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# 5

# THE DYNAMICS OF ASYMMETRICAL DEVELOPMENT

## Latin America in the Global Economy

*Nicola Phillips*

The task of capturing the changing dynamics of Latin America's position in the contemporary global economy can only be approached with some trepidation. I make this claim for two reasons. The first is obvious to anyone familiar with the Latin American region: the extent of its diversity creates shaky ground for most generalizations. In thinking empirically and theoretically about modes of participation in the global economy, the patterns of asymmetry that shape those modes of participation and the associated development challenges that confront the economies and societies of the region, it can seem as though Latin America is not one region but several. Our challenge is to capture that level of diversity, difference and inequality, while making sense of the structural economic, political and social forces that shape the regional political economy as a whole.

The second reason is that both the global economy and the region itself are undergoing a process of significant restructuring, the direction and outcome of which remains unclear. Change and flux are, of course, continuous and not in themselves remarkable. But in the contemporary context, those looking for ready "buzzwords" or "catchphrases" to sum up a putative new era of global and Latin American development are likely to find themselves confounded not only by the extent of regional diversity but also by the prevailing uncertainty that characterizes the global political economy of the 2010s, marked as it is by processes of global economic restructuring, the unfolding of crises in the Anglo-American and eurozone economies, and complex global shifts of economic, political and ideological power.

This chapter sets out to understand the changing dynamics of Latin America's positioning within the global economy, by first grasping the global and regional forces that are shaping the contemporary juncture for Latin America, and then, necessarily tentatively, tracing the dominant trends that are emerging in response to these processes of change. It takes as its starting point the concept of asymmetry, which has always needed to be at the center of any analysis or theorization of Latin America's global positioning. The manner in which global asymmetries were captured in the structuralist theories of the 1950s and 1960s shaped a "dependency" discourse that dominated in the region for many years. Long after those bodies of theory faded from fashion, deemed by many to have been humbled by the course of global economic development, debates about development in Latin America continued to be framed by the *question* and the *issue* of dependency. Through the 1980s and 1990s, these debates related variously to the ideological, economic and political power of the United States, the role in development of transnational corporations or global capital flows, the terms on which Latin American economies participated in global trade, the relationship between Latin American governments and the international financial institutions, the terms on which Latin American interests were represented in multilateral institutions and bargaining processes, and so on.

These concerns persist in the contemporary era, but in a much-altered form. Although the public and academic discourse has moved on from being framed by the issue of dependency, the issues that concept encapsulated, relating to asymmetries and inequalities in international relations and global political economy, are still central to the forces conditioning Latin American development and the modes of global economic positioning that are taking shape across the region. The contemporary reshaping of those global asymmetries is opening up a range of new questions and debates about how best to characterize the political economy of development that is unfolding on this basis.

## Shaping Forces

Growth and development across the world are conditioned by the shape and evolution of the global economy. The acceleration of economic globalization from the 1970s onwards, marked by the deregulation of financial markets, the geographical fragmentation of production and the greater liberalization of trade, gave rise to an orthodoxy, in Latin America and elsewhere, that the route to growth and development lay in greater integration into the global economy and strategies to enhance national and sectoral competitiveness in global markets. This orthodoxy replaced a dependency-style emphasis on the structural brake to development that the international economy imposed, and instead pointed towards the achievement of development aspirations by means of embracing globalization through far-reaching processes of liberalization and deregulation. The region thereby embarked on an era marked by the ideological, political and economic hegemony of neoliberalism. The uniformity of neoliberalism in Latin America is often overstated: it took varied forms, and achieved varying degrees of expression, in different parts of the region (Phillips 2004a; Robinson 2008). It also went through a series of incarnations, moving from the era of structural adjustment of the early 1980s to the preeminence of the "Washington consensus" by the end of that decade, to a more nebulous agenda termed the "post-Washington consensus" later in the 1990s. Nevertheless, neoliberalism can be said unequivocally to have represented the defining ideological foundation of the regional political economy from the mid-1980s onwards, consolidated by extensive domestic processes of economic and political restructuring, the supporting structures of "new" or "open" regionalism and close engagement with the institutions of global economic governance and the US state.

Since the early to mid-2000s, however, the power structures associated with neoliberal globalization have visibly been undermined in the global and the regional economies, reshaping the environment of Latin American development. This process of change has resulted from a conjunction of global and regional trends, which interlock with one another both causally and chronologically. The first of these relates to the power of the United States in the region and the relationship between the US and Latin American economies. Dependence on the US market for exports, and on US sources of investment, has long been the characteristic of large parts of the region, even though the structure of trade and investment in the Americas is one in which the barriers to the US market for Latin American exporters are significantly greater and more diverse than those encountered by US exports to the rest of the region. Economic dependence on the US has been particularly pronounced for the northern parts of the region. At the end of the twentieth century, around 80 per cent of Mexican trade was with the US. Equivalent figures stood at 50 per cent for the Central American Common Market (CACM) and 40 per cent for the





Caribbean Community (CARICOM) and the Andean Community (CAN), falling to approximately 20 per cent for the Southern Common Market (MERCOSUR) (Phillips 2004b, 36).

Both the importance of this economic relationship and the asymmetries embedded within it continue to define the political economy of Latin America. Nevertheless, the dominance of the United States has been undermined in important measure. The clearest window on this process was provided by the attempted negotiation of a hemispheric free trade area in the early 2000s, a project that emerged from the US president George H. Bush's Enterprise for the Americas Initiative of 2000, but was propelled forward in large part by interest from Latin American and Caribbean countries (Feinberg 2002). Although it was not in this sense driven by the US, the shape of the negotiations was nevertheless strongly defined by US preferences, which were premised on reinforcing a particular form of neoliberal economic governance in the region, implanting a range of trade disciplines that were central to US trade policy and compensating for the ponderous pace of trade liberalization processes at the multilateral level (Phillips 2003, 2005). As US engagement and compliance with multilateral rules was steadily retracted over the 1990s and early 2000s (Tussie 1998; Bergsten 2002), so its interest grew in what were called "WTO [World Trade Organization]-plus" arrangements in the Latin American region in the form of a Free Trade Area of the Americas (FTAA). At the same time, US preferences featured an unbending refusal to permit substantive inclusion on the negotiating agenda of its domestic trade remedy laws (particularly those relating to antidumping) and the system of agricultural subsidies, and an insistence that negotiation on those two issues be reserved for the multilateral setting (Schott 2002, 31). The Bush administration even chose to underline the very selective nature of its commitment to "WTO-plus" hemispheric free trade by increasing its protection of domestic agriculture and steel in the early 2000s.

The failure of the FTAA negotiations can be seen as symbolic of both the breakdown of the neoliberal consensus in the region and the increasing limits of US power. The project foundered in one respect on a lack of political consensus, marked by the skepticism or opposition of many governments to the conclusion of an agreement modeled on US preferences and interests, alongside an entrenchment of divergences between the visions of the hemispheric project among the participating countries. Whereas many of the Andean, Central American and Caribbean countries, as well as Chile, favoured an FTAA, the MERCOSUR countries and Mexico were consistently more reticent, the former because of their more significant interests in multilateral liberalization, and the latter because of the potential erosion of bilateral preferences in the US market (see Bouzas 2000; Blanco and Zabludovsky 2003; de Paiva Abreu 2003; Phillips 2005). Yet the failure of the negotiations also reflected the changing political dynamics that were crystallizing around the increasing weight of Brazil in the regional and global arenas, and the increasing political assertiveness of the Brazilian government in its relationship with its US counterpart. Based on its resistance to the FTAA as a US-dominated initiative and its concerns about the implications of an FTAA for its manufacturing economy (Barbosa 2001), the tension between Brazil and the US produced the eventual stalemate in the negotiations, and ultimately the collapse of the FTAA project.

The inability of the US government to achieve its stated preferences in these negotiations, despite vast asymmetries of economic and political power, thus offers an insight into how, by the mid-2000s, both the economic foundations and political dynamics of the region were shifting away from a pattern shaped by US dominance and the neoliberal consensus that had crystallized in the preceding decades. The demise of the FTAA project also revealed much about the complex domestic and institutional politics surrounding trade issues in the US (Feinberg 2002; Phillips 2007). The response on the part of the US was to shift to the energetic negotiation of bilateral trade agreements with individual countries in the region, as part of a wider global strategy of this nature (Feinberg 2003; Phillips 2005; Shadlen 2008). In one sense, the scale of power asymmetries between negotiating partners that could be harnessed through a bilateral approach yielded greater possibilities for the US to achieve outcomes consistent with its preferences. In another sense, the shift to bilateralism is indicative of some of the constraints on US power in the region that had become apparent by this juncture. It is nevertheless premature to judge US power in the region to have been, or to be in the process of being, dismantled—or indeed displaced in some measure by the emerging importance of China.[1] It is probably fair to say that there has been something of a "relational delinking" between the United States and Latin America (Muñoz 2001, 73–90), but it would be a mistake to overlook the high levels of economic dependence on the US market that continue to characterize many economies of the region and, more generally, the continued significance of US economic and political power in shaping the global political economy as a whole and, by extension, the prospects for Latin American development.

The reconfiguration of US power in the region is closely connected with the second theme in this discussion of the structural forces shaping Latin America's global positioning, namely the shifting patterns of economic and political power that shape the global political economy. The relative decline of US economic power has occurred in the context of the global economic restructuring propelled in large part by the rise of East Asia from the 1970s onwards. For Latin America's global economic relations, two elements of these processes have been particularly important. The first has been the increasing weight of Brazil as one of the so-called rising powers, which are usually defined as moderate- or high-growth economies exerting an increasingly significant influence over the shape of the global political economy and assuming positions of dominance or leadership in their respective regions. Brazil was never comparable to China and some other "rising powers" in terms of its growth trajectory and, by the early 2010s, was mired in a significant economic slowdown.[2] Nevertheless, much has rightly been made of its emergence as an actor of some weight and influence in global economic governance (Brainard and Martinez-Diaz 2009; Hurrell 2010; Roett 2010; Hopewell 2013; Kahler 2013). Equally, although Brazil has established a position of regional dominance by virtue of economic size and, for a time, growth performance, its growing global presence arguably has not been paralleled by an effective strategy for regional leadership (Malamud 2011). It is nevertheless indisputable that the "rise" of Brazil, alongside other new powers, is a key element of the shifting structures of global economic and political power that mark the contemporary period, and increasingly condition the bases of Latin America's global positioning.

The other development of greatest significance for Latin America has been the emerging relationship with China, which has attracted a great deal of commentary, much of it ascribing considerable economic and geopolitical significance to this new pattern of economic engagement. It is indeed the case that the scale of economic exchange has increased significantly since the 1990s, but we should not exaggerate the significance of the rise of China for Latin America. The expansion of the economic relationship started from a very low—almost non-existent—base, and Latin America remains a bit-part player in the universe of China's global strategy (Phillips 2010, 177). Equally, increased economic exchange with China in the form of export growth is concentrated only in a handful of countries (Gallagher and Porzecanski 2010, 2) and, importantly, it is concentrated in certain sectors associated primarily with natural resources. "Market-seeking" investment from China is extremely limited across the board; Chinese interest lies overwhelmingly in securing supplies of natural resources from key Latin American exporters. This is the case even for larger and more dynamic economies such as Brazil's. Even so, this new relationship is significant enough to have engendered some popular disquiet across the region (Jenkins and Dussel Peters 2009) and, conversely, to have been celebrated for the export "boom" and strong economic performance that was permitted through the 2000s by soaring Chinese demand for raw materials and the associated high commodity prices.





The implications from the rise of China vary significantly across the region and are complex even within individual economies. There are both "complementary" and "competitive" effects, which operate simultaneously (Devlin, Estevadeordal, and Rodríguez-Clare 2006; Jenkins 2009). The competitive effects have been most pronounced for Mexico and parts of Central America and the Caribbean and involve primarily competition in third markets, notably the US and the European Union. Initially this competition emerged in labor-intensive and low-technology manufacturing sectors, but subsequently has expanded significantly in product lines with higher technology components, such as the electronics and auto/auto-parts sectors—precisely those which formed the bedrock of Mexican exports to the US. In the mid-2000s, more than 70 per cent of Mexico's exports were under some sort of "threat" from China, including, very directly, the majority of Mexico's fifteen most important export products (Wise 2007; Gallagher, Moreno-Brid, and Porzecanski 2008). In July 2005 China displaced Mexico as the second-largest trading partner of the United States (after Canada). Furthermore, research has suggested a decline in the technological sophistication of Mexican exports directly as a result of the loss of export competitiveness to China (Gallagher, Moreno-Brid, and Porzecanski 2008). Mexico itself has also become a major destination for Chinese exports, with dislocating consequences for local producers (Dussel Peters 2009; Gallagher and Porzecanski 2010). In the early 2010s, however, rising labor costs and currency trends in China, together with volatile transportation costs, meant that "nearshoring" to Mexico began to rise, as manufacturers sought production locations closer to the US (United Nations Conference on Trade and Development [UNCTAD] 2013, 61).

Patterns of displacement have also been evident between Latin American partners, including in South America. In 2006, for example, Chinese manufactured exports displaced Argentine exports in the Brazilian market, despite preferential arrangements in the MERCOSUR (Wise and Quiliconi 2007). South American economies have faced increasing losses in domestic manufacturing markets as a result of accelerating Chinese imports, even in Brazil, where losses have been sustained not only in low-tech sectors such as footwear but also in most high-tech sectors (Mesquita Moreira 2007; Jenkins and Dussel Peters 2009). New industrial policy measures in Brazil have aimed to offset these effects by more actively developing domestic industries and improving technological capabilities, prompting new inflows of investment from transnational corporations in the automobile sector (UNCTAD 2013, 61). These competitive effects have led to a sustained pattern of antidumping suits against China and pressures for greater protectionism in many parts of the region.

Elsewhere, and in other sectors, the enthusiasm for the new relationship with China has stemmed from "complementary" effects, allowing significant actual and potential export growth in natural resource–based sectors, particularly for South America. The Latin America and Caribbean region achieved the second largest increase in exports in 2005, after China, explained by the South American economies' specialization in commodity exports and flows of trade in oil and oil-related products (UN Economic Commission for Latin America and the Caribbean [ECLAC] 2006, 31). At the start of 2006, China had become the second-largest export market for Chile and Peru (behind the US), and for Cuba (behind Venezuela) and the third-largest for Brazil (behind the European Union and the United States). Chile signed a free trade agreement with China in 2006—the only country in Latin America to have done so—and by 2007 China had replaced the United States as the major destination for Chilean exports.

The diversification of trade and investment permitted by the rise of China and Asia, however, does not tell us most of what we need to know about the global economic context in which Latin America is embedded. Focusing on international economic relations risks obscuring the structural processes of globalization and transnationalization that have structured the global political economy since the 1970s. This is the third theme in our discussion of the forces shaping the asymmetries which condition Latin American development. The story of the acceleration of globalization is now well known, as is the response in Latin America oriented to greater liberalization and deregulation, and the political and social projects associated with neoliberalism (Robinson 2008). But one of the keys to understanding the contemporary juncture relates to the ways in which the global economy is now structured around global value chains (GVCs) as its primary organizing devices. GVCs involve production processes that are geographically dispersed, functionally disaggregated and rest predominantly on the trade of *intermediate* goods and services—what has usefully been termed "trade in tasks" (Grossman and Rossi-Hansberg 2008)—rather than the international exchange of final goods. According to estimates from UNCTAD in 2013, GVCs coordinated by transnational corporations have come to account for some 80 per cent of total global trade (UNCTAD 2013).

For Latin American economies, which remain heavily reliant on trade in goods, the implications of this development are significant. To the extent that "the goal of industrial upgrading within GVCs has become nearly synonymous with economic development itself" (Milberg and Winkler 2013, 238), the challenge for Latin American economies is to develop competitive strategies and modes of participation in GVCs that aim to capture a greater share of "value-added," rather than focusing on final goods to export. This implies very different approaches from before in many policy areas: industrial, tax, trade, investment and labor market policy, to name a few (UNCTAD 2013). However, the point about GVCs is that they are driven by the strategies of corporations to generate profit by creating and harnessing significant asymmetries of market power. The implications of the contemporary salience of GVCs are thus as much about the structural impacts of global market asymmetries and the mobilization of economic (and political) power as they are about policy strategies to move up the value chain.

We have seen that the rise of East Asian economic power, driven particularly by China, has been associated for South America with a boom in the export of primary products as the foundation of that region's economies' participation in agricultural and manufacturing GVCs, rather than higher-value-added intermediate goods. The challenges of upgrading in GVCs have been acute given the modes of insertion into GVCs that have been achieved by other East Asian economies. Chinese demand for resource-based manufactures and intermediate goods has been focused on economies of the Association of Southeast Asian Nations (ASEAN), and the higher one goes in the hierarchy of technological content for Chinese imports, the greater the gap becomes between the representation of ASEAN and Latin American economies in supplying Chinese demand (Phillips 2010, 187–88). We noted earlier a rise in nearshoring to Mexico in the early 2010s, but Mexico remains a long way behind China as a location of choice, not least as China has the advantage of a much more advanced regional production network and deeper regional supply chains, compared with the difficulty for companies in Mexico to find local suppliers for parts and packaging (UNCTAD 2013, 62). The developmental challenges for Latin America are thus strongly conditioned by structures of global production, trade and investment which are now predominantly centered on GVCs.

The final theme shifts the focus to regional and national dynamics, shaped by the twin processes of the exhaustion and delegitimation of the neoliberal model, on one hand, and the rise of the "new left" in important parts of the region, on the other. These two trends go hand in hand. We need to be cautious in declaring neoliberalism in Latin America to be defunct—that would be an excessively sweeping statement—but it is nevertheless clear that the most orthodox "Washington consensus" version of neoliberalism has been thoroughly discredited, even in countries where it was given its strongest expression. Over the 1990s and into the 2000s, there was widespread recognition of the poor—often disastrous—record of economic and developmental performance under neoliberalism. Per capita gross domestic product (GDP) grew more slowly over the 1990s than during the period between 1950 and 1980, and by 2003 was 1.5 per cent lower





than in 1997 (ECLAC 2002). Financial volatility associated with globalized financial markets was at least partly to blame for economic and financial crises in Mexico in 1995, the "contagion" from the Asian financial crisis of the late 1990s in Brazil and the Argentine collapse of 2001. Levels of inequality increased sharply, to the point where, in 2008, average per capita income in the tenth decile of the region's population was about 17 times greater than among the poorest 40 per cent of households, and for the richest quintile about 20 times higher than for the poorest one (ECLAC 2008). Poverty levels in much of the region were also left essentially intact, despite the anticipated "trickle-down" effect of neoliberal economics. Remarkable aggregate reductions in poverty of nearly 10 per cent between 2002 and 2008 are accounted for by trends in Mexico, Brazil and Chile, which together account for around 60 per cent of the region's population, and mask static trends in other countries of the region, or on occasion a worsening of poverty levels (Phillips 2011).

The political response to the crisis of neoliberalism has been reflected in a diverse and complex set of trends, which are usually distilled as the Latin American "new left" (see Panizza 2005; Castañeda 2006; Rochlin 2007; Corrales 2008; Weyland, Madrid and Hunter 2010). The political currents grouped together under this heading are not homogenous—they range from those associated with a form of center-left social democracy (Brazil, Chile and Uruguay are examples), to more radical, populist leftist governments (notably in Venezuela, Ecuador and Bolivia). The important point for present purposes is that these currents have been associated with the changing global positioning of Latin American economies, as well as the regional economy more broadly. The diversification of international economic relations associated with the rise of China and East Asia was widely embraced, including by the governments of the "new left," as a means of lessening the dominance of the US and the dependence on its market and as an ideological shift in focus towards engagement with development models which did not conform to the tenets of orthodox neoliberalism. However, the emerging political currents of the "new left" also signaled a changing mode of development strategy, in which states came to take a more active role than that dictated by the market fundamentalism of orthodox neoliberalism, and to be more prepared to engage in direct (albeit still limited) intervention to exercise greater strategic control of economic assets, particularly in the energy and extractive sectors. Social policy has also been a focus of this greater emphasis on subjecting market forces to greater political control. Yet, in most of the region, many leftist governments have not departed in any significant sense from the overarching principles of open economies and fiscal conservatism (Tussie and Heidrich 2006).

The level of national variation is considerable in terms of policy goals, the degree of their radicalism and their view of the appropriate means of achieving the desired forms of institutional change (Corrales 2008). To the extent that there is a unifying feature of this new environment, it is rooted in the recognition of the need for a more interventionist state in mitigating the social and distributional buffeting that this openness can bring and in ameliorating the social dislocations that resulted from the market fundamentalism of the neoliberal era (Tussie and Heidrich 2006; Grugel and Riggirozzi 2012). This approach to national and regional economic policy in turn underpins the changing global positioning of Latin America and the economies of the region. Let us turn now to consider what the implications of these shaping forces have been for Latin America's changing mode of global positioning.

## The Changing Dynamics of Asymmetrical Development

How we can characterize the emerging dynamics of asymmetry in the contemporary context? It is clearly the case that old discourses of dependency, and indeed old forms of dependency, now tell us rather little about the global environment of Latin American development. If it can be said that there is a unifying discourse in contemporary Latin America, one compelling interpretation is that it has shifted away from "dependency" *per se* towards a focus on "autonomy" as a means of mitigating the effects of dependency (Tickner 2009, 33). Indeed, the concept of autonomy seems to capture well the prevailing political impetus in Latin America, towards shrugging off the weight of US political influence, the formulation of independent and distinctive foreign policies, the increased assertiveness of some Latin American governments in the arenas of global governance, and the development of regionalist projects that reflect the distinctive interests and goals of the countries of the region. It applies perhaps most readily to the notion of "policy space" and the rejection of the external imposition of policy agendas that characterized the eras of structural adjustment and Washington consensus–inspired neoliberal reforms. Much has been made politically of the process by which new ideas about state interventions to shape economies and markets, and in some cases to pursue more energetic strategies for social justice, have taken root at the heart of contemporary development strategies. The concept of autonomy is useful also in capturing the increased distance that governments have carved out for themselves in relation to international financial institutions, particularly the International Monetary Fund, which was made possible in large part by the strong economic performance afforded in the 2000s by the boom in exports to China (Domínguez 2010, 6–8). It also tells us much about the tenor of participation by Latin American countries in multilateral institutions and negotiations, in which the greater weight and assertiveness of Brazil has been the bellwether of a very different pattern of engagement for Latin America as a whole.

Where the concept of autonomy is perhaps less revealing is in understanding the structural dynamics of the global economy and the positioning of Latin America in that context. Here the notion of asymmetry may present a more useful lens for analysis. Contemporary asymmetries conditioning Latin American development operate along a number of axes. The first relates to conventional notions of asymmetrical economic and political power, which relate most immediately to the influences of the United States and China. It may well be that a focus on "autonomy" in development thinking in Latin America has been emboldened by the relative decline of US power in the region, and indeed that this decline was in some respects spurred by an anxiety in many parts of Latin America to diminish the extent to which US power shaped the region and its development trajectory. But asymmetrical power relations remain central to interactions between the US and many Latin American governments, and structural asymmetries of economic power continue to condition Latin American strategies for regional and global positioning.

The influence of China has thus far been seen as more economic than political, but nevertheless represents a new axis of global asymmetries shaping the region. It is premature to see China as emerging to fill a "developmental gap" left by the waning of US interest in Latin America,[3] but it is nevertheless clear that the new economic presence of China in the region has been associated with an entrenchment of a mode of development based on Latin America's "comparative advantage" in raw materials and primary products. Although Chinese demand for Latin American exports ushered in a period of strong economic performance over the 2000s, its concentration in the lowest value-added arenas of raw materials production is troubling as a foundation for Latin American development strategies (Lall and Weiss 2005; Jenkins 2009; Phillips 2009, 2010). Trade patterns based on traditional patterns of comparative advantage are often not of a growth-enhancing nature (Mesquita Moreira 2007, 369), and the structural problems of dependence on raw materials for export have been well documented over decades. Indeed, it is striking that development debates in Latin America have, for around half a century, revolved precisely around the imperative of breaking the region's dependence on primary products, not least, ironically, as a reaction to the example of East Asian (and Chinese) development strategies based on rapid industrialization. The turn to a "neo-extractivist" development strategy





in the 2000s, especially in South America, in this sense reflects some of the new contours of global economic power asymmetries, centred not on the US, but rather on China, East Asia and the GVCs that have been constructed to support their development strategies.

We are straying here into forms of asymmetry that go beyond "bilateral" indicators of asymmetrical economic power, namely those associated with market power articulated within GVCs. The emerging "neo-extractivist" trade and development strategy is reinforced by Latin American economies' ongoing inability to compete in global markets for manufactured, high-technology products and to capture higher-value-added niches in GVCs than those associated with inputs of raw materials and primary products. The barriers derive not only from long-standing constraints on the competitiveness of Latin American products but also from the asymmetries of market power wielded within value chains. We saw that these asymmetries are central to the means by which rents are captured in GVCs, by conditioning the terms on which firms and other economic actors (including workers) participate in GVC-based production (Kaplinsky 2005; Milberg and Winkler 2013). East and Southeast Asian producers have been signally effective in securing more competitive locations in GVCs, based on robust regional production network, such that challenging barriers confront the achievement of upgrading by Latin American firms and economies. The competition from China in industry and manufacturing thus appears to be significantly squeezing "development space" for many Latin American economies, reinforcing rather than mitigating the barriers to industrial upgrading.

Lead firms in GVCs also wield considerable political power in relation to foreign investment activities. The premium for Latin American governments on attracting investment, which in many parts of the region features a new focus on attracting Chinese investment in extractive and energy industries and infrastructural development, means that transnational corporations can exercise significant political sway over government decisions in respect of regulatory environments and investment conditions. Yet, although these political power asymmetries are pronounced for many Latin American governments, particularly in smaller economies that are more dependent on external investment, we have seen that new political currents in the region have emphasized the achievement of greater "policy space," which has included a different sort of relationship with transnational corporations and foreign investors. At the heart of "neo-extractivism," especially in South America, is a return to (or indeed reinforcement of) a conception of the state as exercising an important degree of control over transnational corporations in extractive and energy sectors, and controlling a share of the rents from those activities in order to serve the goals of national and regional energy security, alongside social policies (Phillips and Tussie 2011). Brazil has also been distinctive for its much greater willingness to confront powerful transnational corporations, particularly in relation to such issues as labor and environmental standards or intellectual property. Its announcement in August 2013 of its intention to sue Samsung for some US$105 million over violations of labor standards in its factory in Manaus is indicative of this new assertiveness, albeit one which few governments in the region would have the power to emulate.[4]

This brings us back, in closing, to the opening point of the chapter. The arguments made in this section are attempts to generalize about the modes of global positioning that appear to be emerging in the contemporary context, and the asymmetries of economic, market and political power that are shaping those modes of positioning. Generalizations are nevertheless hazardous in relation to a region as diverse as Latin America, where the global asymmetries shaping development are very different for different economies, sectors and groups of people in different parts of the region. What we have to say about the global positioning of Brazil and its navigating of asymmetrical power structures is, clearly, very different from what we have to say about Paraguay. The same goes for analysis of, say, firms in the textiles industry as opposed to the mining industry. The social outcomes of different modes of global positioning also vary enormously across both countries and different social groups. The dynamics of asymmetrical development are thus complex and highly variegated across the region. Moreover, they are marked by a complex mix of a break with old dependencies and greater autonomy in relation to policy space and political independence, on one hand, and the emergence of new power asymmetries which have brought with them their own "squeezing" and constraining—and indeed enabling—effects on development space for the region and its constituent economies and societies, on the other. Asymmetry thus remains a central unifying concept, and an empirical foundation, for an understanding of Latin America's positioning in the contemporary global economy and its changing political economy of development.

## Notes

1 For example, see the statement by Riordan Roett before Congress in 2005. *China's Influence in the Western Hemisphere: Hearing before the Subcommittee on the Western Hemisphere of the H.R. Comm. on International Relations*, 109th Cong, April 6, 2005 (statement of Riordan Roett, Ph.D., Sarita and Don Johnston Professor of Political Science and Director of Western Hemisphere Studies, Paul H. Nitze School of Advanced International Studies, Johns Hopkins University).

2 Charles Roth, "Brazil's Economic Outlook 'Ambiguous' Indeed," *Real Time Economics* (blog), *Wall Street Journal*, June 7, 2013, http://blogs.wsj.com/economics/2013/06/07/brazils-economic-outlook-ambiguous-indeed.

3 *China's Influence in the Western Hemisphere.*

4 Carlos Juliano Barros, "MPT pede R$ 250 milhões de Samsung por más condições de trabalho," *Repórter Brasil*, August 12, 2013, http://reporterbrasil.org.br/2013/08/samsung-e-processada-em-r-250-milhoes-por-superexploracao.

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# 6

# LIBERALISM, CONSTRUCTIVISM AND LATIN AMERICAN POLITICS SINCE THE 1990s

*Arturo Santa-Cruz*

Regionalism is a good place to gauge Latin American politics. There have been many regionwide as well as subregional iterations of it. It has often been noted that Latin America was born regionalist. Indeed. Ever since Simon Bolívar summoned the 1826 Panama Congress, Latin American states have not ceased in their efforts at closer integration.

However, the liberator's lofty objective has remained elusive. As Bolívar himself noted shortly after the founding meeting, "The Panama Congress will remain only as a shadow." On the economic front certainly there is not much to show in the way of integration. Robert Keohane (2001, 207) was right when he noted that if one were to map economic and other kinds of transactions among Latin American countries, one would not be able to recognize a region there. But in other arenas, such as the cultural or political, the networks are denser, and therefore things look different. In them, Latin American states oftentimes seem to add up to a region of sorts. The myriad intergovernmental organizations that have sprung up in the last two decades or so—with the Community of Latin American and Caribbean States (CELAC) as one of the most recent incarnations—clearly attest to this. Integrative attempts certainly follow the region's countries like a shadow.

But another shadow is noticeable in the background of Latin America's recurrent integration efforts: that of the United States. It is telling that Bolívar did not initially intend to invite the North American country to the founding Congress—as is the reluctance with which Washington accepted the invitation: its leaders noted that the rest of the participants "form one whole family in language, religion, law, historical fortunes, and present political alliance. From this family, as far as the enumerated circumstances go, we are necessarily excluded" (Dickins and Allen 1858, 901). Although in the end the US delegates did not attend the event, Washington's presence was already a fact to be reckoned with.

The relationship between the United States and the "family" of Latin American countries has been rife with the tension springing from a two-pronged fact: on one hand, they share certain cultural, historical and even political interests as part of the Americas, the "New World"; on the other hand, a cultural, political and social frontier from the "Old World" had been transplanted to the new—what Edmundo O'Gorman called the "great American dichotomy" (Whitaker 1954; O'Gorman 2003; Sullivan 2005, 5). That is why the emergence of Latin America has a lot to do with the other part of the Americas to which it is (implicitly) referring: Anglo America, the United States (Quijada 1998, 612). This resulting tension is now usually referred to as "Bolivarianism vs. Pan-Americanism." Neither of the labels is necessarily, however, associated with the scale it suggests