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Latin America

New economic turbulences

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In recent years, the traditional vulnerability of the Latin American economy has sharpened in the face of diverse international crises. The recovery from the 'lost decade' of the 1980s (the decade which began with the thunderclap of the Mexican debt crisis in 1982) has been of short duration.

Already from 1994, under the impact of the crisis of the Mexican peso - brutal devaluation of the peso, austerity, and so on - the regional upturn began to slow down and this was accentuated in 1997-1998 under the effects of the Asian crisis.

Then the panic created by Russia's cessation of payments (in August 1998), the Brazilian devaluation (in early 1999) and the surrender of the Ecuadorian economy, blocked any revival of the Latin American economy.

Latin America has undergone a regression on every terrain.

First, on the industrial terrain the regression is marked. Its participation in international trade in industrial goods has fallen. In addition, South East Asia has become the principal zone for direct investments from abroad in the periphery. The gulf that separates the South American continent from the developed countries has clearly grown.

In 1978, income per head in the countries of the 'centre' (imperialist countries) was 5 times higher than that of the most advanced countries of the continent (Argentina, Brazil etc.), and 12 times that of the most backward (Bolivia, Ecuador etc.). In 1999, the ratios were, respectively, 7 and 30.

Reform programmes

For the neo-liberals, this outcome is the consequence of the non-implementation of 'reform' programmes. However, when these neo-liberals criticise the insufficient degree of economic liberalisation of the countries of South America, or the limited flexibility of its labour market, they forget that this type of measure has been applied amply for a decade without delivering the promised results.

From the other corner, the anti neo-liberals argue that the regional crisis is the consequence of the application of a "dualist, regressive, and exclusionary model". Nonetheless, this questioning of the dominant economic policy can neither grasp the social processes underlying the continental crisis, nor the capitalist logic of this crisis.

The same superficiality prevails when the turbulence of the Latin American economy are attributed to 'globalisation'. The neo-liberals affirm that their initiatives guarantee the participation of Latin America in the positive fallout from this process of globalisation; the anti neo-liberals, on the other hand, support the opposite view. However, these two approaches do not analyse the objective transformations of the 'globalisation of capital' and its impact on Latin America. They ignore also the changes of hegemony that are underway in the dominant bloc of classes of the region.

To transcend the limitations of these neo-liberal or simplistic anti neo-liberal positions, one must examine the four main economic transformations going on in the Latin American region, in:

1. The effects of external indebtedness;
2. The degree of industrial fragmentation;
3. The explosion of poverty; and
4. The deterioration of the terms of trade.

These transformations should be interpreted as disequilibria derived from the peripheral and dependent character of Latin America. To undertake such an analysis, our starting point must be the theories of imperialism, and combined and unequal development.

Indebtedness

The ultra-rapid growth of the foreign debt of the Latin American countries constitutes the most obvious manifestation of the economic contradictions at work in the region. Indebtedness, which stood at US\$79 billion in 1975 and US\$370 billion in 1982, was US\$435 billion in 1990. At the end of 1999, it was US\$750 billion, giving the lie to the idea that "the end of the statist period" would imply a reduction of this burden on the working population of Latin America.

It should above all be understood that the debt constitutes a mechanism of economic restructuring that facilitates the adaptation of the region to the new international division of labour (what the dominant economists characterise as the specialisation of a country when in fact, the international division of labour is closely linked to the nature of the relations between dominant and dominated countries).

Thus, this debt serves to finance the acquisition of manufacturing infrastructures by, and the supply of raw materials to, the countries of the centre - imperialist countries.

That leads, in the present phase, to the acceleration of a turn by diverse countries to export specialisation in fairly unsophisticated products, and this at the cost of deterioration in production for the internal market.

In some countries, this export specialisation is concentrated in the simple processing of raw materials, in others in the production of intermediary goods or in assembly - from cars to toys.

Latin American industry is no longer, in the current phase, the main motor of growth.

It is extremely exposed to competition from the exporting countries of the centre and Asia-Pacific. This industry needs a significant level of imports to function that in turn generates disequilibria in the trade balance.

New investment is concentrated in the internationally competitive sectors to the detriment of the old national manufacturing complex that developed, in some countries, in the interwar period and the 20 years following the second world war.

Multiple consequences

The consequences are multiple: thus, for example, the development of engineering centred on the adaptation of technologies for production for the home market is breaking down. Also, activities of research and development are

in decline.

An industrial model based on assembly, connected to a globalised network, has replaced the former model aspiring to an industrialisation which integrates at least the most advanced countries of Latin America: Brazil, Argentina, Mexico etc. Export specialisation has been accelerated, by a radical opening to international trade, whose most concrete expression is the reduction of custom duties, which have lowered in a decade from an average of 45% to 13%.

Although exports from the region as a whole grew from 14% to 23% of regional GDP between 1980 and 1995, the prices of exported products have declined, and thus the additional income obtained is, finally, insignificant.

Imports grew by 127% between 1990 and 1996 as against an increase of exports by 76%. As a consequence of this reorientation, Latin American participation in world trade had fallen by 1995 to 3.6% of the total of global exchange - the lowest level in the 20th century.

This dismantling of all protectionist measures and complete opening to the world market does not imply a simple return of the continent to its old function of selling raw materials and buying manufactured goods.

The model adopted, consists of installing at a higher degree, the mechanisms of unequal exchange, based on the export of agro-industrial products and the import of capital goods (machines, and so on).

Current exports cover a wide spectrum from bananas to petrochemical products through some of the intermediary goods linked to car production. However, purchases also include the latest computers, sophisticated machine tools or new pharmaceutical products.

In reality, the examination of the composition of imports and exports indicates that the technological gap is growing; that relative prices (the difference between prices of imports and of exports) are more unfavourable; and that the trade deficit can only grow.

Through the introduction of a new system of intra-firm and intra-industrial trade (exchange of goods between subsidiaries of a trans-national or purchase by a trans-national of particular subcontracted goods, and so on), the big trans-nationals specialise their Latin American affiliates in the basic industrial processing of raw materials and in labour intensive activities, which leads increasingly to loss making exchanges for the region.

These transformations increase unemployment, reduce wages and lead to a terrifying explosion of poverty. According to quantifications that differ on the measurement of poverty, the number of people affected by poverty in Latin America varies between 150 and 224 million.

These figures are greater than those at the beginning of the crisis in the 1980s.

This has led to a resurgence of medically easily preventable epidemics and the development of an infantile malnutrition that will leave dramatic traces.

The combination of external indebtedness, export specialisation, trade deficits and the erosion of purchasing power are explosive, leading to periodic turbulence in the Latin American economy.

Yet this diagnosis only constitutes a single point of departure towards an analysis. To interpret what happens in Latin America, we need to look at the current vulnerability of the region using a theory integrating the historically peripheral and dependent character of the region.

Imperialism

The theory of imperialism explains the relations existing between the economies of the centre and those of the periphery (the dominated countries) at each historic stage of capitalist development. It explains how, in the course of each of these periods (nascent capitalism in the 19th century, classic imperialism in the first half of the 20th, and the 'late capitalism' which followed it), changes in the international division of labour occur - changes that determine the general restructuring of the Latin American economy.

In examining the mechanisms of appropriation of the resources of the periphery by the central powers, the theory of imperialism sheds light on the new commercial, financial and industrial forms of this 'confiscation' of wealth that has a fundamental impact on Latin America.

Contemporary imperialism is not characterised above all, as in the past, by the export of capital in addition to the export of commodities; nor by the conjunction of investment; and the relations of power as creditor (in the lender-debt holder relationship). Imperialism today implies a qualitative advance in internationalisation of production under the command of the big trans-nationals, which leads to a specialisation of each dependent country in certain kinds of tasks within the production process.

This hierarchical and fragmented restructuring of the internationalised productive process strengthens the monopolisation of the resources of the periphery by the centre. This restructuring functions also, for the centre, as a shock absorber during its downward cycles, and as a factor extending its phases of prosperity.

And although the bulk of investment, trade, and production, take place between advanced capitalist or so-called Triad countries (US/Canada, Europe, Japan), the mechanism of appropriation of the resources of the periphery strategically facilitates the worldwide reproduction of capital.

Widening chasm

The data on the widening chasm separating the countries of the centre and those of the periphery is overwhelming.

Presently 20% of people living in the rich countries (where the division of incomes and wealth is also unequal), account for 86% of the private consumption of households on a world scale.

All the figures indicate that this tendency to polarisation is indisputable. The annual Human Development Report of the United Nations Development Programme relentlessly emphasises and illustrates this trend.

To this one can add comparisons that are nothing short of scandalous.

For example, expenditure on cosmetic products in the US alone is more than the total investment in basic education

of the entire periphery.

There is no doubt that if one examines the world socio-economic map, the Latin American continent, despite the speeches about entry into the first world made by Brazilian, Mexican and even Argentine leaders, is firmly in the camp of the underdeveloped countries and its financial, commercial and industrial dependence constitutes a typical example of subjection to imperialism. The foreign debt is the most striking proof of it.

Latin America has followed the same trajectory as all the countries of the third world who having repaid between 1982 and 2000 sums equivalent to four times the amount of their debt, end up, nearly two decades later, with liabilities three and a half times higher than was the case at the onset of the debt crisis.

The various measures to manage the debt have led to its expansion and a growth in the burden of its servicing. From a general point of view, the debt of the countries of the periphery constitutes a mechanism which perpetuates the removal of the wealth of the underdeveloped countries and, for this reason, this debt functions as a mortgage which is impossible to lift, although it only represents 5% of the total of public and private indebtedness on a world scale (as private companies, public bodies and households in the Triad make up the bulk of world indebtedness).

This indebtedness has allowed the International Monetary Fund (IMF) to play a characteristically imperialist role in relation to the economic policies of the Latin American governments.

Numerous investors who, unlike in the 1980s [when commercial banks were the largest creditors - ed.], hold the bulk of the credits on the region negotiate de facto with the indebted countries through the IMF.

Austerity

This international financial institution demands an austerity budget to guarantee the servicing of the debt and obliges the governments to refinance the debt (that is, borrow new credits to honour debts due for repayment), at extortionate rates of interest, which is damaging to those seeking to borrow for domestic investment, and prevents the adoption of reflationary policies [to increase consumption and stimulate growth - ed.].

Inward and outward flows of capital from the countries of the centre have become the determinant elements of the behaviour of the Latin American economy and this model undermines the prospect of any sustained growth. There are various ways of dealing with the debt burden. Some countries, like Mexico and Brazil, prioritise the achievement of positive trade balances over stable exchange rates (the relation between the dollar and their currency). Others, like Argentina, prioritise parity between their currency and the dollar. In reality, these are only two ways of making the same adjustment, one through devaluation, the other through deflation, both seeking to assure the payment of the debt service.

On the plane of trade, imperialist domination is expressed through a complete opening to imports, favouring mainly the US. This latter country, in the course of the last decade, has succeeded in carving out a positive balance in its exchanges with Latin America, partially compensating for the deficits it records in economic exchange with other regions of the world.

Countries like Brazil and Argentina, who had a tradition of recording trade surpluses, are today in deficit, which accentuates pressure for the devaluation of their currency.

A supplementary proof of the dependent status of Latin America is given by its completely marginal role in the reorganisation of international trade under the auspices of the World Trade Organisation (WTO).

The countries of the region do not have permanent missions in the highest spheres of this organisation and do not have influence in its Dispute Settlement Body charged with resolving trade disputes.

Hence the decisions of the WTO prejudice the access of certain Latin American products to the developed countries and, simultaneously, these dominated countries pay a range of taxes on the complex manufactured goods patented in the countries of the centre. The explosion of poverty in Latin America is also a consequence of the transfer of income to the countries of the centre.

The "adjustments" to pay the debt, the loss of employment resulting from the destruction of "non-competitive" industries, the turn towards export specialisation as well as the complete opening to imports, all leads to a reduction of purchasing power, a contraction of solvent demand and a rapid exhaustion of all the phases of economic reactivation.

The Latin American economy is prisoner of a vicious circle provoked by pauperising measures, which reduce purchasing power so as to "give confidence" to foreign investors. As we know these same measures lead this capital to flee when the contraction of the internal market and trade deficits stimulate prolonged recessions.

Combined and unequal development

The theory of combined and unequal development constitutes the second interpretative key to the aggravation of the instability of the Latin American economy.

It completes the analysis of the relations of dependency made above, by analysing the world economy as a unifying totality of advanced and backward forms of production, which determine the existence of diverse combinations of modernity and pre-capitalism in the countries of the periphery.

Some economic sectors and some countries progress, whereas all the under-developed countries see their distance from the centre grow.

The theory of combined and unequal development has had a great impact in the social sciences because it allows us to go beyond the positivist tradition which conceives the evolution of the third world as a progressive process (at a more or less rapid rhythm) of catching up and convergence with the first world. Instead, the theory of combined and unequal development insists on the fact that belated industrialisation, dependent and incomplete in the periphery, aggravate the contradictions of the underdeveloped economies.

It accentuates the fact that Latin American industrialisation is not healthy, but structurally fragile given its reduced competitiveness, its systemic trade deficits, its lack of control on internal accumulation (for investment), and the absence of a domestic market with a sufficiently high purchasing power.

This approach demonstrates that the long-standing debate on the possibility or impossibility of industrial growth in the countries of the periphery leads to an impasse, because capitalism impels accumulation on a world scale.

However, in this process of development of accumulation, the industry of the countries of the periphery lags behind with all the historic disadvantages which function as structural obstacles to its development.

These barriers are the consequence of the transformations of capitalism at the beginning of the 20th century. From this period onwards, the coexistence of the accumulation of capital in the advanced countries with the specific accumulation in the backward countries has been broken. And the first process (accumulation in the advanced countries) became an obstacle for the transformation of the second (accumulation in the backward) in self-undertaken sequences of development.

Autonomous growth

The margin of autonomous growth that, in the past, allowed some initially backward countries like Germany, the US and Japan to catch up with and overtake more advanced countries like Belgium or Britain has disappeared.

This possibility was aborted from the moment that the central powers came to monopolise surplus value produced in the periphery, through a multiplicity of commercial, financial and industrial channels.

The world market was stabilised as an axis around which were articulated diverse capitalist, semi-capitalist and pre-capitalist socio-economic formations, magnifying the national, sector and regional differences in development, and juxtaposing advanced and primitive forms of development. Globalised capitalism does not de-industrialise, but in a certain manner it congeals, relatively, the features of the advanced and backward countries. Globalised capitalism, for example, does not today block the growth of Brazil or South Korea.

However, it prevents these capitalisms reaching the levels of development of the US or Japan, as has been the case in previous stages of this mode of production. The theory of combined and unequal development explains the dualistic character of the industrial restructuring implemented in Latin America in the course of the last two decades.

It clarifies how the modernisation of industry has coexisted with the disarticulation of the overall process of accumulation. Thus, at the present stage, the same volume of manufactured products is produced in the Latin American continent but with one third of the personnel previously employed.

On the basis of investments aimed at greater exploitation of labour power, productivity rose between 1990 and 1996 at an annual rate of 3.7% in Argentina, 2.9% in Mexico and 2.8% in Brazil, compared to an annual average of 2.3% in the US.

This growth has reduced the differential in output with the countries of the centre in some reconverted sectors of Latin American industry (for example, steel and cars). Nonetheless, this reduction of differences coexists with an enlargement of the differences in the productive sectors that have been made marginal through re-conversion for example machine tools.

A big fracture has been established between the prosperous activity of some export sectors and the collapse of sectors orientated towards the internal market.

This contrast appears at its starkest when one compares the enterprises based on assembly at the Mexican frontier and the decay of traditional industry in Mexico. Or again, when one compares the modernisation of the agro-industrial

export sector in Argentina and the debacle affecting industry in the provinces of the country.

At a time when the export-oriented sector profits from the reduction of wage costs (linked to pauperisation and unemployment), this reduction threatens any process of durable growth (which requires a dynamic of internal demand).

In 13 of the 28 Latin American countries, the real minimum wage of 1998 is lower than that of 1980; and diverse studies indicate that the effective purchasing power of wage earners has fallen still more.

The purchasing power of the population has contracted under the effect of laws introducing flexibility of the labour market (already rendered fragile by the high rate of unemployment and underemployment) that have as their objective, the increase in the rate of exploitation.

The best index of this growth is the expansion of so-called informal work, or waged activities done without any element of social protection. In the last decade, of 100 new jobs created, 84 are so-called informal, with wages lower by 40% to 60% than those of the formal sector formal (according to studies by the ILO and CEPAL).

This fragmentation of the labour market contributes to the weakening of purchasing power and the extreme polarisation of incomes.

Polarisation

The theory of combined and unequal development also explains the indisputable polarisation of the world economy. Even some authors who proclaim "the obsolescence of the centre-periphery schema" and the "irrelevance of the phrase 'Third World'" nonetheless confirm the growth of inequalities between the countries that participate or remain at the margin of the current "epoch of the information economy".

They recognise that "qualified work linked to information" develops in the countries of the centre while 'degraded Taylorism' [the version of industrial and labour process rationalisation exported to the third world - ed.] is concentrated in the periphery. This line of cleavage consolidates a "stable architecture" of the economy affirming a dominant pole that consists of only 15% of world population, but controls 90% of high technology production and 80% of IT activities.

Inside this rigid segmentation there is underdevelopment at a variable geometry, which modifies the peripheral status of each of the countries as a function of the model of accumulation (of investment) that emanates from the (imperialist) countries of the centre. Establishing a difference between the advanced countries taken as a whole and the bloc of the backward countries constitutes the point of departure for a more precise elaboration of the insertion of each country in the world market.

This conceptualisation should take into account the existence of a diversity of intermediary situations (dependent non-peripheral countries; semi-peripheral countries; non-dominant countries of the centre). In addition, it is about operating a distinction between the superior, inferior and median peripheral situations.

These last three strata mentioned allow us, for example, to operate a differentiation in Latin America between Brazil, Chile, and Haiti. In addition, this type of classification allows us to consider the whole of the region as situated at a

level of development superior to most of Africa, but inferior to South East Asia.

It is certain that the increase in poverty has projected diverse Latin American regions and countries into zones of dehumanisation, very close to those known in the African continent.

Nonetheless, taken in its totality, the Latin American region has not suffered from social regression and criminality [of the state - ed.] of a breadth comparable to that of Africa; Latin America has not been reduced to a kind of battlefield for the pillage of its natural resources. Data on the pauperisation in Latin America is shocking, but those concerning Africa are crushing. There, food consumption has fallen by 25% in the last 25 years and the number of people suffering from malnutrition rose from 103 to 215 million.

South East Asia

On the contrary, no country of Latin America has recorded in recent decades rates of growth similar to those of South East Asia.

In this region, there are countries like South Korea who have been in the forefront of this process: initially relying on manufacturing exports; then on development of their internal market.

Trying to explain why Latin America has "missed the boat" in comparison with South East Asia is a recurrent theme of the economic literature. Indeed, this question does not find a satisfying response outside of the theory of combined and unequal development.

The neo-liberals explain it by the predominance of the market rather than the strong presence of the state. The neo-structuralist current points to the importance accorded to industrial policy in some South East Asian countries.

These two interpretations both miss out on the overall context that marks the different trajectories. By essentially stressing the successes and failures of economic policies, they miss an essential fact: economic orientation is not a matter of free choice for the countries of the periphery. In addition, these explanations do not recognise that South Korea or Taiwan constitute exceptions to the general rule of the backwardness of the periphery and that the repetition of their performances in other countries is most improbable.

Also, it is commonplace to present Korea, Taiwan or Singapore as examples of emancipation from 'centre-periphery' relations, ignoring the fact that these countries have not emerged from their condition of dependency, as shown clearly by the [financial-economic] crisis which broke out in 1997.

Forced to directly confront the competition of the big US, European or Japanese firms, the big Korean companies (chaebols) had to accept the rule of the strongest and begin a process either of dismantling, opening, or merger (through bankruptcies of groups, divestment of sectors, buyouts by US, European, Japanese firms etc.).

This reorganisation does not in the least imply so far a regression comparable to that of Latin America and it has not stopped an upturn, in South Korea for example.

However, although these economies of South East Asia are situated at superior levels of the periphery, they continue to be very vulnerable to flows of capital (which leaves permanently open the possibility of a massive withdrawal) and

they would remain in a subordinate role in the event of an eventual constitution of a regional bloc where Japanese influence would be strong.

In reality, the industrialisation of South East Asia has many characteristics similar to the process experienced by Argentina in the 1950s and Brazil in the 1960s.

The difference resides in the fact that the objective conditions favouring industrial development, which were initially manifested in the most advanced countries of Latin America, are reconfigured subsequently in South East Asia.

This change responds to a given: the advance of the process of internationalisation of the global capitalist economy transformed Latin America's advantages (a certain earlier growth of the internal market) into an obstacle for the new types of external direct investment centred on the export sectors and the use of cheap labour power.

Also, the long history of popular uprisings and political instability in Latin America led to a diversion of imperialist investments to the Asian regions that were under US military occupation and had undergone land reform and urbanisation (in particular Taiwan and South Korea).

The search for a disciplined and cheap workforce led the flow of investments to other Asian countries. Faced with the growth of productivity and the escalation of wages that followed in Korea and Taiwan, trans-national companies have implanted their subsidiaries in countries like Indonesia, Malaysia and the Philippines.

But, the numerous enthusiastic partisans of this 'exploiter-exporter' mode come up against a basic fact: competitiveness founded on low wages stops the development of a "virtuous circle of growth" based on internal consumption, a circle which would allow a certain rapprochement between the economies of the periphery with those of the centre.

This obstacle is a historic limit faced by all the countries that are late arrivals in the battle for a share of the world market. This limit cannot be leaped simply by a growth of investment, particularly foreign direct investment.

Turn of the dominant class

The transformations that have taken place in Latin America do not simply reflect objective changes in the world economy.

They also stem from a strategic turn taken by the dominant classes of the Latin American countries that is rendered in the adoption and implementation of neo-liberal policies. The main capitalist groupings have forged a new alliance with the trans-national companies (TNCs).

This change is comparable to that made in the hegemonic bourgeois bloc between 1940 and 1970, when the alliance between the big landowners and foreign capital (US but still often British and so on) gave way to an agreement between Latin American industrial capitalists and some big imperialist firms.

Today, these big imperialist firms have become, indisputably, the hegemonic leaders of this bloc. This leads to a process of internal transformation affecting the entire industrial bourgeoisie that, by abandoning the policy of import substitution, lost the battle for its regional leadership. Only those capitalist groups who have succeeded in adapting to

new conditions of 'globalised' competition persist, albeit as subordinate partners of the trans-nationals.

This new alliance is the big beneficiary of the economic reorganisation of Latin America. The fashion in which the foreign debt is managed illustrates this equilibrium, because the national capitalist sectors (of the new and elegant type) have profited from the growth of the debt in the same way as the imperialist creditors.

The enterprises that obtained a decisive advantage were those who succeeded in making the state take on their debts. Having escaped their obligations as debtors, these groups can proclaim today that the debt is "an obligation of the whole nation, an obligation that must be honoured".

In the case of Argentina, the bulk of the statisation of the debt happened between 1980 and 1982. This salvaging of national (or joint-venture) firms consumed some 25% of Gross Domestic Product (GDP) [national income-ed.], that is, from 5 to 8 times more than similar operations carried out in the developed countries.

This redistribution of wealth is also considerable because it served to finance the flight of the assets of numerous indebted enterprises abroad, towards the countries of the centre. This drain of resources has not ended. Currently, capital held outside Argentina represents a third of GDP. In the 1990s, the outflow of capital from Argentina surpassed the payment of interest on the debt.

In Mexico, another type of buyout took place in the course of the 1990s thanks to the renationalisation of the banks that had been struck hard by the financial crisis, the so-called tequila effect. This salvage of the banks, which had been privatised some years before, cost the public treasury a sum equivalent to 15% of GDP.

In Brazil, entrepreneurs were unceasingly aided through devaluations that had the effect of devalorising the internal debts accumulated and taken up in local money. However, these adjustments aggravated the weight of the trade deficits, which led to an increase in taxes (mainly indirect ones) and drastic reining in of state subsidies and social expenditure. All this illustrates how the most powerful sector of the dominant classes has used the debt to its own advantage.

This same dominant group has participated actively in the massive privatisation of public enterprises. This transfer of state wealth is done through an under valuation of assets, an artificial revalorisation of bonds used as means of payment for the purchase of the privatised enterprises and, finally, the absorption by the state of the debts of the public sector, put up for auction to be privatised. The result: the public external and internal debt has increased rather than reduced.

The privatisations became a source of extraordinary profit for their new owners, who also obtain hidden subsidies and can utilise high tariffs, although the services are deficient and investment for modernisation remains low.

This dominant local bloc also draws profit from the management of new foreign loans destined to extend the process of privatisation to all sectors of social life.

Thus, one notes the important loans made for the introduction of pension systems based on individual capitalisation (Chilean style), the complete privatisation of health systems and the introduction of the profit motive into the educational system. Thus new sectors of activity for capital are opened. With this "second generation" of reforms, social expenditure is reduced and the state prioritises raising taxes to pay off old debts.

These same indigenous capitalist groups are the key actors in the turn to exports, which rests on the possibility of the

pillage of natural resources and the lowering of the price of labour power. In this enterprise, moreover, there is extreme labour 'flexibility' and the conditions of super exploitation intensified.

That is most apparent at the Mexican-US border, in the assembly factories (maquiladoras), where wages are up to 30 times lower than in the US. This explosion of increasingly poorly paid work can also be observed in Argentina, Chile and Brazil.

It is under this form that the dominant bloc reinserts itself in the competitive 'niches' of the world market, accentuating a scandalous monopolisation of the wealth created: 1% of the population takes 40% of the total income (in distribution of wealth, polarisation is still greater).

New contradictions and new disequilibria

The new advantages obtained by the hegemonic bloc of the dominant classes in Latin American are at the origin of the growing economic disequilibria that lead to the erosion of their economic power and a deterioration in their control of the political system.

The Latin American bourgeoisie is a historically weak sector rooted in an oligarchic regime, whose social base is fragile, and which has had to carry out an anti-popular policy in the process of consolidation of the nation state. This weakness has grown with the organic relations established between the dominant bloc and the trans-national companies. This appears with great clarity in the current phase.

Firstly, this bloc has renounced the direct management of the nation state and agreed to share this control with the IMF and the representatives of the big foreign companies. For this reason, it possesses a weaker capacity for negotiation with the foreign enterprises that compete against the historic enterprises of national origin. Also, this bloc of dominant classes has seen a weakening of its capacity to intervene in the traditional battle between Western Europe and the US for domination in Latin America.

Secondly, the growth of the foreign debt of these states has led to a situation of insolvency that weakens the power of the entire Latin American bourgeoisie. The loss of control of the debt raises the price of borrowing and increases the number of 'risk countries' (a heavily indebted country is offered credits at higher rates of interest than a less indebted country and a premium is added for a 'risk-country', which, according to the formula of banking institutions, is when the country runs a strong risk, at a given moment, of no longer being able to service the debt).

The price paid for new mandatory loans on the international capital market limits the process of internal accumulation (investment) in each country. Only the sectors where activity is closely linked to productive processes of subcontracting abroad, escape this difficulty of the high cost of borrowing.

Certainly, thanks to the state aid we mentioned the bulk of Latin American capitalists have never been affected directly by the debt. Still, the growth of this latter does not favour their business, if only starting from the increase of rates of interest for all loans.

Thirdly, export specialisation does not increase the base of an accumulation - of diverse investments in industry, services, and so on - under the direct control of national capital. Thus, the Latin American industrial bourgeoisie participates in the formation of regional markets (for example, the Mercosur common market, created in 1995, comprising Argentina, Brazil, Paraguay and Uruguay, with Chile and Bolivia as associate members) under conditions

of growing imperialist control of industrial ownership.

Therefore, unlike the dominant European classes, those of Latin America are not undergoing a process of integration in a bloc that would participate as protagonist in a battle for hegemony of the world market.

In fact, these classes are integrating a regional market that is itself the focus of battles between the diverse imperialist powers. At a time when the big trans-national firms take over the most profitable branches, the strongest and most concentrated Latin American groups sell their enterprises or participate as junior partner in the reorganisation of the industrial fabric.

This tendency sharpens with the loss of influence formerly held by the now privatised public sector. The subsidiaries of US and European trans-nationals have obtained completely dominant positions in Argentina and are very strong in Mexico and somewhat less so in Brazil. The massive bankruptcies of those small and medium enterprises that have not succeeded in reconverting themselves in the subcontracting sector are the proof of this ongoing externalisation of the Latin American economy.

Trade Deficit

Fourthly, the trade deficit resulting from the combination of export specialisation and a complete opening to imports, multiplies disequilibria to the extent that these disequilibria sharpen with the re-export, in various forms, of profits by the trans-nationals.

Thus, the external direct investments made in Latin America in the 1990s which prioritised modernisation of transport and communications with the strict goal of strengthening the characteristics of an export economy have surpassed the world average (while remaining clearly inferior to those directed to South East Asia); still, transfers of capital towards the parent firms - transfer of profits, licensing costs, patents, over billing for services provided by the parent firm, and so on - reached record levels. Hence a sustained growth rapidly meets the recurrent obstacle of the balance of payments deficit (the difference between total outflows and inflows).

Fifth, Latin America remains subject to a deterioration of the terms of exchange in its trade relations. The current progress of the 'globalisation of capital' penalises still more the regions with lower productivity, through a decreasing commercial remuneration of labour realised in this region. The number of hours of average social labour effected in Latin America and included in an exported commodity grows relatively less than the number of hours of social labour embodied in an imported commodity, originating from a country of the centre with a higher productivity of labour; there is then an unequal exchange of social labour expended.

This disadvantage - which has always accompanied the internationalisation of the capitalist economy - was clearly less important when capitalism still organised itself, to a great extent, around national price systems and wages.

Indeed, the present constitution of homogeneous spaces of circulation of commodities under the control of trans-national enterprises that organise their investments, production and commercialisation on a world scale aggravates unequal exchange.

A more hierarchical and segmented international division of labour (national wages more differentiated and productivity more divergent between the sectors centred on the local market and those directed to the external market) has a negative impact on the Latin American continent.

Sixth, the neo-liberal reforms have created a level of unemployment and poverty that severely limits accumulation (the dynamic of investments and markets, that is the sale of commodities allowing the realisation of surplus value).

Some authors think that between 15% and 20% of the Latin American population enjoy a standard of living equal to that of the 'first world'; while 70% of the population sees its standard of living fall in the direction of the hell of the 'fourth world'.

Starting from this point, it is possible to understand why the blows against wage earners feed the crisis (blocking the markets). Unlike the advanced countries, the segment of the population with a purchasing power sufficient to support (from the side of demand) a stable process of growth is not only reduced quantitatively, but also tends to shrink.

In Argentina, for example, there is a collapse of the traditional middle classes. In no region of Latin America, are relatively homogeneous wage zones tending to form, unlike what exists in the zones of the dominant countries (for example between certain EU countries).

With the growth of exploitation in Latin America, this deterioration of purchasing power consolidates itself and the difficulty of selling commodities at the value of their production becomes more widespread.

The constitution of a "Fordist norm of consumption" (similar to that existing in the countries of the centre) has been definitively blocked from the last decade onwards. Today the mechanisms for greater sale of durable consumer goods are not discussed; on contrary the agenda concerns how to stem the regression at the elementary educational and health levels. The delinking of social need and the demands of profitability takes on ever more dramatic forms. The combined effect of all the contradictions mentioned is at the origin of the growing instability of the Latin American regimes. This crisis takes forms going from the sudden interruption of executive mandates (Ecuador, Peru, and so on), to the disintegration of governments and the collapse of state structures.

The struggle for the sharing of the booty between the diverse groups in power accentuates corruption and undermines the capacity of the political personnel of the dominant class to control these tensions in the framework of the classical division of powers (executive, legislative, judiciary, military).

Hence, a turn towards authoritarian forms of government is underway. This evolution undermines the cohesion of the political systems that have emerged in the 1980s and removes the legitimacy of the ruling groups in the eyes of much of the population.

Neo-liberal mystifications

The neo-liberals present no explanation of the transformations underway in Latin America but make a simple justification, of an apologetic type, of the changes that they have contributed to putting in place.

The doctrine of the neo-liberals has served to guide government policies as a function of the needs of the dominant class which can be summed up as follows: reduce the cost of labour power; attack the unions; reduce social expenditure and increase inequality. The neo-liberals have covered this orientation and practice with an ideology that glorifies the market, deifies the consumer and pretty up private management.

Still, these mystifications have been permanently adapted to the necessity of applying economic measures that are in

reality very different.

The neo-liberals develop a cynical discourse, particularly on the question of the debt. On the one hand, they affirm that this problem is of such gravity that any debt moratorium would end up with terrible reprisals from the creditors.

On the other hand, these same neo-liberals affirm that a debt is "no longer a problem" providing that refinancing (repayment thanks to new credits) of the interest on the debt is obtained. Obviously, they pass over in silence the terrible cost of this payment for the majority of the population. Privatisations are presented as big advances compared to "state inefficiency". On the contrary, these neo-liberals are silent on the amount of subsidies, mostly indirect, given to the new enterprises.

They praise the deregulation of the financial systems without mentioning that the new mechanisms of credit have not led to an increase in internal saving. These mechanisms have simply led to the reduction of the costs borne by the big companies and the expenses of the small and medium enterprises in decline or bankrupt. For the admirers of Von Hayek (1899-1992), Milton Friedman (1912-) and Von Mises (1881-1973) increased poverty has demographic ("there are too many people"); educational ("they are not trained for work", employability); cultural ("they breed in an irresponsible fashion") or labour relations ("they lack a culture of work") causes. They say that the "sole way" to reduce poverty consists in increasing the rate of economic growth.

Nonetheless, in the event, they forget that this growth did not reduce poverty in the course of the intensive industrialisation of the 1950-1970 period. Moreover, they come up against an impasse on a key fact of the last decade: there is an inverse relationship between the growth of GDP and the alleviation of distress in Argentina and Mexico. Under the effect of growth, according to the most favourable scenarios of the reduction of poverty would necessitate between 100 and 400 years to have an effect. The same goes for jobs.

To suppose that through spontaneous growth at the level of economic activity unemployment would fall ignore an essential statistic: regional GDP, between 1950 and 1980, grew by 5.5% and jobs by only 2.9%.

Neo-liberalism emphasises opening up to trade. It claims that the modernising effect of this opening on companies leads to "the extension" of more qualified and better employment and an increase in purchasing power.

However, the fulfilment of this prediction is unceasingly held back year after year, because it is obvious that spontaneous growth, under the simple impulse of competition, is an illusion.

Disguise

That has not concretised in any circumstance and any country. By making use of a very fashionable disguise, neo-liberalism today repeats the most antiquated theories relating to the socio-economic backwardness of Latin America.

It claims that underdevelopment corresponds to an "insufficiency of capital" and proposes to overcome this limit by increasing the potential for the 'comparative advantages' (a country is supposed to gain by specialising in the production of products whose relative costs compared to those of other countries are lower) of the area, by means of the enhancement of free trade and an increased degree of foreign investment. However, in the historical epochs where there was indeed a "lack of capital", this weakness was not the characteristic of a local defect, but was the product of a transfer of resources towards the countries of the centre (a transfer which began in the 16th century and

was accentuated later).

During other periods during which saving was more significant, the normal budgetary equilibria and the acquisition of credit and foreign investments stronger, it was not the "lack of capital" but the use of this capital which blocked economic development. Including protectionism does not provide any explanation for economic failure because Latin America in general maintained over a long duration a degree of commercial opening much higher than that of the countries of the centre. Neo-liberal theory appears incapable of explaining any major aspect of the backwardness of this area. Indeed, insofar as it assigns to capitalism an invariably virtuous behaviour, it cannot offer any explanation of the acute imbalances at work in the South American continent.

This theory claims that this area is economically weak because of its being "suspicious of the market". But it cannot explain why, given the radical turn to privatisation since the 1980s, no increase in its international competitiveness was registered.

CEPAL

Whereas neo-liberalism translates the program of the dominant class, the theoretical production of CEPAL (Economic Commission on Latin America, whose best known theorist was Raul Prebisch) reflects the contradictions produced by the application of this program.

For this reason, the theorists of this UN body question the results of the policies applied during the last decade while not criticising intrinsically their application and not proposing their removal. By adopting a language rather close to that of neo-liberalism, the new neo-structuralist vision of CEPAL replaces its old defence of an "autonomous development" and an increase in purchasing power.

CEPAL aligned itself to the option of an increase in the "international competitiveness" of the area. But this turn, marked by the wave of privatisations, was not adopted with great enthusiasm. It was carried out by taking recourse to the inevitable insertion in the 'new world order' paradigm.

CEPAL affirms that globalisation forces the abandonment of all the old models, while recognising that Latin America abandons its successes of the past without obtaining any significant benefit in return. It estimates nevertheless that there is margin for manoeuvre for negotiation in order to somewhat improve the situation of the region.

The principal spokespersons of this current also accept that the turn towards exports deepened a "truncated industrialisation". However, unlike in the 1960s, they do not note "structural heterogeneity" (i.e. the existing divorce between the internationally competitive branches and the remainder of the local productive system) as being a strong feature, completely harmful, for the area.

On the contrary, they estimate that the modernisation of the exporting sector will become the engine of progress for the domestic sector, forgetting all the arguments advanced by them in the past on the disarticulation between the various sectors (internal, export, and so on). The mountain of paper written to criticise 'export orientated growth' were diplomatically filed away.

The same applies to the criticisms made of the opening to imports; in general, the proposals for a defence of local production from the devastating effects of external competition have disappeared.

CEPAL's research does not hide the extraordinary increase in poverty and promotes a 'growth with equity'. But their proposals do not suggest, as was the case in the 1960s, a redistribution of income, land reform, or the introduction of a progressive tax system.

At most, CEPAL calls for the alleviation of poverty by applying "the social plans of governments". But these proposals are accompanied by warnings against any expenditure that would induce budgetary imbalances. As regards the debt, CEPAL repeats that there is a "joint responsibility" of the creditors for their "lack of foresight" as lenders and their "lack of control" over the entities demanding credits.

For this reason, the 'Cepalists' advocate certain cancellations of debts, a reduction of the total amount and, periodically, preach in favour of the formation of "a front of the indebted countries".

But these proposals have remained unheeded, as they do not have any more than an echo in the media. It has been shown that no banker expresses compassion for his debtors and that they will take into account only measures taken in a vigorous way, unilaterally imposed; all things which the Latin American governments would not even risk contemplating.

The adaptation of the CEPAL to its old liberal enemy translates the domination of the trans-national corporations vis-à-vis the national firms (local, regional) within the framework of the dominant socio-political bloc today in Latin America. At the same time, CEPAL clarifies the imbalances caused by the predominant weight of these trans-nationals and the loss of the autonomous strategic horizon, which the industrial bourgeoisie of the continent possessed for a few decades.

Anti dependency theory

The reaction against dependency theory is a characteristic of current thought in Latin America. [1] Thus, Cristobal Kay claims that the centre-periphery problem has been integrated into the (new) neo-structuralist approach. [2] What is certain it is that it has lost any relevance for the CEPAL and moreover has been abandoned by its principal spokespersons of the 1960s and 1970s.

Dependency theory stresses that lack of control over the internal process of accumulation characterises a peripheral country and it attributes this characteristic to the prevalence of foreign capital. It highlights the fact that a long-term inequality separates the advanced countries from the backward countries and criticises the theory of convergence between these two entities.

Among supporters of dependency theory, Cardoso to some extent anticipated the turn away from it with his theory of "associated development". This approach argues that foreign investment "internationalises the internal markets" and eliminates obstacles to regional growth. It simply ignores the fact that these investments finally lead to a widening of the gap that separates the Latin American continent from the advanced countries, because they stoke up the increase in the foreign debt through the re-export of profits, payments for patent rights and trade imbalances.

Cardoso states correctly that the peripheral status of the Latin American area does not suppress endogenous (internal) processes of accumulation. But he does not take into account contradictions that prevent these underdeveloped countries emerging from their "backwardness".

At the beginning of the 1980s, other authors [3] initiated a criticism of the endogenist tendency in the dependency

theory school, by questioning the excessive weight placed on the role of external obstacles to economic progress in the area. This criticism placed more stress on the internal causes underlying the difficulties of development. Other theorists centred criticism on the fact that peripheral insertion implied above all serious imbalances in the balance of payments (the balance between the total of inputs and outflows of capital).

However, more recently, dependency theory has been abandoned by its most famous figures. Thus, Dos Santos no longer regards underdevelopment as a product of domination by the countries of the centre of the countries of the periphery. [4] He concludes that an industrial policy could put an end to backwardness. Marini, for his part, thinks today that such an objective can be achieved by constituting regional economic blocs.

As for Andre Gunder Frank, he has reached the conclusion that dependency is a myth insofar as there are no national autonomous developments. [5] He thinks that countries disconnected from the world economy in a period of crisis (like the Latin American continent at the time of the great crisis of the 1930s and the second world war) are reinstated in the circuit of the world economy in the phases of growth.

In the "Marxist camp", some critics of dependency theory like the late Bill Warren and Nigel Harris have again reinforced their objections by affirming that the growth rate is higher in the periphery than in the centre and that the potential for the expansion of capitalism is similar in the centre and in the periphery. [6]

In our view, this whole wave of criticism of dependency theory questions the strong points and not the weaknesses of this conception. They ignore the fact that its approach started in a correct way from an overall analysis of capitalism as a world system structured around regions that are either profit or loss making through systems of transfer of wealth. Dependency theory highlighted the fact that the underdevelopment of Latin America corresponds historically to the subordinate position-function of the region as supplier of raw materials and as market for the manufactured goods of the countries of the centre.

In the left wing version of dependency theory, the starting point rested on an understanding of the hierarchical ordering of the world economy; what constitutes an analytical principle taken by Marxist authors who adopted an international approach: Trotsky, Rosa Luxemburg, Bukharin. That goes against the positions adopted by those who centred their vision on national processes of accumulation (Kautsky, Plekhanov, Hilferding).

These left currents of dependency theory also accepted the central thesis of the theory of imperialism (recognition of a tendency to a widening of the distance separating the advanced from the backward countries); they did it while reformulating the various insights developed by the classical Marxist theorists.

They adapted Lenin's analysis on the centrality of finance capital, Rosa Luxemburg's interpretation of the exhaustion of pre-capitalist areas (as new areas of valorisation of capital) and Bukharin's thesis dealing with competition for obtaining the control of new markets, that it is in terms of supply of primary goods or sale of commodities. They have also integrated Marx's perception of the process of polarisation at work on a world scale when he went beyond his first exploratory work on the colonial question (texts on India, the war in Texas during the first half of the 19th century or on Simon Bolivar) by developing a more sophisticated theory applied in his analyses of Ireland, Poland and Russia.

It is moreover in this passage, or this analytical progression, that he replaces the references to the civilising role of colonialism by a sour criticism of the asphyxiating role that it has for the development of the so-called backward countries.

The proximity of the dependency approach to the theory of imperialism (currently largely abandoned in academic

milieu and even in broad sectors of the left) led the former to denounce the mechanisms of domination from which the Latin American continent suffers, mechanisms of domination that have also ceased to be mentioned. Indeed, the incursions of dependency theory on this ground constitute the strength of this approach. For us, the limits of dependency theory are elsewhere. Dependency theory is mistaken on the analytical front in seeking to discover 'laws of dependent capitalism' specific to Latin America. If the economies in this area certainly possess particular traits, they do not obey "original and different laws" from the mode of production in force (capitalism in its globalised dimension).

For this reason, it is necessary to think about the dynamics of regional developments starting from the Marxist conception of the world economy as a totality rather than the centre-periphery analytic.

Anti-liberal simplifications

Many current critical analyses of the neo-liberal model refer to old analytical criteria of CEPAL and dependency theory. For example, they advance objections vis-à-vis the commercial opening, disindustrialisation or the financial vulnerability of the Latin American countries by using theories which explain regional backwardness by demographic (abundance of workforce), cultural (Hispanic colonisation with its effects of stagnation), political (establishment of weak states) or economic (specialisation in agriculture and mining) reasons.

This picture is relevant only in so far as it treats destruction of the industrial fabric of certain areas as a consequence of competition related to the commercial opening to any type of imports and the reconversion of the "obsolete" activities (from the point of view of this insertion in the international division of labour).

Nevertheless, in Latin America, an absolute industrial degradation does not prevail; rather what is evolving is an industrial exporting specialisation carried out at the expense of an integrated local production. This process consolidates the fragmentary nature of the dependent semi-industrialisation initiated at the beginning of the 1950s.

From structural and functionalist bases (structural heterogeneity; dualism of developing sectors and stagnant sectors; enclaves of development), these criticisms try to explain the juxtaposition of modernity and backwardness (modernity and archaism) in the periphery without connecting this specific combination with the operation and general 'laws' of capitalism. There are also critiques that approach underdevelopment in a restrictive way, that is, starting from the Latin American continent alone. An example of these simplifications is found in the connection usually established between the increase in "exclusion" and the rentier policies of the dominant groups. By taking up the dependency analyses of "social marginality" and "pillage", some critiques try to explain the regressive processes at work in the distribution of income as a function of a financial exhaustion of the resources of the region. If it is true that the bankers pile up fortunes by imposing usurious interest rates and incredible commissions, it should not be forgotten that their profits represent only part of the surplus value that is also distributed between the trans-national imperialist firms and the local capitalists. The Latin American entrepreneurs do not constitute a passive, strictly intermediate group; equally, they cannot be characterized as mere rentiers.

Such a characterisation takes into account neither the totality of the regional bourgeoisie nor its various regional components (Argentine entrepreneurs who compete with their Brazilian equivalents, or Chileans with Peruvians). No genetic culturalist or religious interpretation has succeeded in demonstrating that the Latin American capitalists adopted, basically, behaviour different from any capitalist entrepreneur, in any other part of the world.

The image of a regional dominant class as a strictly parasitic layer completely dependent on foreign capital is in conformity with the characterisation of Latin-American capitalists as simple "satellites", manipulated in all their

dimensions by "the metropolis". Some authors like Andre Gunder Frank have developed such an approach, imputing a whole hierarchical system to commercial and financial processes and stressing the exclusively mono-export character of the economies of the periphery.

A similar reasoning inspires the current utilization of the terms "exclusion" and rentiers. And this way of looking at the world is an obstacle to understanding the specific process of productive insertion of Latin America in the new international division of labour.

Another error resides in the characterisation of the productive decline of the region as reduced to a process of "deindustrialisation". This image is only pertinent to the extent where it deals with the destruction of industrial fabric of certain regions as consequence of the competition linked to the commercial opening to all types of imports and to the reconversion of activities which are "obsolete" (from the point of view of this insertion in the international division of labour).

Nonetheless in Latin America there is not an absolute industrial degradation. What is happening is a change in direction towards an industrial export specialisation at the expense of an integrated local production. This process consolidates the fragmentary character of the dependent semi-industrialisation initiated in the early 1950s.

More technologically sophisticated means have enlarged the process of transformation of raw materials and that of assembly, which implies a simultaneous reorganisation and a modernisation of the productive process (one notes it in petrochemicals as in cars). Another simplification emerges with the thesis of "reprimarisation" (return to a production of primary goods) supposedly happening in the context of a retreat across Latin America, restoring its old function as exporting agro-mining region. Here, confusion intervenes. It consists in confusing the specialisation of the region in the lower segments of the international division of labour with the simple restoration of a productive model centred on raw materials. The thesis of "reprimarisation" amounts to supposing, in an erroneous way, that foreign capital seeks to choke any type of industrialisation of the underdeveloped countries to ensure the primacy of metropolitan industry. Again, a confusion is made between the limits imposed on a regional industrial development and the impossibility of any development; which amounts to forgetting that the trans-national firms, far from being opposed to any form of industrialisation, are the first to promote the establishment of companies in the periphery, using intensive labour or even combining a highly modern technology of assembly with cheap labour. The theories of imperialism and 'uneven and combined' development make it possible to go beyond these simplifications because they do not locate the problems of Latin American development in terms of simple oppositions of the type: "capitalism or feudalism", "prevalence or total absence of bourgeoisie", "possibility-feasibility or impossibility of industrialisation".

On the contrary, the theories of imperialism and 'uneven and combined' development explain what the forces are which prevent a trampling, an absolute crushing of the periphery, and which at the same time limit its development.

New categories

It is indisputable that a change of exceptional depth is underway in Latin America. The exacerbation of the debt burden, export specialisation, the explosion of poverty and the new degree reached by unequal exchange, destabilise the political regimes, erode the traditional systems of domination and impose a rearrangement of state structures.

But what is the correlated social expression of these transformations?

Some authors think that the Latin-American bourgeoisie has "trans-nationalised" as result of the economic disarticulation of the area and its increasing integration into the process of globalisation of capital. This characterization would be adequate if the characterisation of "trans-nationalisation" indicated only a growing association of Latin American and foreign entrepreneurs. Nevertheless, the term "trans-nationalisation" has significance other than that of "becoming foreign" or some "international entrepreneurial intertwining". The term "trans-nationalisation" implies that the former national bourgeoisie tends to disappear as a differentiated group, having roots in a certain territory, to constitute itself in a sector simply taking part in world accumulation, without specific and even paramount interests in a country.

This qualification "trans-national" undoubtedly applies to financial groups or countries that have been converted into appendices of the United States (for example, Panama). However, this characteristic is not adequate to grasp the present reality of the bourgeoisies of Argentina, Mexico or Brazil. Resources feeding the power of these sectors reside in the surplus value extracted from the workers of their countries, whose labour power is expended in the countries of these regions. The main parts of the operations that nourish the profits of these bourgeoisies take form inside the old national and regional borders. Admittedly, there is no doubt that these limits have changed in an accelerated way and that the differentiation operating within each bourgeoisie must be reassessed according to the insertion of its assets, of its property. But it is necessary to specify, in each case, up to what point the internationalisation of the globalised productive process affects the forms of concrete ownership of these bourgeois forces. For the moment, in Latin America, dependent modalities of integration prevail, subordinated to the trans-national imperialist companies. The regional bourgeoisie does not take part in the formation of a hegemonic bloc on a worldwide scale, not even as a minor partner. To employ an image, there is a difference on this level between the dominant classes of the "poor countries" who have joined the European Union and those of the Latin American continent who do not take part in the struggles of bourgeoisies who dispute the positions of first rank in the world market.

It is premature to predict the course that the Latin-American bourgeoisies will adopt for the simple and good reason that in the midst of economic reorganisation very different evolutionary tendencies always coexist.

Absorption

There are accelerated processes of absorption in the area of direct domination by the United States (NAFTA; assembly factories of the type of those at the Mexican border; attempts at direct dollarisation). At the same time regional markets such as Mercosur are constituted which, if they possessed their own currency, could maintain them in a traditional status of dependence. Lastly, there exists in Latin America epicentres marked by an absolute social regression, an erosion of the State whose extension would lead to processes of balkanisation and a still more profound and prolonged crisis. Trans-nationalisation is only one alternative among the range of possible options. The indiscriminate use of this term applied to the bourgeois classes (and not to firms) presents the same disadvantage as the characterisation of the regional bourgeoisie as being strictly comprador (in the sense of traders serving the interests of colonial occupants). To formulate a precise diagnosis of the transformation of the dominant class, it is necessary to also observe the changes in property relations as well as the intervening changes in the bureaucracy that is in command of the state apparatus. As much as in the past, the characteristics of the dominant social class only condition the particular configuration of each society. The result also depends on the orientation fixed by the social group that controls the resources of the state, and that through the decisions which model the capitalism of each country.

On this level, attention must be drawn to one fact.

The degree of "trans-nationalisation" of the higher bureaucracy of the Latin-American states is usually higher than

that which prevails within the bourgeoisie.

This tendency is translated directly in the constitution of a layer of civil servants co-opted by the IMF and the World Bank who occupy all the strategic positions of the apparatus of state. Career, remuneration, professional future of this state-bureaucratic personnel are related to the services they render to the international bodies rather than to the functions that they fulfil for the national entrepreneurial class.

For this reason, they are more attentive to the requirements of the banks and the imperialist companies than to the requests of the regional bourgeoisie. This substitution of the old Latin American bureaucracies educated in the area and accustomed to managing public companies by a new cosmopolitan elite constitutes a central link of the reinforcement of commercial, financial and technological dependency which makes it possible to speak about a "recolonisation" of Latin America. One can object that the characteristic of "colonisation" or "semi-colonisation" was used at the beginning of the 20th century to describe the total or partial absence of formal independence of some of the underdeveloped countries, therefore in a situation very different from that prevailing today. Similarly, it is certain that these categories have lost their rigour from the post-war period onwards. This is first of all because of the disappearance of the old colonial empires and, thereafter, because of the emergence of the higher peripheral countries (the most developed) controlled by autonomous capitalist classes. Some authors used the characterisation of dependent "semi-industrialised" countries to describe this, for example Ernest Mandel.

All these precise details have their value and should contribute to finding a more adequate terminology in order to define the present situation marked by a narrower association between the capitalists of the countries of the periphery and the groups of the countries of the centre: an association that implies an increasing political subordination to imperialism.

This submission has taken the form almost of a natural order in so far as it fits within a framework given as inevitable: that of globalisation. While not having a more exact concept, the term "recolonisation" conveys the reduced margins of political independence enjoyed by Latin American countries.

Globalised resistance and social emancipation

The association between local capitalists and trans-national firms, as well as the overlapping of the civil servants of the national state apparatuses with the bureaucracies of the international organisations (IMF, WB, WTO etc.) discredit the leading role of the dominant classes in the eyes of the population of the countries of the continent.

This loss of prestige and legitimacy increases popular resistance to the questioning of social conquests that has marked the two last decades. Significant waves of resistance and protest not only run up against the unending neo-liberal adjustments, but also open the road to putting on the agenda more precise demands aimed at stopping the haemorrhage caused by debt, alarming impoverishment and the increase in exploitation. As we enter the new century, Latin America is a volcano of political crises and social rebellions. However, one of the most promising features of these resistances is that they coincide with mobilisations that have started on an international scale and question the policies of the World Bank, WTO and the IMF, this "International of Money".

The possibility exists that they can meet, to link the demands of wage earners in the countries of the centre and those of the periphery and create new networks of solidarity between peoples. The same 'globalisation of capital' that has widened the breach between the advanced and the underdeveloped countries could reconcile the demands of the oppressed and exploited in centre and periphery. The future of the Latin-American continent is closely related to

the deepening of this global mobilisation against capital, a mobilisation that must place the perspective of a coming socialism on the agenda.

No country of the periphery can claim to be transformed into a great capitalist power (as has been claimed by Menem, Cardoso or Salinas). But nonetheless all the peoples of those countries can try to play a role in history, through participating in a common project of emancipation.

[1] For an overview of the dependency school and related debates, see among others, Andre Gunder Frank, *Capitalism and Underdevelopment in Latin America*, Monthly Review Press, New York 1967; *On Capitalist Underdevelopment*, Oxford University Press, Bombay 1975; *Dependent Accumulation and Underdevelopment*, Macmillan Press, London 1978; as well as the work of Ruy Mauro Marini, Theotonio Dos Santos or Fernando Henrique Cardoso (now president of Brazil).

[2] Cristobal Kay, "Structuralism and Dependency theory in the neoliberal epoch", *Nueva Sociedad*, December 1998 (a pluralist review financed by the social democratic Friedrich-Ebert-Stiftung).

[3] See the work of Salomon Kalmanovitz, a Colombian economist who published a work entitled *Le développement tardif du capitalisme*, Ed. Siglo XXI, Bogota 1983.

[4] See his article "The Theoretical Foundations of the Cardoso Government" in *Latin American Perspectives*, January 1998.

[5] See his "The Underdevelopment of development", in the special issue of the *Scandinavian Journal of Development Alternatives*, No: 3, September 1991.

[6] See Howard et al, *History of Marxian Economics*, Vol. 2, Princeton University Press, New Jersey 1992.