Dualities of Latin America

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Has Latin America gained autonomy or reinforced its dependent condition in the last decade? Broadened or reduced its margin of sovereignty? Confronted the global economic crisis with greater protection or greater helplessness? (This is the first part of a three part article.)

I. Economy and Class

The evolution of South America offers many arguments for theses of autonomy and the course of Central America does the same for the diagnosis of dependency. The same contrast applies if we generalize the trajectories taken by Venezuela or Mexico. The new margins of independence of the region are relevant when the accent is put on the geopolitical dimension, while the peripheral reintegration leaps to the eye when economic evaluation is prioritized.

"Pos-liberalism" and "Consensus of commodities" are two concepts that synthesize both visions. The first notion notes the emergence of a new stage marked by independent foreign policy, the multiplication of progressive governments and the regression of the right [1]. The second term emphasizes the uniform reinforcing of models centred on the export of primary goods [2].

Which is the correct characterization? The answer requires evaluating the great economic, social and political transformations registered in the region over the last two decades.

AGRO-EXPORT AND MINING

Neoliberal restructuring in Latin America strengthened from the 1980s a pattern of export specialization that recreated the international insertion of the region as a basic product supplier. This renewed weight of commodities implied a deep transformation in agriculture, based on the promotion of cultivation for export and the decline of local supplies. In all countries a business model was reinforced that runs rural businesses with capitalist criteria of intensive accumulation. The old oligarchy headed this reconversion, in close association with the big companies of "agro-business".

The small producers must put up with increased inputs, greater competitive pressure and increasing transfer of risks, through contracts moulded to the rules of export. They must adapt their activity to new requirements of refrigeration, transport and agro-chemical inputs, to generate products moulded to global marketing. Frequently they become indebted, sell the land and end up joining the masses who emigrate to the cities.

This pressure to increase yields undermines the remainders of non-capitalist agriculture and dilutes the old discussions on the articulation of distinct modes of production in this sector. Under the discipline imposed by external demand the borders between the primary and secondary sector are reduced and the weight of wage labour with Taylorist modalities is extended.

Soya is a typical example of this new agricultural scheme. It has spread in Argentina, Brazil, Paraguay and Uruguay, destroying other cultures, by means of a genetically modified model of direct sowing and dependency on Monsanto
as seed supplier. As it requires little labour power to produce oil or animal foods, each 100-500 hectares generates only one job [3].

But the same transformation can be seen in other regions and products. The fruits and wines of Chile are grown with new parameters of external sale, increasing rural concentration and the sub-contracting of temporary workers. Flowers in Ecuador and Colombia are cultivated with intensive techniques of irrigation and high exploitation of female manual labour, displacing traditional nutritional production. The new winter vegetables in the plantations of Central America are exported at the cost of traditional production and they are already generating a dramatic increase in basic food imports [4].

This same specialization in primary exports is seen in mining with the new mode of open cast operations. In order to extract minerals mountains are dynamited and the rocks are dissolved by means of chemical compounds (fracking). As these techniques replacing the old pits require greater investment the presence of foreign companies, which obtain many tax breaks, has increased. Canadian companies - together with Australian, Belgian, Swedish and American firms - control most of these undertakings.

Chile is a paradise of this activity. Copper is no longer extracted only by the state-owned CODELCO. Other companies also participate, paying low taxes (7.8%) and obtaining high yields (50%). The same is true in Peru, which is developing an extractive project of gigantic scope in the region of Conga [5].

This mining uses enormous volumes of water which affects agricultural enterprises and increases contamination. This reinforces the environmental disasters which are affecting the region in the face of the melting of the Andean glaciers, the deforestation of the Amazon basin and coastal flooding. Export-oriented extraction accentuates all the effects of climate change [6].

INDUSTRIAL REGRESSION

Industrial decline is the other face of the agro-mining boom. The weight of the secondary sector in Latin American GDP has fallen from 12.7% (1970-74) to 6.4% (2002-06) and the gap with Asian industry has widened in production, productivity, technology, registry of patents and research and development expenditure [7].

This backward movement is frequently identified with the "re-primarisation" of the Latin American economy. But industry has not disappeared and it would be more accurate to point to its readjustment to a new dependent reproductive cycle. The development is very evident in Brazil and Argentina, the two most representative economies of post-war industrialization.

In Brazil productivity has fallen, costs have increased and the external industrial deficit has expanded, in a context of stagnant investment and much deteriorated infrastructures of energy and transport. Some analysts consider that the Brazilian industrial apparatus has been reduced to half the size it attained in the 1980s [8].

The same regression is seen in Argentine industry, despite the recovery registered in the last decade. This sector occupies a smaller place than in the 1980s (from 23% to 17% of GDP) and is highly concentrated in five sectors, with foreign predominance, increasing imports and low integration of national components.

In Mexico, traditional industry - built through the substitution of imports to supply the local market - has been replaced by the rise of the maquilas in the free trade zones. This type of factory prioritises export and operates through
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networks adapted to the norms of flexible accumulation. They began with clothing and electronics, then expanded to cars, and they already represent 20% of Mexican GDP. The emblematic location of this model is the US border. The 50 initial plants in 1965 grew to 3000 factories by 2004, located on both sides of the border zone.

Developing as assemblers with lowly qualified labour, these factories contain many characteristics of the basic specialization that affects the whole Latin American economy. Its main input is the cheapness of labour power. The companies recruit workers of rural origin and criminalize unions. Whereas productivity is similar to the levels in the parent companies, wages are several times lower than the average US level and they are below the Mexican unionized sector.

This cementing of the model in labour exploitation is more visible in the new generation of companies located in the Dominican Republic, Guatemala or Honduras. There they contract young people subjected to an exhausting discipline. The pressure to increase productivity is permanently recreated by Asian competition.

REMITTANCES AND TOURISM

The model of specialization in basic exports creates few jobs, accentuates emigration and has generated in the small countries of the region a new type of dependency around remittances. Latin America is the major recipient of these funds, which constitute the main income of the Dominican Republic, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica and Nicaragua. These transfers are the second biggest source of foreign currency for Belize, Bolivia, Colombia, Ecuador, Paraguay and Surinam. They have replaced the primacy of coffee in El Salvador and bananas in Honduras [9].

With remittances an unprecedented dual situation is established of income produced in one country and consumed in another. Labour power remunerated at one point is responsible for the reproduction of its peers in another zone. Global communication and the reduction in price of transport have created a stable multinational space of people who live at the same time in two worlds, since the connection of immigrants with their locality of origin stays, forging a double pattern of life in certain communities [10]. This process powers the fracture between countries that export surplus population and economies which absorb that flow selectively. The movements are multidirectional, but the regions abandoned and the destinations sought are always the same, as shown by the 30 million Latinos currently residing in the United States.

Also tourism has become essential for the survival of the small countries of the region. This service has already displaced bananas as the main export of Costa Rica and is the second biggest activity for Honduras, Guatemala and the Caribbean. Based on the standardization of services, Latin América has become attractive for its readily available cheap labour, its auspicious natural environment and its rich cultural patrimony.

Neoliberal capitalism has replaced the old rules of social tourism by individualistic criteria, that naturalize the division between rich (with the right to leisure) and poor (with obligation to serve). The mass media heighten the attraction of the exotic, homogenizing culture and turning the Third World into a "periphery of pleasure". The middle-class accedes to these new experiences internalizing the myths of free trade, without registering the increasing inequality that surrounds this business. In reviving racism and elitism, global tourism has a very significant ideological impact.

PERSISTENCE OF THE MODEL
Neoliberal globalization has reconverted Latin America into an economy with high centrality of agro-export, mining and services, at the cost of industrial development. But most evident is the continuity of tendencies in the recent period of global crisis.

This persistence reflects the intermediate effect of the worldwide financial tremor on the region. Both in the period prior to the crisis (2003-2008) and in the later phase (2008-2013), the Latin American rate of growth has been above the international average. That average has declined in recent years without becoming derisory. It went up to around 3.2% in 2013 as opposed to 3% in the previous year [11].

In comparison to the devastating collapses undergone between 1980 and 2003, the crisis has until now had a limited effect on Latin America. Neither bank collapses nor explosions of the external debt have taken place. This neutralization was more significant in the south than in the centre of the region, but the region has not experienced the strong recession registered in the central countries.

The contrast with the depression of the 1930s is illustrative. During that collapse Latin American exports declined by 65% and imports by 37%, whereas most countries underwent a financial decline, that forced them to suspend payment of the external debt. That fall was reversed with the increase in exports and the accumulation of reserves that accompanied World War II [12].

The continuity of the pattern of export specialization also has been facilitated by the high level of prices maintained by commodities. Prices fell in 2008, but they recovered quickly. An improvement of the terms of inter-trade has subsisted, with the tripling of prices of raw materials registered in the last decade. Oil has doubled in price, while copper has quintupled and soya has risen by a factor of 2.5. This appreciation stimulated an increase of 55% in volumes exported [13].

Divergent interpretations exist on the causes of this rise in raw material prices. Some explanations note the incidence of financial speculative movements, others emphasize the expansion of agro-fuels while some consider that Chinese demand has established a new level for prices. But in any case this process has stimulated the deepening of the preceding neoliberal transformations.

Finally, the flow of foreign investment has operated as determinant of the continuity of tendencies. This income totalled 173,000 million dollars in 2012, surpassing by 6% the rate for the previous year and doubling the highest amounts of the decade. Capital inflows and the value of exports facilitated the increase of reserves and a reduction of the ratio of indebtedness [14].

The picture of recent decades and the recent crisis corroborates the diagnosis that emphasizes the centrality of commodities in the Latin American economies. Through this weighting the region is less vulnerable in conjunctural terms (balance of payments, reserves, debt), but its structural fragility has increased.

**CHANGES ABOVE**

The consolidation of the region as a basic product exporter has also affected the profile of the dominant classes, reinforcing the conversion of the old national bourgeoisie into a local bourgeoisie. The first model corresponded to industrialists who manufactured for the internal market, with import controls and subsidies which privileged the expansion of demand. The second profile is that of a sector which no longer restricts its activity to manufacture, and does not advocate self-cantered development. It promotes export rather than the internal market and prefers the
This transformation has accentuated the enrichment of an elite of millionaires. Some emblematic names in this ascent are Slim (Mexico), Cisneros (Venezuela), Noboa (Ecuador), Santo Domingo (Colombia), Andrónico Lucski (Chile), Bulgheroni, Rocca, (Argentina), Lemann, Safra, Moraer (Brazil). Their fortunes go back to the past, but they have registered a great increase through the export business of recent decades.

As a whole Latin American capitalists constitute a minority sector of the population. An enormous divorce exists between their power and the number of their members. The proprietors and receivers of utilities of the companies do not exceed 1-2% of the active economic population. This percentage is increased to 10%, if we include executives and professionals who administer and control the work force or exert some strategic role in the companies. Through those functions they participate in the confiscation of other people's labour [15].

The reconversion of the last decades has increased the concentration and internationalization of the main capitalist groups, that come together as regionalized conglomerates. New multi-Latin companies arise, from wealthy families who have expanded their companies, with global management and regional priorities. The conglomerates of Brazil and Mexico head this tendency, followed by Argentina and Chile.

The traditional diversity between land-mining, industrial and banking fractions has not disappeared, but interconnection has increased as a consequence of the great competitive pressure introduced by neoliberal globalization. This rivalry has modified the composition of the 500 biggest Latin American companies. Between 1991 and 2001 the participation of state companies fell (from 20% to 9%) fell and the weight of foreigners was increased (27% to 39%) [16].

The local groups have reorganized their activity with greater external financing and stock exchange capitalization. This entry onto the share markets has coincided with the increase of shares circulating in the so-called “developing” countries (from 80,000 million dollars in 1981 to 5 trillion in 2005). This has increased the penetration of international capital in the ownership structure of Latin American companies.

Today’s companies are more powerful, but the capitalist class of the region has not overcome its secondary global role and has lost positions faced with the new competitors from the East. This outcome has been congruent with specialization in basic branches and distancing from manufacturing activities. For this reason the industrial gap with Southeast Asia has been transformed into an irreducible fracture.

The local bourgeoisie has increased its links with foreign capital, but has not disappeared as a differentiated segment. It maintains pretensions of specific accumulation that overflow the national framework and project onto the regional scene. Bourgeoisies more associated with foreign companies have been forged, strengthening a process that began in the 1960s in Brazil, continued in the 1980s in Argentina and consolidated in the 1990s in Mexico. This sector had industrial origins and has extended to agro-mining and services [17].

The recent incorporation of Mexico, Brazil and Argentina to the G20 marks another leap in the relation of the present bourgeoisies with foreign capital. But between the sectors there is a relationship of antagonistic cooperation, combining closer connections with the maintenance of differences between the greater partner of the North and the smaller one of the South [18].

Although trade with foreign capital has multiplied, the country of origin persists as operational base, privileged source of profits and centre of decision-making by the local bourgeoisies. The internationalization of credit, markets, and share ownership has not eradicated the territorially-based character of the main capitalist groups.
The local and associated bourgeoisies that head up export specialization, sharing profits with the foreign companies, do not conform to a "new oligarchy". The pre-capitalist characteristics which characterized that sector are extinguished before the advance of the capitalization processes. The old Latin American elites - who resorted to archaic modalities of operation and domination to usufruct their agro-mining properties - are losing weight.

Some approaches emphasize the transnational character of the dominant groups that choose to globalize their businesses [19]. But here association is confused with fusion, forgetting that the internationalization underway develops from existing classes and states. Neoliberal globalization does not annul those structures, nor does it eliminate the priority interconnection between capitalists of the same national origin.

Full trans-nationalization is limited for the moment to cosmopolitan managerial sectors or fractions of the higher bureaucracy of the globalized bodies. Company ownership remains, however, rooted in differentiated geographic zones and national states persist as the only instrument with the certain legitimacy to discipline the workers.

The Latin American local bourgeoisies are not satellites manipulated by the metropolis. They act as capitalist classes, combining usufruct of the agro-mining rent with the surplus value extracted from the workers. They behave like dominant classes and not as parasitic, comprador or tributary layers of foreign capital. Their incapacity to develop the region does not imply a lack of interest in that objective.

The Latin American economy is governed by patterns of competition, investment and operation. As those norms differ significantly from looting it is a simplification to use the term "lumpen-bourgeoisie" to portray the bourgeoisie [20]. This term only corresponds to sectors that accumulate capital in the margins of the legal circuit. Drug trafficking, for example, earns fortunes and this income is partially laundered in financial or productive activities. But it conforms to a marginal segment not integrated into the stable club of the dominators.

Also it is erroneous to generalize the specific situations of small enclaves. Latin America constitutes an analytical unit, but characterizations based on Honduras or Panama are not valid for Brazil. Only in the first cases are "neo-colonial bourgeoisies" remote controlled by Washington prevalent.

The turn towards commodities sharpens the profile of the Latin American oppressors. They are capitalists who economically exploit wage-earners, bourgeois who politically subject workers and dominators who ideologically subordinate the dominated. The same functions developed by its peers at other points of the planet.

But they also possess the weak authority of a sector that did not lead national struggles, did not recruit significant personnel to its domination and did not facilitate the mobility of the middle class. Also these weaknesses have been accentuated under the new pattern of accumulation of exporting specialization.

The transformations of the Latin American social structure have also altered the configuration of the dominated classes. As an axis of this change is located in agriculture we see a loss of cohesion of the old peasantry, affected by the increasing exodus towards the urban centres. For this reason the tensions in agriculture present another aspect.
The old large estates that recreated peasant misery, obstructing the management of an agrarian bourgeoisie, are decaying in the face of capitalist companies that dispossess agriculturists of their land, contract precarious wage labour and force the transit towards the cities.

This increases the huge displacement of the mass of the urban excluded with little work and very low incomes, in a context of few employment outlets for the surplus population of Latin America. For that reason informality becomes the norm, whether the extractivist economies are in recession or are prospering. Emigration - the escape valve for the imbalances of European accumulation at several moments of the 19th and 20th century - contributes little relief at the present time. The young of the region can find jobs neither at home nor abroad.

A direct consequence of this exclusion is the exponential increase of criminality. The drug-based economy has become a refuge of survival for the sectors pushed into marginality. The region records the highest rate of homicides in the world. Delinquency grows alongside social fracture and the obscene promotion of the consumption and pleasure enjoyed by the rich.

As the extractive model creates jobs of low quality, the precarity of labour in Latin America surpasses the averages in the central countries. This informality is no longer recreated in the pre-capitalist agrarian circuits, or the familiar reproduction of the work force. It extends together with the penetration of capitalism in all the spheres of social life. Some investigations consider that the precarious sector involves 46% of Latin American workers [21].

Another key factor is the extension of poverty, which in Latin America goes beyond the informal sector. It also affects a broad segment of stable workers. Unlike in the developed economies, the universe of individuals with incomes too low for the satisfaction of basic necessities is not limited to the excluded here. It extends to the exploited workers of modern companies. The percentage of poor children (45% of the total) shows the magnitude of this scourge [22].

The extension of informality is also a consequence of the maquilas and industrial regression. In the regional manufacturing scenario, the acceleration of technological change increases the segmentation between specialized and unqualified workers. The stable positions with social protection decrease, in comparison to contracted positions without any safeguards.

The magnitude of this fracture is the outstanding characteristic of the labour market. The typical male unionized worker of the post-war period tends to be replaced by more flexible female workers. This decline of the formal sectors is pronounced in the maquilas. The extension of the industrial working class has lost its preceding impetus. The manufacturing proletariat has not disappeared, but its incidence has diminished.

In the present model of primary exports the traditional narrowness of the Latin American middle class in comparison to the advanced countries persists. This segment continues contributing a very meagre mattress to the abyss that separates the well-off from the impoverished ones. In addition, the old middle class is persisting in relation to the new segments of this category. Many layers of small retailers and self employed entrepreneurs persist and the numbers of highly qualified professionals or technicians are not growing hugely. This infra-development reflects the narrowness of industry.

Certainly the middle sectors are increasing their consumption with the extension of credit and advertising and the arrival of the big commercial chains. But in economies so tied to basic product export, the productive foundations of spending power are very fragile.

Many analysts also emphasize the reduction of poverty, unemployment and inequality during the last decade, without registering the narrow scope of an improvement derived from the cyclical rise of the level of activity.
The biggest novelty has been the generalization of social assistance to alleviate poverty. But the official aid has only protected the abandoned temporarily, without altering the causes of the problem. These plans coexist with greater precarity and confirm labour segmentation.

On the other hand, the slight diminution of the inequality does not modify the place of the region at the top of the global indicators of inequality. The Gini coefficient that measures this polarization is in this zone higher (51.6) than the world-wide average (39.5), double the averages of the advanced economies, and Latin America includes the four countries that head the world-wide barometer (Colombia, Bolivia, Honduras, Brazil). The income of the richest 20% of the Latin American population surpasses by almost 20 times that of the poorest 20% [23].

EXPLANATIONS WITH PROBLEMS

The post-liberal diagnosis not fit the present economic context of Latin America. Across the region a schema of productive specialization prevails, based on agro-export, open cast mining, the decline of traditional industry, remittances and tourism. This model implies a generalized peripheral or semi-peripheral reintegration in the international division of labour.

In conjunction with these tendencies neoliberalism has strengthened the transformation of the national bourgeoisies into bourgeoisies which are local, but internationalized and linked to foreign capital. The same change has strengthened the peasant exodus, the precarisation of labour, urban marginality and the weakness of the middle class.

This scenario is more consistent with the counterposed vision of a "commodity economy" throughout Latin América. But this second characterization is not purely descriptive, since it postulates the existence of a "consensus" around extractivism. Hence it goes beyond the sphere of the economy and has political implications, which require evaluating what has happened in the geopolitical and governmental spheres. We will develop this analysis in the second part of the text.

SUMMARY

The validity of the concepts of Post-liberalism and Commodities Consensus is elucidated by analyzing the changes in the region. Capitalism has spread in agriculture and mega-mining is booming, emphasizing the primacy of basic exports. Industry supplying the domestic market has fallen back in relation to the maquilas, remittances are means of survival and tourism is a key income for small countries. These economic trends have been reinforced since the beginning of the global crisis.

The national bourgeoisie privileging demand has been replaced by the local bourgeoisie, which prioritizes the lowering of wages. Its minority status was consolidated through partnership with foreign companies. Its pre-capitalist features are extinguished and new oligarchies are not created. It maintains its bases of accumulation without becoming a trans-nationalized group. Only marginal fractions amount to a lumpen-bourgeoisie and neo-colonial dependency does not extend to medium-sized countries.

The expansion of informality, the peasant exodus and the stagnation of the new middle class reconfigure the dominated classes, in a context of poverty, unemployment and inequality. The economic scenario does not corroborate the post-liberal diagnosis, but the opposite view should be evaluated by incorporating the political
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dimension.

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