

# THE NEW WORLD ORDER AND LATIN AMERICA

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With the toppling of the Berlin wall and the dismantling of the former Soviet Union and "historic socialism", the latest fashion in the economic world and academia is to talk about neoliberalism and free markets. Contrary to the understanding of this model during the nineteenth century when it was conceived in Europe, today's neoliberalism and its policy of free markets is not intended to reproduce that old system. On the contrary, neoliberalism blends with the so-called "new world economic order".

The capitalist world, mainly rich and industrialized countries from the North are optimistic and they talk about democratization, transition, and growing opportunities, mainly in Latin America. Countries from the region such as Chile, Costa Rica, and Mexico, are portrayed as examples for the entire region which have successfully combined economic liberalism with political democracy.[1] Consequently, the Third World is invited to follow these examples to reach almost instant "modernity" and to get rid of their chronic underdevelopment.

This optimism is contradicted by the concrete reality of the Third World. Malnutrition, infant mortality, hunger, starvation, unemployment and many other social diseases have dramatically increased during the last decades of the century. Much has been written about the failure of "historic socialism", but almost nobody comments about the failure of "developmental capitalism" as practiced in the South.[2] In the past, before the crisis of historic socialism, capitalism in the Third World was promoted as capitalism of development. It claimed to promote a state at the service of the entire nation to eliminate inequality and poverty of the population. This developmental capitalism did not reach these goals, but it did define itself around them.

The perception of the reality of the Third World on the part of the capitalist and rich North is based on simplistic analyses aiming to justify the control and domination of the economies from the South for their own interests. These analyses attempt to explain a set of complex, interconnected and different objective elements and to prescribe as solutions a type of "restricted and protected democracies" combined with neoliberal productive transformations: reduction in the rate of foreign indebtedness, a drop in rates of inflation, public expenditures convened with formal elections and adoption of policies of privatization. This is the formula promoted by the North through the International

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Monetary Fund (IMF), the World Bank and other creditor organizations to attain modernization and development.[3]

Studies of modernization and development in the Third World are not new. Many "theories of development", researches on modernization, and books on these topics have been published since the early 1960s[4]. Developmentalist programs elaborated by the Economic Commission for Latin America (ECLA) during the Alliance for Progress of President John Kennedy and other structuralist analyses are back.

To the casual observer, Latin America, the Caribbean and some regions of Asia and Africa in the 1990s may appear modernized and democratic, but above all, open for business. This false impression portrayed by the neoliberal model requires a deep reflection. The question then is to understand how neoliberalism operates in this new world economic order controlled by multinational corporations. How can we understand the market economy and neoliberalism when transnational corporations with their centralized control of money, their regulation of prices and profits, and their centrally planned management now dominate the world economy? Before we discuss these important questions, let us observe the context of the new international world order.

### **THE NEW WORLD ORDER**

The world has changed dramatically during the last few years. The great confrontation between capitalism and socialism that had started in 1914 and which continued through the Cold War, between the 1950s through the 1980s, ended in 1989 with the toppling of the Berlin Wall. Today, the conflict between the East and the West is over.

Within this context, however, the world approaches the 21st century with another crisis and confrontation; this time, between North and South or between rich and industrialized nations from the North and poor and backward nations from the South; that is, the First and the Third World. Some significant examples

are the invasions of Grenada and Panama, the conflicts in Central America, the war against Iraq and the Arab world, the blockade of Cuba, Libya and Vietnam, the cases of Haiti and Somalia, etc. In this context, we are not talking any longer about the Third World, but the last world, the damned world, the world of the marginalized, of the condemned.

### **The North and the South**

The aftermath of historic socialism presents a world with high concentration and centralization of capital in the hands of a few nations congregated in the so-called Group of Seven (Canada, England, France, Germany, Japan, Italy and the USA). These seven nations, with a population of 800 million inhabitants, that is, 20% of the world's population, control the rest of the world, that is, 4 billion people or 80% of the planet who live in Asia, Africa, Latin America and the Caribbean. Economically speaking, the North, with 20% of the population, receives 82,7% of the world's wealth, while the South has access to 17.3 of the world's riches (Richard: 1993: 34). In 1960, 20% of the world population with the highest incomes had earnings levels 30 times higher than those of the poorest 20%, by 1990 these levels were 60 times higher. In underdeveloped countries, the richest sector now makes up between 10 and 15% of the population, while they control most economic and natural resources. In Latin America, 10% of the population controls 95% of arable land (Castro. 1993: 15).

The richest 20% of the world's population controls 81.2% of world commerce, 80.6% of internal investments, 94.6% of all loans and 80.5% of investments. In addition, the 25% of humanity living in the rich countries consumes 70% of the world energy, 75% of metals, 85% of timber and 60% of food (Castro: 1993: 15) The current international order cannot exist without reproducing inequality. If the rest of the world were to consume at the level of rich countries from the North the world would explode. Thus, in order to maintaining the current international

structure an international elite has emerged which controls economic, financial, military and cultural powers, as well as communications. This international order is maintained at a world level through the expenditure of \$900 billion in arms (Richard: 1993: 34).

Since the Red or Communist threat is gone with the wind, and in order to lend legitimacy to this situation, there is an attempt underway to "ideologize" the North-South confrontation, presenting the South as the new enemy of the North. In this vision, the existence of evil drug producers and traffickers, political instability, terrorism, regional conflicts which produce illegal immigration to the North and deep environmental damage, are all products of the South which jeopardize the existence of the North. While this is a long-standing confrontation, it is entering a new stage with qualitatively different elements. Any and all violations of international law are justified, as are violations of the right of different people to self-determination. This whole system of North-South confrontation is justified ideologically by economic neoliberalism and religious neo-conservatism thus reproducing a new neocolonial model in the Third World.

### ***Wealth, Population and Poverty***

Centralization and concentration of capital is possible because rich and industrialized nations from the North have accumulated advanced technology, which allows them to depend less and less on intensive use of natural resources and labor. Since the Third World has traditionally been a producer of raw materials and an attractive market for cheap labor, the gap between North and South has then increased immensely during this period. Over the last 20 years, for example, the Japanese have been able to reduce the amount of raw materials used per unit of output by 33% (Gorostiaga: 1993: ). As a result, real prices have fallen for thirty principal raw materials used per unit of output, the majority of which are products exported by the South.

During the past decades, the economies of the Third World have experienced a dramatic de-capitalization process. The growth in gross domestic product of underdeveloped nations has drastically declined, going from 6.1% per year in the period between 1961 and 1973 to barely 2.8% in the period between 1983 and 1990. A similar trend can be observed in the per capita figures, which dropped from 3,3% in the 1961 and 1970 period to 0.1% in the 1980 and 1990 period (Castro: 1993: 14).

The weakening of the South or the Third World lead us to formulate the following question. Does the North or the First World still need the South or the Third World? Since today we can see a tendency in which the Third World raw materials are being replaced by synthetics, it makes the labor force involved in producing natural materials surplus. Raw materials are still being produced, but it is impossible to employ all the available labor force in their production.

This situation points to a restructuring of the Third World. Today, unlike a century ago, most of the Third World's population is superfluous from the perspectives of the First World's economic needs. What is still in demand is the Third World's seas, air spaces, tourist resources, energy and natural environment, even if only as a toxic waste dump. However, these elements are totally subordinated to the control of economic, technological and military powers from the North.

For this reason, the North has not pulled back from the South; rather it has chosen to portray the Third World as an overpopulated region. This surplus population referred to as a population explosion is increasingly regarded as a threat rather than something to be used or even exploited. While the rate of population increase in the industrialized countries averaged 0.8% annually between 1960 and 1990, the underdeveloped nations registered a rate of 2.3% in the same period. From 1990 until the year 2000 it is estimated that this rate will climb around 2% in underdeveloped

nations compared to 0.5% in developed countries. At this rate, 90% of world population growth in the next ten years will take place in the Third World (Castro: 1993: 16).

Technological development and the structure of capitalism no longer allow for the exploitation of the surplus population from the South. Therefore, a population that cannot be exploited is considered superfluous, useless, one that should not even exist. But, there it is. The new capitalism will have nothing to do with them.

In this context, even the meaning of the concept of exploitation is changing. The classic concept refers to an available labor force, effectively used in production, from which the product of its labor is expropriated. This was the main thesis developed by Marx during the 19th century expressed through his concept of surplus value (Socially Necessary Labor + Surplus Labor).

Ruy Mauro Marini (1974), a well-known Brazilian scholar and a founding father of the theory of dependence applied this concept within the context of Latin America by referring to the superexploitation of labor. Marini demonstrated that Latin Americans were being exposed to a more intense system of exploitation by reducing the amount of socially necessary labor paid to workers. Jaime Osorio (1979) applied this analysis to the study of Mexico, while Andre Gunder Frank (1979) extended it to the Third World.

Today, however, the situation is such that the Third World population can no longer be used for capitalist production, and there is no intention or possibility of using them in the future. A world is emerging then in which being exploited and superexploited becomes a benefit. The more the population seems dispensable, the less appropriate and important this concept of exploitation or superexploitation is, even in the worker's own consciousness. Workers tend to feel less exploited when they realize that they are privileged relative to those now considered

needless. This also means that the South's surplus population is completely powerless. This dispensable army cannot go on strike, they have no negotiating power, and their threats are meaningless.

The First World needs Third World countries, but not their population. This phenomenon coincides with the transnationalization of systems of production, financing and marketing, which for the first time permits the creation of a global market. In 1990, the UNDP estimated that there were 1.2 billion people living below the poverty line in the Third World. For instance, Latin America's share of world exports fell from 12.4% in 1950 to 5.5% in 1980 and only 3.9% in 1990 (Glyn & Sutcliffe: 1992: 90). Foreign investment stocks dropped from 12.3% in 1980 to 5.8% in 1989. As a result, the number of people living in poverty in Latin America, has increased from 112 million to 184 millions people in only one decade, that is, 44% of the region's total population. (Gorostiaga: 1993: 23).

Asia participation in the world market was 13.1% in 1950, rose to 17.8% in 1980 and fell back again to 14% in 1990. The case of Africa is amazing. In 1950 it was 5.2%, in 1980 fell back to 4,7% and in 1990 only 1.9% (Glyn & Sutcliffe: 1993: 91). The effect of this situation on the population is disastrous and will increase the existing gap between the North and the South.

## **WORLD CHANGES AT THE END OF THE CENTURY**

Nearing end of the 20th century, several international events have taken place, which have drastically influenced the new world order. These changes will have a tremendous impact on the socio-political and economic structures of the Third World, its population and environment. The most relevant transformations are: disintegration of the East bloc, the European alliance, the Pacific Bloc and the decline of the US economy.

### ***Disintegration of the Socialist Bloc***

This world event has had dramatic repercussions worldwide opening up a new historic era in world relationships. In Latin America, there always existed a great deal of doubt regarding the "socialist" connotations of these nations, understood as an alternative to the economic and political system of capitalism. Many intellectuals and even politicians from the region insisted that Eastern European nations never developed socialism. In fact, it was argued that those nations achieved socialist statuses by decree, not through revolutions. After W.W. II Eastern bloc nations formed a defensive military alliance.[5] In this way, dogmatism, top-down organizing models copied from the East block affected all the Communist parties and the majority of Latin America and the Third World left.

Nevertheless, the collapse of the East bloc and the former Soviet Union has large implications for the Third World and mainly for countries challenging the power from the North. For one thing, it deprives many of these nations from receiving military, economic and technical support and aid from the East. Good examples of this situation were Cuba, Angola, Mozambique, Vietnam and Nicaragua (until before 1989), among others. Also, the Soviet presence in the world played some role in limiting and opposing US imperialist purposes in the Third World. Although this was more apparent than real, the Soviet Union was a constant challenge to the interventionist policies of the US. With all its limitations, the socialist bloc served as a counter balance of sorts that permitted a geopolitical balance and a kind of support for changes in the South. The collapse of the Eastern block means the loss of that economic and political counter balance, but it leaves the doors open for new ideological and political models for the region according to their culture, values and needs.[6]

### ***The European Alliance***

The end of the century brings a new European unity, which evolved in less than half a century. These changes are ideological, political and economic. This alliance embraces former irreconcilable enemies such as Germany, Spain, and Italy on the one hand and the rest of Europe on the other. Whatever the problems were, the European community is moving into a political union. The basis for a supra-national federal European state, which will take responsibility from national states for a large number of activities including aspects of key political issues, foreign policy and defense, is being laid down. The twelve nations involved in this alliance visualize the European market, made up of several hundred million consumers, a strategic place to withstand the international challenge of the US and Japan.

A united Europe could become the productive, commercial and financial center of the world, together with Japan. This is starting to create some problems for the US hegemony of the world and could lead to a new world of "spheres of influence". This is a challenge that Clinton's new Democratic Administration will have to face to avoid further troublesome consequences for the economy of the US. Potentially, this situation could open the possibility to Latin America and other countries from the South to take advantage of the US declining economic power for their own benefit through free trade agreements and other commercial treaties.

### ***Emergence of the Pacific Basin Bloc***

There is no doubt that by the end of the century the Southeast Asian and Pacific Rim region has emerged around the economic power of Japan. To a lesser extent, the so-called Newly Industrialized Countries of East Asia including the Association of South East Asian Nations (ASEAN)[7] has also emerged.

However, Japan has not been able to resolve political and security issues in the region to play an important role corresponding to its economic power. These unresolved factors have impeded Japan in consolidating a visible and cohesive bloc similar to the European Community or NAFTA.

ASEAN and other economic associations from the region embrace those nations with high growth rates under Japan's hegemony, forming the most prospering economic area of the world. In this regard, Japan began to pay special attention to these countries. During the 1980s, almost 70% of Japan's total official development aid was provided to Asian countries, while the share provided to Africa was about 15%, and that allocated to Latin America was about 10%. Similarly, a large portion of Japanese exports, around 30%, goes to Asian countries (Itoh: 1992: 207).

Regardless of the Japanese occupation during W.W.II, and its imperial vision in the region in the past, common religious and cultural traditions, in addition to strong anti-Western imperialist sentiments provide Japan with a suitable environment for economic alliances. The strong economic performance of Japan's economy constitutes a powerful magnet to this commercial alliance among the Asian nations. To the extent that the European Common Market and the North American Free Trade Zone strengthen, Japan needs the Asian economic alliance as a way to escape isolation and competition. Within this context, the question here is whether or not some other areas of the Third World can benefit from this commercial activity?

Japan is a pragmatic nation. Since the end of War World II, this nation adopted the international position of being a partner of the US rather than an independent leader country. This economic strategy has proven to be successful and there is no reason to change right now. From this perspective and although the Japanese are not White, nor Christians, the structural forces of the market and the dynamic of the Group of Seven tend to draw Japan into the Northern orbit. Japan is also aware of the control and geopolitical interests

of the US regarding Latin America and other regions from the Third World. In this way, the gap between North and South increases.

### ***The Decline of the US Economic Power***

While President Bush was proclaiming the new world order, the economy of his country was being affected by a severe recession. The main problem is that the US has been unable to overcome its fiscal and commercial deficits while, at the same time, it is trapped by an enormous military budget. The trade deficit has had a tremendous impact and the country has become a large net debtor. The Financial Times of July 10, 1991, reported that the debt had reached \$300 billion by the end of 1989. The US dollar that traditionally was used as the international reserve currency has lost its preferential status. Its share in official reserves of foreign exchange fell from 78.4% at the beginning of 1973 to 56.4% at the end of 1990. During the same period, on the other hand, the share of the Dutch marks rose from 5.5 to 19.7% while the share of the Japanese Yen climbed from zero to 9.1% (Glyn & Sutcliffe: 1992: 91).

Moreover, the US has lost technological competitiveness and productivity, which will weaken its ability to maintain its political hegemony around the world, unless it continues using its military and ideological power. The US requires a military budget of \$300 billion annually and controls over 2/3 of all media around the world. In light of the economic crisis, however, the Clinton Administration is being forced to reconsider global political and military dominance leading the US to gradually abandon much of its neo-imperial role. The same can be observed in economic institutions where the US has gained economic hegemony such as the International Monetary Fund, the World Bank, GATT, and the Organization for Economic Cooperation and Development. This is not a voluntary decision and the US is still trying to maintain its dominant position currently challenged by its European and Japanese allies...and competitors.

The system of exploitation imposed on the Third World is now taking place on a hemispheric-wide basis, affecting US society as well as the rest of the Americas and the south. There is no longer one pattern of investment and exploitation for Latin America and another for the US. The search for cheap labor, raw materials and markets has surpassed international boundaries. Industries are being moved southward causing massive lay off, social services are being eliminated by the federal and state governments and poverty is increasing nationwide. The wealth of the country as in the Third World, is concentrating more and more in the hands of a small, rich and opulent sector of the population, while the majority of the nation faces poverty. In the last 15 years, the income of the top 5% of the US population has increased 50%, while that of the lower 60% of the population has dropped significantly. Currently, one of five children lives in poverty (Burbach: 1992: 240). People holding up signs "Will Work for Food" are becoming more frequent in shopping center parking lots across the US.[8]

There is no doubt that the new world economic order is affecting the economy of the US. A new step in history has started, but not only because of the collapse of historic socialism and the Soviet Union, but also because of the change in world capitalism. So far, the outlook does not look good for the South, nor for a large segment of the population of the US.

### **THE NEOLIBERAL MODEL**

Current neoliberalism promotes, above all, total freedom of movement of capital, goods and services. It advocates the opening of nation's economies and competition in the world market in conditions of absolute freedom. In contrast, labor is the only commodity, which is not considered free in the market, and there is a constant pressure on the part of the state and the market to reduce its cost. This pressure can include legal measures, to the repression of strikes and the co-optation of union and union leaders.

Neoliberalism strongly promotes the elimination of the regulatory functions of the state apparatus and promotes the denationalization and privatization of its goods and services. In other words, in stead of using the state, as in the past, this economic model encourages the market to determine the growth of distribution, production, technological renovation and even social needs. The main problem here is that once the role of the state is reduced and weakened, the capacity of the national economy to withstand external economic pressures is diminished. Furthermore, the state is the only mechanism in the country that could have sufficient mechanisms to soften the effects of external pressures and even, international crises.

To alleviate the negative social consequences of the neoliberal model, the promoters of this economic system have created certain instruments and escape valves such as the negotiation of conflict, the growth of the informal economy, and programs of social assistance which are more propagandistic than effective (extension of unemployment or social welfare benefits, minimum employment programs).

The neoliberal discourse accentuates the ideology of state management and the "de-ideologization" of the notions and principles underlying the economic system. Among these notions and principles promoted by the neoliberals to a kind of universal dogma, are competition, ironwork discipline, pragmatism, and the replacing of social groupings with individuals as the principal intermediaries and interlocutors in society.

The proponents of neoliberalism also emphasizes that the reorganization of the world economy according to the new interests and needs of capitalism and multinational corporations is the result of historical evolution. Most important, this historical evolution is portrayed like a process that all countries must inevitably join. Accordingly, this logic is used to justify the denationalization of the Latin American states, because, this is the cost Latin American countries must pay to form part of

the "new world economic order". This situation is reinforced with the collapse of the "socialist block" and the dismantling of the former Soviet Union.

Finally, according to the neoliberal model, the concept of sovereignty, development, social justice and democracy have also been redefined. Development, for example, is described as a goal, which all countries can achieve if they join in the neoliberal process. This is portrayed as matter of "time and sacrifice". Thus, social justice is defined as a function of opportunity created by individual effort, while democracy is a universal value with no class connotation or political qualifications from the right or the left.

### **LATIN AMERICAN NEOLIBERAL MODEL**

The implementation of neoliberal models in Latin America shows three clear stages. The first period started around the end of the 1960s when the economies of the region had promoted the implementation of developmentalist processes of industrialization based on state protectionism. Although neoliberals during this period did not express rational and well-thought policies, the forerunners of this model criticized the "opening" of the Latin American economies. Also, these neoliberal proponents claimed that stagnation affecting industrialization in some countries was the result of inefficiency, mainly on the part of the state, that was historically characterized as a "bad entrepreneur". Such a lack of efficiency on the part of the state was basically attributed by neoliberals to the lack of foreign competition. Inflation was blamed on the efforts of the regional governments to stimulate employment and economic growth [9] By the mid-1970s the tendency to open regional economies to foreign investment and credit accentuated. Professor Milton Friedman's model and the so-called "Chicago boys" neoliberal policies began to predominate across Latin America.

During the second stage, this neoliberal model was applied in a radical way in several

countries. However, as a precondition to the implementation of this economic model, a chain of coup d'états leading to the installation of military dictatorship and a military state was required (Vasconi: 1974). This was the case of Brazil in 1968, Chile in 1973, Argentina in 1976 and Uruguay in 1976. In countries such as Chile, for example, the economy was opened completely to foreign capital and services. The role of the state, as economic regulator and social benefactor, as occurred in the past, was rapidly eliminated.[10]

After the end of the military regimes (1970-1990), the new civilian governments of South America were totally entangled by foreign debt. The governments of the Southern Cone attempted to apply some type of social-democratic economic model (mainly developed by the Economic Commission for Latin America and the Caribbean), in part because neoliberalism was so closely associated with the military, but also because the government feared neoliberalism's negative social impact could affect their electoral possibilities. In addition, some of these new civilian authorities even feared the survival of their fragile democratic governments because of the military pressure to protect their neoliberal economic models.

The transition from military to civilian electoral regimes was rapidly associated with "redemocratization". Reality demonstrated that this was only a change of regime that did not alter or challenge the power of the more basic state institutions such as the military, the intelligence agencies, civil services, the central banks and the judiciary. It also became evident that while the military had turned formal power of the government over to civilian electoral regimes, the armed forces retained a significant veto power over the process of "redemocratization". Crimes against humanity, violation of human rights, thousands of people who disappeared in the hands of the military and security forces, corruption and other major issues remained silenced and protected by impunity. The newly elected civilian authorities gave up on these issues and concentrated on the protection and promotion



of the neoliberal model also initiated by the military.

The third stage of neoliberalism developed with the economic crisis of the 1980s, when the deepening problem of the foreign debt, forced these countries to abandon their social-democratic experiments. Two reasons can be pointed out to explain this tendency. First, governments could not find a way to spread the growing cost of adjustment fairly. Second, Latin American countries experienced enormous pressure from foreign capital throughout its powerful control of their economies through the foreign debt. As a result, by the end of the 1980s and beginning of the 1990s neoliberalism was abruptly imposed throughout Latin America. According to Petras and Morley (1992: 13) "during the decade of ascendant democracy (1980s-1990s), Latin America's per capita gross domestic product (GDP) fell more than 8%"; countries such Argentina, Bolivia, Peru and Venezuela experienced declines of around 24% to 26% (ibid.)

The background of the 1980s crisis that allowed the neoliberal model to consolidate in Latin America requires some attention. From the 1950s to 1980s the massive introduction of transnational capital produced an average annual income growth of 5% (Sánchez-Otero: 1993: 19). The result of this dependent expansion was the insertion of the Latin American economies into the general framework of capitalism during that period. Industries from the region (import-substitution) lost their national character. Certain areas of the agrarian sector were also transformed to reach international markets. But, most important, the main sectors of the regional economies became totally controlled by foreign capital, creating a nearly total subordination in the field of science and technology.

Internal resistance on the part of some nationalist and populist movements and governments (under the lead of the industrial bourgeoisie) that had started during the first quarter of the 1900s did not succeed. Resistance on the part of some bourgeois

sectors to foreign domination during this period was rapidly abandoned and finally they joined international investors and transformed themselves into their junior partners.

Latin American and Caribbean governments then turned to foreign credit that was readily available during the 1970s to soften the negative impact of this new subordination to foreign capital. By borrowing money, the governments of the region attempted to tackle the deterioration of the terms of trade, the overvalued dollar, capital flow, lack of revenues to finance basic state operations, and other effects of transnationalization. By funneling borrowed money from international creditors into their national economies, several countries were able to continue for a while supporting their industrial complexes and their corresponding import-substitution models. However, the complicated and pernicious mechanism of the foreign debt worsened this situation from the end of the 1970s through the 1980s.[11]

The new world economic order under the hegemony of the so-called Group of Seven have accentuated the crisis not only in Latin America, but in the Third World in general. These rich and industrialized nations from the North have demanded that debtor nations from the South apply burdensome adjustment measures. This draconian demand on the part of the rich North aims to collect on the debt. But, this strategy also aims to take over the abundant natural resources, goods and services from the Third World, especially when it is becoming more evident that no more liquid capital can be appropriated from the poor and underdeveloped South in return for reductions in the debt.

## **CONSEQUENCES OF NEOLIBERALISM**

### ***Privatization and Foreign Control of the Economy***

The effects of neoliberalism in Latin America have been disastrous. The region is in the midst of a profound and accelerated process of economic restructuring and foreign

appropriation of Latin America's productive systems. In Mexico, for instance, of 1050 state enterprises in 1983, only 285 were left in 1990s (Teichman: 1993). By the end of President Salina's period in 1994, Mexico is not likely to have a significant state-enterprise. Recently, the Mexican government has completed the re-privatization of the banks nationalized in 1982.

As soon President Salinas de Gortari took power, his government moved quickly to open up the economy to foreign investors. In May 1989, Mexican laws were revised to permit the operation of foreign corporations and the entry of overseas capital into those areas previously controlled by the state. In June of 1989, President Salinas de Gortari began informal discussions with President Bush and prime minister Malroney from Canada regarding the establishing of a free-trade agreement. While the Mexican government offered to abolish most tariffs and restrictions for foreign investors, preparations to sell off the huge state-owned communications sector, *Teléfonos de Mexico*, and other publicly owned enterprises were announced. The intention of the government was to collect \$20 billion (Lederma: 1990s: 1).

The case of Argentina is also significant. In mid-1989, the Justicialista government of President Nemen, a converted neoliberal, embarked on an aggressive privatization plan and harsh austerity measures to renovate the economy. During this period, important state industries in the area of communications and transport were sold to European and US multinational corporations. For example, 60% of the enormous state-run telephone company was bought by two consortium of the US and Europe (Petras and Morley: 1992: 54).

According to the standards applied in developed nations, industries characterized by low productivity and outdated technology, mostly owned by small and mid-sized national industrialists have been eliminated and replaced by imports.

The rapid opening of the Latin American economies to foreign capital responds to the immediate need to generate revenues to

service the foreign debt. However, this situation has practically dismantled the state, and together with privatization of state-owned enterprises and drastic budget cuts, has created alarming unemployment and levels of poverty never observed before in the region.

In Chile, one of the proudest examples of the neoliberal model, 28.5% of the population was living in poverty in 1969, four years before the coup that toppled Allende (Ruiz-Tagle: 1991: 46). By 1979, after six years of military rule, the poverty level had climbed to 36%; by 1989, the level of poverty was 42% (Ibid.).

In Costa Rica, the percentage of the population below the poverty line has also climbed dramatically in only five years, from 18.6% in 1987 to 24.4% in 1991. An estimated 37% of the workers were paid less than the legal minimum during the same period (Inforpress: 1992: 6).

In the case of Mexico, unemployment hovers around 20% and underemployment is at least twice as high (Escobar: 1991: 9). The 80% growth of the informal economy (self-employed people and microenterprises) during the 1980s is a significant indicator of the inability of the neoliberal model applied by the Mexican government to create enough jobs.

In Nicaragua after two years of stabilization (1990-1992) and structural adjustment, 53,000 people lost their jobs, affecting the productive sector far more than commerce and service. The recession in production has meant the loss of over 36,000 jobs in large-scale agricultural, industrial and construction enterprises during the same period. Manufacturing is the productive sector hit hardest by the adjustment. It has laid off a third of its 1990s labor force; that is, 16,000 workers (Envio: March 1993: 19-20). In Argentina, between October 1989 and October 1990, a reported one million out of 2.3 million workers lost their jobs (Petras and Morley: 1992: 54)

The Latin American church has also entered the debate about neoliberalism and its effects on the people. Bishop Luis Armando Bambarón of Chimbote, Peru, declared in a meeting held by the Council of Latin American

Bishops (CELAM), that "In Peru privatization of public companies and the reduction of job opportunities has resulted in 500,000 layoffs, and it is fair to say that only 7% of the population receives a just wage. Neoliberalism is only concerned with economic efficiency. It makes economic success more important than human beings, and the people pay for its mistakes." Archbishop Pedro Rubiano of Cali, Colombia added "Neoliberalism has permeated all [Latin American] countries, resulting in a common reality. Although [neoliberalism] has some positive aspects, the social costs are very high, including the breach between rich and poor, which instead of diminishing is getting wider." (L. P.: April 8, 1993; p. 1).

The bishops concerns seemed to be correct. In 1990s, according to ECLA, approximately 44% of Latin America's population (183 million) were living below the poverty line — an increase of 112 million over 1970. Approximately half of this group (88 million) was characterized as living in extreme poverty or indigent (Petras and Morley: 1992: 14).

### **THE NEW WORLD ORDER AND NEOCOLONIALISM**

Because of the neoliberal model, Latin American governments have virtually been forced to abandon their efforts to win national independence and economic development. Never before have government policies been so directly managed by the IMF, the World Bank and other well-known transnational banking organizations. Neoliberalism has become equivalent to neo-colonization of Latin America and the Caribbean, and the only winners are transnational corporations and their regional allies: a small sector of the ruling elite from the region.

Structural adjustment policies have been massively adopted by the new "electoral regimes" of Latin American and the Caribbean. By and large, these policies are the aftermath of severe pressures by various foreign lending agencies. External agencies thus play a role in the internal policy processes of these

regional countries. These external agencies include creditor organizations such as the IMF, The World Bank, and Inter-American Bank of Development (IDB), all of them connected with Western governments and private banks, as well as multiple "linkage groups".[12] These foreign creditor organizations exercise a great deal of power by setting the rules of the game for running Latin American and Caribbean governments. Most of these policy processes preclude local national constituencies, thus diminishing the possibilities for self-determination and legitimacy of the political regimes and their own range of available policy options.[13]

There is no doubt that domestic legitimization of a government and its officials, policies and institutions is generally limited unless such a government can improve the level of services it can provide to its citizens. This is not the case of Latin American societies that instead experience economies with small surpluses and chronic underdevelopment. The application of structural adjustment policies —lower corporate taxes, reduced protectionism, elimination of subsidies and privatization of public enterprises— leads to accumulation of wealth in the hands of a small domestic elite and its transnational associates.

In Chile, for example, the income share of the wealthiest fifth of the population in 1969, was 44.5% as compared with 7.6% for the poorest fifth. By 1988, that ratio was 54.6% to 4.4% (Ruiz-Tagle: 1992: 46). Between 1982 and 1989, profits remittances and interest payments to multinational corporations and banks over this nine year period totaled \$281.5 billion.

After deducting new loans and investments, Latin America is still a net exporter of capital to the tune of \$200 billion (Times of the Americas., January 10, 1990s, p. 3). In this way, the intensity of support from abroad increases while, at the same time, the internal support is diminished. This situation is translated into weakening of education, health and welfare, resulting in widespread popular alienation. The alienation experienced by the

people of these countries leads to many channels and forms of discontent and mobilization and creates the possibility for new strategies of dissent. As a result, the credibility of the political structure is questioned. Discrepancies emerge between the rhetoric of legitimization of the local regimes and the implementation of the local elite's programs.

Confronted with challenges to the political myth of neoliberalism in the region and faced with a growing popular opposition from below, the ruling sectors respond with repression. However, the more the state depends upon the use of force, the weaker it becomes. In order to maintain a socioeconomic stability it is necessary to impose political instability. This situation de-legitimizes the so-called "democratic" governments elected after the military returned to their barracks. It also demonstrates that political and socioeconomic "democratization" cannot be reconciled with the existing modes of dependent development expressed through the structural adjustment policies in Latin America and the Caribbean.

This situation forces regional governments to confront several contradictions regarding the neoliberal bonanza and its effect on the countries in the region. First, it challenges the notion that profound social conflicts can be arbitrated and overcome by the formal mechanisms of liberal, electoral democracies in dependent and underdeveloped societies. Second, the idea that the state is a neutral mechanism in society through which conflictive demands and situations can be arbitrated loses credibility among the classes that make up those societies.[14] Third, the belief that changes in the socioeconomic structure of the current Latin American societies can be achieved without altering the role of the state has also been questioned. Finally, the neoliberal model implanted in Latin America and the Caribbean challenges the existence of a national state in charge of the common wealth of the country. On the contrary, they operate like mechanisms functioning to maintain the dependent and underdeveloped nature of the society.

### **The Informal Sector**

Neoliberalism grows neo-marginality, euphemistically called the "informal sector of the economy" —street vendors selling, sidewalk food, and shoe repairs stands, caretakers, and so on—. In fact, the informal economy is one of the most prominent and harmful effects of neoliberalism, both in human dimensions and its economic, ideological, and political ones. Within this reconceptualization of marginality, private and familial solutions are sought to replace social ones. Because of neoliberalism, very mixed and internally differentiated types of economies have emerged in Latin America and the Caribbean. This type of economy has adopted diverse forms and characteristics depending upon the needs and level of opportunities for the local people of these countries.

One of the modalities adopted by the informal sector is reflected in the explosive development of microenterprises which contract with large conglomerates or service the industrial sector in areas such information, publicity, marketing, security, repairs and maintenance. The owners of such small enterprises often live on the verge of poverty. Workers in microenterprises are paid wages barely above subsistence, without fringe benefits or job security.

In the case of Chile the "informal sector, now employs over 45% of the current work force" (Van Hemelryck: 1992: 154). Poor salaries have also forced women to enter the labor force under conditions of superexploitation. Women made up 34.6% of the labor force in 1985, up from 27.6% in 1976. Most working women work in the lowest-wage, least organized sectors of the economy. Over 25% are employed in domestic services alone. Largely women, for instance fill new employment opportunities in seasonal agriculture. These women work for minimal wage and have no organizational representation.[15]

In Costa Rica, figures indicate that between 1980 and 1990 the expansion of the informal

sector increased from 14% to 22% of the urban workforce (Latin America Weekly Report: October 29, 1992). After holding virtually constant between 1980 and 1986 at around 17%, the self-employed" category leaped 3.6% in 1987 to 22.9% of the labor force, and climbed to 24.8% in 1991. However, 53. % of these independent workers were below the poverty line in 1991, in contrast to 39.8 of workers who were wage earners (CEPAS: 41-49).

In Mexico, the informal economy grew 80% during the 1980s (Escobar: 1991: 9). Through industrial parks, credit, and administrative facilities, the government encourages marginal business and informal entrepreneurs to integrate their activities with large transnational corporations, especially through the maquiladora program.

The neoliberal model has also created a type of popular economy translated into the creation of small workshops, family business, cottage industries or business with three or four partners. Included are small bakeries, cocinerías (cooking services), handicrafts, small neighborhood stores, restaurants, cafes, bars, drink stands, etc. This type of economic activity operates around or close to the proprietor's home, frequently with the collaboration of family members. Depending upon their operational results, these small businesses can transform themselves into small microenterprises, create a few jobs and produce some revenues for the city or state via taxes.

Another economic expression developed as a result of neoliberalism is the formation of popular economic organizations. These are small groups of people from a barrio or neighborhood, or organizations seeking ways collectively of resolving the group's most immediate economic, social, legal and cultural problems. Soup kitchens, popular or family lunchrooms, wholesale food-buying cooperatives, community gardens, craft groups, etc. Other initiatives have come from training programs as well as economic support for collective local initiatives sponsored mainly by church organizations and Non

Governmental Organizations (NGOs). Examples include health care groups, housing and construction committees, mortgage committees, unemployed worker's committees, etc.

Informal individual initiatives include activities such as street peddling, domestic services (window cleaners, painting, gardeners, house cleaners), junk collecting and resale (flea markets), street musicians, car-cleaners, guarding parked cars, and many other types of odd jobs. These activities complement some gaps in the market; however, most of the time these activities correspond to the astonishing creativeness of the people to fabricate some form of economic subsistence and survival. Sometimes these popular entrepreneurial activities can operate linked to formal, perhaps even large, enterprises. In this context, these types of activities fulfill certain auxiliary functions that these large enterprises want to carry out but avoid to paying legal worker benefits and taxes. This is another form of access to cheap labor and a mechanism to increase the rate of profit on the part of these enterprises.

Initiatives for survival have also been developed by certain sectors of the population because of the neoliberal model. These activities range from governmental subsidies to the indigent to begging in the streets. Included are many alternatives which vary in their success in solving basic economic problems and needs of the poor according to the availability their material and institutional resources. Consequently, the poor have few choices and they are forced to survive within these narrow spaces.

Finally, the neoliberal model has created illegal and frequently violent activities. This includes all forms of activities carried out on the margins of the law and socio-cultural norms. This situation is increasing mainly around the densely populated marginal urban areas of Latin America. Marginal belts encircle most of the major cities of Latin America and the Caribbean, and they are becoming zones of violent crime and illegal activities due to unemployment and subsequent

impoverishment and misery of large sectors of the population. Included here are prostitution of men, women and children, street delinquency (including children and juvenile street gangs), drug trafficking, thefts, and many other activities. The response to these activities has been repression and brutality on the part of the governments and international creditors. Large amounts of economic resources are allocated to the training or "modernization" of the numerous police forces to stop crimes, rather than focusing on the creation of productive centers and programs able to generate economic resources and to provide jobs and opportunities to this army of unemployed.

### ***Disarticulation of Labor, Rearticulation of the Elites***

A main characteristic of neo liberalism is that it excludes full employment. The informal sector is then the route open not only to compensate for the rise in unemployment, but to obstruct the effort of the workers to resist and to seek out private solutions. The effects of the policies applied by neoliberal (military and other) regimes is that the economic and social basis of the working classes of Latin America and the Caribbean have been seriously eroded.

The neoliberal ideology claims that every body in society is equal and individual competitions will lead a person to succeed at all levels. In addition, there has also been a conscious attempt to cripple the political mechanisms of collective bargaining for union and labor confederations. Moreover, neoliberalism avoids unionization or tolerates it at minimal levels thus minimizing labor conflicts and promoting a suitable environment for national and foreign investors. Consequently, workers are not only very poorly represented as compared with their historical status; their own strength as a social force in society has drastically declined. Labor organizations have been significantly weakened and fragmented since the military took over between 1964 to 1990s. Across the

continent labor codes without worker's representation across the continent have been implanted leaving very little space for defending worker's rights and opportunities.

The aftermath of the military defeat of the Latin American working and popular movement between 1964-1990s is dramatic. Chile, a country with a powerful and militant historical labor tradition is very illustrative. The number of unionized workers, as a percentage of the overall labor force, has fallen from 41% in 1972 to fewer than 13% (Ruiz-Tagle: 1985). Until 1973, there existed only one powerful Central, the United Workers' Central (CUT), representing most of Chile's workers. Presently, there are 9 Central, encompassing 34 confederations and 25 federations. The United Workers' Confederation, is the largest one. Although it has the same acronym of the once militant and powerful CUT, the present organization is a pale phantom of Chile's labor past. This organization embraces 411,000 members and represents about 17% of organized labor and 4% of the total labor force [16] (Letelier: October 12, 1990s).

Many other social consequences of neoliberalism are visible and well-known such as the reemergence of illnesses that had been eradicated in the past such as cholera as well as a rise in crime rates and drug-trafficking. More children are in the street, retired people get fewer benefits, proletarianization of the middle classes, immigration, including illegal immigration to the North.

### ***Neoliberalism, The Third World and the Environment***

Over the last two decades, the issue of the environment has become a topic of great concern in the North. People are becoming aware of this problem when it is almost too late to prevent the ecological damage inflicted on the planet. Taking advantage of the drastic changes in the balance of world political and economic forces, the industrialized countries proclaim on the global nature of the problems affecting the environment. This approach on

the part of industrialized nations waters down their own immense responsibilities, and therefore, most of the blame and concerns point out toward the underdeveloped South. This evaluation of the environment is then used to impose draining adjustments to the Third World. Thus, by internalizing the problems of the environment, the ecological movement is converted into one element of the new world order.

Without denying that environmental matters are chaotic in the Third World, it is not fair to blame these nations for the destruction of their Eco-habitat as suggested by many concerned environmentalists and governments from industrialized nations from the North. Former colony yesterday and dependent nations today, they are the offspring of colonial policies, including current neoliberalism, which, in turn, brings forth underdevelopment and poverty.

While the South is blamed for the deterioration of the environment, the North with only 20% of the world's population consumes two-thirds of all metals and three-fourths of the energy produced worldwide. To reach the levels of consumption and standard of living of industrialized nations, the North has polluted the air and sutured the atmosphere with gases, altering climatic conditions. The forests are disappearing and deserts are expanding. It seems then evident that the consumer patterns developed by industrialized nations are the main threat to the global ecosystem.

The poor from the South, historically deprived from consumption of basic goods, need to take what ever they can from their natural habitat to survive, even if they have to destroy it. The consumerist behavior of the North and the survival needs of the people from the South are economic systems environmentally unsustainable. The pressing environmental concerns from the North are totally different in the South. In other words, while the main concern of the North is the quality of life, the main concern of the underdeveloped South is life itself: food, drinking water, housing, education, health

care, etc. The question is then, how can hundreds of million of people pay attention to the deterioration of the environment when they cannot read and write and when their lives are consumed in an anguished and hopeless battle to survive?

The international debate on the environment has produced the concept of "sustainable development", understood as a form of initiative able of satisfying present needs without compromising the possibilities for the next generation. Sustainable development aspires to a superior stage of evolution of the environment that ensures more equitable and humane conditions for the people of the planet.

This concept correctly places the ecology in context and its concentrates on the need for global action that looks beyond the present to protect the source of life for the further generations of the planet. Poverty and demographic growth are correctly viewed as fundamental aspects to be considered in this model of sustainable development. In this way, ecology and development are seen as interconnected parts, not irreconcilable.

Nevertheless, the thesis of sustainable development contains some contradictions and limitations. One of them is that this model identifies the existing social and economic disparities affecting the Third World, but it does not recognize the historical mechanisms that generated this inequality. An accurate interpretation of inequality on the planet should recognize that the process of underdevelopment that for more than five centuries has affected the Third World is the direct result of plundering and pillage on the part of more advanced nations from the North. Today, unfair measures such as the international division of the world that creates and perpetuates the foreign debt, protectionism, unequal trade, capital flow, massive immigration, etc., are the direct consequences of ecological destruction.

Another limitation of this thesis is to view sustainable development as a formula where environmental conservation, social equality, economic improvements together with the

forces of the market can work together. Sustainable development, in this form, becomes a utopia, giving the impression that all sectors of society are equally committed to the protection of the environment. In this regard, the so-called concept of "green market" has been widely promoted around academia and politicians from the First World.[17]

This situation leads to another severe contradiction. According to this neoliberal interpretation, the same multinational corporations from the First World that are the most active agents of ecological damage in the Third World, should be in charge of leading this transition towards an environmentally sound, fair and affluent development.

There is no doubt that sustainable development requires international support to succeed in the search of common solutions. However, this international commitment fades at the moment international cooperation such as transfer of financial resources, technology and trade regulations is mentioned. This is the moment that the neoliberal theory of "perfect markets" developed during the 1980s has a significant impact on the world debate on the environment. The resurgence of the philosophy of the free play of the market as the infallible solution for solving the economic crisis affecting the world has been strongly promoted by the new financial sectors from the industrialized North.

The increasing influence of neoliberal policies is not only causing considerable negative impacts on the socio-political and economic structures of the Third World but, in addition, to their environments. This is the result of the monetarist restrictive and privatizing focus developed by the IMF for debtor nations. Some of these recommendations reduce state participation to minimum and force deep cuts in public spending. Thus, investment in environmental conservation is among the first to be held back. Most important, as a direct result of the effort to achieve a trade balance as soon as possible, the volume of exports of natural resources toward the First World is increased without

regard its ecological impact.

As a result, neoliberal adjustments of the Third World economy not only has a direct environmental cost and effect, but are also responsible for the increase of social inequality and poverty in those nations. Consequently, neoliberal formulas are a direct cause of the conditions of underdevelopment of these regions and the ecological damage that has plagued the Third World since their inclusion in the capitalist system.

### **LOOKING FORWARD**

To take action in favor of development and the environment, that is, its conservation and improvement, necessarily means to introduce drastic changes as soon as possible. For one thing, industrial and rich societies from the North, as well as the high-income groups from the South, must replace their wasteful consumer culture. The economic model based on a profit principle that exaggerates a consumerist culture and promotes individual well being is incompatible with the many ecological concerns. For example, 76% of all highway vehicles in the world are found in the industrialized countries. There is no question that this culture must be replaced by a lifestyle that would lead to a more rational use of resources and the environment without sacrificing its present material levels.

The second step is to introduce radical changes in the Third World's socioeconomic conditions to change the living conditions of the impoverished masses of its population. These changes require some drastic transformation of the present system of international economic relations and their social economic structures. In other words, this a challenge to the neoliberal model and the free market economy that produces poverty, hunger, sickness, disposed and ignorant people in the majority of the underdeveloped nations.

Obviously, this step requires a generalized world consciousness of these causes of environmental problems in all countries and at all levels within each country. This



consciousness could generate a true political will and international cooperation needed to confront the environmental crisis.

The collapse of socialism in Eastern Europe and the dismantling of the Soviet Union put an end to political and military fears on the part of the North. However, the amount of money spent on armaments is still too high, surpassing \$800 billion annually. The underdeveloped nations contribute more than \$120 billion to this amount yearly. It is therefore crucial to end this senseless waste of resources on extermination of humanity and nature and to redirect them instead to the development and conservation of human life.

It is necessary to insist, again, that separating one from another as suggested by the new international order cannot solve the problem of underdevelopment and the environment. The solution must consider a plan where both environment and development reconcile the needs of the poor from the Third World and their ecosystems. Since the historical victims of these problems have been the inhabitants of the underdeveloped world there is a need to create a permanent forum in the South for the protection and diversification of biological diversity and for access to biotechnological development.

As discussed at the Earth Summit in Brazil in June 1992 the aim of this forum should consider the development of various mechanisms to discuss, analyze, and evaluate development and ecology as well as to propose and formulate solutions and policies. Some of the issues to be considered, discussed and studied should include, for example, concerns such as whether or not it is possible to find a solution to the disastrous effects of the unpayable foreign debt which is annihilating the economies of the Third World and which makes economic, social and political development impossible to attain in those regions.

Is it possible to formulate international trade agreements and market policies incorporating the views and needs of the producer nations from the South? Is the North

prepared to compete equally with the South by eliminating protectionist barriers and the quota system for their products? Is the North willing to stop using foods and medicines as political weapons to impose its own formulas on those nations who are demanding the international right to self-determination and nonintervention such as Cuba?

Also, is it possible to formulate a common system for the legal protection of generic resources, which would include appropriate compensation procedures to Third World nations for access to their rich resources? Is it possible to implement common mechanisms to facilitate access to biotechnology using generic material both in the First and the Third World?

Is it possible to agree on common approaches to protect indigenous people's cultures: language, life-styles, traditions and their rich knowledge of the vital link between humans and the environment? Is it possible to create some common defense mechanisms to protect of the result of research carried in Third World countries?

But, most important, is it possible to developed economic, political, social and environmental awareness in the population of the First World to work together with the people of Third World to overcome all the problems discussed here?

## ENDNOTES

[1]. See Jonathan Kandell, "Prosperity Born of Pain", *The New York Times Magazine*, July 7, 1991, pp. 15-16. Cited by Jorge Nef in *Democratic Transition and the Entrenchment of Authoritarian Capitalism in Chile*. Paper presented to the Rocky Mountain Conference of Latin American Studies, Vancouver, B.C. March 31-April 3, 1993.

[2]. The term South refers geographically to the impoverished people of Latin America and the Caribbean, Africa and Asia. The North refers to the centers of power that tend to be found in the richest and most industrialized

countries, and the political classes that govern those nations.

[3]. Contradictory at the end of the century, when the triumph of capitalism is being announced worldwide, the World Bank published its Report on World Development 1990. This report emphasizes poverty and mentions that the problem of poverty "is the most pressing question of the decade". According to the WB "one billion people throughout the world live on annual income equivalent to \$370".

[4]. Some of these studies are: Osvaldo Sunkel, "National Development Policy and External Dependence in Latin America", *Journal of Development Studies*, (1969-1970); also, "Transnational Capital and National Disintegration in Latin America", *Social and Economic Studies*, (march 1973); Anibal Pinto, "Notas sobre desarrollo, subdesarrollo y dependencia", *El Trimestre Económico*, Vol 39 (2), # 154 (April-June 1972); Raúl Prebisch, "International Trade and Payments in an Era of Coexistence", *American Economic Review*, (XLIX, 1959).

[5]. A good indication of this is the early writings of Ernesto Che Guevara and his speeches about moral versus material incentives. See for example "On Sacrifice and Dedication" in *Venceremos! The Speeches and Writing of Che Guevara*, edited by John Gerassi, The Macmillan Company, New York, 1968. This is one of the first attempts to define the Socialist Man and Woman in Cuban terms, and to press for moral rather than material incentives, done through a typical economic policy statement. Also, see Guevara's famous speech "On the Budgetary System of Financing", where he explains the difference between the Soviet economic system (based on material incentives) and the Cuban system as Che Guevara would like to see it develop, that is, a system that ultimately should establish incentives on a moral basis. Op. Cit. pp. 292-316. Finally, see Che Guevara's response to one of the most respected Marxist

of that time, the scholar and writer Charles Bettelheim entitled "Socialist Planning". In this polemic, Che Guevara rejects Bettelheim's orthodox socialist planning being applied in the Soviet Union, and which was based on the capitalist definition of Value. Che Guevara rejects that definition and attempts to demonstrate that such planning (autonomous financing system) stems from lack of faith in Socialist Men and Women. Op. cited. 401-409.

[6]. The Gulf War of 1991 is a good example of the "new world order". It was clear from the early days of the attack that the US and its European allies would use military action rather than political or diplomatic approaches to repel Hussein's adventures. Most important, this military action on the part of the US aimed to demonstrate to the rest of the Third World what would happen to those nation challenging the interests of the US. The Soviets, through the government of Gorbachev, opted this time to acquiesce to the United Nations -US military expedition against Iraq.

[7]. This association is made up of Malaysia, Thailand, Indonesia, Brunei, Singapore, and Philippines.

[8]. On December of 1991, General Motors claiming a loss of \$4.5 billion during that year, announced that was going to close 21 plants and cut 74,000 jobs. The same year, Los Angeles County lost 50,000 jobs and its unemployment rate climbed up from 6.1 to 9.3% (Milliband & Panitch: 1992: 7). By October 1991, the number of people enrolled in the federal food stamps anti-hunger program was 24 million., that is, 9.6% of the population. No less than 3.2 million people enrolled in the program in the previous twelve months (Saunders: 1992).

[9]. These "openings" in the Latin American economies were not attempted in all countries. In fact, the development of the process of industrialization followed different processes

in the region. Some countries such as Argentina, Brazil, Chile, Colombia, Mexico and Uruguay started industrialization at the end of the nineteenth century. Between the two world wars, special emphasis was paid to industrialization in these six countries. Another group of nations such as Peru and Venezuela promoted industrialization only after W.W. II, but under the direct initiative of foreign capital. Central American nations, Bolivia and Ecuador in South America only started a process of industrialization during the 1960s, also under the direct control of foreign capital and promoted by local governments and the Alliance for Progress. For information about the process of industrialization in Latin America see Vania Bambirra's work *El Capitalismo dependiente latinoamericano*, (Siglo XXI, Mexico, 1973). In English see my work "Dependent Capitalism in Latin America: Five Centuries of Capitalist Accumulation" in *Latin America: Social Dimensions of a Crucified Continent*, edited by Jorge Gilbert, (TESC: Olympia, 1992).

[10] For a more detailed analysis of the military state see my work in *The Aftermath of the Military State in Latin America*, editor J. Gilbert (TESC: Olympia, 1991).

[11] About the mechanisms which generate the unpayable foreign debt in Latin America see chapter III of my book *The Bridge Between Canada and Latin America* (with Mario Lee). For analyses of the effect of the foreign debt in the Third World see my article "The Unpayable Foreign Debt and the Third World" in *Latin America: Social Dimensions of Crucified Continent*, already cited in footnote #10.

[12] For a discussion about internal and external linkage groups affecting development policies and processes of Latin America, see Douglas Chalmers, "Developing in the Periphery: External Factors in Latin American Politics", in Tom Burns and Walter Buckley (Eds.), *Power and Social Control: Social*

*Structures and their Transformation*, (Beverly Hills: Sage, 1976), pp. 224-225.

[13] The Inter-American Development Bank, for example, is an international financial institution, based in Washington D.C., established in 1959. The Bank has 28 member countries in the Western Hemisphere and 17 outside of the region. In its 32 years of operation, the IDB has provided \$159 billion to different projects in Third World countries. The IDB has field office in Latin America and the Caribbean to deal with local and authorities and to supervise the implementation of Bank-supported projects.

[14] This political formulation of the state is not original in Latin America. In the past, the notion of a state located above the classes in society where its role is to mediate between the many social groups was applied during the so-called populist regimes of Argentina (Rosas and later Perón), Janio Cuadros and Getulio Vargas in Brazil and the governments of Pedro Aguirre Cerda and Juan Antonio Ríos in Chile are a good example. This peculiarity of the state corresponds to the "bonapartist" notion of the state extensively analyzed by Karl Marx in his work "The Eighteen of Brumaire", in *Selected Works*. (New York, International Publishers, 1968).

[15] In its Sunday edition of April 4, 1993, the New York Time optimistically reported that the Government of Chile was showing particular "success" through programs aiming to reach tiny business from the informal economy. However, the NYT claimed that "these unregistered companies which pay no taxes are surprisingly productive, have little hope of expansion, primarily because they do not have access to credit". The same newspaper recognizes that these "enterprises" employ fewer than five people and they are critical to the economy since they employ 40 percent of the work force and 80 percent of the country's very poor. Whatever, the government's projects are there is no doubt

that a significant portion of the Chilean work force has not a decent job to survive. The reference about these informal "enterprises" not paying taxes is loudricuos. It seems like the neoliberal model applied by the Chilean government and applauded by the NYT is promoting a tax on poverty. All those who have found a way to survive below the poverty line should, in addition to their miserable living conditions, pay a especial tax for surviving.

[16] These figures were provided by PPD's (Party for Democracy) Congressman Juan Pablo Letelier, a left-leaning member of Concertación (the government coalition) in a speech delivered on October 12, 1990s.

[17] According to this concept, market forces alone will guarantee solid basis and equitable socioeconomic and environmental development. In fact, this concept of "green market" reflects the pernicious influence of neoliberalism on discussions on development and the environment. This tendency, then, favors those economic enterprises seeking to legitimize the use and commercialization of the environment.

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