Latin American development trends and Brazil's role in the region

Paulo Roberto de Almeida[1]

Abstract:
Analytical essay dealing with Latin American integration process, its peculiarities and the recent development trends in the region. Instead of deepening its integration process, Latin America is experiencing a clear fragmentation path, with many divergences among leading countries in the domains of economic policies and the integration processes, notwithstanding the fact that new instances were created for that objective (Unasur, Celac). The essay also examines Brazil's economic and political role in the region, and concludes by an assessment of current trends (comparing the region with Asia Pacific) and advance prospects for divergent trends in Latin America.

Key words: Latin American; integration; development; Brasil.

1. Latin American recent development trends

Since the implosion of socialism in the former Soviet Union – or perhaps even earlier, since the beginning of China's transition to capitalism, under Deng Xiao-ping – the world economy has entered in what has been called the third wave of globalization; the two previous were, the global unification of the known world first started by the great navigations of the 16th century, soon afterwards closed by colonial exclusions, after which came the true constitution of a world economy under the second industrial revolution, during the short lived *Belle époque* (1870-1914). Interrupted temporarily by the First World War and effectively barred by the Bolshevik revolution in half of the Eurasia continent, globalization receded for at least three generations, as not only Russia (with some other satellites, conquered after the Second World War) but also newly independent countries from Latin America chose to partially retract from the world economy in order to start national development processes, characterized

[1] Diplomata; Professor Uniceub (Brasília) (www.pralmeida.org; http://diplomatizzando.blogspot.com)

by introverted sectorial economic policies, trade protectionism, industrial nationalism and State intervention.

It is important, methodologically, to make a distinction, albeit a formal one, between three historically successive configurations of the global market system: (a) a world economy, such as the one inaugurated by the great navigations linking the Western Europe to old nations in the Asia Pacific and the new lands in America; (b) an international economy, such as the one arising from the first and, especially, the second industrial revolution; (c) the current interdependent economy, started at the Bretton Woods (1944) and the Havana (1947-48) diplomatic conferences, which created the new institutions of our world economic order, spanning originally from the Western capitalist economies to some other market economies in the extreme East (Japan, for example), encompassing most of the dependent periphery – that is, the so-called Third World – but excluding the so-called Second World, that is, the socialist economies. These two were restricted to an asymmetric interaction with the first ones, exchanging their raw materials and energy against manufactured products and capital goods, importing capital, but with little or nothing to say in the decision making process of the institutions representative of the global capitalist system.

Notwithstanding the fact that the international economy was interrupted in 1914, it became for the first time in History a truly interdependent economy from 1945 onward, as guided by the Bretton Woods institutions and the multilateral trade system embodied in the Gatt,. A large part of national economies, encompassing perhaps more than two thirds of the world's population (counting in not only the Soviet empire, but also Maoist China and semi-socialist India), remained, by and large, at the margin of world markets and outside the international division of work, only participating in international exchanges in a minor scale, mostly through the commodities markets and a few other low-value added goods. Latin American countries, for the most, not only confirmed their early historical features as primary exporting economies, but, starting at the Depression of the 1930s, and more actively since the 1950s, engaged in an import substitution industrializing process that closed them off the productive integrated capitalist system, as nationalistic inclinations drove their economic policies. Results from those choices were mixed: if they acquired real capabilities in consumer goods production, they remained dependent in capital goods and never acquired real autonomy in innovation and high technology, not to mention their continued foreign financing dependency and specialized know-how.

Permissive monetary expansion, irresponsible fiscal policies, mismanagement in the exchange regimes coincided with booms and busts economic cycles, recurring falls in hyperinflation and eventual external debt crises, which led many of Latin American countries to the emergency care units of the Bretton Woods institutions, through IMF's stand-by agreements. Brazil, Argentina and Mexico, were champions in stabilization plans. Brazil specifically had, eight currencies which replaced one another in a time span of three generations, since 1942. However, within a single generation, it managed to replace its currency six times from 1986 to 1994. Mexico also, despite being an oil exporter, and benefiting from the rises in prices associated wit the two oil shocks, incurred, like the others, in fiscal mismanagement, budget deficits and heavy indebtedness. The external debt crisis of the 1980s were followed by economic reforms in most countries of the region, under the label of neoliberal policies, with their prescription of privatization, deregulation and the reduction of the economic role of the State. Some countries performed successfully the path towards stabilization and economic opening, like Chile, while others did not achieve the complete set of reforms, such as Argentina and Brazil.

The two biggest countries of the Southern Cone emerged from the hard times of military dictatorship, in the middle 1980s, with big challenges in the economic domain. Both tried successive stabilization plans, with currency changes each time, and finally conquered inflation through two contrasting ways: Argentina first, in 1991, by means of a currency board – that is, pegging its new currency to the dollar, by a fixed parity – and Brazil three years later, in 1994, by means of an indexed currency, then flexibly pairing it with the dollar, which served as an anchor. Both plans entered turbulent times by the end of that decade: Brazil, taken in the maelstrom of Asian financial crises and the Russian moratorium, was forced to devaluate its currency, adhering thereafter to a floating exchange rate and an inflation target regime; Argentina, because of a high indebtedness and loss of external competitiveness (causing growing, unsustainable, trade deficits), had to abandon its fixed parity, in the midst of a profound economic crisis, accompanied by the insolvency of its whole external debt. Argentina imposed an unilateral default on its foreign creditors, and remained excluded from international capital markets since then.

2. The integration process and its peculiarities

At the same time they started the re-democratization process, Argentina and Brazil renewed old projects for economic integration: confidence-building measures were adopted in the nuclear domain, with new protocols guiding reciprocal inspections in their respective nuclear installations. Agreements were signed for a progressive liberalization of bilateral trade, and an integration treaty was achieved in 1988 for a ten years delay in the implementation of a common market. In 1990, this term was reduced to five years, inducing other countries to join the move. Negotiations were held in the second semester of that year, and, in March 1991, the Asunción Treaty was signed in the Paraguayan capital, creating Mercosur, the Common Market of the South, adjoining Uruguay and Paraguay to the two biggest countries of the Southern Cone; Chile was part of the negotiation, but could not adhere to the group because some years prior it had already reformed its tariff schedule in the Gatt system, adopting then a single tariff, incompatible with the other countries' planning for a Common External Tariff.

Mercosur was very dynamic in its early years, doubling its intra-trade and also increasing external trade and investment links. Andean countries also rushed towards new dynamics, transforming the old Andean Pact into the Andean Community of Nations (CAN, in its Spanish acronym), while Chile pursued its solitary itinerary of entering into free trade agreement with whichever countries available for that: since middle 1990s, Chile, along with Mexico, signed almost three dozens agreements of that type, opening market access with over 80% of the global GDP, including the whole Americas, European Union and other European countries, half of Asia (including Japan, China and Korea), and also Australia and New Zealand. Compared to that performance, Mercosur and CAN have just a few trade liberalization agreements (not full free trade), linking them reciprocally and with just a few countries, however not the most important ones (Israel, South Africa, and India, but just for fixed and limited trade preferences).

Advancing into the new millennium, Mercosur accomplished almost nothing in terms of commercial arrangements, having been diverted to a social and political agenda by the new rulers in Brazil and Argentina, respectively the Worker's Party (PT) and a branch of the Peronist movement, now controlled by the Kirchner family. Some Andean countries, such as Colombia and Peru, chose to follow Chile and Mexico in the path of deep liberalization, negotiating free trade agreements with the United States, the European Union, and other countries in the region and elsewhere, especially in Asia. Most important, these last four countries decided to undertake a new integration scheme, forming, in 2011, the Pacific Alliance, formally establishing complete free trade amongst them, but in fact with the objective of coordinating their initiatives towards the most dynamic region in the multilateral trade system, the Asia Pacific basin, together with other Western Hemisphere willing partners (such as Canada, USA, Mexico and others), and also Australia and New Zealand.

The four Latino countries of the Pacific coast have just one third of the Latin America's GDP, less than the total of the five members of Mercosur – which accepted Bolivarian Venezuela as a new member since 2012 – but they export about 60 percent more than the Mercosur bloc, and are much more open to any kind of trade and investment links. Mercosur, less successful because of the policies followed since early 2000s by Argentina and Brazil, was diverted from its original path and became a mere consortium devoted to rhetoric exhortations in favor of integration while accomplishing very little towards the implementation of this objective. Attentive observers are making more optimistic prospects for the Pacific Alliance than for Mercosur, considered by many of those a failed undertaking, not exactly because of its start as a customs union, but because of the erroneous national economic policies followed since 2003.

Unasur, the Union of South American Nations, created by a Brazilian initiative aiming to "liberate the region from the heavy hand of the Empire" (the US), is just one more ineffective piece of rhetorical fervor in favor of integration while being dominated by the same Bolivarian countries – Venezuela *en tête* – which spouse an anti-imperialist speech in place and lieu of true integration projects. Since its inception, it has advanced nothing in terms of physical integration of South American countries – its original endeavor – but accomplished everything in defense of the said Bolivarian countries, a bunch of populist and authoritarian regimes, which are destroying the bases of market economies and democracy in the region. Unasur has done absolutely nothing, for instance, in face of continuous violations of human rights and democratic freedoms in Venezuela, agonizing now in a deep economic and political crisis.

Ten years prior, the same group of countries – Argentina, Brazil and Venezuela – now leading Unasur into its Bolivarian path, were responsible, at the Americas Summit of Mar del Plata (November 2005), for the implosion of the American project of a Free Trade Area in the Americas (FTAA), an initiative of the Clinton Administration, launched in the Miami Summit (December 1994), with the objective of liberalizing trade and investment flows in the hemisphere, and creating common policies in some other areas (intellectual property, non tariff barriers, sectorial regulations and so on). President Lula of Brazil was very proud of this accomplishment, saying that the US led project was much more directed to the annexation of Latin American countries than to a real economic integration. One of the consequences of the implosion of the FTAA was the "minilateralist" approach adopted since then by the U.S., linking like-minded countries in a network of trade agreements and economic treaties that bypassed the obstruction of the protectionist countries.

3. Fragmentation of development policies and of the integration process?

Around the time of the decolonization process, at the beginning of the 1960s, one of the leading development economists, later to become Nobel, Gunnar Myrdal, predicted, in a three volume research work, *Asian Drama*, some notable things: that Asian countries were condemned to utter misery and poverty; that if there were a group of countries capable of doing a catching-up towards the developed club of countries – the OECD bloc – this had to be the Latin American countries, independent since the early 19th century, adopting self-sustained policies of industrialization and practicing State guidance in the strategic sectors of the economy; and also that, if there was one single country in Asia capable of repeating the feature, that should be India, with its semi-socialistic planned economy, extensive controls over foreign investment, trade and capital flows relying heavily on the State induced stimuli in selected sectors of the economy. Myrdal was then praised as a prescient economist and taken for his words.

History, and the Asian countries (much more Pacific, than Southern Asia, or India) proved Gunnar Myrdal totally wrong: a complete reversion occurred between one and other group of countries: Pacific Asia and Latin America traded places in every aspect of their development, in terms of rates of growth, fiscal patterns and respective shares of world trade flows. This inversion of roles started in the sixties, pursued throughout the seventies, and accelerated during the eighties, as globalization started to encompass every corner of the planet, but with minor impact in Latin America, Africa and Middle East. Just to follow the itinerary of some selected countries in each one of the regions during the third wave of globalization, it is enough to verify the departing level of average national income per head, and the same level after three and a half decades of differential rates of growth, as revealed in the table below.

Levels of GDP per capita (in Purchasing Power Parity) between 1980 and 2014, in some selected countries from Latin America and Asia Pacific			
Countries	**1980**	**2014**	**2014/1980**
Latin American countries			
Argentina	4.893	22.101	***4.5***
Brazil	3.690	15.153	***4.1***
Chile	2.921	23.165	***7.9***
Colombia	2.442	13.148	***5.3***
Mexico	4.980	17.925	***3.6***
Peru	2.965	11.988	***4.0***
Venezuela	5.754	17,917	***3.1***
Average: $, growth	*4,607.50*	*20,232.83*	***4.39***
Asia Pacific countries			
China	250	12. 893	***51.5***
South Korea	2.302	35.485	***15.4***
Hong Kong	6.790	55.166	***8.1***
Indonesia	729	10.156	***13.9***
Malaysia	318	24.520	***77.1***
Thailand	1.090	14.442	***13.2***
Taiwan	3.570	43.600	***12.2***
Average: $, growth	*2,508.16*	*32,760.33*	***13.06***
Latin America to Asia Pacific income in 1980			***1.83***
Asia Pacific to Latin America income in 1980			***0.54***

Latin America to Asia Pacific income in 2014	***0.61***
Asia Pacific to Latin America income in 2014	***1.62***
Source: US$; Economy Watch (economywatch.com).	

Despite an arbitrary selection of countries for each region, they seem to be representative of the most dynamic countries in each side, albeit excluding Singapore, a truly impressive case of rapid growth even more than that of Malaysia, for instance. The figures confirm that the GDP per head growth in Asia Pacific was almost eight times higher than its average level reached in Latin America. Even excluding the "distorting" figures for China and Malaysia, as both departed from very low levels, and those of Hong Kong, which already started at satisfactory income level, the indicators there would still be four times higher than the results achieved in the Latin American group.

Latin American countries, during most of the recent times, and with few exceptions – the "Asian tiger" here being Chile, in the same manner as Philippines was the "Latin American laggard" in the Asia Pacific – have been protectionist, and too inclined to State intervention, characteristics also associated with some Asian countries in their respective phases of industrialization and accelerated growth. The differences, probably, are to be located in education, fiscal policies and external opening. Liberal reforms undertaken in Latin America during the 1980s have partially stabilized economies plagued by high inflation rates and monetary profligacy, but few countries – the exception being Chile, again – pursued the structural reforms further, in order to open their economies, liberalize trade, control State expenditures, qualify the work force, improve the infrastructure, and attract foreign investments, including in sectors previously functioning under State monopolies. Chile benefitted from a complete set of reforms, and experienced Asian-like rates of growth for many years. Other countries – either for lack of a competent leadership, or for the well-known "raw materials curse" (the sad example is Venezuela of course) – were condemned to an erratic boom and bust process of growth, followed by recurrent crises or even recession. It is not a surprise, historically, that Argentina, Brazil and Venezuela fit exactly this unhappy pattern.

By and large, most of Latin American countries remained confirmed in their roles of primary products exporters, a characteristic even reinforced in the last decade by the impressive growth of China, turned their first trade partner, taking the place previously held by the United States for more than a century (but less in the case of Argentina). The new dependency on Chinese demand is perhaps similar to the century old colonial trade patterns between advanced industrial economies and the colonial or semi-colonial periphery, that is, nowadays developing countries in the Third World. Brazil, for instance, exports 95 percent of raw materials to China and imports 95 per cent of manufactured goods from China. This asymmetric relationship promises to endure for some time with no great changes in sight. Any new Chinese investments in Brazil will be in infrastructure to facilitate the exports of raw materials to feed its huge productive machine, or in industries that will compete against American or European (or Brazilian) factories, to supply the local markets and those of the neighboring South American countries.

In recent years, Latin American countries have differentiated among themselves along three lines of development, encompassing *grosso modo* the three more important groups in the region: the Alliance of the Pacific is clearly identified with policies and practices that could allow its members to be called "globalizers", that is, open to free trade agreements and almost no restrictions to foreign direct investments; Mercosur members for their side, especially Argentina and Brazil, could be said to be "reticent countries", as they hesitate in the economic opening and trade liberalization, and pursue old protectionist policies and State guidance for private investment; finally, for lack of a better label, there is no proper designation for the "Bolivarian" countries – Venezuela, Bolivia, Ecuador – because some of them did not retract so deep in the State control, exchange manipulation, nationalization and expropriation of private enterprises in the same manner as Venezuela did, albeit all of them maintain a real mistrust of free trade and normal market regulations. More important, this Bolivarian group share the same populist and authoritarian behavior, with some reflections on the economic domain.

4. Brazil's economic and political role in the region

A century ago Brazil was a very backward country, essentially an agricultural economy, with coffee responding for almost 70 percent of total exports and more than 30 percent of State export receipts, with few industries and an income per head that was a tenth of the American level, and five times less than the Argentinean average revenue. Despite a frustrating record in terms of social progress – due to a low quality education – the rates of economic growth for the most of the 20th century, up to the 1980s, were really impressive, sometimes at current Chinese levels, in the average of 4,5 percent a year from the 1930s up to the external debt crisis of 1982. The military regime (1964-1985), modernizing and technocratic, was a kind of Bismarckian model of Statecraft combined with a Stalinist-like industrialization, favoring the bourgeoisie, as the income concentration increased significantly during that period. The two oil shocks and the external debt, together with a renewed and strong Civilian opposition, closed the military interregnum and their will to rule (probably forever).

After almost two decades of negligible growth, reforms undertaken by the two Fernando Henrique Cardoso's administrations (1995-2002) prepared the country for a sustained growth, which finally arrived after the Asian financial crises of the 1990s, and coinciding with the high demand for primary products from China. Indeed, the first Lula administration (2003-2006) and half of the second (prior to the American recession) were characterized by satisfactory rates of growth, only to be squandered by a disastrous economic performance by Lula's successor, Dilma Russeff; her first administration was a total failure and an economic disaster, whit more inflation (the double of the official target), manipulation and devaluation of the currency, low growth (despite of an expressive growth in consumption credit and in affordable housing programs), and double deficits, both in domestic accounts and external transactions.

In fact, during the whole period starting in 2003, Brazil growth was inferior to the average rate of Latin America, less than the world growth rates and three times less than the more dynamic emerging countries. The reasons are to be located in a very low savings rate, a mediocre investment rate, and an "OECD level" of government receipts: taxation is as high as 36 percent of the GDP, meanwhile the income per head is four or five times below OECD's level. Brazilian State imposes a very heavy fiscal charge over its citizens and private companies, expends more than two fifths of the GDP, including a heavy service for the domestic debt, and does not offer services or investment levels commensurate with the revenue extraction it exerts against the very creators of riches.

Succeeding the structural reforms of the 1990s, Lula's years in charge saw no reform at all; to the contrary, even if his administration has not reverted the many privatizations accomplished by Cardoso, he conducted an overall growth of the State, creating many new state companies, increasing the number of public officials to new heights, accruing State expenditures above both the rates of growth and the inflation, with very few productive investments. Also, corruption levels went rampant, for instance in Petrobras, the state oil company, almost destroyed by mismanagement, inflated purchases and foreign contracts signed carelessly (or perhaps undertaken at shamefully inflated prices, and deliberately for somber purposes).

Notwithstanding the poor performance at domestic level, reception of Lula's activism abroad was synonymous of success, even if there was more transpiration (in terms of propaganda) than inspiration. Foreign policy departed from the very cautious postures adopted traditionally by Itamaraty – the Foreign ministry – and embarked on a clear partisan policy, aiming to please the leftist and anti-imperialist Worker's Party and other socialist movements in Brazil. Externally, Lula's government adhered to, and also created its own, policies of all kinds directed to "change the geopolitical relations" in the world – deemed too hegemonic, unilateralist and imperialist – and to push for "a new trade geography in the world", both with an anti-hegemonic flavor and under the banner of "South-South diplomacy". Alliances with supposed "strategic partners" were devised, first with India and South Africa – in the IBSA group –, soon afterwards with the so-called group Bric, suggested by an investor economist as the big emerging economies of China, Russia, India and Brazil – later to politically include South Africa as well – but artificially promoted by Brazil and Russia as a formal diplomatic group.

Considering Brazilian diplomacy since 2003, it is important to stress that the *modus operandi* combined formal procedures proper to Itamaraty and political goals and objectives intimately associated with PT's ideology, a typical leftist party guided by anti-imperialistic instinct and obscure Cuban links. The three most important diplomatic priorities of Lula's administration were: to conquer a permanent siege at the UN Security Council, to reinforce and to expand Mercosur in South America, and to make commercial gains through a successful conclusion of the Doha round of multilateral trade negotiations. Not a single one was reached during his two mandates or during its "natural extension", Dilma's first presidency, and none are ready to be accomplished during her second mandate, because of overoptimistic and erroneous assumptions made at the start. All three objectives were conceived and implemented on the basis of the referred South-South diplomacy, and the alliance with the anti-hegemonic strategic partners, such as China and Russia, the two authoritarian members of the Brics.

For different motivations, but with the same consequences, these two countries never sustained the objective of their two original and democratic companions in the Bric, India and Brazil, to be accepted as new permanent members of the UNSC, despite a worldwide campaign by Lula's diplomacy to gain support in the Southern hemisphere. As regards the third objective, having a successful conclusion of the Doha round, most of the blame – besides reluctance by the U.S. and EU with the agricultural agreement – fells also on some of other strategic partners, namely India and Argentina, both opposed to industrial tariffs reduction and India's posture against agricultural liberalization. The Mercosur project and South America integration are special cases in the agenda, which deserve a more detailed examination.

Notwithstanding a gradual recovery of the intra and extra-Mercosur trade, after the crises affecting Brazil and Argentina between 1999 and 2002, the resumption of economic growth in member countries was not enough to overcome the many economic fragilities which still hinder the bloc. In fact, the promises of trade liberalization made at various stages of the integration process were never realized, and the customs union announced in 1995 was real only in paper. Since the start of Lula's and Kirchner's administrations, in 2003, no substantive advances were accomplished in the domain of commercial integration, and, to the contrary, more restrictions – inwards and outwards – were introduced at each successive challenge, either caused by external, or domestic factors. The blame is to be equally divided between its two major members, and their protectionist instincts, but, mostly, it is to be attributed to the unilateral safeguards imposed by Argentina against imported products, including those from Brazil, its most important partner up to recently (China is taking the first posts everywhere). But Lula was totally compliant with Argentinean control of importations, even cooperating with them, accepting self-imposed restrictions on Brazilian exports, notwithstanding the fact that Argentina's measures ran against Mercosur's and Gatt's rules on the matter.

To compensate for the lack of progress – in fact, a retrocession – in the chapter of commercial integration, the two countries devised new institutions in non-trade areas, especially in political and social sectors, either bilaterally or as multilateral cooperation among member countries and with some neighbors in the region. Some of the instruments were taught to incorporate civil society into the integration process, for instance, trade unions and cultural organizations, while others were directed to public institutions other than the Executive power. Even if its inherent powers are at most theoretical, a Parliament of Mercosur was created, with equal representation from each member country, despite the huge differences among them. A Monetary Institution has been suggested, notwithstanding the fact that no coordination of macroeconomic policies existed at all, and that exchange policies and monetary and fiscal goals are determined independently (and contradictorily) by each national economic authority.

5. Assessment and prospects: more of the same for Latin America?

Economic studies emanating from independent research think tanks and from international organizations – such as IMF and OECD – have reached a common agreement for most of their predictions concerning major developed countries and emerging economies: there will be a very slow recovery from the low growth in advanced economies – with a more sustained path in the US than in Europe – together with delayed reforms in many developing countries. Pending on some hidden bubbles in the US and China, or even in Russia, there are still prospects for dynamic trends in major emerging countries, such as India and China. Russia and Brazil, together with some Latin American countries, did not profit from the bonanza of the 2000s to improve their respective fiscal positions or to diversify their exporting sector, which remained too concentrated on a small number of commodities. Predictions for the remaining Brics countries, Brazil, Russia and South Africa, are that they will continue to suffer from lack of adjustments during the good years of commodities boom and will grow at very low levels, not excluding recession in 2015.

According to some reports, Latin America as a whole is to grow less than the world average in the next few years, and the three big countries in South America – Argentina, Brazil and Venezuela – are, in fact, going to have a negative growth in 2015, and possibly in 2016 also; they respond for a large part of the region's GDP and trade. Forecasts for three South American countries, Chile, Peru and Colombia, that, together with Mexico, in North America, form the Pacific Alliance, are that they will have moderate but sustained growth in the foreseeable future, due to their choice of a globalized economic strategy, relying much more on the dynamic exchanges that take place in the Pacific rim than in their intra-regional trade; in fact, the four decided to act together thinking in their outward flows with other regions, not between each other.

The truth is that political arrangements that were made for both Mercosur and Unasur are not paying off, mostly due to the fact that they rely much more on managed or administered trade than real free trade agreements. National regulatory dispositions related to public works in infrastructure are incompatible with each other, so very few integration projects are really being carried out in the domains of transportation, energy or telecommunications, including due to the fact that in some countries (the so-called "globalizers") those sectors are open to private, or foreign, investors, while the heavy hand and the control of the State are still prevalent in many others (Bolivarians ahead). After reforms undertaken in the 1980s, populist and pro-State political leaders were elected in the late 1990s and 2000s, who turned back the clock of modernizing efforts inspired in the Washington Consensus prescriptions. Many political leaders in Latin America are looking with nostalgic feelings to the 1960s, not to the future.

This is one of the reasons for the integration process and the economic opening started in the 1980s to be held back from previous commitments of continuous trade liberalization. In Mercosur, for instance, the customs union that was built out of the free trade zone put in place during the transitional period (1991-1994), and formally started in 1995, probably now covers less products and creates less trade flows than it was the case in the beginning. According to some observers, less than 10 per cent of imported items within Mercosur are done under the rates established by the Common External Tariff. One other reason is the huge Chinese penetration in many local markets in South America: some countries, such as Brazil, has now China as their first trade partners, with USA and European Union ranked in second or third places. Even in the case of the largest reciprocal trade relationship in Mercosur and in South America, that of Brazil-Argentina, the new linkages with the Asian giant are strongly impacting the bloc and remodeling the commercial patterns inside and outside the continent.

Mercosur, according to the original Brazilian idea, was conceived as the center and the hub of a larger free trade space in South America, and as a common platform for trade negotiations at the hemispheric and global levels; but lack of progress in those directions is holding back Mercosur as a serious partner for multilateral bargaining in the WTO trade talks or for a successful conclusion of an almost two decade long discussion with European Union for an association and trade agreement. After the political decision to accept Venezuela in the bloc, in 2012, and the possible association of two other "Bolivarian" countries – Bolivia and Ecuador – with it, the possibility of having negotiating process with European or Asian countries for trade agreements, or even at the hemispheric level again, is less likely than ever. So, except for the four member of the Pacific Alliance, the prospects are for a further diminution of the share of those South American countries in the world trade flows. And, excepting a sustained price level for their exported commodities, not only the volume and diversification, but also the value of their respective external trade is expected to shrink in the context of the whole international trade. Latin America loses its share in favor of Asia Pacific.

Indeed, as we have seen in the table of income levels in 1980 and in 2014, Chile and Colombia are the two sole countries which advanced above of the average level of GDP per capita; the fact that they could be included in a "globalizer" club, together with Peru (which has sped up both its economic opening and growth rates in recent years), is a good bet on which countries can be winners in the world race for a full productive integration into the capitalist globalization. Observing the remaining countries of the region, where protectionist and interventionist practices are still in the economic policy menu, there is no surprise at all that the Asian region, in general, performed well ahead Latin America in economic growth and raise in income levels. No one is talking of true liberalism in one or other region, but it is a fact that the State in Latin America was historically used to keep the oligarchs in power, and after, during the industrializing process, the mismanagement in fiscal, monetary and exchange policies represented a clear difference compared with similar policies in the Asian region, not mentioning the appalling scenario related to public education, well behind acceptable levels of learning proficiency in Latin America.

Brazil is a case in point, in both economic policies and educational performance. In the OECD's Program of International Student Assessment – a comparative ranking of middle level learning achievement in Language, Science and Mathematics – Brazil and Argentina are amongst the worst achievers in the regular evaluations, behind countries with inferior income levels. Also, the two, together with Venezuela, have squandered previous attempts at economic stabilization, low inflation rates and external accounts equilibrium, and have performed very poorly in economic growth in recent years (and probably in the near future too). Brazil, like the United States at global level, Germany in Europe, and China and Japan in the Asian region, could be the engine for growth, integration, and economic liberalization in the region; instead of that, Brazil is lowering growth prospects in South America and for Latin American indicators. This is due to a exceptionally bad management of its economy – both in macro and sectorial policies – by the Worker's Party apparatchiks, who are particularly inefficient in combining economic reforms and socially sustainable distribution policies. They have turned Brazil back to the precedent era of high inflation, low growth, and double deficits (budget and external accounts). The whole set of distribution mechanisms artificially created during the last decade (subsidies for the poor, for popular housing, but also for the rich, through low interests in borrowing from National Development Bank) are being reduced due to a fiscal deficit higher that 7% of the GDP, the direct consequence of high expenditures in the last three years, to support the reelection of the current president. In fact, Brazil is going back more than two decades of previous stabilization programs and serious efforts at redressing the national accounts.

The recurrence of fiscal deficits, high inflation, protectionism, external disequilibria – is nothing new in Latin America, but the real news is that the continent, for the first time, is fragmented between those countries that have choose to integrate themselves into the world economy, and the other half that preferred to rely on old economic practices and on the same populist measures of the past. The test of reality is already being applied to the discomfort of the later, and Brazil is unhappily among them. Worse than that: current Worker's Party government is betraying the best diplomatic traditions of Brazil, as almost everyone in and out of the region is horrified by the terrible violations against democracy and human rights that are being committed in Venezuela, in Cuba, and in other authoritarian countries, in the region and elsewhere, to which the Worker's Party government choose to give its political support. Current times, decidedly, are not the best for Brazil, or for the region, and we'll have to wait till political education, and the mobilization of civil society, are able to redress, by political means, the retrocession in governance and morals that are nowadays in place.

Paulo Roberto de Almeida

[Anápolis, Brazil, June 1st, 2015, 14 p.
Reviewed by Maira Palazzo, June 4th, 2015.]