The Future of Latin America in the Global Economy: An Interview with Fernando Henrique Cardoso

Fernando Henrique Cardoso and Humberto Campodónico

Abstract

Fernando Henrique Cardoso is a former two-term President and Minister of Finance of Brazil. A distinguished scholar, Dr Cardoso has written over 40 books, with his 1969 contribution to 'dependency theory' among his most well-known. In this interview with guest editor Humberto Campodónico, President Cardoso discusses the evolution of development theories in Latin America, offers his views on recent growth and challenges in the region, and provides insights regarding the future of Latin America's engagement in the global economy.

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The global economic landscape has changed radically since you wrote your first book in the late 1960s. How has this affected the evolution of dependency theory? In particular, how do you perceive the impact of the rise of China and the other BRICS in terms of structural changes that affect economic power and hegemony relations globally?

What Enzo Faletto and I tried to describe and conceptualise in our 1969 book (published in English in 1979) could be considered a preliminary attempt to understand the consequences of 'globalisation'.¹ When we wrote the book,

1 Cardoso, F.H. and E. Faletto (1969) *Dependencia y desarrollo en América Latina: ensayo de interpretación sociológica* (México: Siglo Veintiuno Editores); and Cardoso, F.H. and E. Faletto (1979) *Dependency and development in Latin America* (Berkeley: University of California Press, translated by Marjory Mattingly Urquidí).

even the notion of multinational corporations didn't exist: the usual terms applied to describe companies that acted on a global scale were 'trusts' or 'cartels'. The predominant view in Latin America in the late sixties and seventies was that the capitalist system, under an imperialistic umbrella, was not interested in industrialising the region. Even some economists working at the Economic Commission for Latin America (ECLAC)—a very influential United Nations commission for which I worked at the time—suffered from the influence of that vision. They believed it would be almost impossible to achieve continuous growth without breaking with traditional policies. The cyclical price oscillations inherent in the exchange between commodities exported by the periphery and industrialised goods imported from central economies were detrimental to developing countries. It would be hard to ensure continuous growth and people's well-being without concentrating the decision-making process in the hands of local producers, both state-owned and privately owned companies. The notion behind all this was that the 'periphery'—that part of the planet composed of dependent and underdeveloped countries—was economically and socially homogeneous. As a group, dependent countries were exploited by industrialised countries.

To change this situation it would be necessary to industrialise our economies. Such a process would require that governments encourage local investment. To make this possible, some planning was required.

The main contribution of our book was a change in this paradigm. Instead of a homogenous periphery we sought out different forms of interrelation that linked developing countries with the central economies. Some were 'enclave type' economies, whose growth was dependent on foreign investment in mineral extraction or food production; others were already semi-industrialised economies, with relatively strong domestic markets. On top of that, in some countries, domestic capital accumulation made possible the formation of a 'national' bourgeoisie while in others, foreign capital was predominant; very often local and foreign entrepreneurs formed an intertwined production chain.

The book was opposed to the predominant ideas of the time with regard to the inevitable economic stagnation of the region, and we never agreed with the mechanical and often exclusively economic approach proposed by so-called dependency theory. Our focus was on diverse paths to development, on the necessary role of social and political actors in the process of development and, lastly, on emphasising the existence of opportunities for growth, despite the constraints imposed by links of dependency. Of course, we recognised and emphasised such constraints, but the book showed that development was making its way.

Nowadays, it seems clear that globalisation is not the same as imperialism, despite the fact that asymmetries remain and new links of dependency emerge. One simple example: with imperialism, companies operating in under-developed countries relied on the action of their mother country State to control local populations and/or sources of raw material; globalisation, meanwhile, places the emphasis on corporations, hates regulation—the less State involvement, the better—and does not need to colonise.

From the 1970s onwards, technological innovations (information technologies, revolutionary changes to the means of transportation, etc.) deeply transformed global production systems. These and other transformations made it possible to maximise production factors at the global level. Investment sprayed all around looking for a cheap labour force, more flexible regulations and/or proximity to consumer markets. A global view allowed the spreading out of investment from multinational corporations looking for profits.

You distanced yourself from dependency theory in the 1990s. What were the main analytical elements that led you to make that decision? Do you think the current economic situation proves that you made the right choice?

I had—as I have already mentioned—always distanced myself from a mechanistic view of dependency theory. Globalisation made it clear that in order for a nation to grow, rather than promoting an increase in import tariffs to protect domestic markets it has to encourage its companies to compete at the global level. The global environment continues to be asymmetric and developing countries continue to be dependent on technological and financial matters. For developing nations to become integrated into the global order they must have in place adequate cultural and educational conditions and possess the necessary political strength. All this implies more than just capital investment: development is a socio-political process.

Most of Latin America experienced economic growth and falling poverty and inequality rates during the period 2003–14 due to the super-cycle of high prices in raw materials and agricultural products. Did the region take advantage of this opportunity? What policies should have been implemented to foster further sustainable development (e.g. boosting the diversification of production)?

Even before that positive global economic cycle, some Latin American countries (Brazil, Chile and Mexico, for instance) had moved towards best practices. Sound public finances alongside efforts to ensure access to education, health

care and, in some cases, to land, and income distribution programmes, are all necessary if a nation is to benefit from the positive phases of the world economy. Policies that encourage better income distribution are also important instruments of socio-economic integration. But, without economic diversification and investment, the best intentions and public programmes will not be enough to provide and sustain a better quality of life.

In the case of Brazil, it was possible in the nineties to keep inflation under control (the Real Plan) and to achieve social and economic progress. More recently, from 2004 up to 2008, the economy benefited from the global economic boom. Nevertheless, the wrong policies, mainly those implemented after the 2008 global crisis, have led the country backwards in economic, social and even political terms.

Several of the chapters in this volume argue that the economic and social impacts of the policies implemented by those countries that adopted 'orthodox' (Colombia, Chile and Peru) and 'heterodox' (Bolivia and Ecuador) development strategies are very similar. What is your opinion on this issue?

These countries don't have similar economies and neither have they adopted similar political approaches. They were positively affected—as was the rest of Latin America—by global waves of prosperity, crisis, and recovery. Chile, Colombia and Peru have adopted, step by step, policies of 'liberalisation' inspired by 'Western views'. The populations of Bolivia and Ecuador are significantly comprised of indigenous groups. Historically those populations were marginalised. So, social and economic integration policies have been crucial to creating a more cohesive society. Of course, in the case of each of these countries, the lack of economic diversity (with Ecuador being heavily dependent on oil prices and Bolivia on gas and before that on minerals) in the long run continues to be an obstacle to socio-economic progress. Not to mention Venezuela, whose recent, desperate situation is dramatic.

What do you think of the theory of 'buen vivir', which has been included in the constitutions of Bolivia and Ecuador? Do you see it as an alternative development path for Latin America? Do you see any connections between it and some of the theories you have developed in the past?

To have good purposes as goals puts a toll on a nation's integration processes. Who can oppose *buen vivir*? The 1988 Brazilian Constitution is often criticized by conservative thinkers because it prescribes high social targets as if Brazil would be like a 'Nordic country'. Criticisms arise because the implementation

of those objectives was assigned to government (a burden on public finance due to the lack of resources to achieve them). Nevertheless, I participated in the creation of the 1988 Constitution and I approved of those goals. I continue to believe that markets alone will never deliver what people need. States must act to promote social development. So, in that sense, yes, what I wrote and think about development theories has links to certain aspects of 'unorthodox theories'.

You state that there is 'an urgent need to build a socially oriented market economy'. Has any country in the region fully (or even partially) achieved this? If so, how was this feat accomplished?

I cannot say that a fully 'socially oriented market economy' has been put in place in Latin America. Nevertheless, even more 'orthodox' economies—such as that of Chile—are largely penetrated by a sense of social urgency with regard to taking care of the poorest. Development in Latin America is, to a growing extent, not conceived merely as 'economic development'. In most countries it implies both reducing levels of inequality and the consolidation of democratic institutions.

How do you analyse the current downturn in the Brazilian economy—the most industrialised economy in Latin America and the eighth largest in the world? In this context, do you support maintaining social programmes such as Bolsa Escolha? Do you expect a radical change to take place?

The current Brazilian downturn is a result of the inability of recent administrations to react in an appropriate manner to the global financial crisis and of an inappropriate vision with respect to domestic challenges. Economic recovery will not be brought about only by an expansion in public sector credit and stimuli aimed at promoting widespread consumption—it also requires public and private investment. At the same time, budgetary responsibility is not a 'rightist' policy as the Rousseff administration seemed to believe; rather it is a commonsensical requirement for a healthy economy. In the long run, endlessly increasing public debt cannot support people's well-being.

Is it convenient for Brazil to be seen as one of the BRICS? Measured in terms of purchasing power parity (PPP), China has already overtaken the United States. Should Brazil maintain an equal distance from the two hegemonic poles?

BRICS—as a label—was created by someone from Goldman Sachs in the late nineties. At that point, in a moment of financial crisis, it was important to

differentiate a small group of developing countries. The label refers to a grouping of highly populated countries, each with a gross domestic product (GDP) of considerable size (in spite of low per capita income) and with growth potential. Those conditions mean that the BRICS nations are in a position to play the international power game. What else do Brazil, Russia, India, China and South Africa have in common? They have different political systems, economic bases and even opportunities to exert power at the global level. China is nowadays closer to the United States in terms of trade relevance, GDP and power influence. Brazil is a regional power, aiming to be accepted as a participant in the world's political game; and it has the opportunity to be successful in certain areas (the environment, for instance). In our national interest, it is better to behave like a 'Western nation' in terms of human rights, and to keep our distance from the West with regard to other issues—trade or intellectual property rights in medicine, for instance.

Is Latin America contributing ideas, strategies and development policies at the global level? What are the priorities if the region is to achieve the Sustainable Development Goals?

Latin America is a 'peace area', far away from atomic weapons. Historically, the region was—as was the United States—a land of immigrants and thus multicultural (however, basically 'Christian'). Our main problems are domestic: social inequalities, violence, a lack of respect for the rule of law, etc. Now, with democracy more vigorous in the region and in some countries more consolidated, our contribution should lie in the enhancement of what you refer to as Sustainable Development Goals. Culturally, our diversity and our ability to share our experiences in reducing racism and promoting social inclusiveness are key 'weapons' that we can use as elements of soft power. In the future, Latin America's leaders will be judged on their ability, or lack thereof, to fulfil these potentialities.

Some economists argue that the globalisation process has gone too far, which could explain voters' support for free trade critics such as Bernie Sanders and Donald Trump, and the recent Brexit vote in the UK. Do you see a similar trend in Latin America, and how might the challenges of globalisation in the North impact Latin America?

The current form of global economic development, maintaining a high growth of productivity through technology, and maximising production factors on a planetary level, undoubtedly causes unemployment which breeds unease in certain areas. This feeling, which is so characteristic not only Europe and

especially in the United States, has an echo in Latin America—and it adds to the anti-globalisation movements.

China has proposed several initiatives within the China-ECLAC context, including large infrastructure investments (e.g. a train connection between the Atlantic and the Pacific). How should Latin American leaders address the China–Latin America relationship? Do you think that Latin America should present a unified platform in order to develop its collaboration with China?

The relative peace, which has been achieved after World War II, is the result of the fall of the Soviet regime and of the tacit understanding, since Nixon/Kissinger, between the United States and China. This seems to be coming to an end, and China is showing an interest in a growth of its influence in Africa and Latin America. To our region, the collective negotiation with China, although difficult, is seen as a protective shield in a time when, especially in the Middle East, Russia's actions seem to find an echo with China, which could lead to a joint action by these two superpowers, worrying Americans. Latin America must become aware of these emerging possibilities at the same time that it takes advantage of Chinese willingness to invest in its infrastructure, but reassuring the West that it does so pragmatically, and not for ideology.