, it is hardly coincidental that there is a growing awareness that these trade agreements should

6. According to data from the IMF, worldwide debt totals $152 trillion, which corresponds to 225 percent of the world's gross social product (Giesen & Piper, 2016).

be more compatible with and linked to other international regulatory frameworks (Schillinger, 2016), that is, with a more extensive debate on development strategies. Two examples of this can be found in the UN's recent approval of the 2030 Agenda for Sustainable Development due to recent changes in the world and in response to economic, distributive, and environmental imbalances in the dominant style of development; and in the presentation of the document *Horizons 2030: Equality at the Centre of Sustainable Development* to member states at the 36th session of ECLAC, which "provides an analytical complement to the 2030 Agenda [and its 17 Sustainable Development Goals (SDGs)] from a structuralist perspective and from the point of view of the Latin American and Caribbean countries" (ECLAC, 2016b, p. 10). According to this innovative document,

> the combination of progress towards a new governance for the creation of global public goods, the consolidation of the region's contribution to this effort and the implementation of national strategies and policies for progressive structural change will thus form the basis for a new development style centered on equality and the environmental big push (ECLAC, 2016b, p. 168).

Although the SDGs and the ECLAC publication are relevant instruments, their viability appears to be restricted by two factors: first, due to the lack of alignment of global governance in the areas in which transnational enterprises predominate; and second, due to their predominantly state focus and scant participation by social actors. A substantial part of the planned progressive change suggests incorporating greater levels of knowledge-based production, guaranteeing social inclusion, and combating the negative effects of climate change. The focal point of reflections and proposals for advancing towards a new style of development is based on driving equality and environmental sustainability. The creation of not only global public goods and their regional-level counterparts but also of national policies is the core from which the structuralist vision expands towards global Keynesianism and a development strategy centered on a large environmental push. The aforementioned ECLAC publication could serve as a blueprint for the domestic policy of Latin American countries and could also guide their foreign policy and behavior in international fora. There is undoubtedly a series of points of contact and converging views with the EU and its member countries, which could give new momentum to the strategic association between both subregions that has been sought since the 1990s.

Any trade policy that takes the *Horizons 2030* recommendations into account should balance market economy interests with social and environmental standards. Both the Global North and South need to take energetic steps towards a fair global economy that increases welfare and prioritizes environmental and climate protection while also respecting human and labor rights; only agreements of this type are sustainable. The signs of unrestricted openness of Brazilian President Michel Temer and Argentinean President Mauricio Macri appear, however, to not have learned anything from this lesson.

In terms of the international prospects for regional integration, two countries hold the power due to their hard and soft resources: Brazil and Mexico.

Brazil and Mexico as leading subregional countries: Their place in regional integration and the region's international prospects

Although estranged from each other for decades, relations between Mexico and Brazil, the two most powerful countries in Latin America, have been, according to the words of historian Guillermo Palacios (2005), "a series of conflicts and reconciliations" for more than 150 years. Scientific and media interest, which has been modest for decades, experienced a remarkable peak starting at the beginning of this century, especially with the so-called "rise of Brazil" during Lula da Silva's first term (2002-2006). A series of articles have underscored the rivalry and competition that exist between the two powers, both in terms of their development models and their foreign policies and international reach. Brazil and Mexico appear to be two democratic, economically stable countries that are willing to actively participate in international affairs, but are following different courses in their economic policies and manner of participating in regional and international economies (Covarrubias, 2016, p. 49). Eloquent titles on this perspective include "México vs. Brasil" [Mexico vs. Brazil] (Rubio, 2012); "La rivalidad México-Brasil" [Mexico-Brazil rivalry] (Castañeda, 2012), and "México y Brasil: caminos opuestos" [Mexico and Brazil: Opposite approaches] (Ojeda Gómez, 2009), among others.

An analysis and comparison of the dynamics of South America, dominated by Brazil, and those of North America, consisting of Mexico and the Central American isthmus, provides the following takeaways on the positioning and role of these two powers in Latin America and beyond:[7]

1. There is a dominant power in both regions that, according to hard data, bears the status of a "middle power": Brazil and Mexico. This status is, in the case of Mexico, less defined than that of Brazil. Both countries have important power resources (in the sense of positional power), which can be verified through their macroeconomic and demographic figures. Both countries also have abundant natural resources.
2. While Brazil increased its power of influence during Lula da Silva's two terms through a variety of proactive policies, Mexico was, for a long time, fairly uncertain in this regard.

7. The following section summarizes a more extensive work by the author currently in press: *Diferentes espacios, diferentes dinámicas políticas: Una comparación de las políticas exteriores regionales y extra-regionales de Brasil y México [Different spaces, different political dynamics: A comparison of Brazil and Mexico's regional and extra-regional foreign policies]*, Buenos Aires, Ediciones Imago Mundi, 2017.

This has begun to change, although at a slow pace, starting with the governments of Fox and Calderón, and more decidedly with Peña Nieto.

3. The room for maneuver of Mexican foreign policy was always, and continues to be, strongly restricted by geographical proximity to and historical and structural dependence on its neighbor the United States, as well as strong ties between the two economies. There is no comparable relationship in South America, which gives Brazil and its neighbors much greater room for maneuver in foreign policy. However, with the advance of integration in both subregions (Mercosur, UNASUR, and ALBA in the South; the NAFTA and the Dominican Republic-Central America Free Trade Agreement in the North; CELAC throughout Latin America; and the failed hemispherical project FTAA), the dynamic of interstate relations has changed and power relations are more fluid in the region.
4. South American integration gathered additional momentum under Lula da Silva's two governments. While strengthening Mercosur was the initial focus, intergovernmental coordination structures were later extended, which culminated in the creation of UNASUR in 2008. This period was notably marked by the reinvention of South America with Mexico, separate from the northern region (Gehre Galvão, 2009, p. 63). Under Calderón's government, and more concretely with Lula da Silva's visit to Mexico in August 2007, the two countries established a closer relationship, discovering shared interests and dispelling any appearance of misunderstanding or open competition. In 2008, Brazil once again took the initiative and held the first Latin America and Caribbean Summit on Integration and Development (CALC) in Salvador de Bahía. With this step, Brazil began to extend its influence beyond the South. Mexico's growing interest in the South also became apparent when the country hosted the following CALC in Cancún in April 2010. Calderón took advantage of this summit to promote his own idea of Latin American unity

without the United States and Canada, which contributed to the creation of CELAC (Padgett, 2010). However, it would be an exaggeration to argue that CELAC was created chiefly at Calderón's insistence. Many interests came together in its creation, including the opposition to the division of Latin America into two spaces: the North, consisting of Mexico, Central America, and the Caribbean; and the South, dominated by the heavy-hitter Brazil. Another element was Argentina's interest in including Mexico in the new integration regime, without the United States and Canada, as a counterweight to its rival Brazil.

5. One area of competition that was not articulated was that both countries sought a seat on the UN Security Council. Despite the fact that Brazil invested more in this effort, the country and the other members of the G4 (Japan, Germany, and India) were blocked in 2005 due to the lobbying efforts of Uniting for Consensus (nicknamed the Coffee Club). Mexican diplomacy adopted a clear position in this regard, favoring the expansion of non-permanent seats on the Security Council. Another example of divergent interests can be found in the fact that, when Mexico hosted the G20 Summit in Los Cabos in June 2012, neither Brazil nor Argentina participated. On the other hand, the PA has given Mexico the opportunity to emphasize once again its role as a leader in integration efforts based on the current parameters of free trade, together with the other members of the Alliance: Chile, Colombia, and Peru.
6. Another important factor has to do with the different dynamics in North and South America. In the South, there is competition between the regional leader (Brazil) and the runner up (Argentina), which considers itself, at least in terms of political discourse, to be Brazil's primary competitor. In North America, there is no country equivalent to Argentina that is able to compete, with hard and soft power resources, with Mexico's dominant position.
7. Mexico's high level of economic dependency on the United States, with which it shares a common border almost 2,000

miles long, restricts the room for maneuver of its foreign policy and limits the country's dynamism, including under the current government. This high level of economic dependency has no equivalent in South America. Brazil, on the other hand, has to deal with opposition to its leadership by two second-rank powers, Argentina and Venezuela, although it is reasonable to say that this opposition has decreased substantially since the death of Chávez, the dramatic fall in crude oil prices, and the changes of government in Argentina and Brazil. A constellation of forces like this does not exist in the North.

8. Another recent phenomenon that extends beyond regionalism as we know it is the so-called cross-regionalism. Since 2006, six Latin American countries (above all, Mexico, Panama, Colombia, Peru, and Chile) have abandoned customs zones based on regions and, instead, have decided to implement a radical strategy of "bilateral cross-regionalism," i.e. simultaneous participation in multiple bilateral trade agreements (Garzón & Nolte, 2017; Tovias, 2008). Globally, according to the WTO, cross-regionalism is the instrument of economic diplomacy that has grown the most in recent times (2011, pp. 58-61).
9. The consequences of different constellations of power and dependency in North and South America is reflected in the degree of dynamism of the foreign policies of both subregions, especially in the strongest countries: Brazil and Mexico. While Brazilian diplomacy has focused on increasing dynamism (since the times of Color de Mello and his successors, Itamar Franco and Fernando Henrique Cardoso), this trend experienced an additional push during Lula da Silva's two periods of government and was assumed in a more moderate manner by his successor Dilma Rousseff. However, this dynamism dissipated after Michel Temer assumed office, which is why foreign policy appears to have stagnated while the government concentrates on the severe domestic problems it faces.
10. For a long time, Mexican foreign policy was dominated by traditional diplomacy, a high level of principlism (based

primarily on autonomy, sovereignty, and non-intervention), and a concentration on the operational part of foreign trade. With the exception of trade policy, Mexican diplomacy was also characterized until recently by stagnation and a rather more modest presence at international fora, which strongly contrasts with the dynamism shown by Brazil. Albeit slowly, this has changed since Vicente Fox's presidency, which put an end to 70 years of government by the Institutional Revolutionary Party and shifted to a rediscovery, in a certain sense, of the terrain of foreign policy and of South America. Since Cardoso's second term, and parallel with its bilateral relations, Brazilian diplomacy has proactively sought reconciliation with its neighbors, exercising benevolent leadership and mediating conflicts that do not pose significant risk to or fierce confrontation with other states; Mexico, on the other hand, has pursued a low-profile foreign policy for decades. Its Ministry of Foreign Affairs focused on relations with its neighbor to the north and neglected relations with both its immediate neighbors to the south, i.e. Central America, and South America. Calderón and, more notably, Peña Nieto have rediscovered, at least at the level of discourse, both their neighbors from the isthmus and South America. It could be said that Brazil is seen as a model in regard to its social and energy policies, as well as its leadership in regional and international politics. Colombia, meanwhile, seems to have been used by Peña Nieto as a model for his anti-drug policy.

11. Despite Mexico's recent rediscovery of the South (a posture shown in a respectable range of bilateral agreements), until now, the new gaze of Mexican diplomacy towards the South had not been transformed into a coordinated subregional strategy.
12. An open question still remains as to whether the coexistence of open regionalism and post-neoliberal regionalism will give rise to new initiatives in Mexico and Brazil's foreign policies. One scenario points towards a closeness between both nations, perhaps a shared leadership; a second scenario might

be a growing rivalry between the two countries; and a third scenario might be the possibility of increasing intraregional fragmentation that dilutes any leadership ambition of the region. The recent swing to the political right in the region makes this last scenario the most plausible. In any event, the neoprotectionism promoted by new U.S. president Donald Trump leaves doubts as to whether this project for the region's indiscriminate participation in the world market can really prosper.

Beyond neo-extractivism? The strategic imperatives for a transformational approach

The opportunities offered by new relations with China

Since 2013, developing countries, rich in natural resources, have progressively lost ground. Their development model, based on traditional comparative advantages (untransformed natural resources), enabled an economic boom and a strong foreign policy thanks to the high prices of raw materials, but does not appear to serve the region as a guiding principle going forward. This strategy has also needed recent correction in China, as the growing costs of labor and revaluation of its currency have put the competitiveness of Chinese industry at risk. The government is now attempting to transform the previously successful growth model, based on exports and driven by large investments, using a strategy that emphasizes products with greater added value, more services, and greater domestic demand. This change of course also implies a threat to other developing countries. Above all, Brazil and

Russia are suffering due to the drop in Chinese demand. Moreover, emerging powers have been profoundly affected by the pressures of financial markets. With the end of easy money from the European Development Fund and the rise of interest rates in the United States, foreign investors have removed their money from emerging markets and placed it in the United States. Weak exchange rates have led to a rise in imports. The Central Bank of Brazil reacted to these changes by raising interest rates but, in the long term, this reaction ended up weakening its already low growth rate even more.

China's change of course can be considered part of the "new normal" and outlines the process of a profound socioeconomic transformation, the goal of which is the implementation of an ambitious development agenda to maintain Chinese leadership in the second phase of shifting global wealth. This strategy supposes a transition from outward growth (a feature that has characterized its course since the beginning of this century) to growth based on greater domestic consumption against a backdrop of demographic aging, consolidation of an urban middle class, and displacement towards the service sector and knowledge-and-technology-intensive industries.

These new domestic development priorities are also having an effect on China's foreign relations and on cooperation with other regions of the world, including Latin America. In the face of the rise of new U.S. protectionism, new infrastructure investments and projects from China are welcome in Latin America, provided that these are the response to a corresponding demand and foster lasting and sustainable economic development (Myers, 2016). Opportunities in this regard are not insignificant, as the Chinese dragon is positioning itself evermore actively on the world stage, acting, as recently occurred at the Davos 2017 meeting, as a defender of free trade supported by most of the new Latin American governments, with a soft power strategy that exposes interests that go far beyond the economic sphere, i.e. trade, investment, and financial cooperation.

One striking example of this is the 2015 Report on Sustainable Development of Chinese Enterprises Overseas (Chinese Academy of International Trade and Economic Cooperation, 2015), which shows that Chinese authorities are increasingly aware of the environmental and social impacts caused by mega-projects, such as those in the energy sector. In order to make sustainable investments, the report urges Chinese enterprises to develop a "corporate social responsibility" in the countries they invest in. As Margaret Myers, an expert on China from the Inter-American Dialogue, mentions, both Chinese government ministries and banks and chambers of commerce have made progress in recent years on industrial and environmental reforms, and have changed their strategies in Latin America accordingly, aiming for strategic associations and greater integration of their counterparts into value-added supply chains. Latin American governments and business owners must take advantage of this strategy. The restructuring of Chinese consumption will open up new opportunities for Latin American exports, especially of certain types of food, and in-service sectors, where tourism stands out. On the other hand, this change will require significant efforts in the areas of innovation and technology, in which the region generally lags far behind. Whether the required innovations thrive will depend, to a large extent, on cooperation being democratized across all its stages and on the successful reorientation of financing towards sustainable projects that provide concrete benefits for local populations.

Latin America can learn many lessons from the recent strategic changes in China, including those from its foreign relations policy. The recent study *Latin American Economic Outlook 2016: Towards a new Partnership with China*, from the Organisation for Economic Co-operation and Development (OECD), ECLAC, and the Development Bank of Latin America (CAF) (2015) described in detail the reforms and innovations that the region's countries need in order to set in motion a new association with China and face the challenges implied by a shift in the world's "center of gravity" from developed to emerging economies, a phenomenon known as "shifting wealth."

From the "resource curse" to the blessing of value-added exports

With the fall of prices in 2013, the growth model based on raw materials has once again shown its limits. This is an important reason that the region should diversify and modernize its production structure based on innovative policies of productive development. The situation is worsening, as the transition in China could have a negative impact on traditional Latin American exports of raw materials and on manufacturing exports from Brazil to the region (Mouron, Urdinez, & Schenoni, 2016, pp. 26ff.) Overcoming the extractivist logic in the region is not easy, considering that the region has lived for centuries under the primacy of and dependent on its traditional comparative advantages: natural resources. Only a handful of countries, such as Costa Rica and Uruguay, have already advanced significantly in decarbonizing their economies. Most hydrocarbon exporting countries, however, have not taken advantage of the fall in raw material prices to change course. As indicated by a recent report from the Inter-American Development Bank (IDB), the structure of Latin American exports to the United States and the EU continues to differ from those of other regions to these two markets. Fuel, natural resources, and semi-processed products constitute the highest percentage of products in the export basket, with the exception of Mexico (Michalczewsky, 2017), and there are no signs of this changing in the medium term. In fact, Bolivia, for example, reacted to the decrease in income from gas by extending the areas for hydrocarbon exploration, even setting aside protected natural areas for this use, as well as offering a substantial subsidy fund of $3.5 million to oil and gas companies. Ecuador, which has lost around 7 percent of GDP due to decreased oil exports, has begun exploiting crude oil in one of the most fragile sites on the planet, the Yasuni National Park, a region that was protected in the past by President Correa and in which there are proven reserves equivalent to 41.7 percent of the country's total reserves. In Venezuela, the most dramatic case, oil production has fallen more than 30 percent in the past decade. Given that this product represents more than 90 percent of Venezuela's exports, the effects of this fall on the country's economy have been disastrous. As Gerardo Honty (2016) underscored, Venezuela "is entering into a vicious cycle in which foreign currency is scarce because [the country] produces less oil [due to the deteriorating financial situation of the state-owned Petróleos de Venezuela] and in turn [the country] produces less oil due to the same scarcity of foreign currency."

A change of course will not be easy for Latin American countries, because raw materials were the cause of the Latin American boom period of the so-called "golden decade" (2003-2013). However, changing the production structure is, in the long term, the only way for the region to participate more actively in the world market and increase its economic and political importance on the international stage. This does not mean it has to completely renounce its traditional comparative advantages, but it should bear in mind the IMF statement from 2015 that "natural resources could be a blessing to a country, if natural wealth facilitates the financing of investment for sustainable growth and, at the same time, allow the government to provide basic social services" (as cited in Núñez, 2016). Traditionally, the extractivist model of exploiting natural resources in Latin America has been accompanied by a governance model with a short-term perspective, even in the greatest boom periods resulting from the rise in the prices of basic products. This appears to contradict the very nature of the resources on which extractivist activities are based, as they are by definition nonrenewable (Altomonte & Sánchez, 2016, pp. 10ff.). In certain cases, the profits made from these resources were funneled into social projects through public investment, but this was done on a more case-by-case basis, detached from solid structures that would allow more sustainable conditions to be generated for development and the welfare of future generations. The blessing of resources, this window of opportunity that opened during the golden decade, closed when global market prices dropped. Latin American countries once again showed their inability to convert periods of natural resource export bonanza into long-term economic development processes. The fall was dramatic. Protests from people affected by the extractivist activities of large multinational companies have increased in recent times (Deonandan & Dougherty, 2016), as has an awareness that despite its previous validity, maintaining a development model based on the comparative advantages of natural resources is now a dead end, as it perpetuates dependence and underdevelopment and condemns the region's countries to passive international participation. Latin America and the Caribbean require new ways of governing natural resources that successfully allow a process of sustainable, fair, and equitable development to be set in motion. This strategy does not mean that the region's governments should completely give up their traditional comparative advantages, but they have to invest the profits in a wide range of public policies and increase the added value of their exports, including those of raw materials. In view of the fact that one of the global economy's greatest challenges is how to feed a growing population and maintain the production of material-intensive manufactured goods, it is very likely that the consumption of raw materials related to the growth of Asian countries will continue to expand for a while. This means that Latin American countries can, therefore, take advantage of their historical specialization in natural resources by giving them added value. Anabel Marín (2016, pp. 247ff.) recently identified three areas of opportunity for the development of new technologies related to natural resources: specific and changing local conditions; the area of development based on new technologies, such as biotechnology; and finally, opportunities related to the need to develop environment-friendly technologies. Advances in these areas could obtain broad support from a population that considers environmental protection to be a very important foreign policy goal, as shown by the survey *The Americas and the World: Public Opinion and Foreign Policy*, which was administered in seven Latin American countries in 2014 and 2015. On a list of 12 foreign policy goals, most citizens qualify environmental protection as highly important. Ninety-six percent of the people surveyed mentioned that it is a somewhat or very important goal, this percentage being the highest of all the goals (Centro de Investigación y Docencia Económicas, 2014-2015). Certainly, according to ECLAC, the impact of climate change on Latin America is already significant and is only increasing. The main effect can be seen in a rise in average temperature of between 0.7 and 1 degree from the mid-1970s. Moreover, the southeast region of South America has observed a rise in annual precipitation. These phenomena have had diverse effects on agricultural activities, the water system, biodiversity, forests, tourism, health, and cities (ECLAC, 2015).

Significant energy potential as opportunity

The region's significant energy potential is a source of wealth and, undoubtedly, a comparative advantage that has only partially been taken advantage of until now. According to data from the IDB, this potential could sufficiently cover more than 22 times the region's electricity demand in 2050. This example shows that the region's governments could exploit the implications of the Paris Agreement (COP21) to drive a development model that harnesses its diversity of natural resources without compromising the region's social and environmental welfare. Latin America is better positioned than other regions of the world in various aspects regarding the commitments made by approximately 200 countries at COP21, and in November 2016 in Marrakesh, due to its low-carbon electricity sectors. Most of the region's countries, including the countries with the highest emissions (Brazil and Mexico) have ratified the Paris Agreement. Although Latin American countries, in relative terms, contribute little to CO_2 emissions, energy consumption has increased within the framework of economic growth that the region has experienced in recent decades. As noted by Christian Denzin, lowering emissions from seven to two tons per capita by 2050 would be a consistent response to COP20 in Lima (2014) and COP21 in Paris (2015). Brazil and Mexico, which occupy places 12 and 13 on the list of countries with the highest emissions, have emissions of more than two tons per capita, despite their high levels of poverty. If these two countries maintain their traditional development path while also attempting to reduce poverty at the same time, their emissions will continue to increase (Friedrich-Ebert-Stiftung, 2017).

Currently, Costa Rica is the only country that actually has the capacity to meet its national commitments in terms of the global goal of preventing the average temperature from rising two degrees. To reduce its per capita emissions by 2050, Latin America has to stop deforestation, reduce emissions caused by agriculture, and reduce energy consumption by 40 percent, a goal that could be met if it implements a strategy that leads to greater energy efficiency. According to a report from the IDB, the region should also decarbonize 90 percent of its energy sector and fully electrify the transport sector. Decarbonizing means replacing high-carbon content energy sources, such as oil and gas, with zero-carbon sources, chief among which are solar and wind power. This path's probability of success is not unlikely, as the region is, compared to others, a leader in clean energy. Forty-eight percent of its electricity comes from clean energy sources, of which 96 percent corresponds to hydropower. Emissions due to transport, however, are growing quickly, as the number of cars in the region is growing, resulting in an increase in consumption of gasoline and diesel. In order to meet their Paris Agreement goals, Latin American countries must build infrastructure that helps to install low-carbon energy systems, as well as democratize and decentralize their energy systems to achieve fairer and more inclusive economies. These last two goals are important because an effort that only focuses on decarbonizing will not be enough to change monopolistic or oligopolistic, corrupt, clientelist, and inefficient structures. A strategy like this would also attract new FDIs. The new commitments to China are a step in that direction. Large investments must also be made in electric vehicles and in public transport, without neglecting policies to create cultural change and disincentives so that consumers adjust their behavior patterns, which are today insensitive to energy saving (Viscidi & O'Connor, 2016). Progress on these issues also depends on the cuts that the Trump administration will be making in the area of the environment (incalculable as of yet), because many Latin American governments have conditioned the implementation of their own plans for reducing emissions to meeting financial commitments and technology transfers agreed to by the Obama administration (Viscidi, 2017).

Moving beyond the traditional development strategies applied until now is not easy, as the four models of development that have historically been implemented in the region (the primary export model, the import substitution model, the neoliberal model, and post-neoliberalism) have not erased an archetypal characteristic of Latin American societies: structural heterogeneity; in fact, they have actually reinforced it (Cálix, 2016, p. 17). As a first step towards setting socially fair, economically productive, and ecologically sustainable transformation into motion, national policies are needed that foster innovation where countries already possess greater competitive advantages. Chile and Costa Rica are good examples of how this could work. Chile exports salmon, along with a great deal of technology associated with the salmon farming industry. Nevertheless, advances are inconclusive even in these countries; an example of this is the growing number of complaints about the environmental impact of excessive salmon farming activity, particularly in the Chilean region of Chiloé. It is also worth mentioning that Costa Rica, which faces environmental conflicts due to pineapple crops and the predatory attitude of one part of its tourism industry, is one of the few countries in the world with a positive balance of trade with China, thanks to its important technological exports, especially microprocessors (Núñez, 2016, p. 2).

The imperatives of innovation and diversification

Innovation and *diversification* are the buzzwords that dominate the current debate on ways to escape the "resource curse" and its impact on the region's international participation. The basic argument is that a country's capacity to participate in global trade and growth depends on its capacity to innovate in technological, social, and organizational fields. In this sense, the distinctive aspect of the new knowledge economy is the central role of innovation in competition and the international division of labor. Innovation occurs in the creation of new products, processes, sectors, and activities, thus driving structural transformation, which in turn reinforces the incentives for innovation in a virtuous process of production that increasingly values the generation of added value based on knowledge. However, as historical experience shows, this process is not automatic or spontaneous. Internal capacities, institutions, and policies play a key role in supporting innovation. Furthermore, innovation alone is not sufficient, nor is it a magic bullet that will solve the region's technological-production underdevelopment problems. As Dani Rodrik (2016) underscored, what improves standards of living is the effect of technological innovation on the productivity of the entire economy, not innovation in itself. Although it is true that we live in an accelerated age of revolutionary technological breakthroughs - including artificial intelligence, biotechnology, digitalization, and automation - there is no consensus on where these achievements will lead us. There are techno-optimists, techno-pessimists, and a third group that could be called the techno-worriers. This last group agrees with the optimists, according to Rodrik, about the scale and scope of innovation, but frets about the adverse implications for employment and/or equity; the focus of debate is about the spread of these innovations.[8]

The central question is whether these innovations will remain contained to a few tech-intensive sectors that employ the highest-skilled professionals and account for a relatively small share of GDP, or spread to the bulk of the economy. This ultimately depends on how quickly innovation diffuses through labor and product markets. As regards diffusion, Rodrik (2016) noted a series of restrictions on both the demand and supply sides of the economy. On the demand side, for example, the United States experienced the most rapid productivity growth in information and communications technology, while government services and health care had virtually no productivity growth. On the supply side, the key question is whether the innovating

8. This is Trump's great mistake; "unfair trade" is not responsible for the destruction of thousands of jobs in the industrial chain in the United States, but rather the technological revolution.

sector has access to the capital and skills it needs to expand rapidly and continuously. This last factor is, as we know, a big problem in Global South countries, including Latin America, whose workforce is essentially low skilled. This scarcity comes into play once manufacturing operations become automated and require highly-skilled workers, who tend to be in short supply; developing countries lose their comparative advantage vis-à-vis industrialized countries. In a world of "premature deindustrialization," achieving economy-wide productivity growth becomes that much harder for low-income countries. Rodrik (2016) cites the economist Tyler Cowen, who has suggested that these countries may benefit from the trickle-down of innovation from advanced economies, consuming a stream of new products at cheap prices. However, the question remains: What will these countries produce and export - besides primary products - to be able to afford the new products (e.g. cellphones) imported from advanced economies?

As the statistics show, economy-wide productivity has stagnated in Latin America. Rapid productivity growth in the pockets of innovation has been undone by workers moving from the more productive to the less productive parts of the economy, a phenomenon that Rodrik (and his colleagues) have called "growth-reducing structural change." This clearly shows that innovation can co-exist side-by-side with low productivity, and the opposite is true, i.e. productivity growth is sometimes possible in the absence of innovation, when resources move to the more productive sectors (Rodrik, 2016). Additionally, on the theme of sustainable and inclusive development, the topic of innovation and the use of technology should be seen in terms of the principle of "technological fairness," which puts access to and use of technology at the heart of the debate as we consider how innovations and technologies can contribute to solving urgent social and environmental issues. This is a relationship that has not been investigated much until now (see Trace, 2016).

Despite the fact that all the BRICS have invested significantly in science and technology for the past two decades, only China and India have been successful in exporting high-tech products in certain sectors. China, which had become the world's workshop until recently, is actively working to transform itself into an economy of innovation. In order to do so, it successfully set out to attract thousands of startups from all over the world, in an initiative comparable to the birth of Silicon Valley. In 2015, China invested massively in ten areas of economic priority; the amount of investment stands at ¥5.3 trillion (approximately $319 billion, distributed over 800 funds (Giesen, 2017). Beyond China and India, the rest of the Global South countries mostly continue to export low-tech products. In the 2011 Global Performance Index (GPI),[9] which consists of 96 countries, six Latin American countries are among the top 50: Chile (5), Argentina (22), Brazil (23), Mexico (37), Colombia (40), and Peru (43) (Kappel & Pohl, 2013, p. 5). Between 2000 and 2008, the growth in Brazil's productivity was only 3.6 percent (per employee - 1.3 percent); in China it was 10.2 percent (9.2 percent), and in India, 7.5 percent (5.4 percent) (Kappel & Pohl, 2013, p. 4). These figures show that efforts to date are not enough to accelerate the process of catching up in Latin America.

Can China replace the United States in Latin America?

If the United States under its new administration actually deepens its inward-looking strategy and continues to distance itself from its southern neighbors, could China fill this vacuum and support Latin America to increase its competitiveness and improve its insertion into the international economy? Foreign relations, especially the adoption of new trade agreements and innovations, play an important role in China's new normal strategy designed on the basis of annual growth of around 6 percent. In one recent study, the IDB investigated the

9. The GPI is an instrument for measuring the performance capabilities of 100 countries. The indicators show the development of trade, institutions, education and training, infrastructure, the financial system, and income per capita.

impact on innovation of trade agreements between China and ten countries, three of which are Latin American (Chile, Costa Rica, and Peru) (Chelala, 2016). The interconnection between trade agreements and innovation chiefly appears in four areas: technical cooperation; technology transfer; research, development, and innovation; and intellectual property patents. For these four areas, the IDB figures clearly indicate a modest impact of these trade agreements on the ten countries chosen. However, more agreements, countries, and indicators are needed to obtain more solid results. In any event, if we look at the region as a whole, there is evidence that the participation of Latin America in GVCs is substantially inferior to that of other regions. Within the current rules of the game, participation in GVCs is seen as very important, given that value-added supply chains are playing a growing role in the global economy, mostly dominated by the key players of the OECD countries.[10] However, leading companies from Global South emerging powers often occupy dominant positions in quasi-hierarchical value-added chains, co-determining governance in these chains and performing a leadership function, whether through subcontracts and vertical integration for the region's leading technology companies, or via technology transfer, profit distribution, and restricting access to value chains. These Global South companies are therefore a telling indicator of the positioning of a country within an international economy (Kappel, 2014). Closing the technology gap will not be easy, but there appears to be no alternative. In terms of trade diversification, only Chile, Colombia, and Costa Rica are at the same level as China, while innovation capital in Latin America is much lower than in the OECD. According to the World Intellectual Property Organization, in a ranking of 128 countries led by Switzerland, Sweden, and the United Kingdom, only one Latin American country ranked among the top 50: Chile, at position 46. Outside of the top 50, Costa Rica ranked at 53 and Mexico at 58; these countries were followed

10. In recent decades, transnational companies have taken advantage of the global policy of investment incentives, lowering of taxes and customs duties, fostering of trade, and the deregulation of labor markets. Today, the global value-added chains of the OECD control 80 percent of world trade.

by Panama (63), Colombia (65), Uruguay (67), Brazil (69), Peru (70), and Argentina (76). Bolivia, the last Latin American country on the list, came in at 106 (Agencia EFE, 2017). By contrast, in the ninth edition of the Global Innovation Index, China has become the first middle-income country to be in the select group of the top 25 countries (Agencia EFE, 2017).

Education and scientific output as key areas

As the OECD's most recent report indicates, Latin America ranks below the global standards for academic performance based on data from the 74 countries that participate in the Programme for International Student Assessment (PISA). One could object to the design of measurements such as PISA, but it is undeniable that it offers a comparative framework of competencies that today seem very relevant to the performance and participation of countries in globalization. Of the Latin American countries that participated in the evaluation of competencies recorded in the report, only Mexico and Argentina are above average in the relationship between economic situation and academic performance. A comparison of Latin America's formal education with that of China shows remarkable differences in many aspects, favoring China. According to data from the PISA report, of the 72 countries that participated, China occupies sixth place in mathematics; tenth in science; and 27th in reading skills. Conversely, the ten Latin American countries that participated are ranked in the lower half. The superiority of the Chinese school system is also reflected in other indicators, such as school autonomy, duration of the school year, the daily number of teaching hours, the amount of teacher strikes and absenteeism, the professional requirements for hiring teachers, and, in general, the value and importance that society and students ascribe to education, aiming to obtain good results, and professional growth (Vélez Bustillo, 2017). To improve this deplorable situation, the report suggests public policies such as creating challenging learning environments, participation by parents and local communities, encouraging students to make the most of educational opportunities, and offering focused support for students (OECD, ECLAC, & CAF, 2015).

Another indicator that has to do with competitiveness is a country's scientific output. According to the Scimago Institutions Rankings, which measures scientific output, rates of international collaboration, and the impact and percentage of documents published in journals with international prestige by higher education institutions in Latin America and the Caribbean, Spain, and Portugal, although scientific output continues to increase in the region, it lags behind the world average. Research continues to be concentrated in a few universities and, although scientific output is growing quickly (it has the second highest growth in the world, after Asia), it still only accounts for 4 percent of the world total. The rate of impact of most research conducted in the region is also below the world average, and the visibility of its scientific output is modest to say the least. One reason why the region's scientific output is scarce is that the community of internationally active researchers is relatively small, as is the percentage of GDP dedicated to research.

To make the most of China's transformation and its offers of cooperation, the region should, beyond the education sector, invest substantially in the quality and adequacy of competencies and in rectifying deficiencies in infrastructure and logistics. Furthermore, improvements are necessary in government regulations, institutions, and capacities to develop profitable projects, environmental sustainability, and a greater commitment to transparency and good governance.

Conclusions: A transition towards deeper integration, larger investments in science and innovation, and sustainable development is the best way to gain greater international importance

There is no doubt that the emergence of a new world order, decentralized globalization, the changes in international economic policy (the fundamental feature of which is the rise of the Asia-Pacific region), and the emergence of a series of mega-regional trade agreements will directly impact the policy of Latin American regionalization and will reconfigure the economic policy coalitions in each of these countries. It is already apparent that the PA is attractive beyond the four Latin American signatory countries (Mexico, Colombia, Peru, and Chile), as seems to be the case for Argentina and Brazil under the governments of Macri and Temer, who are very interested in reconsidering their international economic participation. With the swing to center-right governments in the region and their focus on economic openness, encouraging foreign investments, and improving access to capital markets, these strategies for international participation will once again dominate the region, as they did at the start of the 1990s. This occurs, paradoxically, at a historic moment in which an antiglobalization faction is growing in Europe and the United States, increasingly distancing itself from openness and multilateralism and casting doubt on the role of these nations as the driving force and guarantor of multilateral economic order.[11] In the words of Alejandro Frenkel (2017):

> While the consensus on free trade and globalization in the West is sinking like the Titanic, the liberal governments of Latin America have become the orchestra on the mythic transatlantic ship. Disorientated by an unexpected scenario, it remains to be seen whether they end up on the lifeboats thrown by China or whether their refusal to recalibrate their models of economic participation and their foreign alliances end up sinking them into the depths of the ocean.

It is still an open question as to whether China will really put greater openness of its markets into practice, i.e. renounce protectionist customs duties and dumping measures in the export sector in the future. The giant continues growing, although "only" at rates of 6.5 percent to 7 percent. Enormous sums have been invested in large infrastructure projects and the real estate market is heating up again, causing many Chinese people to move their money abroad. On the other hand, the yuan, which was always weak against the dollar, continues to lose value. Exports are no longer the main engine of growth and demand for natural resources has fallen, which above all affects South American countries. Moreover, the Asian country faces other problems. Debt has grown over the past decade, from 150 percent to 260 percent of GDP, which is two and a half times its economic capacity. Companies, particularly state-owned ones, are the biggest debtors. China needs even more credit to generate growth, but two-thirds of the new credits are needed to pay interest. The real estate sector, which continues to be the most lucrative to date (a permanent temptation for investors, including the state) is out of control and tainted by endemic corruption; available credit is cheap

11. The distancing of the U.S. government from liberal creed is not comprehensive, as it only applies to those cases that involve, according to the Trump administration, "unfair trade," i.e. trade that threatens the U.S. economy and destroys jobs.

and environmental pollution in megacities is becoming increasingly unbearable. The growing movement of labor-intensive production to other Asian countries has increased the already high percentage of unemployed Chinese that are searching for jobs that no longer exist in the industrial clusters or in the rural interior regions. As a result, the number of social protests has grown exponentially, threatening the country's stability, even when the monopoly on power of the Communist Party *nomenklatura* has so far remained unquestioned. Economists recommend aggressive privatization of state-owned companies as an exit strategy, but this would mean a loss of control for the Communist Party and mass layoffs, which would further increase social protests, possibly even making them uncontrollable. Nothing worries the government more than an increase in instability (Köckritz, 2016).

The reaction of Latin American governments to Trump's victory and the wooing of China

The reaction of Latin American governments to Trump's victory and the wooing of China is naturally heterogeneous and reflects the underlying economic, political, and ideological differences that exist in the region and the different degrees to which countries could be affected both by U.S. measures and offers from the Asian dragon. First, the Southern Cone countries have found the need to recalculate their foreign policy and strengthen their ties with countries such as China, and less decidedly with Europe, while hoping that this change does not mean losing their privileged connection with Washington. At least in its rhetoric and international presence, China has become the great defender of free trade and globalization (despite its protectionist practices).[12] This redesign is easier for countries such as Chile and Peru, which already have

12. According to the OECD, the Chinese economy is the most closed in the world.

bilateral trade agreements with the United States, than for Mercosur's Brazil and Argentina, whose negotiations with the EU have been at a standstill for more than 15 years, although they have now apparently been unblocked. If we add the faction of countries from the Bolivarian axis (Venezuela, Bolivia, and Ecuador), which have profoundly anti-United States feelings (Venezuela) or a demand for greater autonomy (Ecuador and Bolivia), it is clear that we cannot expect, in the short and medium term, a consistent strategy for international participation from the region one way or the other, and even less if we take into account the multiple weaknesses of the two most powerful countries: Brazil and Mexico. Unification of a common position continues to be conspicuous by its absence. The contradictory declarations within the framework of CELAC, as Alejandro Frenkel (2017) emphasized with good reason, are more wish lists than an articulation of a unified policy. All of this exists within a global context in which the process of accumulation is shifting toward the Asia-Pacific region, which will cause changes in competitiveness as regards the links of production chains, in the profit calculations of different sectors of the economy, and in countries' patterns of international participation. Latin America should decide whether the region, or at least some of its members, will take advantage of this development and advance towards both a more active participation in the international economy and towards sustainable development. The other option would be to remain in its traditional role as a supplier of raw materials. For these changes to occur, it is necessary to rethink trade policy to make it less ideological and more realistic and pragmatic, so that losers can be identified and suitably compensated. Finally, trade policies have to be compatible, as we have already underscored, with other internationally-approved regulations and frameworks of reference, such as the International Labor Organization's (ILO) Decent Work Agenda, the 2030 Agenda for Sustainable Development, and the Paris Agreement (Schillinger, 2016).[13] What is lacking in Latin

13. It is at least suspicious that most of the debate on the PA and its advances and impacts on participating economies is more of a Latin American monologue, while its Asian counterpart has remained practically silent.

America is ample debate on the true effects of mega-agreements on the region's development, which should not only include governments, but also the middle class, unions, low-income sectors, *multilatinas*, and academia. In order to reconcile these trade agreements, whether bilateral, regional, or mega-regional, with the SDGs, we would have to consider a widely-verified phenomenon: a blind faith in globalized markets results in the continued disengagement of the poorest in the world, as the costs of environmental damage are externalized. In that direction, instead of complaining about the Trump administration's withdrawal from the TTIP and TPP mega-agreements, we should take advantage of this situation to ensure a new multilateral momentum inspired by, for example, the spirit of the previous sessions of the United Nations Conference on Trade and Development, towards a new economic world order that, among other aims, puts an end to the closure of wealthy countries to imports from the Global South, establishes fair and transparent trade rules, meets the work criteria of the ILO, and promotes cooperative development.

COP21 as a guiding principle towards a reconfigured Global South and worldwide sustainable development

The results of the COP21 in Paris mark the path towards more sustainable development worldwide. However, meeting the COP21 commitments with alternative development is going to be difficult due to its fundamental contradictions, the positions and interests of the signatory countries, and the influence of powerful economic actors who are attempting to limit its potential impact. The main buzzword is decarbonizing energy systems. In many Global South countries, there is no policy to this end or the policies implemented are insufficient (Lay & Renner, 2016). Taking into account the region's possibilities and its rich energy resources derived from renewable sources, Latin America is well positioned to transition towards more sustainable development.[14] The 2030 Agenda for Sustainable Development, despite its deficits in terms of converting the 17 SDGs into sub-goals and indicators, represents undeniable progress.[15] The agenda foresees not only guidelines for national policies, but also a new path for international technical cooperation in the region, characterized by the entry of new actors, new modes and schemes of financing, interdependence between the various cooperation agencies, strengthening of SSC, and exploring new routes for investment flows and cooperation in a reconfigured Global South (Aynaoui & Woertz, 2016). All Latin American countries have stated their willingness to adapt their domestic cooperation frameworks in alignment with the new development agendas, such as the 2030 Agenda for Sustainable Development, the Financing for Development Agenda, and the Aid Effectiveness Agenda. The COP21 Agreement in Paris at least outlined the path to sustainable development worldwide. Thanks to its high energy potential derived from renewable sources, the Latin American region presents significant opportunity to transition towards a model of sustainable development, although thus far, the region has not adequately taken advantage of this opportunity. One very specific step towards a new form of development would be to change the course of the economic system in support of the common good, thus following the goal of economic activity as defined in many democratic state constitutions (see Felber, 2016). In a recent working paper, the Peruvian Agency for International Cooperation (APCI) analyzed the role of regional cooperation within the new framework

14. According to the IDB report *Rethinking Our Energy Future* (Vergara, Alatorre, & Alves, 2013), the energy potential of Latin America's natural resources would be sufficient to cover the region's electricity demand by more than 2.2 times in 2050.

15. As Daniel Dückers highlighted, achievement of the 17 SDGs has been deficient if we take the agenda's central goal seriously: sustainable welfare for everyone. This is a serious omission, above all regarding one of the key goals—fairer distribution of material goods—which is practically not addressed by the agenda. Without a change of course in the area of distributional fairness, we cannot expect progress; rather we should expect the opposite (Dückers, 2017).

of the Global Partnership for Sustainable Development (Agencia Peruana de Cooperación Internacional [APCI], 2016). The working paper concludes that it is not about applying traditional models of the North-South divide,

> but about reconceptualizing it based on new discussion points: the value of domestic resources, interpretation of the universality of responsibilities in conjunction with the principle of Common but Differentiated Responsibilities (CBDR), transfer of green technologies and the 'green economy',[16] the role of private enterprise in ICD [international cooperation for development], management of public assets, [and] the role of SSC within the international system of cooperation for development. (p. 39)

Committing to international cooperation is important but insufficient, because it does not take into account the fact that alternative development is only achievable on the basis of an inclusive approach, i.e. with strong participation from civil society. The change towards sustainability can be successful only if a new state-market-society equation is being created, as underscored by the ECLAC report *Horizons 2030: Equality at the Centre of Sustainable Development* (2016b). The authors recognize that the transformation of commitments and decisions into active policy in the region implies a long-term commitment and requires answering a series of questions that include, among other issues, the future of regional integration, the construction of joint visions and positions, the construction of a common platform for successful insertion in global processes, the type of relationship between the state and other actors, and, finally, the measures to be taken to counteract structural development challenges in the region, such as inequality and the distribution of wealth (APCI, 2016, pp. 40ff.). Finally, the success

16. It is worth mentioning that the "green economy" is a widely-debated concept. Each case would therefore need to specify in detail which version of this concept is being used. This debate cannot be summarized here due to lack of space.

of development under the SDGs is decided in an "unruled G-Zero world" (Bremmer, 2012) at the national level and, remembering the old adage "all politics is local," at the local level. The 2030 Agenda is ultimately a sociopolitical assignment from the international community for the local level.

As said at a recent conference organized by Spanish think tank the Barcelona Centre for International Affairs, there is broad consensus between international experts that the transition towards a low-carbon energy system is unstoppable, and that the structural change towards economies that respect the environment is an absolute necessity today (Barcelona Centre for International Affairs, 2017). However, the Trump administration's clear resistance to following the climate change policy set by the Obama administration represents a step backwards.

Towards a reinforced integration based on sustainable development

In terms of the region's integration as a springboard to the world market (a goal adopted since the 1980s), Latin America needs more integration, not less, including addressing environmental issues more firmly (Blanco Jiménez & González Blanch, 1999-2000), such as the negative collateral impacts of the socioeconomic advances of recent years, perceptible in greater atmospheric pollution in urban areas and significant deterioration of various natural assets, such as nonrenewable resources, water, and forests. These problems have the potential to erode the very bases that sustain economic dynamism and demand a transition in the coming years towards a sustainable development that preserves economic, social, and natural resources for future generations. This goal implies abandoning a type of regionalism that has predominated until now and which has reinforced national and regional sovereignty based on presidential authority, so-called "inter-presidentialism" (see Malamud, 2010; Legler, 2013; Gómez Mera, 2013). A type of regionalism is required that reinforces sovereignty beyond isolated national capacities, demanding regional and global responses; no less importantly, it must be achieved within the framework of economic development with great equality and social inclusion and on a path of growth with low carbon emissions (ECLAC, 2016b). Greater integration that addresses these challenges would help reduce the region's vulnerability to external phenomena and react to the shift in economic power towards Asia and the Pacific, the acceleration of technological changes, climate change, global governance challenges, and new security threats. The response to a world without a clear course cannot be isolation, which would be the equivalent of following Donald Trump's mistaken path, or the belief that the market will fix things by itself. To leave the dead-end street of extreme dependence on traditional comparative advantages (natural resources), countries must deploy specialization strategies, diversify their foreign economic partners, and seek new forms of financing and participation in the world economy. This means, according to the recent proposals of Sergio Bitar (2016):

1. Overcoming Mercosur's exhaustion, expediting and authorizing individual negotiations, and striking a free trade agreement with the EU.
2. Setting in motion common projects between Mercosur and the PA: infrastructure projects, bi-oceanic corridors, electrical and energy integration, setting up joint marketing boards in Asia and Africa, [and] joint research to incorporate more technology in enterprises.
3. Articulating value chains around advanced technology sectors.

On June 1, 2017, Donald Trump carried out his campaign pledge and announced that the United States would withdraw from the Paris Agreement. This process, however, is neither quick nor automatic, because the Paris Agreement establishes that countries cannot withdraw during the first three years and, should they decide to withdraw, the withdrawal will not take effect until one year afterwards, i.e. in formal terms, the United States will continue to form part of the climate agreement until 2020. Nevertheless, the situation is different in practice, as Trump has already approved various regulations that dismantle Obama-era policies to combat climate change, undermining the country's efforts to reduce its emissions. Even without Trump's counterproductive policies, it was estimated that the United States was not going to completely fulfill its commitment to the Paris Agreement. This reversal by the United States has reduced the country's capacity for leadership and left a privileged space that China, with the most emissions in the world, has shown signs of wishing to occupy. Although Trump's solitary decision is an undeniably disastrous sign for the international community that might cause a chain reaction, it may also be a call to the other 196 signatories of COP21 (only Nicaragua and Syria did not sign) to close ranks and redouble their efforts to fulfill the Paris objectives and the SDGs. In fact, the initial reactions to Trump's decision point in this direction. The High Ambition Coalition, whose members include Chile, Brazil, Mexico, Germany, the Netherlands, Luxembourg, and New Zealand, among others, stated that it was "deeply disappointed" and underscored that the agreement was not a matter up for discussion (Rocha, 2017).

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Undoubtedly, Latin America, like the rest of the world, is in a phase of profound transition. Recent regional and global events, such as the sharp drop in international prices of raw materials; the exhaustion of the progressive cycle in the region;[17] economic stagnation; new regional and interregional coalitions, such as the BRICS and MIKTA (Mexico, Indonesia, South Korea, Turkey, and Australia); the G20; and the negotiations of new trade mega-agreements are signs of a new period and a watershed for regional interests, increasing intraregional fragmentation, hindering common strategies towards the outside world, and weakening the presence of Latin America on

17. There is broad debate over what has reached its end: a progressive cycle, an age, a series of electoral victories by the left, or merely a progressive narrative. It is too early to tell what the answer to that question is today.

the international stage as a collective, cohesive, and important actor. However, these changes also open up new opportunities, as shown by *Horizons 2030*, published by ECLAC (2016b), and the Institute for the Integration of Latin America and the Caribbean's publication *Eco-Integration in Latin America* (2017), a collective work by thirty international experts presented in April 2017.

If the region's governments are willing to follow guidelines like those mentioned above or similar ones and implement measures that favor structural change, in other words a socially fair and ecologically sustainable transformation, the region could take an important step towards a culture of equality and sustainable development and gain more importance on the international stage.

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CHAPTER III

Economic Context in Latin America

Outlook and Trends for Social-Ecological Transformation

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Introduction

This essay explores the economic context necessary for the formulation, discussion, and implementation of proposals needed for a social-ecological transformation that improves upon the current unfair and unsustainable socioeconomic system. Therefore, the word *context* does not refer to a situational analysis of global economic circumstances and those of Latin America in particular, but rather utilizes the term's literal meaning, referring to the circumstances that form the setting for an event in order to better understand and interpret said event. As a response to the economic, social, and environmental crises in which Latin America and the entire planet currently find themselves, social-ecological transformation requires a study of the evolution and future trends of the material conditions of production that have led to the economic changes described in this essay, as well as their more specific but no less important consequences in terms of economic growth, or lack thereof, wealth distribution, trade, and investment.

This essay is therefore divided into two parts. The first part deals with changes to the global system of production, beginning in Section I with a description of the rise of global value chains (GVCs) and the new dynamics for worldwide production, trade, and investment under the control of a few large transnational enterprises. Section II provides a brief but complete description of GVCs and how they operate both internally and externally towards the market. Section III outlines the most significant changes that this new global system of production entails for other spheres of economic and social activity, changes that are part cause and part consequence of the same—specifically finance, services, labor relations, and social and environmental impacts. While Section IV addresses the role of technology in GVCs, Section V describes the new international division of labor that has been created by the new worldwide system of production and the roles countries play in this international division.

The second part of this essay focuses on the changes that have occurred in Latin America over the past three decades due to policies implemented by the region's governments—often under pressure from transnational enterprises, the governments of developed countries, and international financial institutions—as well as an analysis of what can be expected in the near future. Section VI analyzes Latin America's economic and productive evolution since the 1990s, as well as its current participation in global and regional value chains, according to its three main subregions (Central America, the Southern Cone, and the Andean countries). Section VII analyzes the economic environment of recent years after the end of the commodities cycle, providing a brief summary of the global situation and the main world powers, as well as an in-depth analysis of the Latin American region. Section VIII analyzes the negative policies that most of the current governments in the region are implementing within the context described in the previous sections, summarizing the challenges faced and outlining the possible economic, productive, and social strategies and courses of action for the social-ecological transformation of the region.

New worldwide dynamics: Capitalism reformulates itself

At the beginning of the 21st century, capitalism had reached all around the globe. The worldwide economic structure has changed considerably since the beginning of the 1980s, driven by the efforts of large multinational enterprises to regain profitability and economic growth in the system's core countries following the collapse of the Bretton Woods system and the oil crises. Two profound and interrelated changes characterize its evolution over recent decades: the development of a new global system of production and, in particular, the growing asymmetry between economic and financial reality.

The new global model of production has implied the fragmentation of production processes and the relocation of these processes to different countries and regions, forming GVCs that take advantage of localization opportunities in accordance with the production characteristics of each "link" (production stage), respectively: cheap labor, access to abundant natural resources, financing, availability of technology with trained technical resources, and proximity to consumer markets, etc. GVCs have not only refined and multiplied the division of labor in companies, but also in local, national, and especially international spheres, utilizing economies of specialization and scale to a degree unimaginable by classical economists such as Smith, Ricardo, and Marx, who predicted the tendency towards subdivision of labor as a way of increasing productivity from the early phases of the development of the capitalist system.

On the one hand, scientific and technological breakthroughs in areas such as chemistry, transport, and information and communication technologies have facilitated this fragmentation of processes and their reconfiguration in GVCs. The number of transnationals investing abroad or subcontracting foreign producers to reduce costs and provide greater flexibility or better service to local markets undoubtedly received an important push from communications breakthroughs and the integration of computers into mass production, including in areas such as product design, supply chain management, and sales and distribution monitoring. These innovations have reduced the cost of coordinating operations internationally and have allowed a growing sophistication in fragmenting the value chain, with very specific goods production or service tasks performed in one location while other production components are made in other places.

On the other hand, free trade, financial liberalization, the weakening of workers' organizations, privatization, outsourcing, offshoring, and subcontracting have been the tools used by governments and transnational enterprises. Politically, the entry of former communist countries and other closed economies into the worldwide capitalist economy represents an important development. The collapse of the Soviet Union and related governments in Eastern Europe, China's change of economic plan, and the liberalization and opening of India's economy have facilitated the expansion of global production capacity, international trade, foreign investment, and international subcontracting.

Coordination of globalized production and its corresponding consequences is important for economic development in general, and for workers in particular. The composition, volume, and nature of international trade are affected depending on the companies leading specific value chains and the structure and location of the links of each GVC. The organization of production into value chains has implied a strong increase in intra-firm and intra-industry international trade. A large part of world trade and production is carried out within regional or worldwide value chains. The growing importance of GVCs in the world economy is reflected in the increase in the ratio between trade and gross domestic product (GDP), due to the fact that intermediate goods can be transferred several times between countries before being assembled into a final product. Between 1980 and 2011, world trade (the sum of exports and imports) grew at an annual mean rate of double the average growth rate in global GDP (5.7 percent versus 2.8 percent), which led to the ratio between both variables rising from 27 percent to 65 percent during this period (Economic Commission for Latin America and the Caribbean [ECLAC], 2014a).

The main actors in this process are transnational enterprises, typically large corporations (which consequently have strong bargaining power with private enterprise and governments in both developed and developing countries) with productive goods and services activities in several countries. The quantitative growth in recent decades of value chains led by these transnational enterprises has meant a qualitative change towards a global system of production, with a sole focus and global overview of operations (Amador & Cabral, 2014). However, the vast majority of transnational companies that today control most of the globalized economy originated in and continue to have their headquarters in developed countries, with a high predominance of U.S. companies. Within this context, transnational companies have benefited enormously from subsidies in investment, tax incentives, and deregulated labor markets. Nowadays, they dominate the global economy, controlling around 80 percent of world trade through their GVCs, including their own operations and those of their business partners (United Nations Conference on Trade and Development [UNCTAD], 2013; Serfati, 2008).

In contrast with those who have emphasized the marginalization of the state in this process, the reality is that states are at the heart of the explanation of how global capitalism works. The role of the state has always been central to the operation of capitalism, including by maintaining the reproduction of class relations, property rights, and compliance with agreements, currency stabilization, and crisis containment. Far from finding the non-existence of the state more convenient, transnational corporations depend on the role of the state and encourage it—as well as the role of international organizations—for their own purposes.

Global value chains: The essence of outsourcing

In the years from the end of World War II to the end of the 1970s, international trade and finance expanded significantly. However, core economies and those of some developing countries operated by protecting their internal production: the internal market was the most important thing to companies. Industrial production was organized according to the Taylorism/Fordism model of organization and management of labor and production. Companies worked for a market that grew regularly and was predictable. Productivity growth was obtained not only through the introduction of new technologies, but also partly by operating at ever-larger scales of production. Companies tended to become giants. One of their expansion strategies was through vertical integration, but companies tended to not only verticalize but also to integrate every type of service connected to their main production activities or that was necessary for their production and administration operations: transport, storage, maintenance, etc. Companies thus became large organizations—self-sufficient in multiple aspects—that were performing various internal activities beyond their main line of production. In some cases, this self-sufficiency was linked to the fact that companies could not find other companies in their internal market that were able to ensure supply under the conditions of quality, time, and quantity required. The existence of relatively closed economies and transportation and communication difficulties did not favor the search for suppliers from other countries. In the case of services, internalizing activities allowed the company to directly control the performance of everything that was important for the company's operations (Stolovich, 1994).

The type of company that took shape under these conditions began to be questioned when the economic conditions changed. The long-lasting economic expansion in developed countries that began in the postwar period and was institutionally sustained with the Bretton Woods agreements came to an end in 1973, and the situation was exacerbated due to the oil crises. The international mobility of capital played an important role in the fall of the monetary system. Increasing inflation acted as a redistribution mechanism for income as it exceeded stagnant nominal salary increases and decreased real salaries, while companies' investment profits were also reduced. The oil crises worsened problems and meant the point of no return for the dominant capitalist classes.

Large companies found that internal markets were insufficient to absorb the output from their large-scale production, and the international market became the target for production. In any event, the capitalist crises modified the markets, which went from being stable, growing, and predictable to uncertain and erratic. The profitability of companies began to decrease. Companies required less rigidity and more flexibility to face an uncertain economic environment with unpredictable and increasingly competitive markets. Companies had to focus on what they knew how to do best and abandon non-essential activities. If they had verticalized before, they now had to reverse the process to be more flexible; if they had internalized activities before, they now had to externalize them. The ideal company had to be based on smaller production units that worked together harmoniously and in an integrated manner, and that had a greater capacity to both absorb and distribute setbacks from the crises and to adapt to fluctuating demand. Thus, the strategy of specialization was born, complementing outsourcing, subcontracting, and offshoring. From this initial outsourcing push to reduce costs, a complex network of production, business, and institutional relationships has been created in the space of a few decades.

A new division of labor is thus generated, with a greater number of specialized businesses linked by a dense network of cross-company relationships between purchasers and suppliers. Flexibility is at the core of this industrial infrastructure, and it is becoming increasingly more adaptable and effective at facing the rapid transformations of contemporary economies. These cross-company connections no longer only operate within domestic markets but extend internationally. Technological revolutions in communication and transport, as well as the greater openness of economies, facilitate the construction of supply networks that extend beyond national borders. Thus, the new division of labor and the creation of networks that link companies is built on two variants: so-called "national outsourcing" (also known as subcontracting), which involves the contracting of products and services from companies established within the country; and global sourcing, which corresponds to the interconnection of this network of suppliers with those from other countries or from the company itself, fully or partially transferring the company's output to third-party countries (offshoring). If a company's sales market now consists of not only the domestic market but also the entire globe, the purchasing market also becomes universal. In the capitalist economy's worldwide integration, the GVC is a structure in a dynamic network that interconnects the set of companies, institutions, supplies, goods, and services that are required to generate a product or service from concept to final sale. In this way, it creates new conditions that characterize the current model of capitalism (Peña Castellanos, 2012).

Changes in management style have occurred in various areas of large companies, shifting towards:

- core competence in organizational and strategic areas;
- mass customization in product development areas;
- shareholder value in financial areas; and
- flexible specialization in industrial relations.

The changes have been different in each industrial sector, but offshoring and outsourcing have played an essential role in the corporate strategies across the board, facilitated by a combination of technological changes, political changes, and global capacities. A specific value chain is supported by two kinds of competitiveness: a) systemic competitiveness (the integrated competitiveness of the GVC in worldwide competition) and b) competitiveness at the level of each of the links in the chain (based on specialization or the use of a natural resource that is more available or cheaper in the chosen location). This last point is critical; in addition to the pre-existing cost advantages of localizing specific links in a chain, there is a phenomenon of economies of agglomeration, where companies that participate in this link cluster together, even when their final products compete against each other. In many cases, this tends to create industrial or service poles and cities dedicated to a specific task. The economies of agglomeration that are obtained from placing companies in locations close to each other are important for scale and network purposes. Costs can be lowered significantly by offering the opportunity to develop and compete in terms of suppliers, human resources, development, and innovation, among others, with greater division and specialization of labor. These savings are significant and are added to those obtained by setting up in a site with cheaper labor.

To remain in a value chain, companies must undergo a learning process that enables them to respond to market volatility. This might be directly, due to changes in supply and demand, or indirectly, due to planning by the parent company that considers not only the variable profitability of the subsidiary company or local supplier but also the optimization of the whole of the transnational (before the maximum of a specific place). In order to achieve economic results, meet standards of quality, and/or reduce delivery times, the company must be flexible in the face of change and the constantly evolving forms of foreign direct investment (FDI). It is essential for these companies to have the capacity to participate in collaboration and competition processes within the value chain; to participate in difficult negotiations on price, delivery, and financial conditions to determine how much of the generated value is appropriated; to adapt to the organizational shifts of the client company or parent company, if they are a subsidiary; and to efficiently and rapidly manage the location and relocation of resources in response to or in anticipation of changes driven by the competition (Gereffi & Fernández-Stark, 2016).

Control of the GVC by transnational enterprises has three main components: a) mechanisms for internal control of the GVC, whether through subsidiaries or power relations with suppliers, which tend to be maintained through bargaining power; b) control mechanisms for final markets, including increasing market share, research and development (R&D), brand, and scale; and c) control mechanisms for the global institutional system (the roles of the state and international, multinational, and multilateral organizations).

Internal control of the chain is fundamental both in terms of the final product's competitiveness (price, quality, delivery) and in terms of the value appropriation by each of its participants. Governance of the chain includes the nature of contracts with suppliers, the degree to which technology is shared, and the firm's capacity to improve its role in the value chain (upgrading) towards activities that generate more value per worker. Relationships between the lead firm and its suppliers may take a variety of forms, ranging from a subsidiary relationship to purchases under market conditions, and involving intermediate forms in which knowledge or regular extra-contractual relationships are shared through product certification, inventory techniques, controls via metrics, staff audits, and open-book policies, among others. The bargaining power of the companies that make up the value chain is differential, but variable over time. With the improvement of the system in its multiple dimensions (technology, management, information flow, labor, localization, etc.) by the large multinational companies, a constant trend has been the asymmetry of power between the lead multinational company, increasingly located in the initial and final stages of the value chain (development and design on the one side and commercialization on the other), while the rest of the chain's members (sometimes other multinational companies, often large and small national companies) are located at intermediate stages (e.g. production and logistics).

In this sense, the multinational corporation that governs the chain achieves control of the two variables that for decades have been determining factors to achieving greater profitability for the company: a) vertical integration (mostly without making significant investments; on the contrary, divesting by externalizing and offshoring operations) and b) large market share, for which the systemic competitiveness of the chain is essential, as covered below.

In terms of market control, the barriers to entry are high in the high-end stages of the value chain and low or nonexistent in the low-end stages. At all levels of the chain, the economies of scale of globalized transnationals are an effective barrier to entry for competitors, especially in the links occupied by lead firms and many first-level suppliers. In the companies that control the value chain, even so-called "fabless" ones that do not carry out the stages of production, access to markets is limited through branding, product design, and marketing activities.

The process of branding (brand construction and strengthening) is both a strategy for sales and market domination and a barrier to entry within the segment occupied by the chain's lead multinational corporation for both new competitors and the possible expansion of any member of the chain (particularly the suppliers closest to the end of the chain, sometimes referred to as Tier 1). Branding tilts bargaining power in the production process towards the company that possesses the brand design. The branding process is costly and, in some cases, may be associated with a product or service's technological content and in others with a considerable design, sales, and promotion effort. The appearance, particularly in China, of large contract manufacturers that produce multiple brands within their plants has not yet significantly reduced the power of brand in negotiations within the chain. Currently, as outlined below, the rise of electronic commerce platforms has increased the barrier to entry and the governance of value chains is now concentrated in even fewer companies.

The current centrality and internalization of transnational enterprise production is the result of a long, competitive, complex process. FDI in the first decades following World War II was primarily motivated by the strategic decisions of multinational companies, chiefly from the United States, to obtain access to foreign markets protected by high tariffs. The motivation and nature of investments began to change at the end of the 1970s, a transformation that deepened at the end of the 20th century and the beginning of the 21st. This occurred alongside the strategic change towards targeting, outsourcing, subcontracting, and offshoring and within the framework of intense competition between transnationals from Europe (chiefly Germany) and Asia (Japan for most of the period with the recent rise of some Chinese corporations).

One of the fundamental characteristics of the current global system is the close tie between international trade and FDI, the value of which has quadrupled in the past two decades, rising to an annual average of $1.05 billion between 2001 and 2010. Transnational corporations from developed countries have sent a growing percentage of this FDI to developing countries, increasing from $23 billion (21.6 percent of the total) in the 1980s to $394 billion in the first decade of this century (34.7 percent of the total). The advantages are clear: while the return on foreign assets reached 12.5 percent in 2007, a value high in itself, in China (which was the main recipient of foreign investment), the return on foreign assets reached 21 percent (Milberg & Winkler, 2013).

To understand the causes of these high levels of FDI, it is useful to distinguish between horizontal and vertical FDI:

- *Horizontal FDI* occurs when the company has plants in several countries due to the significant costs of transport, tariffs, and trade barriers (horizontal FDI with homogeneous product), or when there is an economy of scale at the production level of a variety of products (horizontal FDI with heterogeneous product). In both cases, horizontal FDI is associated with the search for markets and involves replication of production capacity in a foreign location, presumably to promote better sales in that location.
- *Vertical FDI* seeks to optimize the value chain made up of different links, each one representing a production process of the company. Vertical FDI can first be identified by the search for efficiency, which supposes the movement of production resources abroad in order to reduce costs based on lower wages (main cause), a lower tax burden, and low or lax labor and environmental standards. These advantages must amply compensate for the transport and tariff costs incurred as a result of the international movement of raw materials, parts, components, and/or final products. Second, vertical backward FDI is motivated by companies' strategies to control supplies of natural resources or primary commodities used in the production of other goods.

FDI inserts and links the firms that are integrated into the production and services value chain according to the criteria of systemic competitiveness and in accordance with the specific competitive potential that these firms offer the chain. FDI is part of financial capital, and its geographical distribution and mobility effectively contribute to the formation of the GVC and to the polarized distribution of global income. If there is a problem for the competitive dynamics of one link in the chain, or for the general operation of the chain, the mobility of FDI can, almost always, solve or correct it. This mobility grants transnationals significant bargaining power with national governments, companies, and workers' organizations, particularly smaller ones. The mobility of capital affects low-value links to a greater extent than high-value ones, thus creating strong competition between low-wage companies and locations (Peña Castellanos, 2012).

Changes related to the new system: The concentration of power

Since Reagan's presidency in the 1980s, the reduction of the state's role in economic activity has been emphasized in both the United States and in the rest of the world under its influence. However, this has not meant the withdrawal of the state from its regulation of economic activity, nor from the active role it plays in managing and intervening in class relations and social conflicts. Rather, the state has increased its key role in defining the public policy and government regulations aimed at increasing the power of the dominant industrial and financial companies, thus determining the distribution of income between workers and capitalists. The so-called "financialization" of the economy does not only mean that credit markets play a more significant role in the capitalist economy, but also that economic activity is increasingly determined by the decisions of large corporations whose strategy has a strong financial component: maximizing shareholder value. Thus, the new formation of the production system into value chains interacts with and is interconnected with the financial sector, reinforcing the political alliance of capital and its influence on the state's power structure (at the national level in developed countries and even more so in developing countries; and at the international level through the organizations that influence each of the national states), intervening decisively in the definition of government policy (Albo, Gindin, & Panitch, 2010).

The fundamental relationship between the state and the financial market is not a regulatory one, but rather one in which the state ensures that it provides guarantees to capital. This is seen in the enormous state contributions (financed by society as a whole and, specifically, by the workers) for private bailouts in the face of recurring, systemic crises in different countries. One example of this is the recent disbursements in the United States and Europe for the crisis that began in 2008, but we could also mention multiple cases of bailouts in developing countries, many under pressure from international financial institutions and the U.S. government itself. The leadership role that finance has assumed in the capitalist system, including the financialization of industrial corporations and the significant growth of profit-taking in the financial sector, is often seen (not without an interest in distorting the reality of how the capitalist system works) as the triumph of speculative capital over productive capital. The truth is that the interrelationship between finance and production is currently so significant that it is impossible to develop a new global system of capitalist production without the current financial intermediation and its sophisticated instruments to mitigate the risks derived from flexible exchange rates, variation in interest rates, mobility of capital, risk capital, etc.

One important characteristic in the creation of GVCs is that they reduce costs, as they reduce the need to reinvest profits in the lead firm, given that the firm has linked its previously integrated production processes and that a large part of those links are third-party companies that form part of the chain that the lead firm governs, leaving a greater portion of profits to distribute to shareholders or invest in financial markets. The most important channel at the beginning of this century has corporate buy-backs of their own shares, not to mention the important role played by the increase in dividend payments and cash mergers. In many developed countries, the portion of profit set aside for investment has decreased and the link between the movement in share price and real, productive investment in companies' expansion and innovation has been broken (Lazonick, 2015; Milberg & Winkler, 2013).

The greater interdependence of the financial sector with the spheres of productive economic activity has complicated the relationship between real and financial activity. Aspects of the behavior of activities and variables previously considered to be determined by real factors are also due to financial factors, and, in certain circumstances, the financial sphere tends to take precedence over the real one. Over the past three decades, the financial sector has undergone unprecedented expansion. Between 1980 and 2014, worldwide assets expanded from $12 billion to $294 billion (1.1 and 3.7 times world GDP, respectively). For their part, in the same period, the value of derivatives contracts increased from $1 billion to $692 billion—i.e. they went from a value that was close to world GDP in 1980 to representing more than 10 times the value of world GDP in the second decade of this century.

The so-called "servicification" of the economy is another significant change that has accompanied, complemented, and strengthened the new global system of production. The trend at the macroeconomic level is evident in all the countries that are part of the Organisation for Economic Co-operation and Development (OECD), as well as at the microeconomic level, specifically in manufacturing industries (the proportion of services as a part of total inputs doubled from 1975 to 2005) (Boddin & Henze, 2014). Excluding the logistics services mentioned below, it is possible to distinguish three groups of services:

- The first group consists of traditional services, including wholesale and retail trade, as well as public administration, and has fallen over time as part of GDP.
- The second group, including education, health, and tourism, has grown slowly over time, maintaining its share of GDP.
- The third group is more directly related to the changes in the global system of production: information and communications technology, financial, business, engineering and design, environmental, and legal services, among others. These types of services present the greatest added value and have grown very rapidly in recent decades, increasing, in addition, the content of services in exports and, with it, the added value of the same (Elms & Low, 2013; Lanz & Maurer, 2015).

The fragmentation of production and the creation of GVCs have generated a strong increase in logistics in general, and in freight volume in particular, an analysis of which deserves special consideration. The number of logistics companies in the world has increased at an accelerated rate since the 1970s. Between 1970 and 2011, supply chain management companies and transport companies multiplied by factors of three and eight, respectively. These logistics companies offer a broad range of services, from preparing documents such as commercial invoices and bills of lading, to supporting activities such as load consolidation, storage, shipping, and distribution. All of these services facilitate the movement of goods from one country to another. The rise of logistics companies has also been accompanied by the attempts of several of these companies to become truly global in nature. The creation of these global logistics companies and the increasingly extensive network of countries they cover around the world have, to a large extent, helped companies implement their global supply chains. In recent years, the creation of specialized logistics services and platforms has increased to satisfy the demand of numerous companies for the creation of synchronized supply chains.

In the area of labor, the dissemination of GVCs has implied geographical relocation, subcontracting, and offshoring, which has increased precarious employment and decreased local and national union bargaining power. At the same time, globalization of labor markets, combined with instant communication and low-cost transport, has improved the flexibility of corporations to make short-term decisions, undermine wage levels and working conditions, and increase the use of flexible-contract workers and companies that provide outsourced labor. Outsourcing, subcontracting, and offshoring, whether of services or productive sectors, offer the additional attraction of reducing costs for companies. Dispersing workers by fragmenting production weakens union organization, independent of whether those workers come from productive or service areas. Once this fragmentation has occurred, it becomes costly to defend what was already gained by workers in terms of income and rights, and even more difficult to obtain new gains. Conversely, it is easier for the company to impose its objectives. Moreover, externalization of activities is often linked to the attempt to avoid union gains.

A key factor over time is the growth of global excess capacity in many industries. The entry of China, India, and Eastern Europe to the worldwide capitalist economy has doubled the global workforce, on the one hand increasing the global reserve army of labor created by the system (not by its mobility) and on the other, decreasing the capital-labor ratio. Both factors directly imply an increase in the profitability of transnationals, while workers suffer the consequences described above. This competitive pressure on suppliers translates into pressure on direct and indirect labor costs (wages and social benefits) and on labor standards. The lead company in the chain reduces its responsibility to comply with standards when the supplier is independent of the lead firm.

Thus, the increase in wealth appropriated by capital and the increase in inequality have developed in parallel. This evolution was relatively stable from 1947 to the beginning of the 1980s, but has been constantly on the rise since then, a consequence of the change in global production systems correlating to technology, trade, finance, and the reduction in direct and indirect wages (Giovannoni, 2014). Economic growth is apparent through the increase in wealth of the highest income sectors, a decrease in the proportion of earned income, and an increase in inequality in current societies. Economic inequality is not only expressed in the proportion of wealth appropriated by each of the social classes, although this is an essential basis for its explanation. Currently, the wealthiest 1 percent of the world's population possesses more wealth than the rest of the world's population combined. Since the beginning of this century, the poorest half of the world's population has received only 1 percent of the total increase in global wealth, while half of this increase has gone to the top 1 percent.

But the crisis in the current development model is not only social. The environmental impact of the current production system in correlation with the dominant style of society puts the survival of humanity and other living beings at risk. The environmental crisis feeds on the type of relationship capitalism constructs with the ecological system, under a functionalist, technocratic approach that is reinforced and extended to all spheres by the current global production system. Nature is privatized, commercialized, and monetized, and the goal of its utilization is to earn profits through intensive use of capital and energy and low labor input. The utilization of natural resources by value chains tends towards monoculture, intensive extraction, the expansion of the geographic borders of agricultural and mining exploitation, and of their predominance over other land uses. Within the context of urbanization, the lifestyle maximizes the excessive consumption of material goods in a shockingly wasteful manner that has isolating and individualistic social effects.

The globalized system of production extends to multiple areas (all of human life and all the animal and plant species that inhabit the planet), with an exponential impact never before seen in terms of the pressure on the environmental limits of the planet, giving rise to dramatic consequences in both the present and future. It is important to note, especially now, the severe effects of climate change, loss of biodiversity, soil erosion, and changes in the oceans.

The role of science and technology: New areas of business

Just as capitalism concluded its task of spanning the globe at the beginning of the 21st century, the scientific community has been an objectively salaried workforce for a while, completing the transformation of the output of scientific activity into goods. The ongoing process of division of labor was transferred to the intellectual area, which gradually formalized the creation of specializations and the classification of scientists into separate hierarchical areas according to the historical development levels of the sciences. Within the capitalist conditions of knowledge production, science and technology are a formidable productive social force that has been determined and controlled, to a large extent, by the economy and politics, with increasing influence from the largest companies (Cheroni, 1994).

With the current global production system, due to the complexity inherent in transactions, the degree of codification in specifications of products and processes, and suppliers' technological capacities, chains determine the transfer of technology towards local suppliers only in terms of productive, trade, and technological links between the companies within the GVC. However, the vital element of this form of transfer is that the centers of productive and technological decision-making, often the sole sources of the technology used by subsidiaries and suppliers, are determined by the parent companies of transnational enterprises. This implies that the technological decisions that make global networks work are made in terms of a transnational enterprise's production, commercialization, and profitability strategy. These decisions do not stem from considerations related to the productive and social needs of the country that receives the FDI, which might mean that national industries stagnate technologically. The insertion of high-technology goods into global production systems, together with the arrival of FDI inflows associated with these productive activities, has a negative technological feedback effect on developing countries, as it inhibits local research, development, and production of goods that the investing enterprise prefers to import, whether due to its existing relationships with suppliers or its wish to standardize equipment in the plants it has in different countries. Furthermore, most Latin American countries grant a tax exemption on the importing of capital goods, among other benefits to investors.

The heterogeneity of productive structures within countries and the differences between developed and developing countries are magnified by the dynamics of innovation and the dissemination of technology. Within the framework of current technological trends, the gap between core countries and developing economies tends to become wider. The combination of technological conditions (automation and digitalization) with forms of production organization (outsourcing, subcontracting, and offshoring) generates fragmentation and corporate concentration. On the one hand, there are numerous micro and small enterprises that access niche markets by attending to local requirements or by customizing products and services. On the other, there is an increase in the concentration of markets, characterized by economies of scale in the hands of large enterprises from developed countries and, to a lesser extent, from some emerging Asian countries with a global presence. In particular, enterprises that develop platform-based business models have grown dramatically in the past decade, spanning several business areas (from books and travel to transport, finance, and even health and energy). Platforms utilize value chains made up of production and service links in which logistics plays a fundamental role, consolidating the new global production system. Different types of platforms exist—transactional, innovative, investment, and integrated—with the latter being fewer in number, although they are beginning to dominate. A central element of their operation and recent explosion is the network effect generated by a self-reinforcing cycle of growth (more users attract more users), generating a scale that increases concentration (ECLAC, 2016b; Evans & Gawer, 2016).

On the one hand, the process of technological change under capitalism maintains its basic characteristics of increasing capital intensity and bias towards labor savings. Between 2010 and 2013, 5.1 million productive labor positions were lost, and it is estimated that the loss of jobs will accelerate hand-in-hand with automation and digitalization (Vega, 2017). On the other hand, technological change has acquired distinctive characteristics in recent decades with the globalized system of production. Technology has become a special field of business, chiefly of large corporations. This does not exclude either the state or innovative small and medium enterprises from playing a crucial role in technological development, but this role is complementary and, in many countries, subordinate to the interests of transnational companies. Large companies have not been, and are not, the only organizations involved in the search for new technologies. R&D collaboration with different branches of the state in advanced countries of the capitalist system has been a constant. For example, most of the technology-intensive private sector in the United States has been cutting investment in basic technologies in order to focus on "value extraction" and applied technology, relying on public agencies for basic research. In recent decades, many government agencies at national, state, and local level have joined the Department of Defense's well-documented use of public procurement for many years to develop warfare technology (which in many cases has found important civilian applications) to finance R&D in select sectors, using control of funding to build and sustain links between enterprises, universities, and venture capitalists (Wade, 2014).

The new generation of free trade agreements, as well as the negotiations that are currently underway for the mega-regional trade and services agreements, seek to change the global rules of the game, particularly for the high-tech sector. These mega-regional agreements drive the creation of integrated economic spaces with an extremely broad scope – beyond the reach of multilateral, universal membership agencies – and present a much broader and more complex agenda than what these bodies have historically negotiated. These negotiations seek to align the rules under which these value chains operate, minimizing operational costs and maximizing access to markets for transnational corporations. These agreements are predicated on the liberalization, privatization, and deregulation of activities essential to humanity and society. In addition to their impact on the flow of trade and investment, the agreements that result from these negotiations will influence the degree of liberty that countries enjoy in implementing public policies across various spheres. These agreements have the potential to impact sectors as important and diverse as education, health, financial regulation, public procurement, telecommunications, labor rights, and environmental protection, among others.

The new trade agreements incorporate rules on intellectual property, capital flows, and the protection of investments that are designed, above all, to generate and preserve the profits of financial institutions and transnational enterprises at the expense of other legitimate political objectives. These rules establish special protection measures for foreign investors that often come into conflict with public health or environmental regulations, and make it more difficult for countries to gain access to technology, manage volatile capital flows for development, and diversify their economies.

Should the rules established in these mega-regional agreements be implemented, any possibility for a national development agenda will be undermined, except for the agendas of the system's dominant powers. They would represent a global institutionalization of "kicking away the ladder" for developing countries, using this tactic to prevent these countries from eventually competing at the technological level that the wealthy countries have reached. Both in the past and the present, developed countries have resorted to this tactic as a way to expand their market dominance and perpetuate an international division of labor that benefits the interests of their transnational companies (Chang, 2002).

The role of countries: A new international division of labor

The geographic fragmentation of productive processes and their subsequent organization into GVCs contributes to the existence of an international division of labor among countries that corresponds to their level of development and reflects the technological asymmetries that exist between them. This organization of production and commercialization lends peculiar characteristics to contemporary globalization and sets it apart from other periods of international expansion of capital, in which the goal was to replicate the productive units and infrastructures of the core countries in peripheral countries. By radically modifying the organization of national production structures and the forms of commercial exchange, the dynamics of the chain modify market conditions of competitiveness and, consequently, the manner in which national economies participate in the global economy. This allows the international division of labor to be redefined.

While activities with greater relative added value (concept, design, R&D, marketing, and post-sale service) are maintained in advanced economies, manufacturing processes are externalized to developing countries with comparatively low wages. Thus, the benefits that developing countries can obtain from participating in GVCs depend on their location within the chain, the stage of production performed in the country, and the technology and training of labor required for production tasks.

The international division of labor diverges from the traditional dichotomy between industrialized and developing countries to become a true taxonomy of complementary roles based on the degree of technology intensity of the productive structure and the capacities of each country. The production stages range from producing primary goods with no added value to mastering advanced technologies and constantly creating innovative products and business models, from industrialization based on foreign investment in the form of export enclaves to the stage in which local support industries and services begin to flesh out the domestic industrial structure in conjunction with production that draws on foreign technology.

According to data published in 2013 (UNCTAD, 2013), 67 percent of total global value created from GVCs ended up in OECD countries, while the share that ended up in newly industrialized countries and the BRICS (Brazil, Russia, Indonesia, China, and South Africa) was a mere 25 percent. Only 8 percent of total global value is shared between the other developing countries and the least developed countries. The contribution of services in value-added exports is almost 50 percent for OECD countries. A similar panorama arises from an analysis of added value for industrial sectors. In comparison with low-technology industries, high-technology industries tend to have a much greater fragmentation of production processes due to the existence of a greater proportion of GVCs. Added value for high-technology industries in developing countries tends to be low. According to UNCTAD, in low-tech industries, like textiles and leather, although the comparative advantage of developing countries is higher by definition as they involve large-scale, low-wage employment, the backward linkages with developed countries in terms of foreign value added used in exports are higher as compared to developing countries. The gains of exports are therefore being fragmented along the GVCs with the balance of power favoring developed countries.

The processes of insertion and improvement within the chain are generally very restrictive, which is why the global production system implies a polarization of growth and a widening of the social inequality gap worldwide. Under current conditions of global competition, market control constitutes one of the essential strengths of global chains. Firms and countries that wish to compete on the international stage are obligated to accept the conditions imposed by the systemic competition of global chains; there have been exceptions, but they have been rare and primarily due to occasional specific and temporary geopolitical reasons. For some countries, regions, and locations, globalization is an opportunity, even though it is almost always costly in terms of social justice and environmental degradation (Peña Castellanos, 2012).

With the expansion of value chains, countries' participation and the role occupied by their enterprises has become the focus of contemporary economic development strategies (Cattaneo, Gereffi, & Staritz, 2010). Many of the institutions and efforts that affect development are not determined at the level of GVCs; however, the channels for achieving greater value and employment, as well as for generating innovation in products and processes, increasingly occur within GVCs. Although the presence of GVC links implies international trade and, therefore, increased exports for a country, given the great degree of vertical specialization and import of inputs that the new system of production implies, the presence of GVC links alone does not guarantee improvements in the generation of value, nor does it translate automatically into higher employment. The duo of international trade and FDI also expresses a hegemonic relationship that is highly contradictory, discretionary, and mercurial. The relationship presupposes an inclusion/exclusion paradox that correlates to a specific group of enterprises and emerging countries within the universe of firms and territories that are *not* included in GVCs, nor do they participate in the lower-value or more *commoditized* links, therefore facing enormous productive and commercial restrictions.

Latin America in the new global dynamics: Progress and setbacks

After the 1990s, dominant national sectors and multilateral organizations promoted trade liberalization of the economy as a necessary step to make the change towards the new global system of production visible; this implied the restructuring of the productive apparatus in Latin American countries, reinforcing its economic trajectory based on natural resources and low-skilled labor. In previous decades, under the import substitution industrialization policies, a weak process of industrialization based on textiles, footwear, machines, tools, and cars had been developed. As these productive sectors began to lose competitiveness in global markets due to the emergence of new firms from countries such as Korea and Taiwan, and eventually China, protections began to be eliminated as industries based on natural resources, soy or palm oil, mining, gas and oil, aquaculture, meat and dairy, and forestry industries began to grow, reaching new markets and expanding existing ones.

As mentioned above, between 1980 and 2011, global trade grew at an annual mean rate double the rate of average GDP growth (5.7 percent versus 2.8 percent), which led an increase in the ratio between international trade and global production from 27 percent to 65 percent during this same period. Latin America has also experienced an increase in this ratio in recent decades; however, the level achieved is far from that observed in the European Union or in East Asia, where it exceeds 80 percent. Within the region, the situation varies: the Central American Common Market (CACM) stands out with values higher than 80 percent, while the Andean Community of Nations (CAN) and the Southern Common Market (Mercosur) have values lower than the global average. Mexico, included within North America through the North American Free Trade Agreement (NAFTA), has experienced a strong increase in the ratio between trade and GDP, which went from 24 percent before the agreement came into effect to 65 percent in 2011. This increase is chiefly due to the new system of production, which increases the import of inputs and the export of assembled products (ECLAC, 2014c).

An analysis by destination of the structure of exports shows that nearly 80 percent of sales of intermediate goods from Latin America in the first decade of this century were sent outside the region. In particular, nearly 70 percent went to the value chains of North America, Europe, and Asia, a proportion that drops to around 60 percent when Mexico is removed.

With reference to extra-regional exports, the unprecedented expansion of trade between China and Latin America from 2001-2010 stands out, an expansion that has been maintained at lower rates in recent years. China is both an industrial powerhouse and a considerable consumer of products, which is why Chinese demand for commodities, characteristic of this stage, constituted a source of external funds for primary exporters. The Asian giant also made significant investments in several of the region's countries in order to ensure the supply of minerals, energy, and agricultural products (especially food) and reduce its logistics costs. During the first decade of this century, exports of minerals and fuel from Latin America to China grew at an annual rate of 16 percent, while exports of agricultural products grew at a rate of 12 percent. These commercial ties resulted in strong, but asymmetric, GVC linkages between China and Latin America. From 2000 to 2011, Latin America's total participation in GVCs grew but stayed below the global average, while China's participation was comparable to the global average. However, backward linkages from China to Latin America grew from 1 percent to 11 percent of participation. Inversely, growth in forward linkages was also strong, from 5 percent to 16 percent. In other words, China's role for GVCs in Latin America has become even more important than intra-regional linkages. This asymmetry in trade reveals the different role of countries in GVCs: in 2013, commodities accounted for 73 percent of exports from Latin America to China (the greatest contributors: iron, copper, oil, soy), while imports from China were 91 percent low, medium, and high-technology industrial goods (OECD, ECLAC, & CAF, 2015).

There is considerable diversity in Latin America in terms of participation in regional and global production networks, and a distinction should be made between Mexico and Central America, on the one hand, and South America on the other. Certain countries that fall between the two zones can be considered as part of a third group due to their particular characteristics, which will be analyzed below. The first group of countries participates extensively in several value chains centered in the United States, both for goods (automotive, electronics, and clothing sectors, among others) and services (call centers, information and communications technology, and other remote services). With some exceptions, the management of production networks is still in its infancy in the second group, with the automotive sector representing the most significant exception. It is important for this group to increase its insertion in GVCs as suppliers of raw materials, minerals, food, and fuels. What both groups have in common is that income for workers is low and inequalities are high, as a result of low value generated and appropriated due to the poor productive structure (Blyde, 2014).

The relatively significant presence of Mexico and Central America in international value chains is due to several factors, including their proximity to the United States and lower labor costs, which has been an incentive for U.S. multinational enterprises to move manufacturing processes and activities that require an intensive labor use to these locations or subcontract them there. This pattern has been reinforced by various incentive structures implemented by these countries, such as *maquila* zones and export processing zones.[1] The trade agreements that link Mexico and Central America with the United States (NAFTA and the Dominican Republic-Central America Free Trade Agreement, respectively) have strengthened and consolidated this mode of productive integration. In the case of Mexico, there is greater vertical specialization and, as a result, lower domestic value-added content in exports when compared with Brazil and other countries

1. TN: A maquiladora in Mexico is a factory that operates under preferential tariff programs established and administered by the United States and Mexico.

from the Southern Cone subregion. This reflects Mexico's greater integration into the links of the productive chain involving activities of final product assembly that incorporate little added value.

If a given bilateral trade relationship of intermediate goods is chiefly intra-industrial, it is interpreted as evidence of a greater degree of productive linkage between the countries involved. The most intensive intra-industry trade relationships of intermediate goods can be observed in the relationships between the United States and Mexico, Brazil, and Costa Rica, respectively. Most of the sales of these industrial intermediate goods correspond to industries characterized by intra-industry trade (94 percent versus 59 percent for semi-assembled goods). Of the 20 groups of intermediate products with the greatest intra-industry connection exported by Mexico to the United States, 19 correspond to industrial goods, especially medium and low-technology products (ECLAC, 2014a).

A sector analysis shows that the main Mexican export chains to the United States are linked to the automotive industry, especially those associated with motor vehicle parts and accessories, which represented 19 percent of total exports of intermediate goods to the United States during the 2011-2012 period. Next in terms of importance are those associated with electricity distribution material, electrical connection devices, and internal combustion engines. Combined, these four industries accounted for 43 percent of total exports of intermediate goods made in Mexico to the United States during the 2011-2012 period. Also of note are industries that produce capital goods, such as non-electrical machinery, medical equipment, heating and refrigeration equipment, pumps and compressors, civil engineering machinery and equipment, etc., which essentially supply pieces and parts to enterprises in North America, above all in the United States. Worthy of special mention are groups of intermediate products that correspond to high-technology capital goods industries, such as telecommunications equipment, electrical devices and machinery, measuring instruments and devices, and electrical and electricity devices, which are also integrated into North American value chains.

After Mexico, Costa Rica is the Latin American country with the greatest degree of trade integration with the United States. In 2012, 38 percent of Costa Rica's exports ended up in the United States. A large proportion of intra-industry trade in the industrial intermediate goods segment characterizes Costa Rica's export pattern to the United States, 46 percent of which consists of intermediate goods. Standing out among the 20 main groups of intermediate products with the greatest intra-industry intensity exported by Costa Rica to the United States are industries that are suppliers of medical, electrical and electronic instruments and devices, vehicle parts and accessories, chemicals and pharmaceuticals, agroindustry, and other interdisciplinary industries, such as plastic items. In 65 percent of cases, the associated products correspond to medium and high-technology industrial goods (ECLAC, 2014a).

The connection of the other CACM countries to the United States is stronger in sectors such as textiles and clothing, with the participation of El Salvador, Guatemala, Honduras, and (to a lesser extent) Nicaragua. A breakdown of exports from these countries to the U.S. market by categories of goods shows that 60 percent corresponds to final consumer products, followed by basic products at almost 30 percent, while intermediate goods represent less than 10 percent. An analysis of the export pattern of intermediate goods shows 57 percent of industrial goods sold by these countries to the United States fall within an intra-industry relationship. In the case of semi-finished intermediate goods, the proportion of intra-industry trade is significantly lower. The reduced presence of intermediate goods in the export totals of these countries establishes a predominantly inter-industry relationship with the United States (ECLAC, 2016b).

Production networks are less developed in South America. This subregion's abundance of natural resources is reflected in the strong primary export specialization of all South American economies. This specialization has been underscored in the last decade, largely due to China's strong demand for these products and the high prices of raw materials such as iron ore, copper, oil, and soy. On the other hand, South America is an extensive subregion with large geographical barriers (such as the Amazon and the Andes) that both hinder communication and a spatially balanced distribution of people and economic activity. These elements, added to important infrastructure problems, make it difficult for South America to reproduce the type of productive integration seen in certain regions of Asia, which are characterized by dense industrial production networks. The main exception is Argentina and Brazil's participation in the automotive sector, which generates heavy trade in parts and components. South American participation schemes have tended to focus on the elimination of tariffs and other border obstacles to the trade in goods, and less on the development of topics such as trade in services, investment, competition policy, and public procurement.

In the case of Brazil, the size of its economy partly explains the greater domestic value-added content of its exports, but the decisive factor is the increasing concentration of primary goods in its export basket, to the extent that production of these goods is less susceptible to being geographically fragmented. On the other hand, the greater relative importance of indirect domestic value added in Brazil's exports reflects a greater integration of export sectors with the rest of the economy, although intensification of primary export specialization is leading to a fall in this component's share of added value due to fewer domestic cross-sector backward linkages than those from primary sectors. Brazil's participation in international production networks is therefore chiefly as a supplier of inputs and raw materials that are used in the production of other goods and services abroad, thus generating forward linkages in the chain (Castillo & Martins, 2016).

Keeping in mind the size of its economy and its domestic market, as well as its important technological capacities, Brazil has the potential to play a crucial role in any initiative aimed at developing South American value chains. Currently, the productive linkages between Brazil and other South American economies are relatively weak, except in the case of Argentina. In 2011, 30 percent of total exports of industrial intermediate goods from Brazil went to South America, mainly to Argentina, but only 5 percent of its imports of these goods came from the subregion—only 1 percent if Mercosur is excluded. This difference between the export and import patterns of industrial intermediate goods reflects the low regionalization of Brazil's imports.

Trade between Argentina and Brazil represents 64 percent of Mercosur's total commercial exchanges, as they are the two largest countries in the group and have a greater degree of productive integration. A markedly intra-industrial pattern and a high proportion of intermediate products (around 30 percent of exports from Argentina to Brazil and 50 percent of those from Brazil to Argentina) characterize the trade relationship; there is a large amount of integration in the case of automotive products, vehicles, and auto parts. Another group of industries worth mentioning is chemicals and petrochemicals, which consist of oil derivatives, perfume products, cosmetics, disinfectants, insecticides, fungicides, various chemical products, and plastic items. The petrochemical industry is currently one of the largest in the world, and most of the impulse for other Mercosur industries (agroindustry, textiles, automotive, plastics) comes from products in this regional chain. Main industries also include steel and metalworking, with products such as aluminum, bars, rods, angle brackets, sections, and base metal articles. Within the chain, Argentinian products are mostly semi-finished intermediate goods, whereas the Brazilian products are mostly industrial intermediate goods (ECLAC, 2016b; Giordano, 2016).

Another important hub for trade relations with developed industrial links can be found in the exchanges between Colombia, Ecuador, and Peru, countries whose trade in manufactured goods has grown in the past 15 years, translating into an intensification of intra-industry trade along a Colombian axis. 40 percent of exports from Colombia to the Andean Community of Nations (CAN) are focused on intermediate products, especially industrial intermediate goods. Next in line of importance are consumer goods and basic products. Fifty percent of exports of industrial intermediate goods from Colombia fall within intra-industry trade, while inter-industry trade predominates in exports of semi-finished intermediate goods. Seven industries stand out among the 20 main groups with an elevated level of intra-industry intensity exported by Colombia to the CAN region: petrochemicals, chemicals, paper and cardboard, agroindustry, textiles and clothing, vehicles, and metalworking. Together, these industries generate slightly more than 70 percent of the Colombian economy's total manufacturing value added, including low, medium, and high-technology manufactured goods and some manufactured goods based on natural resources.

The global and regional situation: Consequences of the changing economic cycle

An analysis of the evolution of worldwide trade in recent years produces two different visions: in real terms, the growth of global trade has slowed down since the end of 2011; in nominal terms (U.S. dollars), growth has collapsed since the second half of 2014—the value of trade in goods and services fell 10.5 percent in 2015. For advanced economies, the slowdown was clear in the period after the Eurozone debt crisis. For so-called emerging economies and developing economies, the slowdown was initially much gentler, but it has become more severe over the past two years. As occurred during the worldwide financial crisis, trade in services has been more resilient than trade in goods. For example, while trade in services went from an annual growth rate of 9.5 percent in the first decade of this century to 5.5 percent from 2012-2015, international trade in goods decreased from 9 percent to 3 percent during the same periods. The severity of the slowdown in the growth of trade varied according to the type of product: trade in non-durable consumer goods maintained relatively stable, while growth of trade in capital goods decreased the most, followed by primary intermediate goods, durable consumer goods, and processed intermediate products (Constantinescu, Mattoo, & Ruta, 2015).

In turn, the global growth rate appears to be stabilizing around 3 percent, although with differences between regions. The recovery experienced by developed economies is still fragile, while most emerging economies are experiencing a slowdown. Notwithstanding, emerging markets still represent the bulk of global growth. The worldwide economy's slowdown trend is associated firstly with the reduction in the growth rate of gross fixed capital formation. The rate of growth in global investment went from 4 percent at the beginning of the 1970s to 3.2 percent in the 1980s and 1990s.; the recovery at the beginning of the first decade of this century was temporary, and its rate of growth was lower than 3 percent after the worldwide financial crisis. The corporate strategies of transnational enterprises are a key factor in investment decisions. Since 2000, FDI has accelerated in absolute value, and the composition between developed and developing countries has changed. The objectives of FDI have changed, also, as vertical investment has gained importance compared with horizontal investment. In other words, in the decades prior to 2012, the shape and expansion of GVCs implied a strong increase in FDI and local investment, thus multiplying internal trade. The available evidence suggests that an explanation for the downturn in trade can be found in the slowdown in the specialization implied by value chains, as shall be explored in more depth below (Evenett & Fritz, 2016; ECLAC, 2016a; UNCTAD, 2016).

Since 2012, GVCs have achieved a state of maturity. With GVCs now spanning 80 percent of global trade, few chains remain to be formed, and there are few subregions or countries that still have not been integrated into the new system of production. A slower rate of expansion in global chains is a determining factor in the slowdown of trade. The maturity of GVCs implies the beginning of a phase of structural adjustment in which the competitive struggle between large companies shifts from forming production networks to optimizing their operations; in both cases, the primary purpose is to maximize the companies' profits. Optimization also implies changes, but smaller ones than those in the previous period of formation. These changes include decreasing FDI to achieve greater competitiveness (lower costs and greater flexibility) in the links that form the GVC, in some cases moving operations within the developing countries themselves or, less commonly, returning operations to their original location in a developed country to take advantage of automation and digitalization of industrial operations.

Within this framework, the United States economy continues to grow at a moderate rate, supported by increased demand for labor, the recovery of the real estate sector, and the availability of credit to the private sector. Growth is expected to reach around 2 percent in 2017. Despite the market's recent volatility, it is predicted that the U.S. Federal Reserve will continue with its cycle of gradual adjustment by increasing its benchmark interest rates over the next two years, although the new administration, with its announcements after the inauguration and previous promises from the electoral campaign, has introduced a factor of uncertainty into the projections (OECD, ECLAC, & CAF, 2016).

It is expected that activity in the European Union will continue with its slow rate of recovery, with the continued softening of credit conditions and a few strengthened labor markets supporting internal demand, which will partly compensate for weakened external demand. The uncertainty created by the United Kingdom's decision to abandon the European Union (Brexit) discouraged growth predictions for both the United Kingdom and the European Union, in addition to increasing risk aversion in global markets.

In Japan, the strengthening of the yen, combined with a weakening of exports, provides a panorama of moderate growth. On the other hand, internal demand will be responsible for sustaining economic activity, thanks to monetary and fiscal stimuli and low energy prices.

Activity in China decreased according to official projections, with the annual growth of GDP around 6 percent after decades of results close to 10 percent. Industrial production and retail sales have regained momentum after their fall in growth over recent years, marking a certain stabilization. The rate of capital outflows began to decrease in 2016 as confidence in the economy improved, although capital outflows remain at significant levels. Reactivation of China's real estate market has played an important role in the country's recovery. Total investment is also beginning to stabilize, driven by strong investment in the public sector, while private investment continues to decrease (UNCTAD, 2016).

The situation varies in other emerging economies. India's economic expansion is regaining momentum, while the Russian Federation and Brazil have suffered deep and persistent recessions, worsening the outlooks for emerging Europe and Latin America, respectively. In general terms, net raw material-exporting countries are showing lower results in GDP growth when compared with exporters of manufactured products. China's stabilization should provide a floor for raw material prices. However, even taking recent trends into account, the loss of income associated with the fall in prices of raw materials from peak levels will continue to affect public and private expenditure, weakening the possibilities of solid global recovery. Capital inflows to emerging markets are decreasing, reaching a multiyear low in 2015.

The behavior of supply and demand, the reductions in return on assets, and doubts over the Chinese economy explain the strong fall in prices of raw materials in recent years. Within a context of fragile economic growth, the prices of raw materials fell due to the increase in United States shale oil production, the increase in oil production from Iran and Iraq, and the decision of countries from the Organization of the Petroleum Exporting Countries not to support an increase in oil prices. According to data from the International Energy Agency, the increase in production, together with reduced demand, generated a surplus of approximately 3.5 million barrels a day in 2015, pulling prices down to their lowest point in 12 years. Raw materials have a growing presence in futures markets (including their derivatives), creating greater synchronization between their price movements and between their prices and stock exchanges, potentially increasing the volatility of product and raw material prices. As surplus supply is sold, raw material prices could begin to stabilize. Prices are expected to reach $45 to $55 per barrel in 2017.

Prices of non-energy raw materials descended in 2016, although at a more moderate rate than those of energy prices. Metal prices also went down, due to surplus supply from new production capacity and lower demand from emerging economies, particularly in terms of industrial metals. Moreover, agricultural product prices were weakened by favorable harvests and the moderate effects related to the El Niño weather pattern, which were less damaging than expected. On the other hand, precious metal prices increased in response to greater demand for safe-haven investments during episodes of volatility on financial markets.

The period of strong growth that Latin America has experienced since the beginning of this century until practically halfway through this decade—chiefly driven by the formation of GVCs based on the incorporation and expansion of China, India, and other Asian countries into the global production system—has reached its end. Despite some advances achieved in certain countries, the expectations that the region's countries would improve their productive structure and significantly develop their domestic technological capacity were not met, and environmental deterioration in several forms has been significant.

Currently, Latin America is experiencing a strong slowdown in activity, while global growth is stabilizing at lower rates. Although only four countries recorded negative GDP growth in 2016 (Argentina, Brazil, Ecuador, and Venezuela), the rest of the region, with few exceptions, has experienced a general reduction of activity. Product had contracted again in 2016, between -0.5 percent and -1 percent; a slight upturn is expected in 2017, although this upturn will not be uniform across the region, as the expectation is that Latin American economies with greater links to the United States and greater GVC integration will exceed the net raw material exporters from South America. It is estimated that Mexico and Central American economies will reflect growth rates of between 2.3 percent and 6 percent in 2016, depending on the country. For their part, the Andean countries are expected to grow between 0.5 and 4.5 percent, except for Ecuador (in recession) and Venezuela (whose economy is still suffering a sharp contraction). In Argentina, activity contracted strongly in 2016, while Brazil remains stagnant in its worst recession in three decades. An upturn is expected for most economies in 2017, although Venezuela will continue to contract (ECLAC, 2016a; Giordano, 2016).

Slow growth and economic contraction impact Latin American labor markets, reversing some of the positive trends of the past decade. During the commodities boom years, high levels of economic growth improved the labor market, reducing unemployment levels, increasing the participation rate, and achieving higher levels of formal work and employment for young people and women. However, since the start of the slowdown, the progress achieved in the labor market has been interrupted and, in some cases, has almost been reversed. Although still at relatively low levels, unemployment rates increased for the first time since the financial crisis. In 2015, urban unemployment affected 6.5 percent of the total workforce, 0.5 percentage points higher than the figure for 2014. Despite this increase, urban unemployment continues below levels recorded halfway through the first decade of this century, with a mean unemployment rate of 8.2 percent between 2005 and 2008. Regional mean unemployment does not reflect the significant diversity that exists among the region's countries. In Latin America, mean unemployment ranges from 9.8 percent in Colombia to 4.3 percent in Mexico. Similarly, the impact of the 2015 economic crisis varied within the region, resulting in an increase in unemployment in Brazil, Costa Rica, Ecuador, Honduras, Peru, Panama, and Uruguay. Economies with growth rates higher than the mean for the region, such as Mexico and Chile, experienced reductions in their unemployment rates (ECLAC, 2016b; Giordano, 2016).

Similarly, the rapid increase in exports at the start of this century, both in physical volume and price, were under the best trade terms in almost a century. There was a recovery of 20 percent at the height of 2012, after a secular deterioration and before the later fall, complemented by increasing foreign capital flows, induced by the low or nonexistent interest rate in developed countries' capital markets and the favorable conditions created by economic circumstances and/or policy decisions of the governments of many developing countries. This led to years of fiscal possibilities to reduce, via public subsidies, the extreme poverty prevalent in Latin American societies, notably Brazil, Chile, Argentina, and many other countries in the region. Currently, poverty has started to significantly increase again in several of the countries in the region, among which Argentina and Brazil stand out.

This situation may be worsened by possible policies announced by the new U.S. administration (The Economist Intelligence Unit, 2017). In general, Central America and the Caribbean are Latin America's two most vulnerable subregions, particularly in trade, remittances, and immigration. In 2015, remittances from the United States represented more than 15 percent of GDP in El Salvador, Honduras, and Haiti, and trade dependence was also high, with exports to the United States comprising more than 10 percent of GDP in El Salvador, Haiti, and Nicaragua. The equivalent of about 1 percent of the labor force from Guatemala and Honduras, and nearly 2 percent from El Salvador, immigrated illegally to the United States in 2015. Mexican trade dependence with the United States is very high, with exports representing 26.9 percent of GDP in 2015. Mexico has lower, although still significant, remittances, which represented 2.1 percent of GDP in 2015, and immigration to the United States has decreased drastically in the past decade. In the macroeconomic arena, the entirety of Latin America is susceptible to the policies of the new U.S. government, in particular to tariffs on import taxes, the appreciation of the dollar, and higher interest rates for financing.

Conclusion: The starting point for and challenges to social-ecological transformation

The first decades of the 21st century represent a historic period for Latin America, in which the governments of the countries it comprises adjusted their productive structures to the new realities of the global production system dominated by a limited number of transnational enterprises based in developed countries. This participation, driven by the states and dominated by the markets, occurred in line with the role that these countries have played since colonial times, based primarily—although not exclusively—on the economy's primary sector. Most states took advantage of the resulting economic growth to reduce levels of poverty and marginalization; but they did not address inequality, and the greatest percentage of wealth generated remained in the hands of the companies that invested in economies that had sold out to foreign interests and local economic powers, the majority of which were partners in these investments, either explicitly or implicitly.

In general, the region has returned to orthodox economic policies, although beyond certain unorthodox measures that were attempted—more in discourse than in action—by some of the region's governments, most of the Latin American countries never abandoned these policies to begin with. With similar, although not identical approaches, the macroeconomic policy of Latin American countries is focused on resolving the fiscal deficit and inflation. Some argue that the priority must be attacking the fiscal deficit because a country can lose its investment grade or see its credit rating lowered as a result of pressure from the rating agencies that represent the interests of financial creditors. Others note that it is especially important to deal with inflation to ensure the economic calculations of future investors, despite the rapid reduction in the flow of investments to the region, a product of the cycle change and of the increased attraction of investments in developed countries. Discourse focuses on free trade, the opening of the economy, eliminating any type of protection, and signing new bilateral and multilateral trade agreements; encouraging FDI through free trade zones and tax exemptions for business income is also considered a central element. At a practical level, these orthodox policies can be clearly seen in the region's restrictive monetary policy, which seeks to address inflation, although in fact it deals more with expectations than with the price increases themselves. Several countries in the region have sought to address inflation through their exchange-rate regime, appreciating the domestic currency and maintaining a high exchange rate lag. The programs currently being implemented by several of the region's governments (with support from international organizations) have few innovations, as they attempt to return to and strengthen the policies that have become widespread as a result of the financial globalization of the 1990s (Couriel, 2016; Gomes & Silva da Cruz, 2016).

Five pillars support these programs:

First, the reduction of labor costs as a mechanism to increase profit margins, competitiveness, and attractiveness for foreign capital, in many cases accompanied by the "modernization" of the labor market with legislative and labor relations reforms aimed at reducing workers' bargaining power and decreasing employment protection mechanisms.

Second, the reversal of the expansive trend in public social expenditure that has been so important in recent years as part of a reduction of social inequality policies through the institutionalization of a selective fiscal austerity policy, including the freezing and eventual reduction of expenditure on health and education; the "rationing" of expenditure for income transfer programs for the most vulnerable sectors of the population; the reduction of the public supply of basic services in education, health, and sanitation, with the creation of conditions to strengthen and expand the privatization of these segments; and pension reform, consisting of cuts to pensioner benefits, decoupling from the minimum wage and increasing the contribution of beneficiaries and retirees, raising the age and contribution requirements for retirement, etc.

Third, the strengthening of the hegemony of monetary authorities and pro-market policies, accompanied by the reduction of the state's role in economic coordination and development, thus limiting its ability to minimize imbalances and asymmetries in income and wealth distribution. In addition to reducing social expenditure and state supply of essential goods and services, this implies strengthening the regressive nature of national tax systems; the reversal of progress (generally minimal) in public procurement, local content, and public funding policies, abandoning the centrality of development and employment in economic policy design; dismantling state enterprises and, in several countries, privatizing what remains of public property; and continuing and reinforcing the exploitation of natural resources.

Fourth, the region's reintegration, over the past two decades, into the international division of labor and its adaptation to the new global production system meant strengthening the model of Latin America as a provider of commodities (energy, mineral, and agricultural); this model has had very negative ecological consequences in multiple countries, to such a point that Latin America is exceeding at least two of the planet's environmental limits, as previously mentioned. As this occurred during the high-price phase of the commodities cycle (and in a large part due to it), Latin American countries experienced extraordinary income, which mostly increased the earnings of national capitalists and transnational corporations operating in the region and, to a lesser extent, increased the real wages of workers and decreased poverty and marginalization. However, in the current low-price phase, the way to compensate for the decrease in income from companies is to maintain, and even increase, the agricultural and extractive intensification characteristic of the previous phase, exacerbating harmful ecological effects and worsening rather than improving the situation of low-income social classes.

Finally, and this is fundamental, the strengthening of the region's passive integration process into the world order in general, and into the globalized production system in particular, through the intensification of the commercial and financial liberalization of the economy; adherence to international investment agreements that prioritize the interests of transnational enterprises; and the adjustment of national legal frameworks to U.S. law. The intensification of passive integration into the process of globalization exposes countries to the predominant trends in the worldwide economy previously mentioned, as well as the following: the concentration of cutting-edge technical progress in scientific and technological development hubs, such as the United States and Germany, which then shape the economy of the future; the deindustrialization of countries with lesser technological development due to the impact that offshoring the industrial base of core countries has on prices and production scales and the consequent strengthening of the Chinese economy's production capacity and competitiveness; the dismantling of the capacity of the region's governments to implement autonomous economic and social development policies at the national level.

The social-ecological transformation that is necessary for Latin America thus faces a significant number of challenges to its implementation. The interaction of three concurrent factors can be identified at the root of this complexity: a) the internal laws the system itself generates and reproduces, including the concentration of capital and the increase of inequality; b) the considerable difficulty of challenging the economic powers and politicians that benefit from the status quo in Latin America. It is clear that powerful groups have taken advantage of recent changes, described here and in other background study documents, to substantially increase their income and wealth, allying themselves with transnational enterprises supported by multilateral financial institutions and the core countries where the transnational companies are headquartered; c) the recent political events, of a profoundly economic nature, that have shaken the developed world and may have a profound impact on the economy and international relations, such as the inauguration of the new U.S. administration and Great Britain's exit from the Eurozone.

Within the context of the three factors mentioned above is the no less worrying observation that the region's countries are experiencing an economic downturn, with governments that implement programs that go against workers' rights, decrease public social spending, reduce the role of the state, and exacerbate the primarization of the economy, thus intensifying the exploitation of natural resources, promoting participation in the low-value links of the GVCs, and intensifying environmental damage—approaching or exceeding the planet's limits—through a process of passive integration that implies a loss of regional autonomy and the reinforcement of economic and technological dependence.

Faced with these challenges, it is worth briefly mentioning the alternative social-ecological transformation programs that need to be set in motion, acknowledging the fact that achieving alternative paths requires prolonged periods of time and recognizing that in order for any alternative development strategy to be viable, it must consider the new global system of production and the economic context described in this essay. The programs outlined below stand in clear contrast to the initiatives that are currently being applied by the region's governments, which are anchored in orthodox policies and largely promoted by international organizations and the dominant powers of the new world order.

1. *A different type of integration of the region into the world order and the globalized production system is needed.* The region should not be at the tail end of the value chains, with a role as a producer of raw materials or supplier of cheap labor, nor should it be on the lowest rungs of technological development, as it currently is. As an initial condition, this requires breaking with the free trade and investment agreements and mega-agreements. In addition to reproducing the low value-added role mentioned before, increasingly extracting the wealth generated in these countries can result in negative consequences for all humanity, impacting health,

education, the environment, and labor regulations. Nor should the national laws of Latin American countries continue to be adapted to regulations dictated by core capitalist corporations and institutions for the purposes mentioned above—thus, the importance of strengthening, transforming, and deepening first the integration between the countries of Latin America's subregions and then the region as a whole. This integration should not be merely commercial, as advocated by conservative sectors, but rather should span political, productive, social, scientific, and technological aspects to address the determining variables of the current stage, including bargaining power, economies of scale, market control, and knowledge generation.

2. *The transformation of productive structures to achieve diversified economies with low carbon emissions and minimal, controlled ecological consequences.* This transformation implies the rise of new clean industrial sectors, as well as a variety of service enterprises, all supported by a sustainable, inclusive, and clean energy model, in addition to production sectors of goods and services based on new technologies and the transformation of existing traditional sectors. The objective is not to create productive export enclaves, but rather a dense productive infrastructure. One fairly significant point in this regard is the radical transformation of agriculture, today technologically dominated by large corporations that overexploit land resources, leading to damaging consequences for ecosystems, land, and water. Another aspect requires the transformation of the region's transportation systems, considering the growing importance of logistics in productive systems and their contribution to environmental pollution. At national level, it is increasingly difficult for developing countries within the system structured by GVCs to change towards a productive structure with increasing levels of technological intensity, linked to capacity building and the creation of higher-value activities that are socially fairer and nondestructive to the environment. Hence the importance of the previous point: the subregional and regional integration of Latin America.

3. *Changing the productive structure will not automatically occur as a result of international integration based on promoting foreign investment and indiscriminate liberalization at any cost.* Nor will improving the productive structure automatically lead to social improvement and environmental sustainability, although it is an indispensable step. Reinstating and strengthening the role of the state in coordinating and promoting development is key, as is ensuring that the state is not considered the executive office of the capitalist class, nor the source of clientelist income for certain officials and politicians. In this capitalist stage of global production systems, marked by the interweaving of services and finance, economic power is enormous and concentrated. It is essential to proactively define policies in coordination with distinct social groups, especially workers, to protect and extend the democratic framework and drive social-ecological transformation. Productive development policies are fundamental to provide direction, coordination, and structure to this transformation; a productive policy with national and regional dimensions in each country to adequately address the essential differences between each subregion, as addressed in previous sections of this essay. Trade policy complements productive policy and should be utilized to achieve technology transfer, the creation of R&D facilities, and an increase in local content, while also increasing the number of national firms that participate in productive processes. Moreover, given the role of technology mentioned above, a fundamental role should be assigned to science and technology policy in connection with productive policy to generate local technological capacities that provide alternatives to the current model of production through research, development, innovation, and technology transfer. Productive policy should include specific tools to reduce the structural heterogeneity of the region; recover the role of the public sector; foster a just social economy that provides a real alternative to the capitalist-style enterprise in terms of quantity and quality of enterprises; and promote local development.

4. *Financing the social-ecological transformation, which consists of two aspects: the productive and the social.* In terms of the productive aspect, Latin American countries have low levels of investment in science and technology, both in absolute figures and relative to GDP, which not only keeps them in a situation of technological dependence but also widens the development gap with core countries. This is not about preserving the current development model, which is resulting in the dire consequences analyzed here, but about implementing an alternative, transformational development model. At the same time, it is about generating knowledge and supporting new sectors for the production of goods and services and the clean transformation of traditional sectors, complemented by a change in current consumption patterns, which are unsuited to a socially and ecologically transformed society. Public funding for new infrastructure is also necessary, both nationally and regionally. In terms of social expenditure, significant improvements have been made in certain countries in recent decades as regards the reduction of poverty and marginalization and access to essential services for the population, among others. A significant number of current governments are reversing this trend of expansion, while others maintain in their discourse the intention to "make adjustments" without affecting public social expenditure (in reality, they do reduce it, but to a lesser extent than the first group). Considering Latin America's social indicators and the technological and productive changes analyzed in this essay, it is increasingly necessary to increase public expenditure on health, education, and attention for the most vulnerable sectors. Funding these two aspects of the social-ecological transformation requires a fiscal reform that, besides capturing the necessary resources, introduces fairer and more progressive tax systems. It is important to remember that Latin America has the highest levels of inequality on the planet, and its current fiscal systems do not significantly modify wealth distribution as they do in countries from other regions.

5. *Finally, social-ecological transformation in Latin America has the objective to increase the quality of life of low-income sectors and eliminate social inequalities, poverty, and marginalization.* Based on this, there should be a necessary and substantial increase in the income appropriated by workers through an increase to real wages, increased social benefits, reduction of unemployment, and reinforcement of employment protection mechanisms. These are also necessary steps to expand internal national and regional markets, a necessary, although insufficient, condition for the development of this new production system in which economy of scale and market control are determining factors that should be accompanied by greater bargaining power for the region and generation of local, national, and regional knowledge. However, these changes cannot be achieved within the framework of a primarized and dependent productive structure, which is why the transition towards a new clean, inclusive, and diversified productive structure is essential. As previously stated, an improved productive structure does not automatically imply these necessary social changes, although it sets the stage. These changes are only possible by strengthening the organization and action of the working class as active actors in the transformation, allies that are negatively impacted by the current development model and are aware of the economic, social, and ecological crisis facing humanity.

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CHAPTER IV

Political Change in Latin America:

Limits and opportunities for social-ecological transformation

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Introduction

The social-ecological transformation of Latin America is not an aspiration that can happen by spontaneous generation; it requires conditions of political viability at the national, subregional, and regional levels. Transitions towards a virtuous change in production specialization and social and environmental justice necessitate, as a *sine qua non,* broad societal agreements and the institutional capacity to process them. The democratization the region has experienced starting from the last two decades of the 20th century has, as a rule, brought about greater political stability, but without having established the bases for overcoming historical inequalities and exclusion.

During this century, the so-called "progressive cycle," with all the contrasts, tensions, and ambiguities that this implies, has enabled progress in certain social, economic, and political areas, thanks to the combination of external and internal factors that facilitated notable achievements benefiting broad swathes of the population. Nevertheless, when external economic conditions changed, it did not take long for the limitations and contradictions of the cycle to surface. Now is a good time to rethink the pros and cons of progressive administrations, also known as post-neoliberal. We are facing a new context that, together with the successes and mistakes of the past, warrants a turning point that minimizes the risk of social regressions, such as those we are starting to see in Brazil and Argentina, but that, above all, adjusts and amends where the current cycle of governments shows its main weaknesses.

Based on a general analysis of the progressive cycle, this essay aims to contribute to the reflection on and discussion of the political conditions for the transformation of Latin American societies. It consists of four main sections. The first section reviews certain aspects of the global geopolitical situation and its relationship with the region's performance. The second deals with the political evolution of Latin America, with emphasis on the social conditions and electoral milestones that permitted the emergence and permanence of governments that have, to a greater or lesser extent, confronted the rationality of neoliberalism. The third section covers the political strategies and focuses of the aforementioned governments. Lastly, the fourth section outlines five strategic reflections based on a synthesis of the prior sections.

It is worth mentioning that this text is not intended to be a thorough analysis of national cases, let alone make value judgments on the administrations of the governments in question; rather, it seeks to give an overall view that groups together features and trends to provide a regional perspective, with all the limitations that this presupposes. The underlying premise of this paper is that sustainable bases for socio-metabolic equilibriums can only be achieved with certain democratic attributes that, more than other aims, make it generally possible for people to have decent lives.

Geopolitical aspects with global repercussions

From the bipolarity that characterized the Cold War period, we passed into a unipolar transitional stage under the hegemony of the United States. The second half of the 20th century saw a great deal of pressure to achieve a multipolar world, despite the resistance of the global status quo (Dierckxsens, 2015; Palacios, 2011). However, that trend has still not materialized into institutionalization of a multilateral world that is better at processing the world's new conflicts.

Of course, the creation in 1999 of the G20 as a meeting place between traditional and emerging powers is a notable sign of what could be the future courses of action of global governance in dynamic contexts involving hegemonic reconfiguration. The United States is still a superpower, although it faces an opponent with the potential to dispute this position: China. Moreover, Russia seems to be recovering its position as a significant world player - although not of the magnitude of the last century - after having suffered from the impact of the fragmentation of the old USSR.

It could be assumed that, in the current global juncture, the role of the European Union would make a difference, as Europe has been recognized as a normative power. This recognition was highly relevant during the last 25 years of the last century, given the European Union's leadership in ideas, institutions, and norms tending towards multilateralism. Nowadays, in the second decade of the 21st century, the influence of the European Union has decreased, and its internal crisis has irrupted just when the world shows undeniable signs of a transition of global powers (Barbé, 2014). In any case, the reconfiguration experienced by Europe and, in particular, by the European Union, will be a key factor in choosing the direction of the new world order.

Meanwhile, a large part of the United States "establishment" still blindly believes in that country's exceptionality, the idea being that its planetary leadership is still indispensable and irreplaceable. This stance confronts the trends towards *primus inter pares* geopolitics that seek new equilibriums in terms of the present inter-capitalist conflicts. The relative decline experienced by the United States during the 21st century has forced its governments to rethink their strategies. One can clearly observe the interest the United States has shown in confronting Russia in Eastern Europe, while at the same time concentrating its forces in Asia to counteract the imminent progress of China as a regional power and a future global superpower. The election of Donald Trump in November 2016 has given rise to a sinuous and urgent debate about the best strategy for the United States to maintain its hegemony. His campaign speeches emphasized the intention of refusing to get involved in conflicts and wars that would imply huge costs for the U.S. government; nevertheless, the inertia of the preceding administrations has continued or even worsened during the first months of his presidency. In the absence of any reasonable agreements in the short term, the risk of regional conflicts escalating into global conflagrations is still quite plausible. The cases of North Korea and Syria are, for now, the strongest grounds for that risk.

Though shortly we shall know the stances that the new Government of the United States might uphold on the multilateral treaties on trade and investment—it has already withdrawn from the Trans-Pacific Partnership—and the type of diplomatic relations that it will maintain with Russia and China, at the moment it is clear that Trump will be an obstacle to any progress on global agreements on human rights, climate change, and migration.

The 2008 economic crisis further weakened U.S. supremacy, while also affecting those who have been its strongest allies until now: the European Union and Japan. However, despite the crisis, we cannot ignore the fact that the United States is still the only world superpower. It still has the largest economy on the planet (in terms of GDP, without adjusting for purchasing power parity), concentrates the most patents for innovation in strategic cutting-edge technologies (because of the high potential for added value and integrated production), and, as if this were not enough, is the most overwhelming military power, with a military budget far exceeding those of the countries that come next in line (Dierckxsens, 2015). When discussing the relative decline of the United States, we are referring to the fact that it no longer has the power to impose its will, as occurred in the unipolar years of the 1990s; its global and regional adversaries have achieved a broader space for resistance and action. The non-resolution of its recent military campaigns in the Middle East and the economic expectations generated by China's "Belt and Road Initiative" are two reliable signs of the loss of U.S. centrality on the world stage.

The clash of interests between those who want to preserve unipolarity and the pressure from other states seeking a multipolar order largely explain the core conflicts of the geopolitical world (Kucharz, 2016). Nor is it a case of a simple zero-sum game; over and above national interests, the interests of transnational corporations entail complex economic interactions that tend, at times, to blur the importance of nation-states and subordinate them to the needs of global capitalism.

The overlap of national interests with the expansive dynamic of capital has been exacerbated by the current economic crisis. This phenomenon greatly explains the emergence, in Europe and the United States, of political parties and candidates with conservative proposals that are supposedly opposed to open regionalism, question the mass relocation of factories away from industrialized countries and financial overspeculation, and stigmatize the waves of migrants from the poorest countries who seek to enter the most developed regions.[1] Incidentally, the economic panorama does not look like it is going to significantly improve, at least during this decade, so the factors causing the new tensions and conflicts will remain latent.

1. The rise of conservative and xenophobic expressions in Europe has been exacerbated by the very contradictions and repercussions of global capitalism. It is good news that, between 2016 and 2017, the far-right parties have been detained at the ballot boxes of Austria, Holland, and France, and are also expected to be detained in the German parliamentary elections of September 2017. However, as long as the social conditions that gave rise to these political formations are still latent and the progressive bloc still has not articulated a credible proposal for significant change, it would be wrong to assume that the contemporary outbreaks of the far right have disappeared for good.

In this context, we have to look at the sociopolitical performance of Latin America. The process of diplomatic negotiations between the United States and Cuba—that now seems to have been truncated by the Trump administration—as well as the ceasefire agreements between the Government of Colombia and the FARC *(Fuerzas Armadas Revolucionarias de Colombia)* show that the region is going through significant changes, in terms of both continental relations and national dynamics (Serbin, 2016). But what is most relevant in the 21st century is that a large part of the countries that make up this region took advantage of the greater room for maneuver to implement national, subregional, and regional political measures that allow them some degree of autonomy.

However, it is evident that the United States still considers the region to be a buffer zone that supplies strategic resources, so it is trying to reclaim the ground lost during the rise of the so-called post-neoliberal governments. In contrast, the relative loss of North American hegemony in the region has also been seen by other extra-continental powers, in particular China, as an opportunity to increase their economic influence through imports of raw materials, investments, and lines of credit that favor the struggling South American economies that are highly dependent on the export of commodities and have been hit by the fall in prices.

These external restrictions and opportunities exercise pressure on the region's political context and partially explain the changes of direction in the political orientation that have recently occurred in multiple countries, particularly the social regressions that occurred in Argentina and Brazil in 2015 and 2016.[2] Despite certain initiatives, Latin America is still adrift in this time of worldwide agitation. The

2. The retrocessions in these countries refer to the fact that, in the wake of the adjustment measures implemented by the Macri and Temer governments in Argentina and Brazil, respectively, there has been considerable growth in poverty and inequality, and the transfer of wealth to the richest sectors has risen as a result of the political measures that they adopted. To overcome the economic stagnation of the country, the Brazilian government has privileged the relaxation of employment laws, the adjustment of the social spending budget, and a decreased budget for the pensions system (see Salvia, Bonfiglio, & Vera, 2017; Peres, 2017; Schuster, 2017).

systems of regional and subregional integration that have been created in this century are weak in the face of both the inertia of extra-regional factors and the changes in political orientation in Latin American countries. Despite evidence of efforts being made for greater regional autonomy, recent models of multilateral political cooperation and dialog—such as the Union of South American Nations (UNASUR), in 2008, and the Community of Latin American and Caribbean States (CELAC), in 2010—suffer from a considerable dependence on presidential summits in the face of the scant development of a robust supranational institutionality that is insulated from the changes of government in the member countries (Celi, 2016).

There are no states in Latin America with sufficient interest and capacity to provide leadership oriented towards more solid and less rhetorical schemes for regional and subregional integration or that, on the other extreme, are able to overcome the drop in cooperation on matters of trade. The weight of national and extra-regional interests undermines more solid multilateral schemes. The fragmentation of joint action on the part of Latin American countries helps them to be seen as a land to be conquered, instead of as equals who deserve more symmetric agreements.

This limitation of the region aggravates its economic dependence on other regions and makes it more susceptible to the geopolitical interference of the main world powers—both traditional and emerging (Schnake, 2010). Without a doubt, Latin America should increase regional integration on strategic issues, while supporting global initiatives that promote a democratic multilateralism.

Political evolution in Latin America

The world economic crisis and the limitations of procedural democracy mean that it is necessary to rethink the interpretation frameworks in order to promote inclusive social change, above all in Latin American societies which, despite the wave of progressive governments, are still the world's most unequal societies in terms of wealth distribution (Cálix, 2016; OXFAM, 2016).[3]

Half-way through the 1990s, the panorama for the left around the world looked desolate, and Latin America was no exception: the fall of "real socialism" in the USSR and Eastern Europe, the attacks on social democratic welfare states, the crisis that hit the Cuban Revolution, and the hasty end of the Sandinista Revolution were all events that established the need to redefine the political action of the left. Without the clear crystallization of new approaches, Latin America has demonstrated ideas and practices in the 21st century that, with their ups and downs and successes and contradictions, have helped us to glimpse emancipatory projects in a world exhausted by the inertia of capitalism in its neoliberal phase.

Of course, the exhaustion of the neoliberal project does not *per se* ensure the triumph of an alternative project. In the first place, accessing quotas of power in the states does not automatically mean going back to the power that the traditional elites have over the economic, social, legal, and cultural processes (Stolowicz, 2004). In Latin America, especially in the Southern Cone, a mixed spectrum of forces that self-identified as belonging to the left was elected into power during the first decade of this century, with a basic acceptance of the rules of liberal democracy. However, above all in the Andean region, there were objections to procedural democracy because of its limitations in terms of making progress towards a democracy that would be inclusive in the political, social, cultural, and economic spheres.

3. Inequality is usually referred to in terms of income and wealth distribution, but gaps in land distribution should also be considered. By both measurements, Latin America is the most unequal region on the planet. According to data provided by the Food and Agriculture Organization of the United Nations presented by OXFAM (2016, pp. 21-23), Latin America has the most unequal land distribution in the world. Its Gini coefficient applied to land tenure is 0.79, in contrast with the coefficients of Europe (0.57), Africa (0.56), and Asia (0.55). In South America, the figure exceeds the regional average, achieving a value of 0.85, while Central America has a value that is barely below the average (0.75). Likewise, it is estimated that 1 percent of the production units of Latin America possess half the agricultural land.

However, this criticism of liberal democracy did not imply unequivocal progress towards qualitatively superior forms. Countries with little tradition of democracy run the risk of complaints about minimalist democracy resulting in the creation of clientelist structures of participation with reduced fields of action for dissidence and questioning leadership. This warning does not deny the broadening or redefinition of the redistributive system that has happened in some countries or the greater politicization of the poorer sectors; nevertheless, the democratic ethos still seems to be scarce in Latin America.

Moreover, the neoliberal currents bet on economic deregulation, privatization, the extreme relaxation of employment laws, and waiving the principle of progressive taxation. No less importantly, they took great care to mold the democratic regime to the rotation and alternation typical of competitive elitism, regardless of how many people were excluded from effective political participation. Progressive forces faced (and still face) the dilemma of either temporarily managing the crisis of neoliberal capitalism or taking a step forward—without this implying a shot in the dark—to create proposals that are a turning point in the understanding and management of the challenges of Latin American societies.

Anti-establishment politics involves the denunciation of injustices and the mobilization of the excluded. Within political action, the correlation of forces has considerable weight. Nevertheless, we must emphasize that politics, from any perspective, is also the generation of ideas and skills in order to successfully adjust, change, and apply public policies. Maybe that is the main challenge of the left: how to advance in its ability to conceive and develop a proposal, indeed, an alternative, *vis-à-vis* the correlation of forces to be found on the chessboard of material and symbolic power. Overcoming that challenge is not exclusively incumbent on the old elites or the so-called left-wing vanguards. Although unfortunately isolated and insufficiently studied, it is necessary to look to the prior experiences of social networks, groups, and movements that have managed to generate creative schemes and answers to overcome certain conditions of subordination.

That said, it is counterproductive to assess a left-wing project within the context of pure happenstance. Actually, the type of accumulation of forces being brought together for the long-term consolidation of the goals of a political project must be examined with a magnifying glass. This implies analyzing the historical performance of the context's variables, the correlation of forces, and the level of the peoples' maturity in order to progress towards more united societies. Unfortunately, there is not much time. If the progressive wave that now holds sway in the region does produce any results or convince its citizens with visions of a fairer, more viable and sustainable future, the reactionary political forces that are crouching ready to pounce in several countries, will enable a turnaround in the region's political scenario, as is already being seen, either by electoral means, as in Argentina, or by political maneuvers that serve to conceal real coups d'état, as occurred in Brazil with the overthrow of President Dilma Rousseff.

The decline of the "commodities boom" that had sustained the social policy of the progressive governments represents a threat to the effectiveness and legality of their mandates. The lesson to be learned from this is that the region should prioritize, diversify, and grade its sources of growth and gradually fine-tune progressive tax systems, while at the same time strengthening and broadening the subregional and regional markets so as not to depend so much on the fluctuating prices of raw materials. Another lesson to be learned is that the increase of consumption by several million Latin Americans, mainly in Brazil and Argentina, is not an indicator that will guarantee the electoral loyalty of these new social segments. If governments do not face up to consumer alienation and the changes in the demands of the new middle classes, that same population may turn their political preferences towards those who seduce them with the promise of increasing their consumption ability and security, even at the cost of sacrificing the redistribution structures that were revived during the previous decade.

Now is not the time to idealize a single emancipating subject. Politics no longer has a single referent. No organized political movement, party, or space can aspire to vertically represent the complexity of all social subjectivities. But accepting the absence of that sole subject does not mean giving up any efforts to articulate the subjects that have been excluded. This is a good time to delineate democratic strategies to gather strength, horizontally process common demands, agree to respect secondary discrepancies, and encourage agreements to address the fundamental contradictions of the system. Left-wing politics are the politics of inclusion and ongoing debate as a prelude to transformative collective action.

At the height of neoliberalism, Latin America was a region that stood out for the opposition of social, urban, and rural movements to the more drastic measures of the neoliberal approach.[4] By the end of the 1990s, direct or indirect reverberations of these struggles resulted in the assumption of power by parties with candidates that questioned the impact on the majority of the population of extreme liberalization and the critical reduction of the role of the state.

The cycle of resistance of the progressive forces catapulted a group of parties into power that, once in government, benefited from a significant rise in the prices of strategic raw materials—minerals and metals, fossil fuels, and certain monocultures—mostly due to increased demand from China and other Asian countries. This advantage allowed these governments to implement public policy changes to improve social protection programs and enlarge public infrastructure. One may object to numerous decisions made by Latin America's so-called progressive governments, but it would be a mistake not to acknowledge the palpable decrease in poverty, the internal market incentives, the salary adjustments, and the improvement in access to public assets that had been depleted by neoliberal politicians (Sierra, 2011).

4. The cycle of protests that challenged the neoliberal model includes, among its main episodes: the irruption of Zapatismo in Mexico (1994); the protests and uprisings led by the National Indigenous Confederation of Ecuador (*Confederación of Nacional Indígenas de Ecuador*), between 1998 and 2000; the people's movement in Costa Rica against the *Combo Energético* (a package of laws that sought to privatize the Costa Rican Power Institute), in the 2000s; the *piqueteros* movement and other collective actions in Argentina (2001-2002); and the popular uprisings in Bolivia during the so-called "water war" and "gas war" (2000-2003).

However, it is also true that these governments did not take advantage of this favorable situation to make progress in the transformation of the production base but rather relied on the primarization of Latin American economies (Cypher, 2014; Gudynas, 2011). The region continued to resist the challenge of moving from economies based on the production of raw materials towards economies with greater and more sustainable added value in their goods and services. Moreover, mostly because of delicate political equilibriums, progressive governments generally could not or did not try to stop a part of the oligarchies from continuing to get rich by using rent-seeking strategies. Nor is it appropriate to think that changing the pattern of production specialization depends on the mere desire of national governments, or that this is a change that can be achieved overnight. In fact, the process involves multiple variables that are internal and external to the region. This complexity is precisely the reason for the complaint that these governments have not put their weight behind policies that would lay the groundwork for a change in the production model.

Moreover, the strategy of growth based on raw materials has had serious negative impacts on society and nature. Proof of this can be seen in the proliferation of socio-environmental conflicts that, in the absence of adequate democratic processing, have stripped small-scale farmers and indigenous communities of their livelihood throughout Latin America.

Recent changes on the regional political chessboard

The favorable electoral cycle for mixed progressive or leftist forces—also referred to as post-neoliberal governments—altered the political map of Argentina, Bolivia, Brazil, Chile, Ecuador, El Salvador, Honduras, Nicaragua, Paraguay, Uruguay, and Venezuela. Indeed, in 2008, the wave of governments elected at the ballot box that has, to a greater or lesser extent, tried to challenge the assumptions of the neoliberal canon reached 11 presidencies, forming a broad progressive alliance in the group of 18 Latin American countries (Stokes, 2009). The intention here is not to rigorously assess the level of consistency and coherence of each one of the governments that has adopted, to different degrees, certain anti-neoliberal measures, but rather to call attention to their predisposition to set out policies—although not always exempt from contradictions—aimed at repositioning, among other aspects, the role of the state, Latin American integration, and increased social investment.

The boom of these so-called post-neoliberal governments started in 1998 with Hugo Chávez's assumption of the presidency in Venezuela (and his reelections in 2002, 2006, and 2012), followed by the victory of Lula da Silva in Brazil (presidential candidate of the Workers' Party [PT]) in 2002 and his reelection in 2006, and then the succession of Lula da Silva by Dilma Rousseff (who was also elected for two terms). For its part, the election of Néstor Kirchner in 2003 saw the start of the Kirchner era in Argentina, followed by the two presidential terms served by his wife, Cristina Fernández (2006-2010 and 2011-2015). In Uruguay, after several attempts, the Broad Front (*Frente Amplio* [FA]) won three consecutive presidential elections, first in 2004, with Tabaré Vázquez, then with José Mujica in 2009, and later with the reelection of Tabaré Vázquez in 2015. In Bolivia, the Movement Toward Socialism (MAS) won the 2005 presidential elections with the candidate Evo Morales, who has since been reelected to two further terms, in 2009 and 2014. In Ecuador, Rafael Correa, of the PAIS Alliance party (PAIS), assumed the presidency in 2006 and was reelected in 2009 and 2013. In 2017, the PAIS won again in the second round of closely fought elections that put Lenín Moreno in the presidency. In 2006, the Sandinista National Liberation Front (FSLN) won the presidential elections in Nicaragua with Daniel Ortega as its candidate, who was then reelected in 2011 and 2016. In Paraguay, the Catholic bishop Fernando Lugo, supported by a coalition of the left in alliance with the traditional Liberal Party, received an electoral majority that enabled him to become president, putting an end to six decades of government (between dictatorships and elected governments) of the Colorado Party. Meanwhile, in El Salvador, after four presidential elections dominated by the conservative Nationalist

Republican Alliance (ARENA), the Farabundo Martí National Liberation Front (FMLN) won the presidential elections in 2009 and 2014 with the candidates Mauricio Funes and Salvador Sánchez Cerén, respectively (Bringel & Falero, 2016; Rho, 2016; Stoessel, 2014; Stokes, 2009).

It is also worth mentioning the case of Chile, despite the difficulties in categorizing the political alliances that emerged against the Pinochet dictatorship and the rigid political and economic demarcation that his regime left. Nevertheless, it is worth noting the weight of the center-left parties in the Coalition of Parties for Democracy that, with the alternation of Christian democrat and socialist candidates, won four consecutive presidential elections, allowing these political forces to govern from 1990 to 2010. In 2010, the Coalition lost the elections in the second round to the center-right opposition, and Sebastián Piñera took office as president. After the defeat of 2010, the Coalition broadened its alliance with left-wing parties—including the Communist Party—and created the New Majority, which won the 2013 elections, electing Michelle Bachelet to the presidency for a second time. Now, the center-left coalition presents serious fissures that put its continuity at risk and open up spaces for new progressive reconfigurations in Chile.

Democracy, among other attributes, implies the possibility of alternation of political power, and changes of the party in government are part of the rules of the game. The issue arises when the processes of change in societies as unequal as those in Latin America do not take root and concretize in more or less stable social pacts. When the inclusive changes are not institutionalized, the alternation in favor of the traditional elites quite obviously presents the threat of a backward step for the incipient transformation processes. Here lies one of the main challenges for Latin American democracies: achieving an alternation of governments without ruptures or regressions in the accumulation of citizen rights and guarantees.

It is clear that the weaknesses of the renewal of progressive parties and political cadres facilitates the weakening of the post-neoliberal projects, a situation that in recent years has been exacerbated by adverse economic contexts, the strategic renewal of the elites, and the backslide into certain management mistakes and deviations in the governments that sought to advance social change. In this vein, it should not be surprising that the favorable electoral cycle has run out of steam and is now facing considerable risks.[5]

The coups d'état in Honduras and Paraguay in 2009 and 2012, respectively, were the first visible symptoms of the conservative backlash in the Latin American region. Certainly neither Manuel Zelaya (Honduras) nor Fernando Lugo (Paraguay) represented a decided turn to left-wing politics, but they promoted initiatives of inclusion that alarmed the oligarchies of both countries, which, in addition to the support of the continental right-wing, brought the two governments to an abrupt end. And there are other signs of the end of the progressive electoral cycle. In 2014, the PAIS only managed to win in one of the ten most populated cities in Ecuador's regional elections, despite the fact that it continued to be the political force that won the highest number of city halls and prefectures, and improved, in general terms, its electoral presence in the country as a whole (Le Quang, 2015).

At the end of 2015, Mauricio Macri won the elections in Argentina, putting an end to a 12-year Kirchnerist-Peronist cycle (2003-2015). Almost simultaneously, in December of that year, the United Socialist Party of Venezuela (PSUV) lost by a wide margin in the Venezuelan parliamentary elections. Three months later, in February 2016, Evo Morales lost the referendum to decide if he could be reelected yet again.[6] Then, in 2016, by means of a contrived impeachment, the reactionary political forces of the Brazilian parliament managed to remove Brazilian President Dilma Rousseff from office at the end of

5. Some authors point out a weakness in the progressive cycle that reflects, above all, the debilitation of the elites in power, the impact of corruption, and the cessation or stagnation of favorable economic cycles (Marín & Muñoz, 2016).

6. In 2015, the first round of the presidential elections took place in Argentina. Macri won 51.34 percent of the votes in the second round; Daniel Scioli, the official candidate, won 48.66 percent. Moreover, the Democratic Unity Roundtable won 112 out of the 167 seats in the legislature, enough to give them a qualified majority in the National Assembly.

August. Within this context, Lenín Moreno's 2017 election as president of Ecuador plays, for now, an important symbolic role, as an outlier in the apparent trend away from progressive governments in the region.

As previously noted, these political changes have generally implied an open or surreptitious return to a type of politics that endeavors to both decrease the redistributive role of the state and the initiatives to create a more united Latin American integration. The challenge lies in the creation of coalitions of political opposition that firmly correct the deviations of contemporary progressivism—if these do not want to correct themselves—while driving and improving the redistributive action observed during this period.

There are signs that this is not necessarily the end of the progressive political cycle, but we are seeing threats and backlashes that pose challenges for the review of actions taken to date. The economic complications resulting from, more than anything, the drastic drop in income from the export of raw materials have not only shown the limits of the potential for transformation of these governments' policies but have also decreased their electoral base and the spectrum of interim alliances (Ospina, 2016).

Nor will it be easy for the conservative and neoliberal governments to manage the delicate social equilibriums that were achieved during the boom of self-proclaimed left-wing governments. The external economic conditions are still complicated, and certain citizen groups, despite the deficits in the formation of an emancipating social consciousness, will notice the differences between one and another type of political administration. Should the political parties now removed from government insist on blaming their defeats solely on factors exogenous to their administration, then the uncertainty that the citizenry has regarding the alternatives for change will only increase.

It is time to redefine strategies, especially those relating to: a) relations with social movements, grassroots organizations, and the citizenry in general; b) the transition of the production base; c) the formation of consciousness and critical and public opinion that shows solidarity; and d) the relationship with the environment, which has been so significantly deteriorated by the way people inhabit and occupy the territory.

One of the main reflections is that the left's field of action cannot be restricted to the electoral sphere (Stolowicz, 2004). Materializing electoral advances into processes of social-ecological transformative action involves, without exception, a permanent struggle in every part of social life where there are asymmetric power relations.

Political strategies and focuses of progressive administrations

Apart from describing how progressive or left-wing governments fared in the elections in the region, it is worth looking at the political strategies they used to win and stay in power during several consecutive administrations. It is also important to identify, in general terms, the political focuses that these governments have had during their predominance in the 21st century. Once again, here we must be cautious of the heterogeneity in the dynamics of accessing and exercising government.

Political strategies for winning and staying in power

The conditions of possibility and the imaginings of social struggle changed substantially in the last decades of the last century, to the point that armed insurrection became less feasible or desirable (Stoessel, 2014). The gradual fall of the reactionary military dictatorships in the region— culminating with the removal from power of Stroessner in Paraguay (1989) and Pinochet in Chile (1990)—gave way to governments that were elected under the basic rules of liberal democracy. Although this shift did not, in general, signify a substantial improvement of rights, let alone democracy, it at least began a period of more respect for certain civil or political rights that, in the following years, represented an area of opportunity for the forces of the left in the majority of Latin American countries.

It could be said that two apparently contradictory phenomena co-existed in the region. On the one hand, the promise of democratization altered the unfair distribution of political power and, on the other hand, the repercussions of the neoliberal approach led to a drop in social and economic rights and, accordingly, less action on the part of the state to try to correct social inequalities. The newly instated democracies, restricted to a competition between elites to hegemonize the process of domination, soon encountered limits and resistance efforts that, after multiple episodes of popular mobilization, destroyed the legitimacy of neoliberal governments towards the end of the 1990s. This combination of phenomena generated favorable conditions for parties that were critical of the economic and social focuses of the sitting governments to take over the reins of power through the ballot box.

Irrespective of their ideology, various supposedly progressive political forces ascended to the national governments. It is worth noting a feature that is common to all of these new governments: *they won power through elections,* using the pre-established rules set by the traditional elites. This is true even for the political forces that had been initially formed as guerrilla fronts, as in the cases of the FMLN and the FSLN in El Salvador and Nicaragua, respectively. Moreover, it is worth mentioning that Dilma Rousseff, José Mujica, Salvador Sánchez Cerén, and Daniel Ortega had all been part of guerrilla armies at some point before being elected president of their countries.

The gamble on the electoral option revealed two concurrent circumstances: a) the existence of greater tolerance for the participation of left-wing parties in electoral processes, and b) a narrower horizon of change than that posed by the armed revolution processes, to the extent that the rules of electoral democracy—and the corresponding architecture that prevails in Latin American states—determine, *a priori,* the alternative political projects to a much greater extent.

Despite all having reached the presidency through elections, important differences exist between the progressive governments, primarily depending on the type of parties and political alliances that enabled their rise to power. Without attempting to provide an exhaustive description of each variant observed in the region, at least three methods used by progressivism to come to power can be observed:

1. *By means of political parties that are already established and have a certain accumulated strength:* This is the case of the PT in Brazil, the Justicialist Party in Argentina, and the FA in Uruguay.
2. *By means of recently formed political parties that took advantage of the cracks in the traditional party system to become a majority:* This is the case of the Fifth Republic Movement in Venezuela, which later became the PSUV; the PAIS in Ecuador; and the MAS in Bolivia.
3. *Through parties that came directly out of the guerrilla forces, which, after the peace agreements in their respective countries, went on to participate in the electoral process:* This is the case for the FSLN in Nicaragua and the FMLN in El Salvador.

In the first situation, the progressive parties of those countries, situated in the south of the continent, generally had less room for maneuver to introduce changes in public policy. This is due to the existence of a state apparatus that is generally more institutionalized with more consolidated rules of the game, combined with a complex equilibrium of parliamentary political forces, even in the years when progressive parties triumphed with more conclusive majorities. One outstanding example of the types of restrictions and political negotiations faced by these parties is the alliance the Brazilian PT made with the Brazilian Democratic Movement Party (PMDB).[7] Although

7. The PMDB is a center-right party in Brazil that originated from the Brazilian Democratic Movement (1966). Created in 1980, the PMDB played an important role in the struggle against the military dictatorship at that time. It has a broad territorial presence at regional and local level, based on notable clientelist networks and local and regional *caciques* [TN: local political bosses]. It is considered to be the party with the highest membership in Brazil. However, the PMDB has never been

this relationship enabled the PT to govern, it ended up being a partnership that further neutralized the left-wing agenda of the PT and facilitated the development of the networks of corruption that are now damaging the reputation of the PT governments; worse still, the PMDB was the Trojan horse that unleashed the events that eventually led to Rousseff's impeachment. In contrast, the FA in Uruguay has been able to use the more solid institutional context and more symmetric balance of powers to channel a process of incremental progressive reforms.

In the second situation, seen in three Andean countries, the weaknesses of the state and the collapse of the traditional party system enabled the irruption of new political forces that, within a short time, became hegemonic in the face of a delegitimized and disperse opposition (Moreira, 2017). It is important to keep in mind the fact that although these parties had more decision-making leeway than their peers to the south, they always faced powerful economic and media interests that, for a variety of reasons, rejected the focus and praxis of the governments. Out of these three countries, the ruling party that now faces the most problems is Venezuela's PSUV, which is facing an extremely serious economic and political crisis due to multiple internal and external factors. The adverse results of the 2015 legislative elections are one of the most significant demonstrations of the PSUV's weaknesses.

In terms of the third situation, although the FSLN and the FMLN share an immediate background of civil wars and peace agreements

able to win a presidential election; in fact, since its creation, it has only taken part in two presidential elections in 1989 and 1994 (with feeble results). Nevertheless, its territorial base has, since 1995, enabled it to form coalitions with all the parties that have triumphed in the presidential elections, permitting it to obtain functional majorities (Infobae, 2015; Mainwaring, 1996). As a result of these alliances, the PMDB has already had three vice presidents that, for a variety of reasons, have stood in for the elected presidents of other parties that were not able to finish their terms: Vice President José Sarney (president from 1985 to 1990) succeeded Tancredo Neves, who died before he took office; Vice President Itamar Franco (president from 1992 to 1994) succeeded Fernando Collor de Mello, who was forced to resign after notorious corruption scandals; and Vice President Michel Temer (president from 2016 to date) succeeded Dilma Rousseff after her removal from office.

in their respective countries, the track record of their experiences in government differs substantially. On the one hand, the FSLN, as a guerrilla force, ruled in Nicaragua during the period from 1979 until 1990, when it lost the elections to the National Opposition Union. The FSLN subsequently became the opposition party until 2006, when it triumphed in the elections and placed Daniel Ortega in the presidency; Ortega was reelected in both 2011 and 2016. On the other hand, the FMLN participated in four presidential elections after the peace agreements of 1992, which the conservative party, the ARENA, always won. During that time, the FMLN accumulated an electoral base and consolidated important results in the municipal and legislative elections. Finally, the FMLN won the presidency in the elections of 2009 and 2014. While the FSLN, under the leadership of Daniel Ortega, managed to hegemonize the party system through a variety of strategies and control Nicaragua without any serious problems, the FMLN has had to operate in a more balanced party system with a state institutional design that is less propitious for the concentration of power than the governing Sandinistas experienced in Nicaragua. It is worth mentioning that the FSLN, despite its vast power, has not promoted a constituent process in the style of the Andean countries; it has, instead, opted to use both its parliamentary majority and presidential decrees to gradually adapt the laws and consolidate its political power.

Apart from these three modalities, the uniqueness of the Chilean case is also worth mentioning. In Chile, a coalition of Christian democratic and social democratic parties rose to power after the victory of the "No" vote in the plebiscite that put an end to Pinochet's dictatorship, supported by the Coalition of Parties. In October 1988, the Coalition of Parties for Democracy was born, a group that brought together a broad spectrum of political opponents to the dictatorial regime. The Coalition went on to win the elections called in 1989. Since 1990, the Coalition has held four consecutive presidencies, the first two with a Christian democratic candidate (1990-1999) and the following two with center-left candidates (2000-2010). After the Coalition's defeat in the 2009 elections that elected Sebastián Piñera (2010-2014) to the presidency, the group broadened its base to include other left-wing parties and changed its name to the New Majority. Under this new name, the party won in the second round of the 2013 elections, giving Michelle Bachelet her second presidential term (2014-2018).

Between 2006 and 2012, two atypical cases were also observed of presidents who, having been largely backed by the vote of traditional parties, exhibited stances that were close to the spectrum of progressive ideas of Latin America once in office. Both presidents had a social base that was too weak to even attempt to challenge some of the privileges of the *status quo*. The first case is that of Manuel Zelaya, in Honduras, elected by the traditional Liberal Party for the period 2006-2010. After a series of concurrent decisions and circumstances, the president sought to distance himself from the hegemonic leaders of his party in a number of ways: approaching the Petrocaribe initiative, promoted by the Government of Venezuela; entering the Bolivarian Alliance for the Peoples of Our America; strengthening various alliances with social movements; and, in a context of greater economic growth, substantially improving the minimum wage to lessen the gap between the minimum wage and the basic food basket. With a unique correlation of forces—very different from what had been in place at the start of his mandate—he promoted the idea that the country needed a national, pluralist constituent process that would redefine the institutional democratic framework.

The oligarchy, worried by the future outcome of these changes that would impact their privileges, decided to carry out a coup d'état in June 2009, seven months before Zelaya's time in power was to come to an end. As of 2010, Honduras was governed by the conservative National Party, with an aggressive neoliberal agenda, in alliance with the much-diminished Liberal Party, which was weakened after the coup d'état. A significant number of Liberal Party members went on to form part of the Liberty and Refoundation Party, created in 2012, which brought together the majority of the sectors that opposed the overthrow of Zelaya.

The other case is that of ex-bishop Fernando Lugo, who was elected president of Paraguay for the 2009-2013 term. Lugo participated in the elections as a candidate with the Patriotic Alliance for Change, a broad coalition of parties. Lugo represented a coalition of progressive parties that then allied itself with the traditional Authentic Radical Liberal Party (PLRA) in order to have any possibility of winning the election. In exchange for its support, the PLRA positioned Federico Franco as Vice President. In 2012, when Lugo was about to finish the fourth year of his five-year presidential term, the PLRA participated in a political maneuver in the Chamber of Deputies to open impeachment proceedings; these proceedings culminated in Lugo's removal from office and his replacement by Vice President Franco.

In an analysis of the political strategies of the progressive parties that rose to rule the national governments, another otherwise relevant aspect is the relationship with the social movements that question the neoliberal order and the capitalist system, or even profoundly criticize the very rationality of modernity. As was already noted, the anti-neoliberal movements of the 1990s and the first years of the 21st century were a reaction that, with different levels of intensity, had repercussions throughout the region. Argentina, Bolivia, Ecuador, and Venezuela particularly stand out due to the intensity and length of the episodes of social protest. These protests severely weakened the governance agreements of the elites. This scenario of dissatisfaction and resistance created favorable conditions for the rise to power of political parties that were critical of neoliberalism (Fernández, 2016). It was not a matter of collective actions of protest corresponding to a single group of excluded players; in fact, heterogeneity and, often, spontaneity prevailed.

The diversity of players opposed to the logic of accumulation, speculation, and domination over people and territories had a high potential to make a process of transformation viable in the region. However, the electoral route prevailed that, as we know, places pressure on political forces to accumulate strengths and skills over time in order to obtain, in the short term, a satisfactory share of the vote; in other words, elections became the principal pathway for efforts aimed at challenging the power of the traditional elites. Of course, participating in elections when it is possible to win is not a negative thing, far from it; it was something that had to be done. However, not enough attention was paid to promoting political processes that honestly articulated the institutional party way with the huge job of continuing to strengthen the consciousness, organization, and empowerment of the grassroots.

The very relationship with social movements and grassroots organizations shows the limits of the progressive governments' perspective on change, not only of those that embarked on refoundational projects but also those that were forced to opt for reforms and ongoing pacts with other political parties. As was to be expected, the main conflicts arise with those movements that question the continuity and entrenchment of the extractive model. Although this model provided massive funds for the governments, especially during the 2003-2013 period, it was untenable if the production base remained unchanged. Equally important is the fact that the expansion of the extractive frontier has meant the displacement, wrongful dispossession, and, consequently, greater vulnerability of mostly indigenous and rural settlements that find themselves impotent in front of state reason and the interests of multinational corporations.

As a general rule, current progressive efforts in Latin America have not adequately forged relationships with social movements that favor the conditions for change in the political balance of power. Bolivia, perhaps, presents the best example of the articulation of social movements, particularly grassroots indigenous and coca farmer movements, with the powerful political force that formed the MAS. However, with the gradual consolidation of Evo Morales's government, tensions started to arise—foreseeable up to a certain point—between the rationality of the government cadre and certain collectives within the social bloc that had permitted political change to happen in Bolivia.

The above does not mean that the point of view of the social movements should be considered to be the only valid perspective, as ignoring the pressures and challenges faced by governments is also counterproductive. What is worth emphasizing is that the foundation has not been laid for a social platform that would articulate the political bloc and facilitate agreements on the focus and praxis of the alternative projects.

An approach to the policy focus of progressive governments

Although the heterogeneity of progressive governments is an irrefutable fact, it is worth identifying some cross-cutting features that characterize their administrations. Bear in mind that these common features differ in intensity, depending on the context of each country. *A priori,* an analysis of the praxis of these governments proposes more or less three lines of action: a) efforts to improve state funding through economic activities thought to be strategic, b) efforts to strengthen the role of the state in supporting social justice, and c) attempts to advance towards more autonomous political integration that is separate from the United States and more in line with the vision of a multipolar world.

These initiatives resulted in at least two types of political measures: a) a distancing from the hard-core policies demanded by international financial bodies, particularly the World Bank and the International Monetary Fund, and b) the creation of regional instances and forums for dialog and the consolidation of an alternative integration—particularly, the creation of the UNASUR and the CELAC.

More specifically, progressive political action was concentrated on readapting the role of the state in the processes of social change being promoted in each country. This implied making decisions to increase the portion of available financial resources, adapting the institutional legal framework to broaden state powers—emphasizing the social sector—and adjusting international relations depending on how much room for maneuver was available.

The strategy to increase financial resources was based on guaranteeing the collection of higher revenues from primary export products and, with few exceptions, could not overcome the neoliberal inheritance of a tax structure based on indirect taxes. During the 2000-2011 period, it is particularly interesting that the majority of the countries in the region showed an increase in tax collection as a percentage of GDP within a context of higher growth and increased consumption on the part of the poorest quintile. In fact, during that period, the tax burden in the Latin American region went from 19.3 percent to 23.6 percent of GDP, including social security contributions and excluding oil revenues. During that period, the countries with the highest increase in tax pressure were Argentina and Ecuador, while Mexico and Venezuela lowered taxes. It is worth noting that, in 2012, seven Latin American countries, the majority governed by progressive governments, had a tax burden that was above the average for the region, including social security contributions: Argentina, Bolivia, Brazil, Costa Rica, Chile, Ecuador and Uruguay (Economic Commission for Latin America and the Caribbean [ECLAC], 2013).[8]

The advances in tax collection are a positive feature in Latin America, but it must be said that, except for Brazil and Argentina, the proportion of tax revenues based on GDP is very low when compared with the tax revenues of, for example, the countries of the Organisation for Economic Co-operation and Development (OECD). Moreover, regressive tax collection is still a problem in the region, something that progressive political administrations have come nowhere near to resolving.[9] Since the 1990s, tax reform has concentrated on higher tax collection through indirect taxes, especially value-added tax, to the point that this is the main contributor within the set of taxes considered in tax revenues. Despite some advances with an increased share of direct taxes, significant work still needs to be done, particularly in terms of levying capital gains taxes and reducing unjustified tax exemptions without ignoring the redistributive potential that a better collection of capital taxes could have (ECLAC, 2013; ECLAC, 2014; Gómez & Morán, 2016; Jiménez, 2015; Martner, 2016).

8. Between 2005 and 2012, the increased tax pressure particularly stands out in Argentina (from 26.9 percent to 37.3 percent), Ecuador (from 11.7 percent to 20.2 percent) and Bolivia (from 19.1 percent to 26 percent) (Gómez & Morán, 2016; ECLAC, 2013).

9. One example of this regressive structure is given by Bárcena (2016), when she points out that the mean effective tax rate paid by the richest decile in Latin America is no more than 5 percent of their disposable income, and that the tax systems of Latin America are six times less effective that the European tax systems in terms of wealth redistribution and lowering inequality.

The region also suffers from a tax problem that is hard to solve unless a new correlation of forces is put together at the supranational level. The tax base erosion caused by the subordinated insertion in the global economy is notable, giving rise, among other grievances, to mass capital flight that evaporates the basis for the funding that should be produced by the most dynamic activities of the economy. This has to do with excessive tax incentives for foreign direct investment, but also with the scant intra-firm trade regulations for transnational companies, and capital flight through both illegal activities and the placement of funds in tax havens (Nueva Sociedad, 2016).

Where progressive governments were better able to obtain funds was through state participation in revenues, either through direct control of the revenues or the collection of royalties; this was particularly lucrative in the case of non-renewable natural resources—hydrocarbons and, to a lesser extent, mining. The methods used to improve this participation ranged from the nationalization of strategic resources to joint shareholding to the renegotiation of concession agreements. The highest revenues can be seen when comparing the indicators for the 1990-2002 and 2003-2010 periods. For example, in Ecuador, between the 1999-2001 and 2009-2011 periods, the revenues obtained from the exploitation of primary products grew by 7.2 percent in proportion to GDP; a similar trend can be seen in Bolivia (3 percent), Argentina (2.9 percent), and Chile (2.2 percent) (Gómez, 2016; ECLAC, 2013).

The region had enjoyed the bonanza of the international prices of its raw materials at other points as well, but local governments did not always take advantage of the situation. A positive aspect of the last boom was the greater will and ability of the states to access the resulting surpluses for use in infrastructure and social services investment, with greater scope than that observed during the height of the neoliberal era of the 1990s.

However, the extractive approach causes negative effects that should be taken into account in progressive administrations in addition to the valuable revenues that states have received. The following repercussions are worth mentioning: a) the primary export sector, particularly hydrocarbons and mining, generates little or no integration with national and regional economies, does not induce industrialization processes *per se,* and is capital intensive but not intensive in job creation (Gudynas, Guevara, & Roque, 2008); b) the extension of extractive frontiers has caused socio-environmental impacts and conflicts that make the livelihood of rural, especially indigenous, communities precarious and compromise the sustainability of natural environments; c) increased dependence on extractive exports makes domestic economies more vulnerable due to the high price volatility of these products; d) the revenues generated by extractive products tend to make states lax in their responsibility to design and consolidate progressive tax systems that are sufficient to sustainably provide tax revenues (ECLAC, 2013); and e) in the absence of corrective policies, the massive influx of foreign currency during periods when there is a commodity boom increases the risk of excess monetary liquidity (Dutch disease), with its consequent effects on inflation and the disincentives for the export supply of industrial goods.

It is now worth asking about the type of public policies that benefited from the funds raised during the cycle of favorable prices for raw materials. Rather than an abrupt rupture with the policies of preceding governments, programs were created and strengthened to lower the gaps in social inclusion that market failures had widened. The notable advances in poverty reduction and in the improvement of access to certain public services of the most vulnerable groups have not been sufficient to counteract the determining factors of social exclusion. To address this issue, more structural interventions focused on the characteristics of the economic model are needed.

During the years when there was a greater predominance of progressive governments in the region, the most outstanding achievement was the reduction of poverty, which went from 43.8 percent in 2002 to 28.1 percent in 2013; in other words, a reduction of approximately 16 percentage points. In comparison, between 1990 and 2002, poverty levels only decreased by 4.6 percentage points: from 48.4 percent to 43.8 percent. This drop was not a product of mere economic growth, as the region had already enjoyed other favorable cycles that did not translate into social welfare for the poorest in society. The effort on the part of these governments to collect higher revenues and increase social spending must be acknowledged. This increase in social spending can be seen in terms of macroeconomic and budgetary priorities.[10] There were substantial increases in social spending, even in times of crisis or when the advantageous economic conditions of the first two decades of this century began to change.[11] Contrary to what happened during the years of neoliberal hegemony, these governments refused to opt for pro-cyclical social spending behavior, instead tending to maintain or reinforce poverty reduction programs (ECLAC, 2015).

It is important to point out that, at the height of the global financial crisis in 2009, these governments prioritized measures to stabilize national demand by increasing public spending on non-social needs and investing in road infrastructure, education, public health, and housing that were linked to job creation programs, as well as in programs that provided credit to the microenterprises sector as a way to encourage production. However, in this area of policy—production infrastructure and promotion—the implementation capacity was less satisfactory than it was for social assistance and social protection programs (ECLAC, 2015).

It is indisputable that the progressive governments focused on trying to mitigate the more visible effects of social exclusion, which is why they deepened and extended the focalization policies they had inherited from the neoliberal governments. Hence the success in improving the level of coordination and achieving positive impacts for conditional transfer programs and, in general, for programs to reduce poverty, homelessness, malnutrition, and maternal and infant

10. Social spending as a percentage of total public spending increased from 60.9 percent in the 2001-2002 period to 66.4 percent in the 2013-2014 period (ECLAC, 2015).

11 This acyclical or even anti-cyclical trend was observed, for example, with the increased prices of food and fuel in 2008 (especially in countries that do not have any oil fields), during the worst stage of the financial crisis (2009), and even during recent years with the slowdown of emerging economies and the main export markets on which Latin America depends (China, in particular, for South America; the United States and Europe for Mexico, Central America, and the Caribbean).

mortality and programs to provide a basic income to senior citizens, among others (Mirza, 2014).

At the same time, depending on the context of each country, better equilibrium and articulation was achieved between the focalization of welfare and the universalization of access to social rights; there have been less conclusive advances in the latter, as the universalization of certain benefits requires not only more financial resources but also better implementation capacity for public policies. This improved capacity depends on improving the allocation criteria for social spending and lowering the levels of ineffectiveness and corruption in public services.

Based on the above, and irrespective of the level of efficiency or depth that each government has achieved, one might agree with the observation of Christian Mirza (2014) that the majority of progressive governments have common features regarding how they conceive social policy and the type of efforts they deploy, to wit: a) positioning the idea of a state that protects and promotes rights; b) seeking to further integrate public policies; c) considering universality, not just focalization; d) increasing social investment (with a countercyclical tendency); e) applying social reforms, especially in health and education; and f) prioritizing intersectoral articulation and institutional innovations.

But despite the benefits seen in certain areas, on the whole, the interventions concentrated more on the symptoms of poverty than on the multiple causes. As Gudynas (2008) said, the programs implemented tended to concentrate on emergency measures for dealing with extreme poverty and poverty in general, which is why they focused on ensuring that the most vulnerable families had access to a basic income and improving access to health and education systems (particularly primary education, although with serious limitations in terms of improving the pertinence of the education, access to secondary education, and science and technology in general). The point is that these measures, though laudable, are far from sufficient. One example of their limitations is that there has been no substantial reduction of inequality in Latin America during the 21st century, which is why it is still considered to be the most unequal region on the planet.[12] Gudynas also mentions that the very programs considered to be successful must still face the challenges of overcoming the risks of electoral clientelism.

One of the main conclusions that can be taken from the public policy approaches of progressive governments is the recognition that significant levels of inclusion have been achieved for broad sections of the population; however, this inclusion is precarious and has not been able to make much progress in two directions: a) in the reorientation of the present economic system of production, distribution, and consumption, which is based on maximizing private profits and externalizing the socio-environmental impacts and b) in the critical, autonomous, and socially-relevant empowering of the more vulnerable citizens and social groups in the region.

Final considerations

The previous sections of this essay attempt to connect the performance of the progressive governments in Latin America with global and regional trends. Although not a thorough country-by-country analysis, they at least provide an approach to crucial characteristics in order to examine the administration of these governments and note their achievements, limits, and challenges. The question that now arises is how the behavior of these phenomena obstructs

12. On this subject , Jiménez (2015) noted that the institutions in the region have not managed to restrict *(ex ante)* the market dynamics that generate the concentration of income and their capacity to correct this *(ex post)* by means of monetary transfers and taxes is limited, above all when compared with the experiences of other countries or regions. This limited capacity is the result of the low levels of tax revenues and their diminished distributive impact, as well as the smaller and less progressive levels of transfers, including contributory ones. On the other hand, we must also acknowledge that the growing incorporation of non-contributory pensions, particularly conditional monetary transfers aimed at households with children, has considerably expanded the coverage of these types of benefits, which are highly progressive. Thus, secondary redistribution through social spending has improved considerably in the region. Taxes, however, have not followed the same route, and their redistributive function has hardly, in general terms, been broadened at all. (pp. 26-27)

or enables a qualitative leap in public administration towards the social-ecological transformation of Latin America.

An assessment of the governments that were perceived as alternatives to those that had prevailed during recent decades requires empathy in order to better understand the specific pressures and challenges that they have faced. On the other hand, this assessment also requires a critical stance that allows the analysis to be conducted without any dogmatism or exaggerated defensiveness of one or another political experience. What is really in play is the possibility of enabling emancipatory projects that responsibly articulate the search for social wellbeing with the ecosystems' limits and possibilities.

Without losing sight of the difficulties involved in cataloging the parties that led the wave of political change, it is of particular note that the majority of these parties define themselves as left or progressive, thus allowing the citizenry to identify options that broadened the political spectrum that has prevailed in the region. However, self-identification is not enough to ensure that a particular party or government is progressive; it is necessary to analyze their track records, contextualize them, and learn the relevant lessons. A lot has been said about the regression implied by the new ascent of neoliberal or conservative parties, but it is also important to note that, in the absence of self-criticism and plurality, the experiences of progressive governments can themselves become a path towards regression.

The main considerations regarding the issues raised in this essay are summarized below:

1. *The changes that have occurred in Latin America during the 21st century are closely linked to the crisis in global capitalism and the new geopolitical tensions and articulations that said crisis has implied, but the room for maneuver that the region and its countries could take advantage of should not be underestimated:* The transfer of economic dynamism from the Atlantic American–European axis to the Asian Pacific one is an undeniable fact that involves different interests and dynamics to reconfigure the balances of political and economic power. The global context has a massive influence,

but it does not completely determine the paths to be followed by Latin American governments. There is always room for maneuver at the regional, subregional, and national level that responds to other factors, such as institutional capacities, the efforts to reorient the economic system, levels of cohesion and social justice, and the strengthening of democracy. In other words, the social pacts that tacitly or expressly exist in each country create a particular context that may result in better or worse conditions for the adaptation to global and hemispheric circumstances.

Recent events, such as the motivations behind Brexit, the electoral expansion of neo-fascist parties in Europe, the Trump presidency and others, show that the economic and ecological crisis will not necessarily result in multilateral equilibriums that redefine a more responsible globalization process. If nothing is done, a new enclosure of the world is also possible. Attempts to rebuild hegemony on the part of forces that have been much diminished by global dynamics could cause major problems to global co-existence and, no less importantly, to the efforts to overcome the planet's bio-physical challenges.

Despite everything, Latin America could, in the middle of the crisis, take advantage of the opportunities to progress to a type of integration that would not only enable greater internal cohesion but also consolidate increased autonomy—not isolation—in respect to other regions and continents. However, the internal landscape of the region is not very encouraging: private interests tend to prevail more often than not and progress towards the region's integration is slow and frequently interrupted.

Over and above the interim advantages offered by the emergence of new powers or markets, a more articulated and symmetric multipolar world would benefit the Latin American region more than unipolarity, asymmetric multipolarity, or even a renewal of the bipolar world. As an integrated region, Latin America could have important weight in a new world order; as long as it remains disintegrated, as has been the custom, it will always be a place to be conquered by the powers and interests of the moment, and its economic insertion will continue to depend on its specialization in primary production.

2. *The political change observed in Latin America during the 21st century is not something that can solely be explained by the concurrence of favorable conditions; we must acknowledge the merits of the progressive parties:* The region's traditional elites have never before had to surrender so much ground within the institutional public power. This did not, by a long shot, mean the death of neoliberalism, but it did represent a turnaround in the administration that opened up the possibility of new balances of power and alternative practices in public policy and government relations.

   It is worth mentioning the presence of three factors that enabled the so-called progressive governments to win and remain in power: a) the intense social movements that protested against the repercussions of the neoliberal regimes of the 1990s and the first years of the 21st century; b) the high prices that were paid for the strategic raw materials exported by most of the countries in the region, particularly South America; and c) the concentration of all the energy of the United States on other regions of the planet in an attempt to control the Middle East, consolidate bastions in Eastern Europe and Central Asia, and create the conditions necessary in the Asian Pacific region to contain China.

   A priori, these factors are seemingly external to the political parties that took advantage of the environment to win elections, mainly during the 2003-2013 period. A deeper analysis, however, shows that this political boom cannot solely be explained by these favorable conditions; it is also important to credit these parties with having had the sense to take advantage of and capitalize on these conditions in some way or other, inasmuch as they: a) managed to present themselves to the electorate as a credible option within an adverse context, represented, for example, by the concentration of the media in favor of the main economic groups; b) adjusted the legal-institutional framework to attract a greater part of the surpluses of the economic cycle and channel them to social protection and strategic infrastructure programs; and c) created conditions, regardless of how basic they seem, to articulate a national and regional position that is less subordinate to the United States and relatively more open to South-South relations.

3. *The progressive parties optimized electoral strategies to rise to power and repeat mandates, but neglected the opportunity to establish a historic political bloc with the social movements that had resisted the neoliberal governments:* Distancing themselves from the approaches of prior eras, the majority of the left-wing forces turned to the electoral process as the preferred way of gaining access to the government. The end of the military dictatorships and the unprecedented creation of a basic foundation of civil and political liberties strengthened the structure of political opportunities. Parties like the PT in Brazil, the MAS in Bolivia, the FA in Uruguay, the FMLN in El Salvador, the PAIS in Ecuador, and the PSUV in Venezuela, among others, knew how to adapt their strategies to stand out in the electoral field. Moreover, when some parties considered it necessary due to a lack of political majority, they entered into alliances with other parties to generate pre-electoral coalitions, or alliances and parliamentary agreements capable of breaking potential political blocs. But the strengthening of these parties' electoral political abilities was inversely proportional to their abilities to be horizontally articulated with social movements that demanded more substantive changes.

   It is not surprising that there have been conflicts between the vision of the new bureaucracies and the more radical demands of certain social movements. Actually, these types of tensions are inevitable and, in many cases, desirable for dialectic purposes. The problem lies in the way the conflicts are managed. On the one hand, political actors and public servants tend to ignore or stigmatize people who make demands that fall outside the range of policies established by their governments—branding them, *a priori,* as naive or collaborators with reactionary forces. This has happened, for example, with people who question the direction of the economic model, the deterioration of the environment, and autocratic practices and lack of transparency in the public administration.

On the other hand, the government's relationship with the citizenry and social collectives tends to be reduced to instances that, while popular, restrict areas for criticism and dissidence, becoming mere bastions of electoral support for the government. It is not inherently bad for progressive governments to have bastions of this type. Issues arise, however, when such spaces replace or are confused with those that should be created for the purpose of forging pluralist agreements and broad alliances that, above all, permit the expansion of the historic bloc that makes transformation viable.[13]

The social actors that question the supposed limitations of progressive governments frequently exhibit a basic lack of understanding of the pressures and adverse power relations faced by governments when dealing with certain public policy dilemmas. Worse still, some of these players do not hesitate to form alliances with national or international social and political forces whose main goal is to reverse measures that

13. The allusion to the historic bloc comes from the Gramscian clarification on the articulation of political society and civil society. This articulation would be capable of generating a new political consciousness and organization to replace the old hegemony and give rise to the new order and conception of society (see Portelli, 1977). In terms of social-ecological transformation, the challenge consists in putting together a set of mobilizing ideas capable of overcoming the reactive movement that results from fear and the loss of elemental certainties about the future of societies. This awareness and identification of transformational ideas—in accordance with the current challenges of the region—is a condition of possibility for the successful creation of a new historic bloc.

have erased some of their privileges or influence within the power structure.

Any viable means of resolving this dilemma of articulation are complex, but we must begin the search for and construction of these means. The current ways of channeling conflicts undermine the opportunity to create a social platform that will support social-ecological transformation in Latin America. The progressive camp is much more than its political parties and their most loyal electoral bases. Overcoming both the fragmentation and self-reference of the social movements and the bureaucratization of the progressive parties is one of the region's strategic challenges.

It is irresponsible to put faith in alliances between social movements and reactionary political players. To suppose that an alliance can be based on the simple fact of shared opposition to a particular government from both types of actors is a risky option. On the other hand, it is also questionable for governments to depend too much on pacts with certain traditional elites, thus decreasing the incentives for them to sabotage the progressive political balance of power. The disastrous consequences of these pacts have already been seen. Likewise, it is a mistake to rely too much on the benefits of parliamentary alliances with parties that are structurally pursuing other interests—even if they pact with the progressives because of a particular combination of factors and circumstances. These contingency agreements only make sense if they are well defined and based on a broad articulation of the grassroots. That platform would serve as an anchor or center of gravity to minimize contradictions and regressions in projects that have, at the time, been perceived as one of the best historic opportunities in the region.

4. *The administrations of progressive governments have advanced in: a) reconfiguring the functions of the state to collect a certain part of the economic surpluses, b) reorienting public revenues towards social inclusion, and c) trying out more*

autonomous and horizontal regional integration formats. On the other hand, it should be acknowledged that there have been mistakes and limitations in: a) strengthening democracy and the rule of law, b) confronting the determining factors in social exclusion, c) redirecting the economic insertion of the region, and d) reversing the degradation of natural ecosystems: These achievements go to show that who holds the reins of government in a country does make a difference. The idea that "it doesn't matter who is in government, because they are all the same"—an idea, incidentally, that induces apathy—needs to be combated by meticulous analysis that evaluates the measures adopted by different types of governments. This is why it is a good idea to analyze the initiatives and results within the context where they were implemented and with a horizon of transformation as reference.

The three advances described above cannot be seen as isolated incidents, as they form the pillars of the strategy that, to a greater or lesser extent, progressive governments have used and are still using. This triad changed the regional redistribution pattern. Although it was not enough to truly find an in-depth solution for the deficits, it was enough to show that other forms of state administration are possible. In each one of these three areas, a qualitative leap is required to make the impact more profound. It is true that the new contextual conditions are far from encouraging, but the challenges are just as urgent as ever.

State finances: The challenges consist of concretizing a tax reform that addresses the volatility of public revenues and the regressive nature of taxes; deals with tax avoidance and evasion, particularly on the part of big capital; and implements taxes for the environmental costs of the extractive economy and environmental degradation as a whole.

The use and implementation of public revenues: Evidence shows that both the allocation criteria and the capacities of efficient and honest coordination and implementation of public spending urgently need to be improved. The challenge of decreasing the importance of welfare focalization and turning it into a complementary instrument of the universalization policy, seen as rights rather than privileges, is particularly relevant.

Regional integration: The creation of several regional and subregional entities is progress that needs to be consolidated with greater capacity for prioritization and fulfillment of multilateral agendas. If the idea is to offset economic fragmentation and the absence of a regional stance, when required, in the various world arenas, one of the crucial challenges that have been identified is the need to improve the alignment of plans for regional and subregional integration.

Resolving the above challenges could serve to optimize the present path of the progressive spectrum in the region. Nevertheless, it would still be insufficient to lay the foundations for social change projects that are sustainable over time. It is worth considering a more in-depth review of the progressive administrations to identify new dimensions that should be incorporated into the transformation agenda.

Democracy and rule of law: One of the main promises made at the start of the progressive cycle was the strengthening of democracy. The plan was for the participatory dimension to be reinforced and extended. What has been seen so far is an increased politicization of the grassroots and participation in some government initiatives and programs, which is, without doubt, a positive fact in the region. In countries such as Bolivia, Ecuador, and Venezuela, mechanisms of direct participation, such as referendums and plebiscites, were also established and utilized, particularly at the start of the cycle. The problem is that very little progress has been made regarding the creation of opportunities for participation that provide people with greater levels of autonomy, deliberation, and influence on important decisions. The characteristics of the electoral cycles put more and more pressure on the governments to increase their use of the formal instances that have been created, exercising an excessive tutelage that reduces the creation of power from the grassroots. Although this modality seems to bring short-term benefit to the government in power, it weakens the construction of socially sustainable alternative projects in the medium and long term, particularly if it relies on mechanisms that are more inclined to resort to clientelist relationships rather than consciousness-raising and the organization of social change.

The strengthening of the rule of law is yet another unfulfilled promise. However, we must distance ourselves from the limited concept of rule of law that focuses on protecting private property and contracts, as defended by the liberal approach, and that, in concrete terms, becomes a state of selective laws that defend the privileges of the powerful. The challenge lies in strengthening the weak and intermittent efforts to reconfigure state institutionalism in order to decrease the weight of private interests in government decisions. In other words, the advances made to decrease the asymmetries found in formal political representation have not gone hand-in-hand with the strengthening of a system of checks and balances capable of guaranteeing that these achievements will not be reverted by private interests. This assessment seems valid both in the "refounding" experiences of the Andean countries and in the historically more institutionalized democracies and states of the Southern Cone.

We can also observe that, owing to the fragile makeup of more solid supports, together with pressure from the economic and media powerhouses and even state bodies controlled by the traditional elites, a good number of the progressive governments have been forced to use institutional maneuvers that do not help maintain the balance of power but rather, on the contrary, tend to concentrate power in the figure of the president. As previously noted with the instrumentalization of public participation, excessive discretion and impunity in the administration of the state apparatus can also lead to short-term "benefits" but, in the long term, the credibility of the governments is put at risk.

We cannot overlook the fact that it is complicated to advance alternative projects in states that were precisely created to block any substantial inclusion. The very architecture of globalization weakens states and reduces the room for maneuver for citizen involvement and the institutional system to deal with the primary challenges. However, what could end up delegitimizing progressive governments is not so much their difficulty overcoming these obstacles, but rather the accommodation and accentuation of the vices of state entities that favor corruption, promote the illicit enrichment of new groups of power, avoid accountability, and prevent the full participation of the citizenry and collective groups.

Determining factors for social exclusion: Progressive governments face grave difficulties in overcoming the social marginalization of the people. Their efforts, up until now, could be rated as typical of a precarious inclusion; although they did extend and reorient the focalized programs, an inheritance from the second generation of neoliberal reforms, they were insufficient for the social transformation of Latin American societies. The initiatives are limited in terms of moving towards the substantial inclusion that dissolves structural asymmetries. In Latin America, exclusion can be seen in two closely-linked dimensions: poverty and inequality. Without a political intervention that considers both dimensions, there is less likelihood of addressing them in any sustainable way.

With different degrees of magnitude, huge gaps between the social strata predominate in Latin America. These gaps do not just apply to social groups in the abstract. Rather, asymmetries are deepened according to the particular characteristics of a person or group, and it is relevant to consider the interaction of gender, intergenerational, geographic, and ethnic gaps. The measures that are now being used to deal with these gaps cannot, of themselves, reverse the structural conditions that generated them to begin with, as their overly sectoral and temporary vision renders them unsustainable as long-term answers.

The challenge lies in reviewing and redefining the structure of the creation and distribution of opportunities, skills, and social benefits generated by Latin American societies. This implies examining the bases of: a) primary distribution (mainly the possession of means of production and the relationship between profits and salaries), b) secondary distribution (tax system), and c) tertiary distribution (the allocation criteria for social investment and the implementation capacities). Until now, it has been difficult for progressive governments to move beyond tertiary distribution when it is well known that an alternative project does not have much of a chance unless the other two are properly considered.

As long as economic and social policies remain disconnected, it is not feasible to generate conditions of general welfare. The solution to this dilemma lies not only in technical capacities in the public policy process, but is also a matter of balancing forces, implementing social agreements that make it possible for the state to provide and guarantee public rights and goods while also being capable of stimulating and regulating the operation of the markets.

Global economic insertion: The debate about the deterioration of the terms of trade and its impact on the type of economic insertion was buried by the neoliberal approach. However, nor was it properly recuperated during the cycle of progressive governments. The comfort zone generated by the boom in commodity prices exported by the region contributed to this, as increased collection of the income generated from extractive activities was very useful for extending and strengthening public investments made by the governments. However, after the drop in prices, the limitations of that boom could be clearly seen: a) the price volatility of these products is constant, with its immediate implications for the economic dynamism and tax revenues of the states; b) the disincentives that the extractive economy directly or indirectly exerts over the development of more articulated national, subregional, and regional economies; and c) the pressure to extend the extractive frontier to increase in volume what is lost in price, causing more social and environmental repercussions.

Although almost all the progressive governments have declared the need to overcome the reprimarization of the economies, the initiatives that have been implemented are either minimal or limited by the innate inertia of an extractive economy. It should also be noted that the problem with the economic insertion of Latin American economies is not just due to their high levels of dependence on the export of raw materials; we cannot ignore the activities of certain industries attracted by the offer of cheap labor under the *maquiladora* system, more common in Mexico and Central America.[14] Both types of insertion are counterproductive because of their minimal integration with the rest of the productive sectors.

The answers to the challenges in overcoming the determining factors of social exclusion, as previously mentioned, do not consist solely of technical proposals for economic management. Quality is extremely important, but there must also be a social bloc of industrialists, workers, social movements, political parties, and governments that support and give direction to a transformation of the production base without falling into the temptation of recycling the vicious circle of captive markets and parasitic protectionism; among other objectives, this would redirect the insertion of Latin American economies.

14. Translator's note: A *maquiladora* is a factory that operates under preferential tariff programs established and administered by the United States and Mexico.

Environmental management: The dynamics of production, consumption, and, in general, occupation of land have exacerbated pressures on the natural systems, making the region more and more vulnerable. These harmful patterns do not respond to fortuitous circumstances but are rather the result of an economic approach that stimulates the intensive use of natural assets while favoring the maintenance of structural heterogeneity. This phenomenon, as we know, is responsible for the degradation of livelihoods in the countryside and the consequent explosion of urban sprawl, without intelligent criteria for land use and social cohesion.

The economic emergencies alleviated by the income from extractive activities, the lack of administrative skills, and the attention paid to immediate political conflicts have, among other factors, played a role in the fact that progressive forces are still not paying due attention to environmental management. It is true that policies have been formulated and legal and institutional frameworks have been created to deal with the problem, but they have not been sufficiently adhered to. The task of incorporating the environmental dimension into the transformation projects is still a challenge of the first order in Latin America.

The degradation caused by the expansion of extractive frontiers, combined with the degradation caused by intensive monocultures rendering the soil infertile, as well as the very dynamics of urban settlements that increase pollution and risks, make a lethal cocktail that is not only increasing the ecological footprint but also making the region more vulnerable to the effects of climate change. Deforestation, the loss of biodiversity and soil fertility as the result of changes in land use, the pollution of water sources (as well as their depletion), gas emissions from fossil-fuel-based transport systems, and inadequate waste management are only some of the serious threats that affect the Latin American environment. These damages cannot be treated in isolation; they can only be successfully addressed if the economic, social, cultural, and environmental dimensions are integrated into a transformation strategy that is sensitive to the impact of human activities on ecosystems.

The need to apply measures to adapt to the reality of climate change and the situation of lower raw material prices should be seen as an opportunity to change patterns of land use, in general, and reconfigure the production base, in particular. Progressive forces cannot just ignore this dilemma.

On the other hand, these challenges still require intergovernmental collaboration, as these phenomena are not confined within national borders. Among other adjustments, the reorientation of regional and subregional integration requires the strengthening of transnational environmental management, including environmental sustainability criteria and the protection of the most vulnerable social groups.

5. *The current conservative backlash in the region does not necessarily mean the end of a long political cycle. Accepting the electoral route also means accepting the latent possibility of the alternation of governments. The problem lies in the fact that cultural and institutional bases have not been created to minimize the risks of regression:* It is easy to fall into the pessimism of saying that the most recent movements on the electoral chessboard have buried any possibilities that had been opened by the progressive cycle. It would be foolish to ignore the various adverse economic and political conditions in the Latin American environment. However, it is a mistake to equate the deceleration of a political electoral cycle with the end of a period marked more by less volatile conditions than the succession of triumphs of certain parties and political figures.

The following formula is no longer viable: *higher commodity prices + higher takings for state social programs = electoral victories.* With the margins for the redistribution of these surpluses narrowing, two foreseeable problems appear: a) the elites that at one point had to accept a state that played a greater redistributive role are less inclined to tolerate governments of that nature now that their own income could drop even more due to the macroeconomic context; and b) the consumption expectations of the new middle classes—made possible by the progressive formula—are increasing, despite the unfavorable economic environment that the majority of countries in the region are experiencing. Faced with the inability of the governments to meet these expectations, the middle class then becomes a potential area of discontent that can be taken advantage of by the political forces at the service of the traditional power groups.

The new arrival of the right in the governments of Argentina and Brazil and its electoral progress in Venezuela, among other signs of rediscovered protagonism in countries where the right's opportunities to govern had been drastically reduced, can be explained by both the problems faced and the mistakes made by the progressive governments and by changes in the strategies of the elites to recover the ground they had lost in previous years.

This strategy includes: a) the use of renewed devices to weaken or defeat elected governments; b) the emergence of political figures that seek to represent the image of a new right, with the appearance of being less ideological and conservative than the previous generation; and c) taking advantage of their success in the construction of social consciousnesses in which society is prone to depoliticization in the face of discontent, fragmentation of the social fabric, refuge in the private sphere, and consumer alienation. It is likely that these political forces will continue to obtain favorable results, although it remains unclear if they will manage to completely sweep the progressive spectrum.

Furthermore, the new right-wing governments do not have everything on their side, as they have to wrestle with at least four factors that go against them: a) the lack of a consistent and attractive proposal that is perceived as a reliable alternative to the progressive administration they oppose;

b) the global economic crisis, whose impact on the region will continue for at least the rest of the decade, complicating government performance; c) the potential mobilization of the grassroots of the progressive parties and social movements in opposition to the regressive measures; and d) the paradigm of the new structure, no matter how basic, of broader social benefits that has been strengthened since the early years of this century. As new governments seek to dismantle the advances that have been achieved, despite significant media and geopolitical support, their capacity for governance will be restricted, as we have already seen in Brazil and Argentina.

The magical return of the high raw material prices in order for the governments of the progressive ilk to be able to revitalize "the formula" is undesirable; nor is it advisable for the neoliberal parties to reinstate their vision of a highly exclusive society, nor for the progressive parties, taking advantage of the fragmentation of the opposition, to ride the storm without changing and correcting their course. What is desirable is a fully self-critical reflection on the successes, mistakes, and challenges of the progressive camp, and, on that basis, to redefine and drive forward a project of social-ecological transformation. But that drive will never arrive by spontaneous generation, let alone through the goodwill of powerful groups. It can only be the result of a heterogeneous grassroots platform that, with planning, organization, and political action is able to build up the forces capable of forging unprecedented social agreements in Latin America. This is the job of politics, and what better environment for it than democracy—a democracy that overcomes the shortcomings of the purely electoral and the fallacies of representation without participation, but that also overcomes the pitfalls of participation turned into authoritarian tutelage.

The political backlash in the region is not leading to a new era with clearly defined characteristics. There is no return to the immediate past, nor any inexorable road to the restoration of neoliberalism; what can be seen is a field in dispute where the strategic level of articulation of the players that promote alternative and emancipatory projects will be decisive. The electoral political option and participation in the formal institutional processes make sense inasmuch as a new power bloc is built from the bottom up, legitimizing new national agreements in which the privilege-based society that has, up until now, characterized the majority of countries in the region moves towards a rights-based society with an institutionalized commitment to reducing asymmetries and stopping the destruction of the ecosystem. It is therefore necessary to lay the foundation for new functional states that operate based on social cohesion and intelligent and sustainable productive transformation, and that, just as importantly, foster respect for democratic freedom and guarantees.

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BIOGRAPHIES

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Vivianne Ventura-Dias has served as a senior researcher for the LATN network since 1997. She was formerly Director of the Trade and Integration Division at the United Nations Economic Commission for Latin America and the Caribbean. She holds a master's degree in Urban Planning and a PhD in Agricultural and Resource Economics from UC Berkeley. Over the years, she has held important posts at various international organizations, including the United Nations and the International Labor Organization, among others.

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Klaus Bodemer is an associate professor at the Institute for Latin American Studies, GIGA, in Hamburg. He has served as Director of the Ibero-American Studies Institute in Hamburg and as a guest lecturer in Argentina, Brazil, Mexico, Colombia, Costa Rica, and Spain. He was also the Friedrich-Ebert-Stiftung representative in Montevideo, Uruguay. His research interests range across the foreign relations of Southern Cone countries, the Europe-Latin America-United States triangular relationship, development theory and strategy, government reform, regional integration, and violence and public safety in Latin America.

ROBERTO KREIMERMAN

Roberto Kreimerman was Uruguay's Minister for Industry from 2010 to 2014. He is a Chemical Engineering graduate of Uruguay's University of the Republic. Kreimerman has a post-graduate qualification in Economics and International Trade and a master's degree in Finance and International Trade from the University of Barcelona. He was also Under-Secretary of the Ministry of Industry, Energy and Mining. He belongs to the Frente Amplio of the Socialist Party of Uruguay.

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Álvaro Cálix is a writer and social researcher. He holds a PhD in Social Sciences with a focus on development management from the National Autonomous University of Honduras. He is currently a member of the Working Group of the Friedrich-Ebert-Stiftung Regional Project on Social-Ecological Transformation in Latin America. He served as a coordinator for the National Human Development Report in Honduras in 2004, sponsored by UNDP. He is a member of the Advisory Committee for the State of the Region Report in Central America, drafted by the Costa Rica State of the Nation Program. He has published a myriad of papers, policy analysis books, and novels with publishers and periodicals in Latin America.

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TRANSFORMATION LIBRARY

The Friedrich-Ebert-Stiftung Regional Project on Social-Ecological Transformation in Latin America has brought together a regional working group of various Latin American experts in an effort to encourage conversation about feasible proposals and facilitate the exchange of ideas and experiences regarding common challenges. The Transformation Library is a collaborative effort among this network that seeks to contribute analysis and proposals to the ongoing conversation on how to promote socially just and environmentally sustainable development in Latin America.

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Transforming the economy of a region with one of the highest levels of natural resource wealth in the world can only be done by recognizing the ecological limits of our planet, as well as the urgent need to eradicate poverty and social inequality while also exploring new understandings of the meaning of well-being. The four essays included in this volume focus on exactly these issues."

Manuel Rodríguez Becerra
Former Colombian Environment Minister

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