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## **South American Regional Integration in Brazil's Development Strategy**

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**PROCEEDINGS FROM THE CONFERENCE**  
**NEW LATIN AMERICAN DEVELOPMENT**  
**STRATEGIES IN A CHANGING INTERNATIONAL**  
**ECONOMIC AND POLITICAL CONTEXT**

Editors: Vibeke Andersson & Steen Fryba Christensen

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## *New Latin American Development Strategies in a Changing International Economic and Political Context*

### **Introduction**

Vibeke Andersson & Steen Fryba Christensen

After a shift to neoliberal development strategies in the first Post Cold War period, Latin American development strategies are now substantially more heterogeneous. Changing international economic and political dynamics such as the economic rise of China and India, as well as the development crises in a number of Latin American countries after a decade of neoliberal reforms, are relevant contextual factors behind this tendency. As a consequence, development strategies have come to vary widely in Latin America both in terms of economic policy and foreign policy choices. Some countries have opted for strong nationalist policies such as the nationalization of energy resources and strong state intervention in the economy, while others maintain more market-driven approaches, while an emphasis on socially oriented policies seems to be on the rise across this divide.

Along with this change in economic and social policy orientation a major shift in US-Latin American relations is occurring. This is particularly the case with regard to US-South American relations. After some two decades of alignment following the demise of the Cold War, there are signs that the United States and parts of South America are drifting apart and that U.S. influence in the region has diminished.

At the same time, Mexico and Central America are increasingly being integrated with the US economy through economic ties and free trade agreements along neoliberal lines. In South America, several countries are departing from neoliberal development strategies as U.S. influence declines in the region. These trends may mean that the FTAA (Free Trade Area of the Americas) as envisioned by the United States will never become a reality.

Relations between the US and its Latin American neighbours have historically fluctuated between close cooperation and open confrontation. After the Cuban Revolution, Cuba has been most consistently at odds with the US, while different US initiatives have been successful in keeping the relationship to Latin American countries relatively friendly. This has particularly been the case in the Post Cold War period. Mexico has joined the United States and Canada in NAFTA and several Latin American countries including the Central American regional grouping

have subscribed bilateral free trade and investment treaties with the US. When George Bush Sr. launched his Enterprise for the Americas Initiative (EAI) in 1990 and Clinton invited to the First Summit of the Americas in 1994 to discuss *inter alia* the idea of a Free Trade Area of the Americas (FTAA) which envisioned creating a free trade area in all of the Western Hemisphere, from Alaska to *Tierra del Fuego*, with the exception of Cuba that was not invited, Latin American governments were quick to embrace the idea. Only Brazil was somewhat cool to the idea and pursued a tactic of drawing out negotiations, but the feeling was that the Pan-American initiative would be successful in creating one large free trade area in the Western Hemisphere largely according to the principles proposed by the United States. The general assumption was that it would be dangerous for individual nations to stand outside such an area since they would be at a disadvantage in terms of access to the huge US market and in terms of attracting foreign investments.

Today, the political landscape is quite different in the Western Hemisphere. Several South American countries have experienced severe economic and development crises in spite of, or perhaps due to, the embrace of neo-liberal reforms of free trade, deregulation and privatization. As a consequence the political tide has turned. Several countries have turned against the US and/or against a neo-liberal agenda largely associated with the United States. As a consequence, the FTAA is stalled and a number of South American countries are moving towards South American regional integration. Brazil and Mercosur form the backbone in this movement. While Brazil is not openly hostile towards the United States, it pursues an independent course in international and regional affairs. Other countries, notably Venezuela are openly hostile towards the current US government of George W. Bush, and completely against negotiating the FTAA which the Venezuelan government of Chávez sees as an imperialist strategy of domination and subordination of all of Latin America. In Bolivia, Venezuela, Ecuador and Argentina privatization reforms have been rolled back with nationalizations and changes in contracts and Argentina has defaulted on its large foreign state debt. Thus, the US strategy of making Latin America safe for business has not been completely successful. South American nations are resisting the move towards an FTAA that would reduce their autonomy through legal disciplines protecting business interests and reducing the room of manoeuvre for democratically elected governments. This kind of disciplines has been introduced in NAFTA and in bilateral agreements between the United States and different Latin American governments. So Latin America is responding in different ways to US initiatives. Some countries are further integrating their economies with the US, notably Mexico and Central America while others are charting a more independent course and stepping out of the shadows of the Eagle.

This collection of papers from the conference: “New Latin American Development Strategies in a Changing International Economic and Political Context”, held at Aalborg University in May 2008 deals with a wide range of topics concerning Latin American development strategies. The collection is divided into three chapters each treating different topics under a common headline.

### **State and Economic Actors**

In Latin America the state articulates itself differently in different countries. The three case studies in this chapter deal with different actors within the state in three different countries: Chile, Brazil and Mexico. The contributions address the topics of State and actors from different angles but common for the papers is that they show different strategies in state-actor relations in different countries.

*Gonzalo Fallabella* discusses the character and capacity of the “Tripartite Agreements” between government, unions and employers associations in Chile. He especially examines what the impact has been on economic liberalization and political transition since 1990. One of the findings in the paper is that progressive results in Chile are a consequence of full democratization and collective bargaining rights for unions allowing political and social actors to participate in the country’s development. The special conditions in Chile’s post dictatorship period has somewhat obstructed the possibilities for participation. Tripartism seems to have played a role in establishing an effective framework for transition: a liberal export economy lead by private business and an inclusive social agenda termed growth with equity. But on the other hand Tripartism has not solved the problems in relation to introducing labor and democratic reforms.

*Ana Margarida Esteves* takes the debate on labour and democratic reforms to Brazil, where she discusses bottom-up resistance to neo-liberalism by looking at the Brazilian Forum of Solidarity Economy. The forum is created by social movements working with the “peripheral economy” with the purpose of facilitating access to resources, providing technical support to enterprises, networking with potential partners and clients and deliberating with the state on policies and policy proposals concerning this sector of the economy. She argues that resistance to neo-liberalism and state policies is often played out in a multiplication of experiences, in different parts of the world, which combine political struggle with the development of economic activities based on alternative forms of production. These activities are based on the very same system of principles which their developers aim to see generalized into the mainstream. In Brazil an emerging coalition of movements is going beyond a protest-based strategy, by turning grassroots experiences of non-

capitalist production into a form of politics that presents itself as the rationale for a rethinking of the country's development model.

*Carlos Chavez Becker and Alejandro Natal Martinez* discuss an example of an alternative economic model. Their paper is a presentation of a local fair trade grass root organisation in the region of Oaxaca, Mexico. Their findings suggest that excluded groups within the population – in this case poor peasants in Southern Mexico – can find alternative ways out of poverty by collaborating locally and establishing ties to western NGOs. In Mexico, as elsewhere, the consolidation of the globalization process, and very specially the regional integration, has resulted in groups of the population being excluded from this process. Therefore, in the past two decades, fair-trade emerged as a socially constructed alternative to market and state failures. More and more fair trade organizations are acting as an economic alternative for non-competitive small poor peasants that otherwise would not have any possibilities to participate in the market. Moreover it is an opportunity for local bottom-up indigenous development. Public opinion in Mexico has welcomed fair trade, since evidence indicates that it is also serving communities by launching empowering processes, by rearticulating local social capital; and by forcing public officers in charge of local development to interact with grassroots organizations, NGOs and activists, and other civil society local groups.

### **Development Strategies**

This chapter is composed of papers that address development strategies from different angles. A number of papers are discussing the Mercosur. One is analysing a specific case of cash transfer for extremely poor people in Mexico, and one is discussing development strategies after the Washington consensus exemplified with the case of Argentina.

*Pia Riggirozzi* discusses on an overall level what governance after the Washington Consensus means in Latin America and, in particular, the articulation of a post-neoliberal project in the case of Argentina.

Given the acute socio-political and economic turmoil surrounding the recent crisis in Argentina, it would have been commonly expected for the state to have little or no bargaining position, especially in facing international financial actors' conditions to reopening financial channels of support. However, it is argued that the collapse prompted audacious and well-targeted reforms aimed at reverting the neoliberal model and with it a more complete re-evaluation of the role of the state in development. As such, the paper explores the conditions that helped the post-crisis government to



reconcile state interventionism and globalisation and how it managed to balance sovereign authority and externally-driven economic demands.

*Laura Casola* analyses Mercosur in a historical perspective from its start in 1991 to present day. Mercosur emerged as a process of integration with objectives that go far beyond the mere cooperation in economic and political issues, also embracing matters like justice, human rights, environment, work and culture. As a project of south-south integration, Mercosur has tried to stimulate internal solidarity in order to fortify the region, becoming, gradually, the third largest trading bloc in the world. Therefore, the strategies followed by Mercosur have changed during the two decades of its existence. In the 1990's the regional policy was devised under the ideology of the Washington Consensus, oriented to economic aspects and applying a neo-liberal scheme. Yet, the regional crisis that took place since 1999 – as a result of the open regionalism – imposed a post-liberal model of integration whose axes are the human rights and democracy as conditions for development, reviving, in this way, the spirit of the Treaty of Asunción, whose preamble states that the aim of Mercosur is the economic development with social justice for its people.

*Ana Patricia Silva* discusses a specific instrument to curbing extreme poverty in Mexico; the conditional cash transfer programmes (CCT). During the last three decades, Latin America has gone through different economic development periods which have affected its political and social dynamics. As a response to these challenging conditions, the state, sometimes as well in coordination with the civil society, has undertaken diverse social policy measures in order to protect the most vulnerable groups of population. One of the new strategies in order to fight poverty, to foster social inclusion and to overcome inequalities is the conditional cash transfer programmes. The paper analyses to which extend CCT programmes in Latin America are achieving their objective of helping people living in extreme poverty to get out of the intergenerational poverty circle and to develop their own capacities. Using as case studies the El Salvador CCT programme “Red Solidaria” and comparing it to the “Oportunidades” CCT programme in Mexico, the paper argues that CCT is a useful tool in the anti-poverty efforts.

*Raúl Bernal-Meza* and *Gustavo Alberto Masera* discuss Brazil's regional policy as part of a strategy of accumulation of power on the part of Brazil; accumulation of power as a regional power and as a global player. They also discuss Argentina's foreign policy and compares it to Brazil's, in part to see the degree of agreement or disagreement that would have importance for the constitution of a common voice in international politics. Furthermore, Argentina's view of Brazil is analyzed together with bilateral relations between the two countries and Brazil's view of Argentina and

Venezuela. Also development problems and energy issues are taken up. All in all this discussion gives a sense of regional integration in Mercosur and South America, the problems that the major countries are facing and how their foreign policy orientations are. This is important in terms of the likely future directions of South American regionalism and foreign policy orientation.

*Steen Fryba Christensen* discusses the importance of regional integration in Mercosur and in South America from the perspective of Brazil's strategy of international insertion and development. It proposes that Brazil seeks regional leadership as a way to aggregate political power and become a stronger global political player and as a way to aggregate economic power. In this strategy Brazil is depicted as competing with the US for influence in the region of South America. The conclusion is that Brazil is the most serious candidate for South American leadership, that in spite of difficult challenges emanating particularly from national-oriented priorities in other South American countries, regional integration is being strengthened. However, some countries are hard to get into Brazil's sphere of influence. The strategy employed towards these countries (Chile, Colombia and Peru) is to increase economic and political cooperation as much as possible with them as part of the strategy of accumulation of power. Free trade agreements, integration processes and energy and infrastructure projects are the means used for this purpose.

### **Identity Formation and Social Movements**

Common for the contributions in this chapter is the interest in identity formation. Identity formation is constructed and de-constructed on many levels in different social settings in the case studies from Peru, Mexico and Bolivia. Identity formation is here discussed a 'memory-work' approach in studying Peruvian women and their organizations, and as peasants approaches to land reforms in Mexico. The community is seen as a primary setting for identity formation in the work from indigenous communities in Peru, and in Bolivia the state has created parallel institutions to indigenous organization, with the consequence that the state institution have no 'meaning' for indigenous peasants.

*Christina Hee Pedersen* discusses identity formation within feminism and social movements in Peru and she argues for seeing identity as a site of narrative constructions and reconstructions. Her approach to feminism and social movements is focusing on exploring the intersection between individual or collective identities. Memory Work and Reconstructions and Confrontation open up for interweaving research positions, methodological approaches and

personal life stories and thus produce insights about the political longings of the Peruvian feminist movement and insights about the meaning of the institutional belongings

*Isabel Clemente* examines the Uruguayan resistance to a political project for a free trade agreement with the US and the eventual failure of this project, focusing on both state and societal actors. She addresses the challenge to the continuity of said policy arising out of the US initiative for a bilateral agreement of free trade that would affect Uruguayan belonging to Mercosur. Her paper examines the contrasting responses from various state bodies and political actors and studies the resistance of civil society actors: the labour movement, the students' movement, industrial corporations, academics, intellectuals, and left-wing media. A key aspect in the paper is the balance between ideological, strategic and pragmatic arguments in the domestic political debate in Uruguay.

*Kirsten Appendini* and Søren Hvalkof participate in a research project centred on agrarian reforms in a comparative perspective. Central for Kirsten Appendini's research is that current changes of agrarian laws in Mexico resulted in a major impact on the peasantry, including the indigenous population. For over seventy years, land distribution had been at the core of agrarian policy and though the agrarian discourse had weakened by the 1980's, peasants' demand for land was still vibrant in some regions, such as the Chiapas EZL revolt reminded the country –and the world- on the same day NAFTA was enforced the 1<sup>st</sup> of January, 1994. The indigenous peasants have stressed that common property over land and other natural resources is an important issue in the property rights debate and in development policy issues. On the ground, this also links to the discussion of indigenous rights and the role of local institutions in managing common resources.

*Søren Hvalkof* elaborates on this discussion of indigenous rights stressing that for the peasants in highland Peru, where his work takes its point of departure, the community is a central entity for peasants' life. Community equals social security. And this is where the short circuit of the conventional land reform rationale is to be found: equating communal tenure with the community. This is also why individualizing and privatizing tenure in rural areas does not make the communal control system disappear and consequently the free market relations develop as a prerequisite for the expected investment capitalization and growth. As long as the State is not capable of establishing and guaranteeing sufficient social security for its people - social security in the most inclusive and multifaceted sense of the term – these people will establish alternative systems to the State, and here the indigenous community is one of the oldest, most renowned and well-tested institutions, with all the required functions and instruments at hand.

*Vibeke Andersson's* work focuses on the notion of 'space' at the local level in a rural area in southern Bolivia which is populated by a majority of indigenous peasants. The paper explores the institutions set up by the State in order to include the indigenous population in State administration. Much in line with the conclusions from Søren Hvalkof's paper the preliminary conclusion of this work is that the State does not establish institutions of use for the indigenous population, who have relied on the community in most aspects for centuries. The 'invited' space which the State opens up for the indigenous population can not be filled out by original organisations and structures. Therefore parallel structures are seen at the local level where NGOs have an increasing role in securing a form of participation from civil society and as a mediator between State, municipalities and communities.

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## **Entrepreneurship as Activism: The emergence of the Brazilian Forum of Solidarity Economy**

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### *Abstract*

*This paper investigates the factors which have enabled and constrained the emergence of FBES - the Brazilian Forum of Solidarity Economy as a "participatory public" (Avritzer, 2002) out of a convergence between movements working with sectors of what Laguerre (1994) calls the "peripheral economy", in this case cooperatives, workers' associations and microenterprises both in the urban and rural areas, as well as agricultural settlements created by land rights movements. FBES was created by social movements working with the "peripheral economy" with the purpose of deliberating with the state on policies and policy proposals concerning this sector of the economy, as well as facilitating access to know-how, resources, networking and potential partners and clients. There are other similar networks in Latin America. However, FBES managed to reach a higher level of geographical reach and involvement in the political process due to favorable political opportunities. This paper pays attention to the way in which the resource facilitation and the political/deliberative functions relate to each other. It also analyses the way in which structural inequalities in terms of class, gender and education reflect themselves in the relationship between members of the social movements composing FBES, and between these and the state. Besides, it analyses the way in which such inequalities reflect themselves in processes of knowledge creation and deliberation within FBES, namely in what regards the attribution of "voice" to different categories of participants. The analysis is based on ethnographic research, historical process-tracing and network analysis.*

### **Introduction**

One of the most concrete aspects of worldwide resistance to neo-liberalism is the multiplication of experiences, in different parts of the world, which combine political struggle with the development of economic activities based on alternative forms of production. These activities are based on the very same system of principles which their developers aim to see generalized into the mainstream. Among them one can include cases as diverse as the Tamil Nadu Women's Collective<sup>1</sup> or even the Zapatista movement in Mexico. However, the most politically impacting, but least documented case can be found nowadays in Brazil, where an emerging coalition of movements is going beyond a protest-based strategy, by turning grassroots experiences of non-capitalist production into a form of prefigurative politics that presents itself as the rationale for a rethinking of the country's development model.

This paper is part of an ongoing Ph.D. dissertation project aimed at understanding under which conditions are worker-managed enterprises within what Laguerre (1994) calls the "periphery" of the economic system able to create public spaces and interact with the state so as to promote the creation of economic and political conditions that favor their inclusion in the formal economy. Its case study is FBES - the Brazilian Forum of Solidarity Economy, a forum created by social movements working with the "peripheral economy" with the purpose of facilitating access to resources, providing

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<sup>1</sup> <https://bases.alliance21.org/alliance/d/v/?numero=7392&public=ENG&type=2>

technical support to enterprises, networking with potential partners and clients and deliberating with the state on policies and policy proposals concerning this sector of the economy. There are other similar networks elsewhere in Latin America. However, FBES managed to reach a higher level of geographical reach and involvement in the political process due to favorable political opportunities.

This paper presents FBES as a public space whose emergence owes much to the existence of networks that cut across:

- 1) clusters of entrepreneurs within the economy of the popular sectors;
- 2) social movement organizations and NGOs;
- 4) national and international civil society networks;
- 3) the state.

It specifically analyses the way in which the engagement of leading Brazilian scholars in the provision of capacity-building to social movements led to a reinterpretation of the concept of solidarity Economy (SE), as initially proposed in Francophone academic circles, and its transformation into a theory grounded in the experiences of social movements in Brazil. It is based on data collected during five months of fieldwork (June to August 2006, July and August 2007). During the Summer of 2006, I was a visiting scholar at PACS – *Instituto Politicas Alternativas para o Cone Sul*<sup>2</sup>, research center based in Rio de Janeiro and one of the main actors in the emergence of FBES. During this period, I had the chance to interview leading activist scholars, NGO staff and grassroots activists working within the movement, as well as collect related bibliography not yet published outside Latin America and Francophone academic circles. I also observed meetings of the FBES state-level forum of Rio de Janeiro, as well as of “Casa da Confiança”, a microcredit system for urban cooperatives managed by PACS. During the summer of 2007, I had the chance of observing some meetings of the Rio de Janeiro state-level forum, as well as make more semi-structured interviews to entrepreneurs and activists. From August 2008 to August 2009, I will be carrying out ethnographic fieldwork in Brazil, with the purpose of collecting data for my dissertation.

What the overall project aims to achieve, in theoretical terms, is the development of Avritzer’s (2002) theory of “participatory” publics in a way that:

- 1) Explains the conditions which enable and constrain the formation of participatory publics composed by enterprises, instead of individual citizens/consumers of public goods;
- 2) Accounts for the impact of economic and regulatory contexts in the emergence of participatory publics;
- 3) Accounts for the role of SMOs and NGOs in mediating between members of the public and between these and the state;
- 4) Accounts for the impact of the structural and human resource frames of NGOs and SMOs on their mediating role;

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<sup>2</sup> <http://www.pacs.org.br>



- 5) Explains how such mediation shapes the cognitive, normative and regulatory frames created by interactions between members of the public;
- 6) Understands how the organizational support provided by the participating SMOs and NGOs (facilitating access to resources, providing technical support to enterprises, networking with potential partners and clients) informs deliberation within publics and the way in which they interact with the state.

The general motivation to research this subject comes from the realization that, within the social scientific literature, there is a lack of a comprehensive understanding of the dynamics of collective action and interest representation of entrepreneurs within the peripheral sectors of the economy. Specifically, there is a lack of analysis of the internal dynamics of participatory publics formed by enterprises and how such processes determine the boundaries of these publics: the criteria of “insidership” and “outsidership” that, on one hand, determine which actors are “in” and “out” in terms of access to participation in deliberative settings, and on the other hand determine how agreement is managed in a deliberative forum, meaning which standpoints predominate in the construction of frames and determination of collective action strategies. In order to reach that understanding, this project proposes the concept of “multi-level power dynamics” as an approach that analyses the dynamics of collective action from three dimensions:

- 1) the internal organizational dynamics of social movements, with a particular emphasis on the processes of knowledge production underlying the definition of frames and collective action strategies;
- 2) the way in which the power disparities in the interactions between social movement participants reflect structural inequalities in the society at large;
- 3) the way in which the two previous factors determine the way in which movements interact with each other and with the state within participatory publics.

The emphasis on processes of knowledge production comes from the fact that, among social movements which achieved a sufficient level of institutionalization so as to create a bureaucratic structure, what French and Raven (2008 [1959]) call “Expert Power” (p. 352) becomes a central resource and source influence, since it is a central tool in the definition of frames, claims and strategies, as well as in the internal organization of the movement and the raising and management of resources. That is especially the case of movements which engage in activities of capacity building among their members, as in the case of Latin American movements which promote activities of popular education and technical training (Eyerman & Jamison, 1991; Kane, 2001; Conway, 2006). Besides, the increasing blurring of the analytical and empirical separation between state and civil society, resulting from what Bang and Sørensen (2001) refer to as the transition between “democratic government” and “democratic governance” (p. 148) is leading to an increasing involvement of civil society networks in societal governance. As a result, the dynamics of civil society networks tend to be structured around “multi-leveled relations of strategic capacity and knowledge” which are “based more on a norm of expertise

regarding the ‘necessary politics’ than one of creating a fabric of social trust and cooperation” (p. 148, 151).

This approach assumes that the social and institutional networks that support the existence of social movements are structured by the power dynamics that are intrinsic to their own organizational processes. One may consider that the main factors that are at play in such power dynamics are:

- differences between actors in terms of endowment with, and access to, distinct forms of knowledge with different degrees of institutionalized social legitimacy;
- the division of labor between actors diversely endowed with, or enjoying differentiated access to, different forms of knowledge;
- the method used for structuring the interactions between participants and their deliberative practices within processes of knowledge production;
- the type of leadership orientation followed by leaders, the communicative skills (elaboration of ideas and deliberation) and the dominant mode of communication that predominate in their relationship with other members (Volosinov, 1986 [1929]; Freire, 1970; Bourdieu, 1977, 1991; Mische, 2008).

This operationalization of the concept of multi-level power dynamics is partially based on an understanding of processes of knowledge production within social movements as the intentional activities by which movements produce, process and diffuse information about their participants, their own socio-economic context and the ruling relations which structure their lives. Such processes include activities of collection, treatment and sharing of information such as research, education and training and networking with the specific purpose of debating and diffusing knowledge. This concept includes educational and training initiatives, as well as exchange of information and deliberation within activist networks, as these activities imply a development of previously gathered knowledge, which very often implies the addition of new information. That is the case, for example, of critical education programs following the pedagogy of Paulo Freire, which rely heavily on information brought by the student on her or his experience and the context in which it is embedded.

**Table 1**  
Multi-level power dynamics

- Within movements, as a reflection of structural inequalities.
- Between movements, as a result of differentials in terms of access to resources and allies within other movements and the state.
- Between publics and external actors: <ul style="list-style-type: none"> <li>- The state;</li> <li>- National and international activist networks.</li> </ul>

### ***Expanding the boundaries of social movement research***

According to Baiocchi (2005), it is necessary to reformulate what is necessarily conceived as social movement activism in a way that includes other forms of challenging of the “status quo” than that made possible by protest and advocacy. Recent developments in the context of the democratic deepening brought by institutional reforms carried out in the context of the “Pink Tide” in Latin America, namely the emergence of social movement-led participatory democracy and forms of comitology involving advocacy networks, show that one must go beyond the prevailing concept of social movement activism as something that happens “at the gates of the state” (Baiocchi, 2005). It becomes necessary to develop a concept that takes into account forms of engagement of with state that, by their goals and dynamics, challenge the existing structures of power within society. One step towards this concept is to consider the multi-level power dynamics that structure organizational processes within social movements and participatory publics as involving not only movement participants, but also actors within the state structure, as well as national and international advocacy networks that they may be part of. Such multi-level approach implies the inclusion of two other factors in the study of such power dynamics, which are:

- the positioning of social movement actors in relation to or within regional, national and/or transnational networks promoting the circulation of frames and strategies among social movements;
- the impact of structural inequalities on deliberative abilities and access to forms of knowledge with different degrees of institutionalized social legitimacy (Volosinov, 1986 [1929]; Della Porta, Andretta, Mosca & Reiter, 2006).

The analysis of FBES in its multiple dimensions as multi-level power dynamics aims to contribute to the filling of three major gaps in the literature on participatory publics in the following manner:

*Structural factors influencing the emergence of participatory publics:* Such understanding requires an historical analysis that will contextualize the process of emergence of a participatory public composed by enterprises within the peripheral economy that led to the setting up of FBES within the structural inequalities, regulatory frameworks and processes of economic change that affect this sector of the economy.

*Leadership and institutional mediation:* It is necessary to understand how SMOs and NGOs contribute to the emergence of participatory publics through the development of networks of production, commercialization and political mobilization among enterprises by:

- 1) Promoting capacity-building through educational, training and networking activities;
- 2) Acting as brokers between enterprises, between them and social movements, and between them and the state, therefore promoting the circulation of information and resources;

- 3) Developing a common frame for the whole public by influencing the discursive practices of members of the public by:
  - a. promoting the “translation” by generalizing from the particular experiences of participating enterprises, therefore contributing to the development of the frames of the participating movements (Wainwright, 1994; Sousa Santos 2005);
  - b. aligning the frames of the different movements within the public (Benford & Snow, 2000);
  - c. promoting consensual decision-making between members of the public and state representatives through the promotion of the circulation of knowledge from different sources and with different forms between both parts and the “translation” between movement frames and state discourse (Sousa Santos, 2005; Baiocchi, 2005; Fishman, 2008).

It is also necessary to understand the impact of the type of leadership and the dominant mode of communication practiced within participating SMOs and NGOs on the reshaping of the discursive practices of participants in the public, and how it affects their capacity to participate in democratic public life (Fishman, 2008). Such effects can be assessed through the impact of the leadership and institutional mediation of SMOs and NGOs on:

- 1) the awareness that participants have of their own abilities and capacity for autonomous action;
- 2) their technical and management ability;
- 3) their understanding of the social structures and dynamics in which their economic and political activities are embedded;
- 4) their capacity to engage in collective action
- 5) their capacity to present and promote their claims within FBES.

*Knowledge production* - In order to properly analyze processes of deliberation around frame construction and strategy definition within participatory publics and their participants, it is necessary to transcend the dichotomy between notions of “practical” and “objectivist” knowledge by analyzing the ways in which members of the subaltern classes (in this specific case, producers within the “peripheral economy”) appropriate “socially legitimate knowledge” and transform it through their own understanding of their everyday practices.

One must recognize that the dichotomy between “practical” and “technical” or “objective” knowledge does not apply to processes of knowledge production in the real world. According to Nilsen (2006), the knowledge produced by “grassroots” actors and “cadres” within social movements will always have elements of both “practical” and “technical” knowledge. Subaltern classes also produce forms of “expert” or “technical” knowledge related with their own activities, which can be codified in the form of “hard data” and generalized beyond the context in which it was produced. Besides, “movement intellectuals”, “technical cadres” and other “technicians” also produce forms of non-generalized knowledge that is based on “testimony”. Such form of knowledge is very

often the support of the systematized knowledge they produce within their intellectual and technical activities. In order to overcome this dichotomy, it is necessary to analyze the ways in which members of the subaltern classes appropriate “socially legitimate knowledge” and transform it through their own understanding of their everyday practices (Wainwright, 1994: 132). It is also necessary to understand the process by which “cadres” within social movement organizations use the knowledge produced by members within their knowledge-making, educational and institution-building activities. Besides, one has to overcome the dichotomy between “professional” and “non-professional” activists (e.g. Mische, 2008) and create typologies which account for different roles, forms of involvement and use of knowledge within social movements. Such typology should include different forms of “expertise” and “counter-expertise” and involvement by categories of participants such as “movement intellectuals”, “technicians” “grassroots organizers” and different types of volunteers and beneficiaries, among others (e.g. Eyerman & Jamison, 1991; Nilsen, 2006). Such processes of knowledge production shall be contextualized so as to account for the way in which they are impacted by structural inequalities in terms of class, gender and ethnicity between members of the participating movements.

This project will also add two additional dimensions to these processes of knowledge production:

- 1) the way in which the state uses the knowledge produced by different categories of participants within FBES and its participating social movements to build knowledge about “Solidarity Economy”;
- 2) the way in which, in its turn, the knowledge produced by the state influences knowledge production among members of FBES and deliberation within the Forum.

It is also necessary to analyze the result of such processes of knowledge creation in terms of the internal and external coherence of the resulting frame and strategies, as well as the way in which it affects processes of mediation and participation within the public and collective action vis-à-vis the state. From exploratory research and reading on the work of activist intellectuals connected with the movements participating within FBES, I realized that “Solidarity Economy”, the theory that supports the activities of these movements and of FBES itself, cannot yet be considered an inherently coherent system of socio-economic thought. Based on the theory of “the gift economy” developed by Marcel Mauss and his followers, it considers that the peripheral economy constitutes a distinct economic system from the capitalist economy. According to theorists such as Arruda (2003, 2006) and Mance (2002), its distinctiveness comes from the fact that it supposedly functions according to principles of community solidarity, and that, instead of being based on the accumulation of financial capital, it is based upon the accumulation of social capital in the form of resolution of common problems at the level of subsistence and provision of services to the community. However, the existing body of theory does not yet make it clear whether or not it accounts for the supposed ability of “Solidarity Economy” to sustain and reproduce itself autonomously in relation to the capitalist economy and the state. This project will analyze how such inner contradictions impacted

the process of emergence of FBES and impact nowadays the deliberative processes within this organization.

**Table 2**

Preliminary account of factors influencing the emergence and current deliberative processes within FBES

Structural inequalities, regulatory frameworks and processes of economic change that affect the peripheral economy.
Ways in which members of the subaltern classes appropriate “socially legitimate knowledge” and transform it through their own understanding of their everyday practices.
Processes by which “cadres” within social movement organizations use the knowledge produced by members within their knowledge-making, educational and institution-building activities.
Ways in which SMOs and NGOs participating within FBES promote the circulation and “translation” of knowledge by generalizing from the context in which each participating movement is embedded.
How structural inequalities in terms of class, gender and ethnicity impact processes of leadership, mediation and knowledge production.
Impact of the type of leadership and the dominant mode of communication practiced within participating SMOs and NGOs.
The way in which the state uses the knowledge produced by different categories of participants within FBES and its participating social movements to build knowledge about “Solidarity Economy”.
The way in which, in its turn, the knowledge produced by the state influences knowledge production among members of FBES and deliberation within the Forum.

**On the concepts of “peripheral economy and “participatory publics”**

Contemporary left-of-center critics of liberal democracy claim that pressures towards worldwide market deregulation led to the capturing of the political process by a “neoliberal governmentality”, resulting from the extension to the state itself of the cost-benefit and efficiency rationale implied in the neoliberal economic governance (Brown, 2005: 41). Such rationality ties state legitimacy to the ability to sustain and foster the market. Its results are twofold: On one hand, it strengthens the capacity to leverage influence on the state and compete in the market of the structurally more powerful sectors of capital – large corporations, financial groups and capital-intensive small and medium enterprises. On the other hand, it weakens the capacity of labor and what Laguerre (1994: 3-4) calls the “periphery” of the economic system to influence the political process and survive in a market whose institutionally-set rules favor those actors enjoying a higher capacity to exert political influence. Laguerre identifies as the “periphery” that part of the economic system composed by smaller, labor-intensive enterprises functioning according to simpler forms of technology. This is also the area where the formal and informal economy tend to coexist and where the differences between these two categories of economic practices are less pronounced. The boundary between these two sectors becomes whether they are regulated by state-sanctioned laws or by customary practices (Laguerre, 1994: 5). The outcome of neoliberal economic governance for the politically

weaker actors is an increasing instability in terms of employment and organizational sustainability. It leads to increasing pressures for informalization, as a growing number of workers and labor-intensive firms are excluded from the formal economy by market regulations that threaten their employability or organizational survival.

This project aims to explore the conditions which promote and constrain the emergence of participatory publics composed by organizations within peripheral sectors of the economy, given their progressive alienation from the state and the formal market as a result of neoliberal governance. Avritzer (2002: 52-3) conceives the emergence of participatory publics as a process whose elements can be summarized in the following three phases:

- 1) The formation within the public sphere of mechanisms of face-to-face deliberation, free expression and association. These mechanisms play the role of addressing specific elements in the dominant culture by making them problematic issues to be politically addressed;
- 2) The problematization, by voluntary associations and social movements, of contentious issues by introducing alternative practices within the public sphere;
- 3) The search for institutional formats capable of addressing at the institutional level the issues made contentious within the public sphere, in a way that challenges the exclusive access of technicians to decision-making forums and ensures the monitoring of the implementation of their decisions by the participatory public themselves.

Despite the methodological usefulness of Avritzer's concept of participatory publics, it is necessary to take into account that it is based on the analysis of examples of civil society mobilization which represent the interests of citizens as individual voters and consumers of public goods. Besides, as pointed out by Mische (2008: 344), it is lacking in the sense that it elides the extent to which participatory publics are permeated by partisan interests. It also does not show the mechanisms by which such publics ensure their cohesion and sustainability by conciliating common goals with the interests and projects of the different organizations that take part in them.

Further research and conceptual development is necessary to adapt this model to forms of civil society mobilization and participatory institutional designs that represent the interests of organizations within the peripheral sector of the economy, such as small firms and workers' collectives, instead of that of collectively organized individual citizens. The development and adaptation of Avritzer's model is particularly important given the diversity of organizational forms and interests that coexist within the peripheral economy, as well as the complexity, ambiguousness and uncertainty that characterizes this context. Such types of analysis will more generally contribute to understand the process through which members of emerging participatory publics negotiate understandings and decide on action given the cognitive, normative and regulatory frames created by their own interactions, as well as complexity and uncertainty within the environment(s) in which they evolve (Scott, 1995; Perrow, 1996).

**Table 3**  
Elements of participatory publics

<b>Avrtizer's model</b>	<b>What needs to be developed</b>
Formation within the public sphere of mechanisms of face-to-face deliberation, free expression and association.	Impact of economic and regulatory context.  Impact of structural and human resource frames of SMOs and NGOs on efforts aimed at ensuring cohesion and sustainability within participatory publics by conciliating common goals with partisan interests.
Problematization of contentious issues by introducing alternative practices within the public sphere	Cognitive, normative and regulatory frames created by interactions between members of the public.
Search for institutional formats capable of addressing at the institutional level the issues made contentious within the public sphere	Role of NGOs and SMOs in mediating between members of the public and between these and the state.

### **Choice of case study**

New forms of collective action are emerging that, on one hand, challenge economic policies and regulations that are forcing the growth of the informal economy, and on the other hand promote the organizational sustainability and integration within the formal economy of enterprises which are either in an informal situation or at risk of disintegrating within the formal market (Singer & De Sousa, 2000; Mance, 2003; Magnani, 2005, Pinto, 2006). These forms of collective action also tend to promote the organization of workers within the informal economy, or who cannot earn enough to make a living within the formal market, into cooperatives and workers associations (Lara *et al.*, 2002; Mance, 2002, 2004, Coraggio 2005, 2006, 2007). Such promotion is generally accompanied by institution-building measures in the form of knowledge production and its dissemination through education and training, as well as promotion of access to credit, public resources and markets, so as to promote their integration and sustainability within the formal economy.

A volume edited by Douglas Chalmers *et al* (1997) identifies a series of cases of new forms of popular interest representation, based on principles of “associational governance”, and calls attention to the inadequacy of mainstream definitions of corporatism as an explanatory framework. It proposes the tentative concept of “associative networks” as an alternative analytical model and points out the need for further research on the subject. Despite the inclusiveness of this model, it must be noted that Chalmers’ volume does not include cases of networks that combine the role of “structure of representation” with that of promoter of institution-building and networking initiatives aimed at supporting economic activity. Keck & Sikkink’s (1998) analysis of



transnational advocacy networks provides a conceptual structure for the analysis of communicate processes that can be applied to networks including a range of organizational types within a single country. Once again, it does not take into account networks which play the double role of structure of deliberation/interest representation and support to economic activity.

These advocacy networks do not exactly fit the model proposed by Chalmers *et al* (1997) and Keck and Sikkink (1998). On one hand, they provide a communicative structure for political exchange between these actors, as well as between them and the state, by providing a venue in which participants can deliberate on legal and policy proposals and organize their efforts so as to lobby the state in their favor. On the other hand, their activities within the public sphere go beyond deliberation. They promote a series of information-gathering, educational, institution-building and market networking initiatives that are not predicted in the model proposed by the aforementioned authors. In that sense, their activities partake in what Wainwright (2002, 2005) calls “prefigurative politics”, since they support the development of the reality which they aim to see endorsed in the form of adequate policies and regulations.

Latin America has witnessed, since the mid 1990’s, the emergence of several networks of this kind. That is the case of FBES - the Brazilian Forum of Solidarity Economy (*Forum Brasileiro de Economia Solidária*), RCES – Chilean Network of Solidarity Economy (*Red Chilena de Economía Solidária*) and GRESP – Network of Solidarity Economy of Peru (*Grupo Red de Economía Solidária de Perú*), among others. They result from the collaboration between producers within the peripheral economy, NGOs, labor unions and urban and rural social movements such as neighborhood associations and land rights movements (Lara *et al*, 2002; Mance, 2002). These networks seem to combine the role of “incubators” of enterprises, social movements and “structure of representation”<sup>3</sup> of sectoral interests vis-à-vis the state, as they play multiple roles:<sup>4</sup>

- supporting the development of enterprises within the peripheral economy, through the diffusion of management knowledge and their organization in chains of production and commercialization;
- promoting the mobilization of entrepreneurs regarding issues of economic and social policy through educational actions aimed at improving their knowledge of political economy;
- representing them vis-à-vis the state and other institutions;
- proposing changes in economic policy that benefit them and promoting popular participation in political decision-making;
- engaging in “politics of recognition”, in the sense that they aim to promote, within the public sphere, the idea that the practices and values of the economy of popular sectors are more than “an economy of the poor and for the poor”, representing a viable alternative to the proletarianization of the popular classes.

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<sup>3</sup> Concept proposed by Chalmers et al, 1997: 564-7.

<sup>4</sup> The webpages of GRESP and FBES make an explicit mention to these functions in the mission statements of the networks.

All these networks advocate a closer participation in the political process through the implementation of participatory designs in the state institutions. FBES is one step beyond, as it results from political opportunities for the emergence of institutional designs allowing for a more direct participation of advocacy networks in political decision-making that that allowed by mere advocacy and lobbying. These opportunities were brought about by the victory of the Workers' Party in the Brazilian general elections of 2002. FBES emerged in 2003 from the RBSES – the Brazilian Network of Solidarity Socio-Economy (Rede Brasileira de Socio-economia Solidária), which has been in existence since 1998. The creation of FBES coincided with that of SENAES – National Secretariat of Solidarity Economy (Secretaria Nacional de Economia Solidária), a department of the Brazilian Ministry of Labor and Employment aimed at promoting a dialogue with organized civil society, as represented in FBES, on issues concerning the informal economy, labor-intensive small firms, land rights movements and the cooperative sector.

FBES' structure is similar to that of other of similar networks in Latin America, in the sense that it combines the role of communicative structure for political exchange with that of promoter of capacity building and networking initiatives. However, it differs from that of its peers in the sense that its communicative engagement with the state goes beyond a non-compulsory dialogue in the form of lobbying and advocacy. The creation of FBES and SENAES is an institutional design resulting from an agreement between the state and civil society that makes it compulsory for SENAES to consult FBES on any regulatory and policy proposal put forward by any sector within the executive or legislative power that might concern the sectors of civil society represented within this network.

FBES and SENAES challenge existing paradigms of associational democracy and interest representation. Their institutional design does not fit the classical tripartite corporatist model bringing together labor, capital and the state, as defined by Schmitter (1974). It also cannot be considered a scheme of participatory decision-making, as those analyzed by Wainwright (2003) and Baiocchi (2005). First, although consultation of FBES by SENAES is binding, the results of such deliberation are not binding for the following stages of the political process. Second, FBES is a civil society network and as such is not part of the state structure, unlike the budgetary councils created within the participatory budgeting schemes implemented in several Brazilian municipalities.

FBES is a national-level institution comprised by deliberative forums at the federal and state levels, aimed at influencing policy-making through the debate of policy proposals aimed at promoting the integration within the formal market of enterprises created within the informal economy. All forums, including that at the federal level, are composed by a 50% of representatives from enterprises, 25% of civil servants and 25% from NGOs and social movement organizations. Among the types of NGOs present at the forums, one can find organizations created by labor unions and social movements within the Catholic Church with the purpose of promoting education and the development of technical skills among the popular sectors. One will also find “incubators of

cooperatives” created by universities, as well as neighborhood community development organizations developed within urban settings. These NGOs provide knowledge production, skill development, networking and institution-building support to social movements and individual enterprises. As verified during fieldwork carried out during the summers of 2006 and 2007, these NGOs often represent enterprises that haven’t yet achieved formal status vis-à-vis the state. Among the SMOs, one will find representatives of the organizational structures of the following types of associations:

- Rural movements (Landless Workers’ Movement (MST) and the family farming movement);
- Labor unions supporting urban cooperatives and workers’ associations through skills training and accompanying the development of workers’ associations;
- The movement of worker-managed factories, represented by ANTEAG – *Associação Nacional de Trabalhadores de Empresas em Auto-gestão* (National Association of Workers in Worker-managed Enterprises);
- Neighborhood associations;
- Identity-based movements (feminist, Afro-Brazilian and indigenous movements);
- OCB – the Brazilian Cooperatives’ Association (*Associação das Cooperativas do Brasil*).

FBES is the ideal case study for the analysis of the factors that promote and constrain the emergence of participatory publics among organizations among politically marginal sectors of the economy, since it is one step beyond other similar networks in Latin America in terms of promotion of participatory designs and involvement in the political process. Besides, it is the most inclusive, both in terms of the sectors it aggregates, as well as of geographical reach, as it include a national-level forum, as well as forums at the state and municipal level in every state in Brazil. It is the only network of this kind that brings together representatives of all sectors of the peripheral economy, as well social movement organizations, NGOs and civil servants involved in relevant policy areas. Therefore, it is the one that most fully encompasses the dynamics that are of interest for the elaboration of grounded theory upon which one can develop further knowledge on similar networks.

### ***What is Solidarity Economy?***

According to an NGO staff member, Solidarity Economy (SE) integrates the discourse of rights of work and income into a larger “*rethinking of work as a human activity, with the aim of transforming the socio-economic environment in a way that improves the quality of life of workers.*”<sup>5</sup> Based on the conceptualization proposed by Laville (1999) and França (2003) one can define SE as a category of social innovations, built upon economic activities, which aim to achieve social goals based on the ideals of citizenship. SSE includes a highly diversified set of practices, from workers’ cooperatives to associations of consumers, alternative currencies, microcredit associations and

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<sup>5</sup> Cited at the 6<sup>th</sup> State-level Meeting on Adult Education and Solidarity Socio-economy, State University of Rio de Janeiro, 31<sup>st</sup> of July – 1<sup>st</sup> of August 2006

microenterprises. These practices have in common the fact of being based on relations of solidarity and reciprocity rooted in the social ties of communities (Arruda, 2003, 2006; Singer 2005; Eme & Laville, 2005). What gives coherence to SE and distinguishes it from other sub-fields of the non-capitalist economy<sup>6</sup>, is the underlying moral and political rationality (Gaiger, 2005). Marcos Arruda, a leading Brazilian activist scholar of SE, identifies such rationality as the promotion of a post-capitalist economy, centered on the integral development of human beings and communities (2003). This perspective is shared by the original Francophone approach to SSE and its Brazilian derivation.

### ***Early contributions to the theory***

Both “schools” of SE see as the main aim of this theory that of supporting a re-embedding of the economy in social and cultural relations, leading to a “democratization of the economy through civic engagement (Laville 1999). They also share a common origin, which can be traced back to the socialist intellectual context of 19<sup>th</sup> and early 20<sup>th</sup> century Europe (Laville, 1994). Singer (2005) argues that SE started to emerge as a theory and as a social movement in the last two decades of the 20<sup>th</sup> century as a result of the worldwide increase in poverty and social exclusion brought by the structural adjustment of national political economies to trade liberalization. A good example is the experiences in alternative currencies that multiplied in Argentina in the aftermath of the financial crisis in 2001 (Hintze, 2003), or the cooperatives of trash collectors that have been multiplying in the shantytowns of Brazil in the latest years<sup>7</sup>.

The emergence of this theory is the result of a reinterpretation of the Utopian Socialist, Libertarian and Gramscian doctrines in the light of experiences of economic self-organization from the part of subaltern groups (Gaiger, 2003). One of the greatest intellectual contributions to such reinterpretation came from France, in the form of the Anti-utilitarianism Movement in the Social Sciences<sup>8</sup>. Such movement, started by Marcel Mauss in the 1920’s with the “Gift Theory”, currently gathers around the *Recherches* magazine and research centers such as C.R.I.D.A.- *Centre de Recherche et de Formation sur la Démocratie et l’Autonomie*<sup>9</sup>. It situates SSE in the framework of a paradigm shift in the social sciences. At the heart of the conceptualizations of SSE is a challenging of rational choice theory, present in the assumption that, at the core of economics and politics, lays a far more complex combination of social and moral motivations that often forego the maximization of the satisfaction of the immediate interests of individuals and organizations.

More recently, a new perspective has been emerging that gives Latin American scholars a growing prominence in this field. This perspective is being developed in continental networks of labor unionists and activist scholars such as COLACOT – *Confederacion Latinoamericana de Mutuales de Trabajadores*<sup>10</sup> and RILESS – *Red de*

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<sup>6</sup> In this case, the concepts of “social economy” and “popular economy”, as defined by Defourny (2005) and Icaza & Tiriba (2005).

<sup>7</sup> <http://www.lixoecidadania.org.br/lixoecidadania/>

<sup>8</sup> <http://www.revuedumauss.com.fr/Pages/APROP.html#Anchor-47857>

<sup>9</sup> <http://www.crida-fr.org/>

<sup>10</sup> <http://www.colacot.com/index.php?acc=5>

*Investigaciones Latinoamericana de Economía Social y Solidaria*<sup>11</sup>. These networks include prominent figures such as Jose Luis Coraggio, from Argentina, and the Brazilians Paul Singer, Euclides André Mance, Luis Inacio Gaiger and Marcos Arruda.

The added value of the contribution of Latin American scholars to the emerging theory of SE is that they are in contact with many of the oldest, most sustainable and politically better organized experiences of SE in the developing world. The labour movement in Latin America has a long tradition of supporting cooperative finance and the establishment of mutualist associations to cater for the consumption needs of workers. In Argentina, Chile and Uruguay, trade unions have adopted the development of workers' cooperatives as one of the axis of their strategy<sup>12</sup>. Most Central American countries have public policies aimed at developing workers' cooperatives and microenterprises. They are generally included in strategies of fight against unemployment or local development<sup>13</sup>. These experiences are often closely articulated with trade unionism, movements of protest against the policies of multilateral organizations, for the cancellation of foreign debt or for the reform of agrarian and urban property. SE is often the point in which these movements establish alliances and learn with each other (Bouillane, Fraisse and Ortiz, 2003). Many of these Latin American scholars act as organic intellectuals and "social movement brokers", contributing with know-know to the development of many projects in the area and articulating them with social movements and the state.

#### ***"institutionalist" versus "antropocentric" perspectives***

What distinguishes the Francophone perspective on SE from that of its Brazilian "offshoot"? One may consider that, while the first is more "institutionalist" and "systemic", the second is more "anthropocentric" and oriented towards social dynamics within small and medium-sized communities. Such perspectives are the result of the different social contexts from which they emerged.

SSE theory, as it was first proposed in the 1980's by scholars gathering at C.R.I.D.A., such as Bernard Eme and Jean-Louis Laville, is closely related to the increase in social exclusion resulting from the retreat in the welfare state and the crisis in industrial relations that marked the French political economy in that period. It is presented as a mechanism of social and economic regulation, aimed at compensating the limitations of the state and the market in ensuring social cohesion. One of the main principles of the French approach to SSE is the central role of the state as a subsidizer of cooperative enterprises and credit unions. The work of these authors is influenced not only by the heavily state-centered approaches that have marked French social science throughout its history, but also by their collaborative ties with policy-makers, being therefore heavily centered on public policy. It has been influenced by, and contributing to, the strong level of institutionalization of SE in France in the form of public measures aimed at facilitating social inclusion. Among such measures, one can count the facilitation of access to credit cooperatives, as well as the subsidization of cooperatives and microenterprises.

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<sup>11</sup> [www.riles.org](http://www.riles.org)

<sup>12</sup> & <sup>14</sup> <http://www.ilo.org/public/spanish/employment/ent/papers/latiname.htm>

While the French approach to SE evolved in a context of crisis of the welfare state and the market, the Brazilian one emerged from a reality of systemic, endemic poverty. It results from the fact that, in Brazil, neither the state nor the market has ever managed to regulate the whole of society and ensure social cohesion. As a result, a large share of the population is prevented from fully exercising its citizenship. It is also excluded from formal circuits of employment, ensuring their survival thanks to informal economic practices embedded in networks of mutual support within their communities. Among such share of the population, one may find the inhabitants of urban shantytowns, “quilombos” (self-sustaining communities of former African Slave descendents), indigenous communities and rural collectives of landless workers. At the contrary of the French approach to SE, which is framed as a reaction to a structural crisis, the Brazilian version emerges from a long-term tendency affecting popular groups in rural and urban areas. SE initiatives in Brazil tend to emerge with little or no support from the part of the state, and tend to have a very low level of institutionalization, taking the form of networks of small producers or workers’ cooperatives. As a result, the Brazilian approach regards SE not as much as an instrument of social regulation, as in France, but as an instrument of promotion of the citizenship of subaltern groups. Such instrument, although being part of the lives of subaltern groups, must be fully recognized and supported by the state and other social institutions, in order to effectively promote the social rights of these groups and the sustainability of their communities.

### ***Brazilian Activist Scholars and their Approach to Solidarity Socio-economy***

The Brazilian perspective of SE owes a lot to the civic engagement of many of its theorists, who draw most of their thought from their experience as activists and social educators in the provision of literacy and capacity-building programs to social movements. During their careers, they have been at the forefront of projects which aim to democratize academic knowledge and make it contribute to the promotion of popular classes. Paul Singer and Luis Inácio Gaiger are professors at the University of São Paulo and UNISINOS respectively. During their academic career, they have collaborated in the development of a *Unitrabalho*<sup>14</sup>, national network of incubators of cooperatives and workers associations in urban slums and impoverished rural areas. Mance is a professor at the Federal University of Paraná and president of *Instituto de Filosofia da Libertação*<sup>15</sup> (Institute of Liberation Philosophy). Among other activities, he has been supporting the diffusion of Liberation Theology and supporting the Brazilian branch of *Caritas* in developing non-capitalist productive units among rural and urban communities.

Paul Singer approaches SE from the point of view of its organization as the convergence between social movements that led to the emergence of FBES, and the role of national political economy in impacting such form of collective action (e. g. 2003). Gaiger and Mance approach SE from a macro and meso perspectives, studying the role of culture, ideology and community dynamics in the development of non-capitalist production and its politicization as a social movement. Gaiger in particular has been studying the role of Liberation Theology, as well as mediating agents such as universities

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<sup>14</sup> <http://www.unitrabalho.org.br/>

<sup>15</sup> Translation: Institute of Liberation Philosophy (<http://www.ifil.org/>).

and NGOs, in the development of ethical codes and the promotion of the sustainable social ties that ensure the success of non-capitalist production (e.g. 2000, 2004, 2005). Mance has been developing theory on the organization of non-capitalist units of production into networks, and the way in which economic dynamics at the local level impact such form of collective action (e.g. 2001, 2003).

Marcos Arruda is the general coordinator of PACS and has been gaining prominence through his interpretation of SSE as part of a larger paradigm shift in culture and social organization. The author, who for many years worked with Paulo Freire and gave institutional support to the MST<sup>16</sup> and CUT<sup>17</sup>, integrates SE in the shift from what Arroyo (2001) calls a positivist view of knowledge to one which values the processes of symbolic production that are intrinsic to the everyday practices of grassroots communities. Such shift from a technicist view of knowledge to one based on what Wainwright (1993) calls “tacit knowledge” has far-reaching consequences to the social and political structures of contemporary societies, since it compromises the monopoly of technicians on political decision-making and justifies more direct forms of participation of the grassroots in democratic deliberation. It therefore puts into question representative democracy and the underlying “social engineering state” (Wainwright, 1993), justifying participatory democracy, decentralization of public power and networked forms of political communication. Arruda also integrates the ethos of solidarity and reciprocity that supports SE in a larger paradigm shift in science and spirituality. That is especially the case of the work of the Chilean biologist Humberto Maturana (Maturana & Verden-Zöllner, 1997) on cooperation and affection as the natural foundations of human behavior, as well as contemporary spiritual currents, such as Liberation Theology and the work of Sri Aurobindo, which connect spirituality with human emancipation and progressive social change (Arruda, 2003). Arruda also includes in his analysis of this paradigm shift inputs from concrete experiences of SE that integrate economics with spirituality, such as the “Bayanihan” movement in the Philippines<sup>18</sup>.

### ***Main principles of the Brazilian Perspective on Solidarity Economy***

The Brazilian perspective on SE can be defined as part of a socio-political movement, since it emerged in a dialectic relationship with the emergence of FBES. It proposes a holistic model of economic development, with goals that range from the conditions of the individuals human being to those of the international economic system. Its goals can be summarized as follows:

#### **- At the micro level:**

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<sup>16</sup> *Movimento dos Trabalhadores Rurais sem Terra* (Landless Workers’ Movement).

<sup>17</sup> *Central Única dos Trabalhadores*, the main labor union in Brazil.

<sup>18</sup> <https://bases.alliance21.org/alliance/d/v/?numero=7260&public=ENG&type=2>

- Emancipation of members of subaltern groups from situations of economic and political servitude through reliance on their own capacities and the social ties of their communities.
- Promotion of their material and psychological well-being of through unalienated labor. Establishment of working conditions that allow for the full development and application of human abilities (Arruda, 2003).
- Demystification of the competitive ethos of capitalism and development of habits of reciprocity and solidarity.
- Improvement of the political awareness and participation of the individual in his/her workplace, as well as in the public sphere.
- Education of consumers for the ethical, social and environmental consequences of their choices of consumption.

**- At the meso level:**

- Allow subaltern communities to become the subjects of their own development by creating the conditions for the improvement of their socio-economic welfare through practices based on their native knowledge, as gathered in their collective memory (Arroyo, 2001; Arruda, 2003, 2006).
- Promotion of organizational alternatives to corporate capitalism based on common property and self-management by workers, embedded in horizontal relationships of reciprocity and solidarity (Singer, 2005: 243).
- Distribution of wealth as a function of people rather than capital.
- Full and equal participation of men and women in the economy (Arruda, 2003, 2006).

**- At the macro level:**

- Democratization of the economy from the grassroots through participatory democracy.
- Establishment of a postcapitalist hegemony based on associational-type networks of production and consumption at the local, regional, national and international levels.
- Emancipation of national economies from transnational corporate capitalism through the maximization of the use of native resources in the national economy, as well as the establishment of international fair trade networks.

***The specificity of the Brazilian case***

Without underestimating other experiences of SSE around the world, one may consider Brazil as the developing country in which the convergence of interests that constitutes SEE is more diverse and institutionalized as a coalition of social movements and other civil society organizations. The most visible face of the BMSEE in the public sphere is that of a nation-wide network of federal, state and local level forums congregating productive units, social movements and NGOs. This network of forums culminates in a federal organization called FBES – *Forum Brasileiro de Economia Solidaria*<sup>19</sup>. The purpose of these forums is to create and strengthen productive chains, as

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<sup>19</sup> Brazilian Fórum of Solidarity Sócio-Economy.



well as to influence policy-making through the debate of national and local government proposals concerning their interests. The government counterpart of the BMSEE is SENAES – *Secretaria Nacional de Economia Solidaria*<sup>20</sup>, founded with the purpose of developing a national policy for the sector. This government body is associated with the Ministry of Labor. Some Brazilian states and municipalities already had specific policies for the sector before the foundation of SENAES in 2003.

### ***The emergence of the Brazilian Movement of Solidarity Socio-economy***

#### *Institutional roots*

The roots of the Brazilian MSSE can be traced back to the 1970's and '80's, particularly to the work of progressive sectors of the Catholic Church engaged with the resistance to the military dictatorship and the social emancipation of subaltern groups. Among their most prominent efforts is the rural mobilization for land reform that led to the Landless Worker's Movement (MST), as well as similar movements in the Amazonian region<sup>21</sup>. Another mobilization coming out of progressive Catholicism was the “*Projetos Alternativos Comunitarios*”<sup>22</sup> (PACs), a network of community income generation projects cutting across the rural/urban divide, developed by the Brazilian branch of *Caritas* (Bertucci & Silva, orgs., 2003). Another root of the Brazilian MSSE can be trace back to the trade-union led movement of occupation of bankrupting industries by workers, which still coalesces around ANTEAG – *Agência Nacional de Trabalhadores de Empresas em Autogestão*<sup>23</sup>.

The 1990's sees the appearance of new actors. In 1996, the Federal Universities of Rio de Janeiro and Ceará created the first incubators of “*cooperativas populares*”, meaning workers' cooperatives created by grassroots communities. These incubators were created by the “Committees of Promotion of Citizenship against Famine and Misery”, operated within these universities as part of a national campaign initiated by the late “Betinho”, a prominent Brazilian sociologist and founder of IBase, one the major NGOs in Brazil (Cruz, 2005). The action of these committees led to a national debate about the role universities should play in social transformation, which soon led to the creation of *Unitrabalho*, one of the two existing national networks of university-run incubators of “*cooperativas populares*”. This network counts nowadays with 92 incubators across the country.

In 1999, CUT, the main Brazilian labor union, created together with *Unitrabalho* and a series of NGOs an organization dedicated to the promotion of SSE. This organization, called ADS – *Agência de Desenvolvimento Solidario*<sup>24</sup>. This organization provides a series of services to SSE, including the incubation of new initiatives, training, credit and the formation of networks of production and commercialization. One of the major initiatives of ADS was the creation of *Unisol*<sup>25</sup>, a trade union for members of SSE

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<sup>20</sup> National Secretariat of Solidarity Socio-economy

<sup>21</sup> These movements coalesce around the “Conselho Nacional dos Seringueiros” (<http://www.chicomendes.org/seringueiros01.php>), created to continue the legacy of Chico Mendes, leader of the movement of Amazonian agricultural laborers, murdered in December 1988 in Xapuri, state of Acre.

<sup>22</sup> Translation: “Alternative Community Projects”.

<sup>23</sup> Translation: National Organization of Workers in Worker-managed Enterprises.

<sup>24</sup> <http://www.ads.org.br/>

<sup>25</sup> <http://www.ads.org.br/unisol.asp>

initiatives that aims to play a role of articulation among productive units and political bargaining with the state.

In the late 1990's there was also the creation of CRESOL<sup>26</sup>, a credit association for family farms and agricultural cooperatives, acting mainly in the southern states of the country. In 2004 and 2005, the CRESOL system evolves into ANCOSOL – *Associação Nacional de Cooperativismo de Crédito de Economia Familiar e Solidaria*<sup>27</sup> and UNICAFES – *União Nacional das Cooperativas da Agricultura Familiar e Economia Solidaria*<sup>28</sup>. The aim of this system is to provide a financial and political support to the development of SSE in the agricultural field.

#### *Earlier Convergence of Interests*

According to a staff member of a Brazilian NGO, the convergence of interests that led to the national MSSE started to emerge in the late 1980's and early 1990's. Growing unemployment, government corruption and the exhaustion of protest-based forms of grassroots political action due to insufficient results and political violence led to an exponential growth of the “popular economy” sector in the country. The motivation behind such growth was the urgency that disadvantaged groups had to find means for income generation in face of a stagnant economy and government inaction. The frailty of these economic initiatives, due to lack of institutional capacity, difficulties in creating productive chains and lack of penetration in a market dominated by capitalist enterprises encouraged their aggregation in networks of reciprocal help and political intervention (Ministério do Trabalho e do Emprego, 2005). One example was the decision, taken by the MST in 1987, of organizing its squats in cooperatives, since the agricultural policy of the Brazilian government and the mainstream structures of commercialization made it extremely difficult for small family farms to survive economically (Cruz, 2005). Such decision led to the creation of CONCRAB<sup>29</sup>, the MST's federation of cooperatives. Besides, the difficulty that the “popular economy” has in having access to credit, as well as the precariousness of its employment structure, created the demand for a legal framework that increases the viability of these initiatives and the quality of life of the people involved in them.

#### *Earlier articulations*

The articulation and politicization of SSE units in Brazil became visible in the 1990's with public debates on the concepts of “popular cooperativism”:

- In 1994, three NGOs, Asplande<sup>30</sup>, *Cooperação* and FASE<sup>31</sup> started publishing a series of joint publications on “popular cooperativism” which led to a series of public debates on the subject<sup>32</sup>.

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<sup>26</sup> <http://www.cresol.org.br>

<sup>27</sup> National Association of Credit for Family and Solidarity Economy  
<http://www.cresol.com.br/site/publicidade/ancosol.php>

<sup>28</sup> National Association of Cooperatives of Family Agriculture and Solidarity Economy  
<http://www.cresol.com.br/site/publicidade/unicafes.php>

<sup>29</sup> <http://www.mst.org.br/setores/concrab/concrabsementes.htm>

<sup>30</sup> <http://www.asplande.org.br/>

<sup>31</sup> Translation: Federação de Orgãos para a Assistência Social e Educacional ([www.fase.org.br](http://www.fase.org.br)).

<sup>32</sup> This chronological information was taken from the webpage of FCP-RJ.

- In 1995 and 1996, a series of large-scale public meetings in the state of Rio de Janeiro, coordinated by the previous NGOs as well as others such as PACS, CAPINA<sup>33</sup> and CEDAC<sup>34</sup> led to the creation of FCP-RJ.
- In 1998, PACS and CASA – *Coletivo Autônomo de Solidariedade Autogestionária*, an NGO from Rio Grande do Sul, coordinated the “Iberian and Latin American Gathering of Solidarity Socio-economy”, which took place in Porto Alegre from between the 2<sup>nd</sup> and 9<sup>th</sup> of August of that year.

The 1998 meeting established the articulations that led to the creation of RBSES<sup>35</sup> – *Rede Brasileira de Socio-economia Solidária*. The creation happened soon after the “Brazilian Encounter of Culture and Solidarity Socio-economy”, the second major national gathering on the subject, which happened in Rio de Janeiro between the 11<sup>th</sup> and the 18<sup>th</sup> of June 2000. This meeting was organized by FCP-RJ, together with the same team that led the previous meetings.

### ***The World Social Forum and the Creation of SENAES and FBES***

The articulation that led to FBES and the network of state forums of SSE started in 2001, with the creation of GT-Brazil, the Brazilian working group of the World Social Forum<sup>36</sup>.

The beginning of Lula da Silva’s mandate in 2003 was the right opportunity for GT-Brazil to push for the creation of a public policy aimed at promoting the growth and sustainability of SE. This group, led by activist scholars such as Marcos Arruda, Paul Singer and Euclides Mance, negotiated with the new government the creation of SENAES, a department of the Ministry of Labour aimed at proposing and implementing policies for non-capitalist forms of production. The creation of SENAES is announced at the 3<sup>rd</sup> WSF in January 2003. At the same time, the RBSES mobilized its grassroots members for the creation of FBES. The purpose was to establish a representative body that could not only provide a ground for reciprocal help among units of SSE, but also debate, together with representatives from SENAES, policy proposals for the sector<sup>37</sup>.

### ***The multi-level power dynamics of knowledge production within social movements***

This paper is based on an understanding of processes of knowledge production within social movements as the intentional activities by which movements produce, process and diffuse information about their participants, their own socio-economic context and the ruling relations which structure their lives. Such processes include activities of collection, treatment and diffusion of information such as research, education and training and networking with the specific purpose of debating and diffusing knowledge. This concept includes educational and training initiatives, as well as

<sup>33</sup> Translation: Cooperação e Apoio a Projetos de Inspiração Alternativa ([www.capina.org.br](http://www.capina.org.br)).

<sup>34</sup> Translation: Centro de Educação e Documentação para a Ação Comunitária ([www.cedac.org.br](http://www.cedac.org.br)).

<sup>35</sup> Translation: Brazilian Network of Solidarity Socio-economy.

<sup>36</sup> [http://www.fbess.org.br/index.php?option=com\\_content&task=view&id=64&Itemid=58](http://www.fbess.org.br/index.php?option=com_content&task=view&id=64&Itemid=58)

This group included the RBSES, PACS, FASE, ANTEAG, IBase, the Brazilian branch of Caritas, the MST, ADS-CUT, *Unitrabalho*, ICTP - the Brazilian network of university-run incubators of cooperatives, the Brazilian network of managers of public policies related with SSE and ABCRED – Brazilian Association of Micro-credit Institutions.

<sup>37</sup> Check FBES’ webpage for information in its structure and composition.

exchange of information and deliberation within activist networks, as these activities imply a treatment of previously gathered knowledge, which very often implies the addition of new information. That is the case, for example, of critical education programs following the pedagogy of Paulo Freire, which rely heavily on information brought by the student on her or his experience and the context in which it is embedded.

Social scientific research on processes of knowledge production by social movements has so far focused on four aspects: its content, the processes by which it is produced, the context of its production and its function as a support to mobilization, protest and advocacy (i.e. Thompson, 1978; Wainwright, 1994, 2003). It has so far neglected the power relations between actors experiencing different roles and forms of involvement that are inherent to processes of knowledge production within social movements. Such lack is a direct result of the political process approach that has been dominating social movement research in the past decades. This perspective is centered on the political opportunities provided by the state, as well as on the social networks and symbolic mechanisms that structure the emergence of frames, the mobilization of adherents and material resources, and the gaining of political influence (McAdam, McCarthy and Zald, 1996; Della Porta & Diani, 1999; McAdam, Tarrow & Tilly, 2001; Della Porta, Andretta, Mosca & Reiter, 2006). This structuralist approach has neglected the intra-movement dynamics that shape the processes which define movement frames. In their turn, these processes of frame definition determine what kind of members and other allies movements look for, as well as the strategies used for their mobilization (Benford & Snow, 2000; Klandermans & Staggenborg, 2002).

The best known empirical research in this area, at least in North American academic circles, has been made in the area of health and environment-related activism, and has drawn more directly from theoretical areas such as medical sociology, science studies and feminist thought, rather than theories on framing (e.g. Lindenbaum & Lock, 1993; Epstein, 1996; Frickel, 2004; Fischer, 2000; Kroll-Smith, Brown & Gunter, 2000; Morgen, 2002). Much of the literature produced on knowledge production processes within movements that focuses on other areas, particularly political economy, has been done in the area of critical education and long-term historical processes of change within mainly labor and land rights movements (Thompson, 1963; Freire, 1970; Wainwright, 1994; Kane, 2001; Caldart, 2004).

Benford & Snow (2000) point out that framing literature has been paying attention to the interaction processes that support the building of knowledge and ideology within these organizations. From a review of existing literature, the authors identified three types of social processes related to knowledge-building: discursive, strategic and contested. Discursive processes refer to the “talks and conversations – the speech acts – and written communications of movement members that occur in the context of, or in relation to, movement activities (p. 623). Strategic processes are those related to the development of frames aimed at achieving purposes that are central to the sustainability of the movement, such as the mobilization of members and the capitulation of resources (p. 624). Contested processes are those that related to the “politics of signification”, meaning

the competition between frames elaborated within different factions of the movement, as well between the main frame of the movement and those of other actors (p. 625).

There is an abundant body of literature dealing with critical education and knowledge production in the framework of educational and mobilization activities carried out by social movements from the popular classes (i. e. Thompson, 1963; Freire, 1970; Williams, 1989; Horton & Freire, 1990; Elderidge & Elderidge, 1994; Naples, 1998; Mayo 1999; Allman, 2001; Kane, 2001; Rose, 2001; Souza (ed), 2001; Caldart, 2004; Russo & Linkon (ed.), 2005). However, this literature tends to focus on the methods and processes used in knowledge production, education and training activities, as well as on their impact in terms of skill development, political empowerment and social movement participation. Despite the attention given to the socio-economic context of participants in critical education projects (i.e. Kane, 2001; Rose, 2001), this body of literature tends to neglect the way in which structural inequalities reproduce themselves in the relationship between educators and students.

Despite the wealth of literature on how frames and collective identity are constructed within social movements and other civil society organizations, there is scant systematized knowledge on the interaction processes that underlie the negotiation of meaning, discourse and strategy upon which they are built. To be more specific, the existing social scientific literature tends to neglect how the degree of legitimacy attributed by society to different forms of knowledge can be used in these organizations as a power asset that creates and reproduces hierarchies among the participants. To which extent are movement participants less endowed with socially legitimized forms of knowledge granted the opportunity to contribute, on equal terms with those of the “experts”, to the definition of the movement’s frame, its discourse and the collective action strategy it supports? Which forms of knowledge, which systems of meaning, and which perspectives on the cause that brings the movement together end up predominating in its frame? Despite the empowerment claims of the movement’s frame, to which extent does it correspond to the perspective that the people it aims to emancipate have of the cause it is promoting?

One of the most direct approaches to the subject was made by Tsing (2005) in an ethnographic analysis of the scheme of collaboration underlying the struggle for the conservation of native forests in the region of Kalimantan, Indonesia. The author contrasts “the freedom of middle-class students to roam in wild nature” with the struggle of mainly urban, highly educated environmental activists to empower forest communities. Such perspectives, in their turn, are “barely in dialogue with the lives of forest residents” (p. 245). The author argues that, although such heterogeneity invigorates social mobilizations by appealing to diverse social groups, the frame that ended up predominating in this particular case was that of the middle-class students and activists. The framing of the movement suffered from a “reification of forest, communities and conservation”. The author also argued that the sustainability of such coalition was due to the fact that “no one stopped to realize the depth of their disagreements”, creating a situation in which “collaboration was not consensus making but rather an opening or productive confusion” (p. 247). In practice, the frame and knowledge produced by the

movement ended up neglecting aspects of the everyday functioning of the communities, which had to do with the fact that their economy was not self-sustaining but at least partially dependent on external connections. The frame was also marked by an idealization of nature as something separate from culture and of local community life as “non-contaminated” by inter-dependence with external actors and their social dynamics. Therefore, it failed to acknowledge fundamental issues related to the survival of the communities it aims to empower. Such issues come out of the embedment of local communities in economic and cultural exchanges with national and international actors. Despite the thoroughness of Tsing’s ethnography, it doesn’t give the necessary attention to the role that the power relations associated with the encounter of different forms of knowledge within activist groups might play in the production of such outcomes.

The current literature makes a dichotomous distinction between the kind of knowledge on social and economic processes that enjoys social legitimacy granted by mainstream social institutions and that which doesn’t. The first type of knowledge is generally identified as being of the “technical” or “expert” type. Bourdieu calls this type of knowledge “objectivist”, since it “constructs the objective relations (...) which structure practice and representations of practice” (Bourdieu, 1977: 3). Its most defining characteristic is the fact that it is built upon a process which aims to identify regularities upon its object(s) that are not bound to specific circumstances of time, place and culture (Wainwright, 1994; Scott, 1998). It tends to be created by a class of “experts” (either “intellectuals” or “technicians”), professionals whose training granted them with certain intellectual representations that allow them to treat cognitive questions symbolically, according to the general problem-solving strategies of their knowledge domain (Geisler, 1994: 55). It also grants them skills and methods of collecting and treating information that allows them to create “cognitive abstractions” by “extracting” generalities from beings and facts bound by historical and geographical constraints (Geisler, 1994: 55-7). Such abstractions tend to take the form of “categories”, meaning rational constructions aimed at creating “self-contained systems of reasoning” that make reality predictable, structurable, calculable, and therefore technically controllable (Bourdieu, 1977: 2-3; Mitchell, 1992: 1-3, Scott, 1998: 320). The capacities needed to create such abstractions are recognized as being the right ones for producing socially legitimized knowledge. That happens because they are generally developed within the Academy, which is recognized by the mainstream culture within industrialized and post-colonial societies as the institution that defines the boundaries of “legitimate” knowledge on social and economic processes, as well as of the group of “experts” that has the legitimacy to produce it (Geisler, 1994: 72-4; Good & Good, 1993).

The second type of knowledge has been given different denominations. Bourdieu called it “phenomenological”, since it aims to “make explicit the truth of primary experience of the social world”, meaning that experience “that is inscribed in the relationship of *familiarity* with the familiar environment” (Bourdieu, 1977: 3). Wainwright calls it “tacit knowledge” and argues that it is non-codifiable, since is based on the accumulated experience of specific groups, built upon insights that cannot be fully understood outside their particular circumstances of time and place (Wainwright, 1993). Given this, many authors have called it “local knowledge” (e.g. Geertz, 1983; Pearce,

1993; Fischer, 2000). Scott (1998) refers to it as “practical knowledge” or “Métis”, and argues that it is not “merely the specification of local values (such as the local mean temperature and rainfall) made in order to successfully apply a generic formula to a local case” (p. 319). It is a kind of “non-expert” knowledge that is based on the contextualization of facts according to empirical perception, while scientific reasoning relies on de-contextualization, abstraction and generalization. The author partially disagrees with Wainwright in that he believes that “practical knowledge” or “Métis” is based on the codification of practical, contextualized experience (p. 330). The main point that differentiates it from “technical” or “expert” knowledge (“Techné, according to Scott) is that it cannot be generalized outside its context. Still, the author points that that this is the right kind of knowledge to rely on to deal with social and material tasks of a high degree of complexity and uncertainty (p. 327). Depending on the degree to which such tasks are unique to their context, “practical knowledge” or “Métis” can either complement or substitute “technical” or “objectivist” knowledge in their resolution.

According to Keck & Sikkink (1998) and Dryzek (2001: 66-7), “practical knowledge”, being experientially based, tends to be expressed in the form of testimony and storytelling, while “technical” knowledge is normally presented in the form of “hard”, systematized data. An important point that Scott (1998) makes is that “practical knowledge” can only be preserved in the context of a relatively stable “multigenerational community of interest” engaged in a lifelong process of observation, accumulation and routine exchange of information that transforms testimony into systematized data (p. 334). Scott’s train of thought implies that, in order to be preserved and built upon, “practical knowledge” must undergo a process of codification, which according to Keck & Sikkink (1998:227) implies several layers of “translation”. Do such codification and the underlying process of “translation” always have to imply the subordination of the knowledge of actors less endowed with “expertise”? To the extent do the “authors” of experientially-based knowledge lose control of their “testimonies” in the process by seeing its meaning be distorted by actors which did not take part in the events that produced them, or do not share their own standpoint on the meaning of such events?

In order to properly answer this question, it is necessary to recognize that the dichotomy between “practical” and “technical” or “objective” knowledge does not apply to processes of knowledge production in the real world. According to Nilsen (2006), the knowledge produced by “grassroots” actors and “cadres” within social movements will always have elements of both “Métis” and “Techné”. Subaltern classes also produce forms of “expert” or “technical” knowledge related with their own activities, which can be codified in the form of “hard data” and generalized beyond the context in which it was produced. Besides, “cadres” and other “technicians” also produce forms of non-generalized knowledge that is based on “testimony”. Such form of knowledge is very often the support of the systematized knowledge they produce within their intellectual and technical activities. In order to overcome this dichotomy, it is necessary to analyze the ways in which members of the subaltern classes appropriate “socially legitimate knowledge” and transform it through their own understanding of their everyday practices. It is also necessary to understand the process by which “cadres” within social movement organizations use the knowledge produced by members within their knowledge-making,

educational and institution-building activities. Besides, one has to overcome the dichotomy between “professional” and “non-professional” activists (i.e. Mische, 2008) and create typologies which account for different roles, forms of involvement and use of knowledge within social movements.

Several theorists of democratic communication have been exploring how publics composed by subaltern social movements construct identities, build networks and regulate communication between members (i.e. Mainsbridge, 1983; Young, 1990; Cohen & Arato, 1992; Gutmann & Thompson, 1996; Elster, 1997; Cohen, 1997; Offe, 1997). Mische (2008), in her study of Brazilian youth activist networks, analyzed mechanisms of mediation and cross-sectoral communication that are inherent to knowledge production and framing processes within multi-sectoral fields composed by networks of related social movements. She made a connection between the role of overlapping cross-movement networks in the political socialization of activists and the development of different leadership orientations. In their turn, these different leadership orientation determined the style of institutional mediation and the type of communicative performance the predominated within multisectoral fields. However, she did not take into account the role of key aspects of structural and human resources frames of these organizations in the legitimization of the leaders’ position, communicative style and vision of group identity. Among such aspects are the internal division of labor of labor between groups, the degree of centralization of power by key members and the power dynamics between leaders and other members within organizations (Bolman & Deal, 2003). She also did not take into account the role of economic and regulatory conditions in the shaping of the structure and dynamics of publics, as well as in the enabling and constraining of deliberative choices.

There is an emerging body of literature dealing with transnational advocacy networks promoting the cross-national diffusion of ideas and organizational forms among counter-hegemonic social movements and associations. Some of this literature is starting to take into account the impact of knowledge in boundary-setting, as well as in the structuring of power relations between movement participants. However, little has been written about the way in which such power relations in their turn structure processes of knowledge production.

On her analysis of the deliberative practices of feminist movements within the European Social Forum, Doerr (2007) pointed out the “voicelessness” of Eastern and South-eastern European feminists, and the way in which fellow activists from Western European countries claimed to speak “in their name”. The author claims that the hegemony of Western European and North American feminist theories, the precarious access of Eastern and South-eastern European feminists to such theories and their deficient domain of the English, French and German languages led to the loss of ownership of their own claims and to their silencing during ESF deliberations.

Several authors have been documenting the results of the World Social Forum (WSF) process. Some of them, such as Bello (2007) and Sen (2007) have been critical of the inability of the WSF to include the most disadvantaged groups, since participation in



this process requires an availability of material and knowledge resources that is generally only available to professionalized activists of middle-class background. As a result, many groups end up being represented by activists who do not share their experiences or their class background, risking therefore having their standpoint distorted. Other groups end up being altogether excluded from the process, since they lack the connections with intellectuals, NGOs or professionalized activists which may represent them “by proxy”. Other authors such as Sousa Santos (2005, 2007, 2007a) and Whitaker (2007, 2008), have been praising the very process of “translation” whereby participating movements are able to extract generalities out of a disparity of socio-cultural backgrounds, strategies and ideologies.

Sousa Santos (2005) defines “translation” as the process of identifying and codifying generalities from the different socio-cultural environments, goals and activist experience of the participating social movements, with the aim of reaching mutual intelligibility among different epistemic realities. The author argues that the future success of the WSF will depend on its ability to further develop this process, in order to make it an instrument to build up aggregation, articulation and coalitions among the participating actors. Years before Sousa Santos made his statement about the future of the WSF as a space of “translation”, Spivak (1999) claimed that such process is “necessary but impossible”. That happens because the process of “translation” is rarely based on a “relationship between equivalents” (quoted in Leonard, 2005). The unequal relationship of power which generally underlies every process of “translation” always leads to a distortion and loss of meaning of the experience of the least powerful actors. Such unequal relationship is based on the fact that there will always be a “translator” and a “translated” actor, being the former in a position of power over the later that comes from the fact that it possesses the “technical knowledge” necessary to initiate and control the process. However, to which extent is Spivak’s claim generalizable? Does a process of “translation” always have to imply the subordination of the knowledge of actors less endowed with forms of knowledge that enjoy higher levels of social legitimacy? Which circumstances lead to the predominance of the experientially-based knowledge created by the actors it claims to emancipate?

Answering the above questions requires the adoption of a critical ethnographic approach to the dynamics underlying processes of knowledge production within social movements. Baiocchi & Connor (2008) claim that one of the advantages of the use of ethnography for the study of political activity is that it allows a “thick description” of the mundane details by which individuals negotiate their actions regarding political issues in their everyday lives. Therefore, it provides deep insights on the processes, causes and effects of political activity underlying the mechanisms of boundary construction that determine who gets involved in politics and how and who doesn’t (Eliasoph, 1998; Ayuero, 2003; Tilly, 2006). In that sense, how can we identify the practices that are relevant to the ethnographic tracing of processes of knowledge production within social movements and the underlying power relations that shape them? Based on the agency-oriented Marxist and Feminist perspective offered by Burawoy (1998), Cox (1999a, 1999b) and Smith (2005, 2006), one can identify such practices as the contextualized

experience of human subjects, in the form of interactions with other humans, texts and objects, witnessing of events, and personal reflections upon such experiences.

### **“Casa da Confiança”: Personal Experience as a key source of knowledge**

“*Casa da Confiança*” is a concrete example of process of knowledge production within a social movement supported by a “multi-level power game” that empowers participants whose knowledge base is mainly experiential. Such outcome is possible due to the adoption of a method that promotes a proactive approach on the part of beneficiaries, as well as a facilitating role by the “experts” working at PACS. Such method is supported by a leadership style based on a combination between focused activism and a bridging approach. This project, which started in 2005, is a capacity-building mechanism for SSE units developed by FCP-RJ and coordinated by PACS. It combines a micro-credit system for microenterprises with a series of meetings aimed at facilitating the building up of knowledge on management strategies. Such exercise is based on the exchange of information among members on the results of strategies themselves or someone else in a project they know of has followed. The meetings take place every two weeks. In the meantime, participants keep in touch through regular exchanges over the telephone or meetings in person when necessary. This project is open to all members of FCP-RJ, although it has been counting with the regular participation of about 20 members of SSE units. Most of them are also active members of neighborhood associations.

#### *Applying the “Pedagogy of the Oppressed” to capacity-building*

According to staff members from PACS, the meetings coordinated within “*Casa da Confiança*” are based on a methodology akin to what Paulo Freire called “Pedagogy of the Oppressed” (1970). This methodology is based on the demystification of “expert” knowledge through its “translation” to the everyday language of popular groups. Such process is made through a deductive process in which a correspondence is made between the experiential, non-codified knowledge they develop in the management of SSE units and the terms normally used by management “experts”. The aim is to empower members of SSE units by deconstructing the logic behind the power relation between “experts” and “non-experts” which often leads to the co-optation of grassroots projects by the dominant interests. The purpose is to make them realise that they already have the knowledge they need to dialogue with “experts”, as well as manage their projects without becoming dependent on them. The following testimony from one of PACS’ staff members illustrates the vision behind such effort, as well as of the facilitating role adopted by the “experts” working at this NGO:

*“These people don’t ‘know’ what is generally understood as ‘economics’, but they live it in their everyday life. They don’t know the concepts, but they ‘live’ their content. (...) We help them realise that they already know what those concepts are about. All we need to do is to organize their knowledge in such a way that the ‘fancy words’ become intelligible to them. We also help them realise that knowing own to manage a productive unit does not depend on knowing or using such ‘fancy words’, but knowing what they are about (...) and that deep down, such concepts are not different from what they experience in their everyday struggle. (...) We help them realise all this by stimulating them to lead the discussions, to take ‘Casa da Confiança’ in their own hands.*”

*(...) They know what's going on in their lives and work better than us or anyone else and we do our best to make that clear to them all the time."*

The staff made a visible effort during meetings to make the participants conscious of how important it is for them to lead discussions. Each time the participants doubted their own ability to understand what is happening in their environment and tried to rely on the "expert" knowledge of the staff, thinking that they "know better", the staff made them realize their ability to understand and act upon their reality by asking them about specific aspects of it and stimulating participants to learn by sharing testimonies with each other. The staff claims that there has been a linear progression in terms of the willingness and ability of participants to lead the meetings. Such progression was also visible during the meetings observed, as participants took a more proactive role and shared more information from their own experience each passing meeting.

Another aspect of this methodology is the use of "translated knowledge" as a tool for these groups to contextualize their experience within larger socio-economic dynamics and develop a critical, pro-active way of exercising their citizenship (Freire, 1970; Arroyo, 2001). It contributes to raise consciousness among members of subaltern groups of the problems affecting themselves and their communities, assert their aspirations and their own capacity to achieve them without entering in relationships of dependence with dominant groups or institutions.

Data from the participant observation of meetings of "*Casa da Confiança*" and semi-structured interviews with some of its members provides an illustration of the empowering effects of the method of "translation", when in conjunction with the adoption of a pro-active attitude from the part of beneficiaries and a facilitating role from the part of "experts". Such empowerment is visible at the moral, political and economic dimensions of agency in the form of improvements at four levels:

- awareness that participants have of their own abilities and capacity for autonomous action;
- their technical and management ability;
- their understanding of social dynamics;
- their capacity to intervene politically.

Such data indicates that the vast majority of members has been benefiting from significant improvements at the four levels of empowerment described above. However, a thorough analysis of the way in which each regular participant is experiencing such process would compromise the depth of analysis in a paper of this kind. Such task will be reserved for a larger essay aimed at publication. Therefore, this paper will concentrate on the experience of one participant, which is illustrative of the way in which participants experience empowerment and are mobilized into social movement activism, as a result of their participation in "*Casa da Confiança*".

*Becoming aware of one's abilities: The case of C.*

C., an Afro-Brazilian woman from a housing cooperative in a shantytown on the western part of Rio de Janeiro, is a good example of the empowering and mobilizing impact of the process of knowledge construction taking place at “*Casa da Confiança*”. After some difficult experiences in the informal economy and with previous NGOs whose attitude she described as “humiliating”, she founded “*Cativare*”, an association of trash collectors and recyclers, together with relatives and neighbours from her community. Such project was made possible to a great extent due to her participation in the local neighbourhood association and the support given by PACS and other NGOs in connecting her with RICAMARE<sup>38</sup>, the association of trash collectors and recyclers of Rio de Janeiro. The following quote illustrates the difference in attitudes she noticed between PACS and the other organizations she worked with before:

*“My experience at that other place where I went for help before coming here was really hurtful. Everything was decided by the people who worked there and we had no say whatsoever in the way things were done. If we openly acknowledged that they made mistakes or that they know what was going on as well as we did, they would ignore us or act in a condescending manner. (...) I got tired of being treated as a retard or a little kid. (...) Thing here are so different! The people here at PACS really motivate us to take the lead in “Casa da Confiança”. They show us that we know better than anyone else what is going on in our lives, that we have what it takes to improve them, and that we should never let anyone make us think otherwise.”*

In one of the meetings, everyone commented that she went through a very positive transformation since she became a member of FCP-RJ and a collaborator of “*Casa da Confiança*”. The following comment from a fellow member is illustrative of such process:

*“I remember how shy and insecure this lady was when we first met her (...) She wouldn't say a word and was afraid she wouldn't be able to achieve anything with her own efforts (...) Look at her now ... She is really making ‘Cativare’ grow... It is becoming a success ...She is speaking on our behalf, she even went twice to the World Social Forum to talk about her work and that of other recyclers (...).”*

C. agrees with such assessment. She recognizes that such change in her subjectivity increased her capacity to manage “*Cativare*” and make it more productive and sustainable:

*“I am very grateful for everything I am learning here (...) the most important of all being that I should not do everything at ‘Cativare’ myself, that everyone in the association has to collaborate as much as anyone else. (...) One day, on the way back home, I thought about everything I learned here, about the way to divide work and that everyone at ‘Cativare’ should have the same rights and obligations in a project like this. (...) When I arrived home, I called everyone and had a good chat with them. I told them*

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<sup>38</sup> [http://www.ibase.br/pubibase/media/dv27\\_artigo1\\_ibasenet.pdf](http://www.ibase.br/pubibase/media/dv27_artigo1_ibasenet.pdf)

*that if all the responsibilities are put on my shoulder we will all lose and that we will all gain a lot if we divide the efforts properly and assume our responsibilities. (...). We are also beginning to create a source of income by selling the material to recycling companies (...) We have more plans (...) I invited a woman I know who is a good artisan to teach us how use recyclable material to make tapestry (...) Soon we will be able to produce and sell hand-made carpets (...) We will also be able to sell fruits and vegetables from our collective orchard. (...)"*

The whole process also increased her awareness of the way in which “Cativare” and the Movement of Solidarity Socio-economy fit in a larger project of social transformation. The training sessions at PACS often included long discussions on political economy, the impact of the neo-liberal model of development on everyday forms of oppression, and the way in which the political mobilization of non-capitalist forms of production can contribute to promote a viable alternative. Such discussions gave her motivation and skills to become politically active within the Movement of Solidarity Socio-economy, as well as a spokesperson for the trash collectors’ movement:

*“Through my work at “Cativare” and conversations with the people here at PACS, I am realising the importance of our project and of my own involvement in society (...) Businesses and politicians are keeping people down and destroying the environment. (...) If we don’t do anything about it we only contribute to make it worse. (...) I am now participating at meetings of the FCP-RJ (...) I went twice to the World Social Forum to talk about the contribution that we, recyclers, give to the betterment of the environment (...).”*

#### *Sharing knowledge on oppression in everyday life*

One of the most significant aspects of the meetings at “*Casa da Confiança*” was the sharing of knowledge among members on how to avoid being caught in oppressive relations of power in the everyday life. In one of the meetings, C. shared with the rest of the group that a local politician insisted on offering *Cativare* an oven for free, at the same time that he was trying to impose his own view on how to divide labour within the association. Other members of “*Casa da Confiança*” informed C. that such move is typical of strategies aimed at “locking” such projects in relationships of clientelism that co-opt them for political purposes, therefore stripping them of their potential for promoting empowerment. Some of the participants even gave examples of similar situations that happened to them or their acquaintances. They advised C. on strategies to either get out of such relationship or, if “*Cativare*” ends up accepting the help of such politician, make it in such a way that he will not have any interference in the internal affairs of the association. In one of the following meetings, C. told everyone that she ended up giving back the oven and refusing any further help, in order to ensure the independence of “*Cativare*” from political interests.

Another factor of oppression that is widely discussed among the members of “*Casa da Confiança*” is that of the “street bankers”. These informal bankers make themselves known by distributing publicity on the street, in which they advertise loans

for people who have been refused by the regular banking system. These loans are attached to interest rates that can go as high as 41%. Many of these bankers are connected with the organized crime and often use death squadrons to take revenge of those who do not pay back their loans in due time. This informal banking system was the subject of a workshop in the August meeting of the FCP-RJ, in which some members of “*Casa da Confiança*” made a theatrical representation of the tactics used by “street bankers” and the dangers that their “clients” face.

### ***Conclusions***

This paper makes an exploratory analysis of the emergence of a participatory public composed by enterprises. Within such process, it underlines the importance of transversal networks that include entrepreneurs, scholar-activists, social movement intellectuals, technicians within NGOs and SMOs, and state officials. It emphasizes the role of mediating actors in making possible its use to promote civil society initiatives and leverage political influence.

It also shows how the transnational diffusion of ideas and localized processes of capacity-building interact in processes of translation that underlie the building of a common frame for FBES, therefore promoting a synergy between the diffusion and re-elaboration of theory, and its use as an instrument for collective action. In this specific case, the Brazilian approach to SE and the creation of SENAES and FBSES would have not been possible without the mediation of a tightly-kit network of progressive scholar-activists who shared experiences of militancy and exile in Europe during the military dictatorship in Brazil. Their contacts with the Francophone academic world familiarized them with the concept of SE and led to its posterior introduction and re-interpretation in the “praxis” of the social movements in Brazil within which they circulate and to whom they provide capacity-building. Such reinterpretation led to the emergence of a specific approach to SSE, deeply ground in the social and cultural realities of the country and in the experiences of its subaltern groups. At the contrary of the original French approach, centered in institutions and social regulation, the Brazilian approach is centered on the role of culture and social ties in the development of non-capitalist forms of production.

The central role of scholar-activists and their close ties to social movements and NGOs facilitated the articulation of interests and resources that culminated in the creation of FBES and SENAES. This articulation was made through two fronts. One of them operated at the macro level, congregating non-capitalist production and institutional actors at the state and federal levels for a series of conferences that led to the development of RBSES and culminated with the foundation of FBES in 2003, following the creation of SENAES. The other one operated at the micro-level, working on the technical support to productive units of the “popular economy”, as well as the political mobilization of their members through educational activities and their articulation with other productive units and social movements.

Studying the power dynamics and mechanisms of boundary construction that are implicit in processes of knowledge production leading to the emergence of social movement frames might give new and deeper insights on why certain movements succeed in sustaining mobilization and leveraging influence on the state and the public sphere, while others fail. Such insights are especially relevant to the emerging “relational” approach to social movement activity, based on the study of experiences of activism within participatory decision-making processes, as well as within national and cross-border activist networks. This article proposes an approach to the power dynamics that structure such processes as “multi-level power games”. This concept contextualizes such processes within structural inequalities. Besides, it takes into account the relationship between movement participants and other actors, such state officials and members from other movements within the context of activist networks. Therefore, it provides a framework upon which to analyse the role of networks and the circulation of frames on processes of knowledge production by movements.

“*Casa da Confiança*” offers a significant example of a “multi-level power game” in which a process of “translation” can be built upon a form of interaction between “experts” and “non-experts” that empowers the later, by promoting their moral, economic and political agency. The ethnographic data collected during a three month voluntary work experience at PACS indicates that the main factors that bracket the cognitive inequalities between technicians and entrepreneurs and make such process empowering for the later are: 1) the method followed by the organization and the agency of the participants; 2) a leadership style based on a combination between focused activism and a bridging approach. The method used is inspired on Paulo Freire’s “The Pedagogy of the Oppressed”. It consists of a process of demystification of “technical knowledge”, through a deductive process in which a correspondence is made between the experiential, non-codified knowledge of popular groups and concepts normally used in “expert” kinds of knowledge. PACS staff members turned this methodology into a powerful tool of empowerment and mobilization by adopting a facilitating role, and stimulating participants to be proactive and take the process in their own hands.

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## **I. Introduction.**

What has been the character and scope of Chile's Tripartite Agreements between Government, Unions and Employers Associations and what was their impact on economic liberalization and political transition since 1990? These are the main questions addressed in this research.

Six dimensions have been selected in the theoretical discussion on the particular *context of relations* between *tripartism* (for long term country development and policies, reforms and socio-economic, democratic results --agreements signed in 1990 and 1995--) *policy, reforms* and *outcomes*. They are presented next, graphed and bracket numbered accordingly:

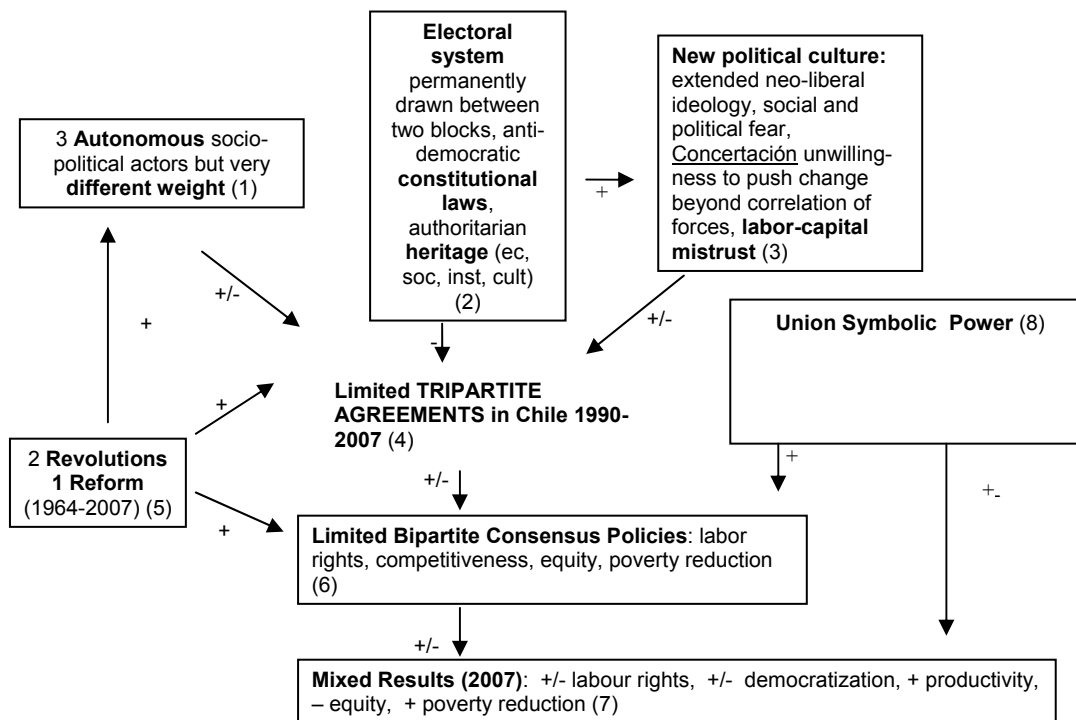
- *uneven weight* between actors of agreements. (1)
- two *structural determinants*: a) historical revolutionary changes since 1964 (i. Copper Nationalization bringing government savings to 26 Billion dollars by 2007 and Land Reform freeing the country's rural backward enclave, as did France, the US, Japan and both Chinas years ago, ii. market economics multiplying many times investments and capital flows, iii. and reforms outlined in this chapter) b) but also of socio-economic political bottlenecks introduced by military legislation, particularly restrictions on parliamentary democracy and union bargaining. (2) and (5)
- new *political-development culture* permeating the transition from dictatorship: persistent neo-liberal ideology under strong oligopolistic markets, fear, prudence before correlation of forces and low political willingness for change beyond it by Concertation centre-left leadership, as well as unions and people at large jobs and retirement social insecurity (Messner and Scholz, 1999, Falabella, in Valdes and Foster, 2005, Lechner, 2002). They result in labor-capital mistrust and the government cautious policies under a delicate transition. (3)
- the importance of *bipartite political agreements* between Concertación Government and the right wing Alianza in reforms and outcomes, with unions backing the Concertación and employers the Alianza. These political agreements are a direct result of Chile's permanently drawn Parliamentary electoral system inherited from Pinochet Constitution and likewise for any reform and policy to be undertaken. (6)
- *union symbolic power* lent to the governing coalition in crucial presidential elections --by a key actor in bringing down dictatorial rule and keeping the Governing Coalition in power now for 20 years-- and at the political bargaining table.<sup>1</sup> It refers to a cultural dimension of power (analogous to that of the Catholic Church in Chile --although much more extended than that of unions!) beyond union's limited formal organization and bargaining power derived from dictatorial rule. (8)

All together, these dimensions should help further explain the specific character of Chilean Tripartite Agreements and, with it, variances in policies, reforms and outcomes. They stress progressive results are finally a consequence of full democratization and collective bargaining rights for unions, thus allowing political and social actors to fully unfold and participate in the country's development and benefits, as they rid themselves of the straight jacket still framing a 20 years transition.

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<sup>1</sup> Professor of Sociology, University of Chile. This paper and another on Uruguay by Lydia Fraile make up a chapter in a book by that same author. Chapters have a common design regarding the role of Tripartism nowadays, ILO's raison d'être, in 4 continents, also including Korea, Singapur, South Africa, Zimbabwe, Poland and Eslovenia. It will be published by Polgrave/ILO London, 2008. My appreciation for comments by Guillermo Campero, Patricio Frias, Jerry Hage, Cynthia McClintock, Oscar Muñoz, Joe Ramos, Ian Roxborough, Veronica Oxman and, particularly, Lydia Fraile. Also to Gabriela Morales for assisting in data collection at the Dirección del Trabajo, (Ministry-Labor Authority).

## Graphed Theory. Dimensions explaining relations between Tripartism, Policies, Results.



(1) High Government & Business, Low Labor; (2) Pinochet's 1980 Constitution & Regime; (3) New political culture (4) A consequence of multi-constraints; (5) Land Reform, Nationalization of Copper with increased social budget, market economics, reform of reforms; (6) Limited by former but facilitated by space opened by (5); (7) Limited by (6) but increased by (8); (8) Unions' cultural strength

As derived from this framework, the main argument of this Chapter is as follows:

*Tripartism in Chile in the 1990-2007 period has been weak, with only punctual and limited agreements and limited impact on economic reforms --which started under the authoritarian military regime, 1973-1989, but more so on socio-economic results and democratization. Nonetheless, these agreements were important for social, economic and political stability during a delicate democratic transition period and because they underlined certain strategic lines of long term fiscal policy, social spending and education for the development of the country. But unions obtained very little in terms of labor legislation, which today still inhibits the extension of collective bargaining and, thus, the distribution of economic achievements, as Gini figures below underline.*

*A majority of analyzes about the Chilean transition up to these days tend to underestimate the political limitations imposed by Pinochet's Labor Plan and electoral legislation which leads to a drawn parliament composition --whatever the electoral results--, who still remained Army Commander until 1998 further framing the transition, plus the control exercised by a few families on an economy still based on natural resources. Likewise, they underestimate and leave unexplained why union symbolic and legitimizing power --as they are the only national mass organization of a socially low organized civil society such as Chile is still today--- has consistently supported the Concertación Government Coalition<sup>2</sup> --which will soon complete a 20 year rule-- in every election since the 1988 plebiscite which ousted Pinochet. Consequently, they have not explained how and why unions have successfully influenced voting results beyond their rank and file (Epstein,1993, Barret, 2001, Haagh, 2002, Scully, Sapelli, 2002, Weyland, 1999, Volker, 2002, Scully). Government union policies, however, have been moderate while they have repeatedly but unsuccessfully tried to reform labor legislation on behalf of unions under a blocked parliament.*

*Socio-economic results are uneven and include a growth in p/c GNP from US \$2.500 to \$8.900 and a decrease in poverty from 38.6 to 13.7 % in 1990-2006 and a double increase in real minimum salary and social spending, with over 1% annual fiscal saving and a Gini inequality index during the period just slightly, but down .57-.54. Also, a wide set of secondary reforms were introduced, more in line with people needs than previous to 1990 (education, health, pensions, state reform, fiscal and social policies, labor market and taxes).*

Thus, punctual, with long term perspective but low Peak level Tripartism should explain -- together with the six dimensions underlined above on its specific context-- economic and political reforms as well as socio-economic results, in a case study combining class analysis and the state.

The research strategy will now analyze the Character and Scope of Chile's weak but long term aimed Tripartism: Agreements and their context (II); Reforms, Policies, 1990-2007 and antecedents (III); Impact of Tripartism on specific Sectoral Reforms and Policies (IV); Conclusions (V).

## **II. Chile's weak but long termed Tripartism. Agreements and their context.**

**A. The Tripartite Agreements (1990, 1995).** The 1990 Tripartite Agreement is framed by 17 years of widespread repression under Pinochet, which has been documented by National Committees at 3,000 killed, over 30,000 tortured and over 300,000 exiled<sup>3</sup> and the cultural consequences of such rule of terror (Lechner, 2002). In addition, there were the privatized free market economy, a Constitution and Labor Plan institutionalizing it with a "protected" democracy that precluded majority rule, a military supervisory role over the State and Pinochet himself, who remained Army Commander in Chief until 1998 and thereafter senator for life.

1) Thus, a few days after the beginning of the democratic Concertación Coalition transition Government of President Patricio Aylwin, Chile's central union, CUT, the main business association, CPC, and the Government signed what was called a **Marco or Framework Agreement**. It represented an overall economic and political agenda regarding the need to build a transition to democracy, with support for an open export economy, union rights, democracy and the combination of Growth and Equity. Thus, the name Marco or Framework Agreement, which had long term projections, above and beyond other specific accords.

Paramount to this national agreement was the recognition of Business' leading role in Development, "a bitter drink to swallow by signing unions", according to Martinez, the head of CUT, after 17 years of unrestricted economic and political repression. The Marco Agreement also included the classic employers prerogatives of "running their business", the role of the market "in assigning resources", fiscal austerity, macroeconomic equilibrium and an export economy. However, it voiced "protection for the neediest" and the state's "leading, overseeing and superior role in the economy". It also included a clear call to build a developed country with the participation and benefit for all, by means of basic government employer-worker consensus to promote investment, innovation, value added primary exports, "investments in the people" and a legitimizing role for unions and business organizations (Cortázar, 1993, Annex II). CUT's own transition platform covered all dimensions of an economic social and political transition, in accordance with the political role it had played under the dictatorship. (Falabella 1981, 1991, Campero and Cuevas. 1991) However, unions never imagined, before the signing, they had to go so far to obtain so little in actual union terms, on behalf of a peaceful transition to Democracy.<sup>4</sup>

The legislation which followed combined a reform of the Labor Code regarding union rights for national and sectoral representation (but not for collective bargaining), increased redundancy payments from 5 to 11 months per year worked, raised the minimum wage by 24%, as well as

establishing minimum pensions and subsidies for families and the neediest. It was, thus, a strong Agreement on socio-economic terms but mostly limited on political union terms, as national unions won the right of representation but not of bargaining. This has maintained to now -- except for government employees and minimum wages-- an atomized collective bargaining coverage of less than ten percent and strike of under 1%.

In order to finance these raises in pensions and social allowances as well as other social spending needs in education, health and housing, a fiscal reform that increased VAT by 2% and rescinded corporate tax cuts made by Pinochet during the 1988-89 elections was passed by Congress with the support of all political parties following the Framework Agreement. Both the minimum wage and VAT increase were renewed during the next 3 years of the Aylwin Government by signed Tripartite Agreements, as reported by the new Labor Minister himself (Cortazar, 1993), but solely by the Government and Congress thereafter.

Why is this so? Business felt secured under the marco agreement reached and a rightwing political opposition which, with only 1/3 of vote support, could legally block any non-consensual reform of Pinochet labor laws and Constitution in parliament. Do employers recognize unions as a “legitimate other” --as understood by neuroscience? Yes and no. Yes formally, according to the unquestioned macro-agreement; no, whenever possible in the private sector (the historical case of US unions --Tronti, 1976) as is the case with unions signing “agreements” but only if employers are willing to do so.

The Concertación Governments which followed and the opposition have continued to renew minimum wages increases in Congress up to this day. This is the strong political base which allows the present analysis to call the Marco Agreement an “all embracing accord permeating the whole transition period” in terms of political stability, economic growth and social spending. In fact, the increase in real minimum wages went from 103% in 1990 to 194% in 2003 (179% in 2000), while total real wages varied from 93.3% to 134.4% in 1990-2000 (INE, National Statistics Institute). See Table 2.

But unions have consistently but unsuccessfully demanded since the Acuerdo Nacional signing the right, first, to bargain at sectoral levels, thus ending union dispersion and the very low coverage of collective bargaining (22.74% organized, but only 8.5% actually bargaining, Table 2) and, second, the elimination of the right of employers to replace striking workers. All Concertación Governments have introduced legislative proposals in this respect at presidential election times, 1994 and 1999 to extend collective bargaining rights beyond permanent workers (Dirección del Trabajo 2000), 2000 sectoral bargaining (Frias 2002) and in 2005 rights for subcontracted workers similar to those of the permanently employed, which was recently passed into law.<sup>5</sup> The 2006 parliament has, for the first time, a (slight) government majority in both chambers because of 2005 election time approved constitutional reforms imposed on Alianza by Concertación backed by Unions’ legitimacy. It eliminated Pinochet designated Senators and resulted in a Government majority in Congress and the immediate passage of a government-union agreed law, making employers co-responsible when subcontracting labor services.

However, unions generally obtained only minor changes such as the right to engage in national collective bargaining if plant unions agree to give up their own bargaining rights (law 19.069 under Aylwin 1991) and a fine of \$150 US paid by employers for every striking worker replaced (law 19.759 under Lagos, 2001). An important change in workers de facto rights to organize and bargain took place as a result of President Frei signing an ILO convention on the right of state workers to organize --which was pending since the Aylwin Government-- and the passage of an unemployment benefit funding law in 2001, mostly paid for by employers’, with the eleven months redundancy benefits still in effect.

Thus, while all three actors had significantly different bargaining power and weight, they all needed a political accord --more so than many specific negotiated demands-- that would assure

them room to govern, continue doing Business and engage in collective bargaining, particularly given unions' strongly diminished status vis-a-vis employers by the end of dictatorial rule. In fact:

A. there was a fear by highly concentrated big business --within only three families-- the right wing and the military, of seeing their enormous political accomplishments obtained during dictatorial years (restricted democracy and the Labor Plan) overturned and their strength weakened;

B. the need for reconciled left of centre coalition leaders from the Frei and Allende Governments (1964-1973) to govern together under a framed economy, Constitution and Pinochet-lead military;

C. and, thus, the political threat of business, the right and the military,

D. plus weakened unions (Table 2 in V Conclusions) hoping to overturn their inherited military fate and strongly increase organizing and collective bargaining levels. Added to this were the legitimate demands of a repressed and impoverished mass of people who had ousted Pinochet at the poles and had then won the 1989 Presidential election.

Therefore, a strong and concentrated economic and political employers' class (3 family groups) with low democratic credentials and a strongly assimilated neo-liberal ideology (Campero, 1984), a weakened pro-socialist, communist and christian democratic oriented unions lead by a united national board and a new strong (given Pinochet's Presidential Constitution) centre-left Government of the same parties were the main transition actors of the 1990 framework agreement.

2) The second National Agreement accomplished during the Concertación transition Governments is the overall and sectoral **Education Framework**, signed by the National Teachers Unions, the Government and all other stakeholders during the mid 1990's. Called the Brünner Plan, it was signed early in the Frei government and paved the way for a consensual long term plan that included Teachers Unions, the Education Ministry and right wing think tanks to upgrade education, including private, catholic, state subsidized and Municipal schools. This has maintained VAT at 19%, though this was reluctantly supported by right wing parties in Congress. For the Teachers Union this policy has meant accepting evaluation of its members according to international standards, which erased some of the benefits from their hard won 1990 Statutory removal from the Labor Plan. Despite strong objections from the Communist Party, which included the expulsion of their President from the party, a rank and file referendum vote supported the evaluation. This was carried out after a Tripartite visit to Ireland, Scotland and Cuba to study their evaluation system. The Government-Union alliance has given governability during 17 years of the so called "reforms of reforms" to correct or fine-tune some of the market-oriented reforms inherited from Pinochet.

A new and similar national agreement to upgrade the quality of Chilean Education has now been under discussion throughout 2006 by a Government nominated 80 member panel, representing all parties, after national widespread mobilizations by high school students took place at the beginning of the Bachelet Government. Main but only non consensual agreements were which the Government turned into a bill on its own terms-- to end Pinochet's Education Constitutional Amendment (LOCE) which institutionalized the State's wholly subsidiary and only economic role vis-à-vis private education. It was finally turned into law in 2007 under a mid-way Government/Opposition agreement which reformed LOCE but maintained economic incentives for private education and a government supervisory role. A Government-Coalition Parties agreement thereafter reaffirms their willingness to continue pursuing the de-municipalization of public education and its transfer to a regional public entity in-between County and National level administration.

The two main national tripartite agreements previously analyzed --the **Marco Agreement** for *inclusive* development lead by private business investments and the **Agreement to foster Education** as the main development axis of the country-- were no minor events in the transition

period from military rule. They represent *strategic* and *long term objectives* which have in fact permeated, according to their declared purpose, the *élan* of the period and its political ethos. In this sense, tripartism has had an important long lasting policy effect. Despite their conflictive relations, at no point in time have these two agreements been discharged by any of the signing partners, and unions have backed the ruling centre-left coalition in all presidential elections.

**B. Other agreement attempts: the “dialogical” approach.** Given the *Alianza*’s opposition ability to use the Pinochet inherited Constitution to boycott advances in labor union legislation and socio-economic benefits, *Concertación* Governments have turned to different forms of “tripartite conversational strategies” to unloose the class blockage of Chilean Society by means of presenting limited enforceable agendas which brought together “actors historically far apart” (García 2006), under supposedly common objectives:

1) the 1995 Frei government, business, unions *Development Forum* at national, regional and then territorial level dismissed by 1999, as CUT rather felt “why discuss the future if at present there is a total disagreement on main labor issues”<sup>6</sup> and large employers thought there were “too many state officials” participating<sup>7</sup>;

2) under Lagos Government, similar Tripartite Regional User Committees were set up in order to arrive at consensual labor relations, diagnosis bottlenecks and advance solutions but, again, without any success;

3) and the 2007 call by President Bachelet encouraging CUT and CPC to consider Danish “flexsecurity” model which, in the case of Chile considered: national collective bargaining, as demanded by unions, flexible labor relations as demanded by big business, plus the Government proposed midway model. Although by international standards Chile is considered one of the most flexible labor relations systems in world terms, leading Chilean newspapers, employers and neo-liberal economists blame labor market “rigidity” as responsible for Chile’s 5-6% (qualified “poor”) projected growth and 6% (qualified “high”) unemployment rate and criticize the flexisecurity project as too expensive. The head of CUT is now more optimistic with the new CPC leader, who comes from the mining sector and has more experience dealing with unions, unlike the previous leader who came from banking “and had more expertise in folding *peso* notes than in dealing with unions”, as Martínez put it to *El Mercurio* (3/15/07, p. B10).

Chile *policy scope, continuing practice, number of agreements and scope* is therefore **Low**. However, both main Agreements have *long term perspectives* to build a developed country among and benefiting all citizens. Perhaps, this is a sufficiently abstract and uncompromising statement meaning everything and nothing particularly binding. But the net result is nobody is willing to renounce the agreement and everybody seems quite proud Chile has been invited in 2007 to join the OECD team of 30 most developed countries.

### **III. Chile’s political economy: Main policies under Pinochet and later by democratic governments.**

Unlike other experiences, liberal economic reforms started early in Chile, in the aftermath of the 1973 coup d’état. This section will provide an overview of the main policies implemented under authoritarian rule (1973-1989) and by left of centre democratic governments in power since 1990.

**A. The first Pinochet period, 1973-1981.** With the coup, Parties were outlawed and Congress was suspended “until new indications”. As mentioned previously, union bargaining was suspended, first by government named sectoral tripartite salary committees, and later replaced by salaries indexed to inflation levels. By 1979 inflation had reached 36% after having been first reduced to 370% during the 1975 *shock treatment* policies which dramatically reduced public spending and brought the economy into a drastic recession. Other main policies during this period were market and financial liberalization, the reduction of tariffs from over 300% to

10% by 1979, returning businesses expropriated by the socialist government to previous owners, privatization of other public enterprises and reduction of the state apparatus and taxes (Ffrench-Davis, 2001).

The 1979 and 1980 *Labor Plan* and new Constitution, both of which have framed the 1990-2007 period following military rule, are clear examples of abortive negotiation<sup>8</sup> which, although strongly restrictive and authoritarian, nonetheless allowed immediate legal organizing and collective bargaining for unions and a democratization agenda for the country at large. This started in 1988 with a plebiscite on the continuation of Pinochet's rule, which he eventually lost. This unexpected opportunity for unions was the result of widespread pro-human rights pressure from abroad, including the US Carter Administration (who Senate approved arms sales embargo to Chile), Europe and the UN, plus the "Group of Ten" of moderate union leaders who called for an international boycott on Chilean exports. The political moment was used accordingly by different union groups to extensively reorganize as collective bargaining, although limited, was reinstated after 7 years. Two years later, during a deep economic crisis, it turned into massive 6 year "national protests" calling for democratization, a finish to restrictions on unions and an end to the liberal economic model.

There is now enough evidence from within the Government at the time (Piñera, 1990) which indicates that the 1979 Labor Plan paved the way for the 1980 Constitution which brought an end to direct military rule. It did so by showing the ruling elite that it was possible to combine free market economics and both limited union rights and limited democratic rights. The Labor Plan returned some union rights that had been totally suppressed, although severely constraining these at the same time through inbuilt legal and market restraints, such as multiple collective and individual bargaining units and employer rights to replace striking workers who, anyway, could not go on strike for over 60 days.

**B. The second Pinochet period, 1982-1989.** The 1981-1982 world crisis affected Chile dramatically as the Government had to finally devalue the peso due to a high private foreign debt which brought the financial and most of the productive system down, resulting yet again in a negative production cycle (minus 14%). The government had to protect the financial system as well as most of the productive sector in order to avoid further bankruptcies. The salary level achieved by unions in their previous collective bargaining, with which they started in the next negotiation round by law, was eliminated as part of the new economic adjustment which followed the crisis. Unemployment reached 30%. The net consequence was a mixture of massive street (but not strike) night protests calling for democracy, a larger business role in policy formulation than during the previous period, and a less dogmatic and more practical economic policy to ensure governability. The period ended with a strong economic recuperation of 10% in 1989 and included an over heated economy under the effects of huge government earnings from new privatizations of public services (power and electricity, communications) that resulted in government overspending and tax decreases during the 1988-89 election period. The 1970 real salary levels were recuperated only in 1992. (Ffrench-Davis 2001).

### **C. Concertación Governments, 1990-2007.**

There were certainly advances in all reforms and policies researched and analyzed throughout the period (Democracy, Macroeconomics, Income policy, Labor law & Labor market policy, Tax policy, Social policy, Second Generation reforms, Trade liberalization, Privatization) all of which are analyzed in the next section (IV). But most significant changes took place in the post Asian crises years, on the bases of "good government" legitimacy accumulated from 1990 to early 2000. In fact, new government-business relations finally occurred during the last 3 years of the Lagos Government.

Free Trade Agreements with the US, Europe, Central America, Perú, South Korea, New Zealand-Brunei-Singapore were signed by the Lagos administration. The Bachelet government



has continued, by advancing and/or signing treaties with China, India, Japan and Australia. It also developed a strong digital agenda, making Chile the most advanced in Latin America. At the macroeconomic level, aside from liberalizing capital flows, it inbuilt a 1% structural budget surplus average over the economic cycle and thus the ability to enact countercyclical economic policies whenever necessary. It has now been passed into law under President Bachelet, after having de facto implemented fiscal austerity policies and a financed budget since 1990. A subcontracting law, long called for by unions, was finally enacted.

At the political level, the Concertación also managed to bargain with the opposition successfully in 2005 to eliminate all the institutionalized authoritarian bottlenecks of the 1980 Constitution. The electoral system was removed from the Constitution, but remained reformable only under a 2/3 majority. The Bachelet Government has instituted an open policy discussion in order to change Congress' drawn political system into one combining a mix of proportional representation with the continuing of the present two blocks majority system. It even introduced an even milder law proposal before Congress in 2007 on the representation of the Communist Party whenever it obtained 5% of votes cast, which the right wing opposition first said would consider and then aborted.

**Second Generation Reforms.** Also significant was the Concertación's ability to negotiate with the opposition and/or sectoral unions advanced second generation reforms regarding State, Education and Health. Moreover, the Bachelet Government has established open advisory consulting committees to reform the binominal electoral system, Education, pension funds, end high income inequality, reduce crime levels and has passed legislation on subcontracted work, most met with success or the discredit of the Opposition. Basic secondary reforms undertaken have complemented or reformed those made under the military and will be presented next because of their strategic impact on the country development.

### **1) Education Reform.**

*A. Aylwin Government.* Its first priority was national reconciliation and in this case, Government reconciliation with the Teachers Union, by proposing and passing a special Statute law which freed them from the Labor Plan and gave them minimum rights and stability (tenure). But it decided to avoid repealing decentralization, as it had modern and democratic elements.

*B. Frei Government.* Two main reforms were passed: a full day school education law, replacing the half day instituted by the military government, and the strengthening of teachers' curricula in 1966-2001 through a 20 million dollar support budget. And as mentioned previously, a main **Tripartite Education Agreement** was signed by all national strata and institutions early his government (called the Brünner Plan), which paved the way for a consensual long term plan to upgrade primary education, maintaining the VAT at 19.

*C. Lagos Government.* It instituted two basic reforms: an extension of obligatory education from 8 to 12 years and the classroom reform, by introducing new modern teaching methodologies: teachers' training by universities and ad hoc training by specialized tutors. However, few such tutors are to be found and thus the impact on education should be long term. The system has managed to maintain 98% of upper strata children in school and as many as 87% of those in the lowest 5% rank. The budget has doubled from 4% to 8.6% of Government spending from 1990-2006, university students have multiplied by 4 and OECD achievement measurements are annually administered to monitor reforms (Cox 2003, 2005, 2006).

*D.* As noted, *President Bachelet* has called forth a **National Advisory Panel** of over 80 experts, including university and high school students in order to upgrade the quality of education. A main purpose was to change Pinochet's LOCE (Market ruled Education-Constitutional Law, which can only be changed under a 2/3 parliamentary vote). This renewed reform process has resulted again in an unanimous agreement to increase the quality of education and a yearly increase of funds (\$650 US M transferred from half of annual 1% fiscal saving to the education

budget) during the next 4 years and, more permanently, by using profits of copper export savings, deposited in foreign funds, to train teachers abroad and increasing by 50% government scholarships for student programs abroad.<sup>9</sup> A bargained Government-Opposition law resulting from this discussion finally agreed to reform LOCE but guaranteed private education as well the State supervisory role. Municipal Education for the poor is still under debate and Concertation has agreed on a proposal to put it under an intermediate education body in between the Municipal Government and the Education Ministry.

## **2) Health Reform.**

As in Education, the Concertación Health transition program accepted Pinochet decentralization policies. It did so despite strong opposition from national and local doctors' unions as well as the Health Workers Confederation. One key reason for maintaining decentralization was evidence coming from the only regional Hospital which was kept under state control, that in no way reflected a more efficient or equitable administration.

Even though the final outcome was opposed by doctors and workers of all kind and resolved none of the three issues, it has gradually been accepted. In fact the law which created AUGE, the National System Guaranteeing Sickness Coverage for all citizens was passed by the right wing Alianza and the Christian Democratic Party, with the opposition of the left coalition parties to which President Lagos himself belonged and of the Health Workers Federation. It guarantees by now all 56 most frequent Chilean sickness patterns for all its citizens, private or public insured.

## **3) Pension Reform.**

Pinochet's star reform was promoted by international agencies (WB, IMF) as a model to follow and was actually copied in many countries. When President Bachelet won on a landslide election based on the promise precisely to change this reform, international interest was attracted. However, as in the case of health and education, there are no proposals opposing an individual savings account today. Rather, they attempt to complement it by building into it state supported solidarity institutions, membership participation, overall transparency of private savings administration and, for the first time, employers' contributions. It should be soon become law.

## **4) Government Reform.**

The process of Government Reform in Chile has come to recognize the major accomplishments on these matters under Pinochet's rule. These have been maintained and expanded by the Concertación Governments because they have demonstrated modernizing effects. Examples include: 1) the law on state financing which created a national system to evaluate budget proposals, 2) an administrative statute separating the state apparatus from its planning one, 3) policy proposals presenting these on universal terms as differentiated from specific proposals, 4) decentralization, both regional and municipal, giving explicit and specific roles, 5) privatization of state enterprises which were not considered strategic for the country's development, and 6) the state's regulatory role.

The Aylwin Government had two distinct policy accents, seldom mentioned in the literature, but crucial to the peculiar transition of Chile from military to a civilian rule. *First*, there was a clear agenda on behalf of the poor, the needy, the marginal and the indigenous population, by focusing on specific budget agreements with the Alianza opposition. Thus, per capita spending in health and education increased from 83.9 in 1990 (base 1970=100) to 108.3 by 1994 and 164.5 in 2002. *Second*, there was a focus on regional and local democratization, by creating elected municipal governments.

President Frei concentrated his modernizing agenda on two aspects: 1) the quality of state administration, conceived as management in parallel terms to those of private business administration, and 2) reforming the state's regulatory role by engaging in new privatizations, such as those in energy and water services.

President Lagos, on his part, developed an overall view on state modernization, creating a special program in this respect. In addition, his administration promoted an agenda of transparency, regulation of election financing, the creation of a High Government Public Office to recruit top government officials from the open labor market, among others. These actions followed a government-opposition agreement after charges were brought against high state officials in the Public Construction Ministry and similarly transparency agreements were reached under President Bachelet after charges were again brought in.

President Bachelet, on her part, has innovated so far in four respects: First, she has adopted as a main government policy the above mentioned pension reform. Second, she has undertaken the reform of the binominal electoral system which inhibits democratic rule in Congress. Third, for the first time her coalition's electoral proposals have turned into policies. In all previous governments, policies depended on the will of the Minister chosen, whatever the electoral program read. Fourth, a subcontracting law was passed which makes employers co-responsible for unpaid labor salaries.

#### **IV. Impacts of Tripartism on specific Sectoral Policies and Reforms.**

As Table 1 indicates, the impact of Tripartism is limited (LM) in Chile's democratization and the economic "reforms of reforms" previously enacted under Pinochet. These reforms have been enthusiastically supported by the main employer confederation, but less so by unions. Reforms will be presented in order of importance according to the impact of Tripartism on them.

**Table 1. Impact of Tripartism on Reforms, Policies.**

<b>Reform, Policies</b>	<b>Impact of Tripartism</b>
Democracy	M
Macroeconomic, incomes policy	L
Labor law and active labor market policy	L
Tax reform	M
Social policy	M
Second Generation reforms	L
Trade liberalization	N
Privatization	N
<b>TOTAL IMPACT</b>	<b>LM</b>

N= none, L= low, M= medium, H= high.

#### **Democracy.**

The impact of Tripartism on Democratization is evident, to the extent that not only has there been democratic stability in Chile since 1990, but it has enabled the country to fully advance in institutionalizing a new role and status for the military in Chilean society (2005 Constitutional Reform ending their supervisory role). But a reform of the electoral system is still pending, which indicates the limits of democratization. Unions have fully supported the negotiations of the government coalition and the Communist Party with opposition parties to end this binominal electoral system.

Above and beyond costs paid by unions for signing the Acuerdo Marco, Democracy is certainly the great gift they have offered their country, a fact which is widely acknowledged and large employers who had bought the country's large companies during military rule at bargain prices

and had subversively helped overthrow the Allende Government, overcame their fear of expropriation and invested.

### **Tax reform.**

This was an essential element of the Marco Agreement as documented earlier: the increase in VAT to finance social spending and the reinstatement of business taxes eliminated by Pinochet during the plebiscite and 1989 presidential elections. Also significant was the decrease in tax evasion through computerization and control, particularly the creation of a special unit to monitor big business tax evasion. But what was even more important was the establishment of responsible fiscal policy, as discussed elsewhere, first as a practice and then instituted by law. It maintained not only a balanced yearly budget and savings to be spent during depressive years, as during the 1998 Asian crisis. Unlike all other countries in the region, it also increased the minimum salary by 25% even though growth reached a -0.8 bottom (UNDP, 2004). It also institutionalized a long term state income (savings) policy of copper reserves, well beyond the annual 1% structural fiscal saving, in order to reach the longer perspective of a “Socially Responsible State” which should cover basic needs regarding education, health, universal retirement and housing by 2010.

### **Social Policy.**

Pinochet enacted key social policy reforms, such as the establishment of a “Map of Extreme Poverty” in order to target anti-poverty measures to needy families and local communities --a trend continued by the Concertación.

The Aylwin Government created FOSIS, a Program focused directly on the poor and enhanced the role of INDAP, a program in rural areas focused similarly, increasing social spending as part of a common agenda agreed with the opposition as documented in the analysis of the Acuerdo Macro agreement signed with unions and business organizations. President Frei disengaged from the Committee on Poverty proposals feeling Chile had finally entered a self fulfilling growth route leading to its development, which in fact ended in crisis during his government under the effect of the Asian depression of 1998.<sup>10</sup> President Lagos innovated by establishing the bridge program Chile Solidario concentrating on the poorest in policies agreed on with the opposition, which built into it many proposals of right wing parties such as personalized counseling for this segment of hard poverty. President Bachelet has already innovated on a key issue, focusing poverty level analysis not on behalf of goods owned (TV, radio, etc.) but on real family income levels.

Unions generally added their social legitimacy to Government policies but remained totally absent of focusing their support on issues --including general social policy-- beyond strict union interests (i.e. minimum salary). However they have now fully supported the government pension reform initiative.

### **Labor law and active labor market policy.**

The Acuerdo Marco secured a democratic transition with a relatively high mean growth level of 5.6% in 15 years compared to 2.9% under Pinochet. However, unionized workers increased from 10% of those employed by 1983 to 15.4% in 1991 (22% among salaried workers) but decreased again to 10.9% in 2001<sup>11</sup> and then went slightly beyond that figure,<sup>12</sup> with never more than 8.5% (of salaried workers) engaging in collective bargaining. In synthesis, Concertación governments have consistently put forward during presidential elections in 1990, 1993, 1999, 2005, CUT's two basic demands: First, an extension of collective bargaining, particularly at the national and sectoral level and for non-permanently employed workers (temporary, subcontracted and others). The second demand was for an end to the employers' right to replace workers under strike. The Concertación's support for their demands has shown unions these are

not being met because of an Alianza's boycott. In 2006, after designated senators were finally eliminated, the Concertación has been able, for the first time, to have a slight majority in both Congressional Houses and approve a pro-union sub-contracting law, a result of a Union-Bachelet presidential election pact.

### **Macro, fiscal and income policy.**

Pinochet's first monetarist adjustment program, the 1975 so called "shock treatment", was the start of a policy designed to bring government spending in line with the reduced earnings which followed tax reductions and inflation control. However the 1981-1982 crisis and the massive protests that followed lead to a more flexible and less monetarist economic policy, which started a new capital accumulation cycle. However, by the end of that decade an unbalanced fiscal trend once again emerged as a result of the huge government spending carried out during the electoral years of 1988-1989 (plebiscite and presidential elections). A new wave of privatizations had increased government revenues and spending at the same time taxes were reduced. (French-Davis, 2001)

Budget responsibility has been passed into law under President Bachelet, strangely enough with a strong opposition from neo-liberal economists!<sup>13</sup> Chile is now a creditor country that invests its surplus abroad to avoid internal economic distortions. This allows the possibility of financing programs, such as pension funds, to rebuild a "Socially Responsible State".

### **Second Generation Reforms (see Section III), Trade liberalization and Privatization.**

On these last two matters there have been no tripartite agreements and hardly any union effort at negotiations except to oppose, through public statements, the privatization of water facilities under President Frei. This lack of negotiations on such key policies and the development of a politico-technical approach by unions have been detrimental in extending their legitimacy, their symbolic power, before the country at large.

## **V. Conclusions.**

A. *Tripartism was largely "weak but with long term effects"* since 1990. Weak, because there were only two agreements with limited immediate results, but all embracing as referred to "strategic lines of long term" fiscal policy, social spending and education for the "development of the country" which have permeated the whole transition and the actual path followed throughout these years. And it is still taking place today. In fact, none of the signing actors has ever dismissed the agreements. Why? Because they were based on strong interests and needs and thus backed by all three actors signing: a) a Government needing to rule under a delicate transition, b) (large and concentrated in few families) employers who had obtained enormous benefits under military rule and wanted to just go along with their business as usual without anybody questioning their legitimacy, and c) unions who wanted to increase their most limited breathing space under their inherited Pinochet Labor Plan and a "restricted democracy" which block reforms. As interested were probably the military, still strongly in command and in control through their hand made Constitution, but afraid of an uncertain future where they could be judged for human rights violation.

B. *Tripartite impact has been mild* (low-medium, Table 1 Section IV) restricted to the consolidation of Democracy, taxes and social policy and --except for Education-- has been low or nil, as documented in the preceding section, on Macro Fiscal and Income Policy, Labor Market and Labor Reform, in Trade Liberalization and Privatization and in Second Generation Reforms.

C. *Socio-economic outcomes, however, are mixed*, a medium mean value according to Table 2 below: a) labor rights have increased but many paramount rights, such as sectoral unions and

temporary workers collective bargaining --a majority in the seasonal food and retail economy and present in most other sectors-- are still withheld, although those salaried employed workers

**Table 2. Socio-Economic Achievements.**

Variable	Mean/variation 1990-2000's	High-Low
<b>Growth</b>	5,4% <sup>1</sup>	MH
<b>Unemployment</b>	6.5% <sup>2</sup>	ML
<b>Job security</b>	Mean 7 tables <sup>3</sup>	L
<b>Poverty reduction</b>	38.6-13.7% <sup>4</sup>	H(very)
<b>Minimum Salary</b>	103-194 <sup>5</sup>	H
<b>Real Salaries</b>	93,3-134,4 <sup>6</sup>	MH
<b>Inequality</b>	0.57-0.54% <sup>7</sup>	H
<b>Union Organization</b>	21.3%-22.7% <sup>8</sup>	M
<b>Union Negotiations</b>	3.2%-8.5(29)% <sup>9</sup>	L
<b>Workers on strike</b>	1.6%- 0.3% <sup>10</sup>	L (very)
<b>Mean TOTAL</b>		<b>M</b>

**Sources:** <sup>1</sup> Central Bank, 2004; it reached a p/c GNP of \$8.900 in 2006 and \$12.5000 in parity purchasing power (*El Mercurio*, 27/6/07, p. B.3) ; <sup>2</sup> National Statistics Institute, INE,2004; <sup>3</sup> Subcontracting, type contract, temporary labor, pensions & health coverage (Economic 2004 Labor 2004 Planning Ministry CASEN 1990, 1993, 1998, 2003 & Industrial Employers-SOFOFA 2003); <sup>4</sup> Planning Ministry 2003 (15% projections 2006); <sup>5</sup> Central Bank, 1990-2003; <sup>6</sup> Central Bank 1990-2000; <sup>7</sup> Planning Ministry 2006; <sup>8</sup> Labor Ministry. Includes Central Government 151.841 workers organized in Associations in 2004; Labor Ministry 2004. Includes Central Government Association-ANEF which did not bargain in 1990 (Footnote 16). Figures are actually 3 times larger for those who benefit from ANEF bargaining (455.523) not only those organized (151.841). Similarly Finance-Ministry-CUT minimum salary negotiations benefit all workers, raising the figure from 29% to **over 40%** of occupied salaried workers **benefiting** from collective bargaining in private/public sector. Public, Municipal Health/ Teachers are not included. But **private** sector workers **bargaining** (apart from minimum salary) is 5% (**4,2%** considering only contracts) and all workers **8.5%**; <sup>10</sup> Striking workers/salaried occupied workers, 1991-2004: 45.910 / 2.833590-11.209 / 3.729230. Labor Ministry, 2005.

“benefiting” from collective bargaining where government is involved (state employees and minimum salary) have resulted in an overall increase to 40% (Table 2 ): thus, distribution wise, the bottleneck clearly points to very low collective bargaining levels in the private sector, even if including non-union bargaining (*Dirección del Trabajo*, 2006); b) a coalition, always winning a majority vote as *Concertación*, needs to negotiate with the opposition in parliament in order to enact socio-economic benefit laws, indicating Chile’s democratic limitations; c) GNP, productivity and social spending doubled or increased 3 times, poverty was reduced 3 times while income inequality has remained stable.

### **What is the final evaluation and which are the prospects of this unfolding process?**

1) A study of 15 years of *Concertación* Governments regarding the equity and efficiency question was entrusted to a team of 100 academics and experts (Meller, 2005). Topics included the Neo-liberal vs. *Concertación* ideological approach, macroeconomics, integration into the world economy, employment and salaries, social development, health, education, income inequality, business regulatory frameworks, technological innovation and environment policies. In each case a counterfactual argument and results were added, based on simulated data drawn from presidential election proposals by right wing coalition candidates. Although employment is the main difficulty found in the results of the *Concertación* Governments (a 7,8% mean-medium unemployment in 2006, but particularly high among women and the young, according to an ILO study)<sup>14</sup>, the net benefit in terms of employment and salaries is *plus 10% under the Concertación* vis a vis counterfactual Neo-liberal Governments.

*In addition*, the high economic inequality present in Chile today would have been most probably greater under strict neo-liberal rule. In fact, today Chile, comparatively, is a country where inequality has slightly decreased (Gini 0.57-0.54 1990-2006 index, MIDEPLAN, Planning Ministry) compared with Latin America at large, according to UNDP figures, where it has increased under orthodox Washington Consensus policies have been applied (UNDP, 2004). Thus the country under *Alianza* rule would have had even poorer results in housing, health and

education (Valdes and Hicks, 2002)<sup>15</sup>. Chile is in fact the country with the highest human development level in Latin America (36 in world terms) after Argentina (34). (UNDP, 2005) Moreover, the poor have reduced by almost 3 (38.6%-13.7%, 1990-2006)<sup>16</sup>, while mean growth doubled Pinochet years.

2) Guillermo Larrain (2005) notes in a recent book the challenges Chile has actually been able to meet during the past 33 years. His conclusion is that, as political constraints from the Pinochet era are being lifted, it is society which is lagging behind in inequality relative to the present state of good health and performance of the economy, Chile's historic bottleneck. Moreover, in this respect there is strong research evidence indicating *it is good business for employers to support unions, as unionization sets the conditions for the establishment of strategic alliances with labor to compete in open world markets* (Muñoz, 2001). The role of unions is not only conflictive but also legitimizing: they represent both class interests as well as help organize production for capital (Zeitlin, 1980). In the case of Chilean food production for exports, for example, it could include the exchange of union bargaining rights, which is lacking today, for quality products on which employers returns are based. However, salaries are still being paid today per quantity produced and the unions' role in development (of quality products) is totally ignored by employers and export companies.

3) *The question is* if redistribution is obtained by the *trickle down effect of economic growth* and export achievements (primarily mining and forestry natural resources), as a 2007 Manifesto signed by 20 Chicago Boys proclaimed, *or by incorporating the country into a joint, tripartite development path*, plus also increasing small business producers' return from export companies. This implies an ability to negotiate their intra export chain relations or, alternatively, government support for the development of associated small producer Export Boards. This is the case of New Zealand milk producers, who have become the most productive in the world (Falabella, in Valdes and Foster, 2005). In terms of workers, it implies their incorporation into a development strategy in which they become part of their enterprise success. Thus, not only general management, but every member of the company and supplying small business, would start feeling, thinking and behaving proactively, within a common export country agenda. (Falabella, 1997) Perhaps the reediting of the mid 1990's Foros de Desarrollo Productivo at national and territorial/chain cluster levels could be the most adequate mechanism to tackle this political-economic quest for a participative Chilean development, a government style President Bachelet has declared paramount.

*Two factors could inhibit this progressive advance.* One is the permanent *threat of "the state being captured" by large (family) economic groups*<sup>17</sup> at least maintained their permanent access to State decision making, as Larrain puts it in his book, turning the country even further away from Tripartite Agreements. Larrain, responsible for the office supervising finances and security companies, is a well informed and a reliable source on these matters,<sup>18</sup> as is Felipe Lamarca, ex-President of industrial employers, SOFOFA and general manager of one of the 3 main economic groups in Chile. He has plainly stated that, in order for Chile to become developed, big capital "must learn to give up eating the whole pie" (tienen que aprender a soltar la teta!).<sup>19</sup> President Bachelet has presented a law regulating economic groups lobbying the State, as cautioned by Larrain. b) The second obstacle to advancing the progressive agenda is the "*fear of people participation*" which, in terms of the present research, simply means increased collective bargaining.

4) Thus, the theoretical corollary argument of this research concludes that the impact of Tripartism depends on the extent to which *actors have a proportional socio-political weight* and, second, it also depends on how they *interact within a fully democratic political framework*, both limited by the Pinochet hand made Constitution and Labor Plan still in place today, a direct consequence of which is probably the country's persistent, although only slightly decreasing but still high inequality index. Tripartism has indeed played a role to the extent it established an effective and overall transition economic and political framework permeating the whole 17 year

process, which has been implemented successfully: a liberal export economy lead by private business and an inclusive social agenda termed growth with equity. But *tripartism has been weak and thus its impact low, because labor is weak, a result of collective bargaining being limited, within a permanently drawn government-opposition parliament which inhibits introducing labor and democratic reforms.*

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### Footnotes.

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- <sup>1</sup> Likewise, West German unions acknowledged that the threat of communism (referring to a split Germany under cold war) was a third invisible actor not-called-upon partner during labor negotiations.
- <sup>2</sup> Joe Ramos, ex CEPAL Division head, Dean Economic Faculty University of Chile and main economic advisor to the first transition Government informs that, in order to control inflation in 1990, Government was reluctant to give unions sectoral bargaining rights while state union ANEF was willing to restrain demands, *an enormous political responsibility to be found in no other country* –paper comments.
- <sup>3</sup> Rettig and Valech Chilean Human Rights Commissions which operated in the early 1990’s and 2000’s.
- <sup>4</sup> Manuel Bustos and Arturo Martinez, the two main leaders signing the 1990 **Acuerdo Marco**, actually returned to their union office, just across the Presidential Palace, when they were on their way to sign the Agreement. But they came back and signed, as recalled by Bustos. Interview with Guillermo Campero. Martinez acknowledges that they were strongly pressured by the incoming Government Coalition to sign: “the military are moving into this transition with their full team.” From the side of (large) employers signing the agreement, Manuel Feliu, President of the **Confederación de la Producción y el Comercio**, CPC, later acknowledged that they had accepted economic concessions to unions they strongly opposed, in order to maintain the overall economic and Labor Plan reforms they had obtained under Pinochet.
- <sup>5</sup> It was then questioned by right wing opposition before the National Constitutional Tribunal.
- <sup>6</sup> Martinez actually acknowledged, in a recent interview for this research, that unions used the occasion to tell them in their very faces all what they were actually inhibited from saying when signing the **Acuerdo**.
- <sup>7</sup> Discussion with Ricardo Aristía.

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<sup>8</sup> Changes in the 1979 labor law were negotiated among the new Chilean Labor Minister, the American AFL-CIO and two main business leaders from Chile and the US, Manuel Cruzat and Peter Grace head of United Fruit Co. (See Cruzat's total support for Piñera's Labor Plan at the time in **El Mercurio**, 23/4/2006, p. B9). Grace was a good friend of George Meany, head of the US unions and his partner on the board of the anti-communist American Institute for Free Labor Development which operated abroad. Meany retired from the AFL-CIO shortly after these events, which strongly damaged relations with the The Group of Ten. They were renewed under the new leadership of Lane Kirkland, which took a strong stand, as unions throughout, to oppose Pinochet's Labor Reform. Interview with Hernol Flores.

<sup>9</sup> Congress address by President Bachelet, May 21, 2006.

<sup>10</sup> According to French-Davis, this was a consequence of government overconfidence, felt after having successfully overcome a similar crisis coming from Mexico (the so called 1994-1995 Tequila crisis), by having forced 30% of foreign capital flows to remain a minimum of 2 years in the country (the "encaje"). It was then lifted and the country was affected by the later Asian crisis.

<sup>11</sup> "Las reformas Laborales, **op. cit**, p. 91

<sup>12</sup> Dirección del Trabajo statistics.

<sup>13</sup> The Chicago Boys opposition is probably explained because the fiscal principal in this case not only allows for responsible budget spending but also for the creation of a Socially Responsible State, which they oppose as it includes a permanent and strong state savings and spending. Thus, moneys run out of the control of the economic elite.

<sup>14</sup> Study by Gerhard Reinecke for ILO, cited in El Mercurio May 7, 2007, p. B2.

<sup>15</sup> Even neoliberal analyses recognize Concertación's impressive performance, although success is attributed to growth more than to social spending.

<sup>16</sup> **Ibid.** and "Del neoliberalismo", **op. cit.**

<sup>17</sup> They increased their concentration throughout Concertation rule --FAO study by Budnick cited in Valdes and Foster 2005.

<sup>18</sup> A UNDP study of the Chilean economic and political elite relations document high levels of networking among them (PNUD, 2004, Part 5 Chapter 4).

<sup>19</sup> Interview in La Tercera, which produced a strong business and, more over, national discussion.

## **Fair Trade in Mexico: New opportunities for local and political development.**

Carlos Chávez Becker and Alejandro Natal Martínez

### INTRODUCTION

In this paper, we intend to analyze the impact of a fair-trade grassroots organization, *Union de Comunidades Indígenas de la Region del Istmo* (UCIRI) in the development of the communities where it operates. Cases are drawn from the Sierra region and the Tehuantepec Isthmus in Oaxaca, Mexico.

In Mexico, as elsewhere, the consolidation of the globalization process, and very specially the regional integration, has revealed that important groups of the population are to become excluded from it. Therefore, in the past two decades, fair-trade (FT) emerged as a socially constructed alternative to market and state failures. Since then, public recognition has systematically increased, since more and more FT is understood as an economic alternative for non-competitive small poor peasants that otherwise would not have any form to participate in the market; but also because it is an opportunity for local bottom-up indigenous development, that otherwise would be exposed to market fluctuations and trap, without remedy, in poverty and marginalization. Moreover, public opinion has welcomed FT, since evidence indicates that it is also serving communities by launching empowering processes, by rearticulating local social capital; and by forcing public officers in charge of local development to interact with grassroots organizations, NGOs and activists, and other civil society local groups. All these factors that have definitively started to build an alternative development strategy that may better serve the poor in a changing international economic and political environment. However, this process has not being accompanied by sufficient academic evaluation that could help us to better understand and learn the lessons that this movement has for local development and for the study of civil society. This paper intends to contribute to reduce this gap. To do so, we will here give a brief overview of the FT movement.

We are particularly interested in better understanding the role of grassroots organizations in FT dynamics at the local level. We are therefore interested in

questions like, how they integrate themselves and how they gain strength and legitimacy at the local level.

To answer these questions, we will divide this paper in three parts. First we will briefly state some of the basic premises of FT and see how UCIRI became part of this movement. In a second part we will present a general overview of UCIRI, with special emphasis in the two main explanations we give to her success, (a) the diverse successful projects of development that the organization has launched; and (b) a democratic governance structure, here we will present evidence on aspects like decision making, representation mechanisms or leaderships. Finally, based on the concrete experience of UCIRI, we will brief some conclusions as a departure point for a much needed theoretical discussion on community development.

## THE FAIR TRADE MOVEMENT AND UCIRI

Since the eighties the Fair Trade movement revealed itself as an innovative alternative of income generation for poor, small, rural producers from underdeveloped countries. The Fair Trade movement has, as main objective, to diminish marginalization and poverty of rural producers from developing countries by paying them a fair price for their products, a price that allowed them to cover the basic necessities for a worthy life: foods, clothes, health services, education, etc. The fundamental premise of this movement is that by diminishing the number of intermediaries is possible to make primary producers receive a better price for their products, among other things by reducing intermediaries which may capture up to 80 per cent of product revenues<sup>1</sup>. Thus, under the motto “Trade not aid”, this

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<sup>1</sup> Oxfam (2002) made a research on the price structure of a kilo of soluble coffee produced in Uganda and sold in the United Kingdom in 2001. This NGO examined each stage between the first step of the chain, the rural producer that sells a kilo of coffee (grains without toasting), and the final one, the consumer that buys it in a retail store. The study examines the intermediate points of the chain, that includes the packer in Uganda’s capital city Kampala, who exports the coffee, the importer that deliver it to the toaster and the distributor, that finally sell it to the last consumer. This study demonstrated that the biggest part of the price belongs to the transporter and the toaster and the final distributor. They retain 80% of the incomes. The chain starts with 14 cents of United States Dollars (USD) that receive the primary producer, then the price raises to 45 cents when the coffee is delivered in the seaport, then goes to 1.64 USD when arriving at the factory where it is toasted and packed (mainly in the Nestle and Kraft plants, holdings that control one half of the global market of soluble coffee), and ends in 26.40 USD when the consumer buys it in a supermarket (Oxfam 2002:24-25). The jump between 1.64 and 26.40 USD happens in the last two steps of the chain, the toast process and the commercialization. Although soluble coffee elaboration requires more than a

initiative experimented a huge growth in the last decades involving a number of importers, exporters, retail and wholesale distributors, NGO's, activists, consumers, diverse companies, as well as governmental and intergovernmental agencies in unique commercial chains.

Year after year, fair trade figures have systematically improved, and at the end of 2006, for instance, the sales of FT products impressively reached the 1.6 billion of Euros. This, must have meant an enhancement in the living conditions of the 632 primary producer organizations that represents to 1.4 millions of poor peasants and their families (FLO 2007: 11).

The impressive growth and the increasing strength of the FT movement has largely been possible, because using capitalist market mechanisms, it has been able to construct connectivity between poor small producers from developing countries and common consumers from developed countries. This it does in two ways, first, it builds community action, but one that does not implies a radical transformation of the political sphere, which is captured by mechanisms of classical territorial representation and the partisan competition; second, it does not have to take the State or the reinvent global order, to look for fairer production relations. For these reasons, the FT movement has been catalogued as postmarxist, postliberal and postrevolutionary (Arditi and Chávez 2006: 77). FT, however is also a post-capitalist understanding of trade, which by introducing a minor modification of the mechanisms of commercial interchange between poor producers in developing countries and consumers in developed ones, is actually fundamentally opening up the possibilities for a substantially different understanding of capital accumulation.

In this alliance, the role that grassroots peasant organizations have played has been crucial, not just because they are integrated by the direct beneficiaries of FT and therefore represent the voice and action of those excluded by economic integration and development strategies; but also because, almost generally, these grassroots organizations have exhibited a proposal capacity that very much have gave the

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kilo of coffee in grains, we must remember that the peasant in Uganda sold the kilo of green grains of coffee in just 14 cents of USD.

movement, a strong bottom-up component. This is the case of a Mexican organization UCIRI.

The *Union of Comunidades Indígenas de la Región del Istmo* (UCIRI), or Union of Indigenous Communities of the Isthmus Region in English, is an indigenous organization that has played a very significant role within the Fair Trade movement, because it was the first peasant organization located in a developing country that exported part of its production (of coffee) to markets to developed countries. Indeed, this organization was the first in the globe that looked for and made reality commercial efforts that allowed them to receive a better pay for their products. From this perspective, UCIRI must be seen as one of the pioneer and founders organizations of the movement (Aranda and Morales 2002). Furthermore, the organization also has played a significant role in the movement direction in the last three decades, by becoming an example to follow by the other peasant organizations involved in the Fair Trade movement (Simpson and Rapone 2000), and consequently becoming a paradigmatic peasant organization since its opinions and strategies are very much considered by other producer organizations involved with FT. The question is, how a peasant and indigenous organization conformed by little primary producers in Mexico could contribute in such significant way that now a days has global possibilities?

We believe that the answer to this question may be rooted in how the UCIRI built up organizational strength and legitimacy at the local level. We argue that this strength and legitimacy are the result of two fundamental elements, internal governance mechanisms and effective project management. We thus, in the next section, will focus on the internal governance mechanisms of the organization and in how its projects have impacted local development.

## OVERVIEW AND ANALISYS OF UCIRI

Thus, UCIRI was born as an organization to improve the living conditions of its members in a context of persistent fall of the coffee international prices, particularly negative to the little producers of development countries, mainly as a consequence of the lack of productive technology and machinery. Since it was

born, the organization has observed an intense growth, both in membership as well as geographically. Today, UCIRI is an independent peasant organization composed by 2,800 little producers (all of them communal owners) from 58 communities from 20 different municipalities of the north and center zone of the Tehuantepec Isthmus in the Oaxaca State in Mexico; all of them are indigenous of the *zapoteca*, *mixe chontal*, *chatina* and *mazateca* ethnic groups. This reflects a very live and active organization that offers attractive incentives to the local producers, mainly a systematic raise in the buying price of the products, but also service delivery and a well governed organization.

UCIRI success may be, to a large extent the result of a number of converging elements, in one hand, the consistency and growing strength of the organization; on the other, the net of global allies that it has developed. As discussed before we will focus on endogenous factors and especially in two of them we discuss in our next section. Hereafter, we will present the core evidence of our argument, that UCIRI success is the result of efficient project management, in the form of productive projects developed at the local level and that have meant an important mooring for the communities; and second that, the internal governance structures of UCIRI have helped her to acquire local basis and legitimacy as a solid and democratic organization and have projected it as a global organization in a complex movement as is the Fair Trade one.

### **UCIRI Development Projects**

Here will make a brief review of UCIRI's life to almost 25 years from its foundation, identifying five phases that allowed us distinguish the creation and consolidation of productive projects, local development projects and the growing local, regional, national and global links that the organization has built in the frame of Fair Trade movement.

The first phase, which we have called of *Formation*, runs since the summer of 1981, when it happened the first meetings between missionaries of the Tehuantepec Parish and some indigenous coffee producers, and ends until the formal creation of UCIRI in 1993. The second one, *Growing and Consolidation*, starts in this date and



goes until 1988 when it was sold (by the first time) a Fair Trade certified coffee in the Dutch market. From this date until 1997, the third phase, *Expansion 1*. In this year was created the *Certificadora Mexicana de Productos y Procesos Ecológicos* (CERTIMEX) and the Fair Trade Labelling Organizations International (FLO). From 1997 until 2003, the fourth phase, *Expansion 2*, in which UCIRI launches a deep work of internal reorganization that lasts until today. This fifth phase is the *Restructuring* one and goes from 2003 onwards.

### *The first years, UCIRI's formation*

According to Mazariegos (2006:255), cultivation of coffee in Oaxaca State started from the beginning of the XX century, practically with no technical assistance and a low productivity level. Even though the Mexican government made some efforts to improve the production conditions of the indigenous coffee producers of the region, like the creation of the *Instituto Mexicano del Café (INMECAFE)* and the *Banco Nacional de Crédito Rural (BANRURAL)* en 1973<sup>2</sup>, their living conditions remained highly depressed, putting them below the poverty line and commonly in the segment of people in extreme poverty<sup>3</sup>.

Because of this, in the harvest of 1981-1982, some indigenous peasants of Guevea de Humboldt and Santa María Guienagati decided to sell directly a portion of their coffee production to the *Asociación Rural de Interés Colectivo (ARIC)* of Misantra Veracruz, with the main objective to avoid making business with the “coyotes”<sup>4</sup> of the Ixtepec City, to whom they habitually have sold their coffee at ridiculous prices. To make the deal, the organized peasants had to rent a truck that took their coffee to the Veracruz Dock, what generated additional costs that very much limited the final

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<sup>2</sup> Both instruments used to “diminish or mitigate the problem of cacicazgo in the region (Mazariegos 2006: 256).

<sup>3</sup> We don't have accurate data that directly allowed us to confirm this. According to UNDP (2004), the per capita average of the township where UCIRI has presence barely exceeded 33 pesos per day in 2004. However, this is just an average, because if we consider the inequality, marginality and poverty historical conditions of indigenous groups in Mexico, we suspect that the indigenous coffee producers of the region hardly could reach that amount of money in the daily income. In this respect, García (2007: 20) points out that some estimations suggests that the “non-organized indigenous in the Sierra has to maintain their families with just 6 pesos per day”.

<sup>4</sup> The Misantra ARIC (that belongs to the Confederación Nacional Campesina –CNC–), has an exportation license, which made easier to Oaxacan coffee producers the exportation of a part of their production.

revenue. Even so, the difference between the price that pay to them the ARIC (95 USD cents per pound) and the money that they would received from the profiteers in Oaxaca (25 cents of dollar per pound) was very high. This situation generated a great expectative among them and among other coffee producers from adjoining communities. Thus, at the end of 1982, seven communities of the region were already included in the collective search for better prices for their coffee. These peasants, in 1983 decided to create the *Unión de Comunidades Indígenas de la Región del Istmo (UCIRI)*, that was formally registered in the *Secretaría de la Reforma Agraria* form the Federal Government in the same year. In the constituent assembly participated primary peasants form 17 communities of the Tehuantepec Isthmus region.

### *Growing and Consolidation phase*

Once it was created, the organization quickly gained presence in the region and looked for diverse alternatives to improve its member's coffee sales, which by the way, constantly grew in number those days. In 1984, throughout the collective work (called *tequio*) UCIRI started the construction of its own infrastructure, which could let them to depend in minor scale to the “coyotes” and local profiteers. Thus, they built the first coffee warehouse and were installed the *Beneficio Seco*<sup>5</sup>. In the same year, it started the first efforts to turn to organic production; process in which the visit of the members of the German *Alternative Trade Organization (OCA) Gesellschaft und Partnerschaft (GEPA)* and the representative of the Simon Levelt firm (Hans Levelt owner of the familiar company) was determinant. Indeed, interested in the organic, agricultural production<sup>6</sup>, they were accompanied by a German agronomist, who discovered, after some inspections, that UCIRI coffee production was organic by “negligence” (VanderHoff 2002: 5). To continue with this process and with the objective to better understand the organic production, a representative group of UCIRI went to the *Finca Irlanda*, in Chiapas State of Mexico on June of 1984. In that place they obtained the necessary knowledge to

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<sup>5</sup> This is the process that allowed them to make an important part of the coffee processing that, until those days, was made by “coyotes”, which remained the biggest part of the revenues.

<sup>6</sup> The advantage of organic production is that, for some years ago, is paid a better price for products free of transgenic, herbicides, fungicides, pesticides, fertilizers and other agrochemicals that presumably could put in risk consumer's health in the long term.

adjust their production to the international standards of the organic certification agencies in developed countries. The first organic certification to UCIRI was made in 1986; in that process participated Naturland<sup>7</sup>, a German certification agency that inspected, verified and certified UCIRI to export their products to the European Union and the US (VanderHoff 2002: 5).

One of the events that gave a great impulse to UCIRI in their search to look for the amplification of the “alternative” market was when in 1985; the organization obtained the import-export license. Some authors (VanderHoff 2002, García 2007, Jurado *et al.* 2007, among others), stress the importance of this event, because it opened up the opportunity to interconnect with a great number of organizations that in those times were starting to open possibilities for alternative markets in the developed countries. In this aspect it is important to say that this process was really tortuous and very complex because the exportation chance to peasant groups in Mexico was, in fact, an expression of the authoritarian rule.

Once they obtained the exportation license and the organic certification, UCIRI started to sell coffee (processed and packed) directly to Simon Levelt (in Holland) and GEPA (in Germany) firms in the harvest of 1986-1987. Thus, with the remnants of the first Fair Trade sales UCIRI could launch some local development projects like The *Centro de Educación Campesina* (CEC), a transportation cooperative (UPZIMI) and a community health initiative. It is worth to mention that the organization received serious aggressions from the “coyotes”, which saw how diminished their business (VanderHoff and Roozen 2002). In this point Mazariegos (2006) explains that,

“... UCIRI, as a small coffee producer’s organization, generated big changes in the region. These changes were not seen very well by the “coyotes”. The transportation cooperative was the point that generated more anger from them, because they controlled the transportation business in the region long time ago. UCIRI members were victims of several violent acts, including the death of some leaders between 1985

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<sup>7</sup> Naturland it is accredited by US and EU authorities as well as the IFOAM (International Federation of Organic Agriculture Movements).

and 1992. In total 37 UCIRI members died in that period...” (2006: 259)

The year of 1987 is particularly important in the global Fair Trade movement development. It was in that year when conversations between UCIRI and *Solidaridad* started to explore possibilities to extend the Fair Trade market. In order to expand that project some Mexican peasants went to Holland to create the first seal of Fair Trade, the label Max Havelaar (VanderHoff and Roozen 2002). For Arditi and Chávez (2006: 58) the importance of this agreement is that it is “the first organic relationship between a a peasant organization in a developing country (Mexico) and an activist group in a developed one (Holland) in order to establish a new commercial mechanism, essentially firer”. Furthermore, it is the first relationship that established a Fair Trade certification mechanism in the world. Once it was signed the commercialization agreement, they started to sell Fair Trade certified coffee in Holland from UCIRI’s members. Since that moment, this organization has accompanied and has been part of the explosion that has experienced the Fair Trade initiative in the world.

In this point it is important to say that the creation of certification mechanisms opened a new and innovative door for Fair Trade. However, the scheme of direct work between OCA’s and primary producers organizations was not abandoned when Fair Trade labels were created and with the further formation of FLO. Direct relationships between peasant’s organizations and shared in common enterprises in developed countries (in the UCIRI-GEPA kind) still operates, at the same time that operates the labeling system and the Fair Trade national seals. In few words, following VanderHoff (2002), we must say that since the end of the eighties, the “new” scenery of Fair Trade was divided in the market that OCA’s opened and the market opened by FLO.

### *The first expansion*

After the creation of the first Fair Trade certification label UCIRI lived a big expansion, in part because of the new commercial chances that were opened in the alternative market opened by the Max Havelaar label. Since this moment, UCIRI

looked for to grow internally and externally. To do this, it became an organic productive organization, after negotiations with international certify agencies in which several NGO's support were determinant. The important point in this case were it is not just the fact that as an organization guaranteed an organic production but it was the first peasant organization that gained the status of organic production organization<sup>8</sup>. This certification allowed them to increase the coffee offer and ensured growing revenues that were traduced in more resources to its members and to the investment in local, community development projects.

With growing revenues and the solid production organization, some companies accepted to pay in advance because of the trust that UCIRI have gained. In previous year none bank or enterprise would give credit to UCIRI, but, in the nineties, after more that ten years operating, the things have changed. Thus, UCIRI would impulse another expansion of their commercial horizons: to diversify their crop buyers. In order to do that, they signed agreements with Equal Exchange and they started to sell coffee in the United States in 1990.

During the 1988-1997 period, which we have called the first expansion, UCIRI supported, organized or impelled the creation of several Fair Trade and primary producers organizations or related with aspects like certification or production improvement in the local or in the global arena. In the first case, in 1989 with other organizations created the *Coordinadora Nacional de Organizaciones Cafetaleras (CNOOC)*<sup>9</sup> and the *Coordinadora Estatal de Productores de Café de Oaxaca*<sup>10</sup>. In 1993, participated in the formation of the *Asociación Mexicana de Inspectores Orgánicos*, of which immediately became a member: This organization has the objective to make easier the organic certification process. One year later, in 1994, participated in the creation of ECOMEX, organization related with the ecological certification. Finally, in 1997, was a member of the group of organizations that conformed the *Certificadora Mexicana de Productos y Procesos Ecológicos (CERTIMEX)* that was temporally under IMO Control (from Swiss) and KRAV (a

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<sup>8</sup> Again, UCIRI (now in the organic issue) innovated and gained space that afterward other organizations would exploit. In this case, until UCIRI's organi certification, certifications were made by single producers and not by organizations.

<sup>9</sup> An umbrella organization that have more than 80,000 members independently organized.

<sup>10</sup> Both organizations were created in the context of a dramatic fallen of the coffee prices in those years.

Swedish enterprise), that finally, became autonomous some years later. In the international level, in 1990 UCIRI became a member of International Federation of Organic Agriculture Movements (IFOAM), became a member too of the Directive Council of Max Havelaar seal (from 1989 to 1992) and in 1997 played a significant role in the creation of FLO.

In the local sphere, UCIRI continued the expansion, construction or creation of communitarian services in benefit not just of its members but in benefit of the whole communities. Thus, in 1989 it was launched, the radio communication services to improve communications among communities with UCIRI membership, a hardware store were installed and the savings fund was created. In 1994, was finalized the construction of the Health Clinic in *Lachivizá* and in 1996 it were started some projects to reduce gender inequality.

Finally, in this period of growth and expansion, the organization started to support and to advise to other little primary producers in Mexico, particularly independent organizations of coffee producers. This was the case of technical support in exportation and organic production that UCIRI gave to the *Unión Majomut* en 1996.

### *The second Expansion*

The reason because we have decided to make a division between phases *Expansion I* and *Expansion II* is because the growth that UCIRI had after 1997 changed of orientation, in great part because the action of a new and important actor in the Fair Trade Movement: FLO.

Indeed, FLO creation, it seems that divided the Fair Trade movement between two sales schemes or systems that we have commented before. The important thing is that in the “second” UCIRI’s expansion, the organization were focused to grow in the market opened by FLO; which is explained by the high expectations that this organization raised in the developing countries and in the peasant organizations<sup>11</sup>.

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<sup>11</sup> In FLO creation, UCIRI played a very important role. As we have said before, is thinkable that this organization became the representative of peasant organizations in the world of Fair Trade. In

Thus, during 1998 UCIRI concentrated an important part of its efforts to strengthen local projects launched in the previous phase, but fundamentally to contribute to the consolidation of FLO's global system. To do this, the organizations participated in the design of the peasant certification mechanisms, collaborated in creation of the importers standards (enterprises disposed to sell Fair Trade products), contributed in the standardization of national labels and supported the efforts that concluded in the homogenization of the Fair Trade price.

Another way in which the organization contributed in the FLO's system consolidation, expansion and strengthens it was its decided support to the creation of the Mexican certification label *Comercio Justo México*, which was finished in 2001. UCIRI's participation in this process was really important, since because of its huge experience of working with other national labels, it could bring relevant information about their operation, management, alliance building, and other important issues. The creation of *Comercio Justo México* has, in this sense, a huge analytical relevance, because in part thanks to UCIRI support, Mexico was the first country in which both Fair Trade faces were expressed: the North version, conformed by groups of shared in common activists and responsible consumers of developed countries and South version, composed by little and poor primary producers.

We must clarify that the new UCIRI's growth line, inaugurated by FLO creation, didn't mean that the expansion line described in the previous section, had been abandoned. The ascendant line of local growth, in terms of affiliation and projects continued in this phase. In 2000, it was created the cloth manufacture plant. A year later, a local development Trusteeship was formed in collaboration with Federal Government to promote agro business. In 2002 was integrated the mixe zone organization which needed the installation of the basic infrastructure to process the coffee in a decentralized regional organization. In terms of agreements with other organizations and Fair Trade expansion in the national level, UCIRI played a central role in the creation of Agromercados in 2000. This joint-stock company was formed to as a social commercial enterprise, in which no just coffee is traded but

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fact, UCIRI was one of the firsts to propose the necessity of the labels unification, because of the hard and tortuous process that have resulted to make for each country a process of certification.

other products like beans, bananas, maguey, etc. too. Indigenous organizations like CEPCO, Unión Majomut and others, participated in the creation of this enterprise to promote Fair Trade and organic products commercialization. In the same way, UCIRI took the initiative to launch the *Consejo Mexicano de Cafecultura Sustentable*, which is the last of the versions of Fair Trade in Mexico.

Nonetheless, although in this phase we could find important evidences of UCIRI's expansion in terms of global, national and local capacities and possibilities, it started to surge some symptoms of discomfort that reflected the necessity of some changes in the organization. It is very likely that one of the explanatory sources of this uneasiness it was produced by the fallen of the high expectations put it in FLO and the polemic policies this organization has followed since its creation: The low participation of producer organizations in FLO governance, the erratic and sometimes unclear producer organizations certification process, the indiscriminate opening to new Fair Trade Markets<sup>12</sup>, and the "slow" results of the organization, as well as the attempts to diminish the minimum coffee Fair Trade price in order to sell higher volumes caused the necessity to rethink the current course of the organization.

### *Restructuring phase*

Indeed, when UCIRI members realized the huge dependency to FLO policies and its low results, they launched an organizational restructuring process that have last to these days. When FLO begun some thought that the benefits that Fair Trade generate would grow quickly and automatically. Nonetheless, although it is impossible to say that they didn't happened, they were not big enough to mean a radical transformation of living conditions of coffee producers. For that reason, and this is an opinion that share a big part of UCIRI's members, Fair Trade is actually a promising project in the horizon and not a complete reality now a days. This is not the pertinent space to discuss that, the important point is to stress that probably this discomfort and uneasiness with Fair Trade global movement, and in particular with FLO, has produced new development strategies and growth in UCIRI.

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<sup>12</sup> Like the certification given to Starbuck's, MacDonald's, among others.



One of these strategies could open a new stream in the global movement of Fair Trade. We are talking the direct agreement between the organization and the French Toaster Malongo and the commercial chain Carrefour to sell a significant part of UCIRI's production without FLO intervention nor the any national label nor any OCA. This decision, taken by UCIRI's members in 2004, was taken in a moment in which FLO Board of Directors was discussing the possibility to diminish the minimum Fair Trade price (120 USD by hundredweight, which is around 220 pounds or 100 kilograms) with the objective to extend the clients base in the global level<sup>13</sup>. Once this decision was taken UCIRI showed that it is possible to expand the market without pushing down the minimum Fair Trade Price, but demonstrated that FLO, in some moments, it is an autocratic structure.

On the other side, at the local level, there were also some important changes that denote a new strategy. In 2003, was created the *Agencia de Desarrollo Local* in order to diversify UCIRI projects and to implement technical assistance plans in the communities where has presence. At the next year, it was purposed, to the *Comisión Nacional de Áreas Naturales Protegidas* (CONAMP), the coordinated certification and defense of natural areas in Mexico. In this period, also some projects are closed because financial problems, like the hardware store in Ixtepec City, and the Health Center while others suffer major transformations: in particular the CEC and the transportation projects.

However, even though the problems and the restructuring process, the organization has growth constantly its membership and it keeps being a central referent in the life of thousands of producers and their families in the Tehuantepec Isthmus.

### **UCIRI Governance Structures**

In organizational words, probably UCIRI's most important characteristic is that it is not only peasant organization, but a mechanism of community integration. Thus, it

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<sup>13</sup> This debate is part of a bigger discussion in which, in one side, there is apposition that holds that is necessary to expand the marker for Fair Trade products, even though this signify diminishing its amount. While the other position says that the current price is the minimum acceptable and is unfair.

can be seen as a second floor organization because it interconnects communitarian representations and individual peasants from distinct communities. UCIRI could be defined as a postcorporative organization because it was born out of the control networks created by the ancient regime in Mexico to co-opt and to handcuff any kind of independent associative effort. In this sense, it's important to say that become a member of the organization it is a personal decision that implies the recognition of rules and rights to participate in equal conditions.

UCIRI, first normative principle, is that it is open to everyone. It does not exclude members because of religious preferences, partisan or ethnic differences and does not use collective affiliation mechanisms to serve political parties or the existing corporative peasant confederations (VanderHoff 2002, UCIRI 2007).

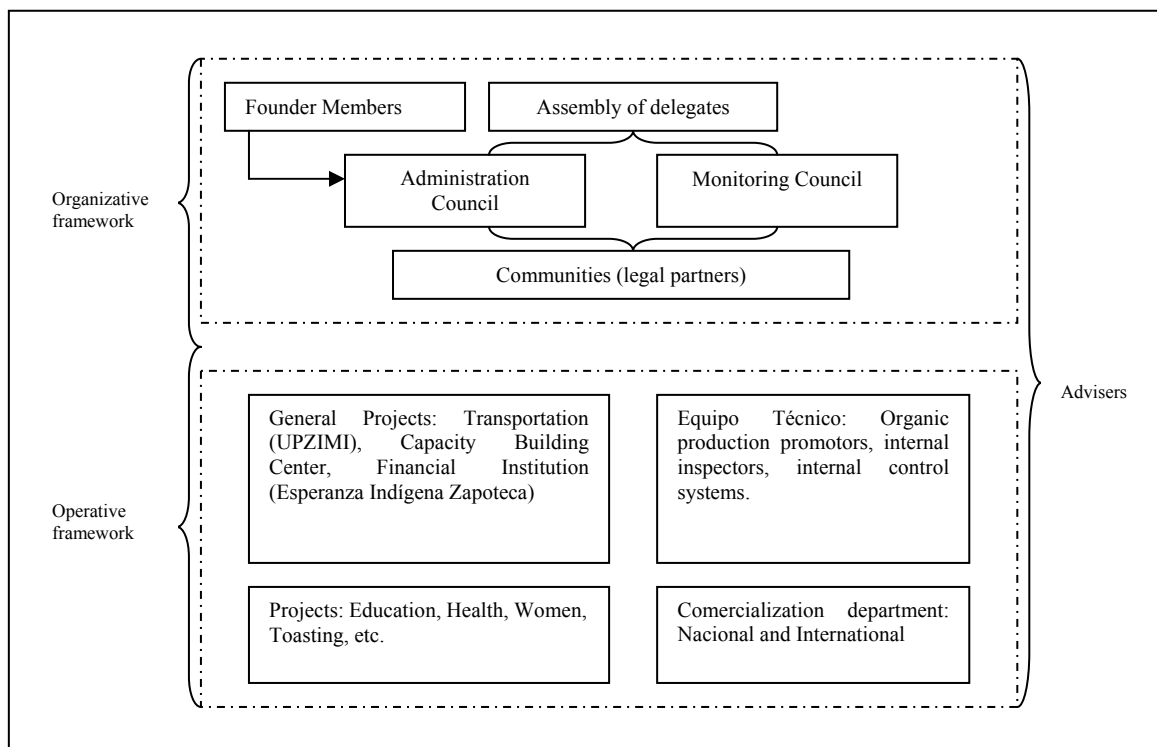
UCIRI presents a democratic scheme of internal governance with pluralistic characteristics that in its more than 25 years of life, has demonstrated to be functional and operative. To present and to discuss UCIRI's internal governance we propose four dimensions:

### **1. Representation:**

UCIRI is governed by community representatives that get together in the main, deliberation and decision making body, the delegate's assembly. This type of internal governance results very novel since representation is conceived as a communitarian affair rather than an individual one (Almanza 2005). The delegates take decisions "about the course of the organization" (Jurado 2005). The Assembly largely delegates responsibilities and tasks to community representatives, what has given the organization both, (a) an adequate and inclusive mechanism of involvement that makes easier operation, communication and interaction among its members; and (b) much legitimacy vis-à-vis its members and the communities served. Its regulations force UCIRI to be open to any primary producer that wishes to join to the organization, with one single exception, "little and big profiteers" which can only become members when they "make public their wish to stop taking advantage of the other producer's work" (UCIRI, undated). A fundamental point in the UCIRI governance bodies is that, all the representation positions both at the general

Assembly or at the community level, are decided by direct election with people from the communities (Jurado 2005, Mazariegos 2006). Indeed, in the local and general assemblies, members are proposed to integrate the Board of Directors, Monitoring Council, and the community's representations. Another fundamental element in the representation issue is the constant rotation of the members of the Boar of Director or Monitoring Council, practice which results very contrasting with the previous corporativist organizations in Mexico (VanderHoff 2002). Thus, members of Management Council or delegates of the Monitoring Council, lasts three years in their position, while the members of the local Directors (from the directive assemblies that are created in each community) and the Monitoring Council lasts one or two years. In all the direction levels, reelection is strictly prohibite. In this manner, UCIRI practices democracy as an empty space (Lefort 1990). Finally we have to say at this point that while the community delegates, voice the problems and proposals of their communities, in the same manner, they communicate back the decisions that are taken in the general assembly, by so doing they strengthen the informational flow.

### ORGANIZATIONAL CHART



Source: Own elaboration with information from Jurado (2005), Mazariegos (2006) y UCIRI (2007).

## **2. Decision making process:**

A fundamental aspect in the decision making process is that any decision about organizational matters is adopted by voting, so the construction of consensus is a daily task. The deliberation and, to less extent, the negotiation and the bargaining, are fundamental political practices of a complex organization as UCIRI is, integrated by several partners, scattered in far communities with severe limitations of transportation (VenderHoff 2005a y VanderHoff 2005b). Considering that consensus needs both, an adequate and complete flow of information and a process of deliberation, UCIRI is well organized to realize both. Aside the information that community representatives bring back to their communities, Bulletin PASOS is one of other mechanisms through which the organization communicates with members. In this bulletin it is compiled the information generated in the Delegates Assembly, which is discussed in each communitarian assembly (García, 2007). In the same way, the delegates have the “Informative Bulletin”, that “compile the discussed information and the agreements reached in the General Assembly; each member has a copy of this bulletin” (Mazariegos, 2006: 262). Other important aspect is membership participation. UCIRI’s members are obliged to participate in different meetings and assemblies, to avoid sanctions.

Another issue to consider is the role of the advisors. These members are present in all the decision making process, in all the phases, both in the organizational structure and the operative one. In governance structures, they are members with voice but not vote. They have the mission to contribute to enrich the discussion by presenting “complete maps” of the different subjects to be treated in the assemblies.

## **3. Political Leadership:**

One would think that in an indigenous organization, traditional forms leaderships would be very significant. In UCIRI, these kinds of leadership do exist and are not ignored, however, the organization’s leadership has become

very variable and it is in constant movement. The reasons are UCIRI's, non-reelection of directive positions, its pluralist and participatory governance structure and indeed, leadership generational renewal, what has given the organization a constant renovation of directive positions. Another factor contributing to make leadership more "horizontal", is that it is nourished with less formal, but no less important, leaderships that help the organization's information flow and deliberation process. The parallel leadership of advisors and founder members plays a significant part in the decision making process as well recognized sources of information. Their instrumental rationality, strengthens the debate, propose likely and desirable scenarios and organize and systematize the information in order to contribute to enhance and improve the decision making process. All these factors impact the organization in two manners, first, all new directives have to learn quickly how the organization must be guided, which means that those interested have to previously dedicate some time to understand the complex procedures and formal processes of UCIRI's direction<sup>14</sup>; on the other hand, there is a constantly growing of qualified and knowledgeable members that can more effectively discuss decisions, as well as bring leaders accountable. These are highly valuable assets for the organization.

## CONCLUSIONS

In the previous paragraphs we have intended to show, that UCIRI, as a part of the Fair Trade movement, has open up an ample vision on the role that a community-based grassroots organization can play in a global effort. Our departure point was to review UCIRI's successful role, asking ourselves, *how a small peasant indigenous organization could contribute in such significant way that now a days has global possibilities?* We intended to answer this question by highlighting two central aspects that have strengthen the organization, effective project management and internal legitimacy based in democratic and pluralistic internal governance bodies. We highlighted here how UCIRI promoted interesting efforts of local development in the communities it served and how it successfully dealt with vested interests. We

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<sup>14</sup> In this case the role of advisors and founder member is crucial to save time.

also stressed how the organization gained legitimacy by introducing much needed services and minor development projects. We argued that this gave the organization solidity vis-à-vis its membership as well as cohesion and strength vis-à-vis counteracting interests. We also argued in this paper that the internal governance mechanisms and the horizontality of decision making, representation and leadership locks were assets that gave much of its legitimacy to the organization. All these factors allowed the organization to participate actively in the global and complex movement of Fair trade.

Of course exogenous factors are also to be taken into account. Therefore, issues like the political opportunity open up by international actors, as the lack of other economic opportunity for members, i.e., a minimal opportunity cost, made *exit* costly, since to leave the organization reduced the opportunities “that in the future something better could happen”<sup>15</sup>. In this scenario, members founded powerful incentives to look for mechanisms to organize collective action and exert their *Voice*.

The UCIRI case teaches that existing local social capital can be rearticulated to serve communities. It also showed that social entrepreneurship can become local activism towards the construction of a more solidararian *economy*. This case also shows that rural peasants can be the main actors of a process of planning of their own development. In other words it exemplified that bottom up development can be achieved when attention is given to grassroots organizations.

The UCIRI case show also that there is much room to improve national development strategies in Mexico and Latin America, in order to attend for those excluded of the economic integration process. It is an example that, we do not necessarily have to wait for the trickle down to flow downwards but, parallelly, can initiate a bottom up process to achieve social inclusion and poverty reduction. Our case indicates that technology transfer (even if small, like in the UCIRI case) can boost development.

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<sup>15</sup> In this situation play a particular role the Fair Trade alternative that UCIRI’s members enjoys.

The UCIRI case also teaches that fair-trade as a development policy may also give peasants a different insight into land value and property rights, since FT show them that there is a clear relation between land and income improvement. This can very much reduce migration and foster the emergence of local economies of scale.

Finally, the UCIRI case should also make us reflect on the current orthodox conceptualization of development, and on the purpose of international development aid, while continue dreaming on promising horizons of participation and insertion of the rural poor in alternative market mechanisms and social redistribution schemes. Lets maintain this hope and actively work to achieve the utopia.

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Interview of the autor with Jesús Antonio Ramírez Guerrero, General Coordinator of the Local Development Agencie and UCIRI's Technical Team Coordinator. Interview made in the UCIRI's Commercialization Office in Ixtepec City, Oaxaca on December 27<sup>th</sup> 2007.

Interview of the author with Frans VanderHoff, UCIRI advisor. Interview made in the UCIRI's Commercialization Office in Ixtepec City, Oaxaca on December 27<sup>th</sup> 2007.

# **EL RETORNO DEL REGIONALISMO. ASPECTOS POLITICOS Y ECONOMICOS EN LOS PROCESOS DE INTEGRACION INTERNACIONAL**

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## **RESUMEN**

Las políticas que han orientado la formación de regiones en la economía mundial en las últimas décadas, tienen su origen en el orden internacional que emerge de la conferencia de Bretton Woods. En los países centrales (Europa) y América Latina, aunque por diferentes razones, se impulsaron políticas específicas de cooperación regionales. Una renovada intensificación de los procesos de integración tiene lugar desde mediados de la década de los 80s. Los nuevos regionalismos implican cambios cuantitativos y cualitativos con respecto a etapas anteriores, aunque no suponen nuevas estrategias de desarrollo. Argumentamos que en la fase contemporánea de las relaciones internacionales, los espacios integrados no pueden aislarse del estudio del orden mundial ni del fenómeno de la globalización.

## **ABSTRACT**

The policies that have driven the formation of regions in the world economy during the last decades, have their origin in the international order that emerged from Bretton Woods conference. The central (Europe) and Latin American countries, although for different reasons, have promoted policies of regional cooperation. A renewed intensification of the integration processes has taken place from the mid 80s of the XX century. The new regionalisms imply both qualitative and quantitative changes with respect to the previous periods, though they not entail new development strategies. We defend that, in the current phase of the international systems, the already integrated spaces should neither isolate themselves from the consideration of the world order, nor ignore the globalisation phenomena.

## **PALABRAS CLAVE**

Integración regional, relaciones internacionales, regionalismo, globalización

## **KEY WORDS**

Regional integration, international relations, regionalism, globalization

## INTRODUCCION

En este documento analizamos la formación de acuerdos regionales de comercio, surgidos en el contexto del orden económico de la segunda mitad del siglo XX, con proyección a los inicios del siglo XXI. Partimos del supuesto de que sólo es posible comprender los cambios que han tenido lugar en el sistema internacional -su forma actual, sus contradicciones, sus tendencias y conflictos- si se los analiza desde un punto de vista histórico (**Krippendorff**, 1985; **Bernal-Meza**, 2000). Este enfoque se sustenta en el principio de que el conocimiento del pasado puede ofrecernos indicios, también regularidades, sobre posibilidades futuras. En particular, nos facilita la realización de estudios prospectivos sobre la evolución de los escenarios regionales e internacionales.

### 1. INTEGRACION REGIONAL EN LA ECONOMIA MUNDIAL

El sistema internacional contemporáneo ha sufrido enormes transformaciones en las últimas décadas. Entre ellas, podemos identificar cuatro principales: a) la caída del bloque comunista de economías de planificación centralizada y el desmembramiento de la Unión Soviética, junto a la transición de estos países hacia una economía de mercado; b) la unificación de la economía mundial mediante un proceso multidimensional y complejo de globalización/mundialización, en un escenario internacional de fuertes asimetrías<sup>2</sup> en donde conviven fuerzas centrífugas de dispersión, fragmentación y crisis, con centrípetas de entrelazamiento e interdependencia; c) la vigencia de un paradigma socio-tecnológico que incluye nuevos modelos de producción científico-tecnológicos, localizados en sistemas de innovación territoriales de alta especialización para la generación de tecnologías digitales, infraestructuras y redes de acceso universal, todo lo cual está generando un nuevo tipo de organización que denominamos sociedad de la información d) una renovada tendencia a la formación de espacios regionales de comercio e inversiones, con agendas de discusión inéditas por la variedad de temas y el alcance de las negociaciones, en una dinámica de regionalización del sistema internacional.

Nuestro punto de partida es que en esta etapa de la coyuntura mundial, no se pueden separar los macroprocesos anteriormente enumerados, en particular el de los cambios en la política internacional -del paradigma Este-Oeste al escenario de la postguerra fría- y el de la evolución de la economía -desde la conferencia fundacional de Bretton Woods en 1944 que impulsó la institucionalización del orden económico internacional y legitimó la hegemonía norteamericana- hacia un capitalismo global.

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<sup>2</sup> Las principales asimetrías se refieren a la altísima concentración del progreso técnico en los países desarrollados y, en particular, a la ampliación de la brecha digital; la mayor vulnerabilidad macroeconómica de los países en desarrollo ante los shocks externos; y la asociada al contraste entre la movilidad de los capitales y la restricción al desplazamiento internacional de la mano de obra. Cf. CEPAL, 2002; Raúl BERNAL-MEZA y Gustavo MASERA, 2007.

El hecho que los aspectos tradicionalmente denominados como de “baja política”, como son aquellos vinculados a la economía, el comercio, las finanzas y la tecnología –e incluso otros, como los que se relacionan con los derechos sociales y la gobernanza (porque ahora se mira más al interior de los Estados) hayan desplazado en buena medida las prioridades que antes se asignaban a la seguridad y los aspectos diplomático-políticos y militar-estratégicos, considerados como de “alta política”, ha implicado el surgimiento de nuevas prioridades, una de las cuales es la primacía de las negociaciones económicas internacionales y, por tanto, el desarrollo de la diplomacia económica (**Bayne & Woolcook**, 2003).

Argumentamos que el destino que adoptan las corrientes financieras, las estrategias de localización de las grandes firmas internacionales, el desarrollo desigual que comportan las lógicas asociadas a la creación de economías de aglomeración -gracias a la acumulación de factores que posibilitan que una región se transforme en un polo de crecimiento con industrias motrices- (**Krugman y Obstfeld**, 1999), y la direccionalidad de los movimientos en las transacciones de comercio, dan lugar a importantes cambios estructurales en las relaciones internacionales.

En particular, constatamos que la economía mundial se está polarizando en un regionalismo continental con tres núcleos regionales principales. En estas áreas económicas se ven reforzados los vínculos más estrechos entre Estados que comparten un ámbito geográfico, histórico, cultural y económico, y que estarían centrados en torno de las economías más dinámicas (dados los niveles de flujos de inversión y corrientes de comercio recíprocos) y sus respectivos mercados. Los polos de integración de la tríada mundial, serían Norteamérica, con el liderazgo de los Estados Unidos, Europa occidental y central, con la centralidad de la Unión Europea, y la zona económica Asia-Pacífico, con el predominio de Japón y China (**Bernal-Meza**, 1994b; 2000; **Bernal-Meza y Masera**, 2005).

Al observar estos cambios debemos realizar una primera diferenciación analítica. Si la regionalización es el proceso mediante el cual se conforman áreas regionales de comercio en la economía mundial, el regionalismo es tanto el sistema de ideas que actúa como teoría de la diversificación de los espacios de integración en el escenario internacional, como el criterio normativo que permite la formulación de políticas orientadas a la construcción de esquemas institucionales regionales.

En la economía mundial, la evidencia muestra que la regionalización promueve fuerzas que tienden a integrar en un mismo espacio regional a países geográficamente próximos y económicamente complementarios, por lo menos en lo que respecta a la acumulación de recursos y en el aumento de las dimensiones del mercado. Pero, si las fuerzas de la integración regional son consideradas centrípetas o centrífugas, depende del enfoque teórico utilizado y de la carga valorativa previa que adopta el analista. Porque, aunque el instrumental nos demuestre que existe una mayor creación de comercio en un

área regional determinada, el esfuerzo de regionalización puede estar sesgado hacia el aumento de la polarización global y el desarrollo desigual de las regiones en el mundo o hacia procesos de “armonización imperial”. Por esta razón consideramos que una correcta comprensión del significado de los espacios de integración, obliga, previamente, a vincular éstos con la reflexión sobre el orden mundial.

## **2. REGIONALISMO Y ORDEN MUNDIAL.**

El orden mundial es un conjunto de normas e instituciones que reflejan una determinada hegemonía de una estructura histórica particular. Además, representa un cierto consenso sobre la aceptación de determinadas prácticas y reglas, fuera de las cuales los Estados no podrían existir.

Debemos tener en cuenta que el hecho de que existan al interior del sistema-mundo distintas unidades políticas -los Estados-nación, que son el aspecto político de la forma de acumulación dominante llamada capitalismo- se explica por la naturaleza misma del sistema mundial: una organización también estatal, pero cuyo vínculo clave es económico y no político. Sin embargo, el proceso de mundialización actual tiene componentes esencialmente distintos (en términos de actores), pero no por ello diferentes en la lógica que fundamenta su gestión: la acumulación permanente; así como los recursos a la ideología, como instrumentos para impulsar el mismo (**Wallerstein, 1985**).

Otra manera de pensar el asunto parte de la perspectiva que considera a los órdenes mundiales como estructuras históricas, en las que interactúan tres categorías de fuerzas: atributos materiales de poder, ideas (intereses e ideologías) e instituciones (**Cox, 1986**). Simplificadamente, si aplicamos la perspectiva de Cox a las condiciones del sistema internacional contemporáneo podemos decir que: a) los atributos de poder, en tanto capacidades para determinar el curso de los procesos políticos y económicos mundiales, estarían representados, por ejemplo, por la relación estratégica Estados Unidos de América con la Organización para el Tratado del Atlántico Norte (OTAN); b) las ideas, en cuanto esquemas conceptuales, modelos e ideologías, por ejemplo, la sociedad de la información (esto es, el nuevo paradigma socio-tecnológico y la nueva forma de organización social caracterizada por el predominio de los sectores info-comunicacionales)<sup>3</sup>; c) las instituciones, representadas por 1.) Los organismos, organizaciones, agencias especializadas o regímenes (en lo que se refiere a organismos internacionales de carácter intergubernamental o multilateral, el G-8, Banco Mundial, Fondo Monetario Internacional, o la Organización Mundial de Comercio); o 2.) Los acuerdos regionales de comercio y bloques

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<sup>3</sup> Los principios rectores que dirigen la construcción de la sociedad de la información son auspiciados, por ejemplo, por las Naciones Unidas, junto a la labor de agencias especializadas y organizaciones internacionales como la Unión Internacional de Telecomunicaciones, la UNESCO, y la Alianza Global para el Desarrollo de la Información.



regionales internacionales con estilos de integración institucionalizados en mayor o menor grado.

En última instancia, el regionalismo está inevitablemente vinculado al ámbito multilateral y al orden mundial, porque todo proceso particular de regionalización genera repercusiones sistémicas por los alineamientos estratégicos que producen los países que construyen la región y que modifican la situación relativa de éstos en la economía mundial y, porque conllevan estrategias de alianzas que inciden y/o determinan el curso de negociaciones multilaterales como, por ejemplo, lo han sido -en la historia contemporánea- los debates sobre la cooperación y el desarrollo; las negociaciones por el nuevo orden económico mundial y la reformulación del GATT con su posterior transformación en la Organización Mundial de Comercio (OMC).

### **3. CONSTRUCCION REGIONAL E INTEGRACION**

Los países se plantean la posibilidad de participar en un proceso de integración regional porque prevén que con esta agrupación pueden obtener mayores beneficios políticos y económicos que si continúan aislados. En este sentido, la percepción de que en un mundo globalizado, las economías pueden ser más competitivas, con mayor poder de negociación y de inserción internacional si cooperan con otras, se relaciona con el aumento de la conciencia regional (**Hurrell, 1994**)

La construcción de una región descansa en elementos comunes básicos, que facilitan la tarea de la integración: a) la proximidad: a pesar de que las regiones son, a priori, comunidades más imaginadas que reales (**Smouts, 1997**), es evidente que las mismas tienden a conformarse en aquellos ámbitos territoriales en donde existen factores comunes previos, ya sean éstos históricos, culturales, o geográficos. Es por ello que no sería erróneo hablar de regiones naturales con una identidad propia, y con un peso tal como para ser reconocidas como actores unitarios en el escenario internacional; b) valores fundamentales compartidos: como por ejemplo, la promoción de un sistema político, la búsqueda del desarrollo socioeconómico regional; la industrialización; el crecimiento económico redistributivo y, en términos del más reciente paradigma de la Comisión Económica para América Latina y Caribe de Naciones Unidas (CEPAL), la transformación productiva regional con equidad; c) estrategias de gobernanza común: amplios y complejos vínculos de participación, tanto de actores públicos como privados, en términos de acciones socio-políticas conjuntas, integrando programas y decisiones de gobierno junto a una adecuada participación de las comunidades (sociales, étnicas, políticas) y de los agentes socioeconómicos en una orientación abajo-arriba (*bottom-up*) y no sólo arriba-abajo (*top down*). Estas prácticas le confieren legitimidad y credibilidad al proceso de integración y cooperación regional, puesto que permiten evitar conflictos de intereses, al pensar no sólo en lo inmediato (en la medida que decisiones de tal tipo conllevan predisposiciones a optar por uno u otro camino; cada uno de ellos vinculado a sectores que en lo inmediato reciben

beneficios, versus otros que son postergados en el tiempo), sino en el interés del conjunto a largo plazo, en el marco de una estrategia coherente y adecuada entre los múltiples factores políticos, económicos y culturales involucrados.

En su proceso de acercamiento entre sí estos países pueden implementar mecanismos para cooperar y compartir responsabilidades con la finalidad última de lograr objetivos comunes en áreas específicas, como puede ser por ejemplo, en el ámbito de un programa de protección del medio ambiente o en el desarrollo de programas científicos (**Baalam & Veseth**, 2004). Pero, desde una óptica estrictamente económica, la integración regional supone el proceso de acercamiento y coordinación de las economías de dos o más países de modo de constituir un territorio económico común. Sus objetivos principales pueden ser entre otros, la creación de comercio; la generación de un mayor nivel de competencia intrabloque; el aprovechamiento de economías de escala; la cooperación intrarregional en proyectos de innovación tecno-industriales asociados incluso mediante el progreso hacia nuevas actividades; una más eficiente y mejor racionalización de la producción mediante una división regional de la industria; la generación de mecanismos de financiamiento regional; la complementación económica; y, por último, la sinergia en los frentes de negociación internacional (**Balassa**, 1980). Tengamos en cuenta que, a pesar de los beneficios evidentes, la integración puede generar también costos sectoriales y efectos negativos puertas adentro y hacia fuera del acuerdo.

#### **4. COOPERACION E INTEGRACION ECONOMICA REGIONAL**

Una distinción entre los términos de cooperación e integración se hace aquí necesaria. A pesar de que no existe una frontera claramente delimitada entre ambos conceptos, su utilización equívoca puede derivar en confusión. Mientras que la cooperación es posible entre países que tienen distintos sistemas monetarios, fiscales, de seguridad social y hasta con una visión completamente distinta de la organización de la empresa y los mercados, la integración plena es factible cuando se ha llegado a una armonización muy profunda del marco institucional de la economía<sup>4</sup>.

La integración supone una acción de política económica más específica y profunda que la cooperación. La integración contempla una primera tarea, orientada a la reducción de barreras y obstáculos, para dar a las transacciones económicas una mayor flexibilidad; en una segunda etapa se persigue la supresión absoluta de tales barreras, a fin de crear un mercado único, sin trabas fronterizas, y con la mayor transparencia en las tarifas no arancelarias. El concepto clave es la armonización de políticas, en la medida en que ésta supone la supresión de políticas de tratamiento diferencial entre los países miembros del acuerdo.

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<sup>4</sup> Para la distinción entre los conceptos de cooperación e integración véase James CAPORASO, 1987; Raúl BERNAL-MEZA, 2001 y Alcides COSTA VAZ, 2002.

Lo anterior se traduce, desde una perspectiva de linealidad económica, en el acercamiento progresivo de los países firmantes de un acuerdo, con el fin de eliminar restricciones comerciales, discriminaciones o diferenciaciones (normas técnicas, medios de pago, etc.) y las trabas a la movilidad de los factores productivos. Además, en un acuerdo de integración se incorporan, de manera gradual, compromisos que se reflejan en un particular nivel de integración (zona de libre comercio, unión aduanera, mercado común) para llegar, por fin, al establecimiento de una unión monetaria y económica. Mediante el proceso de acercamiento y de articulación de los mercados y las sociedades, los países tienden a coordinar sus políticas, en un amplio abanico que va desde las políticas microeconómicas e industriales hasta las políticas macroeconómicas, como por ejemplo sucede con las monetarias, que permiten la construcción de áreas monetarias óptimas (**Tugores, 2004**).

En última instancia, la integración económica se refiere al proceso en virtud del cual países y mercados previamente separados, se incorporan al funcionamiento de una nueva unidad considerada de dimensiones geo-económicas más adecuadas (**Tamames y Huerta, 1999**). La integración puede darse en niveles muy diferentes, que van desde una coordinación mínima y ajuste recíproco de la conducta de las partes involucradas hasta la renuncia a aspectos de soberanía política de éstas, en la medida en que los actores pasan a constituir una nueva entidad. Este acercamiento se ve facilitado cuando se realiza entre países geográficamente próximos, con capacidad de interacción regular de una cierta intensidad entre sí. Además, éstos deben tener la capacidad de verse y de ser vistos como un actor con identidad propia en el escenario regional e internacional. Es decir, comparten un sentido de identidad regional y son reconocidos como tal por actores externos (**Atkins, 1991**).

La regionalización es, entonces, tanto el proceso de creación específica de un espacio común, como el resultado de la puesta en marcha de la integración. El proceso supone, entre otros objetivos: poner en contacto economías relativamente homogéneas y de nivel de desarrollo relativo comparable en la trayectoria de acoplamiento progresivo de las estructuras socio-económicas; la convergencia política, a fin de crear instituciones comunes que permitan seguir, cuando sea necesario, una política coordinada en los ámbitos monetarios, financieros, industriales, comerciales, etc. Aunque el énfasis se encuentra en los aspectos económicos, por las razones previas se debe reconocer que un proceso de regionalización no es puramente económico, sino simultánea y sistémicamente, político, social y cultural (**Bernal-Meza, 2000**).

## **5. GLOBALIZACION/MUNDIALIZACION**

En los inicios del siglo XXI se ha perfilado una nueva situación en la economía mundial que afecta a los procesos de regionalización. En otros trabajos hemos definido nuestra posición acerca de los orígenes de la globalización, y la actual etapa de

mundialización como el eslabón más actual de la acumulación capitalista. Esta visión se sustenta, asimismo, en el pensamiento de diversos autores con los cuales compartimos una similar concepción histórico-estructural de interpretación del sistema mundial (**Wallerstein**, 1985; **Krippendorff**, 1985, **Bernal-Meza**, 2000).

Diferenciamos analíticamente la mundialización como proceso prioritariamente económico y tecnológico, de su carácter como ideología, que es la globalización en sentido estricto. En líneas generales, argumentamos que el proceso de globalización/mundialización es un fenómeno amplio y complejo, no consolidado, que identifica y expresa la intensificación de flujos portadores en espacio y tiempo, de nuevas formas de pensar, de producción, de vinculación y de relación; proceso que sin ser nuevo en la historia, se ha profundizado y acelerado, durante los años recientes, en especial en los aspectos financieros. Pero, junto a ello, la globalización ha pasado a ser un paradigma; un modelo ideológico, bajo el cual se escudan o justifican políticas internacionales y nacionales; cuyas consecuencias negativas se están progresivamente internalizando en los países; en particular, en los subdesarrollados, periféricos o semiperiféricos. La globalización es un fenómeno de convergencia de diversas variables y factores de las principales economías del mundo en el que coexisten tendencias de homogenización y fragmentación. Desde un punto de vista de las ideologías dominantes, representa la nueva visión del mundo del capital que justifica la financiarización de la economía internacional. Es un paradigma que -como tal- expresa un marco conceptual, eidético, interpretativo y prescriptivo, cuyo origen está en las sociedades, grupos y poderes dominantes y se difunde hacia las sociedades que integran el sistema mundial; desde el centro hacia la periferia (**Bernal-Meza**, 2000).

La globalización no es un fenómeno distinto, diferente, autónomo de la historia social y económica del sistema internacional, sino que es eslabón de un largo proceso, tal como han sugerido Tomassini (1984) y Sunkel (1987); iniciado con la internacionalización y seguido luego por la transnacionalización de las economías nacionales.

La existencia de la globalización es posible sólo y dentro de un sistema mundial, cuya característica estructural es la expansión del modo de acumulación dominante, mediante determinados impulsores que la motorizan. Entre ellos, mencionamos la ampliación de los ámbitos de acción de las firmas internacionales, asociado al crecimiento del volumen y tipo de los negocios internacionales; la mundialización de las finanzas; la aparición de nuevas formas de organización empresarial vinculadas con modernos paradigmas de gestión (por ejemplo, redes tecnoeconómicas, redes de investigación más desarrollo e innovación I+D+i, alianzas de firmas, clusters); la aplicación de diversas estrategias empresariales (deslocalización y relocalización geográfica industrial; encadenamientos globales; terciarización en el sentido de subcontratación y de prioridad del sector terciario de la economía; segmentación/partición de la cadena de valor) en un marco de hipercompetencia por el liderazgo, el posicionamiento competitivo y la participación en

los mercados internacionales; la aparición de un sistema genérico de economía de mercado, en donde participan diversas estructuras político-institucionales que responden a formas distintas de interpretar la relación entre Estado, mercado y sociedad, y por último, la aparición de renovadas formas de competencia regional mediante la proliferación de bloques regionales y acuerdos de cooperación e integración.

## **6. ANALISIS DE LA GLOBALIZACION Y LA REGIONALIZACION**

La regionalización, en su relación con la dinámica de globalización/mundialización, puede ser analizada bajo dos perspectivas: a) la que considera que los mismos son dos procesos simultáneos en comercio, inversión y desarrollo tecnológico, aunque distinguibles por su naturaleza: mientras que la regionalización es un proyecto político-económico esencialmente Interestatal, la globalización es un proceso socialmente complejo y multidimensional. Aquí se interpreta que el rumbo de la economía mundial tiende a dos procesos no exactamente coincidentes, aunque por momentos puedan tener trayectorias paralelas (como motores de la integración global), o quizás contrarias (globalización versus regionalización); b) la que los examina como procesos derivados causalmente, esto es, que uno genera o es principio del otro. Esta última diferenciación tiene a su vez dos posibilidades de lectura, 1) donde la formación de regiones sería un corolario o consecuencia de la creciente globalización. A favor de este punto se plantea que hasta ahora la globalización no ha generado un mundo en el cual las naciones interactúen con otras igualmente, sino que, más bien, la actividad económica, aunque parezca más dispersa, se está concentrando crecientemente en las tres grandes regiones continentales (América del Norte, Europa y Asia-Pacífico); 2) donde el surgimiento de regiones internacionales constituiría una realidad anterior a la globalización. La articulación progresiva de espacios y bloques conformaría una trama compleja de ámbitos de cooperación e integración, que permitiría impulsar el desarrollo de un entorno global.

Si los movimientos hacia la globalización y la regionalización son simultáneos, es casi inevitable el surgimiento de tensiones, ya que las agrupaciones regionales limitan de hecho la globalización absoluta de la economía mundial. Este conflicto estaría afectando la continuidad y la implantación de un sistema internacional de comercio eficiente, abierto y equitativo y, obviamente, más multilateral (**Adda**, 1996). En efecto, la crisis de la actual ronda de negociaciones de Doha, daría evidencia como para inferir que el desvío de comercio, el proteccionismo vigente en ciertos sectores y la consolidación de áreas de comercio discriminatorias estarían amenazando la continuidad del sistema multilateral. De mantenerse en el tiempo esta situación, se restaría legitimidad, incluso, a los mecanismos institucionales establecidos por la Organización Mundial de Comercio.

Por otra parte, si la regionalización es un corolario de la globalización de la economía mundial (**Bernal-Meza**, 1994; 2000; **Bernal-Meza y Maserá**, 2005), desde una perspectiva

centrada en los problemas de América Latina, la formación de espacios de integración y cooperación podría representar una estrategia coadyuvante de las políticas del desarrollo.

Consideramos que la integración regional puede ser analizada bajo el enfoque de las ganancias derivadas de la formación de un espacio regional: a) la potencial cooperación en los diversos planos y dimensiones del sistema social (política científico-tecnológica, política cultural, política industrial, etc.) entre los países miembros de un acuerdo; b) la línea estratégica fundamental para la inserción competitiva de los países en la economía internacional; c) la transformación de las sociedades en pos de un modelo de crecimiento y desarrollo; d) la coordinación de posiciones de economía política en los foros internacionales, junto a los otros miembros de un acuerdo; e) la creación de un espacio defensivo, tanto en el plano económico como en la dimensión política y cultural (por ejemplo en lo que respecta a la identidad), frente al avance de actores más poderosos, como sucede por ejemplo en el caso de las industrias culturales.

Por lo expuesto, concluimos que el vínculo entre globalización y regionalización nos permite comprender la estructura del sistema internacional desde una perspectiva temporal de la expansión del capitalismo global. Además, que en las transformaciones más recientes está jugando un rol decisivo el pujante proceso de integración económica regional entre países.

## **7. FACTORES DE LA REGIONALIZACION EN AMERICA LATINA**

En América Latina, la cooperación y la integración han tenido, históricamente, características distintivas de aquellas que, por ejemplo, se han dado en Europa occidental o entre Estados Unidos y Canadá, puesto que las metas que se perseguían con esos instrumentos se relacionan directamente con el desarrollo económico. En efecto, la exigencia de la integración se supeditaba a ciertas insuficiencias estructurales identificadas en la región por Prebisch, en su informe de 1949. De allí en más, los análisis de la Comisión Económica para América Latina, de la cual Prebisch fue su primer secretario, detectaron diversos factores críticos que estaban presentes en los sistemas socio-económicos de los países latinoamericanos: insuficiencia en la estructura productiva, escasa oferta exportable, inadecuado avance en la construcción institucional (por ejemplo de los mecanismos financieros de pago), atraso y estancamiento de la economía rural junto a zonas de baja productividad y excesivo latifundismo, ausencia de una base tecnológica endógena en sectores dinámicos, falta de movilidad social, extrema desigualdad en la distribución del ingreso, pobreza, exclusión y fuerte fragmentación social, etc. El concepto que resumía esta situación era la heterogeneidad estructural, la que junto a una enorme dependencia del sector externo y un débil desarrollo industrial, imposibilitaba recuperar el deterioro de los términos de intercambio que producía el sistema importador-exportador. Los países de la región se habían incorporado tardíamente a una economía mundial dominada por los sectores industriales más innovadores de los países centrales.

El enfoque elaborado por la corriente *cepalina* asumió una visión de conjunto de la estructura de la economía mundial, sustentado en la identificación de dos áreas intervinculadas asimétricamente: el centro y la periferia. A partir de esta morfología, Prebisch formuló su teoría del “Intercambio Desigual”, que pasaría a ser un fundamento específico de las políticas orientadas a impulsar procesos de integración, mediante la sustitución de importaciones y el crecimiento industrial de la región en un proceso combinado con el aumento de exportaciones y de participación en el comercio internacional (**Prebisch**, 1963; **CEPAL**, 1959; 1969; 1974; 1982; 1987; **Ayza, Fichet, González**, 1975). La idea central es que a través de la implementación de políticas de cooperación regional se podrían modificar situaciones estructurales de subdesarrollo. Uno de los principales logros de un espacio integrado podría ubicarse en las economías de aglomeración, aunque se reconocía que debía exigirse una amplia coordinación -en los niveles nacional y regional- de las políticas de inversiones, fiscales, de salarios y precios, para evitar la tendencia a la concentración geográfica, y por ende desigual, de los beneficios y de los esfuerzos de acumulación (**Furtado**, 1972; 1983).

Si tenemos en cuenta el marco de interpretación más general que nos ofrece la disciplina de las relaciones internacionales, podemos señalar que el regionalismo en América Latina ha oscilado históricamente entre dos polos: por un lado, mediante el desarrollo de esquemas de integración intra-latinoamericanos sin presencia de los Estados Unidos de América, y por otro, con el establecimiento de ámbitos de cooperación bajo la égida norteamericana (desde el Panamericanismo del siglo XIX al proyecto ALCA de fines del siglo XX). El Área de Libre Comercio de las Américas, desde su lanzamiento en 1994, representaba una nueva versión del modelo de dominación hegemónica de los Estados Unidos en el hemisferio, no sólo porque incluía en su agenda cuestiones que iban más allá de las comerciales –como inversiones, servicios, acceso a mercados, etc.- sino porque su efectiva constitución podría haber tenido profundas consecuencias para los países latinoamericanos. Podría haber significado, por ejemplo, dado el nivel de las asimetrías y el desigual carácter de los intereses en juego, el fin de los esquemas subregionales (MERCOSUR, CAN). El ALCA personificaba para los Estados Unidos un instrumento de su estrategia global y de seguridad nacional, porque se hubiera constituido en la potencia del bloque más importante del mundo en cuanto a cifras económicas, demográficas, etc. Además, el ALCA le hubiera posibilitado, entre otros factores, mejorar su posicionamiento negociador en la OMC y frenar la presencia de la Unión Europea y de las potencias asiáticas en la región (**Bernal-Meza y Maserá**, 2006).

Específicamente, el surgimiento del regionalismo latinoamericano puede ser analizado bajo tres enfoques (**Hurrell**, 1994): 1). Competencia política y mercantilista por el poder: según este enfoque el regionalismo es una respuesta a las presiones sistémicas ejercidas por una determinada configuración de las fuerzas internacionales y a la

competencia ejercida por aquellos grupos de países rivales, con o sin presencia de una potencia hegemónica, que intentan acumular poder. Este enfoque, que nosotros denominamos de “regionalización estratégica”, puede ser evaluado, por ejemplo, en términos de participación en mercados; 2) Factores de interdependencia: de acuerdo a este enfoque, el regionalismo surge como respuesta funcional a los problemas creados por los lazos de interdependencia asimétrica y vertical (por contener países del hemisferio norte y sur), como por ejemplo sucede en el NAFTA o Tratado de Libre Comercio de América del Norte (TLCAN), en la relación entre Estados Unidos de América y México; 3) Factores internos: según esta perspectiva, el movimiento hacia el regionalismo pone de relevancia aquellos elementos comunes de los países que participan de un esquema de integración y cooperación regional; por ejemplo, la homogeneidad étnica y lingüística, factores éstos que refuerzan el sentido de identidad de una región y que le permiten actuar como un actor unitario en la obtención de ciertas metas, y como una plataforma de promoción de los intereses comunes.

En última instancia, la trayectoria histórica de la integración regional en América Latina –de ALALC al MERCOSUR- nos muestra la dificultad inherente que supone generar espacios económicos ampliados en el marco de la estructura de poder subyacente a la economía mundial. El regionalismo nos ha revelado, en otro nivel, la especificidad de las estructuras socio-económicas de la periferia, y las limitaciones políticas y económicas que se derivan de la integración en condiciones de subdesarrollo. La reproducción de las estructuras centro-periferias al interior de los bloques junto a una marcada asimetría producto del desarrollo desigual entre las regiones son una muestra de ellas. Es para tener en cuenta la afirmación acerca de que “las periferias dinámicas continuarán siendo periferias, es decir, sociedades atravesadas por todas las principales contradicciones producidas por la yuxtaposición de enclaves modernizados, rodeados de un océano poco modernizado” (Amin, 2003: 38-39).

## **8. COOPERACIÓN, CONCERTACIÓN POLÍTICA Y DESARROLLO EN LAS RELACIONES EXTERNAS REGIONALES DE LOS PAÍSES LATINOAMERICANOS**

De otra parte, en América Latina existe un vínculo directo entre cooperación, concertación política y desarrollo en las relaciones externas regionales. En particular, y porque “el desarrollo económico es probablemente la dimensión esencial de las relaciones internacionales de los países subdesarrollados” (Tomassini, 1992), ambas, integración y cooperación son estrategias coincidentes; aunque pensamos que debe darse a la cooperación un sentido político que antecede a la cooperación económica y a la integración. Éste es el punto de vista que dio inicio al proceso del MERCOSUR, el subsistema de cooperación e integración que más expectativas ha creado entre los países del Cono sur latinoamericano desde los años de la ALALC.



Diversas experiencias, tanto de concertación y de integración regionales (así como de vinculaciones interregionales) se inscriben en lo que se ha denominado como la tercera etapa de las relaciones internacionales de América Latina. Ésta se basa en el surgimiento de nuevas formas de diplomacia multilateral o de concertación directa entre los gobiernos latinoamericanos para el manejo colectivo de los problemas internacionales; experiencias que, al menos al inicio de los años noventa, presentaban un sesgo marcadamente informal y evolutivo (**Tomassini**, 1990, 17).

Las nuevas formas de concertación directa entre gobiernos latinoamericanos, o de diplomacia multilateral a alto nivel, tienden más bien a facilitar el manejo colectivo de ciertos problemas internacionales de importancia crítica para la región, o para determinados grupos de países en un momento dado y tienen a la cooperación política como elemento esencial de sustento.

Tomando como ejemplo el estudio específico acerca del nuevo regionalismo latinoamericano, el análisis de esta etapa ayuda a evaluar en qué medida esos procesos han contribuido al surgimiento de un subsistema en que las relaciones de cooperación predominan sobre las de conflicto. Tomassini (1990) señalaba que en el futuro se podrían aprovechar cada vez más las ventajas que ofrece la complementación económica, política y cultural entre esos países, y se diera impulso a la proyección de sus intereses externos en un mundo fraguado en diversos circuitos productivos, tecnológicos y financieros; dividido en sólidos bloques comerciales. Por ejemplo, aún cuando los orígenes del MERCOSUR se remontan al Programa de Integración y Cooperación Argentino-Brasileño de 1986, es válida la interpretación que sostiene que tanto la profundización de los procesos de regionalización y de globalización como la emergencia de una nueva agenda política estimulada por la posguerra fría repercutieron en los comportamientos externos de los países latinoamericanos (**Hirst**, 1993). El efecto fue una reducción de los espacios de inserción internacionales, al tiempo que se profundizó la relativa importancia del regionalismo (Unión Europea, NAFTA).

Tal cual surge de la experiencia de los años noventa, la movilización política y económica hacia la regionalización en América Latina ha sido considerada, en general, como la confluencia de dos desarrollos históricos en particular: por un lado, la macroestabilización económica, lo cual convirtió a la coordinación económica en una condición necesaria para lograr cualquier grado de crecimiento económico y, por el otro, la formación de foros institucionalizados para la cooperación y negociación internacional, como resultado de Contadora y el Grupo de Río (**Bernal-Meza**, 2001).

El “dilema de los intereses comunes” es relevante para abordar la discusión sobre los procesos de integración. Es posible entender entonces el resurgimiento de la concertación latinoamericana y el lanzamiento de la regionalización desde mediados de los años ochenta como un proyecto común, como resultado de los abrumadores retos

compartidos por los países: deuda externa, reestructuración macroeconómica, inestabilidad política y el desarrollo (**Perales**, 1998). En este contexto, la formación de regímenes de integración, como parte de un proyecto estratégico de una región (ya sea un nuevo industrialismo o un regionalismo abierto), puede entenderse como una respuesta a las exigencias del desarrollo, en una economía mucho más internacionalizada. Pero, por estos mismos retos y desafíos, alcanzar un grado importante de institucionalidad en los esquemas de integración, es tan importante como indicador y calificador de la efectividad de los esfuerzos de regionalización (**Bernal-Meza**, 2001).

## **9. SIGNIFICADO DE LOS NUEVOS REGIONALISMOS**

La trayectoria del regionalismo en el siglo XX ha pasado por tres fases principales. La primera es la que corresponde a los años 50s. y 60s., de gran énfasis en la cooperación regional con las experiencias de la Comunidad Europea (Tratado de Roma, 1957) y con la Asociación Latinoamericana de Libre Comercio -ALALC- en América Latina (Tratado de Montevideo, 1960). Podemos constatar la existencia de una segunda fase en los años 70s., cuyas características son la caída del dinamismo regionalista a causa de la desconfianza en los logros potenciales de los esquemas de integración y cooperación. En el ámbito latinoamericano, en particular, es la época de crisis de los modelos de sustitución de importaciones en lo económico y de los cambios de régimen en los sistemas políticos. En una tercera etapa, desde mediados de los años 80s., es visible un nuevo impulso en el movimiento hacia la construcción de esquemas regionales, bajo el paradigma del regionalismo abierto y las políticas neoliberales que los sustentan, lo que generó, desde entonces, impactos significativos en la conformación de la economía mundial. El auge del regionalismo se ha dado desde entonces con tanta intensidad, que algunos autores consideran que estamos en presencia de una “transformación espacial de las relaciones internacionales” (**Smouts**, 1998), lo que significa que la economía mundial se está orientando hacia la dirección la conformación de regiones internacionales y bloques económicos.

Diversos factores han colaborado al resurgimiento de los procesos de regionalización, entre otros; 1) la firma del European Single Market Act en 1986 y el posterior Tratado de Maastricht en 1992, con el que se da nacimiento a las etapas más complejas y recientes de la Unión Europea; la caída de la Unión Soviética y la transición a la economía de mercados de los antiguos países socialistas, proceso que contribuyó al auge regionalista mediante la celebración de acuerdos de incorporación a la Unión Europea; 2) la demora en las negociaciones de la ronda Uruguay del GATT, que contribuyó a privilegiar la vía regional, aunque años después, el surgimiento de la Organización Mundial de Comercio (1994) indudablemente favoreció la difusión de regiones comerciales. Es interesante constatar que en la actualidad, una última señal para la proliferación de los acuerdos regionales nos lo da la paralización de la ronda de Doha. Como en períodos

anteriores, la crisis sin miras de solución a corto plazo en la negociación multilateral puede derivar en un impulso de la estrategia regional. Esto es así siempre y cuando la dirigencia de los países interpreten que solamente en los ámbitos regionales se pueden llegar a alcanzar ciertas metas, muy difíciles de lograr en el sistema internacional de comercio dada la complejidad de los temas en disputa; 3) la respuesta regional a la Europa integrada, impulsada por los Estados Unidos de América (**Fishlow & Haggard**, 1992), con la firma de la zona de libre comercio con Canadá, y años después, con la puesta en funcionamiento del Tratado con México y Canadá (enero de 1994) junto a la propuesta lanzada en la Cumbre de Miami, en el mismo año, de crear un Área de Libre Comercio de las Américas (ALCA); 4) Por su parte, en América Latina, la restauración democrática dio impulso a los programas de cooperación e integración. Es el caso del ámbito subregional, con los acuerdos PICAB entre Argentina y Brasil, a los que siguió la constitución del Mercado Común del Sur (MERCOSUR) en 1991.

Es esta proliferación de acuerdos lo que ha transformado al regionalismo en un fenómeno universal. Podemos observar, también, los espacios de comercio integrado son ámbitos más vulnerables –dado su excesivo marco regulatorio- y que se encuentran en contradicciones con otros regímenes donde a veces participan los mismos Estados.

Advertimos cambios de orden cuantitativo y cualitativo en los nuevos regionalismos. En lo que respecta al primero, las cifras nos indican que cuando el Acuerdo de Comercio sobre tarifas y aranceles (GATT) entró en vigor en 1948, los acuerdos de comercio eran casi inexistentes. En el marco del GATT, durante toda su actuación, en cerca de cuarenta años, fueron notificados un poco más de cien acuerdos bajo el artículo XXIV y la cláusula de habilitación. Desde que empieza a funcionar la Organización Mundial de Comercio (OMC), no sólo se multiplican el número de acuerdos, sino que la evidencia empírica muestra que un importante porcentaje (se estima alrededor del 55% el del comercio mundial) se desarrolla ya en el interior de los bloques económicos (**Gilpin**, 2001). En todas las áreas económicas regionales se puede observar una mayor concentración de los volúmenes de comercio e inversiones entre los países de la tríada regional mundial (Europa Occidental, América del Norte, Asia Oriental), paralelamente a un aumento del comercio intrazona en el conjunto de los intercambios mundiales. Acompañando este movimiento hacia el regionalismo, se firmaron y notificaron al sistema multilateral de comercio más de cien acuerdos, exclusivamente durante la década de los noventa (**Bouzas**, 2001).

Es de notar que existe también un cambio cualitativo en los actuales procesos regionales (**Gana**, 1994), porque en las agendas de negociación de los nuevos acuerdos se incorporan temas que ya no se refieren sólo a cuestiones arancelarias o comerciales, sino que pueden ser incluidas otras materias (inversiones, migraciones, terrorismo, mercado del trabajo, narcotráfico, transferencia de tecnología, políticas de cooperación industrial, etc.),

abarcando incluso cuestiones de carácter tradicionalmente consideradas como del ámbito interno, soberano de un estado nación.

Otra novedad de alto impacto en las relaciones internacionales es el hecho que, desde hace algunos años, se celebran acuerdos no sólo entre países, sino entre bloques, por ejemplo, la asociación bi-regional Unión Europea-América Latina, o los acuerdos Unión Europea-Mercosur (ambos aún en etapas de negociación). Un lente más fino nos revela que el regionalismo ya no es cerrado como en el pasado, sino que tiende a ser abierto, de carácter vertical y asimétrico, puesto que se puede dar entre países desarrollados y en vías de desarrollo, del norte y del hemisferio sur. Además, los actuales esquemas de integración y cooperación regionales son acuerdos complejos, porque se desarrollan bajo una multiplicación de actores e intereses sectoriales. Por último, las agendas son más conflictivas, por los numerosos obstáculos y condicionamientos que existen en la discusión y por los efectos no deseados en las sociedades de los países que integran los acuerdos (Bouzas y Fanelli, 2001a).

## **CONCLUSION**

El regionalismo es un elemento clave del orden económico internacional surgido después de la segunda guerra mundial. Los países que comparten un espacio regional, se unen para lograr una mejor capacidad de negociación internacional, de competitividad en los mercados mundiales y, potencialmente, para lograr objetivos mediante la coordinación de esfuerzos en los foros internacionales, en la labor de atracción de inversiones o en el desarrollo de proyectos industriales y tecnológicos conjuntos.

Una de las conclusiones del presente estudio nos indica que la regionalización de la economía mundial se nos muestra como un proceso ciertamente pujante, caracterizado por la formación de espacios de integración y cooperación junto al desarrollo de la conciencia regionalista. Otra se refiere al hecho que hay una directa vinculación entre la transformación del escenario de las relaciones internacionales en los últimos decenios y la tendencia a la diversificación de los espacios regionales. Ahora bien, si la regionalización es contraria, simultánea o derivada del proceso de globalización/mundialización, es un tema cuyos argumentos se encuentran todavía en discusión. De lo que no pueden quedar dudas es que el regionalismo es una estrategia plenamente aceptada por los países en la formulación de sus relaciones económicas externas, y que esta vía coexiste –a veces conflictivamente- con la multilateral. En este sentido, todavía estaría por ser evaluada de un modo más concluyente y menos ideológico, la articulación del regionalismo con el sistema internacional de comercio.

Si la regionalización supone que los países miembros de un acuerdo buscan la obtención de ventajas comerciales y estratégicas mediante el establecimiento de un espacio integrado, el escenario multilateral nos muestra que los potenciales beneficios a obtenerse con la liberalización comercial en diversas áreas, pueden quedar diluidos si no hay

reciprocidad en la concesión de preferencias comerciales y en los accesos a los mercados. Esta situación puede tornarse más conflictiva porque los temas de la agenda de los nuevos regionalismos –al igual que en la OMC- no son exclusivamente comerciales. En efecto, los temas que se están incorporando de modo progresivo en las negociaciones desbordan los tópicos tradicionales (por ejemplo, aranceles) e incluyen, según hemos considerado, cuestiones nuevas e, incluso, algunas novedosas (*brand issues* y *new brand issues*), tales como las regulaciones del mercado del trabajo, los estándares ambientales, la migración de personas o los movimientos de capital. Estas realidades que reflejan los movimientos regionales en relación con el orden económico mundial, generan fuertes condicionamientos sobre los lineamientos externos de los países y sobre la formulación de sus políticas internas. En otro trabajo, habría que analizar los nuevos rumbos de la cooperación y su reflejo en el campo de las negociaciones multilaterales.

En lo que a nuestro ámbito regional se refiere, los cambios estructurales en la economía global y la configuración de un orden económico fundado en gran parte en la dinámica del regionalismo, ha promovido en América Latina el resurgimiento, *aggiornamiento* o renovación de los esquemas ya existentes, e incentivando la conformación de nuevos espacios de integración como son los actuales esfuerzos, impulsados por algunos países, de transformar el MERCOSUR y la Comunidad Andina de Naciones (CAN) en un ámbito de cooperación más amplio, tal la Unión de Naciones Sudamericanas (UNS), también llamada Comunidad Sudamericana de Naciones. Observamos que en este proyecto, liderado por Brasil como potencia regional indiscutible del Cono Sur, resta profundizar la discusión sobre el mejoramiento de la infraestructura regional en el marco de la Iniciativa IIRSA (**Bernal-Meza y Saha, 2005**). Asimismo, la UNS podría ser el comienzo de una solución para los problemas derivados de la superposición excesiva de procesos paralelos de cooperación e integración y de frentes simultáneos de negociación.

La crítica que realizamos desde nuestra perspectiva latinoamericana, es que los objetivos del regionalismo aparecen hoy más vinculados a la inserción en los mercados internacionales, y a una articulación externa de los países de la región con los centros dinámicos de la economía mundial, que al logro de una transformación real de las estructuras socio-económicas aún poco competitivas, heterogéneas y fragmentadas; porque, en definitiva, la inserción, por más exitosa que sea, no puede suplir la ausencia de una verdadera estrategia de desarrollo.

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## **South American Regional Integration in Brazil's Development Strategy**

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This paper addresses Brazil's regional integration strategy at the level of Mercosur and South America and its relevance in Brazil's development strategy during the Lula government. This issue is discussed from the perspective of its importance in Brazil's strategy of development and response to the globalization process.

Brazil's regional integration strategy in South America is significant in terms of understanding current developments in the international system. Is it likely that South America under Brazil's leadership may emerge as a pole in a multi-polar world as the current Brazilian government under the leadership of president Luiz Inácio Lula da Silva wishes? What role does Brazil's regional integration strategy play in its development strategy? How does and how may regional integration contribute to Brazil's development? These are some of the central issues that the analysis takes up.

Within this broad area of issues, the main issue I analyze is the significance of regional integration at the level of Mercosur and South America for Brazil's economic development. Contrary to analysts who see Brazil's relationship to its South American neighbours as a minor issue for a country that aims at developing its importance on the global stage as a global player with a diversified trade structure, I argue that Brazil's relationship to its South American neighbours plays a strategic role in its economic development and in its aim at becoming an important global player. Therefore, the second key issue taken up is an analysis of the challenges Brazil faces in its regional integration strategy in South America. Special attention is given to the question of economic asymmetries between Brazil and its neighbours and how Brazil deals with them and why.

This last question is significant from the perspective of domestic politics as well. There are considerable disagreements in Brazil nowadays about the country's foreign policy strategy, and the issue of Brazil's South American strategy is amongst the most controversial. Domestic politics is important for the regional integration project both from the perspective of Brazil as the leading country in the region and from the perspective of other countries. In fact, regional integration at the level of Mercosur faced a serious crisis in the period between 1999 and 2002, when all the members of Mercosur, i.e. Argentina, Brazil, Paraguay and Uruguay faced economic development crises and responded with measures aimed at protecting national interests. National development success is thus important for the process of regional integration. How is this reflected in the strategies of Brazil at the regional level as the most powerful country in South America? Does Brazil use its power capabilities to play the role of the preponderant country that is willing to take on the costs of leadership with the expectation of long-term benefits from regional integration, or does Brazil lack the capability to take on such a leadership role due to its own development problems that make it difficult for Brazil to play such a role?

In the analysis, I focus particularly on Brazil's regional integration strategy and its relevance in Brazil's development strategy during the Lula government, that is from 2003. I claim that an



important redirection happened in the process of regional integration in South America with the ascendance of Lula and Néstor Kirchner to the presidencies of Brazil and Argentina in 2003. I emphasize the role of Brazil in the process of regional integration as I see it as the preponderant country in South America due to its superior size and power resources. Secondly, I emphasize the role of Argentina and Brazil as the central axis around which Mercosur and South American integration develops. However, it is clear that regional integration is a common project of construction, so it cannot be understood without understanding the motivations of the member countries more generally. I therefore seek to analyze the different national positions with regard to regional integration in South America in the light of different national interests and development strategies.

The paper is structured in the following way. After the introductory discussions above, I go on to briefly analyze the historical background of Mercosur. I then analyze the difficulties faced by Mercosur during the period 1997-2002. With this background analysis in mind, I move on to analyzing the domestic and international political agenda of the new Lula government in 2003. This brings me to the central part of the analysis where I analyze the importance of regional integration in Brazil's development strategy and Brazil's responses to frictions at the regional level.

### **Mercosur's Historical Background Prior to 2003**

Mercosur was established in 1991 with the Asunción Treaty, establishing a free trade agreement between Argentina, Brazil, Paraguay and Uruguay. It was made possible by the mutual efforts of Argentina and Brazil to strengthen their ties after a long history of rivalry and of living with the back to one another. Historically, both countries had emphasized relations with the developed countries, although some efforts had been made from 1960 to increase cooperation in Latin America. The integration process was started in 1985 with a historical meeting between the presidents of Argentina and Brazil that led to a political decision of bilateral integration. The context influenced this decision, as there were particularly advantageous conditions for cooperation. Both Argentina and Brazil had recently gone from dictatorships to democracies, and both countries were facing significant external constraints on their development as a consequence of their large foreign debt loads (Christensen, 2007a: 4-5).

The experience of common development problems thus prompted the alignment of the two countries and contributed to the development of a common vision of how the development of the two countries could be improved through closer cooperation. The integration between the two countries was based on a strategic partnership and was markedly economic in character (Patricio, 2006: 9-18). The goal was to create a common market, but the first step taken was the signing of 24 protocols of cooperation with sector specific programs. The focus was on strengthening the industrial sector through intra-industrial integration (Christensen, 2007a: 4-5). While Argentina historically had been the leading country economically, Brazil had overtaken Argentina on the industrial front in the 1970s (Hirst, 2005), but both countries had experienced major difficulties in defending the industrial sector when they went into economic decline as a consequence of the financial crisis that hit them both in the early 1980s. Bilateral economic integration thus was a concerted effort aimed at turning around this tendency. The model of integration was based on the import-substitution and industrialization strategy (ISI) and on an active role of the state in promoting economic development through 'vertical' sector policies. However, the heterodox economic strategies pursued by both Argentina and Brazil did not succeed in stabilizing their economies and in 1989 and 1990 both countries faced hyperinflation (Baumann and Mussi, 2006: 7).

This led to a change in economic development strategies that was reflected in the model of integration pursued by Mercosur after its establishment in 1991. Both the model of integration and the overall strategy of economic development and of integration into the global economy changed markedly in a neo-liberal direction. This direction had already started shortly prior to the establishment of Mercosur, when the new government of Carlos Menem in Argentina (1989) and Fernando Collor de Mello in Brazil (1990) turned towards neo-liberal responses to the renewed financial crisis in the late 1980s. They put behind them their common active industrial policies (Ferrer, 1997: 121) and while opening up intra-regional trade they also unilaterally opened up for extra-regional imports thus introducing a new model of integration that came to be known as “open regionalism” or “open integration”. The new direction had a clear neo-liberal orientation that can be characterized as market-led development associated with the withdrawal of the state from promoting strategically oriented active policies (Christensen, 2007a: 6). The belief in active policies had suffered as a consequence of the poor development results and ongoing financial problems of the 1980s, and it was believed that a strategy of open integration into the world economy coupled with continued regional cooperation was the right cure (see e.g. Lafer, 2004). The new model of integration was built on a commercial approach and a neo-liberal philosophy (Patricio, 2006: 18).

The programme of trade liberalization was constructed on lineal and automatic tariff reductions of 7% every six months and an initial reduction of 47%. All products were included with the exception of those on the national lists of exceptions. With the Ouro Preto agreement in 1994, Mercosur turned into a customs union with a common external tariff. Some exceptions were allowed in the sectors of capital goods, information and telecommunication, where there are differences of interests between Mercosur members due to differences in economic structures. For the more industrially advanced Brazil, particularly, common external tariffs in such advanced economic sectors would be an advantage, while less developed members have an interest in differential external tariffs in order to import as cheaply as possible. Furthermore, lists of national exceptions were accepted, although tariffs were to converge gradually. Asymmetries between the different member economies were taken into account by differentiated treatment of the smaller member states, Paraguay and Uruguay, that were allowed longer lists of products exempted from the common external tariff as well as a longer period for reaching the common tariff (CEPAL, 2001: 20).

Although asymmetries of economic size and structure were thus taken into account, it is clear that the philosophy behind the integration model built on rule-oriented liberal ideas of lineal and automatic liberalization that would eventually lead to a common market and a common external tariff. The underlying assumption was therefore that economic liberalization pursued in this gradual and automatic way would be likely to promote national economic development for the members.

The outcome of this strategy was remarkable at the level of intra-regional trade. Intra-regional trade increased expressively between 1991 and 1997 and the relative weight of intra-regional trade came to be much higher in 1997 than at the outset, thus creating a tendency towards increased economic interdependence between member countries.

**Table 1: Mercosur’s exports intra-regionally and its total exports**  
(*In millions of US dollars and percentage participation*)

Year	1990	1995	1996	1997	1998
Intra-Mercosur	4,127	14,451	17,115	20,584	20,362

exports					
Total	46.430	70.493	74.997	83.287	81.337
Mercosur exports					
Mercosur/total	8,9%	20,5%	22,8%	24,7%	25,0%

(CEPAL 2001: 10)

Table 1 shows that intra-Mercosur exports increased strongly from 1990 before the establishment of Mercosur to 1997 and that the participation of intra-Mercosur exports of total world exports of the Mercosur countries rose significantly in the period between 1990 and 1998 when it reached its historical maximum of 25%. As can be seen, the highest intra-Mercosur export figure was reached in 1997, since this figure fell along with total Mercosur exports in 1998 that marked the first year of the crisis period between 1998 and 2002 where intra-Mercosur exports experienced a significant reduction as a consequence of the on-set of a series of financial crises that provoked economic downturns in the member countries. These crises were provoked by a combination of factors amongst which growing foreign debt exposures and high current account deficits arguably were the most significant. These two inter-related problems, furthermore, show that the strategies pursued in the 1990s led to a problematic integration in the global economy as the strong surge in imports and an insufficient export growth contributed to rising external imbalances and therefore also to an increase in external vulnerability, not the least on the part of Argentina and Brazil. Also, industrial production came under pressure in the context of neo-liberal reforms. As Samuel Pinheiro Guimarães argues (2006: 150), this shows the erroneous vision behind the neo-liberal strategy pursued.

In response to problems provoked by external vulnerability, Brazil devalued its currency in early 1999. This went on to provoke frictions between Mercosur member countries (Genna and Hiroi, 2007: 47-51). The combination of these frictions along with the situation of a high level of external vulnerability and economic stagnation provoked a sharp contraction in intra-Mercosur exports between 1997 and 2002 as can be observed in table 2 below.

**Table 2: Mercosur's intra-regional exports**  
(In millions of US dollars)

Year	1997	1998	1999	2000	2001	2002
	20,504	20,278	15,095	17,671	15,107	10,132

(IADB-INTAL, 2004: 57)<sup>1</sup>

This sharp reduction in intra-regional exports had particularly harsh consequences in Argentina, Paraguay and Uruguay due to their pronounced dependency on the Brazilian market. As a consequence, only Brazil avoided an economic decline in the period 1998-2002. This was in part also due to its relatively strong export growth (IADB-INTAL, 2007a: 10) that was helped along by the 1999 devaluation that increased Brazil's international competitiveness. Brazil is also the only of the four member countries that more or less maintained the relative importance of the industrial sector in the national economy. The participation of the manufacturing industry of 21,5% in the 1990-1992 period had fallen marginally to 20,4% by the 2003-2005 period. The corresponding figures for Argentina were 25,7% and 16,6% and constitute the most dramatic decline within the

<sup>1</sup> The figures for 1997 and 1998 of table 1 and 2 differ slightly. However, the difference has been deemed inconsequential for the purposes of this analysis

Mercosur although Uruguay's industrial participation in national GDP was also hard hit (Baumann and Mussi, 2006: 12). Thus, Argentina and Uruguay experienced a process of de-industrialization, while Brazil maintained a relatively strong industrial sector, although the liberalization strategy did lead to a reduction in the relative size of the most advanced sectors in Brazil (Pinto, 2007: 10).

Brazil's devaluation led to a reduction of close to 30% of Argentina's exports to Brazil in 1999 compared to 1998 (Bernal-Meza, 2002: 87) and provoked a serious deterioration in bilateral relations (Candeas, 2005: 207) as a number of trade conflicts between Argentina and Brazil erupted in the 1999-2001 period (CEPAL, 2001: 21-23). However, as Eduardo Duhalde took over the presidency in Argentina in midst of a sharp economic downturn, domestic forces in Argentina favourable of improved relations to Brazil were strengthened (Candeas, 2005: 208) and gave way to a renewed emphasis on the strategic alliance between Argentina and Brazil.

### **Regional Integration in Mercosur and in South America from 2003: Introductory Remarks**

As the dominant power in South America, Brazil's regional strategy is of pivotal importance to integration in the region. Since regional integration is a common project of construction, other countries cannot be ignored. Argentina is particularly important as the second biggest economy and together with Brazil forms the axis of Mercosur. For Mercosur to succeed there needs to be a good understanding between these two states, Aldo Ferrer argues, and he continues that its success rests secondarily on the capacity of the two leading countries to open up opportunities for Uruguay and Paraguay (Ferrer, 2006: 19), since Mercosur is only useful for member countries if it is compatible with their own national development (ibid: 13-14).

Brazil is by far the most important country in South America. According to Samuel Pinheiro Guimarães Brazil's territory occupies 48% of South America's total area, its population corresponds to more than half of the total population of the continent and its GDP to more than 50% of South American total GDP (Guimarães, 2006: 272-273). At the level of Mercosur, the bilateral trade between Argentina and Brazil in 2006 reached almost US\$ 20 billion out of less than US\$ 26 billion in total intra-Mercosur trade. In terms of total intra-Mercosur exports, the two countries accounted for approximately 93%. Argentina's share of total exports was around 38% against Brazil's 55% (Calculations based on IADB-INTAL, 2007b: 140).

Given Brazil's superior economic resources both in term of GDP, industrial capacity, territory and population it seems reasonable to argue that the inclusion of Brazil in the Free Trade Area of the Americas (FTAA), a scheme proposed by the United States that would lead to free trade between all countries in the Western Hemisphere with the exception of Cuba, is of pivotal importance for the FTAA to gain significance. Without Brazil, there would be no FTAA. It has been argued by some analysts that it would be dangerous for Brazil to be excluded from an FTAA since this could marginalize the country. However, the Lula government disagrees with this proposition. Foreign Minister Celso Amorim argued already in August 2003 (Amorim, 2007a: 205-206) that there was a lot of interest globally in cooperating with Brazil and that it would be dangerous for Brazil to enter into a free trade agreement of the type proposed by the United States. Similarly, Samuel Pinheiro Guimarães, Lula's personal foreign policy advisor argued (Guimarães, 2006: 281-284) that an FTAA based on the proposal of the United States would be likely to wipe out Brazilian industry, reduce foreign direct investments in Brazil and lead to a persistent current account problem. The external vulnerability and the reduction in the government's room of manoeuvre that would be the outcome of a free trade agreement along the lines proposed by the US would provoke a loss of national autonomy, make the government unable to pursue active industrial and technological

policies and lead to a vicious circle in the country's development. For this reason it would not be a problem for Brazil to stand outside an FTAA along the lines proposed by the United States.

Brazil's difficulty with accepting US proposals is therefore caused by its advanced economic structure. This also helps explain why less developed countries may be more willing to accept the policies championed by the United States as their less advanced economic structures makes this less problematic than for a country like Brazil.

Brazil's advanced economic structure is therefore an incentive for the country to reach wide-ranging agreements of cooperation or integration in South America as a way to pave the way for Brazilian producers in South American markets making market access for Brazilian producers freer, in the same way that it is for the US. After it became evident that a broad FTAA along US lines would not be reached easily, the government of George Bush has pursued a strategy of competitive liberalization in Latin America based on bilateral agreements (Epstejn and Gusmão, 2008). Thus, the US and Brazil can be seen as commercial rivals with a common interests in preferential agreements with South American countries. As Luiz Augusto Souto Maior, a former Brazilian ambassador, argues, the Lula government sees an ever closer relationship with its South American neighbours as a way to develop Brazil's economic potential (Maior, 2007: 12) and geopolitical influence. As Samuel Pinheiro Guimarães argues (2006: 267), South America is a key space in Brazil's global strategy, and a South American regional block could help articulate Brazil's potential (ibid: 263). The Lula government thus sees South America as a continent that is useful for Brazilian economic development and for the aggregation of power that would allow Brazil to become a more significant *global player*. This view is made explicit by foreign minister Celso Amorim who argues (2007d: 120) that in a world of blocks even Brazil is a small country and therefore Brazil has sought to give impetus to South American integration.

In Argentina's case a similar critical vision of the FTAA and of neo-liberal globalization developed in the aftermath of Argentina's severe downturn that led to a fall in GDP of approximately 11% in 2002 alone (ECLAC, 2003). This vision was particularly developed after Néstor Kirchner became president in May 2003 and led to a renewal of the strategic alliance of Argentina and Brazil and to a more common vision in the development agendas of the two countries. In spite of the strengthening of a common vision, frictions persisted, largely as a consequence of Argentina's autonomy seeking response to its development crisis. These frictions, however, should not be overstated. Instead what is noteworthy from 2003 and onwards is the success in maintaining the bilateral cooperation and dealing with the challenges with flexibility at the same time that they were able to pursue a broad common external agenda at the level of Mercosur.

### **The External and Domestic Agenda of the Lula Government**

Luiz Inácio "Lula" da Silva took over the presidency in Brazil on January 1 2003 in a situation where Brazil had been affected negatively by instability in international financial markets worried about the prospects of a the leftist PT in power in Brazil. In a speech by Ambassador Samuel Pinheiro Guimarães at his investiture as External Relations Secretary-General of the Lula government on January 9th Guimarães (2003), who is a sort of key ideological strategist of the government, particularly in the area of external relations, listed what he saw as the four most important challenges of Brazilian society: 1. To reduce economic, social and other disparities. 2. To eliminate external vulnerabilities. 3. To realize Brazil's potential. 4. To construct an effective democracy with citizen participation in the formulation of public policies. The first of these three challenges are strongly intertwined since the elimination of external vulnerabilities of Brazil can

help in reducing economic and social disparities and in allowing Brazil to realize its potential in terms of becoming a more developed country with a more central role in global and regional politics.

A complex web of policies and actions on the part of the Brazilian government has been set in motion in order to achieve an improved development for Brazil in terms of economic growth and the three first goals or challenges highlighted by Guimarães. In regard to this, President Lula (2005) has emphasized that Brazil's foreign policy is not just aimed at an increased international projection for Brazil but also plays a constitutive part in Brazil's national development strategy. In this context, President Lula made clear from the outset of his first presidential period in 2003 that regional integration was of particular importance to Brazil's foreign policy in his view. In his inaugural speech, he thus announced (2003)

*“The greatest priority of our foreign policy during my government will be the building of a politically stable, prosperous and united South America, founded upon the ideals of democracy and social justice. To this end, decisive action is required to vitalize Mercosur...”*

This emphasis on the importance of South America has been repeated time and time again during the Lula government. In respect to this, Samuel Pinheiro Guimarães argues (2006: 364) that a just, democratic and rich South America is the goal in Brazil's regional integration effort and that the key to achieving such an outcome and to making South America a pole in the international system is the alliance between Argentina and Brazil. The government's external policy further is characterized by a tendency towards South-South cooperation, particularly with the large emerging world powers such as China, India, South Africa and Russia (Mercadante, 2006: 41) and the introduction of an ethical or social dimension in its external agenda that emphasizes the goal of a more socially just world (Lima and Hirst, 2006: 22). The government thus is characterized by having an agenda of change on the domestic front and on the international front, an agenda of change that focuses on development in the developing world and in Brazil and on furthering Brazil's ambition of becoming a global player of greater importance in the international system.

### **2003: A Defining Moment in Mercosur's and South America's Process of Integration**

As it has been argued the Mercosur countries and particularly Argentina, Paraguay and Uruguay experienced a negative development in the period between 1997 and 2002. This created frictions between Member countries as well as a strong reduction in intra-regional exports. However, with the elections of Lula in Brazil and Kirchner in Argentina, regional integration came to get a new impetus (Lima and Coutinho, 2006: 12). Foreign minister Celso Amorim argues (2007c: 153) that the two leaders developed a broad convergence of views with regard to the problems and challenges faced by the two countries, although they also recognized the differences in the particular situations of the two countries. The convergence in views was expressed in a common document signed by the two presidents on October 16<sup>th</sup>. The document that was entitled the “Buenos Aires Consensus” underlined the strategic alliance between the two countries and their common aim of promoting development with equity (Candeas, 2005) and to use regional integration strategically as a way of strengthening the position of the two countries in the world, improve their negotiation capacity in international negotiations and gain greater decision-making autonomy by standing united. Furthermore, the document emphasizes the goal of fostering a broader South American integration process through balanced agreements with South American countries outside Mercosur as a way to foster economic growth with social justice (IADB-INTAL, 2003: 3). In this way, the presidents delineate a new model of regional integration that emphasizes the goal of a socially balanced

development inside and between countries, whereas the model of integration pursued from 1991 was more insistent on assuring a model of open integration based that emphasized the rules to be followed in the integration process. Although, agreements and rules are still important in the regional integration process in South America, it can be argued with reason that Mercosur moved from a rule-driven approach to a policy-oriented approach as Aldo Ferrer has argued. Ferrer argues (2006: 14) that it is clear that you cannot make Mercosur succeed through inflexible rules, because Mercosur only makes sense and is only useful for the individual member countries to the extent that it is compatible with their own development. In other words, if regional integration is unsuccessful in fostering national development there needs to be sufficient flexibility in rules and a search for policies that can help national development along.

From this perspective, regional integration is likely to be successful if it is able to address common problems and interests and if is based on a flexible attitude, particularly on the part of the most powerful countries. Genna and Hiroi (2007: 43-44) argue from a theoretical point of view that it is likely that in regional integration processes “*larger trade partners are willing to incur disproportionate costs because they expect the benefits from cooperation to outweigh them*”. Exactly the emphasis on the need for a flexible attitude towards its South American partners has characterized the position taken by the Lula government, and it can be seen as part of its doctrine of solidarity in international affairs that I will get back to in the section on Brazil’s approach to dealing with asymmetrical development and asymmetrical interdependence at the level of Mercosur and South America. This flexible and solidarity-oriented approach has been developed by the Lula government in concordance with Samuel Pinheiro Guimarães view of how to approach regional integration. Guimarães thus argues (2006: 383) that the creation of a common territory, i.e. regional unification, is more political than economic and more economic than institutional and commercial. This position seems quite different from the one that was dominant in Mercosur in the 1990s where emphasis was on the commercial level.

Apart from this development towards a more policy-oriented approach to regional integration and the strengthened emphasis on the role of Mercosur as an instrument of power aggregation that could give Mercosur and South America a stronger negotiation position in international negotiations and thus enhance decision-making autonomy, there has also been a move away from the commercial emphasis of the 1990s and towards a stronger emphasis on integration at the level of physical infrastructure and energy. As Lima and Vasconcelos argue (2006: 5) this type of integration builds on the states’ strategic vision of the region as well as on their capacity to mobilize needed resources. It also differs from the liberal open integration emphasis on market-driven economic and regional development and state withdrawal. In other words, the kind of regional integration that Brazil has been promoting in South America from 2003 has differed widely from the model of open integration in the 1990s.

The convergence in thinking in Argentina and Brazil that was developed between the government of Kirchner and Lula in 2003 had an immediate impact in their international trade negotiations both at the level of South America, the Western Hemisphere and at the multilateral level of WTO.

At the hemispheric level, the FTAA envisioned by the United States was basically buried at the negotiating round in Miami in November 2003. Lula and Kirchner had agreed to participate in the FTAA negotiations from Mercosur and to seek a balanced agreement that would respect the different interests of the different states negotiating the FTAA (IADB-INTAL, 2003: 3). However, as the United States was unwilling to discuss agricultural trade, an area where Mercosur possesses

offensive interests in opening up US markets to agricultural imports from Mercosur, while they went on pressing for common disciplines in the new issues of government procurement, investments, services and intellectual property where the US had offensive interests, the broad agreement that had been sought by the United States fell to the ground. As Mercadante points out (2006: 41), Brazil was unwilling to agree to such common disciplines as it would compromise Brazil's capacity to pursue development-oriented industrial and technological policies. The affirmation of own interests and the willingness to defend the room of manoeuvre to pursue development-oriented policies has characterized the governments of Lula and Kirchner. This attitude of actively promoting own interests, along with the interests of the developing world more broadly, was also highly visible in the Cancún meeting of the WTO in September 2001, where the Brazil took a prominent position in the G 20. The G 20 was established shortly before the Cancún meeting as a coalition of developing countries with the inclusion of Brazil, India and China as well as Argentina and a number of other South American countries. The common interest of these countries was to negotiate global agricultural trade offensively with a view of opening agricultural markets in the developed world and more generally to change the rules in international agricultural trade in a direction that could enhance the development of developing countries. Although no agreement was reached in Cancún and that the developed nations have blamed the G 20 for getting in the way of a successful conclusion of the trade round, Brazil's foreign minister Celso Amorim argues (2007e: 222) that "*Cancún represents a moment of affirmation for the new actors arising in the scenario of trade diplomacy, who are committed to overcome the historical distortions of the international trade system, that are harmful to the developing countries*". At the level of South American regional integration, the new understanding and purpose of Brazil and Argentina helped to strengthen the cooperation at the level of Mercosur that gave way to a free trade agreement with Colombia, Ecuador and Venezuela and a free trade agreement with Peru in 2003. On this background the South American Community of Nations was formed in 2004 thus creating a new entity where all South American nations were members (Mercadante, 2006: 38-39). In this way, it can be argued that the Lula government was successful in moving fast from the beginning towards the explicit goal of the construction of South American regional integration. At the same time, a common vision was developed between Argentina and Brazil with regard to development and international relations. This does not mean that frictions and disagreements were absent. There were such frictions and disagreements, largely as a function of different national interests and due to asymmetries between the two countries.

In the following segment, I will analyze the significance of regional integration at the level of Mercosur and South America for Brazil's economic development. An understanding of this issue helps to explain Brazil's emphasis on regional integration in South America and its attempts at dealing with the challenges that emerge on the basis of development asymmetries and different national interests.

### **The Significance of Mercosur and South America for Brazil's economic development**

Brazilian foreign policy has different purposes. A key purpose of its foreign policy is that it should contribute to national development (Lima and Hirst, 2006). In a recent newspaper article foreign minister Celso Amorim argues (2007b) that the ministry of external affairs during his period has worked intensively to promote Brazil's development by pragmatic means and with a long term vision. He points out that South American integration has paved the way for a wider level of Latin American integration and that Latin America and the Caribbean now absorbed 26% of Brazilian exports and that South America alone was a bigger export market than the United States. At the same time 55% of Brazil's exports now went to the developing countries and most of these exports



were manufacturing exports. These comments show that South America and the developing world more generally are thought of in grand Brazilian development strategy in terms of its weight in Brazil's exports and thereby also in terms of how Brazil can reach its potential by an emphasis on relations with the developing world. These relations contribute to Brazil's development potential and to its relative power status in international affairs through a combination of improved market access in these countries and a policy of coalition building with other developing countries with a view of furthering their interests and influence in the international system. Integration with Mercosur countries and at the level of South America is a key ingredient in this overall strategy.

Brazil has sought to diversify its external relations and its exports giving emphasis to the developing world and to South America in particular. For Brazil, the relationship to South America is a strategic project pursued with a long term vision (Lima and Coutinho, 2006) and it forms part of a strategy to trade "horizontally", i.e. with other developing nations in South America and the developing world as a whole. The government itself speaks of this in terms of changing the geography of international trade. This strategy can be seen from the perspective that the diversification of exports helps reduce Brazil's dependence on traditional export markets in the developed countries. In 2002, for instance, 25,0% of Brazil's exports were absorbed by the EU and 25,7% by the United States (BCB, 2003: 136). These percentages had dropped to 22,1% to the EU and 18% to the United States by 2006 (BCB, 2007: 117). Another way of understanding the strategy is from the perspective that the dynamics of the global economy mean that the developing world is growing in importance and that the Brazilian strategy therefore is to diversify exports towards the dynamic markets in the developing world.

Mercosur and South America as a whole these markets have grown in importance during the presidency of Lula. The combination of renewed economic growth in the region, the revitalization of Mercosur along with new trade agreements and other initiatives in South America have contributed to this picture. The relative weight of exports to regional markets in total exports has grown at a time where exports as such have grown with a high degree of dynamism. Total exports thus went from US\$ 60.362 billion in 2002 prior to Lula's presidency to US\$ 137.471 billion in 2006 at the end of his first presidential period (SECEX/MDIC, 2007: 10).

Dynamic exports and significant trade surpluses have been an explicit goal of the government in its attempt to bring down the external vulnerability of Brazil and to create the conditions for dynamic economic growth (Mercadante, 2006: 47-59). At the same time, the government's trade, export and industrial policies aim at strengthening the industrial sector and not the least in sectors characterized by high value-adding. In this regard, Brazilian exports to the South American region are strongly dominated by manufacturing exports. In a report on the importance of South America to the industrial sector, Brazil's National Industrial Confederation stresses that South America has strategic value for the industrial sector in Brazil (CNI, 2007a: 9). After the downturn in Brazil's exports to South America during the crisis period 1998-2002, exports to South America started rising faster to South America than to the rest of the world, and in 2006 South American markets absorbed a greater share of Brazil's exports than the United States. Also, although the contribution to Brazil's total exports was a little below 20%, South America absorbed 31,5% of Brazilian manufacturing exports and at the same time, Brazilian investments in the region have grown significantly in recent years (CNI, 2007a: 9-11). In this way, South American markets are of great importance to the strengthening of the Brazilian industrial sector and therefore they are also quite important for the overall economic development of Brazil. The same tendency can be seen in statistics on Mercosur and the Latin American Integration Association (LAIA). In the following I

go into some more detail with regard to the importance of the region to Brazilian exports, foreign direct investments and to Brazilian development. I particularly focus on Mercosur and South America as a whole and briefly bring in LAIA where the ten most economically important South American countries are members along with Mexico and Cuba.

Exports to Brazil's Mercosur partners have increased significantly after the steep fall between 1998 and 2002 as it is evident from table 3 below.

**Table 3: Intra-Mercosur exports in millions of US\$ and as a percentage of total exports**

Year	1998	2002	2003	2004	2005	2006
<b>Exports to Mercosur</b>	<b>20,322</b>	<b>10,197</b>	<b>12,709</b>	<b>17,319</b>	<b>21,134</b>	<b>25,675</b>
<b>Percentage in total Mercosur exports</b>	<b>25,3</b>	<b>11,4</b>	<b>11,9</b>	<b>12,9</b>	<b>13,0</b>	<b>13,5</b>

(Cepal, 2007: 137)

Table 3 shows that the percentage of total Mercosur exports accounted for by intra-Mercosur exports has been rising constantly, though slowly, from 2002 to 2006. The value of intra-Mercosur exports has risen strongly though. This reflects the dynamism of total Mercosur exports that more than doubled between 2002 and 2006 (Cepal, 2007: 37). This export dynamism has assured Mercosur substantial trade surpluses of above US\$ 50 billion in 2005 and 2006 (IADB-INTAL, 2007b: 25). However, the results vary substantially between the four member countries. Brazil and Argentina both have significant trade surpluses while Uruguay and Paraguay have trade deficits. Brazil's trade surplus in 2006 thus reached the record high level of US\$ 46 billion and Argentina showed a trade surplus of around US\$ 12 billion (ibid: 29). With regard to intra-Mercosur trade, however, only Brazil shows a surplus. This surplus has been on the rise in recent years and was slightly higher than US\$ 5 billion in 2006. The highest deficit was registered by Argentina, whose intra-Mercosur deficit was somewhat above US\$ 2.7 billion (ibid: 23). When considering the relative weight of exports to Mercosur in the trade composition of the four members, the following picture emerges for the year of 2006. Brazil exported slightly more than 10% to Mercosur, Argentina around 19,5%, Uruguay almost 25% and Paraguay close to 48% (ibid: 29). This shows that interdependence between the four countries is asymmetrical. The small members and Argentina are relatively more dependent on Brazil for their exports than Brazil is on exports to the Mercosur. The relatively high degree of dependence on the part of Argentina, Uruguay and Paraguay on Mercosur (particularly on Brazil) shows that Mercosur has come to be important for their development. In the case of Argentina, Brazil was its biggest export market in 2004 and 2005 (IADB-INTAL, 2007a: 20). The dependence of its Mercosur partners on Brazil gives Brazil a powerful position in the region. Apart from asymmetries in mutual trade in terms of Brazil's surplus, asymmetries in the composition of exports are also clear. Brazil's exports are predominantly industrial whereas Uruguay's and Paraguay's are predominantly natural resource based (IADB-INTAL, 2007b: 24). Similarly, the bilateral trade between Argentina and Brazil in the period from 2002 to 2005 went from a situation of an Argentinean surplus to a growing Brazilian surplus, and by 2005 Argentina experienced a record trade deficit with Brazil in industrial exports (IADB-INTAL, 2006: 31) and the trade composition was also favourable to Brazil that had more high

value-added exports (Ferrer, 2006: 14). The picture improved a bit in 2006 from the perspective of Argentina as it reduced its deficit in bilateral trade with Brazil largely thanks to dynamic manufacturing exports (IADB-INTAL, 2007b: 23).

Mercosur thus provides Brazil with an important export market in which manufacturing exports dominate. This is helped along by Brazil's competitiveness and higher level of development in this area and by the customs union that favours Brazil's competitiveness. Mercosur's importance for Brazilian foreign direct investments has also increased strongly during the presidency of Lula, particularly to Argentina, while FDI in Brazil originating in other Mercosur countries is relatively unimportant in spite of Brazil's strong success in attracting FDI (ibid: 23-24). Thus, from Argentina's crisis and its devaluation of the peso in 2002 and to mid-2007, Brazilian industrial businesses have invested more than US\$ 7 billion in Argentina, an amount that is almost four times as high as Brazilian direct investments in Argentina during the 1990s and is explained in part by the favourable prices in Argentina after the devaluation (ibid: 37). Brazilian investments in Uruguay also expanded vigorously between 2004 and 2006, while Paraguay has not been an important destination of Brazilian FDI (ibid, 36-38). Particularly, Petrobrás stands out in Brazil's FDI in Argentina between 2002 and 2004 (CNI, 2007c: 23) and indeed in Brazil's South American investments more generally. In the period 2005 to 2007, Brazil's FDI in Argentina has been spread out on more companies and sectors (IADB-INTAL, 2007b: 37).

The tendencies noted in the case of Mercosur are similar at the level of South America and LAIA. In fact, the Brazilian export success and trade surplus is even more pronounced at these levels., Brazil's export surplus with the Andes countries in the Andes Community (Bolivia, Colombia, Ecuador, Peru, Venezuela<sup>2</sup>) increased dramatically between 1999 and 2005, and while Brazil's share in the imports of these countries increased from 4% to 8%, Brazil's imports from the Andes Community remained basically stagnant (FUNCEX, 2006: 2-5). The asymmetry from a strongly favourable trade balance on the part of Brazil is repeated in terms of the composition of the trade. For instance, in 2003-2004, more than 90% of Brazil's exports to the Andes Community originated in the manufacturing sector, while some 56% of Brazil's imports from the area consisted of energy (ibid: 6-7). Venezuela left the Andes Community in 2006 due to the interest of member countries Peru and Colombia in negotiating bilateral free trade agreements with the United States, a policy that goes against Venezuela's interest in furthering regional integration in Latin America and increasing autonomy with regards to the United States. Instead, Venezuela was accepted into the Mercosur, although final ratification of the integration of Venezuela is still blocked by the Brazilian parliament in spite of the Brazilian government's favourable view of Venezuela's membership (Lima and Santos, 2008: 8-9). In 2006, Venezuela was the fastest growing export market for Brazil on the list of Brazil's 12 largest export markets (SECEX/MDIC, 2007: 21) and Brazil's export surplus with Venezuela was extraordinarily high with exports of US\$ 3.555 million and imports of US\$ 592 million (CEPAL, 2007: 140).

When one compares Brazil's exports to LAIA (that includes all Mercosur members, all members of the Andes Community, Chile, Cuba and Mexico) with the export performance to Mercosur, what stands out is the stronger performance in non-Mercosur LAIA markets of Brazil's exports. For instance, Brazilian exports to Mercosur markets corresponded to 10,1% of Brazil's exports against the 12,7% going to non-Mercosur LAIA markets in 2006 (SECEX/MDIC: 2007: 20) and export growth was higher to non-Mercosur LAIA markets with 28,8% against 20,4% growth in Brazilian

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<sup>2</sup> Venezuela left the block in 2006.

exports to Mercosur from 2005 to 2006. Argentina remains Brazil's largest individual export market in the South American region with more than 40% in recent years against the more than 50% in 1997-1998. Chile, Venezuela and Colombia follow in second, third and fourth place (CNI, 2007a: 11) and corresponded to around 35% of Brazil's South American exports in 2005-2006 (CNI, 2007b: 28, 31 and 52). At the level of South America, more than 75% of Brazil's exports are high value-added goods (CNI, 2007a: 11) and the two largest recipients of Brazilian FDI are Argentina and Chile (ibid: 20). Brazil's success in exports in the region has led to a substantial trade surplus for Brazil in the region. In 2006 Brazil's total LAIA exports reached US\$ 31.382 billion, with around US\$ 14 billion going to Mercosur and US\$ 17,5 billion going to the other LAIA countries. Taken together LAIA was therefore Brazil's biggest export market in 2006 (SECEX/MDIC, 2006: 19). In the same year Brazil's imports from LAIA countries reached US\$ 16.328 billion, with around US\$ 9 billion coming from Mercosur and US\$ 7,4 billion coming from other LAIA countries. Taken together LAIA is Brazil's third largest supplier (ibid: 28). Brazil's export surplus with LAIA is thus substantial and trade with LAIA countries is highly asymmetrical in Brazil's favour both in terms of size and composition, as Brazil's exports are largely industrial whereas imports are largely natural resource based.

All in all, Mercosur, South America and LAIA function well for Brazil in terms of its economic development, the strengthening of its manufacturing sector and the reduction of its external vulnerability. As a consequence, it is in Brazil's economic interest to maintain close relations to its regional partners.

Brazil's successful economic relations with its regional partners is caused by a combination of the high level of economic growth in the region from 2003, Brazil's trade agreements in the region that have improved its market access and Brazil's competitive economy and strength in sectors where import demand is high in the region, basically in the industrial sector. In short a combination of Brazil's competitive economy and the political priority given by Brazil to the region are factors that have contributed to its strong export and FDI performance in the region.

Apart from this economic aspect related to the strategic importance of regional integration from the perspective of Brazil, regional integration is also viewed as strategically important in assuring Brazil a stronger role politically in the international system as a leader of an expanded Mercosur with the inclusion of all of South America in the Community of South American Nations, now UnaSul or Union of South America.

However, dissatisfaction with the increasingly asymmetrical nature of the relationship between Brazil and its South American neighbours, suspicions with regards to the goals of Brazilian leadership, differences of national interests and strategies of integration in the global economy along with rivalling projects and alliances could derail Brazil's project of reaching its potential and an improved international power status by making South America a pole in a multi-polar world order under Brazilian leadership.

In short, Brazil's South American neighbours may not want the kind of South America that Brazil wants. Thus, national level politics and national interests in the region could make it difficult for Brazil to keep regional integration on track. The same is true with regard to domestic Brazilian politics. In Brazil, the Lula government's foreign policy in general and particularly its South American policy is controversial. Critics find the policy unrealistic and counterproductive and would prefer that Brazil emphasized closer relations with the United States and the EU more.

Marcelo de Paiva Abreu is an example of one of the harshest critics. He argues that the Lula government's attempt at becoming strong by allying itself with South America and powerful developing countries and to expand Mercosur in order to weaken the FTAA desired by the United States is unrealistic and grotesque. He particularly criticizes the flexible position of the Lula government towards Argentina at the level of Mercosur, the policy of prioritizing an alliance with Venezuela and the desire to gain a protagonist role on the international political stage (Abreu, 2006).

In the following section, I will briefly analyze the frictions and conflicts that have emerged in Mercosur in the recent period and what Brazil has done to strengthen regional cohesion in Mercosur and to expand regional integration at the South American level. I will also bring in the debates in Brazil around Brazil's strategy in order to assess future scenarios in Brazil's foreign policy strategy.

### **Difficulties in the Regional Integration Process and Brazil's Responses**

A number of frictions and conflicts have developed in the South American region since 2003, but at the same time the period has been a period of increased cooperation in the continent. Brazil's strategic emphasis on South American integration has contributed to this increased cooperation.

I would argue that Brazil has had two main focus areas. The main focus has been its bilateral strategic alliance with Argentina, and the second most important focus has been the attempt to create South American unity at the level of the Community of South American Nations, now Unasul. There are different reasons for these priorities. An important reason is that Argentina and a number of CASA members outside Mercosur are Brazil's most important economic partners. Another reason has been to compete with the United States in attracting cooperation in the region, where the United States has made bilateral free trade agreements with Chile and Peru, and is considering a similar agreement with Colombia. Brazil therefore faces difficult challenges in constructing South American unity due to the perforation in unity and trade preferences implied by the mentioned trade agreements.

Samuel Pinheiro Guimarães finds (2006: 255) that the FTAA proposed by the United States has neo-colonial aspects to it. This position was shared by the Argentine government of Kirchner and the Brazilian government in 2003 that espoused a high degree of mutual understanding and ability to coordinate their foreign trade strategy (Candeas, 2005: 209). Both governments prioritized the South American space and wanted to avoid the FTAA proposed by the United States and instead protect the autonomy of Argentina, Brazil and South America (Patricio, 2006: 20). Post-crisis Argentina had thus left behind its strong alignment with the United States that had characterized the 1990s (Bernal-Meza, 1999). This strengthened Brazil's chance for creating a stronger alliance at the South American level, although the interest of countries such as Chile, Colombia and Peru in bilateral free trade agreements complicated the goal of uniting South America and making it a pole in international politics.

In spite of the common understanding of Argentina and Brazil in international trade negotiations outside the Mercosur, there were frictions internally in Mercosur. During the crisis in 2001, Argentina had introduced a number of unilateral policies aimed at protecting and promoting the economy. Amongst these, it broke the rules concerning the common external tariff (Christensen, 2007a: 15). In response to its development crisis, Argentina completely reversed its neo-liberal strategy both in terms of economic policies, leaving behind liberal norms and agreements and introducing strong interventionist policies, and in terms of its foreign policy strategy that left the strategy of cooperation along liberal norms and re-introduced a policy of "heterodox autonomy"

(Candeas, 2005: 180). Argentina defaulted on its foreign debt and it broke contracts with privatized service sector companies that were often owned by foreign TNCs. At the level of Mercosur, Argentina broke a number of norms (Crawley, 2003: 15) and introduced restrictions against imports from Brazil (IADB-INTAL, 2004: 56). Brazil took a conciliatory stance in relation to Argentina's criticisms of Brazil's industrial and export support mechanisms (ibid: 64) and during 2003 there was a number of bilateral meetings between Argentine and Brazilian vice-ministers of trade and industry (BCB, 2004: 112).

In spite of Brazil's good will, Argentina's trade deficit with Brazil went on growing at the same time that Brazil was vastly more successful in attracting FDI from outside Mercosur (IADB-INTAL, 2005: 31), and Argentina sought to introduce norms in the Mercosur that should allow escape clauses in trade rules in situations characterized by disruptive intra-Mercosur trade as well as to introduce a policy of regulating FDI to the region (ibid, i). The aim was to protect what was seen as "sensitive sectors" in the economy. All of these belonged to the manufacturing sector (ibid: 49-54). The policy suggestion was designed to protect the industrial sector in Argentina by circumventing intra-Mercosur trade norms. There were different reactions in Brazil to Argentina's demands (Hirst, 2005: 2). The government took a conciliatory position, after first having gone against the proposal, arguing that Brazil was not interested in the de-industrialization of Argentina (Candeas, 2005: 210) and a number of sector level agreements were reached (IADB-INTAL, 2007a: 22, 36 and 39). Amongst the critical voices, José Augusto Guilhon de Albuquerque criticized Argentina's flexible posture, arguing that it hurt Brazilian business interests, and the Brazilian business sector was also strongly against the idea (Christensen, 2007a: 18-19). However, the policy was introduced and gave way to the MAC mechanism that institutionalized the right to temporarily go against Mercosur's trade rules in order to protect economic sectors from Brazilian imports.

Clearly, Mercosur's approach to regional integration was changing in the direction of addressing asymmetries in order to assure support for Mercosur. According to Celso Amorim (Pinto, 2006: 16-17), this direction was called for, as the strong trade growth in the 1990s had led to the neglect of this important issue. Amongst the defenders of this new flexible approach, Lima and Coutinho (2006) argue that it was not strange that Argentina wanted to protect itself against the strongly competitive Brazilian industrial sector. Mercosur thus had entered a period where the emphasis was not so much on rules as in the 1990s but more on constructing the *possible* Mercosur as argued by Aldo Ferrer (2006: 13) by taking into consideration national development needs. He further argues that this should be seen as an improvement of Mercosur since Mercosur should be functional in terms of national development for all the members. The arguments for and against this kind of policy are many. Some find that it shows an overly ideological posture on Brazil's side in terms of supporting leftist governments in the region and in terms of emphasizing the need to fight development asymmetries. Others find that Brazil's flexibility and solidarity is good and that it is likely to be useful in terms of the country's long-term strategic interests. I would agree to this last point. One should also consider that Argentina's arguments for allowing for flexible rules is based on Argentina's competitiveness problem in the industrial sector (IADB-INTAL, 2007a: 39) and that it is understandable and reasonable that Argentina seeks to re-industrialize by defending the interests of its industrial sector after its crisis. If Brazil had been inflexible in a rules-oriented posture, it could have hurt Mercosur and the bilateral relations between Argentina and Brazil. Argentina's defence of its industrial sector is carried forward by the same kind of concern that led Brazil to go against the FTAA proposed by the United States, one should also remember.

Before discussing Brazil's strategy towards Paraguay and Uruguay, let us now move to what I see as the second most important emphasis in Brazil's South American regional strategy, namely the construction of South American unity. The first step in this direction was taken in 2003 with the ACE 59 agreement between Mercosur and the three Andes Community members Ecuador, Colombia and Venezuela that made these countries associated members of Mercosur, and with the trade agreement between Mercosur and Peru. With these agreements Mercosur and the Andes Community moved closer (Mercadante, 2006: 38-39). In the ACE 59 it was agreed to introduce schedules for gradual tariff reductions and special treatment of less developed countries (IADB-INTAL, 2004). These agreements opened the space for a South America wide agreement in 2004, the so-called South American Community of Nations. The SACN (now UnaSur) consists of the Mercosur countries, the Andes countries and Chile, Suriname and Guyana and thus all of South America. The goal of this new economic alliance was to increase coordination between the member states and to create convergence between the Mercosur, CAN and the other countries as well as to promote integration of physical infrastructure and energy on the whole South American continent (Mercadante, 2006: 39). The SACN also aimed at creating a free trade zone consistent with economic growth and development and the reduction of economic asymmetries (ECLAC, 2007: 146). According to Celso Amorim (2007d: 119-120), physical integration of the continent should make South America rich in the 21<sup>st</sup> century in the same way that physical integration had made the United States rich in the 19<sup>th</sup> century, and the physical integration should help avoid that South America was to be split up in a Pacific part and an Atlantic part. In this way, the Brazilian government is taking a logistical approach to South American integration focused on the transport infrastructure and the energy infrastructure. This is similar to the strategy of the European Union that at the outset started as a steel and coal union. At the same time the policy can be seen as an attempt to draw in Brazil's South American neighbours in a process of closer cooperation and perhaps avoid that they become overly tied to the US economy as a consequence of bilateral free trade agreements with the US entered by Chile and Peru and under negotiation with Colombia.

The conception of integration underlying the emphasis on physical integration is quite different from the commercial approach of the 1990s, and it builds on a model of integration in which the state is involved in coordinating the process of physical integration. Both the Brazilian development bank (BNDES) and the development bank of the Andes Community (CAF) have helped finance a large number of infrastructural projects (Mercadante, 2006: 40) and thus make up for the lack of investments in infrastructure since the debt crisis of the 1980s (Alexandre and Pinheiro, 2005).

With regard to economic asymmetries between Brazil and e.g. the Andes Countries, these have become quite pronounced as mentioned earlier. The Brazilian government sees this as a problem (Pinto, 2006: 16) and has attempted to find ways to import more from the Andes Countries. In a report from FUNCEX (2006) it was attempted to find out what the hindrances and possibilities for this were. The conclusion was that the two main problems were a lack of competitiveness and knowledge about the Brazilian market in the Andes countries as well as poor infrastructure. It is therefore by no means easy to create incentives for the Andes countries, and Peru and Colombia continue giving priority to their relations to the United States. Conflicts have also emerged recently between Colombia on the one side and Venezuela and Ecuador on the other side in relation to the killing by the Colombian army of a FARC guerrilla leader in Ecuador. However, this incident may not have lasting consequences and infrastructural projects may have positive impacts on development in the region and thus come to create an incentive for cooperation. It is too early to say though if it will help create the unity desired by Brazil. Also, the free trade agreements in place in the SACN are shallower in terms of investment issues than is the case between some of the

members and extra-regional developed countries (ECLAC, 2007: 150-151), and critics such as Rubens Barbosa<sup>3</sup> find that Brazil should deepen agreements with the countries that have free trade agreements with the United States. The National Confederation of Industry has criticized the agreements with the Andes countries for being too favourable for the Andes countries in terms of their easier market access to Brazil than the other way around (Costa, 2007: 33). This criticism is a typical criticism against the Lula government from those who find that it is overly ideological in its approach and that it is too generous towards its neighbours due to their similar left-wing ideologies or less developed economies. This criticism is often raised against the Lula government and it was particularly harsh when Bolivia decided to nationalize energy resources and later oil refineries in 2006 and 2007 as these decisions were met with acceptance on the part of the Brazilian government based on their arguments about Bolivia's right to nationalize and a posture of solidarity towards Bolivia due to its deep development problems (Christensen, 2007b: 150-152).

I find the criticism unconvincing. It would seem that if Brazil wants to have a good relationship with its neighbours and to protect its long term interests, Brazil needs to take a pragmatic stance and it needs to be perceived as being willing to address economic asymmetries. Brazil is definitely winning from their relationship with the region and it is in its strategic long-term interest to maintain good relations in the region.

The acceptance of Venezuela into Mercosur in 2006 has also been met with strong criticisms from the opposition in Brazil. Critics worry that Venezuela will politicize Mercosur due to the strong anti-US rhetoric from president Hugo Chávez and due to the socialist orientation of the Chávez government. Venezuela's entry into Mercosur could also make agreements with the US and EU even more difficult (Christensen, 2007b: 153-154). However, as Mônica Hirst (2006: 2) argues the last argument should be turned around. It was probably more as a consequence of Brazil's and Mercosur's distancing from the US-sponsored FTAA that Venezuela got interested in joining Mercosur. Particularly after Venezuela's Andes Community partners Colombia and Peru set on a course of negotiating bilateral free trade agreements with the US. Furthermore, Mercosur gains in economic size and is strengthened in the energy sector with the inclusion of Venezuela. Venezuela's entry into Mercosur, however, has not been ratified yet as there is some resistance to it from Paraguay and Brazil. In Brazil the government supports Venezuela's inclusion, but there is resistance in parliament. Thus, there is a possibility that Brazil may come to stand in the way of Venezuela's entry. This would surely weaken the process of further integration in the region and could get in the way of the Lula government's overall strategy. Lima and Santos (2008: 15) argue that a further risk is that this would throw Venezuela in the arms of extra-regional powers much like Cuba's isolation in the region after the Cuban revolution may be said to have given it incentives to find a new "sponsor" extra-regionally in the form of the USSR. As they argue, this would definitely not be in Brazil's long term interest and Brazil ought to take a long term strategic view on its relationship with Venezuela instead of emphasizing the characteristics of its current government. Apart from such questions of grand long term strategy, the fact is that Brazil's day to day economic relationship with Venezuela has developed in an extraordinarily positive way for Brazil that has seen record growth in its exports to Venezuela that is almost exclusively concentrated in manufacturing making Venezuela Brazil's third largest export market in South America following Argentina and Chile (CNI, 2007b: 31) and that the two countries are developing energy projects in collaboration paving the way towards the physical integration that forms part of the Lula government's development and regional integration strategy.

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<sup>3</sup> Denize Bacoccina, Folha de São Paulo, March 14'th 2008: "Rubens Barbosa vê ideologização na política externa".



The Brazilian government's emphasis on its bilateral relationship with Argentina and its project of South American integration has arguably put the relationship with Paraguay and Uruguay in the background, at least in the first part of the Lula government. This seems to be changing now. In fact, a number of initiatives for reducing asymmetries in Mercosur in order for it to work better for the two small members were taken from the onset of Lula's presidency in 2003 (IADB-INTAL, 2007b: 39). However, in spite of these initiatives the reality was that Paraguay's and Uruguay's intra-regional exports were basically stagnant between 2004 and 2006, while rising imports led to a growing trade deficit with the two big member states (IADB-INTAL, 2007a: 17; IADB-INTAL, 2007b: 23). According to an IADB-INTAL report, Paraguay's export problems in the region is mainly due to the composition of its exports that is not complementary with the import needs in Argentina and Brazil, while Uruguay's problem is mainly with a lack of competitiveness (IADB-INTAL, 2007a: 39-42). At the same time, the ongoing conflict between Uruguay and Argentina regarding the installation of polluting paper factories in Uruguay strained relations (Christensen, 2007b). This led to frustration in the two small member countries and to threats that they would pursue a free trade agreement with the United States and possibly leave Mercosur. The Brazilian government has argued that the frustration was understandable and that a new deal should be sought in Mercosur (Pinto, 2006: 16-17). The introduction of structural funds (FOCEM) in Mercosur was a first step in this direction (Mercadante, 2006: 37-38). Another step was taken in 2006 when Mercosur's Common Market Council (CMC) asked Paraguay and Uruguay to develop a plan for extinguishing asymmetries in the block. This plan was developed and in 2007 an agreement was made with decision no. 33/07 of the CMC regarding the instalment of a high level group that should elaborate a final plan with an emphasis on support for smaller countries and better market access for the smaller members to the markets of the bigger members. The high level groups should also come up with different types of instruments that could support the development of the smaller countries through financing, policies of integration and complementation of productive sectors, joint venture programs, cooperation programs etc (Mercosur/CMC/DEC No 33/07). In this way, the Mercosur is returning to the original character of the bilateral integration process between Argentina and Brazil in the late 1980s with its emphasis on strategic actions and productive development contrary to the purely commercial approach of the 1990s.

Relationships between Uruguay and Brazil have improved recently as Brazil accepted Uruguay's Trade and Investment Facilitation Agreement with the United States and promised new Brazilian investments and development finance from the BNDES with the argument "*that it was the responsibility of the larger members to address the "asymmetries"*"<sup>4</sup> that had provoked Uruguay's dissatisfaction. Uruguay, however, had also been committed to develop the agreement with the United States in a way that would not harm the common external tariff of the Mercosur, arguing that Mercosur was a strategic priority for Uruguay, although Uruguay is working for a reform of the common external tariff that is more in its interest (IADB-INTAL, 2007b: 40). In the case of Paraguay, the threat to leave Mercosur is not credible. In 2006 more than 50% of its exports went to Mercosur (IADB-INTAL, 2007a: 29) and it is thus highly dependent on the regional market. However, as in the case of Bolivia, Paraguay is a weak economy based on primary goods (Kfuri and Lamas, 2007: 2) and with energy exports particularly from the bi-national electricity producer Itaipú playing an important role in its exports. Paraguay and Brazil own Itaipú in common, but Paraguay exports most of its 50% share in the electricity production to Brazil at a negotiated rate corresponding to the cost of production. Paraguay's newly elected president, Fernando Lugo wants

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<sup>4</sup> Mercopress, Tuesday, February 27, 2007: "Lula da Silva and Vezquez agree to another patch for Mercosur"

to change this deal and assure a more adequate price for Paraguay. While Lula rejected the idea for a start arguing that a deal is a deal and has to be respected, Celso Amorim was favourable of discussing a fair price. He argued that the most important was to reach agreement on a fair price in order to assure harmony in Mercosur<sup>5</sup>. This posture of solidarity and harmony is strongly criticized by some of the government's critics with the argument that the government is overly flexible and does not defend the interests of Brazil.

I disagree with this view. It seems that Brazil's pragmatic posture of negotiating with its neighbours in order to reach a good understanding is a prerequisite for the success of a regional integration process that needs to be seen as beneficial by all member states in order to gain strength and in order to work towards a common voice in international affairs. At the same time, Brazil's external action of working against asymmetries is mirrored by the Lula government's internal action with its aim of reducing social and regional asymmetries in Brazil (Mercadante, 2006: 113-183). It has been argued by critics of the government that since Brazil is poorer in terms of average GDP per capita, it does not really have the resources to also fight asymmetries externally. However, it should be noted that the Brazilian policies towards asymmetry reduction largely focus on trade related matters and investments that are arguably also in Brazil's development interest and less on monetary support. Where Brazil has taken on costs and may take on further costs, such as in the case of gas imports from Bolivia and electricity imports from Paraguay this has had to do with relationships where Brazil is the richer country and where a posture of solidarity enhances its possibility for cementing a leadership position in the region that has been somewhat challenged by the Chávez government's largesse. As for the structural funds in the Mercosur, these have been very limited largely due to fiscal strictness, but should grow as Brazil and Argentina grow stronger and their capacity to contribute to structural convergence funds increase. In the long term, it is unclear how Brazil's South America strategy will develop. This will depend on a number of things such as possible contingencies that come up and make South American unity more difficult in a region that is characterized by large development problems and very different development strategies and foreign relations. However, an essential question has to do with Brazil's future governments. What will they want and how will they look at South American integration. The Lula government clearly has given strong emphasis on South American integration and South-South cooperation more generally, but it is having difficulties getting its support for Venezuela's inclusion accepted in Congress. There are also groups in Brazil that favour a closer relationship to the US and to the EU higher than South American integration. Therefore, domestic Brazilian politics will be of key importance to the future of South American integration, since the strategies of the preponderant country in South America is of utmost importance in this regard.

## **Conclusion**

Brazil's development strategy during Lula's presidency has aimed at constructing a solid basis for sustainable growth with social integration in the long term and to avoid the many swings in the development path of Brazil provoked by its external vulnerability from 1980 until the beginning of the Lula government.

In order to achieve this long term goal, the strategic action of the state in a number of areas has been of utmost importance.

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<sup>5</sup> Folha de São Paulo, Folha Online, April 22, 2008: "Lugo quer renegociar tatado de itaipu; Lula nega revisar o preço".

First of all it was important to increase exports substantially in order to assure a large trade surplus that could help stabilize the economy financially and create conditions for productive growth and a reduced “country risk” in international financial markets. A renewed emphasis on strategic industrial policies along with trade and technology policies was introduced with this aim, and the emphasis on physical integration in South America should be understood in this context as well, i.e. as a way to construct productive capacities systemically and in this way gain competitiveness internationally.

In this strategy South America and the global South played an important role. South America was important as a platform for Brazil’s exports and international competitiveness and for its industrial development. It was also important in political terms as a means for aggregating political power to be utilized in international negotiations. The global South was important as it was useful in terms of assuring the diversification of Brazil’s exports geographically and to contribute to its industrial exports as well. Furthermore, South-South coalitions also functioned as a way to aggregate power and promote Brazilian interests in international trade negotiations particularly in order to press the developed countries to agree to more balanced trade rules. These were seen as a way to reduce development asymmetries globally and were part and parcel of Brazil’s international agenda of shaping globalization in a more socially inclusive direction, both in the interest of Brazil’s own development and in the interest of other developing countries. This emphasis on the reduction of development disparities and problems can be seen as a new contribution by the Lula government to Brazil’s international political agenda. This ideological posture, it may be argued, helps explain Brazil’s solidarity-oriented policies in Mercosur and South America as well. However, it would be wrong to say that the ideological orientation of the Lula government has made it overly flexible towards leftist regimes and poor countries in South America to the detriment of Brazil’s own development and interests as critics inside Brazil argue. It should be recognized that South America has functioned exceptionally well in Brazil’s strategy of constructing the basis for long term sustainable growth as Brazil has achieved growing export surpluses in the region along with a growing foreign investment portfolio. It is therefore in Brazil’s interest to gain legitimacy at the regional level by pursuing policies that are seen as motivated by solidarity towards its poorer neighbours and that support Argentina’s re-industrialization. This may be a prerequisite for the continued strengthening of Brazil’s exports and economic presence in the region and for being accepted as the informal leader of South America. Such a position could enhance its negotiating muscle in international affairs and it could help drawing South America more and more in Brazil’s direction in a kind of competition with the United States for influence in the region.

In other words, the dichotomy sometimes set up by critics of the Lula government between ideology and national interests is wrong-headed. It is indeed possible to combine an ideology of reduction of development disparities and social inequality at the regional and national level with Brazil’s interests. This is true both in terms of how solidarity at the regional level can enhance Brazil’s development and leadership role and in terms of how the international solidarity agenda of the Lula government towards shaping globalization in a more socially inclusive way could both help enhance Brazil’s ability to reach more satisfactory international trade rules and a role as an informal leader of the global South. If Brazil is able to negotiate internationally from a position as the informal leader of South America this will enhance Brazil’s negotiating muscle substantially.

South America is therefore very important in Brazil’s development strategy: as a platform for its exports and international competitiveness, as a geographical area where development is pursued by constructing productive capacity with the help of physical integration, and as a region that could

strengthen Brazil's international "voice" if Brazil is successful in constructing a legitimate leadership role in the region. It is true that Brazil faces difficult challenges in some of these areas, particularly with regard to drawing all countries towards Brazil's sphere of interest, as some countries such as Chile, Peru and Colombia have agreed to deeper trade and investment agreements with the United States than with Brazil and Mercosur. However, Brazil has had some success in moving in the right direction with trade agreements in the region and with the construction of Unasur, and even if Brazil does not succeed in becoming the preferred ally of some countries the construction of closer ties and physical integration is still likely to be very useful in terms of Brazil's long term development interests.

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## ***MERCOSUR: from the open regionalism of 1990's to a model of post liberal integration***

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### ***I. Abstract***

Since the 1960's regional association has been perceived as a development strategy in Latin America. After some unsuccessful previous attempts, in 1991 Argentina, Brazil, Paraguay and Uruguay impelled the Common Market of the South (Mercosur), which has become, through the time, the most progressive associative experience in the region. However, in the search for regional development, the steps of Mercosur have not been simple, since the strategies pursued by the block have significantly changed during the two decades of its existence, turning from a neoliberal model in the 1990's to a social-oriented strategy since the beginning of the 2000's.

### ***II. Regional association as development strategy in Latin America***

Throughout the time, nations of the world have realized that isolation threatens development. The unequal distribution of power, resources and territories has forced them to work together in order to mutually strengthen. In this sense, it is possible to assert that regional association is not a goal in itself, but rather a tool to achieve development, since unity allows overcoming obstacles and resisting more adequately the pressure of external circumstances.

Nevertheless, willingness of associating is not enough, but it should also be supported by certain *internal and external factors of integration*<sup>1</sup> that determine the reasonableness of the regional union.

The internal factors are related to common features of nations within a region (such as the geographic unity, the similar ethnic traits, the socio-cultural elements that determine the cultural identity, the political features that differentiate the region within the international community, the juridical basis that result in certain constitutional structures, and the economic systems relating to the regional productivity), while external factors

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<sup>1</sup> Savid Bas, Luis Ignacio „*El derecho de la Integración. Mercosur*”, in Curso de Derecho Internacional Público, Advocatus, 2007, pg.675.

refer to the socio-political and economic junctures, coming from the international community, which show the region as a different entity.

The convergence of those internal and external circumstances in addition to the political willingness to use interstate association as development tool, have unleashed the emergence of many regional blocks all along the world.

Naturally, Latin America has not been left out of this transition, which has taken place in successive stages that began with its involvement in processes of cooperation that turned, gradually, into integrative strategies.

Reviewing the associative background of Latin America, it is possible to find diverse regional projects: The Latin American Free-Trade Association (1960), the Central American Common Market (1961), the Andean Community (1969), the Latin American Integration Association (1980), and the Southern Cone Common Market (1991), also including, somehow, the participation of Mexico in the North American Free-Trade Agreement (1994) and the frustrated scheme of the Free-Trade Agreement of Americas (1994).

All those experiences, to a greater or lesser extent, have demonstrated the regional vocation of Latin America or, in other words, the tendency of nations to work together in order to achieve development. Moreover, those associative projects have taken place within a regional context characterized by successive political and economic changes, which have ranged from political models enrolled in the old regionalism of the 1960's, to schemes of post-liberal integration since the beginning of the 2000's.

In this sense, earlier Latin American associative phenomena were inspired in the ideas of the *old regionalism*, which can be described as an extremely protectionist economic model devised by the CEPAL, consisting in promoting the industrialization of Latin American nations through import substitution.

Following such a political-economic ideology, the first concrete project of regional association was embodied in the Latin American Free-Trade Association (LAFTA), whose main objective was the establishment of a free-trade zone, in order that Latin American countries were able to accelerate their processes of economic development to assure better living conditions for their populations. The ambitious idea embraced almost entirely the Latin American area, from Mexico to Argentina, excluding Central American

countries. Nevertheless, the complex political and economic circumstances of that time determined the failure and disintegration of the block; “the excessive inflexibility of the clauses of the Treaty, the political instability of the region, the lack of a common external strategy, the economic heterogeneity of its partners, the policies of import substitution, and even its extremely wide goals, were decisive at the time of the failure”<sup>2</sup>.

During the 1980’s a new political and economic wave arrived at Latin America. The slow transition to democracy, along with the approach to market economy, determined a regional ideology related to the postulates of the *new regionalism* or *open regionalism*, which is characterized to promote intra-block trade liberalization and extra-block lessening of trade restrictions.

Within this frame, the Latin American Integration Association (LAIA) came to replace the obsolete LAFTA. Although the new associative strategy has played an important role at regional level, from the strict viewpoint of its objectives as a block it is possible to say that it has undergone a similar destiny to LAFTA, since it has not been able to consolidate the planned free-trade area. Instead of that, the great merits of LAIA have been to improve the level of inter-regional exchange and provide the normative framework for the emergence of new regional agreements.

As a result of the particular functioning of LAIA, which seems to have been relegated to be just a normative umbrella, many kinds of regional associations have been organized and the most important one is the Southern Cone Common Market, which has emerged as a process of integration with objectives that go far beyond the mere cooperation in economic issues, also embracing matters such as politics, society, justice, human rights, environment, work and culture.

With a GDP of more than 2 trillion dollar, a territorial extension of 12 million Km<sup>2</sup>, and a population of more than 200 million inhabitants, Mercosur has become the sixth world’s largest economy, after NAFTA, the EU, China, Japan and India. However, the development of the block has been neither smooth nor stable since 1991, because during the course of the two decades of its existence, it has slowly turned from a neoliberal model to a social-oriented strategy.

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<sup>2</sup> Silvia Jardel y Alejandro Barraza; *Mercosur. Aspectos jurídicos y económicos*. Buenos Aires, Ciudad Argentina Ed., 1998, p. 29

Naturally, such a transformation is not relevant in itself, but rather in terms of the significant changes that it has prompted in the political, economic and social areas of the integrative process, which will be immediately examined.

### ***III. First stage of Mercosur: Open regionalism***

The first decade of Mercosur, from the early 1990's to the beginning of the 2000's, took place within a regional context characterized by young and inexperienced democracies, conservative governments, considerable external debts and the USA as hegemonic continental power.

The combination of all those factors produced a particular socio-political and economic environment: the immature democracies with significant external debts, existing within the frame of conservative regimes, approached the four member states to the USA and favoured the implementation of Washington Consensus' policies, which led to a neoliberal strategy broadly associated with expanding the role of market forces and constraining the role of state in all its basic functions.

That was the time when regional ideology dissociated itself from protectionist policies and the earlier Welfare State, and it was the beginning of a period characterized by the following traits:

In the *political aspect*, during the 1990's regional glance was oriented to the USA. The economic and military superiority, the political stability and the influence in the international financial organizations, put the USA in the position of continental hegemonic power. From that place it exerted a strong influence on the centre-right governments of Mercosur, which entered into a harmful relationship of political subordination. Such a quasi 'political dependency' was especially serious in the Argentine case, whose connection with USA was clearly described by the Foreign Minister Guido Di Tella, through the regrettably famous expression “carnal relations”, which remains indelible in the collective memory.

In the *economic aspect*, the close relationship with the USA went along with the implementation of a neoliberal model imported from North America and faraway from the South American needs. The external indebtedness added to the conservative regimes

and the connection with USA, opened two ways of entrance of neoliberalism in Mercosur: a) the adoption of Washington Consensus’ policies, based on trade liberalization, promotion of FDI, privatization, deregulation and affirmation of the property rights; and b) the necessary negotiations with the international financial organizations, in the sense that the “severe recessions, together with the high rates of external indebtedness forced [member states] into negotiations with the International Monetary Fund, which led to conditional agreements that required the liberalization of their economies”<sup>3</sup>

During this decade of open regionalism, the regional economy was characterized by: 1. the promotion of external exchange (although it was obviously affected by the exchange rate parity between peso and dollar); and 2. the clear separation between State and Market, through different policies of deregulation and privatization. This set of political ideas led to privatization of the main part of national patrimonies: public services (transport, water, gas, electricity and communications), assets of public mineral deposits, oil and gas fields, factories of military supplies, and almost all the ‘*privatizable*’ national physical capital. “Mercosur as a block completely neglected a common industrial policy and the productive complementarity of national economies. Individually, [only] Brazil upheld an active industrial policy; but Argentina, [Uruguay and Paraguay] abandoned all state-sponsored industrial initiatives.”<sup>4</sup>

The logic consequence of this process was the des-industrialization and dismantlement of the states, the subsequent dependency on foreign capitals and the financial and economic collapse in the four member states between 1999 and 2002.

In the *social aspect*, the context can be described by saying that there was an isolation of social issues, which were not included in the regional agenda.

Within the structure of the block there were no real spaces for participation of civil society, and welfare of population was not the main concern of regional government, which ruled the block as an exclusively economic association.

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<sup>3</sup> Richards, Donald G. „*Dependent development and regional integration: a critical examination of the Southern Cone Common Market*“, Latin American Perspectives, Vol. 24, N° 6, 1997, pg.133.

<sup>4</sup> Carranza, Mario E. „*Can Mercosur survive? Domestic and international constraints on Mercosur*“, Latin American Politics and Society, Vol. 45, N° 2, 2003, pg.78.

The omission of a social agenda produced the divorce between Mercosur and national societies, which perceived the regional strategy as an expensive and obsolete bureaucratic structure, and lost their interest on what should have been a collective project.

#### ***IV. Second stage of Mercosur: post-liberal strategy***

After the failure of the model applied during the 1990's, since the early 2000's the regional context has experienced very significant changes, motivated in the previous collapse and the renovation of national policies, all which have had a deep impact on political, economic and social arenas.

In this sense, the second decade has found a block that, although it maintains high levels of external indebtedness, is ruled by governments that seem to have moved away the ghost of dictatorships and strengthened democracy, at the same time that they have gradually turned from conservative into centre-left regimes. Within this frame, the USA has lost its traditional hegemonic position, which has been contradicted and challenged by the 'new' regional governments.

Such transformations at national level have had a crucial impact in Mercosur, determining a new format of regional integration that could be denominated 'postliberal' or 'post-neoliberal', characterized by a strong presence of market economy along with a political discourse oriented to the promotion of general welfare.

Within this context, regarding the *political arena*, it is possible to assert that, after a long decade looking at the USA, member states have radically swerved the gaze towards Europe and its associative strategy, which transcends the mere economic issues proposed by North America.

This change implies the acceptance that integration requires more integral policies, able to equilibrate the relationship between economic and social matters in order to reach a sustainable regional development. The mercantilist format of the previous decade, inspired by the neoliberal model promoted by the USA, collapsed because, besides macroeconomic and financial reasons, it completely neglected the general welfare as final goal of the integrative process.

Consequently, the centre-left or left regimes that appeared from 2003 on, have tried, at least rhetorically, to make Mercosur independent from the USA’s policies and, at the same time, they have also tried to follow the European model, which shows that integration is not possible if economy does not go along with the regulation of the other areas involved in the process, such as society, environment or education.

This political change can be perceived through the increase of political dialogue between the EU and Mercosur, the advisory that European organs give to Mercosur, and the presidential discourses that challenge the influence of the USA and express their interest on the European experience.

Regarding the *economic aspect*, after the depletion and failure of the neoliberal model – which involved Mercosur members in a severe economic, financial, social and political crisis between 1999 and 2002 – the new centre-left governments have tried to reformulate the South American block on new economic bases that can be summarized in three main aspects:

a) *A far-reaching model of integration*. Since the beginning of 2000’s and specially after 2002, the regional administration has been aware that integration is much more than simple economic planning, by taking care of closely related matters, such as politics, society, environment, work, education or justice. Within this context, member states seem to have understood that economic aspect of integration should be synchronized with all the other areas, in order to achieve a sustainable development.

b) *Market economy based on General Welfare*. Although economic orientation of the block remains within the classical parameters of liberalism – there is no return to the Welfare State – it is possible to speak about a ‘post-liberal model’ since the current regional political strategy pretends to combine some aspects of liberalism with state activity protecting human rights. In this sense, indiscriminate advance and free functioning of markets would be limited by the social, politic and economic rights of the South American population.

c) *The search for regional financial independence*. Another feature is the attempt of cutting down the financial dependence on international credit institutions, such as the International Monetary Fund, the World Bank and the Interamerican Development Bank, by establishing South American financial organs that involve all member states of the

Southern Cone Common Market. The project has devised the ‘Bank of the South’ and the “Monetary Fund of Stabilization” as alternatives to IMF, WB and IDB, with the intention of lending money to Latin American nations for the construction of social programs and infrastructure.

Finally, in attention to the *social aspect*, it is possible to say that the new model of integration, with an economic engine and the central axis focused on the protection of human rights, intends to correct the democratic deficit that affected the process during the first stage.

In this sense, the regional administration seeks to achieve popular support by promoting citizen participation. The goal of including society in the regional process is creating ties of identification and feelings of belonging that strengthen the integrative enterprise in order to reach the regional development.

In other words, the regional administration seems to have understood that Mercosur can not survive as an exclusively political process, but rather it needs to be legitimated and fortified by means of citizen endorsement.

## ***V. Conclusions***

Summarizing the previous ideas, it is possible to assert that the regional strategy pursued by Mercosur has changed during the two decades of its existence. In the 1990’s the associative scheme was devised within the frame of the open regionalism, under a neoliberal ideology oriented to economical aspects and neglected of social issues.

Yet, the regional crisis that took place since 1999 as a result of such a kind of policies forced a shift towards a post-liberal model of integration whose axis is posed in the protection of human rights and democracy as conditions for development.

Nevertheless, beyond the encouraging governmental discourses, the fact is that all the attempts of transformation are still more rhetorical than concrete. The thorough analysis of Mercosur’s functioning shows the following problems, which seriously constrain the change: a) there is an institutional deficit, in the sense that the structure is not coherent with the regional goals; b) after enlarging the objectives beyond the economic matters, the regional agenda became too wide, without concrete focuses and with a low level of



commitment, which impacts negatively on the functioning of the block; and c) such a kind of 'internal chaos' is translated into lack of clear mechanisms and concrete actions towards the real change.

On the other hand, it is fair to remark that, despite multiple failures, Mercosur evidences a slow transformation characterized by:

1. *The search for its political independency*, since it is trying to cut down the influence of USA and learn from the European experience.
2. *The search for an integral development*, by means of strategies oriented towards economic as well as social issues, namely, a) synchronization of economic regulation with all related areas – politics, society, justice, environment, etc.; b) constraint of market economy in terms of protecting the general welfare; c) heightening of human rights as basis of the regional policies; and d) democratization of the integrative process through the inclusion of Society as a main actor.

To sum up, from this juncture is emerging a model of integration different from the model applied during the 1990's, which has goals that largely transcend the economic profile. Consequently, in this new regional stage governments seem to have recognized the significance of the social issues in order to build a model of “integration for development”, reviving, in this way, the spirit of the Treaty of Asunción, whose preamble states that the aim of Mercosur is *the economic development with social justice* for its population.

The change seems to have been well oriented. Only the time will say whether member states will be able to overcome their differences to achieve such important and ambitious objectives.

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## **After Neoliberalism in Argentina: The Internationalisation of the (Old) New Nationalism**

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Argentina's economic collapse in December 2001 is seen as perhaps the most emblematic evidence of the failure of neoliberalism to provide sustainable and equitable economic growth in the developing world. That crisis, however, provided a turning point out of which an alternative project of political and economic governance has developed. The search for post-crisis governance has meant a new and more dynamic role for the state in the pursuit of growth and social stability in the context of a model that I term 'open-economy nationalism'. It is built on the basis of a new nationalist rhetoric that recalls the welfare state and the import substitution era of the 1940s yet remains committed in important respects to open markets and export-led growth.

The aim of this chapter is to examine what, precisely, 'open-economy nationalism' implies in terms of governance. It explores the new organisation of the economy and the nationalistic political project that has come to structure key aspects of state-society relationships since 2002. In the process, the chapters explores the constraints on the new governance project and poses the question of whether this post-crisis reassertion of nationalism constitutes a stable, socially integrating model able to resolve the vast social and democratic legacies left in Argentina after a decade of neoliberalism.

The chapter is divided into five sections. The first analyses the origins and nature of nationalism as a political economic project in Argentina, the role played by Peronism in the articulation of new forms of social and collective action, and the economic and political limits of a state-centric model. The second section turns to the emergence of neoliberalism as a triumphant response to the failure of inward-looking models of development that nevertheless had huge consequences on the social and macroeconomic foundations of Argentina's political economy and that ultimately led to economic breakdown in 2001. I identify how the pendulum swung back to a more state-centric model for development. The third and fourth sections analyse the characteristics of the

‘open-economy nationalism’ model as an alternative to neoliberalism. The final section evaluates the challenges, limits and sustainability of state-led governance in Argentina.

### **Nationalism as a political economic project in Argentina**

Manifestations of nationalism have been a defining feature of Latin American political economy since the early 20th century. Emerging in the early 1940s as a reaction to the crisis of the liberal, oligarchic rule, nationalism provided the frame for a new way of thinking and speaking about politics, economics and culture. It appealed to an emerging working class as it appeared to offer access to rights and resources and prompted feelings of solidarity, belonging and identity. Argentina, along with other countries in Latin American during this period, experienced state consolidation, rapid economic growth, industrialization, and a booming trade sector, especially in the agricultural sector. New social groups challenged dominant liberal ideologies, resulting in the rise of popular nationalism (see Germani 1955, Di Tella 1965; Collier and Collier 1991). Marginalized sectors including rural and urban workers and those adversely affected by the export-led growth provided a growing constituency that opposed the ‘liberal project’ and economic internationalism. These groups provided support for the new nationalist/interventionist economic policies that, by the mid-1940s, were taking shape as an alternative to liberalism with the advent of Peronism. After Juan D. Perón won the elections in 1946, the government initiated an industrialization plan (Lewis 2005). The introduction of protectionism and state control of industrial development provided the material means to integrate the working class through a welfare regime managed via labour unions, co-operatives, recreational groups and other social network associations (James 1988). The improvement in working class conditions that took place around the same time encouraged the expansion of Argentina's internal market and provided a stimulus for the import substitution economy.

The nationalistic rhetoric and the political economy of Peronism redefined ‘citizenship’ in terms not of individual rights but as economic rights and social inclusion. This heralded something of a pragmatic and contingent class compromise in Argentina, as

business came to terms with the new politics. However, industrialization under Peronist import substitution remained heavily dependent on the surpluses provided by agricultural exports, which meant in turn not only an external vulnerability but also continuous negotiations to balance the interests of the landowners, tenants and exporters and, at the same time, deliver for the working class (Teubal 2001: 36). Development of welfare state institutions was an essential element of the process of economic growth and social integration in Argentina under Peronist rule and Argentina saw rapid growth in social spending, the expansion of social programmes, and the expansion of regulation of the overall economic process.

The corporatist developmental state under Peronism was part of a regional trend associated with the ECLAC/CEPAL which advocated protectionism for infant industries, exchange rate control and other forms of state arbitration in order to foster ‘national capitalist’ growth (see for instance, Prebisch 1949; 1952). In Argentina, it contributed considerably to social and economic development; but this was not accompanied by political stability. A conservative revolution in 1955 tried to re-impose the liberal order and to disarm the populist state. Despite the apparent eclipse of Peronism, however, a mobilized and organized working class, attached to the symbols and ideas of Peronism, was impossible to evict completely from national politics. Equally, the notion of development based on national industrialization had an important constituency of support beyond the Peronist coalition (Grugel and Riggirozzi 2007: 89). What followed the overthrow of Perón, therefore, was a period of ideological dispute between those who sought to uphold the legacy of corporatist nationalism and the dominant factions of bourgeois society. According to Teubal (2001: 39):

On the one hand, we can identify the more ‘nationalist’ alliance based on an explicit or implicit pact of labour with certain bourgeois factions generally interested in furthering ISI and the domestic market. On the other hand, the ‘liberal’ alliance between the traditional agrarian interests, associated with certain transnational interests and with foreign capital, vied continuously

for their say in policy decisions, tending to greater liberalization of the economy and monetarism.

This tension not only shaped the course of the Argentine political economy in the aftermath of Peronism: it continues to explain the nature of social conflict today in Argentina.

Distributional conflicts and social instability dominated the period after 1955, creating uncertainties as to the direction of political and economic governance. This led to erratic 'stop-go cycles' by the late 1960s where economic expansion was followed by contraction and political stalemate that culminated in the military dictatorship between 1976 and 1983 (O'Donnell 1972; 1982; Basualdo 1987). The coup in March 1976 took a fiercely anti-Peronist stance, persecuting union leaders and party militants. The ruling Junta launched a 'Process of National Reorganization', known as *el proceso*, that in political terms meant social demobilization by means of persecution and kidnapping of civilian dissidents – mainly labour movement representatives and Peronist activists. The Junta closed Congress, imposed censorship, banned trade unions, and brought state and municipal government under military control. The international community, in particular the US, not only overlooked the massive human right abuses that occurred in this period but actively helped the regime by offering military training and economic support. In the midst of the Cold War, US support to anti-nationalist and anti-communist regimes in Latin America such as that in Argentina was significant.

The *proceso* also led to plans to draw up a new economic programme for Argentina. In March 1977, the Minister of the Economy, Jose Martinez de Hoz, announced austerity measures and launched a new and unprecedented strategy of market opening, trying to reverse traditions of state dirigisme and import substitution strategy. In the years that followed, cuts in wages and a strict monetary policy shaped economic planning. But they resulted in only erratic control over inflation and devastated much of the manufacturing sector, which was unable to compete with the flood of foreign imports. In turn, the trade deficit increased to gigantic proportions and international reserves decreased to a critical

point. The resulting financial crisis put an end to the apparent internal cohesion of the ruling Junta and internal disputes began to plague the regime. The decision to freeze wages completely and a plan for the privatisation of part of the military-industrial complex could not undercut the emerging, though restricted, opposition (Pion Berlin 1985). In an attempt to revert the economic and now political backlash, in April 1982 President Leopoldo Galtieri took the extreme and ludicrous decision to embark on a war with the British in order to recover control of the Falklands/Malvinas Islands. The swift defeat of Argentina's military forces, combined with the devastating economic situation, brought a transition to democracy in December 2003.

Argentina's return to democratic rule was shaped by the various traditions it inherited, both from the ISI period and the more recent military regime. Democratization took place amidst economic crisis and, as a result, state capacity to institutionalize more effective forms of economic governance was highly reduced. Politically, there was a strong convergence of civil society actors and political parties around the need to make democracy work, unlike in the past. Labour unions and human rights organization both played their part in the democratic transition (see Drake 1996; Munck 1998). But although the resilience and political power of the unions and of civil society contributed to re-establishing the foundations of democracy, the traumas from the past, alongside intense economic vulnerability, meant that governance remained problematic. Raul Alfonsín, the new Radical Party (Unión Cívica Radical – UCR) president, failed to establish create a sense of common identity within the country or build a coalition capable of establishing a stable project of governance. Institutionally, the government's inability to force the military to submit to civilian rule led to a series of rebellions that were resolved only by the government conceding to military demands (Levitsky 2005: 74). Economically, the heterodox economic project embodied in the so-called Plan Austral in 1985 led to the introduction of new policies in an effort to stop inflation – which exceeded 600 per cent in 1984 – by freezing prices and wages. But labour opposition undermined the plan. Without social or cultural ties to the Radical government of Alfonsín, the trade unions rejected all attempts by government to negotiate a social pact, leading to thirteen general strikes against the government between 1984 and 1988

(Smith 1990). In addition, a Peronist controlled Senate opposed many reform initiatives causing stalemates between the Executive and Legislative branches. In short, the relative strength of Argentine democratic institutions was severely challenged by economic collapse, hyperinflation and the failure of the government to stabilize the country, economically and politically.

With his leadership in tatter, Alfonsín resigned in June 1989, five months before completing his term. As a result, the candidate for the Peronist party, Carlos Menem, who had been elected president in the elections of May 1989, took office in July. Despite his free use of nationalist discourse and ideological manipulation associated with Peronism, once in government the need for political and economic stability and the desire to avoid financial chaos led the new government to take an extraordinary ‘right turn’, in which it adopted a new development paradigm consistent with neoliberal ideas and in tune with the demands of IFIs. Sweeping reforms followed that dismantled the multiple roles the state had come to play in Argentina in development, as an instrument of social mobility and mobilization and a tool for redistribution and social integration. Along with a new matrix for the economy, the neoliberal reforms were accompanied by a view of politics that had profound consequences for social actors and forms of collective action (Garretón 2002: 14).

### **Neoliberal transformation in Argentina’s political economy**

The failure of import substitution projects, together with severe repression of the left as a result of the military dictatorship, meant that Argentina, like many other Latin American countries, was fertile terrain for the introduction of new ideas of political and economic liberalization. Additionally, the Alfonsín administration, having failed to pull social and economic groups interests into a stable coalition, had discredited heterodox approaches to stabilisation and left a problem of governance that was manifest in high levels of political uncertainty, social discontent and economic stress. A generalized sense of ‘urgency’ in Argentine society helped push through an agenda of radical reforms and gave the new government the legitimacy to deal with sporadic domestic resistance (Palermo and



Novaro 1996: 124). At the core of the new neoliberal agenda were two main objectives: a radical reduction in the size of the state through privatization of public services and a cutback of social spending; and the deregulation of the economy, including the labour market.

One of the challenges of democratization, not only in Argentina but in Latin America in general, was whether the various social and political actors would be able to reach an agreement over distribution of goods, services and incomes, given their contradictory interests in situations that were frequently marked by high levels of political and economic uncertainty (Acuña and Smith 1994). In Argentina, where this had become an almost intractable problem, in the context of economic and hyperinflation crises, the threat of a military coup and the latent possibility of violent domestic protest, the ‘solution’ was power delegation to the Executive. Following the decision to bring the presidential succession forward in 1989, two laws were enacted that conferred on the Executive ample powers to define the detail of reform policies. The State Reform and Economic Emergency laws granted power to the Executive to modify critical aspects of economic and socio-political relations simply by presidential decree. These included the suspension of state subsidies for industrial promotion; the introduction of identical regimes for foreign and national investors; modifications to the taxation system; and downsizing of public administration by suspending contracts and the recruitment of new employees within the central administration, public enterprises and other state units (see Bambaci *et al.* 2002).

In fact, Menem’s concentration of power was also facilitated by a distinctive power imbalance that emerged as a result of the 1989-90 hyperinflation crisis, followed by the effects of the subsequent reforms process that reduced the room for manoeuvre of pressure groups. This situation was exacerbated by the government’s extraordinary success in stabilizing the economy, which conferred on Menem and his Economic Minister, Domingo Cavallo, a sense of ‘indispensability’ by much of the economic elite and a significant fraction of the electorate. It would become clear subsequently that this

perceived indispensability raised the threshold of public tolerance for abuses of power (Levitsky 2000: 60).

As part of a new rhetoric and in order to show commitment to change, the Convertibility Plan was introduced in 1991. The Convertibility Plan crowned a decisive moment in economic and political reforms and in development thinking in Argentina. The programme pegged the peso to the dollar and thus created the conditions for a new stability plan. The plan brought prompt relief, reducing annual inflation from 200 per cent in 1989 to less than 5 per cent by 1994 (Pastor and Wise 2004: 8). Menem's monetary reform managed to convince the IFIs of the country's commitment to reform and they soon recommenced their activities in the country. It also satisfied the interests of both local and international private financial institutions. The global financial enthusiasm for emerging markets in the early 1990s, meanwhile, led to a huge influx of foreign investment, mainly in the newly privatized sectors of the economy, climbing from US\$3.2 billion in 1991 to US\$11 billion in 1992, and to US\$10.7 billion in 1993 (Rock 2002: 65).

Contrary to what much of the literature on the political economy of reforms, in Argentina the reform process was not carried out by an Executive power in isolation from social, political and institutional actors (see, in particular, Haggard and Kaufman 1992). Rather, reforms were the product of a series of negotiations between the Executive and some key actors as well as the neutralization of potential opposition. A new law in April 1999, the *Ley de Ampliación*, increased the number of members of the Supreme Court from five to nine, creating a favourable climate for the introduction of further reforms since Menem could now appoint four new members to the Supreme Court, where ultimately the fate of many of the reforms would be decided since, constitutionally, Supreme Court approval was required for reforms for some of the most contentious political and economic reforms, especially those linked to the privatization of services (Carrió and Garay 1996). In addition, Menem resorted to the use of presidential decrees. For instance, while President Alfonsín issued 10 decrees, during his administration Menem enforced a total of 308, covering the sensitive issues of economic deregulation, privatization and tax

collection (Ferreira Rubio and Goretti 1996). Menem also successfully neutralized the opposition of domestic firms, especially those traditionally protected industries, like textiles, electronics and auto-parts, affected by these reforms, and the bargaining power of the unionized movement by negotiating with union leaders concessions in support of reformers. At the same time, the government managed to build an alliance with the powerful and diverse business firms that benefited from the liberalization of trade and the privatization of state-owned companies (Murillo 1997; Acuña *et al* 2006: 21-23).

Macroeconomic stability together with the return of credit led to an immediate increase in consumption and to a period of economic growth that, in turn, was turned into political capital for Menem and strengthened commitment to the programme. Privatization and budgetary austerity followed led to growth rates between 1991 and 1995 that were in excess of 4 per cent per year – among the highest since 1945. Nevertheless, the endorsement of neoliberalism inside the Peronist Party as a whole, though widespread was largely pragmatic. For instance, the process of decentralization, which accompanied neoliberalism and served as a way to reduce state spending, strained federal relations with provincial elites and eroded the bonds between the poor/working class and the Peronist Party, both key factors in ensuring stable governance under Menem. As Rock (2002: 67) explained:

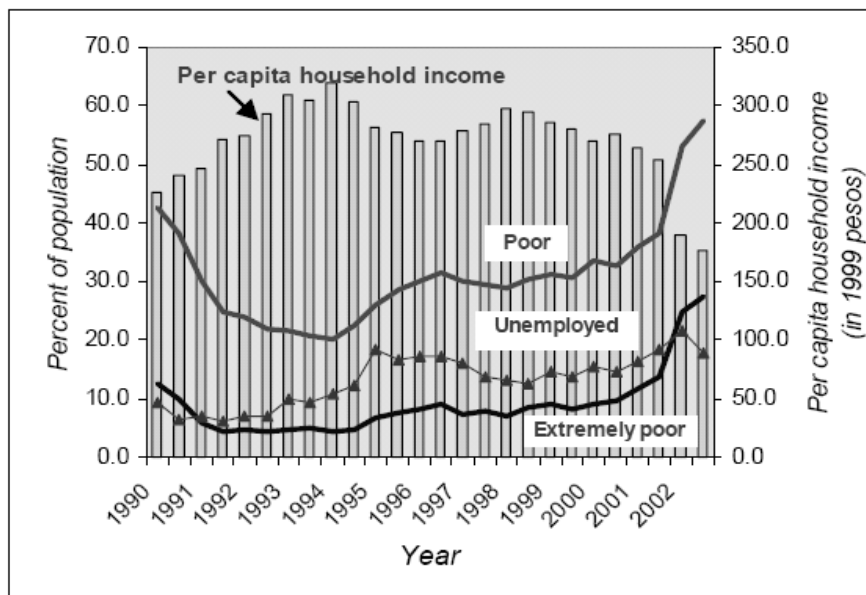
The role of federal government was transformed. Instead of operating as an ‘interventionist state’, its main function now consisted of raising revenues and passing them on to the provinces through the system known as *coparticipación*. Responsibility for health and education was also decentralized – the reforms placed more than 180,000 teachers under provincial jurisdiction. In the process, the federal government shed more than 200,000 jobs between 1990 and 1992 – although around 40 per cent of these were transferred to the provinces. Decentralization attracted little criticism at the time; the provinces had plentiful access to *coparticipación* funds and discounts from provincial banks.

Cutting the role of the state in this context often meant that the central government transferred its responsibilities, but not its resources, for certain services in health, education and welfare to the provinces that took on a range of extra responsibilities. In most cases the process meant a serious strain in the fiscal accounts of the provinces that was often translated into poor service delivery and job reductions. In this context, stability was guaranteed by discretionary use of funds via clientelism and patronage to gain support from provincial governors in Parliament (Gibson 1997; Pastor and Wise 2004; Levitsky 2005).

Pragmatic political calculations also played an important part in Menem's position toward labour. Part of the neoliberal restructuring involved a massive deregulation of the labour market in order to 'modernize' labour relations in the country. At the basis of the labour flexibilisation was an attempt to limit the traditional power and corporatist relationship between state and organized labour that had developed since the 1940s. The labour reforms proposed by Menem aimed to undermine the power of unions, on the understanding that this was an essential step in order to move promptly in other areas of economic reform. By 1996, Menem had successfully introduced a number of laws and executive decrees that radically changed social and labour rights in the country. The changes altered not only the context within which the unions operated but, more dramatically, their capacity to defend their membership. The unions were unable to prevent a fall in living standards for most workers, due to the dramatic decline in real wages and the escalation of ever more precarious working conditions (Patroni 2001). As with federal-government relationships, the social costs of neoliberal restructuring and labour contraction were mitigated by populist distribution; but this depended on maintaining high levels of economic growth, foreign investment, and a steady stream of income from privatization. In the long run, it was inevitable that rising unemployment, sustained federal cuts in spending, and a steady increase in impoverishment and social exclusion would surpass the capacity of populist redistribution schemes to mitigate these and other problems.

The Mexican and Asian financial crises of the mid to late 1990s posed a serious challenge to Argentina. The rigidities of the economic model based on the currency board made it difficult for government to adjust to international changes. This was made absolutely clear in 1998 when Brazil devalued, a move which seriously undermined Argentina's export performance and led to a contraction of the economy and rising unemployment and made debt management extremely difficult. Even before that – by 1995 - poverty had risen to alarming figures, setting in place a trend from which, despite improvements recently, Argentina is yet to recover from (see Figure 5.1). Furthermore, the living standards of the poorest not only failed to improve but actually declined during the years of economic growth. The World Bank (2003) estimates that while domestic income has fallen, the deterioration among the poorest groups has been even more dramatic since 1994 (see Table 5.1).

**Figure 5.1. Unemployment and Poverty as Percentage of Population, and Real Per Capita Household Income, 1990–2002**



Source: World Bank (2003: 5)

**Table 5.1. Income Distribution in Urban Argentina, 1990-2002**

Year	1990	1992	1994	1996	1998	1999	2000	2001	May 2002	October 2002
<b>Per capita income by decile (in 1999 pesos)</b>										
1 <sup>st</sup> decile (lowest)	38.3	45.6	43.2	28.1	31.7	30.4	26.3	17.1	9.0	16.1
5 <sup>th</sup> decile	153.4	181.1	188.1	158.1	167.3	164.2	155.1	136.3	97.9	95.8
10 <sup>th</sup> decile	825.4	1,004.7	1,060.7	992.3	1,114.2	1,028.2	1,041.9	993.8	769.9	705.3
<b>Relative measures</b>										
Top 20%										
share	50.7	51.0	51.6	53.7	54.8	53.8	55.1	56.8	58.2	57.2
Bottom										
20% share	4.6	4.5	4.2	3.6	3.5	3.5	3.2	2.6	2.1	2.8
Gini										
coefficient	0.454	0.456	0.467	0.493	0.504	0.494	0.510	0.530	0.551	.532
Top/bottom										
20% ratio	11.0	11.3	12.3	14.9	15.7	15.4	17.2	21.8	27.7	20.4

Source: World Bank (2003: 57)

By the end of the decade, it was clear that neoliberalism did not provide the instruments to resolve the problems which had accrued in Argentina. The country faced serious social deterioration and a decline in its external account as a consequence of capital flight stirred up by the crises in emerging markets. This was made worse by the fact that the government revenues were beginning to suffer from the slow down in the sale of state enterprises by the mid to late 1990s (Schorr 2005). The economy entered a sharp recession in 1995 marking the beginning of a critical downturn that a brief rise in growth figures could not hide and that was to lead ultimately to the crisis of 2001. It soon became apparent that while the Convertibility Plan was successful in reducing inflation, it had left unaddressed problems resulting from industrial decline, high levels of indebtedness and the steady erosion of social security.

The presidential elections of October 1999 were won by Fernando de la Rúa, the candidate for the opposition coalition, known as *Alianza*, between his own UCR and a centre-left group of breakaway Peronists. De la Rúa promised reform, a return to transparency and policies to build trust between political leaders and the electorate. However, once in power the administration was unable to deal with domestic and international pressures, especially pressures to keep the currency based at fixed exchange rate. It soon became clear that the government lacked the political strength to oversee change. In what was in the end a politically suicidal move, De la Rúa brought Domingo Cavallo, former Finance Minister under Menem back in to government. His appointment was designed to show international creditors that Argentina could be trusted; but the result was that Convertibility could not be abandoned. In fact, De la Rúa began to deepen orthodox policies and push ahead with neoliberal structural reforms in order to obtain much-needed credit from the IMF. But despite adjustments that included sharp tax increases, restricted public spending, a timid tax-sharing agreement between the provinces, and the introduction of further labour market deregulation (that was overshadowed by allegations of corruption and bribery) recession and fiscal deterioration continued.

As a result, poverty and unemployment steadily increased between 1998 and 2001. The poverty rate rose from 28 per cent of the population in May 1998 to a staggering 37 per cent by October 2001, as the economy stagnated and the economic/financial crisis worsened. Unemployment rose from 13 per cent to 18 per cent (see Figure 5.1). Attempts to take control of the gathering crisis were ineffective and reinforced the polarization between those who favoured retaining convertibility and those who argued for devaluation. The government's inability to sustain the debt burden and the country's risk level skyrocketed. State management capacity became increasingly questioned, domestically and internationally. As a policy of last resort, the government announced a 'Zero Deficit Plan', a budget cut of 13 per cent in state workers' wages and pensions plus the reduction of resource transfers to provincial governments. The move allowed the government to secure a new lending from the IMF and other creditors, who offered a rescue package of US\$ 8 billion in September 2001 (Akkerman and Teunissen 2001). But

it did nothing to pacify the increasingly vociferous protesters on the streets or stop the street blockages that were growing in frequency and becoming more and more radicalized.

Collapse was triggered by the decision of the IMF to withdraw its support in November 2001. In a desperate reaction to stop a massive wave of capital flight Fernando de la Rúa imposed restrictions on bank withdrawals and money transfers, a policy that became known as the '*Corralito*'. In response, a movement of the unemployed (*piqueteros*) rapidly emerged to oppose further cuts and to demand a re-nationalization of privatized companies and banks and the non-payment of the external debt (Svampa and Pereyra 2003; Dinerstein 2003b). The middle classes joined the unemployed and public sector employees in massive street protests. De la Rúa declared a state of siege and unleashed a wave of ferocious police repression which led to over 20 deaths (Peruzzotti 2001; Manzetti 2002). The slogan of the demonstrations, *Que se vayan todos* ('out with all of them') expressed the enormous distance between government and society. It represented a rejection of what was now perceived as a self-serving and corrupt governing class; but, just as importantly, it also indicated a loss of faith in the development model which was now thought to have brought Argentina to the brink of chaos. Cavallo resigned first, followed quickly by De la Rúa. In mid-December, the country defaulted and within two months the value of the peso had dropped more a third and was to fall still further in the coming year. Between 2001 and 2002, presidents came and went in quick succession until the temporary parliament-led government of Eduardo Duhalde was able to assume some degree of institutional command.

Duhalde took over in January 2002 amidst economic and political uncertainties. In the wake of the crisis, poverty rose still further, from 38.3 per cent in October 2001 to an alarming 57.5 per cent a year later. In the same period, extreme poverty rose from 13.6 to over 27 per cent (see Figure 5.1). The broken links between the state and society were increasingly compensated by the emergence of new sites of social mobilization and spontaneous networks of solidarity. The newly impoverished middle classes became the so-called 'new poor' – lower middle-class small business people, the self-employed or



public employees who lost jobs, savings and sometimes even their home in the financial collapse of 2001 (Feijoo 2001). Thousands of barter clubs based on non-official barter monies came into existence and abandoned factories even were overtaken by former workers and set back into production as cooperatives (Pearson 2003; Petras 2004).

The significance of this social response was foundational in many ways. Spontaneous organizations from within civil society provided an emergency social safety net for people in the form of food, shelter, clothing and primary health care in the face of the collapse of the state. It also established a new, and much-needed, sense of belonging, of citizenship, empowering those ‘abandoned by the state’. In order to re-establish internal governance, it was necessary for the post-crisis government to re-integrate the new social actors into the formal channels of state-society networks and to take control of the new sources of production. In contrast to the crisis of the 1980s, what was required now was far more than simply an adjustment in economic policy. To his credit, Duhalde recognized this and sought, above all, stability. He did so by appealing to old ideas and the residual legitimacy of the national development project, which had been overturned with the advent of neoliberalism in the 1980s and 1990s.

### **Reasserting nationalism after neoliberalism**

The crisis of 2001 epitomized three major political economic developments. First, the resurgence of political activism and society’s capacity for self-organization, after years of neutralization and even disarticulation; as a result, civil society reasserted its right to a voice in decision-making, especially with regard to crisis resolution policies. Secondly, the reassertion of the state as multi-faceted actor able to resume its role as an agent of development, a manager of social conflict, a source of social integration and a site of democratic renewal. Finally, the crisis in Argentina represented a turning point that led to the introduction of audacious reforms that aimed to overturn some core elements of the neoliberal model.

Once a parliamentary government was settled in office in January 2002 it was clear that the challenges ahead were huge. In addition to the difficulties of managing the default and promoting growth, the government faced the possibility of social collapse and rebellion. Regaining control was only possible, the government concluded, by re-integrating social actors into the formal channels of state-society networks. As such, the immediate need was to mend the fractured social consensus and restore some legitimacy to the state and the ruling class. But it was less clear immediately that the government would advocate an alternative to neoliberalism. In fact, the government was constrained by the need to placate the IFIs at the same time as trying to respond to the demands of highly mobilized domestic constituencies for accountability, welfare relief and, above all, a change in the rules of the game. Historically, nationally-organized interest groups, notably business groups, financial groups, individual investors, the politically influential middle-class, and corporate organizations have often acted to veto proposed changes to policies. Faced with the uncertainty of devaluation at this time, they all played a role in delaying the introduction of decisions that would modify the status quo (Tommasi 2002). In short, there was an impasse in terms of how to reactivate the economy without exacerbating social and political tensions.

In this tense and delicate atmosphere, with society visibly mobilized and deeply politicized, the government appealed to a discourse of unifying nationalism and proposed a new approach to economic management. The government incorporated elements of the demands of popular movements, in particular those of the unemployed workers articulated through the *piqueteros*, with pressures from national and international actors as a means to both economic stabilization and social appeasement. First, in order to compensate for past mistakes and its own low levels of public legitimacy, Duhalde adopted a critical tone vis-à-vis the IFIs, in particular against the IMF. Economically, this meant balancing the populist appeal of high government spending on social policies with prudent fiscal and social management in order to inject some life into the economy whilst, in fact, beginning to reinsert the economy in the international capital flows. One of the first and highly symbolic decisions of Duhalde was to abandon Convertibility, impose a moratorium on servicing the public debt and convert financial contracts from

dollars to pesos in a process called ‘pesification’, a decision that ultimately favoured debtors owing dollars debts but undermined middle class investors (Baldi-Delatte 2005). The end of Convertibility and the debt default calmed the critics who had rejected the neoliberal model, but more importantly, they allowed the government to recover some political strength.

The devaluation of the Argentine peso was aided by changing dynamics within the international political economy. A dynamic upswing in the global economy led to favourable exchange terms in commodity markets, benefiting Argentina along with other developing countries. China's entry in the WTO in 2001 also opened markets. But while the international context created opportunities, the way development strategies unfolded depended on the domestic politics. In Argentina, the emergence of a strong domestic political alliance between the government and the so-called *Grupo Productivo* (Producers’ Group), formed by representatives from industrial sectors, was decisive. The *Grupo Productivo* had developed as a lobby group in the 1990s in relation to the privatization policy and adopted a stronger line after the recession in 1998, arguing for policies to promote national businesses. It went onto become highly influential in shaping a new national economic strategy around the needs of domestic industry. The *Grupo* strongly supported devaluation and the reactivation of national industry by lowering the costs of production and fostering export and trade (UIA 2001). As such, this alliance brought into the centre of the political and economic arena industries that provided substitutes for foreign imports and financial resources to back up government policies.

Thus, in contrast to the 1990s when the retrenchment of the state augmented the power of capital over production and natural resources, the post-crisis development recovery plan was engineered by a combination of export expansion and re-industrialization for the domestic market. In tandem with a decisive bounce back effect on exports after devaluation, a series of ad-hoc policies restored the fiscal balance supporting the reconstruction of state capacity. For instance, Duhalde’s government managed to negotiate a 20 per cent tax on export earnings from agricultural commodities and hydrocarbons, which became the central source for financing social emergency

programmes. Increased state income as a consequence of debt default and export-oriented growth bolstered welfare spending, political inclusion and the promise of job creation (see Grugel and Ruggirozzi 2007: 28). Another key policy decision was to take a tough approach with the demands of privatized companies that were affected by the decision to control the prices of basic services they provided (Aspiazu 2002). Finally, in order to help stimulate the domestic market, the *Corralito* was lifted in December 2002.

Politically and institutionally, two other policy changes contributed to the reconstruction of governance after the crisis. The first was the new relationship between the federal state and the provincial governors, while the second involved the creation of an emergency social programme that went on to cover almost half of the population below the poverty line. Given the long history of veto power by provincial governors and traditions of fiscal and monetary disobedience by provincial governors, the national government was keen to redefine state-provincial relations in ways that would strengthen presidential authority. It therefore presented a proposal to provincial governors for an understanding in which the national government committed to help finance provincial expenditures so as to allow for provincial government to resume the payments of salaries and public service providers, while provincial governments committed to reduce progressively their deficit and to stop printing alternative quasi-currencies. According to the Under Secretary for Relations with the Provinces, the so-called '*Pacto Federal*' (Federal Pact) was the first step in terms of consensus building for post-crisis institutional reconstruction (interview with author, 5 June 2006). Although triggered by IMF conditionality, the Federal Pact was a key instrument of post-crisis governance since it reinforced the legitimacy and authority of the state in national policy decision-making. In fact, as international lines of credit were cut, most of the resources for the Federal Pact stemmed from the devaluation of the peso and the subsequent reactivation of national industry as it regained competitiveness in the international market.

A growing export sector, meanwhile, helped to stabilize the currency. Just as importantly, it made possible new social investments which, though modest, contributed to calming the situation socially by allowing the distribution of food, health and workfare plans and

subsidies and integrating leading civil society groups into the implementation of social plans (Svampa and Pereyra 2003). Institutionally, a crisis-driven consensus-building initiative, *Mesa de Diálogo*, was launched in April 2002 with the support of the Catholic Church and the United Nations Development Programme (UNDP). The *Mesa* was designed to serve as an alternative to Argentina's traditionally corporatist structure of social relations. Organized in thematic round tables, it encouraged inputs into governance discussions by a broad range of society-based actors including labour, business, non-governmental organizations (NGOs), *piqueteros*, social movements, political parties and religious groups (Barnes 2005). One of its most significant initiatives was to push for the adoption of urgent policies of social inclusion. In this context, the most politically relevant and timely social programme, the Unemployed Men and Women Heads of Households Programme (*Programa Jefas y Jefes de Hogares Desempleados*) was proposed. *Jefes y Jefas* was a workfare programme that started in April 2002 financed initially partly with a loan of the World Bank and partly with income from export taxes. The plan was designed as an emergency plan to alleviate the impact of rising unemployment due to the worsening economic crisis (Galazo and Ravallion 2004). Another important programme that placated immediate social needs was a health plan, *Plan Remediar*, supported by the IADB, which organized the distribution of basic medicines to the poorest social groups. Together with a re-orientation of the lending portfolio of the World Bank and the IADB, a new platform for social policies was established and with it the basis for an effective and fast response to the social problem that targeted employment creation, attention to health urgencies and income subsidies.

These and subsequent emergency plans were also an effective strategy for controlling social conflict as they were implemented in ways that brought the unemployed organizations into national, provincial and municipal power circuits. In the immediate post-crisis, welfare spending worked as an effective method of political inclusion of the poor. What it all points to is the adoption of a qualitatively different approach to state responsibility and state spending that stands in sharp contrast with the belief in the market of the 1990s and, that, at the same time, echoes some practices from the past, in particular from the Peronist government of the mid-1940s. But instead of a semi-closed economy

based on national promotion of domestic markets and import-substitution, the post-crisis political economy is based on a strong state (and governmental) leadership in the economy while taking advantage of the regional and international markets dynamics that offered opportunities for Argentine export markets. All of this comes together as 'open-economy nationalism', an attempt at reconciling the centrality of the state in social life and its role as an economic agent through policies that bring together social spending and interventionism, export-led growth and a revival of regional integration as a platform for an alternative political economy.

### **Cementing the alternative? From Kirchner to Fernandez Kirchner**

The strategy of national inclusion and industrial reactivation inherited from Duhalde formed the basis of policies under Néstor Kirchner, who took office in May 2003. The two administrations effectively managed to re-legitimize and re-institutionalize a model of governance that depended closely on nationalism to justify the new coalitions shaping policy. Domestically, state authority was gradually recovered through the implementation of effective pro-poor policies, along with the successful deployment of a politics of identity that, like Peronism in the 1940s, proved useful for resolving distributive conflicts (Itzigsohn and vom Hau 2006: 204). Nationalism was, therefore, a core part of *kirchnerismo*. As soon as Kirchner took office, nationalist discourses were deployed in order to allow the government to consolidate an alternative form of governance. In this context, the social investments for the poor affected by the collapse in 2001 were turned into political capital for the government; and the climate of mobilization and re-politicization opened up space for a discussion on the role of the state, the quality of Argentina's democracy and, even, class, all of which allowed Kirchner to present himself as offering something qualitatively new from the neoliberal era.

Paradoxically, and in marked contrast to the earlier period of nationalist development, contemporary nationalism is presented as compatible with market rules. This is partly possible because the current international political economy is extremely favourable to Argentina; exports are in demand and prices are high. After devaluation, the Argentine

economy benefited from improved terms of trade that, together with a competitive exchange rate, allowed the country to build trade and fiscal surpluses quickly and thus reduce its dependency on external funding. Furthermore, while in the 1990s the government effectively gave up interest rate and currency control in order to satisfy foreign investors, the devaluation of early 2002 was part of a new commitment to flexible exchange rates and a more expansive monetary policy. External trade and internal surplus were possible because economic growth took off immediately as industry and agro-exports benefited from the depreciation of the peso and the recovery in domestic consumption. Growth has continued at a rate of 9 per cent since 2003. Revenue acquired after 2003, meanwhile, as a result of export-led economic growth has allowed the government to increase welfare spending on unemployment insurance and pension benefits in the public sector, raise transport subsidies, fix the costs of and increase state participation in various public services, and invest in public works. In addition to the political significance that welfare acquired, state spending also aimed at strengthening the position of the state vis-à-vis international institutions.

As Argentina became less dependent on fresh money from the IFIs, the government's bargaining capacity vis-à-vis the IFIs increased. Economic recovery and the competitiveness of national industry gave the state more control over the economy, allowing for higher levels of state investment, an expansion of public works and the introduction of forms of tighter regulation over public service companies and banks; policies that not only contradicted IMF rules but also made clear that Argentina was no longer willing to tolerate foreign creditors dictating national economic norms. At the same time, these policies reduced the leverage of the IMF as 'lender of last resort'. Kirchner's strategy became known as '*des-endeudamiento*' (de-borrowing) meaning the renegotiation of existing debt with international institutions and private creditors on as favourable terms as possible, without asking for any further loan and cancelling payments with national reserves. In the end, the US\$ 9.8 billion debt was settled in December 2005, creating the image inside Argentina that a new, more autonomous period of development was opening up (Riggirozzi 2007: 137; also Cooper and Momani 2004).

Kirchner's decision to seek independence from IMF pressure by paying the debt owes as much to questions of political management as economic policy. Nurturing an image of a sovereign state in Argentina was important in a country where the electorate had been so injured by external-induced reform programmes. At the same time, it genuinely allowed the government much greater room for manoeuvre, economically, politically and even diplomatically. For example, Argentina has been able to form closer ties with Venezuela and to find a place the new regionalist schemes that are developing in Latin America, as the old integrationist schemes associated with neoliberalism fall away. Kirchner formed an alliance with President Chávez, who offered Argentina financial support over debt renegotiation. Venezuela has also become a partner in emerging arrangements around infrastructure and energy. Deals are also being struck with Bolivia and Brazil over the supply of natural gas (Tussie 2009).

The recovery from the crisis thus opened a new cycle of political economy in Argentina. But while the style of government is nationalist and Kirchner was committed to economic expansion via industrialization, fiscal policy has been quite conservative. Social policies under the new *desarrollismo* have clear limits (Grugel and Riggirozzi 2007). Growth, falling levels of poverty and fiscal responsibility allowed the government to carry out some politically sensitive reforms – mainly in the areas of tax, welfare and institutional and human rights reforms – and, at the same time, present himself as the architect of the miracle. Kirchner's own political capital allowed his wife, Cristina Fernandez de Kirchner, to win the presidential elections of October 2007, with a promise to continue policies of 'open-market nationalism'.

Essentially, agreeing on how to recover from 2001 was relatively easy; accepting that Néstor Kirchner needed to be given 'space to govern' was, if not easy, then prudent for all concerned. However, the extent to which that space to govern is sustainable over the longer term and compatible with the need to strengthen Argentina's democracy is becoming an issue of concern. Additionally, whilst Kirchner, and Duhalde before him, put in place measures that were successful in terms of economic recovery, their policies have not necessarily institutionalized a coherent and sustainable model of governance



politically. Like Menem in the 1990s, the administration of Néstor Kirchner (and the pattern is similar with Cristina) relied on systematically concentrating decision-making in the hands of the Executive, thereby weakening other political institutions. The political culture of Argentina remains personalist and hyper-presidential. Kirchner tended to micro-manage all the areas of government he saw as crucial. For instance, fear of inflation meant that at times, the President himself would conduct hours of negotiations with business, including representatives of supermarkets and agro-industry, in an effort to contain prices. When negotiations of this sort failed, the government's response was to take direct action, if it could. This could mean that certain goods (for example, beef) might be banned from export in order to keep the domestic market supplied well enough to prevent prices rising. At times, the President himself urged consumers to boycott supermarkets that raised prices.

The accumulation of power in the hands of the Executive in the post-crisis period was indeed part of the legacy of political fragmentation, executive dominance and failure of Argentina's political parties to develop clear and coherent programmes for governance. This, certainly, reflects the erosion of the traditional institutional bonds between state and society during the decade of neoliberalism (see Grugel 2009). But the post-crisis model of governance has not addressed the democratic deficit in Argentina either and it took advantage of a weak and incoherent opposition and the failures that have beset the Radical Party. The Peronist Party today effectively governs without a political opposition (Sanchez 2008). The game of opposition is played out internally, inside the Party or between the government and economic pressure groups, as was made abundantly clear shortly after Cristina Fernandez took office when her decision to raise export taxes was challenged successfully by agro-exporters. The widespread public distrust and vilification of the political class and parties that became explicit in the crisis of 2001 was a sign of a crisis of representation that has not been resolved. The state has recovered some authority as an economic actor; but attitudes to political elites remain much more ambiguous.

### **Post-neoliberal governance: challenges ahead**

The extreme crisis of governance that opened in 2001 and 2002 is over. The Kirchners have been able to manage the two principal governance challenges, namely social desperation on a scale that threatened to bring down the political system and the need for a new macroeconomic matrix. As a result, a partial but still unstable new political economy has emerged; but the cost has been an extraordinary accumulation of executive power that sometimes risks falling into (semi-democratic) authoritarianism. Growth has been steady at almost 9 per cent annually since 2003. But, with the euphoria of recovery over, attention is increasingly focusing on the tendency towards state interventionism in taxation, price setting and other economic policies, and a policy-making style which relies to an excessive degree on the figure of the President. As a result, the challenges of democracy building are far from over with the demise of neoliberalism in Argentina (see Grugel 2009).

There is little doubt of the success of the post-crisis governments in reasserting the command and capacity of the state in the new political economy. Effective and well-targeted policies combined with a nationalist rhetoric reflected the urgent need to manage the crisis in a way that was sensitive to popular needs. Yet, *effective* policies after crisis do not equal *sustainability* over the long term. The first depends upon the rapid introduction of crisis-resolving strategies; the second on the institutionalization of a coherent and consensual programme for governance over the longer term. The reassertion of a new political economy, as in many other countries, requires a greater autonomy of the government from dominant economic groups (Haggard and Kaufman 1992). Yet in Argentina's current political economy, this has led to restricted political participation in negotiations and decision-making that has resulted in measures that curtail the power of opposition groups. There is, consequently, a growing conflict with one of the main sources of income for the state: the agro-export sector. Increasingly important because of record commodity prices worldwide and a favourable exchange rate, export groups have been identified as those that should bear the cost of increasing state revenue through higher taxation. The decision to raise taxes to 20 per cent of export values, in March 2008, together with rising inflation, led to unprecedented strikes, roadblocks and protests by the agro-industrial sector. This, in turn, meant food shortages and boycotts in the

cities; and it contributed to rising class conflict and increasingly inflexible positions over questions of income distribution. Argentine politics is beginning to reflect a historic division between the nationalistic stance of the government, appealing to the *pueblo*, and an opposition alliance based around farmers and the urban middle class. If these differences harden, the result is likely to be stalemate in governance terms. In short, the dilemma of how to structure political power and to reconstitute political authority is far from over.

There are other issues that have the potential to derail the new political economy. On one hand, there is the apparently ‘technical’ debate about how to finance social development – in the government's view the answer seems to be via increasing tax on exports, in a way that is similar to policies adopted immediately after the 2001 crisis but at a higher rate. As we have seen, this opens up a range of social tensions that are not easily managed. Yet this is probably less contentious than the option of increasing taxation on income and wealth. On the other hand, there is a ‘political’ debate about what nationalism currently means as a political economic project. The role of the state and the long-running struggle between landowners and the central government – since the time of the first Peronist government in the mid-1940s – over who is in charge of the political economy of the country, suggests the emergence of a new axis of conflict. Beyond the contextual character of ‘distributional struggles’, this suggests a degree of weakness in the capacity of the state to deliver an alternative project in post-neoliberal Argentina. Political and economic consolidation and social stabilization in the long run involve managing the distributional game between growth, production and inclusion. This has been a historic challenge in Argentina and is particularly acute in a society that is still struggling with high levels of poverty, extreme poverty and job informality (see table 5.2).

**Table 5.2. Poverty and Extreme Poverty in Argentina, 2001- 2007 (Percentage of population)**

Year	Poverty Extreme	
	Poverty	poverty
May 2001	35.9	11.6

Oct 2001	38.3	13.6
May 2002	53.0	24.8
Oct 2002	57.5	27.5
May 2003	54.7	26.3
2nd semester 2003	47.8	20.5
1st semester 2004	44.3	17.0
2nd semester 2004	40.2	15.0
1st semester 2005	38.5	13.6
2nd semester 2005	33.8	12.2
1st semester 2006	31.4	11.2
2nd semester 2006	26.4	8.7
2nd semester 2007	20.6	5.9

Source:

[http://www.indec.mecon.gov.ar/nuevaweb/cuadros/74/grafpobreza1\\_ephcontinua.xls](http://www.indec.mecon.gov.ar/nuevaweb/cuadros/74/grafpobreza1_ephcontinua.xls)

Overall then, the extent to which policies of ‘open-economy nationalism’ are turning into a consolidated, effective post-neoliberal project of consensual development is unclear. The post-crisis appeal to nationalism relied symbolically on the deployment of elements of ‘old’ Peronism and a sentimental attachment to the nation that were lost during the neoliberal years. But the sustainability of this strategy will depend on whether the new policies can resolve the legacy of poverty and exclusion from the years of neoliberalism, as well as managing class tensions with rural producers. Finding a new way to tackle these questions and embedding new policies institutionally are the most pressing tasks for government.

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<sup>1</sup> A later version of this paper will appear as a chapter in 'After Neoliberalism in Argentina: Reasserting Nationalism in an Open Economy' in Jean Grugel and Pia Riggiozzi (eds) *Governance After Neoliberalism in Latin America* (Palgrave-Macmillan, 2009). The author want to thank participants of the conference and Eric Hershberg in particular for insightful comments and suggestions. The financial support of the ESRC Postdoctoral Fellowship is gratefully acknowledged (Ref: A112865). This chapter has also benefited from the ESRC-funded project on Governance after Crisis.

## **Mission (Im)possible? Getting CCTs to Break the Intergenerational Poverty Cycle.**

### **Lessons from Mexico and El Salvador**

**Ana Patricia Silva**

During the last three decades, Latin America has gone through different economic development periods which have affected its political and social dynamics. As a response to these challenging conditions, the state has undertaken diverse social policy measures in order to protect the most vulnerable groups of population. One of the new strategies in order to fight against poverty, to foster social inclusion and to overcome inequalities is the conditional cash transfer (CCT) programmes.

CCT programmes have come to dominate the social protection sector in Latin America over the last ten years. At this moment almost all countries in the region are implementing such a programme or are in various stages of discussion on the benefits of implementing programmes of this type. CCTs are as well increasingly being promoted as best practice in the social sector for developing countries in other parts of the world, and have spurred debates over the relative merit of cash- versus food-based transfers. CCTs have the two-folded objective of combining long-run human capital development with short-term poverty alleviation and most of the programmes have established monitoring and evaluation systems in order to check if the programmes are achieving their goals.

The objective of this paper is to analyse to which extent are CCT programmes in Latin America achieving their goal of helping people living in extreme poverty to get out of the intergenerational poverty cycle and to develop their own capacities. Using as case studies the “Oportunidades” programme in Mexico and the El Salvador’s programme “Red Solidaria”, the paper argues that CCTs are a useful tool in the anti-poverty efforts. However, the paper warns that CCT programmes are not a panacea against poverty and social exclusion and that their limitations should be addressed by creating other strategies which focus on more comprehensive policy reforms such as the creation of productive options, temporary employment programmes, access to micro-credits and micro-entrepreneurial opportunities, among others.

In order to achieve its objectives, the paper is organised in the following order. In the first section, the theoretical framework will be given, based on the concept of conditional cash transfer programmes and their implementation in Latin America. In the second and third sections, the Oportunidades and Red Solidaria programmes will be portrayed, stating their background, objectives, components, and main characteristics. In the fourth section, an analysis of CCTs effectiveness will be undertaken. Finally, in the last section, the conclusions will be drawn.

## 1. CONDITIONAL CASH TRANSFER PROGRAMMES IN LATIN AMERICA

In the beginning of the development efforts in the 1960s, poverty alleviation programmes were focusing on a universal approach to poverty fighting. Men and women living in poverty were approached by undifferentiated social policies and the problems of gender inequality were not being directly addressed. However, the 1990s went through significant shifts in thinking and practice around anti-poverty policy. Delivery mechanisms moved away from general food price subsidies toward more targeted ways of social safety nets and micro-credit programmes. Coverage also narrowed from universal benefits to targeted transfers, reflecting a hegemonic neo-liberal obsession with efficiency and cost-effectiveness.

Programmes that make cash transfers conditional on investment in human capital need to be judged in the context of a new approach to social protection. During the 1980s, the social consequences of economic crises and structural adjustment programmes, especially in Latin America, led to a debate about the rationality of existing safety nets. The result of this debate was that instead of concentrating so much on short-term poverty reduction, social protection systems shifted towards a risk management approach aimed at enhancing human capital and defeating poverty in the longer term. Within this current, conditional transfer programmes were born from the concept of social protection as human capital investment. Their premise is that the reproduction of poverty across generations is due to a lack of investment in human capital, and they seek to foster this investment by attaching conditions to transfers, while at the same time combating short-term poverty (Villatoro 2005:84).

According to the social risk management approach (Holzmann and Jorgensen 2000), individuals, households and communities are exposed to multiple risks. Poverty means greater vulnerability, since the poor have little access to suitable risk management instruments and are ill-placed to cope with crises. The mechanisms most used by poor families to deal with economic shocks are informal strategies (i.e. taking their children out of school) whose inefficiency results in an irreversible loss of human capital and perpetuation of the intergenerational cycle of poverty. Social protection measures based on conditional cash transfers are human capital investments that enhance access to basic services and prevent the use of strategies with adverse long-term consequences, benefiting in this fashion people living in structural poverty, those just above the extreme poverty line<sup>1</sup>, and groups with special needs.

Following this argument, from the mid-90s onwards the provision of conditional cash transfer programmes emerged in the development agenda of Latin America as a fairly popular

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<sup>1</sup> In this case this refers to people who between 1 and 2 USD/day.

policy trend. These programmes consist in the provision of money subsidies to targeted households living in extreme poverty, provided they assure school attendance of their children and attend periodic health check-ups and health-related activities<sup>2</sup>. These programmes' innovation is their capacity to address demand-side constraints for structural poverty reduction, through an incentive scheme which combines the short term objectives of safety nets with the long term goal of building human capital and breaking the vicious circle of poverty traps.

Conditional cash transfer programmes are targeted to households living in extreme poverty, linked to the acceptance of certain co-responsibilities (conditions) to foster the human capital of the beneficiaries. These programmes have a double effect within the effort of creating a sustainable strategy for poverty reduction: they have a component of immediate help and improvement of the nutritional consumption and basic goods of the beneficiaries due to the cash transfers, and they have a component of structural change, which modifies one of the main causes of poverty: the lack of human capital. The medium- and long-term consequences of CCTs allow the development of the beneficiaries' capabilities and break the tendency to school desertion, malnutrition and preventable diseases which affects the life and income possibilities of the poorest households.

Conditional cash transfer programmes have received substantial support from the international community and are highlighted as one of the best practices of social protection in Latin America, and their appeal has to do with their potential to tackle key issues in the perpetuation of poverty and their fit into the current mainstream discourse on poverty reduction, as well as their capacity to respond to two interrelated problems: the failure of universal social policies to reach the poor (especially in the areas of education, health and nutrition) and the failure of the social protection systems in place to provide effective cushion mechanisms during crises, especially for those working in the informal economy sector and those not covered by any other public social protection scheme.

## **2. PROGRESA - OPORTUNIDADES**

In 1994 presidential elections were held in Mexico and Ernesto Zedillo, from the Partido Revolucionario Institucional (PRI)<sup>3</sup>, was elected. The beginning of his administration was marked by a terrible economic crisis which started in December 1994. In the midst of the economic turmoil, Zedillo and his political group did not want to be related to the ex-president Carlos Salinas, or to his

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<sup>2</sup> This includes the attendance to conferences on health-related issues, such as HIV/AIDS, pregnancy care, STDs, etc.

<sup>3</sup> Institutional Revolutionary Party.

social and economic policies. Therefore, Pronasol<sup>4</sup> was slowly removed, and due to economic difficulties and political vulnerability, there was a vacuum in the national social policy during the first three years of his administration, which was deepened by a governmental controversy.

This controversy regarded the social policy and had arisen due to a clash in the political elite, which resulted in two groups which were pursuing different approaches of social policy. The first group, the so-called “social reformers”, wanted to continue the universalistic social policy approach of Pronasol and the second one, the so-called “technocrats”, headed by Santiago Levy, wanted to implement much targeted ways of poverty alleviation and were based on the ideas of improving human capital, in order to help individuals to get out of poverty. Since this debate was in the centre of the political elite, the social policy virtually stopped from 1994 to 1997 and there was a rupture in the Secretaría de Desarrollo Social (Sedesol)<sup>5</sup>, until 1997 when finally the technocrats won and the Programa de Educación, Salud y Alimentación (Progresa)<sup>6</sup> was created, following a targeted way of poverty alleviation (Valencia and Aguirre 1998).

The main objective of Progresa was to increase the basic capabilities of families living in extreme poverty, through the promotion of education, health and nutrition, and to support their access to goods and services that could help them develop skills and break the intergenerational poverty circle. Progresa started the era of extremely targeted poverty alleviation programmes in Mexico and was working based on targeted cash and food transfers delivered to the female head of families in extreme rural poverty, on the human capital approach and on the new element of co-responsibility (conditionality)<sup>7</sup>. This new approach in the anti-poverty agenda followed from some of the internal problems encountered during Pronasol<sup>8</sup>, as well as from a change in the international anti-poverty agenda, which switched from a universalistic approach to another one based on more targeted interventions<sup>9</sup>.

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<sup>4</sup> National Programme for Solidarity. It was President Salinas’s main social development strategy based on a social capital approach to poverty alleviation.

<sup>5</sup> Ministry for Social Development.

<sup>6</sup> Programme for Education, Health and Nutrition.

<sup>7</sup> Co-responsibility means that in order to get social programmes’ benefits, families in extreme poverty need to follow certain requirements imposed by the government, for example, they need to send all their children to school, take them to regular nutrition and health check-ups and participate in educational health seminars held by the local health centres.

<sup>8</sup> It has been argued that president Salinas used Pronasol as a key political strategy. Resources were to be targeted not only by the degree of poverty, but also to areas of high political opposition. In this way, the president sought to legitimise the government and turn back the opposition threat (Kurtz 2005).

<sup>9</sup> In ideological terms, a commitment to neo-liberalism meant a rethinking of state-society relations that would result in changes to the regime of social provision. As efficiency criteria began to govern state action and an emphasis on market price signals became axiomatic, anti-poverty policies were pushed in a more targeted and means-tested direction. It has also been suggested that the creation of this neo-liberal form of social welfare was, in the Mexican case, largely an external imposition, linked to the implementation of liberal economic policies and propelled politically by the IMF and the WB (Kurtz 2005).

Progresa was a transfer-based poverty alleviation programme which worked by giving nutritional and educative support and cash transfers. The female head of the families in extreme rural poverty could receive nutritional supplements for their children, money to buy food, and scholarships for the education of each of their children attending school between the third level of elementary school and the third year of high school<sup>10</sup>; and the scholarships received would be larger for girls between the first and the third year of high school to compensate the gender inequalities of the country. However, in order to receive this aid, the beneficiaries needed to commit themselves to attending regular health check-ups and to sending all their children to the school. Where these conditionalities were not adhered to, the family would stop receiving the support of the programme (Valencia and Aguirre 1998).

In 2000 Vicente Fox, from the Partido Acción Nacional (PAN)<sup>11</sup>, became the first elected president from an opposition party after seventy one years of rule of the PRI. This situation meant a dramatic change in the politics of the Mexican state, and controversy arose about what kind of social policy would be created, or if the previous scheme would be followed. From 2000 to 2002, Progresa kept working in the regular way, and in 2002 it changed its name to Programme for Human Development Opportunities (Programa de Desarrollo Humano Oportunidades). The decision of changing Progresa's name came from the desire of the new president to show that the programme was now run by the PAN, and also to make apparent the new characteristics implemented in the programme (i.e. expansion to semi-urban and urban areas, scholarships given to children until the last year of secondary school).

Oportunidades is based on the principles that targeted aid produces better results than an universal provision of aid, that gender inequality needs to be approached and that the investment in human capital is the best way to help poor people overcome poverty, hand-in-hand with the economic development of the country. Alongside these guidelines, the Mexican government developed a new definition of poverty, which was meant to help designing better anti-poverty measures. This new definition of poverty was created in 2001 by the Comité Técnico para la Medición de la Pobreza<sup>12</sup> (Technical Committee for Poverty Measurement), and includes three poverty categories based on the income level of the population: nutritional poverty (pobreza alimentaria), capabilities poverty (pobreza de capacidades) and conditions poverty (pobreza de patrimonio).

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<sup>10</sup> The age range of the children benefited by the programme was between the 9 years-old and the 15 years-old.

<sup>11</sup> Party for National Action.

<sup>12</sup> The new definition of poverty was created because the government wanted to have official poverty data that could be used as a guideline to plan the social policy, design social programmes and evaluate their efficacy.

The nutritional poverty is considered to be when the household's income is not enough to cover the nutritional needs of the members of the family<sup>13</sup>, and it is equivalent to 15.4 Mexican Pesos (MXN) per day per person (pdpp) in rural areas and 20.9 MXN pdpp in urban areas<sup>14</sup>, and in 2000, 24.2% of the total population of the country was living under this poverty line. The capabilities poverty is considered when the household's income is not enough to cover the nutritional, educational and health needs, which was in 2000 18.9 MXN pdpp in rural areas and 24.7 MXN pdpp in urban areas<sup>15</sup>, and in 2000, 31.9% of the population was living under the capabilities poverty line. Finally, the conditions poverty is considered when the household's income is not enough to cover the nutritional, educational and health needs, and a basic consumption of clothes, housing and public transportation. This meant less than 28.1 MXN pdpp in rural areas and 41.8 MXN pdpp in urban areas<sup>16</sup>, and in 2000, 53.7% (approx. 53 million of people) of the population was living under this kind of poverty (Secretaría de Desarrollo Social 2003).

Oportunidades started to work on the 6<sup>th</sup> of March 2002, based on the objective of increasing, by means of targeted aid, the capabilities of people living in extreme poverty (nutritional poverty), and of promoting their access to education and health, and to a better nutrition, with the main goal of building their human capital, so they could break the intergenerational poverty cycle<sup>17</sup>. The targeted aid is given in form of cash transfers (money for food and scholarships) and food transfers (nutritional supplements) directly to the female head of the family. The programme is also based on increasing scholarships given to children and young people going to school between the third year of elementary school and the last year of secondary school (high school). These scholarships have a gender approach and give more money to girls than to boys after the elementary school to compensate the inequality of opportunities that girls face, in order to promote gender equality<sup>18</sup>.

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<sup>13</sup> This index is measured by the ability of the household to buy a "canasta alimentaria básica" (basic nutritional basket), which includes cereals, meat, milk, eggs, oil, potatoes, beans, vegetables and fruits. This basic basket is set by the Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH), which is implemented by the Instituto Nacional de Estadística, Geografía e Informática (INEGI).

<sup>14</sup> These amounts were calculated for the year 2000, and the equivalent in American Dollars (USD) was 1.63 USD in rural areas and 2.2 USD in urban areas.

<sup>15</sup> In 2000 these amounts were 2 USD in rural areas and 2.6 USD in urban areas.

<sup>16</sup> In 2000 these amounts were 2.97 USD in rural areas and 4.42 USD in urban areas.

<sup>17</sup> This "poverty circle" is understood as a "vicious circle" of under-nourishment, high morbidity and low education which prevents the poor from developing their "productive potential", condemning them to living a life of poverty, generation after generation.

<sup>18</sup> Traditionally, families living in poverty prefer to support the education of their male children, because they think that they will need to work and support their own family some day. At the same time, they make girls stay at home and help with the domestic work, based on the idea that they will eventually get married and will be supported by their husbands.

The poverty reduction stream of Oportunidades can be linked to its emphasis on improving beneficiaries' nutrition, health and education standards. This is seen as a long-term effort to improve the human capital of the poor, and the empowerment of poor women, in order to raise their productivity and their income-generating potential, and in this fashion, to allow them to escape poverty through their own efforts in a sustainable way.

The target population of the programme are families living in rural, semi-rural and urban localities with a high degree of extreme poverty. The selection of the Oportunidades beneficiaries is determined by a three-step process: 1) localities are selected according to geographic targeting which considers their relative marginality, 2) extensive household surveys are conducted in the chosen localities to gather data on a variety of welfare indicators, and 3) the selected poorest families decide if they wish to be incorporated to the programme to receive the aid and accept to follow some co-responsibilities. The co-responsibilities include the beneficiaries' obligation to ensure 1) their children's school attendance, 2) attendance to regular health check-ups and 3) attendance to health seminars. After this process, the families receive aid for three years, and after that period if they are still in extreme poverty, they can receive the aid for three more years.

In general, the programme works based on transfers given to the selected beneficiaries in order to ensure the achievement of their basic capabilities in the short-term by allowing them to gain command of a minimum package of commodities and services (mainly food, health care and education). These transfers are:

- Monthly cash allowances given to the families of children attending from the third to the sixth grade of primary schools or from the first to the sixth grade of secondary school (high school). The amount of the scholarships increases as the education level advances and is higher for girls in secondary school, to reverse the gender bias in education<sup>19</sup>. An amount for school materials is also given to each child<sup>20</sup>.

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<sup>19</sup> For the second semester of 2007 the amount of this aid is as follows:

-For boys and girls in elementary school: 3<sup>rd</sup> grade-125 MXN, 4<sup>th</sup> grade-145 MXN, 5<sup>th</sup> grade-185 MXN, 6<sup>th</sup> grade-250 MXN.

-For boys in secondary school: 1<sup>st</sup> grade-360 MXN, 2<sup>nd</sup> grade-385 MXN, 3<sup>rd</sup> grade-405 MXN, 4<sup>th</sup> grade- 610 MXN, 5<sup>th</sup> grade- 655 MXN, 6<sup>th</sup> grade- 695 MXN.

For girls in secondary school: 1<sup>st</sup> grade-385 MXN, 2<sup>nd</sup> grade-425 MXN, 3<sup>rd</sup> grade-465 MXN, 4<sup>th</sup> grade-700 MXN, 5<sup>th</sup> grade-745 MXN, 6<sup>th</sup> grade 790 MXN (Oportunidades 2007).

<sup>20</sup> For the second semester of 2007 the amount of this aid is:

-For boys and girls in elementary school: \$165 MXN for the first semester of the academic year and \$85 MXN for the second semester of the academic year (Oportunidades 2007).

-For boys and girls in secondary school: \$310 MXN for the whole academic year.



- Monthly cash allowances to contribute to the improvement of the families' food consumption<sup>21</sup>.
- Nutrition supplements given to all children between 4 months and 2 years, to undernourished children between 2 and 5 years, and to pregnant and lactating women.
- Monthly cash allowances for old people (adultos mayores) over 70-years-old<sup>22</sup>.
- A one-time allowance given to young people who finish the secondary school before the age of 22, in order to encourage them to finish the secondary school and to give them a financial basis to start their adult life<sup>23</sup>.

These transfers are given on a monthly basis to the female head of the family as a way to avoiding the gender bias of intra-household distribution of food and other commodities. There is also a maximum level of cash transfers that a single family is allowed to receive, in order to avoid the creation of dependency on public aid and not to discourage the self-improvement efforts of the individuals<sup>24</sup>.

Oportunidades gives cash and food transfers directly to women because its planning is based on research that suggests the fact that resources handled by women have potentially more probabilities of impacting in a positive way children's nutrition and health levels than those handled by men. Also, the gendered nature of the transfers is based on the idea that women's empowerment is fostered when they have more control over resources (Adato 2004:350).

Following the gender approach, another key element of the programme is the participation of women in educational seminars on different topics regarding health, nutrition, family planning and hygiene. The attendance to these seminars is one of the elements of the co-responsibility that families accept to follow in order to get the aid. These seminars help to educate women regarding their own health and their children's health. Other seminars' topics, such as sexuality, domestic violence, pregnancy, gender and health, and HIV/AIDS, help them to be more aware of their rights as women and of the need to be responsible for their own bodies and decisions.

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<sup>21</sup> For the second semester of 2007, this aid is 185 MXN for nutritional support and \$50 MXN for energetic support (Oportunidades 2007).

<sup>22</sup> For the second semester of 2007 the amount of this aid is \$260 MXN per old person.

<sup>23</sup> For the second semester of 2007 the amount of this aid varied between 995 MXN and 3318 MXN, according to the amount of accumulated points by each student.

(<http://www.oportunidades.gob.mx/htmls/3trim07SHCP.pdf>).

<sup>24</sup> For the second semester of 2007, the maximum amount that a family could receive per month including education and food help is 1190 MXN (108.473USD) if it has children in elementary school, or 1980 MXN (180.484 USD) if it has children in secondary school. In the families with old people, the maximum amount increases by \$260 per old person. In November 2007 the currency exchange rate was 10.9705 MXN for 1 USD (Oportunidades 2007).

### 3. RED SOLIDARIA PROGRAMME IN EL SALVADOR

Red Solidaria is the main government programme targeted at the poorest population of El Salvador. It started to work in 2005 in 32 communities, based on conditional cash transfers and as part of the national social strategy for poverty reduction. The Programme is designed to be an integrated, multi-sectorial strategy that attends demand and supply simultaneously, with three main guidelines:

#### 1. Family Solidarity Network

Conditional cash transfers paid to the female head of the family, provided they follow certain co-responsibilities including sending primary school-aged children to school, completing a number of preventive health and nutrition measures (i.e. immunisation, child-growth monitoring, etc.)

#### 2. Network of Basic Services

Its objective is to complement and enhance the efficacy of the CCT programme by strengthening basic education, health, and nutritional services.

#### 3. Family Sustainability Network

This consists of small scale productive projects and micro-credit programmes to support poor agricultural producers in 100 municipalities to increase their economic productivity and incomes, to diversify their income sources, and to improve their economic management.

Red Solidaria's design traces its origins to the government plan for 2004-2009 of President Antonio Elias Saca, a candidate of the right-wing Alianza Republicana Nacionalista (ARENA). Such plan outlined the creation of a social safety net for the country's most vulnerable population. Interestingly, the government plan of the leftist *Frente Farabundo Marti para la Liberación Nacional* (FMLN) –the other strong contesting party in the 2004 elections- mentioned, as well, under its educational priorities the establishment of cash transfers to combat school drop-outs, low rates of school attendance and child labour (Britto 2007).

The programme's conceptual design took place between 2004 and the beginning of 2005 and the Red was officially launched by a presidential decree in March 2005<sup>25</sup>. This legal document lays the foundations of Red Solidaria, in terms of objectives, duration, assigned resources and institutional coordination. It states that the programme's objective is to assist extremely poor families through: 1) child and maternal health and nutrition, 2) basic education, and 3) drinking water, sanitation supply, electricity and roads to the poorest rural communities of the country. The programme's components are described as tools to broaden the opportunities of the disadvantaged population in order to improve their economic and social condition.

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<sup>25</sup> Executive Decree n.11, March 4th, 2005, modified by Executive Decree n.42, May 16th, 2005.

The programme's duration coincides with the presidential term and the coverage goals are the 100 country's poorest municipalities, as identified by the national poverty map. Resources for all three components of the programme are estimated to be approximately 50 USD million per year. The Social Investment Fund for Local Development (FISDL) is appointed as the implementing agency of the Red, but the programme's technical and political coordination is placed under the Technical Secretariat of the Presidency and a Directive Council involving several government organisations.

The programme is based on the human capital approach and its objective is the medium- and long-term improvement of the living conditions of extremely poor rural families through integrated interventions that give priority to the poorest municipalities.

The rural emphasis of the programme is another of its distinctive features. The rationale for this emphasis is related to the poverty profile of El Salvador, which documents the disproportionately disadvantaged situation of the rural population, not only in terms of income poverty but also in terms of access to health, education, other basic services and infrastructure. According to World Bank estimates, the national poverty headcount fell from 64% to 37%, and extreme poverty fell from 31% to 15% during 1991-2003. But 50% of rural Salvadorans still remained below the poverty line in 2002 and 24.5% were extremely poor. In urban areas these figures were 28.5% and 9% respectively. Similarly, while basic education enrolment rates were close to 90% in urban areas, they were only 80% in rural areas. Differentials in access to safe water, adequate sanitation and electricity were even more striking (Britto 2007).

The design of Red Solidaria's CCT programme emerged from a poverty and a social safety net assessment sponsored by the World Bank. These assessments highlighted the need for creating an integrated social strategy focusing on: a) strengthening human capital, mostly through increasing education levels and providing access to basic health services to all, b) strengthening people's access to markets and services by improving the supply of drinking water, sanitation services and roads in rural communities, and c) assisting and protecting the poorest and most vulnerable population, by means of a coherent, coordinated and well-targeted social safety net.

The cash transfers provided by Red Solidaria comprise a health stipend for families with pregnant women and children under 5 years old and an education scholarship for families with children from 5 to 15 years old who have not completed the 6th grade (second cycle of basic education). Each stipend is worth 15 USD per month per family, but a family cap applies to those entitled to both, i.e. 10 USD per month for each, totalling a maximum of 20 USD per family.

As most CCTs implemented elsewhere, Red Solidaria addresses its transfers primarily to the mother or another female family member who is in charge of children's care. But the

programme also includes a co-responsible beneficiary, usually the partner of the main female beneficiary or another person appointment by the family, who can withdraw the transfers in case the main beneficiary does not have her own identity card (required to actually collect the stipend) or cannot be there in person during payment events.

#### **4. CCTs' IMPACT ON POVERTY REDUCTION**

Oportunidades was the first social programme in Mexico to carry out a rigorous independent evaluation of programme impacts that included randomly assigned treatment and control groups. Given the size and scope of the programme, programme officials emphasised the importance of accurate, credible data as a strategy to measure effectiveness and to try to ensure that the Programme would survive government changes. As part of the idea of having external evaluations, the International Food Policy Research Institute (IFPRI) conducted the evaluations, along with independent scholars and economists.

Important positive impacts were reported in school enrolment, health clinic attendance, and nutrition. In the case of education, the largest impacts were reported on children who enter secondary school, where impacts represent a percentage increase of enrolment over 20% for girls and 10% for boys. Significant health and nutrition effects were also reported. Oportunidades children 1-5 years old have a 12% lower incidence of illness than non-Oportunidades children. Additionally, data suggest that Oportunidades has had large impact on increasing child growth and in reducing child stunting. Apart from the quantitative evaluations, qualitative evaluations have also been undertaken, which evaluate the degree of women's empowerment as a result of the programme, as well as intra-familial and intra-communitarian relations, etc.

Regarding the broader poverty levels, the results of the simulated impact of Oportunidades' cash transfers show that Oportunidades interventions reduced the number of people with income levels below the poverty line by about 10%. The depth of poverty is reduced by 30%, and the severity index is reduced by 45%. For comparison, an untargeted transfer is found to reduce the depth of poverty by 28% and the severity of poverty by 36%. Given that these indicators put greater weight on the poorest of the poor, the simulation results suggest that Oportunidades' largest reduction in poverty is being achieved in the poorest population (IFPRI 2002).

In the case of the Red Solidaria programme, which is still relatively new, it is hard to give specific results in many areas, however, some of the main results so far are: school enrolment has increased in 23% in pre-school, 6% in elementary school in grades 1<sup>st</sup>-3<sup>rd</sup> and 9% in grades 4<sup>th</sup>-6<sup>th</sup>; children health check-ups have increased in a 47% and maternal health check-ups have increased in a 42% (Britto 2007).

A common criticism of CCT programmes is the almost exclusive focus on human capital accumulation for children, which takes years –sometimes a generation- to develop. These programmes tend to ignore building human capital or productive capacity for adults who are past school age, and the accumulation of productive capital for the here and now: that is, capital, such as land or non-agricultural assets, which would have both long- and short-term effects on poverty alleviation. Through CCTs children will be better prepared for the labour market when they are older, but productive investment of the transfer would allow the family to sustain the impact of the cash transfers, which cannot continue indefinitely.

While it is not clear whether human capital goals and productive capital accumulation should co-exist within the same programme, the design could benefit from considering what role cash transfers can play in this regard. There would be some merit in considering how to maximise the indirect productive effect of CCT programmes, and minimise constraints, when designing the programme. At a broader level, CCTs in rural areas constitute a substantial infusion of liquidity among poor households and their communities. The poverty alleviation and development impact could be maximised by better considering the local economic context in which households and their communities operate.

As previously mentioned, one of the two objectives of CCT programmes is reducing the incidence and depth of poverty. The theoretical impetus for the design of these programmes is long-term reduction in poverty, but, primarily for political reasons, reductions in the current or short-term incidence of poverty are frequently stated as policy objectives. While it is relatively easy to find increases in beneficiary welfare, actually linking changes in the national incidence of poverty with expenditures on CCT programmes is difficult, as many other factors –particularly economic growth- play a determinant role. An economic turndown can obscure any improvements in the overall incidence of poverty, even though beneficiaries of the programme are better-off than if they had not received the programme.

In the area of the impact of the CCTs on poverty reduction, there is a very limited set of indicators that can be used to measure the true impact that directly relates to the stated objectives of these programmes. The first objective of ameliorating short-term poverty can be measured by caloric consumption, etc. However, the second objective –to improve human capital development and thus break the intergenerational poverty cycle- cannot be measured in the short run, although current nutritional status and cognitive achievement might be good current indicators of the potential for eventual human capital accumulation and lifetime earnings<sup>26</sup>.

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<sup>26</sup> Early childhood nutrition has been shown to be an important determinant of later schooling outcomes, which in turn are important determinants of earnings and social mobility.

The evaluation work on human capital investment has focused on outcomes such as school enrolment, health check-ups for growth monitoring and vaccinations. These have shown significant increases, although there are some nuances in the results. The degree to which these increased outcomes translate into later life impacts as intended by the programmes depends on factors outside the programmes themselves, such as the quality of supply-side services, access to higher levels of schooling and employment opportunities. This implies that CCTs by themselves cannot be expected to reduce inequality and overall levels of poverty; efforts must continue to be applied to ensuring quality delivery of social services and an environment that fosters economic growth. One further complication is that, in the long term, increasing human capital in rural areas may foment national and international migration in search of employment opportunities, and thus lure past beneficiaries out of the scope of follow-up surveys (Handa and Davis 2006).

CCTs have as well some indirect impacts. The large scale of financial resources moved by CCTs, as well as conditionality on behaviour has the potential to influence other aspects of the household, community and even region. Some of these impacts have been documented, and include changes in attitudes and intra-household decision making, spill-over effects on non-beneficiaries, reduced international migration in the short term, and spending on productive activities that has the potential for generating multiplier effects on income.

## **CONCLUSION**

Within the short span of ten years, CCT programmes have become the social protection/social safety-net intervention of choice in Latin America, and are increasingly being looked at as an example to emulate in other parts of the developing world.

CCTs have the two-folded objective of combining long-run human capital development with short-term poverty alleviation; however, the question of whether or not they can achieve the human capital development and in this fashion help the extreme poor to break the intergenerational poverty cycle is hard to answer accurately.

A question that may still require attention is that the exclusive focus on human capital accumulation by the younger generation misses the broader context of poverty alleviation programmes within rural development. This is exhibited on a number of different levels. First, CCTs in general miss the opportunity for maximising synergies with agricultural and non-agricultural productive activities at the household level, and conversely, the rural household's participation in certain types of economic activities may blunt programme impact. Second, ignoring the human capital accumulation of parents (with the exception of health) and asset accumulation within their economic activities weakens the household-level sustainability of the transfers beyond

the time when either the transfers have been terminated and/or the children have left home. Third, CCTs in most instances represent a substantial influx of financial resources into marginalised, and often isolated, communities. As well, little attention has been paid in terms of how to maximise their impact on local economic development.

However, CCT programmes have shown considerable achievements under a variety of circumstances. They are at the forefront of a new thinking on social protection, which re-examines the presumed trade-off between equity and efficiency by considering the long-term social and economic costs of uninsured risks and unmitigated inequalities and the potential role of safety nets in addressing these issues. By providing incentives to parents and enabling them to invest in the long-term human capital development of their children, they have promise for addressing issues of deep-seated exclusion and the intergenerational transmission of poverty.

By introducing modernisations in their operation, including adopting unified beneficiary registries, credibly enforcing poverty targeting and conditionalities, and using evaluations in a strategic way, these programmes have introduced many innovations in social assistance policies. In countries such as Mexico and El Salvador, due to strong political support from the highest levels, they have been used to promote transparency in social policy and counter legacies of paternalism and clientelism.

CCTs are contributing to social inclusion in several complementary ways: recognising and explicitly targeting the poor, focusing on children and delivering transfers to women, and changing social accountability relationships between beneficiaries, service providers and local and central governments. As well, providing cash helps protect livelihoods, because affected people can avoid resorting to negative coping strategies (such as eating seeds or selling livestock or assets) in order to cover their essential needs. Cash also helps disaster-affected people to recover their livelihoods through purchase of essential livelihood assets, services or repayment of loans.

Nonetheless, it should be borne in mind that the provision of cash alone is not always a sufficient tool to eliminate poverty and exclusion problems. Cash transfer programmes often need to be linked with other strategies that focus on improving infrastructure, market support and the availability of services. Cash programmes can also include the distribution of in-kind commodities. However, this requires ongoing dialogue with other organisations and with local- and national-level authorities. As it can be seen, CCT programmes are not a panacea against social exclusion and their limitations should be recognised and addressed by focusing on more comprehensive social policy reforms that include, but are not limited to, CCTs, such as the creation of productive options, temporary employment programmes, access to micro-credits and micro-entrepreneurial opportunities, among others. The question that remains is how to achieve an incentive compatibility

of CCTs and other programmes of the development strategy, so that the healthier, better-educated young people who benefit from the programmes can get access to productive opportunities. An exit strategy is needed which can link the ex-beneficiaries with other development strategies to ensure their further progress and prevent them from falling back into the poverty trap.

CCTs effectiveness may increase by strengthening links to the labour market, shifting the balance between their early childhood and school-age components, and making eligibility more flexible to include households facing shocks. Within this framework it becomes clear that CCT programmes' objective of fostering long-term investments in human capital can only be achieved with the supply of good-quality and accessible health and education services, and with the existence of a governmental system that provides the beneficiaries with the possibility to access other social programmes of the national development strategy, that could help them to be better integrated within their social and economic context, breaking in this fashion the intergenerational poverty cycle.



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## **Political longings and institutional belongings in the Peruvian women's movement - methodological reflections in early project formulation.**

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### **Abstract**

*This presentation contains a number of preliminary ideas for a future research where collective methodological approaches will be used to explore what I call 'political longings and institutional belongings' in the Peruvian women's movement. I'm at the moment formulating a new research project that will draw on memory-work and collective reflection in the exploration of central feminist concepts of power, political participation, difference and cultural diversity. The project is embedded in a broader research project that will examine articulations of socio cultural and socio economic dominance and understandings of political participation in different organised groups of women in Bolivia and Peru. My part of the project is inspired by 'a fusion' of post-structuralist feminist research and action research, and its argument is that both the creation of knowledge and the creation of relations during a research process is capable of strengthening collective and individual construction of identities, as well as the formulation of political visions for future political action in a social movement. I will turn to poststructuralist theories of subjectification to understand how questions of social class, race, ethnicity, gender and age are being spoken into existence in collective work where old and new stories of the women's movement in Peru are the point of departure.*

### **Research context and aims - preliminary thoughts**

I plan to go to Peru in November this year to generate the first data. I am interested in exploring changes in the discourses of citizenship, multiculturalism and rights in the actual context of neoliberal economic developments coupled with the actual somehow new political situation where a so called "pink wave" challenge traditional understandings of what Latin America is and what it is about to become. The context of my research is the feminist movement in Peru, where I participated as an activist for more than 10 years in the 80és and 90és. I'm interested in the participation of women and women's demands in relation to the political agenda of today's Peru.

The project is located at the intersection of narratives, memory, identity and feminist politics and will establish one memory workshops with 6 participants from the feminist movement in Peru. It is based on poststructuralist theories that understand identity as a site of narrative constructions and reconstructions and approaches to feminism and social movements will be that of one interested in exploring the intersection between individual or collective identities.

My central research question is how discourses of dominance whether it be in relation to gender, class or ethnicity are framed theoretically and politically in today's political agenda. What do the conceptual framings of the women participating tell about current institutional belongings and political longings in the future and what would be the possible consequences of such framing for feminist action?

In research done from a feminist perspective one aims at involving both the personal, professional and political dimensions of a social phenomena and of the research process. The production of data will be done by using two different methodological approaches, and they both understand this 'trinity' as a way of 'measuring' scientific validity: one is *Memory Work* (Haug et al 1994) or *Collective Biographies* as formulated later by Davies. The other is: *Reconstructions and*

*Confrontations* a method that grew out of my own research carried out in Denmark about masculinities and gender sensitive development work in Danish development organisations.

Both methods generate data in a narrative form. I understand experience as something being given meaning through narratives. In our narratives about the past we construct a morally loaded and coherent identity that not only account for what happened, but tells us about both present and future. The wakening up of memories of gender, class and race is not only a recalling of experience, rather it is an effective re-experiencing that only becomes possible because it is called into existence through a narrative and because the narrative is told to others and rendered importance in the present. Doing *memory work* and *narrative reconstructions* will be a way of illuminating political longings and institutional belongings in feminist political interpretations of today's Peru.

### Memorywork

This method part from the idea, that every memory recalled by a person is a relevant trace in exploring what constitute the individual. In this case what will be explored is 'the feminist activist' and hereby 'the feminist we'. The method presupposes that any memory is a relevant route into the endeavour of encountering what constitute the self, - and in this case what constitute notions of gender, class and race/ethnicity. In the universe of Frigga Haug memories are not interesting as a register of data or as autobiographical narratives, they are interesting as processes of sense making in the construction of contemporary social identities (Hadwich in Schatz and Walker 1995: 42).

Central to the methodology is the principle that participants are subjects in the process, not objects. The researcher therefore is considered a social being that equally participates actively in processes of active subjectification, hence she/he cannot avoid being a subject as well. Haug et al's principle

of the 'collapse of subject and object' confronts and allows at the same time memory-work participants with the complexity of moving between the subjectivity of their own experiences, emotions and interpretations, and the more distanced and academic processes of collectively theorising the meanings of those experiences (Ingleton 2001).

Haug's analytical framework, made up to deconstruct systematically the meaning making processes, is very useful because of its systematic procedures and its way of construing and practising knowledge production as a collective activity taking place in a specific historical context. Haug (1992,1987) considers the experience of individuals a productive spring board from where the formation of theory can take place, and she sees writings and collective reflections as activities which contain the potential for producing new consciousness in the individual and in the group. Like Lorde (1984), she states that silence/inarticulateness is a major obstacle to emancipation. It is my claim that the creation of collective, rather than individual thinking technologies has a potential of generating passion, inspiration, consciousness and political action in processes of analysis and mutual learning.

Memories are not interesting as a registration of data in the life worlds of individuals, but as active social processes of creation of meaning in actual subjectification. Memory-work reveals in a collective process of 'conscientisation' through which processes we *acquire the social and constructed* feeling of self. What is important in this context is that the method has an embedded and explicit interest in change. Here a direct line to action research can be drawn and the method allows us to discuss the political implications and impact of a certain methodological approach. Experiences of political action (as in the feminist movement) and the very process of meaning making is connected to emotionality. Crawford et al (1992) were drawn towards this methodology

because ‘We have found a voice to articulate our disquiet with traditional psychological treatments of topics like emotion’(1992:1).

My experience with memory-work confirms that the method is capable of uncovering important dimensions of processes through which we make sense of the social and construct feelings of self. At the same time the method integrate an explicit wish for change of dominant social structures. More than anything memory work aims at shortening the distance between theory and human experience in ways that not only uncover the process of sense making but also want to add new and challenging meanings to it.

### Reconstructions and Confrontations

The second method will be called *Reconstructions and Confrontations*. In the mid 80és I carried out interview with 6 women about their experiences of and with race, class and gender in Peru. The interviews are 1 1/2 - 2 hour long biographical accounts filled with stories of inclusion and exclusion, joy, pain and hopes in relation to institutions, relations, work and education. I want to reconstruct these stories into small stories and use them as a material to work with in guided dialogue and cooperative inquiry with the same group of feminist with whom I will do memory work. This method is still in the process of developing theoretical and methodological arguments.

### **Exporting methodological innovation?**

With these two methodological approaches as points of departure one could ask if what I plan to do is not an ethnocentric wish to expand my experience with thinking technologies developed elsewhere and not relevant into a Latin American context. Let me argue why methodological innovation holds an important potential as a change catalyst. In contemporary western

poststructuralist feminist research an articulated interest and a growing practice of exploring methodological bids to the claim of knowledge as contingent and contextual can be found (among others Haraway 1991, Lykke 2003, Søndergård 1999, Markussen 2003, Hee Pedersen and Gunnarson 2004, Hee Pedersen and Ravn Olesen 2006). In Europe and the US the poststructuralist turn has inspired new innovative methodological ideas, not necessarily radically divergent from former methodological thoughts in sociological research, but nevertheless, what Haavind (2000) calls 'a new linguistic rope' has been taken on and much stronger meta-theoretical manifestations and argumentations can be found in relation to methodology. The poststructuralist effort to disturb well known conventions and cultural worked-in habits still constitute a fundamental challenge to knowledge production and will if taken seriously produce new analytical practices (Haavind 2000:15). In this new design, I plan to explore if this knowledge claim can be given validity in a Latin American research context. Is it so that my own experience with methodological innovations and experiments carried out in Danish organisational contexts focusing on gender and communication could enter a dialogue with contemporary methodological approaches in Peruvian research, and therefore contribute to common knowledge production? My knowledge of Peruvian realities in relation to the women's movement is limited to the 1980és and 1990és. In this new project I want to explore if the new institutional configurations and political articulations in Peru (and other Latin-American realities) when it comes to gender, ethnicity and concepts of multiculturalism can be approached in ways that potentially clarify visions and norms of the feminist agenda in Peru of the new millennium. I plan to draw on the approaches of *memory work* and *narrative reconstruction* as a way of illuminating political longings and institutional belongings in feminist political articulations of today's Peru and consequently their contribution to democracy.

### **Methodology - more than a practical tool**

There is a tendency to view methodology as a mere way of answering the question: What to do and how. Drawing on the Danish social psychologist Dorte Marie Søndergaard (1996, 2004, 200) I find it important to make a distinction between the meta- theoretical perspective to which 'methodology' belongs on the one hand and 'method' on the other. A thinking technology is not to be reduced to a methodological fix (Staunæs 2001:56-57) applied exclusively to give the researcher what she needs. That is; data. As social researchers our methodologies should bear a living connection to both our ontological and epistemological positionings. As a poststructuralist I would therefore talk about 'productions of empirical data' and 'productions of analysis', not of 'collection of data' and 'findings/results'. This also implies that I would not be able to ignore the scientist as producer and subject (Søndergård 1996:53, Savin-Baden 2004, Hee Pedersen and Ravn Olesen forthcoming). As both Bradbury and Reason (2001) and Gergen (2003) point to we should as social researchers in our experimentation with new methodological approaches be aware of not embracing any creative methods, as an end in itself. A method should always hold a relationship to the methodological and would I suggest the political stand of ones work.<sup>1</sup> I will here after refer to method as procedures or the sequential framings of a number of actions realised by participating individuals in a research process, - procedures suggested for the concrete process of production of either empirical data or analysis. As such I view both methods outlined in this text.

### **Knowledge production as relational**

The decision to engage in memory work in Peru is part of an endeavour to travel around our ways of producing scientific knowledge. I aim primarily at encouraging other researchers to explore human dialogues, mediated by texts, as a way to launch consciousness about the socio-cultural

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<sup>1</sup> Vicky Singleton talks about the political positionings of the researcher doing feminist research in these terms: "We have to try to balance these theoretical commitments with a political and moral commitment to non oppressive values, to ensuring a voice for women and to highlighting women's oppression. That is, the relationship between feminism and postmodernism often seems to be characterised by ambivalence that can cause discomfort."

impact of sense making processes and at the same time establish research relations characterised by engagement, curiosity and interest in 'the different other' among participants in a research process. Research should make a difference. It should be able to create what Frigga Haug et.al way back in the 80és named political consciousness. Knowledge creation and relationship creation can be seen as a criss-cross between participants involved in research processes. They are relational realities both fluid and complex. The production of knowledge often takes place in the context of collaborative practices and/or collaborative reflection related to these practices, either directly afterwards or later, after specific acts have taken place (Schön 1983). Knowledge arising between individuals is frequently embodied and can be difficult to verbalise (Merleau Ponty 1969, Bourdieu 1997, Dreyfus and Dreyfus 1986, Callewaert 1997). Very often accounts of this collective process are written out of scientific texts (Hee Pedersen 2007, Savin-Baden 2004). Gergen (2003) connects this phenomenon to the lack of a language with which to talk. He points out, the western world possess "an enormous rich vocabulary to objectify states of the individual mind but relatively few terms that bring into reality the relationship among persons. [...] There is so much to be said about relational realities but simultaneously impoverishments of language in which to say it." The challenge of establishing a research setting where explorative and reflexive work about gender class and race can be done is related to a methodological handling of how to systematise and treat dialogues that unfold within and move research processes. This involves providing meaning to and developing linguistic and analytical tools for understanding research's relational and procedural dimensions.

### **Memory work as experimental writing**

What the concrete experimental writings, as in memory work allow us to do is to interweave research interests, methodological approaches and personal life stories and thereby leading to new insights about the cultural naturalisations and political strategies through which gender and other



structures of social categories are produced. We will enter dialogues about how gender, class and ethnicity are given meaning at the individual level and collective level both in the political practices and in the discourses of the contexts of data production.

As mentioned the project parts from the presumption that the very practice of positioning oneself both in a historical context and within the actual present of the women's movement should be understood as a narrative construction of one's own temporary and provisional identity. We will in the group through dialogue formulate a question about socio cultural and socio economic diversity that will motivate the concrete writings of the stories of the past.

The method suggests that the writing be done in the "third person" because this form of distancing and historization paradoxically results in more accurateness and care in presenting one's own experiences. These texts are then examined (ideally by the women who have written them, making them then both subjects and objects of their research) by using discourse analysis. The focus in the analysis is on the ways each individual position herself in relation to dominant discourses and ideologies- both in relation to mainstream public narratives about diversity and in relation to their political and cultural contexts - and how their desires and fantasies are involved in these.

When it comes to analysis of the texts Haug's framework invite the group to follow clearly defined steps on a well defined analytic track. In meeting the requirements of each step, the group carry out a collective deconstruction of the written text, beginning with trying to reach a consensus as to the message of the author and his or her *everyday life philosophies, actions and emotions, interests/wishes*, and, additionally, *the actions and emotions/interests/wishes* of others present in the

text. Then you see if you can find noticeable, surprising dimensions in the text (language, contradictions, silences, and so on). Finally the overall constructions of self, others and the meaning of the scene emerge and are collectively elaborated upon through discussion and reflection. (See scheme in Haug 1984; Schatz and Walker 2000:45)

### **The creation of knowledge as creation of relations**

My central argument for suggesting collective methodologies is that processes of dialogue contain the potential of enlightening or qualifying both relations and reflection. In his article *Action research and orders of democracy* Kenneth Gergen lays out some premises of a constructionist orientation to action research, linking the two traditions emerging logics and outlining a relational orientation to the creation of meaning and its subsequent consequences for the view on democracy in research relations. He states that the challenge of sustaining life giving traditions has been sadly neglected in research and he explains it partly by its situated-ness in the cultural arena to be found far from traditional academic scholarship (Gergen 2003:39-40). I suggest that a gender analysis be quite adequate to understand this historical process of ‘othering’ the relational collective, normative and caring aspects of research.

Kristiansen and Bloch-Poulsen have produced a fine formulation in which the dialogical aspect is connected to questions of caring for one another within a relationship. They define the dialogue as “an exploratory conversation in which the partners jointly strive to achieve a better understanding or to become wiser together. It is characterized by sharing, daring and caring. Sharing means that all partners are willing to share their knowledge with everyone else. Daring means that they are willing to run a risk and question their own and others’ basic assumptions or self-referentiality. Caring

means that the exploratory mood is based on an honest and forth right intent towards others” (Kristiansen and Bloch-Poulsen 2004:373).

Mutual learning and formulation of longings and belongings primarily takes place *via* action and within a relationship, a concept that is central to Action Research, a body of research that has inspired my work. Without changing practice no learning will take place as it was formulated by Lewin in 1946. To be in a relationship and to insist on the dialogical take for granted, as Kristiansen and Bloch-Poulsen note, a contribution and desire on the part of both parties to work collectively to attain “better understanding or to become wiser together.” Both parties need to want to work with one another.

Experimental writing is a practice-oriented way of approaching an examination of topic through collaboration. In experimental writing, the effects of processes of legitimacy and social recognition present themselves in a rather embodied manner, while the author writes up her text. The writer will, in her effort to materialise ideas through experimental writings, touch the normative borders produced by the field of knowledge within which she moves. She writes herself as a professional and an activist and she will in her writing relate to what is considered 'good and bad' in her field and therefore write 'social legitimacy' without necessarily being aware of it. It is about crossing borders and breaking silences, as referred to earlier in this paper: "The fact that we are here and that I speak these words is an attempt to break that silence and bridge some of those differences between us, for it is not differences which immobilize us, but silence. And there are so many silences to be broken (Lorde 1984:275). To work with texts in collaborative inquiry seems to require bravery. It is to dare to enter a messy building-site as your body leads you to where you think you could find something meaningful (Foucault 1969). Then when you find something 'at the building-site' you bring it out

into the light, into your analysis. Get out your little brush and make the piece emerge little by little, so you can approach it and look at it together and make sense of it, now tangible as it is spoken into words and meaning is being attached to it. Haug describes the process of examining the text, this archaeological work, as a training to be a detective:

"Silence is another way of coming to terms with the unacceptable. In people's memories it appears as an absence or a rupture. The recognition that these silences must be investigated and that the attempt must be made to propose theories to explain them was of great importance to the women's movement. After all, we have been so accustomed for so long to being absent from history that in our thoughts and speech we tend to collude in ignoring the sheer existence of women. To hear what has not been said, to see things that have not been displayed, requires a kind of detective training."  
(Haug 1992: 25)

My hope is that the experimental writing represented in this paper as *Memory Work* and *Reconstructions and Confrontation* will allow the involved women in my new project to interweave research positions, methodological approaches and personal life stories and thus produce insights about the political longings of the Peruvian feminist movement and insights about the meaning of the institutional belongings. I also hope that these explorations will bring new insights about how socio cultural and socio economic categories intersect and have consequences in the lives of people.

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## FACING THE DILEMMA: URUGUAY IN BETWEEN MERCOSUR AND THE US\*

**Isabel Clemente PhD**

### Introduction

In 2006, Uruguay seemed to be about leaving the South American bloc to enter into a “special relationship” with the United States. The possibility of a dramatic change of foreign policy caused commotion in the Left, both political and societal, spreading fears of a break in the bonds between the government and the organisations that had made possible the electoral victory of 2004.

The governing coalition, an alliance made up of parties and groups founded in 1971, resented the effects of the divergent viewpoints existing within the government while the opposition appeared united in a single bloc. The fact that Frente Amplio is a coalition caused that the political debate on the different options –Mercosur or the US –included a partisan dimension.

This paper examines the Uruguayan resistance to the project for a free trade agreement with the US and the eventual failure of this project focusing both on state and civil society actors.

### The foreign policy of the centre-of-left government

In March 2005, the inauguration of the first centre-of-left government in Uruguayan history was prepared by an intensive discussion on the set of policies that would be implemented had the Frente Amplio obtained the majority in the presidential elections of October 2004. Debates in workshops and special committees provided the basis for the documents submitted to the party conference in 2003 and after their approval they set the framework of the electoral platform and the political campaign in 2004.<sup>1</sup>

Regarding the international insertion of Uruguay and the new foreign policy, the main guidelines were presented in a document that the then presidential candidate Tabaré Vázquez read at a session in a seminar organised with the support of the Friedrich Ebert Foundation.<sup>2</sup> The central idea presiding over the formulation of the foreign policy of the Frente Amplio government was that regional integration was crucial for the general insertion of Uruguay in the international system and that strengthening and improving participation in Mercosur should be the Uruguayan path in international relations. Commitment to international law and multilateralism, autonomy in foreign policy design and implementation, South-South cooperation were the core ideas in the programme.

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<sup>1</sup> Clemente, Isabel, “La política exterior del primer gobierno de izquierda en Uruguay” in *Nordic Journal of Latin American and Caribbean Studies*, Vol. XXXV: 1-2 (2004), pp. 323-351.

<sup>2</sup> *El Uruguay Integrado*.



Vázquez's speech at his ascent to office the 1<sup>st</sup> March 2005 focused on foreign policy explaining in detail principles and lines of policy. He emphasised the importance of the non-intervention and non-interference principle, the priority assigned to development and regional integration and the rejection of every form of violence and terrorism. In a second speech the president announced the first measures which included the reestablishment of diplomatic relations with Cuba, incorporation into the group of 20 countries acting inside the World Trade Organisation to promote fair rules of trade, agreements of cooperation with Venezuela, Brazil, Bolivia, China, and Argentina, and the creation of a new department at the Ministry of Foreign Relations to co-ordinate with the Uruguayan communities residing abroad.

Relations with the United States were not among the priorities in the programme and the position towards the initiative for the creation of a free trade area of the Americas (ALCA) followed the lines of the rest of the Mercosur countries: to strengthen the regional bloc first, then advance towards a South American union and start negotiations with the United States afterwards. This scheme in three steps did not coincide with the views of those advocating a bilateral free trade agreement with the United States, which had been repeatedly but unsuccessfully promoted by former president Jorge Batlle.

However, short before the general elections of October 2004 the Batlle administration concluded the negotiation of a treaty with the United States for the reciprocal protection of investments that included some provisions on services trade usually contemplated in the free trade agreements already concluded by the US with other countries. Although Tabaré Vázquez denounced this decision as interference in the action of the forthcoming government, this fact set a precedent that influenced the political process regarding the binational relations.

### The challenge of a Free Trade Agreement with the US

The first question to examine is how the initiative to negotiate a bilateral free trade agreement with the US entered the international agenda of Uruguay despite the explicit guidelines of the government programme. In the absence of research over US participation in the setting of the agenda, it is not possible to assess the degree of their involvement in the emergence of this issue in the Uruguayan political scene. Therefore, the analysis here deals only with the policy-making process in Uruguay focusing on domestic politics actors.

The first hints of a free trade agreement appeared during the period of transition extending from 31<sup>st</sup> October to the inauguration of the Vázquez administration on the 1<sup>st</sup> of March 2005 in the form of news and commentaries in papers and magazines. However, the main question in the bilateral agenda was the ratification of the treaty on investments protection. The object of the visits the US ambassador Silverstein paid to the President elect and his staff was to urge a favourable decision even though Vázquez had expressed his disagreement with the content of the treaty and the procedures adopted in the negotiation which had excluded any consultation with the Frente Amplio leader and potential president of the republic. Moreover, an internal memorandum of the Ministry of Foreign Relations pointed at various articles in that treaty which contradicted certain principles and

definitions of Uruguayan interests. After a laborious negotiation culminating in some changes in the text and efforts applied to secure the discipline of all Frente Amplio members of the Senate, the treaty was finally ratified in December 2005.<sup>3</sup>

Even before this process ended, the idea of a free trade agreement gathered increasing support. Besides the “traditional” parties (those that have ruled the country since Independence, the Partido Colorado and the Partido Nacional) and the tiny Partido Independiente, a new alliance emerged. It was made up of the group headed by the Minister of Economy and Finances, Danilo Astori (Asamblea Uruguay), the Minister of Industry, Mining and Energy, the private sector organised in the powerful Chambers of commerce and industry, influential offices of lawyers, media such as *El País*, *El Observador* and *Búsqueda*, and consultants working at research centres. Among the latter, CINVE played a leading role in shaping the opinion in favour of a closer commercial relation with the US.<sup>4</sup>

The economist Gabriel Oddone of CINVE considered that the agreement with Mexico had marked a turning point in the policy of international insertion of Uruguay because it intended to diversify the risks of international insertion integrating Uruguay in various economic areas and protecting the country from the recurrent disorders affecting its neighbours.<sup>5</sup> Oddone thought that neither Brazil nor Argentina were in capacity to reinforce Mercosur and the best Uruguay could do was to follow the example of Chile.

Within the government there were contrasting views being the Minister for Foreign Relations the most vocal opponent to the project of the bilateral free trade agreement, accompanied by other cabinet members among them the Minister for Social Development. Those contrasting views were replicated within the Frente Amplio, with a majority opposing even the idea of negotiating a treaty with the US that could imply the separation of Uruguay from Mercosur. However, the problems affecting the regional bloc and the critical views of members of the Uruguayan government on the policies of Brazil and Argentina towards their smaller partners played a part in the support that the project for a treaty with the US gathered in the political milieu while depriving the other party of solid arguments to defend the priority of regional integration. The “failure of Mercosur” became a leitmotif in the discourse of the friends of a free trade agreement with the US.

The approval of the treaty for investments protection was traumatic for the Left, particularly at the level of grassroots organisations and at the Senate, with the Communist Party playing the role of voicing the radical opinion against even the modified version that had been negotiated by the Minister for Foreign Relations. When this process was over and in the middle of the summer holidays, in the usually calm month of January, suddenly the subject of a free trade agreement appeared in the front-page of the weekly *Búsqueda*, the most articulate expression of the Uruguayan business community, in the form of an interview with the Minister of Economy and Finances Danilo Astori.<sup>6</sup> The minister

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<sup>3</sup> “Transcriptions from Iberoamericana’s First Conference, ‘Uruguay in the Time of the Broad Front’”, *Nordic Journal of Latin American and Caribbean Studies*, Vol. XXV:2, pp. 164-172.

<sup>4</sup> See Lorenzo, Fernando and Marcel Vaillant, *Mercosur and the Creation of the Free Trade Area of the Americas*, Washington: Woodrow Wilson International Center for Scholars, 2005.

<sup>5</sup> *Brecha*, August 4<sup>th</sup>, 2006.

<sup>6</sup> *Búsqueda*, Jan. 5<sup>th</sup>, 2006.

declared that Uruguay should start considering negotiating an agreement of free trade with the US in 2006.

A debate among cabinet members and leaders of the governing coalition Frente Amplio followed this declaration, without the President letting know his opinion. The main contradictor of Astori was the Minister for Foreign Relations Reinaldo Gargano. Gargano maintained that a bilateral treaty of trade with the US was not on the agenda and that there was an explicit resolution of the last party conference (in December 2003) against ALCA and the free trade agreements following the same pattern. Moreover, he pointed to article 32 of the Treaty of 1991 which did not permit that a member of the bloc conclude bilateral trade agreements without the consent of the other signatories to the treaty.

Eleven days elapsed from the interview in *Búsqueda* up to the first cabinet meeting of the year. The spokesperson selected to inform the press of the proceedings of that body was Gargano, a fact that journalists interpreted as a sign that he had got the backing of the President. He told the press that the idea of a treaty of free trade had been cast aside and that the position of the President was against such a compromise with the US. Government sources informed the press that the argument of Tabaré Vázquez was based in three main ideas: the above-mentioned article 32, the resolution of the Frente Amplio conference of 2003 which he read in its full text during his intervention, and a resolution of the US Congress excluding 300 goods (some of which coincided with the main Uruguayan exports) from any trade negotiation with other countries.<sup>7</sup> However the President accepted that the option of a future negotiation remained open in case those circumstances changed although he said that the Frente Amplio should consider the question.

Anyway the government decided to activate a Commission for bilateral trade with the US that had been organised in 1992 but actually never worked too much having had just four meetings up to 2002. The perception prevailing in left-wing media like *Brecha* was that the government was ready to change the policy towards Mercosur following the example of Chile, and thus changing the status of Uruguay from full member of the regional bloc to associate member.<sup>8</sup> Militants and leaders of Frente Amplio noticed as a sign of a change in the views over Latin America the cancellation of a presidential visit to Bolivia to attend the inauguration of Evo Morales. This gesture was interpreted as sign of taking distances from the “populist axis” led by Venezuela.

A declaration of the Socialist Party on the 13<sup>th</sup> of January 2005 confirmed the line of policy defined in the Government programme, backed the conduct of foreign relations by Minister Gargano and reasserted the policy of regional integration as the milestone of the strategy of the government international relations. It also defended the position adopted by Mercosur in the global negotiation to combat trade barriers affecting food exports.<sup>9</sup> On the 25<sup>th</sup> of March, the Plenario Nacional, the highest level of decision in the FA issued a document on

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<sup>7</sup> Both the Minister Gargano and the President probably meant the decision N° 3200 of the *Consejo del Mercado Común* (CMC), an organism of Mercosur, and not the Treaty of Asunción. I owe this observation to Roberto Porzecanski, PhD Candidate at The Fletcher School, Tufts University.

<sup>8</sup> “Un no con posibilidades de sí” *Brecha*, Jan. 22nd. 2006, p. 9.

<sup>9</sup> In [www.ps.org.uy](http://www.ps.org.uy)

the policy of international insertion. During his stay in Caracas, the president was adamant in stating that no bilateral free trade agreement was on the agenda of Uruguay.

From a different perspective, the daily *La República*, close to the Minister of Economy, discussed the dilemma in the editorial of the 22<sup>nd</sup> of January in the following terms: trade is a question of interest, not ideology. A free trade agreement could be a solution for some productive sectors and a treaty of free trade would not affect sovereignty.

The Minister for Industry, Mining and Energy Jorge Lepra was a staunch defender of the project of bilateral treaty and a consistent ally of Minister Astori. Without a background in leftist militancy (he allegedly did not vote for the Frente Amplio) and a long career in Texaco, his curriculum vitae was for a long time on the homepage of the US embassy. Some days after the interview in *Búsqueda* he publicly supported the initiative of his colleague of Economy and Finances: in an interview with Radio Sarandí, he argued that the US was the most important client of Uruguayan exports. He admitted that it was necessary to consult the partners in Mercosur but said that Uruguay should exert its right to trade with all the countries in the world. Some observers interpreted the exposure of Lepra to the media as an attempt to position himself as Minister of Foreign Relations, particularly when rumours of resignation of Gargano spread. Lepra played a crucial role in establishing links between politicians and businessmen.

Lepra was highly critical of Mercosur in his public declarations and a defender of increasing relations with the US. He insisted on the fact that the US has displaced Mercosur as the main market for Uruguayan exports: in three years trade with the US rose from 7% to 26%.<sup>10</sup> The agreement with Mexico had brought about an enormous increase in Uruguayan exports and it would be plausible a similar effect from a free trade agreement with the US. Lepra alluded to the President as fully identified with the initiative. In the first weeks of March 2006, Lepra had a series of meetings in Washington and Miami. He participated in a session of the Council of the Americas: there he explained that Tabaré Vázquez wanted to strengthen commercial relations with the US. He also had meetings with Secretary of Trade Gutiérrez and undersecretary for the affairs of the Western Hemisphere Walter Bastian in the company of the Uruguayan ambassador in Washington Carlos Gianelli. Lepra presided the first meeting of the Bilateral Commission for trade in April 3 and 4, 2006 in Washington together with Everett Eissenstat of the US Trade Department. Senior members of the ministries of Agriculture and Foreign Relations attended the meeting too. In Lepra's opinion, the treaty for the protection of investments had paved the way for a bilateral treaty of trade.

The great expectation behind the alternative of the free trade agreement was the access to the US market. The main difficulty resided in service trade, intellectual property rights and state purchases. Chambers supporting the free trade agreement were led by the Rural Association –a lobby assembling the most powerful landowners –the Chamber of Commerce, the Chamber of Industry<sup>11</sup> and the Mercantile Chamber of Products of the

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<sup>10</sup> *La Juventud*, May 17th 1006, p. 8

<sup>11</sup> Cámara de Industrias del Uruguay, *Análisis de los Eventuales Impactos para la Industria Derivados de la Firma de un TLC con Estados Unidos*, in [www.ciu.com.uy](http://www.ciu.com.uy)

Country.<sup>12</sup> Pressing for time grew: the expiration of the trade promotion authority (the *fast track*) in July 12, 2007 created great excitement among the defenders of the agreement. The media were strongly receptive to the matter: broadcasters in Sarandí and Espectador, writers at El Observador daily insisted on the need to accelerate the decision-making process.

In May, Tabaré Vazquez visited Washington to meet George W. Bush. He had previously met Condoleezza Rice in Santiago de Chile in March on the occasion of the inauguration of Michelle Bachelet. Vázquez presented a paper at the Council of the Americas. David Rockefeller praised Tabaré Vázquez for his leadership in extricating his country out of economic decay. Rice also congratulated Vázquez and declared that free trade was key to combat poverty and inequality. In his turn, Vázquez announced the desire of his government to perfect the rules on commerce in the same way used with investments, along the lines of the treaty approved in December 2005. He described the problems of Mercosur but said that the intention was to solve them and added that the conflict with Argentina was part of the problem. Vázquez made clear that the Uruguayan engagement with Mercosur did not exclude bilateral relations with other countries. Vázquez explained that the interest of Uruguay was to improve the access to the US market for meat, textiles, milk and software. He also took the occasion to criticise authoritarianism and protectionism.<sup>13</sup>

On the 4<sup>th</sup> of May the meeting with George W. Bush took place. Vázquez announced his determination to explore different ways to increase commercial relations with the US: an appendix to the treaty of investments, a last generation agreement or an arrangement at the World Trade Organisation. He told Bush that Mercosur in its present state was not good for small countries. A plan to prepare the meeting in October was set.

In the press conference that followed the presidential meeting Tabaré Vázquez informed that he had told Bush that Uruguay would not abandon Mercosur but would insist on its right to work to diversify its foreign markets. He announced that the Ambassador in Washington Mr Gianelli would head the Uruguayan staff responsible for preparing the meeting of October. The president admitted that a free trade agreement was an option and mentioned as a precedent the treaty concluded with Mexico. As to the deadline of the fast track, Vázquez declared that if the bilateral trade was the choice, it would be necessary to accelerate the political timing. Finally, Vázquez had an interview with the Voice of the Americas before leaving for Montevideo. He insisted on his argument about Mercosur and that a free trade agreement was an alternative among others.

The results of the presidential meetings in Washington produced different reactions in Uruguay. Senator Couriel, a critic of the Minister for Economy and Finances, elaborated an interpretation of Vázquez's declarations concluding that he had not spoken of negotiating a free trade agreement. He argued that the treaty of 1991 did not allow Uruguay to enter into such an agreement. US subsidies were the main obstacle to free trade with Uruguay and the list of 300 products that would require special authorization from the US Congress in any

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<sup>12</sup> Brecha. *Detrás de los Números*, May 5th, 2006, p. V.

<sup>13</sup> Full text in [www.presidencia.gub.uy](http://www.presidencia.gub.uy)

eventual trade negotiation included all the exports Uruguay wished to sell to the US.<sup>14</sup> But this analysis was not enough to dispel the consternation of militants who saw their political project at risk. Lack of communication between members of government and the governing coalition did not help.

The Minister for Foreign Relations persisted in denying any negotiation for a trade agreement with the US but maintained his argument that the focus in Uruguay-US relations was to increase the access for Uruguayan exports in the US market, either by broadening quotas or reducing non-tariff barriers. He declared that if the intention of the government was to leave Mercosur there should be a debate inside the regional bloc. In case the decision was to abandon the policy of integration he would resign. He pointed to the leaders of the opposition, former presidents Julio María Sanguinetti and Luis Alberto Lacalle who had criticised Gargano for having blocked the project for a free trade agreement, that during their respective administrations no effort had been made neither to negotiate the much desired Free Trade Agreement nor to increase Uruguayan exports as the Frente Amplio government had done since March 2005.<sup>15</sup>

By that time, the role of the media was crucial in spreading rumours about the imminent departure of Uruguay from Mercosur. *La República* traced a declaration from the former leader of Frente Amplio General Liber Seregni who had said, at a seminar organised in 2002 by the Centre for Strategic Studies 1815, that the policy of integration did not mean a closed bloc but a basis to include all Latin American countries and be able to negotiate with the US and Europe. And this goal did not exclude bilateral agreements.<sup>16</sup>

The editorial of *El Observador* of 26<sup>th</sup> August 2006 illustrated this trend of opinion: an agreement of free trade is not only a political but also a technical issue. It pointed to Gargano as the head of the opposition and said that the President had already made his election. The editorial said that the advantages for Uruguay were clear: access to the biggest market in the planet. It also recognised some problems: US requirements in intellectual property rights exceeded those of the World Trade Organisation; US asked for the same treatment for national firms and US firms. The writer also accepted that the pharmaceutical industry would be the loser.

*La República*<sup>17</sup> informed that the staff heading the “delicate strategy” in US-Uruguay trade relations knew exactly that a Free Trade Agreement was the goal. The editor of the Economy section, Jorge Jauri, assessed the different scenarios and found that the principal risks could arise from regional obstacles and opposition inside the governing coalition. He concluded that authoritarianism was inevitable in this kind of negotiation, possibly meaning no consultation with, and even no information on the details to, Frente Amplio.

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<sup>14</sup> “Couriel: Bush y Vázquez no hablaron de TLC”, *La Juventud*, May 7, 2005, p. 10.

<sup>15</sup> “Gargano: si se negocia un TLC con los Estados Unidos ‘dejo de ser Canciller””, *La República*, May 0, 2006, p.3.

<sup>16</sup> *La República*, May 9, 2006, p. 3.

<sup>17</sup> “Los espesos problemas de la convergencia hacia el TLC”, *La República*, May 16th, 2006, p. 11.

At the Frente Amplio, from February to August there were distressing debates in the grassroots organisations as well as in the top committees of the coalition. The subject was transferred to the Plenario Nacional that considered the case in various meetings before issuing a statement clearly excluding the project of bilateral treaty of trade.<sup>18</sup>

The Mesa Política in the usual meeting of Mondays considered on the 8<sup>th</sup> of May the results of Vázquez's visit to the US. The president of the coalition, Jorge Brovetto informed that the government desired that international agreements were not the object of ideological debate. Clearly opposing the free trade agreement were the Communist Party and the Movement 26<sup>th</sup> March. Brovetto informed that the government would take care not to interfere with Uruguayan membership of Mercosur. The coalition decided to promote a debate on Brovetto's report. At the Senate, Senator Baraibar, a member of the political group led by Astori and president of the senatorial committee on foreign affairs, explained that the US would advance in the negotiation as much as Uruguay wished, and the government would avoid risking the position of Uruguay in Mercosur.

Senator Enrique Rubio, leader of Vertiente Artiguista, another group in the governing coalition, took a different path. He declared that the regional bloc was the only way for a balanced negotiation with international actors. He quoted a report by Carlos Abin in 2004 stating that the international insertion of the progressive government should obey some principles: reality to recognise the world as it is, sovereignty, non intervention, self determination and integration understood as the legacy from Artigas. Rubio concluded that the best course of action was to preserve the integrity of Mercosur while developing multiple bilateralism. The best possible result in relation to the US would be to expand quotas and improve conditions for the access to the US market.<sup>19</sup>

In August 9<sup>th</sup> a conference on "Uruguay in the Global Economy" was convened by the Council of the Americas and the Uruguay-US Chamber of Commerce. The presenters included the President, the Ministers Astori, Lepora and Gargano, Everett Eissenstat for the US department of Trade and various representatives of the private sector (Standard and Poors, Microsoft and US firms established in Uruguay). Also the former ambassador of Chile in Washington and negotiator of the free trade agreement of his country with the US was invited. Outstanding politicians were in the audience among whom the leaders of the opposition former presidents Julio María Sanguinetti and Luis Alberto Lacalle, Senator Jorge Larrañaga, diplomats and businessmen.

The inaugural speech by the president of the Uruguay-US chamber of commerce directly addressed the point of the free trade agreement and urged the government to carry out negotiations to achieve what he described as a "stupendous highway for commerce, investment and services". Then was the turn of the President. He invited all the political parties to help solve the question of international insertion because it was a matter of national interest and not a question involving only the governing party. Globalisation is irreversible, the president said, and it is ambivalent about the results: it offers opportunities

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<sup>18</sup> Frente Amplio, *Análisis político en el marco de Uruguay integrado al Mundo. Documento aprobado or el Plenario Nacional del Frente Amplio el 15 de julio de 2006.*

<sup>19</sup> *La República*, May 9, 2006. Last page.

and risks at the same time. The policy of trade could not be designed separately from the general policy of development with social justice. Commercial relations should not be examined from an ideological standpoint. From this framework, Uruguay was considering the policy of regional integration and international insertion. Vázquez highlighted Uruguayan involvement with Mercosur but said the results of the regional bloc for Uruguay had been unsatisfactory. He stated his government's determination to work to redouble efforts to revert Mercosur decay but in the meantime, Uruguay should work to improve the access to other markets for national exports. For him there was no contradiction between staying in Mercosur and promoting international insertion. It would be an irresponsible attitude to neglect the prospects for better insertion in the world. The fact that the US was the main market for Uruguay meant that there was a way to follow by and the government was decided to go ahead with pragmatism so far as it would be possible. The president defined trade agreements as just tools, whatever the acronym they had. He ended by an appeal to History as the definitive judgement on the results of the conference: the final sentence of his speech was the starting point of a controversy that followed for a time. He said that the "train of History" passes only once. History does not go back, does not stop and does not repeat itself.

Danilo Astori developed the subject of Mercosur difficulties and argued that there was no contradiction between regional integration and international insertion. A commercial opening by means of a bilateral agreement with a country outside the bloc would reduce the asymmetries within it. The Minister said that Mercosur had been inefficient in easing the access to the global market; it had an unbalanced distribution of costs and benefits and had not advanced towards coordination of macroeconomic policies. Asymmetries among state members had grown instead of diminishing. Considering the project for a free trade agreement he explained that the ratification of the treaty for the protection of investments had prepared the ground because investments generally was an issue in any trade agreement. Astori explained the audience the argument that Uruguay would present to his partners in Mercosur: Mercosur's failure to achieve the goals of the 1991 treaty, namely coordination of macroeconomic policies, access to markets and end of discrimination against small countries. Diplomatic representatives of Mercosur countries were thus duly informed of the strategy of the Minister.

Lepra seconded Astori and dedicated his speech to emphasise the importance of a free trade agreement for Uruguay and the exceptionally favourable circumstances of the moment. He repeated several times that there would not be a second opportunity. He declared that all the industrialists were for the agreement because they expected improving conditions of trade with the US. He considered that industry was vulnerable to uncertainties regarding the rate of exchange, a problem he saw particularly acute in Mercosur. Access to the US market would help increase quality and technological innovation. He concurred with the president in the uniqueness of the moment saying that it was a "historic" opportunity. Not to seize such an opportunity would be irresponsible he repeated along his speech.<sup>20</sup>

Adding to the railway metaphors, the president of the US firm Sabre said that "the train" was now in Uruguay and everybody should get in.

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<sup>20</sup> "“No habrá dos oportunidades” advirtió Lepra” *La República*, August 10, 2005, p. 4.



The lonely voice of Gargano dissented from that chorus. He argued that free trade meant neither subsidies nor trade barriers and as long as they persisted it would be a fiction to present any prospect of agreement under the rubric of free trade without solving first the problems of subsidies and barriers to free trade. He strongly insisted on the compromise to respect the programme approved by the citizens in the general elections. The best way to improve commercial relations with the US was an agreement in the World Trade Organisation abolishing barriers discriminating against developing countries. Uruguay should protect the most vulnerable productive sectors. After his intervention and at a meeting with the press, Gargano explained that he was against a free trade agreement similar to that negotiated between the US and Peru because it contained stipulations on intellectual property rights that contradicted Uruguayan interest in developing technological innovation. Gargano said that the work before the meeting in October would be framed by the recognition of the asymmetries existing between the two economies and guided by the principle of equity. A son of a worker in the national railways, he too clung to the metaphor but warned against the risk of being crushed by the train and added that he would rather get in a train with a definite destination. He prophetically announced there would be no free trade agreement.

The political parties in the opposition welcomed the new approach of the government to US-Uruguay relations. Former president Sanguinetti declared that Tabaré Vázquez had buried an old prejudice. Sergio Abreu, former minister for foreign relations in the government of the National Party (1990-1995) joined the president in warning that “the train of History passes only once”. Senator Larrañaga, president of the National Party, pointed that the president’s speech confirmed that a free trade agreement with the US was indeed on the agenda.

All the opposition leaders sharply criticised Gargano’s declaration. Several political actors raised their voices to ask for his removal. Abreu and Larrañaga considered that such a difference of views inside the government would weaken the bargaining power of Uruguay. The president of the Independent Party said that Gargano dedicated his speech to present an inventory of obstacles undermining the project for free trade. On the contrary, Astori and Lepra were universally applauded from the ranks of the opposition.

The president of the Chamber of Commerce, Julio Lacarte Muró, a veteran in trade negotiations since the 1940s characterised the presidential speech as a very positive presentation clearly putting forward the goals and the plans to achieve them. He believed that a free trade agreement would not affect Uruguayan industry but would induce new forms of production.

The media concurred in full support for the treaty with the US: articles inserted in *Busqueda*, *El Observador*, *El País*, interviews in Radio Sarandí, *El Espectador* expressed the same opinion shared with the leftist paper *La República*. Only the weekly *Brecha* presented critical views on the matter: from January to September it published articles highlighting the negative effects of the change in foreign policy and interviews with the opponents to the agreement.

Inside the Frente Amplio, the MPP (the movement for popular participation, a group led by former guerrilla leaders of the National Liberation Movement “Tupamaros”) defined the position about the treaty in a conference in June 4 and 5.<sup>21</sup> Leaders of this group let know their position earlier. One of them, under-secretary at the Ministry of Agriculture Ernesto Agazzi declared that MPP was for strengthening Mercosur and participating in the negotiations at the Doha Round together with the G-20, which Uruguay had joined on the 1<sup>st</sup> of March 2005. Uruguay should side with the developing countries. Agazzi explained that the experience of trade of rice was not encouraging about the US intentions. He was to sue the US for damages and unlawful competition in the case of rice exports to Brazil.<sup>22</sup>

“Compromiso Frenteamplista” a group inside the coalition was against the bilateral agreement as well. They considered that there was an explicit resolution of the Frente Amplio Conference in 2003 against ALCA and the trade agreements framed in that scheme.<sup>23</sup>

At the Frente Amplio, grassroots organizations started plans for mobilisation. Debates in committees and organisms of coordination produced documents and declarations. A call for an extraordinary conference to confirm the guidelines of foreign policy set in the government programme gathered increasing support. The militancy perceived that the coalition leadership was hesitating and perhaps afraid of contradicting the president. Militants of Partido Comunista, Partido Socialista and MPP covered the walls of Montevideo with graffiti against the treaty with the US.

Gargano was very active in the attack on the project for a free trade agreement delivering lectures and attending press interviews. He consistently argued that to conclude such an agreement would lead to a rupture of Uruguay from Mercosur. In a paper he presented at a meeting of ADM (a forum of business and marketing) on the 25<sup>th</sup> of May he maintained that the fact that the US had become the main market for Uruguayan meat was due to a temporary favourable juncture caused by the suspension of Canadian exports due to the BCG disease. He stated that to leave Mercosur was contrary to the history of Frente Amplio. The integration of Uruguay in the regional bloc provided the country with a basis for negotiating in better conditions than acting alone. To negotiate a commercial agreement with a country outside Mercosur required the authorisation of the bloc. Gargano confessed he was ready to conclude a treaty with the US provided that quotas and subsidies were abolished and the authorization from Mercosur was conceded. Leaving Mercosur would be a disaster for Uruguay: the consequences would be the loss of a market representing 23% of Uruguayan exports paying 0 tariff. In case of leaving Mercosur they would pay tariffs up to 40%. That was the problem.<sup>24</sup>

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<sup>21</sup> “MPP discute estrategia política a seguir en el futuro y busca consensos internos”, *La República*, May 23, 2006, p. 5.

<sup>22</sup> “Agazzi: ‘nosotros apostamos al fortalecimiento del Mercosur’” *La Juventud*, Jan. 11, 2006, p.6.

<sup>23</sup> *La República*, 18 August, 2006.

<sup>24</sup> “Un plan de emergencia al año nos cuestan las exportaciones a USA”, *La Juventud*, May 27, 2006, pp. 6-7. See also the interview “Gargano: no amagamos, hicimos”, *En Perspectiva*, [www.espectador.com](http://www.espectador.com), June 26, 2006.

José Manuel Quijano, director of the COMISEC (a special commission on Mercosur inside the department of planning –OPP), led the intellectual work to confront the free trade agreement project. Two documents presented the results of the analysis, research and prospective.<sup>25</sup> The press echoed this position. Quijano summarised the argument in both documents for Brecha explaining the effects of the project of treaty on services, intellectual property rights and state purchases.<sup>26</sup> He presented a critical view on the agreement concluded between the US and Peru, the model chosen for Uruguay.

Quijano anticipated negative perspectives for Uruguay because of bad timing, negative effects on the relations between Uruguay and its neighbours since a bilateral trade agreement was not compatible with Mercosur; there would be no substantive advantages but negative effects on the future economic development: particularly small firms would be affected. As the Doha Round had not yet ended it was not good idea to start bilateral trade negotiations because Uruguay could probably be in position of making excessive concessions and thus reducing the bargaining power for the future. Finally, the regulations on intellectual property rights usually included in US trade negotiations could have negative consequences for Uruguayan projects of technological innovation: they would “threaten national innovation”.

Differences between Ministers provided a political opportunity that the opposition leaders would not miss. They promoted a joint hearing to question both Astori and Gargano on the goals and content of foreign policy. The session was due for the 22<sup>nd</sup> August. Senator Larrañaga would lead the questioning.

To avoid further noise, the President had ordered his ministers to keep silent on the free trade agreement project taking up he himself the role of the sole speaker on the matter. The National Party leader ridiculed this decision saying that it amounted to a coup d’État. But Parliament could speak and therefore the opposition chose this arena to challenge the government. Several leaders voiced calls for the dismissal of the minister for foreign relations. Gargano received the support from various groups inside the Frente Amplio and from his Socialist Party.

Frente Amplio designed the strategy to deal with the double hearing at the Senate: a meeting of members of Parliament, the two ministers and the president of the coalition took place. Twenty-four hours before the session the President invited all the political leaders at a meeting to explain the policy of trade.<sup>27</sup> Majority of Frente Amplio in both houses of Parliament deprived the opposition of any chance of success.

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<sup>25</sup> *Enseñanzas del MERCOSUR y preocupaciones en relación a la negociación de un tratado de libre comercio con Estados Unidos*, by Gabriel Papa and José Manuel Quijano with the collaboration of Rodrigo Arocena and Gabriel Valente. *Aspectos de la inserción internacional del Uruguay. Análisis y reflexiones*. By José Manuel Quijano with the collaboration of Rodrigo Arocena, Eleazar Deleón, Joaquín Etchevers, Liliana Paglianno, Gabriel Papa and Gabriel Valente.

<sup>26</sup> “Cosas que es bueno saber sobre un TLC”, *Brecha*, August 4th, 2006. Interview with *En perspectiva*, Tuesday 15<sup>th</sup> August 2006. “Quijano: ‘El TLC es perjudicial para los sectores de punta en Uruguay’”, in *Rumbos.ur*, August 31, 2006, pp. 12-13.

<sup>27</sup> “Frente Amplio acordó estrategia ante interpelación,” *La República*, 18 August, 2006.

### The resistance of civil society

The student union of the national university (FEUU) had an extraordinary conference on the 20<sup>th</sup> of May 2006. The question of the bilateral treaty with the US was on the agenda and the students discussed the connections between that project and the strategy to create a free trade area of the Americas, which had been rejected at the summit in Mar del Plata in December 2005. The final declaration confirmed the position against US imperialism and condemned the policy aimed at dividing Latin America. It stated that the projected treaty of trade would seriously affect the economic sovereignty of Uruguay and would disrupt the unity in Mercosur, would make impossible the programme of development with social justice and Latin American integration. They referred to Artigas's project of union and independence.<sup>28</sup>

The labour movement also rejected the free trade treaty and declared itself in a state of alert. In a communiqué addressed to public opinion, the PIT-CNT ratified Mercosur as the best strategy for international insertion in the medium and long run. They said that the construction of a regional bloc with an agenda for negotiating plans for investment in the productive sector, infrastructure and access to foreign markets was crucial to revert conditions of dependence. They also considered Mercosur as a geopolitical strategy in a world system organised in blocs. Belonging to a regional bloc would make possible for Uruguay to negotiate from a better position, particularly in multilateral institutions. The labour movement said that the idea of Latin American union was an aspiration of the 19<sup>th</sup> century leaders but it was frustrated by the hegemonic powers of the time. They declared that the labour movement rejected bilateral treaties of trade as complementary strategies of the free trade area for the Americas project. They pointed that US policy of trade with Latin American countries had already caused the dissolution of the once solid Andean bloc and manifested their disagreement with the decision of the Uruguayan government to choose the free trade agreement option. They urged the government to adopt a clear definition of the strategy in foreign policy and to create an instance for dialogue and debate on that question. They announced that they would contact members of the ministry of foreign relations and the presidency to obtain information on the evolution of that question.<sup>29</sup>

The Cuesta-Duarte Institute, the think tank of the PIT-CNT presented a draft of report on the subject of the projected treaty with the US.<sup>30</sup> This document considered the reasons invoked in favour of that agreement and stated that the fact that the US was the main client of Uruguay in the last two years was not enough to justify the decision. The writers pointed out that Uruguayan exports to the US were primary goods while exports to Mercosur were mainly goods with value added. They thought that before entering into any negotiation Uruguay should decide which was the national strategy for international insertion and assess whether the free trade agreement was consistent with the goals in economic policy. They dissented from the argument that presented the project of treaty as compatible with

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<sup>28</sup> "FEUU rechaza firma de TLC con EEUU", *La Juventud*, May 23rd, 2006, p. 2.

<sup>29</sup> "El PIT-CNT rechaza el TLC y sus variantes", *La Juventud*, May 10, 2006, p. 10.

<sup>30</sup> *Informe del Instituto Cuesta Duarte sobre TLC*, (June 4th, 2006) in [www.comisionporlasoberania.org/files/Informe%20del%20Instituto%20Cuesta%20Duarte%20sobre%20TLC.pdf](http://www.comisionporlasoberania.org/files/Informe%20del%20Instituto%20Cuesta%20Duarte%20sobre%20TLC.pdf)

Mercosur because there was a fundamental contradiction between the bilateral project and the common trade policy of the bloc and its common tariff system. The case of the treaty with Mexico was not a valid precedent because the other partners in Mercosur were interested in negotiating a similar agreement with Mexico. The document also dismissed the argument on failure of Mercosur showing that it was the principal market for manufactured goods. Finally, the analysis of the projected agreement should go farther than economic considerations: the report concluded that Uruguay was too small to justify the strategy of the US only in trade reasons or access to the Uruguayan market. The report concluded that the main reason behind the initiative was to break Mercosur unity.

On the 10<sup>th</sup> August, a day after the president delivered his momentous speech, in the evening and despite the rain, a demonstration in a central square in Montevideo –Plaza Cagancha –took place. The convenors were PIT-CNT, FEUU, FUCVAM (the Federation of cooperatives of house building by means of mutual aid) and the organisation of pensionists together with representatives of the Communist Party, Socialist Party and the Party for the Victory of the People. The central point of this activity was the reading of a declaration against the projected free trade agreement. It read that Uruguay was under the threat of an imperial plan aimed at imposing the influence of the US on Latin America. The declaration said that Uruguay had been targeted in order to annihilate the process of Latin American integration: after the defeat of ALCA the new strategy of the US government was the negotiation of bilateral free trade agreements and the choice of Uruguay was due to one strategic reason, to destroy Mercosur.<sup>31</sup>

Moreover, the declaration remembered that the Plenario Nacional, the highest level of decision in Frente Amplio, had recently approved almost unanimously a resolution rejecting the proposal of a bilateral treaty with the US because it was contrary to the goals proclaimed in the programme of government of development of the productive sectors. The leaders attending the meeting declared that they had not heard the president speech when interviewed by journalists. The socialist leader Chifflet praised the position adopted by the Minister for Foreign Relations as clear and consistent with the ideals of the heroes of independence.<sup>32</sup>

The national entrepreneurs most affected in case the agreement was finally concluded were involved in the chemical industry, especially in the production of plastics and pharmaceuticals. The president of the Association of the Plastic Industry declared that to abandon Mercosur would be a disaster for their sector because it heavily depended from the neighbouring countries as clients of their products and suppliers of raw materials needed in the industrial process. The president of the Association of medium size and small companies was much worried because the projects of joint venture with companies in Brazil and Argentina would be at risk particularly in the sectors of software and wood processing. Another matter of concern for the association was the policy of government purchases included in all the agreements already negotiated with the US because they would surely be left out of competition by US firms. Finally the Association of

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<sup>31</sup> Comisión Nacional en defensa de la soberanía, *Lanzamiento de la campaña contra un TLC con los Estados Unidos*. September 9, 2006.

<sup>32</sup> “Protesta contra ‘proyecto imperial’ de EEUU”, *La República*, August 10, 2006, p. 7.

Pharmaceutical Industry members were deeply concerned about the intellectual property provisions usually included in US trade negotiations and already included in the treaties with Central America and Peru.<sup>33</sup> A document produced by the association of laboratories said that the agreements of free trade already negotiated by the US left no margin for manoeuvre for the governments to carry out policies of health and limited the opportunities for the national industry of pharmaceuticals and agrochemicals.<sup>34</sup>

By the time the debate on the scenario for pharmaceuticals was going on, a resolution approved by the assembly of the World Health Organisation in June provided the opponents of the free trade agreement of new arguments: the organisation declared that health and medicines were issues of the highest priority and urged the governments of the 192 state members to work in support of research aimed at the production of drugs in response to the needs of vulnerable populations and developing countries. The Assembly decided to examine the question of intellectual property rights from the perspective of access to health for all. The terms relative to medicines included in the treaties negotiated by the US had been a subject of debate during the World Health Organisation assembly.

The Uruguayan Chamber of Software saw no advantages in an eventual free trade agreement: in fact, they estimated that they would sell less because Uruguay was not yet well positioned as a supplier of services and competition with US firms was not possible because of regulations on visas.<sup>35</sup>

The Universidad de la República became a forum for debates on the new policy the government appeared to be carrying out. Particularly at the Institute of Economics there was a great variety of arguments. Economist Gabriela Mordecki considered that the free trade agreement would prolong the traditional model of production based in the rural economy. Regional integration had been crucial for increasing manufactures exports. Gustavo Bittencourt, of the same Institute, considered that the intellectual property provision was the most dangerous aspect in the agreement as well as the liberalization in the market of services, telecommunication, and energy. The Society for the advancement of science and technology (SUPCYT) called the attention to the attachments usually included in free trade negotiations with the US. The institute of research Clemente Estable manifested their concern with the intellectual property rights in the context of the asymmetries between Uruguay and the US.

On the 22<sup>nd</sup> of September, a group of outstanding scholars, independent intellectuals and journalists issued a declaration manifesting deep concern about the consequences for Uruguay of a bilateral trade agreement with the US. Their intention was to contribute to a better decision-making process. The text started by stating that foreign policy should be predictable and consistent and its implementation must be carried out with transparency but in the case of the ongoing negotiations on a question so relevant for Uruguayan future, it had been dealt with contradictions and diverging signs in the official discourse. The writers

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<sup>33</sup> “Los mercados y el modelo productivo.Cuál inserción, para qué país”, *Brecha. Detrás de los Números*, August 4, 2006, p.II.

<sup>34</sup> “Poco margen de maniobra”, *Rumbos.ur*, August 31, p. 8.

<sup>35</sup> *Rumbos.ur*, August 31st, 2006, p. 9.

said that the government seemed to head towards a free trade agreement without adequate information and a systematic analysis of the implications of the measure it was about to take. The Uruguayan society had not received any convincing explanation of such a radical change in the international insertion strategy defended during the presidential campaign of 2004 and ratified at the summit of December 2005 in Mar del Plata. Moreover, an agreement of free trade was not only about trade as it also involved questions of the utmost importance for the US like intellectual property rights, services, competition, labour and environment regulations, but it excluded issues vital for Uruguay such as US subsidies on agriculture. A free trade agreement could affect the design of the economic policy and change the goals set in the government planning. A matter of particular concern was the problem of the pharmaceutical industry and the effect that the agreement would have on the cost of medicines for the people. The final paragraph said that Uruguay was at a crossroads and its future would depend on the course of action to be taken.<sup>36</sup>

The debate showed a complex balance between ideological, strategic and pragmatic arguments. Latin Americanism and the ideal of a Latin American union as it was first conceived in the aftermath of Independence, the legacy of Latin American thinkers like Martí, Mariátegui, Vivián Trías and anti-imperialism were combined with geopolitical analysis on the position of Uruguay in South America and the strategic reasons for remaining as a member of Mercosur, the new approach to development as a process resulting from knowledge and research, and a more pragmatic approach that pointed at the economic benefits for productive sectors directly connected with the market of Mercosur countries. These ideas were present in different degrees in the resistant position.

### The decision

On the 28<sup>th</sup> of September, at a press conference after a meeting with seven ministers, the president announced the decision over the course of action of the government regarding the commercial relations with the United States. In fact it was a statement of foreign policy. He started by pointing out that as the goal of his government was to improve those relations, the first step had been to explore different ways and two commissions were working in that direction: the bilateral commission and a committee made up of representatives of several ministries.<sup>37</sup> By the end of the previous week, on the 22<sup>nd</sup> of September, the Uruguayan government had received a proposal from the US Department of Trade to negotiate before the deadline of the trade promotion authority in 2007 an agreement similar to the treaty recently concluded with Peru. The president explained that he had declined the offer for two reasons: first, there was no possibility for negotiation as there was only one option, the so-called “formato Perú” which amounted to an imposition, and second, the timing before the expiration of the *fast track* was too short to make possible a thorough analysis of the content and implications of the trade agreement. He added that he informed the US government that the Uruguayan government was ready to explore other ways and that the Department of Trade in their communication of Monday 25<sup>th</sup> proposed to enter into a Trade and Investment Framework Agreement. Vázquez informed that it involved the creation of a

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<sup>36</sup> *Ante la eventual firma de un Tratado de Libre Comercio con los Estados Unidos*, September 22nd, 2006.

<sup>37</sup> This state body was the CIACEX, Comisión Interministerial en Asuntos de Comercio Exterior.

special binational commission to examine the access of some Uruguayan products in the US market. The US had treaties of this kind with Cambodia and certain African countries.

This decision was communicated at a time when relations with the neighbouring countries were in difficulties and after the Ministry of Foreign Relations of Brazil had let know their position on the bilateral free trade agreement as contrary to the treaty of Asunción. Well-informed observers assign a great importance to the influence of such a powerful partner as Brazil. Indeed the president answered at his press conference that the TIFA was not contradictory with the Mercosur tariff and quoted the opinion of Celso Amorim. But this section concentrates only in internal factors and the role played by the Brazilian diplomacy deserves a research that exceeds the purpose of this paper.

The opposition reacted with anger at this presidential announcement. The change from the Perú model to the format of Africa and Cambodia appeared a downgrading status for many, even to the leftist *La Juventud*.<sup>38</sup> *El País*, a passionate advocate of strengthening relations with the US, dedicated the issues of the 29<sup>th</sup> and 30<sup>th</sup> of September to examine the decision-making process that had led the president to abandon the idea of a bilateral agreement, under a general headline evoking “Vázquez’s railways”. The paper attributed the decision to the president alone and explained that the main goal had been to comply with the radical wing inside the governing coalition in an attempt to stop growing opposition to the idea of a free trade agreement. Drawing on “confidential sources” the paper said that the president had consulted only two persons, the ambassador in Washington and his private secretary Dr Gonzalo Fernandez.<sup>39</sup> According to this analysis, the winner had been Gargano and the radical Left, particularly the alliance of “Marxist political parties” –an old obsession of the paper –together with the hardliners inside the Movimiento de Participación Popular (MPP). *El País* believed –quoting well-informed sources – that the start of mobilisation by the whole structure of Frente Amplio had been taken into account by the president in his analysis of the political situation to adopt a position that secured governance. Additional factors leading to the presidential decision were, according to *El País*, the mobilisation of the labour movement and the incoming internal elections in Frente Amplio. The president had carefully considered the campaign against the treaty by the Communist Party and the Socialist Party, the fact that delegates of grassroots organisations –the Comités de Base – had succeeded in obtaining in two successive national plenums of Frente Amplio resolutions clearly opposing a free trade agreement and the almost complete isolation of the group headed by Danilo Astori inside the coalition.<sup>40</sup> A few days before the presidential decision the Vertiente Artiguista made public the position against the project of agreement and Senator Baraibar at a press interview sharply criticised the Perú-US treaty.<sup>41</sup>

In fact at the press conference the president replied to a journalist who was inquiring on the political reasons behind the decision that he thought there had been too much debate over

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<sup>38</sup> “Gobierno resolvió rechazar el “modelo peruano” y firmar un acuerdo de tipo “africano” o “camboyano””, *La Juventud*, September 29th, 2006, p. 7.

<sup>39</sup> “El tren de Vázquez”, *El País*, September 29th, pp. 11-12, and September 30th, pp. 8-9.

<sup>40</sup> “Línea dura primó en el gobierno para inclinar opción de Vázquez”, *El País*, September 30th, 2006, p. 8.

<sup>41</sup> “Vertiente Artiguista: Un TLC no sería lo más conveniente”, *En Perspectiva*, [www.espectador.com](http://www.espectador.com) September 25, 2006. “Baráibar: si la base es el TLC con Perú, no habrá fast track”, *En Perspectiva*, September 26, 2006.



scenarios without sound information on what could really happen. He recalled that his declarations always pointed out that the government would go “as far as possible” without “ideological barriers” but did not seem to perceive that this elliptical language did not help to convince people except for those used to religious faith.

At the Partido Nacional former president Luis Alberto Lacalle expressed the strongest criticisms: he declared that the government had not been serious about the commercial relations with the US and regretted that Uruguay had missed a “historic opportunity”. In his opinion, the government lacked vision and was myopic about Mercosur. His minister for foreign relations and responsible for the negotiations of the treaty of 1991, Sergio Abreu was more cautious: he considered that the decision amounted to a step leading to a free trade agreement. However, he thought that the TIFA was not relevant because it was not a forum for negotiations. He concurred with the opposition leaders in that the decision should be understood as a means to avoid a crisis inside the coalition in power. Senator Larrañaga said that the president lacked audacity and chose the most timid and easiest solution.

In the Partido Colorado the reactions were stronger. The former minister for Economy and Finances Isaac Alfie expressed devastating criticisms. Although he accepted that TIFA could be a previous measure for a future treaty of free trade he considered that at the moment it represented “almost nothing” and lamented that Uruguay had “missed the train”. He added that the bargaining position of Uruguay within Mercosur had been seriously damaged because of the repeated declarations of Danilo Astori criticising the bloc, even to the extent of letting know his opinions at the summits he attended in capacity of member of the Uruguayan government. Former president Jorge Batlle went farther and said that the winners had been Lula, Kirchner and Chavez.

The Chambers of Industry and Commerce, the Rural Association and the Union of Exporters manifested their surprise and disappointment. The Chamber of Industry expressed their frustration in strong declarations.<sup>42</sup>

Leaders of the Partido Comunista, Partido Socialista and Vertiente Artiguista manifested their accord with the line of policy chosen by the president. The Communist senator Eduardo Lorier said that the debates carried out by the civil society and the mobilisation of popular organisations had played an essential role in the decision made by the president. The Socialist representative Roberto Conde characterised the resolution as an intellectual triumph of Frente Amplio. Senator Enrique Rubio, leader of Vertiente Artiguista, highlighted that the position of the president was entirely consistent with the foreign policy towards the Latin American region. On the other side, representatives of Asamblea Uruguay like Carlos Varela and Enrique Pintado, in an attempt to minimise the defeat, declared that the decision of the president only confirmed the trust they had always had in the president’s ability to have a vision on the future of Uruguay<sup>43</sup>. Pintado attributed Astori’s belligerency against Mercosur to special tactics for negotiation particularly with

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<sup>42</sup> “Industriales molestos se reunirán con el gobierno”, *El País*, September 30th, 2006, p. 9.

<sup>43</sup> “El Presidente logró descomprimir resistencia interna del oficialismo”, *El País*, September 29th, 2006, p. 12.

Brazil.<sup>44</sup> But the radical left understood the decision as a tactical move in order to prepare for a new advancement towards the free trade agreement.

The Labour movement issued a declaration that celebrated the announcement made by the president. They considered that the decision had been positive and well meditated. Some leaders felt that their position had been heard by the president but invited the militants to remain vigilant of the new process that would start with the meetings for the trade and investments framework agreement.

### Concluding remarks

From January to September 2006 the policy for the international insertion of Uruguay was at the centre of an intense political debate. The dilemma ended with a decision that confirmed the programme of government. The analysis of the process leading to that decision demonstrates the strength and intellectual potentialities of the Uruguayan civil society, particularly its capacity to elaborate convincing arguments and articulate joint action.

However, this analysis is not complete: many confidential sources are not yet available and any conclusion is preliminary. To establish to what extent the resistance of civil society was the main factor explaining the decision on the free trade agreement with the US requires a programme of research on the relations of Uruguay with the Mercosur countries, particularly with Brazil, and on the bilateral relations between Brazil and the US. These dimensions were beyond the scope of this paper but will surely attract the attention of social sciences researchers.

Comparisons between Uruguay and other Latin American countries would cast light on the general subject of Latin American attitudes towards the economic relations between Latin America and the US. Costa Rica had a plebiscite before the Congress met to ratify the US-Central America free trade agreement. Uruguay, a country with a well-established tradition of referendums and plebiscites, this time solved the question otherwise.

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<sup>44</sup> Lecture by Pintado at a Comité de Base in Peñarol, October 2006.

*Interpreting Property Rights from Below: The case of the Procede Program, Mexico*

Kirsten Appendini, El Colegio de México, Mexico

Since economic liberalization in the mid-eighties, Mexico has followed neoliberal policy prescriptions by international development agencies, mainly IMF and the World Bank, and increasingly aimed at integrating the Mexican economy with USA –and Canada, which succeeded formally with the signing of NAFTA in 1994. Unlike other Latin American countries, Mexico has not revised this position. As for rural Mexico, fifteen years of NAFTA and profound legislative and policy reforms aimed at restructuring agriculture on arguments of international competitiveness and attracting investment in high value crops (fruits and vegetables, mainly for exports), has had mixed results.<sup>1</sup>

One of the major reforms towards the countryside was the 1992 reform of the Constitutional Article 27 which rules property rights over land and natural resources and water within the nation. This reform aimed at transforming the agrarian structure and the rights of the peasantry to land -which was institutionalized in Article 27 as a result of the Mexican Revolution and ruled land distribution from 1917 to 1992. The aim of reforming rural property rights was to lift the individual property restrictions on land distributed under agrarian reform and hence incorporate half of Mexico's rural land into the private land market. This was to enable a restructuring of rural property in favor of economically viable farming units, give incentives to investment and productivity, hence reactivating agricultural growth, international competitiveness, and thus, enhance the rural economy.

Reforming agrarian law meant a major impact on the Mexican peasantry, including indigenous population. For over seventy years, land distribution had been at the core of agrarian policy and though the agrarian discourse had weakened by the 1980's, the demand of peasants to land was still vibrant in some regions, such as the Chiapas EZL revolt reminded the country –and the world- on the same day NAFTA was enforced the 1<sup>st</sup> of January, 1994.

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<sup>1</sup> There is a vast literature on the agricultural impact of liberalization and policy reform (Appendini, 2001; Romero and Puyana, 2008).

Property rights theory proposes that secure property rights will enhance investment and productivity in agriculture, and underline privatization as the most efficient tenure; hence this position was on the early agenda of international development agencies. Emphasis on privatization was later revised by the World Bank as in many parts of the world, collective property proved to be a viable institutional setting in specific contexts (Balland and Platteau, 1996; Deininger and Binswanger, 1999; Deininger and Feder, 2002; Ostrom, 1998, 1999; Platteau, 2000; Hvalkof, *et.al.*, 2007).

Common property over land and other natural resource thus became an important issue in the property rights debate and in development policy issues. On the ground, this also linked to the discussion of indigenous rights and the role of local institutions in managing common resources.

In the current debate, secure property rights under different tenure regimes (private, collective) is a key issue, while the orthodox assumption formerly argued for in favor of private property, persists. Land regularization programs that define and certify property rights are expected to promote:

- The development of a land market: with efficient allocation of land and natural resource,
- access to credit, as titling can be used as credit collateral,
- enhance investment, productivity and agricultural growth
- enhance the income and welfare of rural families

This paper addresses the impact of a land certification program *Procede* (Programa de Certificación de Derechos Ejidale y Titulación de Solares) carried out as part of the 1992 agrarian reforms in Mexico.<sup>2</sup> It will focus on indigenous population and common lands<sup>3</sup> as a response to the interest of international agenda on indigenous rights and the issue of recognizing collective rights on the lands of indigenous communities (OIT, 1989).<sup>4</sup> The discussion of the Mexico case, differs from other Latin American

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<sup>2</sup> The reforms were part of the structural reforms for the agricultural sector as part of neoliberal policies.

<sup>3</sup> We refer to land where indigenous population predominate and not to 'las tierras de los grupos de población indígena' as used in other Latin American countries, due to the particular agrarian history in Mexico.

<sup>4</sup> This paper is based on the Document *Estudio de Gabinete sobre los impactos del programa Procede en ejidos y comunidades con población indiegena en México* by Kirsten Appendini in collaboration with Gabriela Torres, written for NORDECO/IDB.

Countries because of the particular agrarian history and the integration policy of indigenous population, hence until recently there was no special status for indigenous population, with the exception of Oaxaca.<sup>5</sup>

The paper is based on secondary data and literature review. A difficulty in analyzing the impact of reforms and secure property rights on land where indigenous population predominate is due to the fact that data at the national level is not presented by ethnicity. The information presented is based approximations of statistical data available and on the review of case studies.

### *1992 agrarian reform and indigenous population*

Rural property regimes in Mexico are of three categories: private property, ejido property and property held by comunidades. The two later are often referred to as social property. Table 1 shows the distribution of property in Mexico and underlines the importance of social property.

The 1992 reform of agrarian legislation (Article 27) declared an end to land distribution and gave more flexible and broader property rights to *ejidatarios*. The ejido assembly was invested with autonomy and no longer dependent on federal authorities in everyday governance of the ejido. The assembly by voting can now decide on changing the internal regulations about land. That is, to allow ejidatarios to sell or lease individual plots, and other land transfers, and as for the ejido as a whole, to change the use of common lands (*tierras de uso común*), associated with outside capital. All of these transfers and association with third parties were prohibited under former legislation. In the case of comunidades, the law is more restrictive because individual plots are not titled to the *comunero*.

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<sup>5</sup> In the majority of the Oaxaca municipios, authorities are elected according to local customs (usos y costumbres). The electoral rights of the pueblos indígenas de Oaxaca were recognized by local law (Renovación de Ayuntamientos en Municipios que Electoralmente se Rigen por Normas de Derecho Consuetudinario”). In 1998 the law on Ley de Derechos de los Pueblos y Comunidades Indígenas de Oaxaca” was enforced. <http://www.eumed.net/libros/2005/rgj-coi/1j.htm>

**Table 1. Mexico. Agrarian structure, 2005**

<b>Tipo de Propiedad</b>	<b>Núcleos Agrarios</b>	<b>Sujetos con derecho agrario/Propietario</b>	<b>Superficie (miles de hectáreas)</b>	<b>% Superficie</b>
Ejidos*	27,469	3,236,234	84,569	42.9
Con población indígena	5,562	Nd	13,801	(7.0)
Comunidades*	2,157	608,367	16,858	8.7
Con población indígena	1,268	Nd	8,823	(4.5)
Colonias grícolas y ganaderas	650	62,346	3,848	1.9
Propiedades privada	0	1,606,573	73,216	37.2
Terrenos Nacionales	0	144,000	7,200	3.6
Otros**	0	35,313	11,116	5.7
<b>Total</b>	<b>30,748</b>		<b>196,718</b>	<b>100.0</b>

\* Incluye únicamente superficie entregada por la ejecución de resoluciones presidenciales.

\*\* Incluye cuerpos de agua, zonas federales, parques nacionales, reservas ecológicas, urbanos, baldíos y otros.

Fuente: Registro Agrario Nacional, 2005; Para datos sobre población indígena: Robles y Concheiro, 2004: cuadro 3:29

The main difference between ejidos and comunidades is that the comunidad keeps its total areas, with plots and common lands as a collective unity. Plots are not allowed to be sold or leased nor transferred by inheritance. But as far as common lands, the comunero assembly may also decide the use and association for exploiting common lands.

Most important of all, in both ejidos and comunidades, the assembly can decide whether to change property regime, that is an ejido can opt to become private property with complete property rights for each member, a comunidad may decide to change to the ejido regime, which thus opens the way to private lands held under social property regimes.

It is important to underline that the 1992 reforms of agrarian law was carried out in a broader context of constitutional reforms that affected indigenous people. In 1991 Congress had ratified the ILO convention on *pueblos indígenas y tribales* and in 1992, introduced reforms to constitutional Article 4 in which the Mexican state recognizes that «*La nación mexicana tiene una composición pluricultural*» stating that «*la ley protegerá y promoverá el desarrollo de sus lenguas, culturas, usos, costumbres recursos y formas específicas de organizaciones social...*» (Constitución Política, 1996:22).

However this has only given a symbolic recognition to ethnic diversity of the country. There has been no further regulations related, and indigenous people as such, have no formal representation at federal level (Recondo 2002 :181). Also, there is no relation of Article 4 with the reforms of Article 27 except for a phrase saying « *la ley protegerá la integridad de las tierras de los grupos indígenas* » (Fraction VII). Overall, according to indigenous organizations, there is a contradiction between this article which recognizes the rights of indigenous people and the reforms of article 27 which allows for the privatization of land, part of the indigenous identity. As for the comunidades, agrarian law makes little specific mention of this specific form of tenure: referring in chapter V in general the same legal dispositions applicable to the ejidos will apply to the comunidades, unless being contradictory with the same chapter.

Following legislative reform, the next task in order to implement secure property rights was to certify the present rights of ejidos and comuneros in land under social tenure. In the seventy years of land distribution there was no national registration of land rights nor land cadastre, except for the ejido census (every 10 years) and often land transactions -by inheritance or cession of rights within ejidos or comunidades- were not updated.<sup>6</sup> The PROCEDE program (Programa de Certificación de Derechos Ejidales y Titulación de Solares) was established in 1993 (sponsored by the World Bank) in order to regularize property rights in social tenure. PROCEDE established the boundaries of the ejidos and comunidades, and within the communities, the boundaries and use of land such as individual plots, lands for common usage (tierras de uso común) such as grazing lands, forests, and others, land destined for the residential nucleus and other collective 'urban' use. The program also confirmed the legal title as ejidatario or comunero as well as the legal status of other adult members of the community such as *posesionarios* and *avecindados* (see box 1) and in case of dispute mediated or channeled disputes to the official institutions responsible for attending agrarian conflicts.<sup>7</sup>

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<sup>6</sup> The Secretaria de Reforma Agraria controlled the legal and organizational matters of ejidos and comunidades. Each ejido and comunidad in the country has a file in the Secretaria with the documents attaining to land distribution, rights and other matters of organization. But this information was not aggregated in a national data base, until 1993 when the Registro Agrario Nacional was established as part of the new institutional setting within the reforms.

<sup>7</sup> La Procuraduría Agraria and Tribunales Agrarios.

Ejidos and comunidades entered the program on a voluntary basis from 1993 to November 2006, at the close of the program 95% of ejidos and comunidades had been certified and 4.5 million peasants benefited.

**Recuadro 1. Formas de propiedad rural en México**

*Propiedad privada o pequeña propiedad rural.* Derechos de propiedad de dominio pleno. La pequeña propiedad es limitada en su extensión por la Ley Agraria.<sup>1</sup>

*Ejidos.* Son los núcleos agrarios que se constituyen a partir de la Ley Agraria de 1915 que se eleva a rango constitucional en el Artículo 27 de la Constitución en 1917. La forma de acceso a la tierra, agua y bosques es mediante la ‘dotación’, ampliación y creación de nuevos centros de población ejidal.

*Comunidades.* Son los núcleos agrarios que conservaron sus tierras o en que las tierras fueron restituidas por la Ley Agraria. Tienen su origen en las tierras otorgados por la Corona española a los pueblos indígenas.

*Sujetos agrarios del sector social:*

*Ejidatarios.* Hombres y mujeres titulares de derechos ejidales (art.12 Ley Agraria). Para ser ejidatario o ejidataria se requiere ser de nacionalidad mexicana, mayor de edad y campesino.

*Comunero.* Aquellos hombres y mujeres que han decidido organizarse en régimen de comunidad (Art. 98 Ley Agraria). El derecho de membresía es por nacimiento. Se otorga la membresía a la mayoría de edad y cuando se cumple con las obligaciones de un comunero establecidos por la comunidad. En este sentido las comunidades tienen una mayor autonomía que los ejidos.

*Poseionario.* Son las personas que viven en el ejido pero no tienen derechos ejidales. La asamblea puede reconocer y legalizar sus derechos a un lote para la vivienda y dado el caso, de una parcela de cultivo, pero no tienen voz ni voto en la asamblea.

*Avecindado.* Mexicanos mayores de edad que no poseen tierra y que han residido por un año o más en el núcleo de población ejidal y han sido reconocidos por la asamblea ejidal o el tribunal agrario (art. 13 Ley Agraria)

Fuente: Procuraduría Agraria, 1993.

Within social property in Mexico, there are two forms of access to land: individual plots for farming and collective (land held collectively). Comunidades is collective property and in the case of farming plots these may be assigned by the comunidad assembly but rights are not titled individually to the comunero. Within ejidos and comunidades lands assigned for other than farming use, are common lands (tierras de uso común) for which all ejidos and comuneros have access such as grazing lands, forests, and others. These lands are collectively managed and the local assembly set the rules of access.

Indigenous populations are often associated with common or collective lands, however in Mexico this is not straightforward. Though the origin of comunidades traces back to colonial times when the Crown of Spain gave lands to the Indians under common



tenure system, these lands underwent complex changes from independence on. With agrarian reform after the 1910 Revolution, many indigenous groups were not able to prove their rights to the lands they held in the *Colonia*, and were given land as ejidos.<sup>8</sup> In time, demographic and social factors blurred the different ethnic origins in many regions, as indigenous groups mixed with *mestizos* and integrated into the peasant population. This was also part of the integration policy under postrevolutionary nationalism. This in part explains why in Mexico tenure status and ethnicity do not necessarily correspond. This is only the case of Oaxaca. For example, in Chiapas were a high part of the population is indigenous, most communities are ejidos.

In order to relate tenure and ethnicity based on oficial data, it is necessary to clarify that in México, indigenous population is defined by language and self identification (see box 2).

***Recuadro 2. Población indígena en México***

Los censos oficiales definen como indígena a aquella persona que habla una de las lenguas indígenas que existen en México. Un estudio de CONAPO con el PNUD (2002) agregó al criterio de hablante de lengua indígena, la auto identificación de las personas se definen como perteneciente a un grupo étnico.

*De ahí que en México haya:*

7 millones de personas que hablan una lengua indígena

12.7 millones de personas que hablan una lengua indígena o aunque no hablan una lengua indígena se identifican como pertenecientes a un grupo étnico

Fuente: Procuraduría Agraria, 2002

En México there are 6,830 agrarian communities (ejidos and comunidades) with indigenous population which accounts for 23% of the total. At present, 81% de agrarian communities with indigenous population are ejidos and 18.6% are comunidades. However, within comunidades, indigenous population account for 52.3% of the acreage as compared to 16.3% of ejido land and 7.4% of land under private property tenure (Robles y Concheiro, 2004:29). The importance of indigenous population on comunidades land explains why ethnic groups are important in regions with forest

<sup>8</sup> During the 19<sup>th</sup> century, indigenous communities were disposed of their communal lands under liberal laws. Many people became peones on the hacienda and so entire pueblos disappeared. In order to have land by restitution of communal lands, the original legal title (Colonial) is required. As a result, many indigenous groups were given land under ejido tenure. This was a faster process, especially at the peak of land distribution in the 1930's. However the legal status of ejido, meant a loss of autonomy as the relationship of the ejido with the state was interlocked with the institutionalization of the peasantry under the PRI regimes (Torres-Mazuera, 2008).

resources, -50% of agrarian communities regions with rainforests are predominantly indigenous in other forest regions, 29% of communities are indigenous (Robles y Concheiro, 2004; CONAPO/PNUD, Robles, 2000).

Poverty and marginalization describe most of the indigenous communities. 86% of these populations live in municipios defined by official poverty indexes as highly marginalized, this is the case in the status of Oaxaca, Chiapas y Guerrero (Rello y Saavedra, 2007) and 59 % of the municipios with indigenous population are net expulsors of labor due to lack of opportunities (Gálvez, 2005).

***Box 3. Indigenous population and land***

- About 9% of Mexico’s population is indigenous
  - 19.9% of ejidos are indigenous
  - 58.6% of comunidades are indigenous
  - 16.3% of total ejido acreage are in indigenous ejidos
  - 52% of total comunidades acreage are indigenous
  - 7.4% of private property is in hands of indigenous populations
  - 54% of agrarian communities on rainforest lands are indigenous
  - 28% of agrarian communities with forest resources are indigenous
- Source: Robles y Concheiro, 2004

*Lands for common use (tierras de uso común)*

I will now turn to the other category of land held collectively within ejidos and comunidades, in order to relate ethnicity with the management of common resources. In ejidos and comunidades, lands destined for common use are lands which have not been plotted out and assigned individually to ejidatarios and comuneros. These lands are usually not suitable for farming, and are mainly for grazing, forests, deposits of gravel and other construction materials, mining resources or destined for tourism, such as beaches. Common lands are also a reserve of land and in time much has been incorporated into farming due to population growth and land scarcity.

According to the 2007 ejido census tierras de uso común account for 65.4 % in ejidos and comunidades; in 2003, they represented 73%.

***Cuadro 2. Importancia relativa de las tierras de uso común, 2003***

<i>Tenencia</i>	<i>% de tierras uso común y parceladas</i>	<i>% de tierras sólo en uso común</i>	<i>% de tierras sólo parceladas</i>

<i>Comunidades</i>	45.6	41.3	13
<i>Ejidos</i>	62.2	7.3	29.9

*Fuente: Procuraduría Agraria, Dirección General de Estudios y Publicaciones, 2003.*

This shows that common land is relatively more important in communities where indigenous population predominates. The following data confirms this:

According to a survey done by CONAPO/PNUD in 481 municipios with indigenous population:

- 53% of indigenous communities have grazing lands
- 75% have forest lands
- 7% have rainforest lands

Also:

- Four out of five communities with rainforests are indigenous
- 75% of forest lands are located within indigenous communities

In sum:

- ✓ Indigenous populations hold land under ejido, comunidad and private tenure,
- ✓ Land is held both as individual plots as in common (*uso común*),
- ✓ Agrarian communities with indigenous population allocate a larger percent of land to *tierras de uso común*, as compared to ejidos,
- ✓ *tierras de uso común* exploited collectively are forests, rainforests, minerals and construction materials,
- ✓ Forests and rainforest resources are concentrated en communities with indigenous population

#### *PROCEDE: A land regularization program*

As mentioned above, Procede was a land regularization program with the objective of establishing secure property rights to ejidos and comunidades, as well as the individual rights of its members, providing title of ejido rights and list of comuneros.

Land regulation turned out to be long and complex process. There were usually backlogs in registration of members, transfers by inheritance –and disputes among family members- changes in the use of common lands, etc. as well as dispute on boundaries between ejidos, comunidades and private property. In comunidades, norms based on customs (*usos y costumbres*) were to be respected which at times contravened the law, as mentioned above.

At the end of the program, as shown, most of ejido land but much less of comunidades land had been certified. In fact, only 25 % of the area in comunidades had been certified compared to 71.2% in ejidales (Table 3).

**Cuadro 3. Resultados de Procede**

Regimen de propiedad	Total	Núcleos certificados	% certificado	Superficie total (millones)	Superficie certificada (millones)	% certificada	Beneficiarios
Total	<b>30305*</b>	28,749	94.9	105.1	66.5	63.3	4,526,036
Ejidotes	<b>27786*</b>	27,001	97.2	86.9	61.9	71.2	4,011,367
Comunidades	<b>2519*</b>	1748	69.4	18.1	4.6	25.3	514,669

\* Datos VIII Censo Ejidal 2001

Fuente: VIII Censo Ejidal 2001, INEGI, 2003, y CD Estadísticas Agrarias 2007, Procuraduría Agraria.

#### *PROCEDE in the comunidades*

I now turn to the results of Procede in the comunidades in order to approximate its effects on indigenous populations. As already mentioned, this does not cover all the groups (the largest percentage is in ejidos) but because indigenous populations predominate within comunidades, and because there is no cross statistical data neither provided by the census or Procede results, specifically related to ethnicity, this is an entry point to the subject of our analysis.

Procede began its program in comunidades in 1998, after several years of experience with ejidos. The tasks were limited to measuring the boundaries of the comunidad and to establish the list of people recognized by the community as comunero with the associated rights (padrón de comuneros).<sup>9</sup>

Procede often had difficulty in entering the comunidades and convincing local authorities and other members of accepting the Program. This may be due to the long history of conflicts in the past and present memory of comunidades, which sometimes goes back to colonial times and to conflicts of land restitution in postrevolutionary days.

<sup>9</sup> This is the list of people who are entitled to be members of the comunidad 'comuneros', the right to be a member or comunero is established according to the norms of each comunidad, for example being adult and having complied to the rights and obligations established, such as occupying an administrative or religious cargo. In some cases women are excluded to membership. Rights are such as access to a plot of farming land, access to common lands and resources and obligations are to participate in the assembly, and in collective works, comply with social, political and religious obligations and with the established rules of the comunidad.

The explanations vary according to regions and comunidades, to the ethnic composition and to the agrarian and economic history in each region. There is however no agreement in literature as to relate conflict with the presence of indigenous population. Some scholars deny this, showing how Procede has advanced in some indigenous regions and not in others: A study by Conapo/PNUD (2004), comprehending 481 municipios with predominantly indigenous population underline the difficulty to implement Procede. In 2004 34% of indigenous agrarian communities had rejected Procede and had not been certified, whether comunidades or ejidos. Other authors state that the little interest in Procede in communities can be explained on account of comuneros are more inclined to defend collective tenure, are not interested in promoting individual rights that may threaten the individual control over plots (Ramírez, (2001).

Oaxaca, Chiapas y Guerrero, which comprehend high percentages of indigenous population show very different data for PROCEDE. In Oaxaca ejidos 53.2% of land has been certified, as well as 50.3% in Chiapas and 57.3 in Guerrero. In the case of comunidades the data is 12.5% in Oaxaca, 36.1% in Chiapas and 26.3% in Guerrero. The low success of the Program in comunidades is evident.<sup>10</sup>

I will now comment on the changes and importance of tierras de uso común in communities with indigenous population, and the effects of Procede. As above, this is an approximation because of the lack of aggregate data on tenure and ethnicity.

As already mentioned, the resources on common lands (tierras de uso comun) are pasture, the forests, construction materials and minerals. Forest resources are the most important as an economically potential resource and from an environmental perspective.

According to the above mentioned study by Robles y Concheiro (2004) no substantial differences were found between communities with indigenous population and others, as far as the use and access to tierras de uso común.

One of the main outcomes of Procede has been on land distribution, not through a newly created land market, as expected by property rights theory and policy designers, but by twisting the implementation of Procede at the local level according to the needs and demands of peasant population. As a result, rather than land transfers such as sales

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<sup>10</sup> INEGI, Censo ejidal 2001 and Procuraduría Agraria, 2007.

and leasing of land associated with a ‘modern’ economy, people used *Procede* to reassign land use and distribute land within the communities.

According to 2007 ejido census data, only 4.4% of social property had been converted to private property, and 7.0% of certified social property is reported as privatized by the 2007 ejido census (INEGI, 2008). However, the 2007 data shows that in states with indigenous populations, the percentage of land transferred to private property (*dominio pleno*) is much higher than the national average. One hypothesis is that in the cases of Chiapas, Guerrero and Oaxaca where certification is low, the process was more targeted to commercial lands, as may also be the case in Quintana Roo and Yucatán where lands have been destined for tourism. Surveys and case studies, confirm that leasing of land shows to have been more important, particularly in regions of commercial agriculture. (Janvry de, *et.al.*, 1997; Procuraduría Agraria, 1998). The 2007 ejido census only offers preliminary broad results which refer to the incidence of land transaction by communities: 66% of ejidos and comunidades report land transaction within their communities, only 28% report transactions with agents not belonging to the community, with low percentages in states with indigenous populations.

Cuadro 4. PROCEDE en Estados con Predominancia de Población Indígena

Entidad Federativa	% Población HLI	Superficie total (miles de ha)	Superficie Certificada (miles de ha)	% Superficie Certificada/Total	Superficie dominio pleno (miles de ha)	% Dominio Pleno/sup certificada
Oaxaca	35.3	8621	1676	19.4	401	23.9
Yucatán	33.5	2,311	1497	64.8	298	19.9
Chiapas	26.1	4,442	1758	39.6	249	14.2
Quintana Roo	19.3	2,886	1980	68.6	403	20.3
Hidalgo	15.5	1,068	706	66.1	22	3.1
Guerrero	14.2	5,003	2354	47.1	279	11.8
<b>Total Estados con predominancia indígena</b>		<b>24,331</b>	<b>9,971</b>	<b>41.0</b>	<b>1652.0</b>	<b>16.5</b>
<b>Total Nacional</b>	<b>670.00%</b>	<b>105,949</b>	<b>66,464</b>	<b>62.7</b>	<b>4658.0</b>	<b>7.0</b>

Fuente: Información RAN 2005 y 2007. Para Superficie en Dominio Pleno datos de INEGI, Censo Agropecuario 2007

Let us now turn to the changes that have taken place in land use and the fragmentation of agricultural plots.

First, in spite of the decreasing importance of agriculture in the Mexican economy and the fall in employment during the reform period and aftermath, the number of people with agrarian rights in ejidos and communities has increased. According to the 2007 ejido census there are now 5.6 million people with rights to land: 4.2 million ejidatarios and comuneros and 1.4 million posesionarios, of these 4.5 million have access to a plot of individual land.<sup>11</sup>

The area occupied by ejidos and comunidades increased by 2.6 million hectares from from 1991 to 2007 (2.6%) and the overall tenure structure of rural property has not changed, social property accounts for 51.8 % of land property in Mexico ( as compared to 49.7% according to the 1970 agricultural census).

It is important to underline that the category of posesionario was legalized by the 1992 reforms and refers to individuals who have right to a plot but not to the title of ejidatario o comunero.<sup>12</sup> This category comprehends by large, sons and to a less extend, daughters of ejidatarios and comuneros, they represent a group of peasants formerly excluded mainly because of land scarcity for distribution under former agrarian reform lands. As a consequence of the 1992 law, the restructuring of land tenure did not ‘modernize’ but gave way for furthering ‘peasant’ agrarian structure. This was more so in Central and Southern Mexico where subsistence agriculture predominates.

As a consequence land use was change and land was fragmented. Procede was the instrument to formally change the use of land. In the process of certification many ejido assemblies decided to incorporate part or all of the common lands into agricultural use and distribute it as individual plots, hence drawing marginal agricultural lands such as those used for grazing into cropping.<sup>13</sup>

Between 1991 and 2007 there was a 21 % increase in the acreage of land divided into individual plots. At the same time the decrease in common lands between 1991 and 2007 was 6.8%. This was at the expense on grazing lands.

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<sup>11</sup> There are another million *avecindados* that have no access to productive land, but live in the residential areas of communities and are entitled to a plot for housing.

<sup>12</sup> That is the property rights of a posesionario are restricted as they only have right to a plot, but not to common lands nor to voting in the assembly.

<sup>13</sup> The law protects forest lands from agricultural activities and individual division. However in practice, this disposition may not be obeyed and case studies confirm cases of the communities to deforest in order to convert these lands to cropping, and even to oblige Procede officers to certify land usage and plot titles.

Census data also confirms the fragmentation of land, as average number of hectares in individual plots has decreased slightly and average access to common lands by individual has gone from 21 to 15. (see Table 5).

Cuadro 5. Superficie por destino en ejidos y comunidades 1991, 2001 y 2007.

	Ejidos y comunidades	Ejidatarios o comuneros*	Superficie total (HA)	Superficie parcelada (HA)	Sup. parcelada/sup Total	Sup. parcelada/sujeto	Sup.no parcelada de uso común (HA)**	Sup. no parcelada/Sup total	Sup. no parcelada/sujeto
<b>1991</b>									
Total	29,983	3,523,636	103,290,099	27,797,605	26.9	7.9	75,492,494	73.1	21.4
Ejidos	27,410	2,714,285	85,078,468	nd					
Comunidades	2,573	809,351	18,211,631	nd					
<b>2001</b>									
Total	30,305	3,873,054	105,052,370	34436975	32.8	8.90	70,329,037	66.9	18.1
Ejidos	27,786	2,824,989	86,906,402	nd					
Comunidades	2,519	1,048,065	18,145,968	nd					
<b>2007</b>									
Total	31,518	4,501,872	105,949,097	33,631,740	31.7	7.4	70,667,399	66.7	15.7

\* Para 1991, 2001 se refiere a número de ejidatarios y comuneros con parcela individual. En 2007 se agregan 1,109,699 poseionarios con parcela individual.

\*\*Incluye superficie no parcelada de uso colectivo y no parcelada de uso común

Fuente: INEGI, 1994, Censo ejidal 1991; INEGI, 2003, Censo ejidal, 2001; INEGI, Censo Ejidal 2007, resultados preliminares.

Unfortunately, as mentioned, data for indigenous ejidos and comunidades is not available, but there are no reasons that the trends should be any different. More so, land is part of the livelihoods and identity of indigenous populations, also as marginalized communities, opportunities for non-agricultural employment and migration are more difficult to access, and hence land as the basis of livelihood is vital. For example, a study focusing on the early effects of the agrarian reforms showed that ethnicity was associated with poverty, and that region, farm size, labor market and migration networks are inversely correlated with ethnicity (Janvry, de *et. al.*, 1997).

Case studies also confirm the fragmentation of land and change of land use. As *Procede* passed through ejidos and comunidades, officials legalized existing situations, as for example when ejidatarios already had fragmented land and assigned plots to their sons (daughters), or ejidatarios took the opportunity to fragment and legalize plots in the name of the future heirs. Hence *Procede* prompted the subdivision of land and the incorporation of common lands into marginalized subsistence activities.

In the regions with predominantly subsistence agriculture, the shift from common lands to agriculture and individual plots is due to demographic pressure and the continuing demand for land which is still the main resource for poor rural populations, but also due to the search for social justice –as was the now out-dated agrarian discourse



under distributive agrarian reform ((Appendini y De Luca, 2006; Concheiro y Diego, 2004; PA, 2003; Quesnel, 2003; Rivera, 2001; Velásquez, 2003).

But not all modifications of land usage and fragmentation of land within communities has been due to demand for land as a productive resource. Land and having a title has also given new meaning to land. Such as residential use and a resource to be negotiated as an inheritance. For example, in a indigenous Mazahua community in the Toluca Valley where I did fieldwork, many ejidatarios and their families were engaged in non-farm activities, living in a densely populated and well connected region with access to urban labor markets. In this community, as others in the region, a plot of land also has become important for building a house, especially for the younger generation. This has also facilitated women's access to land, as they are now contributing to the household income in non-farm activities and hence begin to reclaim equal rights as heirs *vis a vis* males. Land may also be used as an asset of negotiation, for example when elders assure their old-age care with the siblings who commit to this task (Appendini and De Luca, 2006; Larralde, 2008; Quesnel, 2003; Torres-Mazuera, 2008).

As for other economic effects of land regulation proponed by property rights theory and policy makers, there is little to be said. The scarce evidence produced by research underlines that Procede has not had an economic impact in the venue of access to credit, investment and hence productivity and economic growth and welfare for rural families.

The 1994-1997 World Bank (2001) study based on a survey, found a slight income effect among households in certified ejidos versus non certified, but this was associated with non-farm income and interpreted as an outcome of flexibility, allowing ejidatarios to sell or lease land and take advantage of better income opportunities (which is not obvious from the data on land transfers, mentioned above).

Access to credit, and important issue for property rights economists, since titles may be used as credit collateral, has not been released for ejido and comuneros. In fact, it is non-existent since the financial crisis of 1995, when many private farmers went into bankruptcy, private bank in agricultural credit has been banned for over a decade and only initiating again for private entrepreneurs. Whatever access to credit provided for the

ejidos and comunidades, it is through government program, mainly poverty alleviation programs and are not associated with property titles.<sup>14</sup>

Linked to capital resources is the allowance for ejidos and comunidades to enter into joint ventures with third parties, under the 1992 law. Ejidos and comunidades were to become partners with capital, as they provide the land, its resources and labor, and outsiders provide capital. But this seems not to have had much success either. The case of lands with forest resources allows for a more specific comment on the impacts of *Procede* on the collective management of such resources:

The impacts of secure property rights on collective resource management, such as forest and environmental reserves, is a question that poses indigenous populations as key actors. In Mexico, 80% of forest areas are located in ejidos and comunidades and 40% of lumber output is controlled by community organizations. In these areas, the effects of the 1992 reforms interact with the reform of the forestry law and regulations on environment and conservation, which means a more complex institutional framework. The 1992 agrarian law on one hand protected the rights of ejidatarios and comuneros over their lands, and prohibited the sale and the fragmentation of land and individual assignment in forest areas, but on the other it allowed for joint ventures with outside capital, also the rights to resources can be ceded for 30 years. This has in some cases lead to ambiguity in decision making and management within communities. Also, the fact that the right to land is under one law and the management of natural resources is under another (environmental) has led to conflict concerning rights that in practice are limited by environmental restrictions (Klooster, 1999; Muñoz, 2003; Taylor, 2005).

There are important examples of successful cases of collective forest management, especially in Oaxaca and Michoacán.<sup>15</sup> These projects underline the importance of attending to and respecting traditional uses of territory and the existing community organization. However, land regulation through *Procede* is not mentioned as a relevant variable to understand the development of forestry nor as a condition to access credit or technology (Bray, Merino-Pérez and Barry, 2005; Merino, 2001). The successful

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<sup>14</sup> Some of these programs when for productive purposes, may require membership in an association and as such linked to the status of ejidatario or comunero, but this is not different from pre-1992 access to government programs.

<sup>15</sup> Promoted by SEMANAT programs and financed by the World Bank.

forestry enterprise are attributed to the access to different development programs and the communities historical experience with productive organization, dating back to the 1980's regulations, when collective resources were handed over to communities. In other words, to social capital.

However without the support from specific government programs and financial help, there are strong incentives to change the use of forest land to agriculture and livestock, and assigned the land individually (Martínez and Braña, 2004). Though this is against agrarian law, there are documented cases showing that Procede has been obliged to legalize such changes when the local assembly has insisted this was the will of the community.

Research referring to the specific problems of indigenous populations in areas of collective resources, such as forests, has given much attention to the conflicts that emerge when property rights are unclear and overlap (for example, the case of the Reserva de la Biosfera de Montes Azules). Human rights abuse, violence and constant conflicts are of concern in general, a fact that explains why in some regions in which collective resources are important, such as Chiapas, Procede has not been accepted by communities'

As small scale agriculture devoted to food staples and other basic crops has declined for the past two decades, there has been little incentives for investment, hence demand for agricultural lands, especially in rainfed and marginal areas is not an issue for capital and investment and partly explains the lack of a developing land market that would link ejido lands to privatization and dynamic economic activities.

In the case of indigenous ejidos and comunidades there is good reason to assume that they share the strategies and effects of the Procede program, with the ejidatarios and comuneros in general. In sum, to have appropriated the program to gain access to land for them and their families as a resource for subsistence agriculture, as well as residence for the aging ejido and comunero populations as well as for their non-farm employed offspring, and to maintain their livelihoods and identity as rural and indigenous peoples. In this context, the right to land seems to remain well alive in peasant memory, even as we are entering the 21<sup>st</sup> century.

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## Tenure Security or social security

### PRIVATIZATION OF LAND AND INDIGENOUS COMMUNITIES IN LATIN AMERICA<sup>1</sup>:

Søren Hvalkof

## Abstract

This working paper summarizes the discussions and findings of a recent study of the impacts of contemporary land privatization processes and individual titling programs affecting indigenous communities in Latin America, with particular emphasis on indigenous economies and production systems. The study was informed by case studies from Peru, Bolivia and Honduras and Mexico, with the main focus on the indigenous peasant societies of the highlands, where individualization schemes apply. The neoliberal policies of the 1990s promoted market based legal and administrative reforms, with a strong emphasis on developing a dynamic land market that would eventually have an impact on indigenous communal land tenure systems, whether they were the direct target or not. From the present study it can be seen that there are significant contradictions between indigenous communal land arrangements and tenure systems, and the market-based land and agricultural policy reforms being promoted by the multilateral donor agencies. In the conventional economic development discourse land tenure security is considered a prerequisite for economic growth. The study shows, however, that in relation to indigenous communities the question of tenure security is much more complex and closely related to the security of social reproduction, safeguarding of communal control and of the communal decision-making authority. It shows that privatization and individualization of land tenure *per se* has not generated the expected results.

<sup>1</sup> This paper is also published as a DIIS Working Paper, 2008

# 1. Introduction

This paper summarizes the findings of a recent land tenure policy study carried out for the Inter-American Development Bank (IDB) of the impacts of land privatization processes and individual titling programs affecting indigenous communities in Latin America, with particular emphasis on indigenous economies and production systems.

The study “*Land Privatization, Titling, and Indigenous Communities in Latin America*,” was carried out between 2006 and 2007 by a team of three Danish consultants, Aage Jørgensen, Thomas Skielboe and the author (Hvalkof et. al. 2008), on the basis of three empirical country case studies in Bolivia, Peru, and Honduras respectively and a desk study of a the land reform process Mexico.<sup>2</sup> Each country had its own team of skilled Latin American consultants and scholars, elaborating a detailed country report of each case. (cf. annex 1) The main comparative study was submitted to the IDB in early December 2007, a presentation workshop was held in Washington, D.C. in July 2008 and revised version of the main report and the country studies finalized in September same year. It is the intention, however, that the study reports will be published by the IDB as an edited volume.

## 2. Historical context

A neo-liberal land reform paradigm emerged when the Washington Consensus still governed development policy during the late 1990s, before the Argentinean economy accelerated its descent (1999-2002) and eventual collapse, supporting a growing critique of the neo-liberal structural adjustment policies (cf. Birdsall and de la Torre 2001, de Ferranti and Ody 2006, de Soto 2000). In the pro-market discourse emerging, state-led agricultural and land reforms were seen as highly inefficient and counter-productive to economic development, and the great land reforms that took place in several Latin American countries in the 1950s, 60s and 70s were aggressively criticized for being coercive and expropriatory, distorting land price formation, being not demand but supply driven, making way for inefficient users or non-interested beneficiaries,

<sup>2</sup> The study was executed under contract with the IDB by the Danish consultancy company NORDECO. The author was “borrowed” from the Danish Institute for International Development, and worked as team leader and anchor person on the study. The study is a sequel to an earlier study: “Land Titling and Indigenous Peoples”, carried out by the Indigenous Peoples and Community Development Unit of the IDB’s Sustainable Development Department in 1999



being state-centralized, slowly implemented and undermining private investments and land markets... to name but a few common points in the pro-market criticism of state-led land reform processes. The neo-liberal answer to this was land privatization, individualization and allotment, allowing land markets to develop, claimed to foster more productive land use, better access to financial markets and credits, increased employment and thus improved living standards for the rural poor.<sup>3</sup>

Prompted by these ideas and promises, several of the countries in the region liberalized their indigenous collective land tenure arrangements, opening them to privatization and individualization, a process that had already started “spontaneously” as collective indigenous landholding were increasingly being put under pressure by a series of different processes. Furthermore, land tenure regularization models in the region had not seriously taken customary land tenure practices into account, which were merely seen as static systems, relicts of feudal regimes that were now standing in the way of modernization and liberal agricultural development. Historically, indigenous peoples have had to choose between two models: collective or private individual property. Indigenous customary laws establish a variety of land access and management rules that differ from region to region according to cultural tradition, adaptation to the ecological landscape and local historiography, and which do not easily correspond to planned blueprints for private or formalized collective land tenure models.

The liberalization of land tenure was followed up by the multilateral development banks supporting several large scale land privatization and cadastre programs, most noticeably in Peru and Mexico, some of which are still active. It is the empirical foundation of the mentioned neo-liberal suppositions in the context of indigenous communities our impact study wanted to challenge (Deininger and Binswanger 1999).

### 3. The study

As mentioned the study covers Bolivia, Peru, Honduras and Mexico, reviewing cases of land privatization and titling programs and assessing their impact on

i. credit access through the development of mortgage markets;

<sup>3</sup> The empirical basis of several of these criticisms has been questioned by several scholars and some have argued that the large state-driven land reforms of the first half of the 20<sup>th</sup> century were in fact quite efficient at redistributing property and reforming the agricultural sector, e.g. Saturnino M. Borrás 2005.

- ii. land markets; and
- iii. improvements in living standards.

Additionally, the study has identified the scope of social capital-related impacts on customary law, governance and food security, and specifically on;

- iv. cultural land-use management;
- v. access rights to natural resources;
- vi. inheritance rights;
- vii. women's access to land;
- viii. traditional production and exchange systems (traditional economy); and
- ix. communal control and decision-making processes.

It is beyond the scope of this working paper to discuss the selection criteria of the countries, the case studies and the methodology in any detail, but a few general traits merits attention: In the first place, it is important to look for cases and places where such individualization processes are relevant at all, and secondly, of course, where such processes have *de facto* taken place. This excludes the vast majority of tropical lowland indigenous communities in the Amazon and most tropical forest areas of South and Central America, including humid coastal zones. This can quite easily explained by the character of the tropical forest production systems (cf. Plant and Hvalkof 2001; and Hvalkof 2006), but we will have to skip that for now. In the tropical lowlands typically, the concept of the collective territorial rights of indigenous groups or communal tenure of larger areas has been applied, and to our knowledge no systematic attempt at privatizing or individualizing such communally titled areas has been made, although exceptions do exist.

One of the more aggressive of these is the recent attempt (2008) by the Peruvian President Alan García and his government by decree to issue a package of several legislations targeting indigenous communities, and particularly opening for privatization and colonization of titled indigenous community territories in the Amazon, and free access for extractivist enterprises. The implementation of these laws will have disastrous effect on tropical forest environments, indigenous production systems and not least lead to violent conflicts between community

members and encroaching settlers, land speculators and logging entrepreneurs.<sup>4</sup>

What can be seen in many tropical regions, particularly in colonization frontiers (often referred to as the “agricultural frontier”, which is a misnomer (cf. Hvalkof 2008)) is that aggressive colonization and titling programs targeting neighboring non-indigenous beneficiaries may also have a notable impact on the indigenous tenure system and governance.

The present study has thus primarily focused on the indigenous peasant societies of the Andean highlands of Bolivia and Peru, and indigenous peasant societies in Mexico. However, to exemplify the indirect impact of large non-indigenous development projects on neighboring indigenous communities, a case study from Garífuna communities in the coastal lowlands of Honduras was included.

- The case study from Peru was undertaken in five Quechua peasant communities in the District of Pucyura, Anta Province, which is situated in Cusco department.
- In Bolivia, the case study took place on the Altiplano, in seven Aymara peasant communities in the municipality of Sica Sica, in Aroma Province, department of La Paz.
- In Honduras, two case studies were undertaken: one in the Garífuna communities of Tornabé and San Juan, on the Atlantic coast, and the other in San Francisco de Opalaca, a Lenca municipality in the Western region of the country.

In Peru the survey included 216 households, in Bolivia 220 households, and in Honduras 58 households in the Lenca region<sup>5</sup>. In the case of Mexico, a desk study was produced on the basis of existing studies on the impact of the 1992 constitutional reform and the 1993 PROCEDE land reform program in Mexico. It was considered essential to compare the experiences from the present case studies with those from the Mexican *ejido* reform program, which has been one of the most thorough, targeting communal peasant communal landownership.

<sup>4</sup> The laws were passed as presidential decrees, (D.L. 1015 and D.L 1073) circumventing the normal democratic legislative procedures in the congress, using special powers given to the president in the context of free trade agreement negotiations with the U.S., as a pretext. This attack on communal landownership and control, led to widespread mobilizations and protest from indigenous organizations, NGOs and other civil society actors, and the decrees were rejected by broad majority vote in the congress, and act which President has refused to acknowledge, although he admits that applying such measures in the Amazon was an error as it originally was intended to target peasant Andean communities (sic.).

<sup>5</sup> During the field study, we found that it was not possible to undertake a household survey in the two Garífuna communities due to an ongoing conflict related to the IDB-supported tourism project.

In spite of many structural similarities, the empirical reality in all four areas is very different and there has never been any uniform, extensive privatization process of indigenous collective territories in the four countries. Only Mexico and Peru have recently carried out large-scale land reforms involving privatization of indigenous communal lands. In consequence, the aim of the study has not been to make a full quantifiable comparative study in the strictest “statistical” sense of the term, but rather to analyze, compare and discuss the findings from the four areas, and describe and illustrate indigenous experiences of both collective and individual land titling. While the cases reveal the complexity and diversity of experiences, they also point to common patterns and solutions. (Detailed descriptions can be found in the full IDB study report, Hvalkof et. al. 2008)

## 4. Findings and conclusions

### A. THE AMBIGUITY OF THE STATE

It is evident, both from the present country studies and from the complementary literature on indigenous tenure issues, that the indigenous peoples and communities and their organizations have a very ambiguous relationship with the State. Although the role of the State over time has changed, along with its policies, there is a deep-rooted mistrust of the State and its institutions, and an entrenched suspicion towards new policies and programs targeting the indigenous communities and, particularly, their land rights and tenure situation. This mistrust is of course based on notoriously bad experiences throughout modern history with the implementation of land policies in general. Either the policies aimed at dissolving communal tenure resulting in loss of territory and control or, when agrarian reform legislation was eventually supposed to benefit the indigenous peasantry, it was often not implemented, as in the case of Bolivia, or implemented at a pace that took decades, as in the case of Peru, or it ended up being privatized through different market-related maneuvers, or the legislation was so unclear and badly regulated that it left crucial questions of land administration and decision-making power open to venturesome interpretation, generating latent local conflicts as in the cases of Honduras and Mexico. There are innumerable versions of the same story of bad governance and hidden agendas, always with the result of the poor indigenous peoples being left carrying the can.

On the other hand, indigenous communities and organizations also have great expectations of the State and its institutions, anticipating that sound policies will eventually be developed in favor of the indigenous populations and extended to the indigenous poor to improve their situation.

The fact that the State does not seem to recognize indigenous peoples' special situations does not mean that the indigenous peoples do not recognize the State.

This ambiguity becomes crystal clear when indigenous communities and organizations appeal to national governments to safeguard indigenous rights and implement legislation and reforms that would improve their tenure security. In the absence of adequate state institutions and policy guidelines, indigenous communities have for many years had to rely on their own customary systems of governance and tenure regulations and, have in fact, very loyally attempted to adapt and modify their traditional customary systems to new legal structures introduced by governments often more concerned with legal pettifogging.

The indigenous communities and organizations have recognized that they need the State to guarantee their territorial and socio-cultural integrity, now constitutional rights in several "multi- or pluri-cultural" states. So, although indigenous communities and their organizations may seem to be in accord with neoliberal arguments regarding the inflated and incompetent bureaucracy and (cost) inefficient state obstructing the development of decentralized competitive markets, they are at the same time fierce defenders of strong State regulations and efficient control institutions safeguarding their rights and equal access to land and financial and productive resources and, as such, absolutely against de-regularizing the State and its instruments.

## **B. INDIVIDUAL VS. COLLECTIVE LAND TITLES**

The study unquestionably reveals that the problem of formalizing land tenure in indigenous communities is not a simple choice between collective vs. individual land rights. At least, not when it comes to the majority of peasant societies, whereas in the case of indigenous horticultural societies in tropical forest economies, allotment and individual titling is entirely contradictory to a sustainable indigenous production system (cf. Plant and Hvalkof 2001). For the very same reason the study concentrated on indigenous societies where individual allotment and privatization has been an ongoing process.

In all of the cases studied in the three countries, there were both communal titles and individual (family) allotment present in different forms simultaneously. The same is extensively documented in the Mexican country study too. In most of the communities studied there were *de facto* allotments to individual families inside the communal territories and, sometimes, even formalized individual titles as in Peru and, in others such as Bolivia, there were competing community models whereby some communities had only communal titles (but still distributed specific lots to specific families internally) while others had opted for allotting the entire communal territory, as

in the case of the *ex-haciendas* in Bolivia, although they still maintained the community as the governing and decision-making body.

It is quite clear that there is an interest among many community members in acquiring an individual land title, an extra tenure security, but it is equally obvious that they at the same time are acknowledging the communal title as legitimate and, not least, the community authorities as a lawful governing body at par with any State institution. Individual land titling is thus seen rather as a complement to already existing communal and customary tenure arrangements, and not necessarily as an alternative. The conventional economic discourse on how to alter a skewed rural development has as a premise that tenure security is the key to liberating the economic dynamic (Deininger 2003, Ellickson 1993) but, as we have seen in the study, it is definitely not the silver bullet that kills the monster of economic stagnation in rural areas.

All communities, disregarding their different tenure arrangements, whether collective or individual, have unequivocally given higher priority to the reproduction and safeguarding of communal control and the decision-making authority. It therefore seems quite evident that the key parameter, rather than tenure security, is social security, in the broad sense of the term. As long as the State continues to demonstrate that it is both unable and uninterested in guaranteeing any form of social security to the indigenous communities, closing agricultural extension services, giving up market guarantees etc., radically downsizing the presence of public service institutions, then there are no alternatives to *la comunidad*. It is the community that guarantees its members access to productive land, it is the community that regulates access to natural resources, and it is the community that reconfirms the social recognition of its members, the cultural identity, and gives meaning and social cohesion. The State cannot give such guarantees to the indigenous peoples. On the contrary, it has placed its integrity in the market, a market which is controlled by totally alien forces and interests. This will not convince any averagely intelligent human being. You cannot pawn your future on such a market without guarantees. Particularly not if you are poor, indigenous and of another world of logic. History has shown that the State is not trustworthy, and legislation alone will not do the trick, nor isolated land tenure reforms.

### C. ACCESS TO CREDITS

All country studies showed there was a general interest in accessing appropriate credit options among the community members. A majority of the people interviewed would like to invest in improvements in their production if possible. It was also clear that the lack of mortgage possibilities, due to a lack of individual land titles, was used by lenders to justify the absence of lending options. But, at the same time, there was a general fear among the community members

of incurring debt, particularly if their land was used as collateral in any institutionalized form. The history of debt bondage to local *hacienda* owners and other patrons is still quite vivid in people's memories of not so distant times, and the understandable aversion to risk losing the land you have struggled for over generations shows that even where families have obtained individual titles, as in the case of Peru, only a fraction use such titles as collateral in loans and credits.

One reason is, of course, that there are very few rural credit institutions in general that will work with indigenous communities, but also that the type of credits and loans sought are very small and short-term production credits, in which even the term micro-finance seems a big word. In the Peruvian case, which is the most prosperous region of the three study areas, and where some communities have succeeded in individualizing a part of the most productive communal lands, the credits were typically used for converting cash crop production on one plot into the production of guinea pigs, i.e. adapting to market fluctuations and changing demands. We are talking on a scale of few hundred dollars at the most. Such a scale will never justify the transaction costs of a real certified mortgage procedure. Both here and in cases from the other country studies, when people indicate that they have used their title as guarantee, it is almost never a real mortgage in the official sense, processed in the registry of deeds with the title as collateral. Most often the individual title is merely used as a kind of proof or pledge that the land, as a means of production, is available and at hand, rendering it probable that the lender is capable of producing sufficient surplus to pay back the credit or loan (see also Deininger 2003: 28-29).

In all communities studied there was a great interest and desire in alternative credit institutions and development banks, in the small sense of the word, developing adequate financial instruments tailored to the small-scale indigenous producer, who will never turn into a prosperous capitalist agribusiness enterprise but who is hard-working and has the potential for growth, which all adds up, particularly with additional technical assistance and innovative niche productions. The studies from all four countries revealed that privatization of land tenure and individual titles do not resolve the credit problem. This requires the involvement of several other sectors. Again, the multilateral development banks could be at the forefront of developing such financial instruments and credit products specially tailored to tackling the problem of small-scale production credits for indigenous and similar rural communities. As argued above, it is improbable that individualization of land tenure will in any way solve the fundamental problem of credits and investments. Hence, the development of financial models that dissociate rural credits from land tenure arrangements should be considered, seeking other forms of guarantees and security of the investment. Here it would also be relevant to begin thinking about cultural and social capital as spheres of collateral interest. Financial innovation is much needed, and cross-

disciplinary inputs necessary, but this must take its starting point in the communal reality and specific relations of production.

## D. LAND MARKETS

One of the central theses in liberal land reform is that a thorough privatization process, with demarcation and individual allotment, cadastre and registry, and issue of official title documents, will rapidly lead to the generation of a transparent land market and land rental dynamic which, if supported with proper institutional services, will engender more efficient land use and productivity, and growing investments, all in an upward spiral. This may be the ideal case in rural settings where individual tenure already exists in different informal structures, but it can be said with certainty that this is not the case in settings dominated by indigenous communities and customary systems of tenure control. Generally speaking, in all three case studies, no open and booming land markets have developed. Similar observations on the effects of market friendly reforms have been made in Honduras and Nicaragua by other scholars (Boucher et. al. 2005). It could be argued that this is obvious in the Honduran case, where individual sales and tenure arrangements are prohibited for communal lands, except for internal sales and rental agreements between community members.

But in the other end on the continuum we find the Peruvian case from Cusco, a rural zone with productive lands, irrigation systems, good road infrastructure, market access and a growing economy, - and with the most recent allotments and privatization program actively involved. Nonetheless, only a limited and incipient land market has emerged there. The most noticeable effect is higher prices for land with a title, meaning that improved tenure security is seen as an asset. But in the Cusco case study there is an external conditioning factor that may be the underlying determinant of this tendency, namely a booming tourist industry with increased interest in buying land for tourist infrastructure investments and holiday cottages, generating an increasing land speculation that disregards the title status. However, the relatively low density of individual allotments in the area and other factors impeding the development of an open land market keep the transaction costs so high that it most often is not feasible to enter into formal transactions.

While this could be explained as an atypical case, the Mexican country study clearly indicates that this is in fact the general pattern. Even the very comprehensive PROCEDE program has not succeeded in creating efficient and transparent land markets. What seems to be the case in all countries is that there has been an increase in informal and internal transactions in the communities, and in the *ejidos* in the case of Mexico. In the Bolivian case, 90% of all land



transactions were internal community sales, mostly related to the expansion of the dairy industry in the area. On the other hand, internal land rentals and land access agreements based on sharecropping are widespread in all areas studied. These are all informal systems as seen from the perspective of the State, and yet from the local point of view they are well-established systems of land access and distribution, sanctioned by the “communal society”.

In general, the formal titling process seems to boost internal and informal rental transactions, not always however with a positive result, as commons and marginal lands in several cases have been seized to allotment. In Mexico the commons, often marginal grazing lands, have in many cases been apprehended by the *ejido* authorities for allotment to agricultural purposes, putting pressure on the ecosystems and increasing the population of the agrarian unit. Several studies show that a widespread land fragmentation has taken place in the *ejidos* as part of the PROCEDA process.

The conclusion is that formalized land markets and rental systems have not evolved, despite land ordering and private titling, but that local communities relate to the processes in innovative and reinterpreted ways, again attempting to benefit to a maximum from the situation while maintaining communal control.

It is evident that indigenous communal tenure systems, and internal markets and rental arrangements, are much more persistent than originally anticipated by the agrarian economists behind the privatization campaigns. However, communal tenure systems are also skewed in terms of access for all community members, with internal differentiation between poor and less poor community members becoming more visible, particularly when privatization programs change external market relations and pricing. Again the IDB, along with other involved institutional partners, may consider focusing on the development of the internal rental and transfer transaction systems, attempting to develop the existing customary system on their own premises by introducing equity criteria for all community members. As we have seen in several of the case studies, there is a call for a more equal land distribution inside the communities and a democratization of their decision-making processes.

## E. IMPACTS ON PRODUCTION AND HOUSEHOLD ECONOMY<sup>6</sup>

One main driver behind individual titling initiatives is that it will help to create positive impacts on agricultural production and individual household economies. The general expectation is that secure tenure will be an incentive for the owner to increase his/her investments and innovation in the titled plot.

The Peruvian sample found that 83.5% of the households interviewed said that investments in land that had been titled had not increased. (Agreda and Mendieta 2007: 39). The study also found that the impact of titling on innovation and production changes was not significant and that the title itself was not the main determinant of these decisions. The opinion of 80% of the *comuneros* was that the level of innovation remains the same as before titling. These results are consistent with the perception of little impact of the title in relation to the intensity of use of the titled plots, where 79.8% believed that level of use remained the same as before the title. It is also consistent with the perception of a low impact on yield and income from the titled plots. 71.6% of those polled believed that the yield from titled plots had remained unchanged and 73.4% stated that revenues remained the same. Thus the titling itself was not sufficient to bring about an increase in investment, production or household income.

Likewise, the study found that there was no significant difference between the investments of those *ejidatarios* or *comuneros* with a title and those without. In the survey, 90.8% of the *comuneros* with a title believed that the titling had not generated significant changes in the production portfolio. The same scenario is also evident in Mexico. Here a World Bank study (2001), (also cf. Appendini and Torres 2007) found that there was a slightly higher level of economic income in Mexican *ejidos* that had been titled through the PROCEDE program than in non-titled *ejidos*. The study also found a significant relationship between households with a land title and non-farm activities. However, there was no significant relationship between the possession of a land title and income from agricultural activities.

In general, non-farm activities are important for the rural population in Mexico. A recent study noted that 45% of producers in *ejidos* titled by PROCEDE did not consider agriculture as their main activity, while the 55% who responded that agriculture was their main source of income also listed a second occupation. (Appendini and Torres 2007: 32). These figures reflect the

<sup>6</sup> There are no baseline data for the case studies which would permit to measure in detail economic changes in household economy and living standards before and after a titling program. The information and data in this section has mainly been collected through household interviews.

different strategies that rural families have to use to generate household income. In many cases agriculture is not sufficient to cover food security needs and household income will be supplemented through migratory work or other means of income.

## F. EXCLUSION, FRAGMENTATION AND PROLETARIZATION

The conception of the indigenous community as reflected in conventional liberal land reform papers and privatization campaigns is as ambiguous as the indigenous relationship with the State. On the one hand communal tenure and control systems are seen as archaic, anachronistic relicts, impeding the economic progress and well-being of community members, doomed to extinction and, on the other, the structural adjustment policies are also rooted in an ideology that acknowledges the rights of indigenous peoples, and the right to choose a different lifestyle, particularly if it is self-sufficient, autonomous and does not stand in the way of the construction of the minimal State. It is thus accepted that the State should protect such different social formations, islands in the sea of modern capitalism, patiently awaiting such times when this phenomenon will eventually dissolve as reason triumphs. The land privatization option is seen merely as an incentive to subscribe to such change.

But it did not work like that. The indigenous systems not only survived but even adapted, developed and propagated. The constant demand for the establishment of new communities or to expand existing community lands proves this. However, the legal option for indigenous people is that they are either members of a community and hence must refrain from desires for individual tenure security, or they can join the market and be the happy landowner of an individual plot, renouncing their communal membership and mentality. But they cannot do both, which is seen as a contradiction in terms. The equation is something like: either you are an Indian with the right to remain under the yoke of communalism or you must renounce your identity and become one of us in the market of individual opportunity.

This kind of either-or condition is particularly evident in Peruvian legislation, where it is possible to privatize the peasant communities or parts thereof, and put them up for sale on the market, but the indigenous community members themselves are not allowed to buy their own privatized land, as long as they are members of the community. They must renounce their community membership first (as if it were a sports club). On the other hand, if the community decides to go along with an allotment of communal lands, there is no problem in selling it to third party mestizos or whichever outsider may be interested.

The message in this perverted legislation is that if you want to participate in the national economy and receive support, you must give up being indigenous. Such a mechanism of ethnically defined exclusion is highly discriminatory, bordering on racism, and is to be condemned. This is the operational basis of the famous PETT program in Peru, fully funded and supported by the IDB.<sup>7</sup>

In Honduras, we witness the extreme poverty in which many Garífuna community members are kept, preventing them from being able to participate in the new local economic boom induced by IDB-supported tourist development projects. The communities have been offered the opportunity to be partners and invest in the tourist development projects but, so far, the financial requirements are unrealistic, given the subsistence basis of the community economy. Here, a new distorted reality is being constructed, putting enormous pressure on the local Garífuna communities, which have few options to choose from. For many individuals, the attempt to cope with market forces fails, and they end up as proletarianized individuals, often as peons on what was once their own land. (cf. Travieso 2007)

Another well-known problem resulting from the individualizing of tenure in and around communities is the process of land fragmentation, the *minifundización*, a problem which is particularly conspicuous in the Bolivian Altiplano. Here, it is not a result of Bank financed land ordering projects but a spontaneous process of individualization; we could say, however, the result of not focusing on the development of communal systems as an alternative to individual privatization (cf. Péres 2007).

The problem is definitely accelerated by the increase in individual tenure arrangements in combination with low productivity and underemployment, resulting in massive labor migration towards the urban centers and the tropical lowlands, creating new social and ecological problems at “both ends”. Where communal tenure control is maintained this tendency is less prominent, but the pressure to allot is generally on the increase.

A new aspect of this process revolves around changes in the age and gender structure of the communities, whereby it is mostly the young men who migrate and move away. However, we also witness an increasing number of underutilized plots owned by absentee landowners, living away in urban settings or in the colonization frontiers to the east. The importance and effects of

<sup>7</sup> The mentioned newly decreed legislations in Peru (see footnote 3), the D.L 1015 and the D.L 1073 opening for the possibility of privatizing communal lands, eventually will change this double bind situation, and allow the community members to become individual owners of former community lands. However, the procedures for such transactions are yet not regulated.

these new nexuses between the community and members living outside and far away from community life, still having claims to community lands, is generally neglected in the land reform programs, and much more emphasis should be put on understanding the dynamics and effects of these relationships. It is well-known from studies of indigenous peasant migrations to the US that remittances play a considerable role in local economies (and consequently the national economy) and that the communal control system, on the other hand, is being extended to the US urban environment, reproducing the cultural capital of the communal systems and maintaining the social responsibilities and duties of the migrant community members (e.g. Trans 2006).<sup>8</sup>

A similar process is taking place inside the countries too, as the communities struggle to maintain control and survive by adapting to the new conditions, thus attempting to optimize social security. The exchange of services and goods between the community and its urban diaspora is an aspect that should be given much more scrutiny, again proving that focusing on the entire system of communal life may prove much more rewarding when looking for new development options for the rural poor, rather than focusing on isolated tenure relations.

## **G. GENDER RELATIONS AND WOMEN'S ACCESS TO LAND**

Statistics show huge gender-based differences in access to key productive resources such as land in Latin America. In a study of five countries where gender-aggregated data was available, the results show that women comprise between 11 and 27% of land owners (Deere and Leon 2002). There seems to be a positive relationship between women's land rights and household income. A correlation of women's land rights and household income in Nicaragua and Honduras found indications that, in cases where women have either individual or joint rights to land, the household income is significantly higher than in households where women have no formal claims to land. (Katz 2002). Land rights can also give women a stronger position inside the household. A recent review (Baranyi et. al. 2004) of land reforms in Latin America pointed to evidence from Africa and Asia, where women with land rights have a stronger say in the intra-household allocation of resources. Land rights have also been associated with women's empowerment, by enhancing their bargaining position both with husband and children (Deere and Léon 2001), and other positive results such as greater household expenditure on food and healthcare as well as children's schooling, agricultural productivity and diversification of household income-generating activities (Baranyi et. al. 2004).

<sup>8</sup> This system has also long been common among migrants in European cities (cf. Philpot 1968)

With regard to women's formal rights to land in the present study, all four countries acknowledge the equal rights of men and women to inherit and own land. Notwithstanding, the analysis shows that the first generation land reform programs had a pronounced male bias whereas the recent reform packages introduced in several Latin American countries have succeeded in gaining a somewhat more balanced outcome between men and women when it comes to landownership and titling, through bilateral inheritance legislation. However, there still seems to be a strong male dominance in land allocations and inheritance in indigenous peasant communities. This was the case in nearly all of the present case studies apart from the Garífuna communities, where there is a traditional matrifocal organizational pattern.

The Peruvian case study found that indigenous women experience both exclusion and fewer rights to land. Only around 10% of the households in the survey had a female head, and most of these belonged to the poorest households. Moreover, women often felt that they receive less attention from communal authorities when resolving conflicts related to land. A generalized problem in all indigenous communities is women's lack of personal identification papers, i.e. not being registered as Peruvian citizens, thus not having voting rights or the possibility of inheriting or owning anything in formal legal terms. This is also expressed in the lack of registration of women's names on titles and other land possession documents, exacerbating the exclusion of women. Most women expressed an interest in formalizing their inheritance rights, based on their interest in securing their children's future.

In the Bolivian case, the majority in the survey (70%) had obtained their land through inheritance. Traditionally, many families have followed the practice of having the last-born son (*ultimogeniture*) inherit the land and this custom continues into the present, very much confirming the trend towards an absolute male bias in customary tenure arrangements. The interviews revealed that families also let their other sons inherit land and other types of property such as cattle, again excluding their daughters. A similar gender-biased development can be observed in Mexico. The 1992 PROCEDE reform introduced free choice so that the *ejido* land holder now can choose who will inherit his land. The inheritor will not necessarily have to be a family member. These changes make women more vulnerable since their father or husband may now exclude them from access to land, and a general male bias in rural society reinforces this tendency.

In this context, a new phenomenon of "feminization of the rural population" has been observed in the Bolivian case, related to the emigration of the young male population. Women and children are increasingly left behind to take care of production and the daily life of the communities. Having to undertake more responsibilities and double functions, the indigenous

women are thus carrying the heaviest burden of failed land policies. This tendency becomes particularly distorted when it is considered that women are also not allowed to inherit according to customary interpretations of the land legislation, and cannot participate in national political life due to deficient personal identification documents.

The gender situation in all case studies, including Mexico, once again corroborates the observations made in all other aspects that land reform programs have generally chosen to neglect the potential of communal arrangements. This must be addressed and developed to make it more compatible with contemporary rural development possibilities, instead of isolating and freezing it in time, leaving it to its own fate to survive. The gender approach must take the local community structures and local communal arrangements into account. In a gender approach, it is vitally important to take the local development possibilities of existing communal arrangements as a starting point, and these must at the same time be seen as a dynamic part of the contemporary rural reality and development and not as archaic and static structures, as so often perceived in tenure programs.

## **5. *Summa summarum*: From tenure security to social security**

A trend running through all the country case studies in this study is that the focus on land tenure security as a stand alone premise for the development of the economies of the indigenous rural poor may be false, or at least insufficient. Tenure security is undoubtedly a very important aspect of any rural development process, and the theme has been at the centre of numerous social conflicts since the Spanish Conquest of the Americas but tenure security, and particularly individual tenure security, is not the panacea that will cure all ills in a rural setting dominated by indigenous communities.

The function of the community itself must be understood. The indigenous community is the only social institution that can and will guarantee the rights and access to land and resources of its members. The community is the social security system of the rural poor. During the presentation of the survey results to a group of community members in Anta, Peru, an elderly gentleman, living outside the community on his own private lot but still an active member of the community (sic.) stood up and emphasized to the Danish consultant that the community was much more than the land title:

*“It is our life, our culture, our forefathers, our language. It is the future of our children. We will never abandon the community, titles or no titles.”*

And this is where the short circuit of the conventional land reform rationale is to be found: equating communal tenure with the community *per se*. This is also why individualizing and privatizing tenure in rural areas does not make the communal control system disappear and consequently does not make the free market relations develop as a prerequisite for the expected investment capitalization and growth. As long as the State is not capable of establishing and guaranteeing sufficient social security for its people - social security in the most inclusive and multifaceted sense of the term – these people will establish alternative systems to the State, and here the indigenous community is one of the oldest, most renowned and well-tested institutions, with all the required functions and instruments at hand. It is thus also evidently logical, that when the State downsizes its public services and does away with its institutions, while at the same time launching large-scale land privatization programs as has been the case in Mexico and Peru without any ability to follow up or initiate all the economic, financial and technical extensions required to warrant the investments and the productivity increases expected, the community as an innate institution will be boosted and take over control.

The community is much more than the sum of the people. It is also capable of subsuming and absorbing individual tenure systems, particularly when individuality, expressed as single families detached from the collective, appears as the weakest and most vulnerable of all possible social organizations, and particularly for indigenous individuals in societies imbued with ethno-racist connotations.

The challenge now to any land reform initiative is to acknowledge the central importance of *la comunidad* and make it the focal point of any future initiatives, developing its potential and improving its functions and capabilities. This requires the State to assume its role of service provider and act as guarantor of the cultural, social and economic integrity of the indigenous community and its peoples, and that the focus of land reform shifts from tenure security to social security. But again, this calls for the presence of the State, with well-functioning and attendant institutions, and certainly not its withdrawal and substitution with the moral indifference of savage market mechanisms.



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## **Social Organisations and Local NGO's in Rural Bolivia.**

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### *Abstract*

In the mid-1990's Bolivia introduced a "good governance" reform: the reform on Participación popular (popular participation). This reform was meant to include formerly excluded groups of the population in the Bolivian State. The paper will discuss the division between civil society and State. In this example from the Potosí department in southern Bolivia it seems like the State and civil society in some way have "merged". The state seems eager to include indigenous social organisation in the state structure by introducing new reforms which co-opt original organisations in the state administration. And further more the State seemed dependent on NGO's in introducing the new reforms. The paper will discuss the notions of "local social organisations" "state" and "civil society" and their inter relations. In this case one NGO and the role of this NGO in introducing the reform of popular participation will be at the centre of the discussion.

### *Introduction*

This paper focuses on social organisations and the "spaces"<sup>1</sup> which are available for these organisations in decentralisation and democratisation processes in Bolivia, especially the spaces available for former excluded groups in the social interface between state and civil society and local organisations. Social interface is by Long is defined as: Acritical points of intersection between different social systems, fields or levels of social order where structural discontinuities, based upon differences of normative value and social interest, are most likely to be found [...] Such discontinuities are characterized by discrepancies in values, interests, knowledge and power. Interfaces typically occur at points where different, and often conflicting, lifeworlds or social fields intersect@ (1989:1-2).

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1 "The spatial metaphors that pepper contemporary development discourse speak to the growing interest in involving people more directly in processes of development" (Cornwall, 2002:2)

The discussions will be located to the relation between an NGO, the state and local actors, especially village councils. As stated by Lewis: “NGOs remain a dominant force in the contemporary world, in relation to a broad range of areas that include development, globalisation, human rights and conflict. NGOs need to be studied both in their own right and as a keyhole into wider processes such as privatization, state transformation and changing gender relations (Lewis, 2007: 375). Here I will focus not so much on the NGO as a dominant force but rather on the processes of state transformation and participation and the position of one NGO in southern rural Bolivia. The notion of space – or “invited spaces” as formulated by Cornwall is important to include here: [...] the primary emphasis seems to be on *relocating* the poor within the prevailing order: bringing them in, finding them a place, lending them opportunities, *empowering* them, *inviting them to participate*’ (Cornwall, 2002:3). This version of participation has been prevalent in Bolivia, but recently a more ‘active’ participation has occurred, the participation which takes its point of departure in *rights*. “This turn to rights recasts “the people” or “the poor” as neither passive beneficiaries nor consumers empowered to make choices, but as agents: the ‘makers and shapers’ of their own development (Cornwall, 2002:16)

During the 1990s Bolivia went through a reform process which opened up spaces for social inclusion of formerly marginalised groups of the Bolivian population, especially the indigenous people. The reforms included a land reform, a decentralisation and democratisation reform (*participación popular*), an educational reform and a privatisation reform.

In introducing the popular participation reform, the government depended heavily on NGOs in the distribution of information about the reform in the rural areas. These areas had not been included in the state administration since there were no formal channels of communication to the villages which are scattered around in the Bolivian territory. NGOs were thus in a way “co-opted” by the state administration in this process. Or maybe a new relation between donors, state and NGO was created, which could be explained by the notion “Dostango”: “The term draws attention to particular relational issues between states, organisations and civil societies, and the ever-changing institutional, financial and conceptual interactions that takes place between DONor, STates and NGOs in time and place” (Tvedt, 2007: 41). The paper does not intend to describe the work of a single NGO, but rather try to relate the interactions between state, NGO and local actors.

The reforms of decentralisation and popular participation were primarily directed at a *social (or political)* inclusion of formerly marginalised groups. Not much was done in terms of an *economical* inclusion.

In this connection, *social inclusion* means that formerly marginalised groups now have possibilities of participating in elections of municipal and national governments. In this connection they have been *invited* to participate by way of state reforms seeking to empower marginalised groups. The NGO's have played a crucial role in this empowerment process. Until recently it was not possible for many people in the rural areas to vote, since they lacked identification papers, which are needed to be able to vote. Obtaining birth certificate for example, meant that people had to travel to the place they were born to get the papers. This has been an obstacle for many since there is much poverty in rural areas, and people could not afford to travel. This has been part of the reason behind the success of the political system in Bolivia previously in excluding certain groups of the Bolivian population from power. It has changed now, indigenous people are now well represented in parliament and Bolivia has its first indigenous president, Evo Morales. Presently civil rights are being granted to all Bolivians. When it comes to *economical inclusion* not much has happened. Land distribution is still very unequal, despite attempts to better the situation for many rural poor. Infrastructure is weak and access to markets is difficult for a great part of the rural population. The informal sector in the cities is large, and many people are partly or full-time unemployed leading to a considerable poverty rate in Bolivia. The argument here is that perhaps social inclusion will over time create improvement for poverty alleviation in Bolivia, but without an economical inclusion directed at Bolivia's poor, this might not happen in the near future.

### *Background*

The processes of decentralisation in Latin America have intensified during the last 20 years (Booth, 2004, ICHRP, 2005)). International aid agencies and economic reformers have stressed the importance of decentralisation and good governance programs as means to deconstruct the centralist state found in many Latin American countries and thereby reducing the administrative inefficiencies of the administrations (Willis et al., 1999). The decentralisation can be regarded as a tool for development, since decentralisation could empower the poor and marginalised part of the population (Jütting et al., 2004). This notion of participation regards the state as an actor seeking to include disempowered groups by empowering them.

In Bolivia the poor are to be found, for the larger part, among the indigenous rural population and urban migrants from rural areas.

Until 1994 there were hardly any municipal governments in the rural areas, only the larger cities were divided in municipalities and as such receiving funds from the central administration. Most rural areas were marginalised, both because of missing infra structure in rural areas and because no state funds were redirected to the rural areas.

In 1952 Bolivia experienced a revolution and former rulers consisting of mine- and hacienda owners were overthrown. The state nationalised the income generating industries - first and foremost the mines. The Bolivian state became very centralised and focused primarily on nationalised industries and big cities. An agrarian reform was passed in 1953, but after this the prospect of development and progress in the rural areas was left behind by the Bolivian state. No new reforms to spur economic development reached the rural areas (Antezana, 1992; Crabtree, 2005).

The one-sided economical and political practice of staking on only mining- and other industries by the Bolivian state brought about serious problems, when the prices on Bolivia's most important export-good; tin, dropped drastically on the world market in 1985. The increased poverty and social disorder following the economical collapse made the IMF and other donors initiate a structural adjustment programme in Bolivia. The presence of external donors combined with a pressure from the Bolivian population and a political wish for changes, fostered several reforms<sup>2</sup> in the beginning of the 1990s, among these the law on Participación Popular - a decentralisation and democratisation reform which established municipalities all over rural Bolivia<sup>3</sup>.

The rural areas of Bolivia have played a minor role in the state's economical development after the 1952 revolution, due to the above mentioned nationalised mining industry (Malloy,

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2. Among these are an education reform, an agrarian reform (INRA), a law of privatisation, an education reform, and an alteration of the constitution admitting that Bolivia is a pluricultural and multiethnic society. More than 50% of the population is indigenous.

3 In connection with the implementation of the popular participation reform, donors were very active in registering the rural population and helping them to obtain formal papers in order to making it possible to vote for municipal elections. This has meant an inclusion of the indigenous rural population in the new municipalities, and in many municipalities they are represented as council members.

1989). Once the agrarian reform of 1953 redistributed land as individual owned plots to former workers on the haciendas, these areas, and the rest of rural Bolivia, have played a minor economical role in the state. The majority of the rural population is indigenous.<sup>4</sup>

As a consequence of the marginalised rural areas, some have described Bolivia as a ‘weakly integrated territory’ (Vilas, 1997). This signifies that politics, development and economic growth only occurred in specific areas of the Bolivian territory, mostly the big cities<sup>5</sup>. Apart from this economical exclusion of the rural population, a cultural exclusion took place as well. The ‘campesinos’ (peasants) were by city people and rural elites regarded as primitive people (Cusicanqui, 1990; Rockefeller, 1998), who were not part of the ‘modern’ Bolivian state. Seeing the indigenous population as backwards, and as an obstacle to the modernizing process is not a Bolivian phenomenon only. Many Latin American countries have had the mono-cultural nation-state as a model for the modernisation process. Only during the last fifteen years the discourse on the multi-cultural society has gradually influenced the political agenda of many Latin American states (Ströbele-Gregor, 1994; Brysk, 2000).

### *Participation*

In 1994, the Bolivian constitution was altered to acknowledge, that Bolivia is a multiethnic and multi-cultural society. This acknowledgement of the indigenous population is also part of the law on Participación Popular: “The present law acknowledges, promotes and consolidates the process of popular participation, allowing the indigenous population, the peasant population and the neighbourhood associations [in cities], respectively to enter the juridical, political and economical life of the country” (Ley de Participación Popular, artículo 1, own translation). According to the law-text Participación Popular should change former politics of exclusion and marginalisation of the rural areas. What is very important for the new municipalities is the redistribution of the state’s funds to the municipal level. 20% of the state’s income must be redistributed to the municipalities. Of this amount, 15 % can be used for administration and 85 % must be spent on projects in the municipality.

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4. The groups of indigenous people come to a 71% or 85% of the population, depending on the definition used. See Ströbele-Gregor, 1994:106.

5. And the agroindustrial areas of the Santa Cruz Department.



The law on popular participation intended to present solutions to the conflict between “the principles of representative democracy and the “corporative” articulation of the interests of functional groups, by giving greater expression to interests defined in territorial rather than functional terms; and attempting to marrying the principles of representative and participatory democracy” (Booth, 2004:23). This was supposed to happen by having on the one side municipal authorities elected on the basis of registered political parties and also offering authority to *Comités de Vigilancia* (vigilance committees), which are representing local social organisations like for example village councils with their tradition for representative and direct democracy. The vigilance committees was a new construction in the municipalities, it did not exist before the reform was implemented. Many villages in Andean Bolivia, for example, have been governed by a village council, where decisions have been made in consensus. Every position (“cargo”) from being announcer of meetings, head of different tasks (for ex. irrigation), to head of the village council are taken by male members of the village in rotation and for a certain period only, so that everybody gets to fill each position at least once. These village councils have successfully ruled in local areas marginalised by the state, and it is these types of social organisations and ways of ruling, the popular participation reform intended to include by way of vigilance committees in the reform process.

The vigilance committees are an “artificial” construction, though, which is supposed to function apart from village councils, and villagers are supposed to elect representatives for the vigilance committees. The people in the villages have not taken up the use of the vigilance committees, since they have had their village councils, and it would perhaps have made more sense to include the heads of the village councils (using the existing social organisations in the reform) instead of creating a completely new form of organisation. Thus the vigilance committees have not been functioning well, allowing for national political parties and local elites to maintain power in many new municipalities and being able to determine the local, municipal policies without much attention to the indigenous grass root organisations (Booth, 2004)

Bolivian administration has been severely affected by corruption and transparency is missing at all levels. One of the means to avoid this corruption on the local level could be the social control by the vigilance committee, which is meant to represent the people of the municipality and their social organisations, as mentioned above (Ministerio de Desarrollo, 1998). The vigilance committees can propose projects to the municipal councils. Ideally the vigilance

committee must take part in the municipal planning and thereby heighten the representation of the inhabitants and grass root organisations of the municipality. Furthermore the committee must revise the budgets of the municipal government. The committee's tasks are supposed to add transparency and accountability to the municipal government and administration. This is not obtained in many municipalities yet. One reason is that the people in the communities, who join the vigilance committee do not have the capacities to control municipal budgets. NGOs are assisting local communities in the communication and collaboration with the municipality, but as a consequence of this lack of local capacity "national political parties have maintained much of their power to dictate local arrangements. Despite any challenges, coalition politics and horse-trading of the spoils of office are alive and well at the basis of local as well as national politics in Bolivia" (Booth, 2004:24). The invited space was introduced by the state to be filled by empowered subjects at the local level. But as we have seen, the vigilance committees were an artificial entity, which had no 'meaning' for the local population. A change is slowly happening as new actors emerge at the local level. Taking the law on popular population at face value, indigenous people started to act according to the law, but outside the "invited spaces" (vigilance committees etc.) to take part in the participation process. The notions to explain this change could be from 'civil society' which contains 'passive' users of state proposals to 'citizens' which contain actors in and with participation – on one's own terms. The following example shows how indigenous people started to use the possibilities built in the reform 'participación popular', which in fact required citizen participation in local governance (Cornwall, 2002: 14).

Some political parties try to help indigenous people being elected to municipal governments. This way indigenous people may increase their social inclusion by actively taking part in the municipal governance:

Doña Josefina, who was in 1998 elected from the one of the ayllus in the area <sup>6</sup> to enter the municipal council of Uncía (Norte de Potosí)<sup>7</sup>, chose to run for the municipal elections and being only formally connected to a political party. The practise of the political parties has been to seek the potential political candidates among the rural population, and offer them a

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6 Social organisation in Andean areas, which are dating back before the conquest. This social organisation is closely linked to cultivation of land in the Andean area, which often requires special indigenous knowledge and technology. Cultivating steep mountain slopes required manpower and organisation, which is included in the ayllu structure.

7 Fieldwork in Norte de Potosí, october, 2000

place on the list of the political party and later trying to gain influence by way of the indigenous representative in the municipal council. Since the only way to be elected is on a list of a political party, the potential local candidates do not have much choice. The major parties offer a place near the bottom of the list, where the candidates from the ayllus have almost no chance of being elected (Crabtree, 2005). Some parties, though, have opened their list to local candidates, for example the parties NFR (Nueva Fuerza Republicana) and MAS (Movimiento al Socialismo). Doña Josefina was elected on the list of NFR. She did her campaign on foot, dressed in her traditional clothes and taking an indigenous band with her. This way she did as stated as one of the aims of the popular participation reform; “allowing the indigenous population, the peasant population and the neighbourhood associations [in cities], respectively to enter the juridical, political and economical life of the country” (Ley de Participación Popular). She entered the political life on her own terms and distanced herself from political parties, which had until then been elitist and excluding the indigenous population.

Doña Josefina has during her time in the municipal council felt the ‘urban/rural gap’ that exists in Bolivia. The people of the urban centres have been used to being able to dominate the rural areas – the ayllus – for centuries and changing these practises is not easy. Furthermore she has felt a ‘double’ discrimination being a woman *and* indigenous. . Therefore, even though Doña Josefina achieved election to the municipal council, this does not always include immediate access to power structures locally. But things are changing and today indigenous people act more like *citizens* taking part actively in participation and decentralization processes. Indigenous people have gained seats in many rural municipalities.

The former failure to include the majority of the indigenous rural population was part of the reason why rebellions and uprisings by social and grass root organisations have so strongly been expressing dissatisfaction with former elite political decisions. The lack of inclusion and transparency seem to have spurred mass demonstrations from all parts of Bolivian civil society, and these uprisings formed the background for the election of the present-day president, Evo Morales.

The question is, however, whether the law on Participation Popular in fact serves its purpose, when we regard it from the level of the villages. There are several indications of this not being the fact. For rural dwellers the solution to various practical needs has been for the villages to

deal with these themselves. With reference to an electrification project, one villager says: 'The village asked to have a project of electrification but until now the municipality has not met its obligations. For us nothing has changed with Participación Popular, we have always ourselves dealt with things. Our fathers and grandfathers gave contributions and participated in faenas (mutual work). We still do the same if we want something done in the community'.

The different social patterns existing on different levels of the Bolivian society, makes it difficult to grasp the overall implementation process and its effects on all levels. The law on Participación Popular states in the law text the inclusion of the indigenous, rural population as one of its objectives, as cited above. But the practice of some political parties in the implementation of the law indicates that what was actually occurring in the municipalities was sometimes an exclusion of the indigenous population. The question is whether NGOs had a role to play in bettering the participation of indigenous people on the local level. One could suspect some NGO's filling the role of 'gatekeepers'. "Spaces fostered as a way of amplifying marginalised voices may end up being filled by gatekeepers, who speak for but not with those they represent" (Cornwall, 2002: 8)

As stated in the introduction, the main interest in this paper is the social interface of different actors on the local level: communities, state, donors and NGOs. In principle the reform of popular participation was a tool to include formerly excluded groups, but it seems like the State is lacking the ability to fully include the population in the communities, since there are no lines of communication between state and community. The 'invited spaces' were hard to fill out. Here the NGOs have helped as mediators between state, municipalities and donors. Donors are following this process of decentralisation closely, and have partly been involved in the introduction of popular participation by stressing the need for good governance, including a focus on indigenous rights, transparency etc.

In the Potosí department in southern Bolivia the NGO ISALP has been doing an extensive job of including communities in the process and implementation of popular participation by spreading information about the reform and helping villages to formulate project proposals to the municipalities.

### *Good governance*

Good governance can be seen in a conditionality perspective, where the notion of good governance is representing an act of ‘disciplining democracy’ (Abrahamsen, 2002). In Bolivia the reforms of popular participation and decentralisation were introduced after strong recommendations from international donors (Booth 2004). Since Bolivia has had an oligarchic party system for many years (Crabtree, 2005), power was concentrated around a small elite. Bolivia inherited a centralist system of rule from the Spanish colonial rule, where the predominance of state structure over civil society prevails. The capital of La Paz is the centre of all government institutions, and due to Bolivia’s difficult geography, the government and limited civil services have had difficulties in penetrating the state’s territory. This element of rule from the capital city, with very limited efforts to extend government or devolve significant authority to the regions has persisted until recent decades (Booth, 2004:15). As mentioned above, the political system in Bolivia has been elitist and political parties have been driven by patronage (Malloy, 1989) with formation of coalitions on the basis of post-election horse-trading rather than ideological sympathy or political agreement. (Gamarra & Malloy, 1995).

The practice and culture of the political parties in Bolivia today also originate from the national revolution of 1952. Most political parties in Bolivia today were created during or after the revolution. The ruling party after 1952, MNR<sup>8</sup>, nationalised the country’s major assets: The mines and major industries. Thus the MNR over time created a state, where the ruling political party had sovereign power over the states= assets (Malloy 1989). The government introduced a ‘redistributive policy’ directing money to the party supporters (Lavaud, 1998, Crabtree, 2005) which was put into practice by using channels through the party and the workers union<sup>9</sup>. A number of jobs were created in the public administration and industries. In the nationalised mines, for example, the number of workers rose from 28.973 in 1952 to 36.558 in 1956 (Lavaud, 1998:46). And in the state administration a large number of jobs became available to the persons who were loyal to the party in power.

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8. MNR: Movimiento Nacional Revolucionario (National Revolutionary Movement). MNR started as a revolutionary movement and transformed into a political party after the revolution.

9. The workers union was created by the MNR in the years after the revolution. Later this union transformed into the current COB (Central Obrero Boliviano).

This 'redistribution of national resources' from the oligarchic mine and hacienda owner ruled state to the revolutionary state created a patron-client relation between the revolutionary government leaders and their supporters (Booth, 2004, Crabtree, 2005). The state and its government changed from a revolutionary state (the 1952 revolution) to a state governed by political 'patrones' who redistributed the state's assets to their clients by way of jobs and other advantages. The main reason for this to occur was the relatively poor development of the Bolivian industrial and agricultural sector. There was hardly any economic progress in the country aside from the nationalised industries.<sup>10</sup> This had damaging effects on the possibilities for the rural areas to make economical progress, since these rural areas (outside the Santa Cruz region) were economically marginalised in the state ruled by the political patrones, who did not support the indigenous rural population.

The post 1952 political practices created a system, where a separation of fiscal and political duties is difficult to accomplish. As a consequence, the ruling political party could secure its followers jobs and advantages. It also meant, that when the government changed from one party to another after an election, the country's administrative personnel changed, since all public employees were replaced by clients of the new government. Extraction of the state's funds and a patron-client system in the civil service has been the result of the processes and relations between state and political parties since 1952. The consequences of this are serious for the possibilities of performing 'good governance' in Bolivia today, from the national to the municipal level. The intended outcome of the popular participation reform from the government's (and international donors') point of view was to implement a new form of governance in the rural areas, i.e. by creating new municipalities

There is good reason to contest the notion of good governance (Rosebury, 2001). The central themes within good governance (democracy, anti-corruption and transparency) are agreed on as significant when introducing good governance (Moore & Robinson, 1994; IMF, 1997; Hout 2002,; Hood & Heald, 2006). Other elements do not seem as fixed - for example privatization and focus on market economy as such. Under neoliberal "hegemony" within international policies (Kohl, 2006), privatization is seen as an important instrument for good governance. In Bolivia a privatization reform was introduced in 1994. This was at the same

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10. In 1952 the mines represented more than 80% of the states income. Before the revolution 70% of the cultivable land was owned by haciendas. (Mesa et al. 1994:495).

time as the decentralisation and democratisation reforms were introduced, so one could argue that privatisation and good governance reforms go hand in hand in Bolivia. On the other hand one could also argue that good governance is a prerequisite for privatisation (Haarstad & Andersson, forthcoming), since a good investment climate calls for a stable civil society without social unrest. Good governance and poverty alleviation are not easily obtained in rural Bolivia where power structure has been elitist and centralised by the state. NGOs in Bolivia have taken part in the inclusion of civil society in the reform process by helping disseminating knowledge of the new reforms and assisting the communities in formulating projects to be supported by the new municipal governments.

### *NGO's in Bolivia*

In the southern rural part of Bolivia many communities are located far from roads and not easily accessible. Spreading knowledge in the 1990s about new reforms depended heavily on NGOs which were there already working with the communities. My own fieldwork in a municipality in the Potosí department in 1998-1999 showed that there was little knowledge of the new reforms among the rural population, especially among the women who were taking care of their houses and fields, while their husbands often worked as migrant workers in Bolivia's bigger cities or in neighbouring countries. Village leaders, who had contact with NGOs and who had participated in the courses held by these NGOs had some knowledge of the reforms. But the lack of knowledge at that time was a problem for the rural population, since they could not participate in the municipal elections the way they were supposed to. More knowledge about the reforms has been spread, and presently most of the rural population participates actively in the local democracy. Power structures are beginning to change at local level and municipalities have now some participation of indigenous people in the municipal councils.

ISALP<sup>11</sup> was one of the NGOs that were working together with state and departmental administrations in disseminating knowledge about democratisation at the local level. This NGO already had established collaboration with a Danish NGO and with Danida, the Danish

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development assistance organisation. Since the Bolivian state, Danida and northern NGOs supported spreading of information of new laws, ISALP and other local NGOs were some of the key-actors in this process. The question is therefore whether the state could have introduced the reforms without the help of the NGOs in distributing information and assisting in the implementation.

Today money is decentralised from the state to departments and municipalities. But many areas, for example in the department of Potosí, are still marginalised, and projects do not reach all communities. Furthermore there is a lack of capacity in the rural municipalities regarding people who are skilled to taking part in local government - for example in the process of making POAs (Plan operativo annual/annual plan), which are required by the state in order to redistribute money to the municipalities. Both in communities and in municipalities NGOs are working to fill the knowledge gap and helping formulating projects. Communities do not receive money for projects unless they send an application to the municipality. And since communities often do not possess the knowledge of how to formally write an application, the help from an NGO is of value to the local population. Also as mentioned, many small municipalities have difficulties in making the POAs which are needed to receive money from department and State, and also here NGOs are helping.

To sum up, the reform of *participación popular* and the decentralisation reform would not work in many municipalities without the help of NGOs. This is not unusual in developing states (Opoku-Mensah et al., 2007). In weak states poverty and social exclusion are common for rural populations. Civil society organisations with a relation to the state administration are almost non-existent even though a variety of local organisations exist. These local organisations, like the *ayllu* and village councils, have managed governance at the local level, but the relation to the departmental or state levels have not been formalised.

Bolivia has been a major receiver of foreign aid since the mid-1980's where the country's economy failed severely, and a large number of NGOs have emerged. These NGOs have been supported both by Northern NGOs and state development organisations (like the Danish Danida). The work of these NGOs has mainly expressed foreign donor interests, but in the 1990s the reform process in Bolivia created a new role for the NGOs working in rural areas as mediators between state and communities in implementing the popular participation reform.



I have mentioned a connection between neoliberalism and reforms of good governance in developing countries. In Bolivia there seems to be a close relation between the two. Both the privatization and the democratisation reforms were implemented in the mid-1990s as a part of a bigger reform process. Good governance and privatization could be dependent on each other<sup>12</sup>. In order to create the best conditions for neoliberal policies – like privatization – it is crucial that civil society is accepting the reforms. In Bolivia there has been social unrest and protests as a consequence of the privatization reform (Kohl, 1994). Since foreign direct investment has been a policy since the first neoliberal reforms of the Paz Estenssorro government in 1985, it has been of increasing importance that this social unrest could be curbed in order to create the best conditions for foreign investment. The reforms of decentralisation, democratisation, land and education can in this connection be regarded as tools of creating social stability because their main aim is a social inclusion of marginalised groups. They could be regarded as progressive, enhancing good governance and participation. But “enhancing citizenship participation requires more than inviting or inducing people to participate. And it calls for more than simply making spaces available for people to express their needs and exercises in gathering ‘voices’” (Cornwall, 2002:28). The question is, whether it is ‘enough’ for the state to introduce possibilities for participation, if people do not have the possibility of becoming agents. Their not being agents at present is connected to the fact that in Bolivia we see a *social* inclusion, but economical inclusion is missing for a broader part of the population.

Therefore reforms can be seen as directly supporting neo-liberal policies because they do not incorporate an economic inclusion for the marginalised groups. No tax reforms have been introduced. The land reform is not fully including the big estates of the tropical parts of Bolivia, where a minority owns a majority of the land. So the reforms of popular participation and decentralisation have created social inclusion – and this has been with the help of NGOs, but the economical inclusion is still missing.

## *Conclusion*

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12. Haarstad & Andersson, forthcoming

Has popular participation opened an (invited) space for participation by local organisations and actors? Seen from the local level in the Potosí department formerly marginalised indigenous communities do seem to have obtained formal rights to participate in local governance by way of the municipal councils, and thereby a possibility of combating poverty at the local level. But one thing is formal rights. What is needed in the rural areas of Bolivia is capacity building among the population, since the lack of knowledge on many levels seem to be the greatest obstacle to developing the rural areas.

Good governance and participation, and thus a form of inclusion of formerly marginalised groups, are central notions in current development aid. NGOs have an essential role to play in implementing this at the local level in Bolivia if they can avoid the role of “gate-keeper”. The question is whether good governance and participation are useful in poverty alleviation, if they stand alone. If no economic reforms directed at some form of rural development (easier access to markets, infrastructure, introduction of new technologies) are introduced, participation in municipal governments may be of minor interest and use for local rural populations and their social organisations.

Regarding state transformation, the NGOs in Bolivia have played a key role in implementing new reforms on local level. The relation between donors, state and NGOs has been close in this case, since donors and NGOs have played an active role in implementing Bolivian state reforms and thus fulfilling an invited space for civil society organisations in line with state policies.. NGOs have thus not been opposing the state in this case but have rather been supporting the reforms coming from the state *and* at the same time they have supported local communities in their attempt to take part in the new processes. They have operated as mediators in the social interface in the “critical points of intersection between different social systems” as stated by Long (1989: 1-2)

In conclusion the answer to the question must be both a yes – and a no. Good governance and participation do enforce empowerment and capacity building in including marginalised groups – *social* inclusion. And in a longer time span this might lead to poverty alleviation. But if good governance and participation are not linked to economic reforms benefiting the rural poor, and thus not initiating an *economical* inclusion, alleviating poverty in Bolivia’s rural areas is not just around the corner.

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## **Conclusion**

*Vibeke Andersson & Steen Fryba Christensen*

The conference: *"New Latin American Development Strategies in a Changing International Economic and Political Context"* focused on two general lines of inquiry with regard to new Latin American development strategies. One line focused on the significance of the international context for development strategies, while the other line focused on state-society relations and their impact on development strategies. The objective with this approach was to assure cross-disciplinary dialogue and to engage in discussions on current development strategies in Latin America with inspiration from different perspectives and levels of analysis.

The conference's objective of addressing and discussing current Latin American development strategies from various disciplines and perspectives as well as from different angles and backgrounds in order to create debates amongst participants with this varied inspiration was fulfilled. The conference identified some core themes that could be emphasized in future conferences on current Latin American development strategies. One core theme is that the current international context is changing significantly with a shift in the international balance of economic power. At the same time, Latin American countries are experiencing a positive economic context that has decreased their external economic vulnerability. This opens up for new opportunities for new international alliances and more autonomous development strategies in Latin America in the future. With regard to the state-society dimension, the state has been weakened in its function of providing public services and social security in a number of countries. On the other hand there are some promising examples of countries (Mexico and Brazil) where poverty oriented programs based on conditional cash transfers have had some successes. These two themes could be explored further in future conferences. It was discussed at the end of the conference in which context this should

happen and there was some support for the idea that it would be important to promote more collaboration between Latin American research environments in order to make joint conferences. No concrete steps were taken in this direction at the conference, but there was a general interest amongst the Nordic participants.

The conference attracted nearly 30 participants plus students and staff from AAU. Participants were mainly from academic circles, a few practitioners participated as well as the Bolivian ambassador and the Central Bank director from Venezuela. The academic participants represented a number of countries (Denmark, Norway, Sweden, Germany, Great Britain, Argentina, Uruguay, Venezuela, Bolivia, Mexico, Canada and the United States) which made fertile ground for creating international contacts and fruitful discussions.

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