UNIVERSIDADE FEDERAL DO RIO DE JANEIRO

INSTITUTO DE ECONOMIA (IE/UFRJ)

SERGIO MARTÍN PÁEZ

STATES & MARKET: WHO IS WORRIED ABOUT DEVELOPMENT?

POLITICAL ECONOMY IN LATIN AMERICA AT THE BEGINNING OF THE 21ST CENTURY

RIO DE JANEIRO, RJ

PPGE/IE/UFRJ

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Orientador: Prof. Dr. Eduardo Costa Pinto (IE/UFRJ)

Co-orientador: Prof. Dr. Alexis Saludjian (IE/UFRJ)

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A universidad(e) pública.

À cidade maravilhosa.

Rio de Janeiro, dezembro 2020

Eu sou apenas um rapaz latino-americano
Sem dinheiro no banco sem parentes importantes
E vindo do interior

Mas trago de cabeça uma canção do rádio
Em que um antigo compositor baiano me dizia
Tudo é divino tudo é maravilhoso

Belchior, Apenas um rapaz latino americano

Si empiezo a desconfiar de mi suerte
estoy perdido,
pues tengo ideas
cada vez menos atrevidas.
Pero cerca, aquí cerca el lobo aúlla
despertando al mal hombre,
al mago bueno
con un corazón que no puede
cumplir más promesas ya.
Los genios son buenos servidores
y malos amos.
Patricio Rey y sus Redonditos de Ricota, Mi genio amor

Abbreviations

AFPs	Administradoras de Fondos de Pensiones/Pension Fund Managers, Chile
BFP	Bolsa Família/Family Grant Program, Brazil
BNDES	Banco Nacional do Desenvolvimento Económico e Social/ Brazilian Social and Economic Development Bank
BOP	Balance of Payment
CAFTA-DR	Central American Free Trade Agreement-Dominican Republic
CCT	Conditional Cash Transfer
CEPAL	Comisión Económica para América Latina y el Caribe/ Economic Commission for Latin America and the Caribbean (ECLAC)
CODELCO	Corporación Nacional del Cobre de Chile/Chilean National Copper Corporation, Chile
CORFO	Corporación de Fomento de la Producción/Economic Development Agency, Chile
DIESSE	Departamento Intersindical de Estadística e Estudios Socioeconómicos/Inter-Union Department for Statistics and Socioeconomic Studies
EAP	Economically Active Population
FDI	Foreign Direct Investment
FEC	Fondo de Estabilización del Cobre/Copper Stabilization Fund, Chile
FEES	Fondo de Estabilización Económica y Social/Social and Economic Stabilization Fund, Chile
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GVC	Global Value Chain
IBGE	Instituto Brazileiro de Geografia e Estadística/Brazilian Instituto of Geography and Statistics
ICSID	International Centre for Settlement of Investment Disputes (World Bank)
IFI	International Financial Institution
IMF	International Monetary Fund
INDEC	Instituto Nacional de Estadísticas y Censos / National Statistics and Census Institute, Argentina
IPEA	Instituto de Pesquisa Económica Aplicada/Institute for Applied Economic Research, Brazil
ISAPREs	Instituciones de Salud Previsional / Private Health Institutions, Chile
ISIC	International Standard Industrial Classification
IVA	Impuesto sobre Valor Agregado/Value Added Tax

MST	Movimento dos Trabalhadores Rurais Sem Terra/Landless Rural Workers Movement, Brazil
OECD	Organization for Economic Cooperation and Development PNUD Programa de Naciones Unidas para el Desarrollo/United Nations Development Program
OPEC	Organization of the Petroleum Exporting Countries
PPP	Public-Private Partnership
PT	Partido dos Trabalhadores/Workers Party, Brazil
SRA	Sociedad Rural Argentina/ Argentine Rural Society, Argentina
SITC	Standard International Trade Classification, United Nations
SOE	State-owned enterprise
UNASUR	Unión de Naciones del Sur (South Nations Union)
USSR	Union of Soviet Socialist Republics
YLB	Yacimientos de Litio Bolivianos/Bolivian Lithium Reserves Corporation, Bolivia
YPF	Yacimientos Petroliferos Fiscales/Oil Reserves Corporation, Argentina
YPFB	Yacimientos Petroliferos Fiscales Bolivianos/Bolivian Oil Reserves Corporation, Bolivia

Resumo

Estados e Mercado: Quem está preocupado com o desenvolvimento?

Economia política na América Latina no início do século XXI

A América Latina é marcada pelo mito da inevitável prosperidade, que tem acompanhado a região desde as independências de seus países até o início do século XXI, em virtude da abundância de seus recursos naturais. Como a prosperidade não foi alcançada, permanecendo os países da região na condição de periferia subordinada ao Norte Global do sistema internacional, muito tem-se discutido a respeito dos limites econômicos e políticos para o desenvolvimento capitalista da região.

Essa problemática tem sido analisada, quase sempre, sem levar em conta a articulação entre os limites econômicos e políticos – atrelados às classes dominantes e suas relações com o Estado – para o desenvolvimento. Tanto a abordagem liberal como a reformista/estruturalista dão limitadas respostas para entender o status de desenvolvimento da região, uma vez que não articulam as questões dos interesses das classes dominantes, do papel do Estado e da acumulação de capital na região, que têm na exportação de recursos naturais um dos seus elementos centrais.

Diante disso, este trabalho tem como objetivo identificar e analisar os limites econômicos (de restrição externa e produtiva) e políticos (configuração de frações de classe no bloco de poder e o papel desempenhado pelo Estado) para o desenvolvimento capitalista na América Latina no início do século XXI, marcado pela ascensão da China e pela permanência da hegemonia dos Estados Unidos.

Para tanto, será realizada uma análise de economia política do balanço de pagamentos e da dinâmica do PIB buscando identificar quais são as frações capitalistas que lideram o bloco no poder da Bolívia, Chile, Argentina e Brasil (BCAB) e, como isso impacta na configuração das políticas estatais. A originalidade desse trabalho reside na utilização da restrição do equilíbrio de pagamentos (BOP) em articulação com o bloco de poder poulantziano (identificação "empírica" das frações de classes) e a possibilidade de autonomia relativa do Estado e de suas políticas públicas em determinada conjuntura histórica.

O fio condutor da pesquisa, que está dividida em três partes, está assentado nas seguintes questões, a saber: (i) como a dinâmica global interage e permite/bloqueia o acúmulo de capital na região? Qual é o papel desempenhado pelos Estados latino-americanos? (ii) como o capital é acumulado na região? Qual é o papel desempenhado pelo Estado? Quais são as frações capitalistas no bloco de poder que lideraram esse processo? e, (iii) como essa dinâmica de acumulação condiciona o tipo de inserção das classes subalternas no mercado trabalho? Essas perguntas pretendem ser respondidas, ao longo deste trabalho, levando em conta a questão temporal, geográfica e da conexão entre economia e política.

Palavras-chaves: Estado, acumulação capitalista, América Latina

Abstract

States & Market: Who is worried about development?

Political economy in Latin America at the beginning of the 21st Century

From their independences to their early 21st century, the Myth of Inevitable Prosperity has characterized Latin American countries due to their natural resources' abundance. Since Prosperity has not been achieved and LAC countries remain in the condition of subordinated periphery to the Global North, there has been a long debate about the economic and political limits to capitalist development in the region.

This problem has been mainly analysed without taking into account the articulation between the economic and political limits for development, associated with the ruling classes and their relations with the State. Both liberal and the reformist/structuralist approaches provide limited answers for understanding the region's development status, since they do not articulate the interests of the ruling classes, the role of the State, and regional capital accumulation (one of its main elements being exports based on natural resources).

Therefore, this text aims to identify and analyse the economic (external constraint and productive structure) and political limits (configuration of class fractions in the power bloc and the role played by the State) for capitalist development in Latin America at the beginning of the 21st century, in the context of the rise of China and US hegemony.

For this purpose, a political economic analysis is carried out, on both the balance of payments and the GDP dynamics, to identify which fractions are leading the power bloc in Bolivia, Chile, Argentina, and Brazil (BCAB); and to evaluate its impact on shaping public policy. The originality of this work lies in the use of the balance of payments (BOP) constraint articulated with the *Poulantzian* power bloc ("empirical" identification of class fractions) and the possibility of relative autonomy for the State and its public policies in a specific historical context.

Then, this research, divided into three parts, is guided by the following questions: (i) How does the global dynamic interact and allow or block capital accumulation in the region? What role do Latin American states play? (ii) How is capital accumulated in the region? What is the role played by the State? Which capitalist fractions in the power bloc lead this process? And, (iii) how does this accumulation dynamic affect the subaltern classes' insertion in the labour market?

These questions are intended to be answered throughout this document taking into account the segmentation of time and geography and the connection between economics and politics.

Keywords: State, capitalist accumulation, Latin America

Resumen

Estado & Mercado: ¿Quién se preocupa por el desarrollo?

Economía política en América Latina a inicios del siglo XXI

El mito de la inevitable prosperidad ha caracterizado a América Latina debido a la abundancia de sus recursos naturales desde sus Independencias hasta principios del siglo XXI. Como no se ha logrado la prosperidad y los países de la región permanecen en la condición de periferia subordinada al Norte Global, mucho se ha discutido sobre los límites económicos y políticos para el desarrollo capitalista de la región.

Este problema ha sido analizado, casi siempre, sin tener en cuenta la articulación entre los límites económicos y políticos - vinculados a las clases dominantes y sus relaciones con el Estado - para el desarrollo. Tanto el enfoque liberal como el reformista / estructuralista dan respuestas limitadas para entender el estado de desarrollo de la región, ya que no articulan los intereses de las clases dominantes, el papel del Estado y la acumulación de capital en la región, que tiene en las exportaciones de los recursos naturales uno de sus elementos centrales.

Ante esto, este trabajo tiene como objetivo identificar y analizar los límites económicos (de restricción externa y productiva) y políticos (configuración de fracciones de clase en el bloque de poder y el rol del Estado) para el desarrollo capitalista en América Latina al inicio de la Siglo XXI, marcado por el ascenso de China y la continua hegemonía de Estados Unidos.

Para ello, se realizará un análisis de la economía política de la balanza de pagos y la dinámica del PIB; buscando identificar las fracciones capitalistas que lideran el bloque de poder en Bolivia, Chile, Argentina y Brasil (BCAB); y, cómo su resultado, impacta en la configuración de las políticas públicas. La originalidad de este trabajo reside en el uso de la restricción de la balanza de pagos (BOP) en conjunto con el bloque de poder *poulantziano* (identificación "empírica" de las fracciones de clase) y la posibilidad de una autonomía relativa para el Estado y sus políticas públicas en coyunturas históricas determinadas.

El hilo conductor de la investigación, que se divide en tres partes, se basa en las siguientes preguntas, a saber: (i) ¿cómo interactúa la dinámica global y permite / bloquea la acumulación de capital en la región? ¿Qué papel juegan los estados latinoamericanos? (ii) ¿cómo se acumula el capital en la región? ¿Qué papel juega el estado? ¿Cuáles son las fracciones capitalistas del bloque de poder que lideraron este proceso? y (iii) ¿cómo afecta esta dinámica de acumulación al tipo de inserción de las clases subalternas en el mercado de fuerza de trabajo? Estas preguntas pretenden ser respondidas, a lo largo de este trabajo, teniendo en cuenta la segmentación temporal, geográfica y la conexión entre economía y política.

Palabras claves: Estado, acumulación capitalista, América Latina

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Introduction: The Myth of Latin America's Inevitable Prosperity

> "*This country is condemned to success*". Eduardo Duhalde, March 2002 (Argentinian provisional President, 2002-2003)
>
> "*This is a marvellous country, it has everything to be successful, but the big problem is our political class.*" Jair Bolsonaro, May 2019. (Brazilian President, 2019-)

These statements, which reflect the optimism of the will, are also reproduced on a small scale as the myth of the inevitable prosperity of the different countries in the region. According to socio-historical specificities, versions of the myth place emphasis on the presence of the four seasons, water resources, biodiversity, and renewable and non-renewable energy sources, among other elements.

A quick review of Latin American societies, which formed under the interests of regional dominant classes after the wars of independence, shows the peripheral character of its economies. Since LAC countries do not develop the technology for their means of production, they have to incorporate technology developed in central countries, where there are different wage levels, capital per capita and larger markets. This implies a low absorption of labour, profound differences in productivity due to the unequal incorporation of technology generated in the core countries - inter and intra industries - and a sharp concentration of income because of capital's appropriation of productivity gains. Therefore, this produces a marked split between mass consumption and the consumption of a small part of the population that has access to the products and services characteristic of industrialized countries, whose forms of life they try to imitate.

In this sense, the Latin American problem has been discussed according to two types of approaches. On one side, *mainstream*-liberals[1] have already wondered "*Why Nations Fail*", attempting to explain the global differential in per capita income. With some exceptions, mainstream economists do not distinguish between growth and development. On the other side, reformists[2] have studied how to promote development. Here, *development* appears as the historical process that generates a structural change[3]. This process is accompanied by an institutional and ideological transformation of society.

Since it is difficult to blame the forces of nature, such as lack of water, energy, or food in the Latin American case, answers focused on the relationship between the State & Market. In this sense, the liberal tradition accused the State of hindering market forces through protectionist policies, excessive taxes, rentier practices, not adequately regulating the property rights, among other types of political obstacles (ACEMOGLU & ROBINSON, 2012; KRUEGER, 1974). On the other hand, the reformist vision pointed to the limits of promoting a structural transformation through the market. For example, ECLAC's theorists proposed the State's direct participation in industrialization policies

[1] By mainstream / liberal, I refer to those authors whose interpretation makes a separation between economics and politics. In economic terms, they carry out a marginalist economic approach with a focus on methodological individualism. In an analogous way, their political vision also responds to an idea of individual behaviour associated with liberal democracy (one individual, one vote). The analysis's approach is based on premises that are not necessarily observable, but that play the role of simplifying the reality of the analysis to the representative individual and its full rationality.

[2] Reformism includes a wide range of authors who, based on a critical diagnosis, propose to carry out some reforms to solve a specific economic problem. In methodological terms, the economic approach can be socio-historical structuralist (ECLAC's classical authors), productive units such as companies or industrial (neo-Schumpeterians), among others that do not imply a holistic approach. In this sense, the separation between economics and politics remains.

[3] This structural change is due to industrialization, agricultural development or any other way that allows an increase in per capita income and reduced relative participation for the agricultural sector (KUZNETS, 1973; PINKUSFELD BASTOS & BRITTO, 2010). Serrano and Medeiros (2004) stress that agricultural productivity growth is the first fact that generates surplus, which therefore allows for demand diversification (Engel Curve).

(BIELSCHOWSKY, 2000; 2009), which would trigger technological *catch up*[4] with central countries, improve the population's material conditions, and close the consumption gap with industrialized societies[5] (PINKUSFELD BASTOS & BRITTO, 2010).

In both perspectives, the State is a *deus ex machina*[6] that exists above social classes, in one case as a barrier to growth and, in the other, as a fully omnipotent device (SELWYN, 2009; GRIGERA, 2014). Then, the question that remains is: "who is worried about development?"

In the perspective of this thesis, both lines of thought share two key ideas: i) the separation between economics and politics, between the State and the market, as the fields of two separate sciences; 2) the convergence, by autonomous development, of individual units (Nation States) in a dynamic that is identified as global.

In this sense, my research critiques both ideas, returning to the idea that capital is the material foundation of a global system of domination. As a social relationship, capital organizes in a hierarchical relation between capitalists and workers, between genders, ethnic groups, and religions, but also between regions and countries. Therefore, the dynamics of capitalism imply "*uneven and combined development*"[7].

The capital accumulation necessary for capitalist *development* implies tensions and contradictions on three levels that are mediated by the State: international market

[4] Different authors (KUZNETS, 1973; CHANG, 2009; PEREZ, 2010) have put the spotlight on the need to generate local technological capacities, which generate increasing returns at scale in a cumulative process (TONER, 1999).

[5] Based on climate change and the effects of 200 years of industrialization worldwide, Chang (2009) also suggests incorporating the environmental sustainability of the process as an objective.

[6] Mainstream and reformist interpretations vary between the State as an instrument that can be occupied that exists above the interests of social classes or, as an all-powerful Hobbesian Leviathan that can eventually be tied up or captured. I will deepen this discussion in Chapter 1.

[7] For more on the recent development of this category, see Callinicos (2007), Ashman (2009) and Treacy (2019).

(global accumulation, geopolitics and geoeconomics), inter-class (capitalists and the subaltern) and intra-class (inter-capitalist and inter-subaltern fractions)[8]. As all these tensions are mediated by the State, our focus is to retake the articulation between the spheres of the economy and the politics[9].

Presenting an alternative analytical framework for Latin American capitalism implies, on one hand, returning to the historical materialist method presented in *Introduction of the Contribution to the Critique of the Political Economy* (MARX, 1984) and, on the other, incorporating those elements that were left pending in the project of Capital, fundamentally the relations between the world market and the State institutionalism (DUSSEL ET AL, 2018).

During the 20th and beginning of the 21st century, there were several initiatives with the same objective, such as the debate around the role of the world market in accumulation in authors discussing imperialism (HOBSON, 1902; LENIN, 1916; LUXEMBURG, 1913), the formulation of Wallerstein-Arrighi's world system (WALLERSTEIN, 2004) or the *French Regulationist School* (BOYER, 1990) and the *Social Structure of Accumulation approach* (SSA) (KOTZ, 1994), which discusses the institutional frame. Reference to peripheral regions and their limits to accumulation, as well as discussions about unequal exchange, fuel this tradition and, from Latin America itself, the Marxist Dependency Theory has presented new theoretical and practical approaches (MARINI, 1973; LUCE, 2018).

[8] Social relations of production generate and reproduce relations of economic domination. In the capitalist system, the social classes that centrally engage in social relations of production are the owners of capital (capitalist class) and sellers of labour power (MARX & ENGELS, 1984: 365-375). Although the capital-labour struggle is the main contradiction within capitalism, social reproduction is also traversed by struggles between capital's own personifications (intercapitalist competition of the same or different sectors) and by other struggles between social fractions defined by religion, ethnicity, gender and other social characteristics (MILIBAND, 1999).

[9] Economy and politics are dimensions of a differentiated unit, that is, relations of political domination are interwoven with social relations of production (OSORIO, 2014A: 24).

However, these contributions have not been free from criticism, especially those associated with overdetermination and / or mechanistic readings.

In this sense, my approach takes up some elements of this tradition again and tries to address some of the critiques. For that reason, I will take care to avoid overdetermination and mechanistic analyses related to the internal-external dynamics Nation-States and global accumulation.

Objectives and methodological framework

Thus, this study aims to identify and analyse the economic (external constraints and productive structure) and political limits (configuration of class fractions in the power bloc and the role played by the State) for capitalist development in Latin America at the beginning of the 21st century (between 2002 and 2017).

With this objective, I carry out an analysis of the political economy, both of the balance of payments and GDP dynamics, to identify which fractions are leading the power bloc in the selected countries (Bolivia, Chile, Argentina and Brazil), distinguishing between dominant and relevant fractions. To a certain extent, the originality of this research lies in the introduction of the balance of payments constraint (BOP) in articulation with the *Poulantzian* power bloc ("empirical" identification of class fractions - Parts B and C), the relative autonomy of the State and its public policies in a given historical context[10].

It is important to note that capitalist development implies tensions and contradictions on the three levels that are mediated by the State, such as: (i) How does the global

[10] These concepts will be defined in Part A. Chapter 1.

dynamics interact and allow or block capital accumulation in the region? What role do Latin American states play? (ii) How is capital accumulated in the region? What role does the State play? What capitalist fractions in the power bloc led this process? (iii) How are subaltern classes inserted into those dynamics? This work seeks to answer these questions taking into account the methodological movement between time and geographic space.

Since my objective is not merely theoretical, I will try to apply this method to understanding the regional situation at the beginning of the 21st century. First, I will focus on the global dynamics to, later, interpret the regional situation, as a way to avoid "methodological nationalism" (GORE, 1996; MEDEIROS, 2010).

In terms of long-term historical structures[11], LAC's system of capitalist social reproduction was formed as, and remained, a peripheral extension of European and North American capitalism. Although the region was divided into nation-states due to internal disputes and external pressures, the region has remained a "meeting" of three societies: European, African, and Indigenous (CARDOSO & PEREZ BRIGNOLI, 1979). Therefore, LAC has been a fundamental tool for social studies as unit of socio historical analysis, as pointed out by many analysts, such as Vania Bambirra, José Abelardo Ramos, among others[12].

[11] I divide the analysis of time into the longue durée or long-term historical structures, medium-term conjunctures, and factual/eventual history. The time of structures refers to the architecture that grounds the sufficiently fixed organization between realities and social masses. Structures represent the supports, obstacles, and limits due to which men cannot emancipate themselves. The time of conjunctures represents the movement of the regular and periodic oscillations that acts on the structures and modifies them, renewing them, without affecting the expansion of its deep components. The factual time is the short-run time as measured by daily life, the time of the journalists and the chronicler (BRAUDEL, 1960; MARTINS, 2011: 24).

[12] In this sense, José Martí, Manuel Ugarte and Simon Bolívar, among others, proposed conceiving the region as a defensive bloc against imperialist strategies, especially from USA. US foreign policy has

Although I am interested in understandig the region as a whole, I will use a geographical selection to be able to dig deeper into questions about the State apparatus. In order identify structural trends, it is necessary to contrast different experiences, not as a mechanistic reading of history, but as a tool to highlight particular characteristics.

In this sense, it is important to underscore, first, the limits of working with various social formations, so my goal is not to conduct a fully exhaustive study. Thus, the methodological motive for working with four countries is to point out general trends that we can observe only by comparing and contrasting these experiences. Along this line, I will work with Argentina, Brazil, (the Plurinational State of) Bolivia and Chile (ABBC). The justification for this selection lies in their socio-historical and geopolitical and geoeconomic relevance.

In socio-historical terms, Argentina led growth in the region during the primary exporting period (1830-1930) (ARCEO, 2003; GERCHUNOFF & LLACH, 2011), Brazil was the most "successful" country in the second Post War period (PRADO & EARP, 2003), while Chile is presented as the neoliberal successful story that has not seen a crisis since 1990 (FISCHER, 2017). Bolivia, for its part, signifies a paradigm break due to the fact that it has maintained high growth rates after the fall in commodity prices in 2014, while it has reconfigured a Plurinational State.

Currently, Brazil (33% of LAC's GDP) and Argentina (10% of LAC's GDP) are the largest economies in the Southern Cone[13] and their dynamics of accumulation constitute the

identified Latin America as a bloc over which it exercises its influence since the Monroe doctrine in 1823 and reproduced during the 20th century (FIORI, 2014: 253-258). Thus, both externally and internally, the vision of Latin America as a bloc is relevant.

[13] Mexico is the other referential axis in the region since it involves 25% of LAC's GDP, however, it has a particular dynamic due to its insertion in NAFTA in 1994.

basis of Mercosur[14]. As both present semi-industrial production structures, I carry out the comparative analysis between these two experiences.

Regarding the "neoliberal success story", Chile has reached one of highest levels of GDP per capita in the region and joined the OECD (FISCHER, 2017). However, along with Brazil, Chile ranks in the top ten countries in the world in terms of the Gini Index. According to World Inequality Report (2018), in Chile the top 1% accounts for 23.7% of total income, 28.3% of the total income in Brazil. This indicator puts those countries in second and third place in the global ranking, which is led by Qatar. If we consider the top 10%, Brazil and India lead the global ranking (PALMA, 2019).

On the contrary, Bolivia was at the bottom of the charts in terms of socioeconomic indicators in South America at the beginning of the 21st century. Since the crisis of neoliberalism in the region and Evo Morales' administrations, Bolivia has undergone a political process that questioned the institutional bases of the Nation-State, created a Plurinational State and, unlike the region, accelerated its growth following the fall of commodity prices in 2014.

In geopolitical terms, the USA has opposed the union among Argentina, Brazil and Chile (ABC). Minerals, fertile lands, the availability of energy and water could be the material basis for a great southern power that would threaten the US's regional hegemony and, historically, the US has operated diplomatically to divide those countries (FIORI, 2014). In addition to the importance of the Amazon rainforest, the La Plata river basin, and the region's copper reserves, this potential unit takes on a new dimension in the wake of

[14] In this sense, the dynamics of accumulation of the other commercial partners, Paraguay and Uruguay, mainly depend on Argentina and Brazil (COSTA PINTO, 2013).

the 4th Industrial Revolution and its reliance on new materials: lithium and rare minerals will rebuild geopolitics in the 21st century. In this sense, the ABC's lithium triangle gains new significance (GYBC, 2019).

Thesis structure

This research is divided into three parts that develop the three levels of contradictions and tensions in capital accumulation: the international market (global accumulation, geopolitics and geoeconomics), inter-class (capitalists and subaltern) and intra-class (inter-capitalist and inter-subaltern).

Part A is composed of two chapters, each with a different objective and different analytical dimensions. In terms of theoretical interpretations, the first one seeks to present the two main visions (mainstream/liberal and reformist/structuralist) of Latin America, as well as an (alternative) third perspective that considers the articulation between geopolitics-geoeconomics, the State & Market, and classes. In a historical dimension, the second chapter aims to present the economic mechanisms that articulate and intertwine global dynamics with Latin American States and their classes in the neoliberal pattern of accumulation in the post-1980 period, highlighting how US hegemony and the rise of China in the 2000s impacted the region.

In Part B, I focus on the political economy of the balance-of-payment (BOP) constraint in Bolivia, Chile, Argentina and Brazil (BCAB). Because of its financial-technological dependence, the region constantly requires the provision of international money. Therefore, the fractions that are providers of international money have an implicit mechanism for applying pressure on the State and on other fractions and social classes.

Then, Part B allows me to problematize the issue of which capitalist fractions have the greatest capacity to project their interests within the State apparatus.

As Argentina and Brazil present semi-industrial productive structures and Bolivia and Chile have a mono commodity insertion, the comparative analysis is carried out between these two pairs.

Part C will analyse the political economy of GDP and its sectors between 2002 and 2017 as a proxy for (increased or reduced) internal economic power of the fractions within the power bloc in BCAB. In this way, I will ask if the fractions, that I point out in Part B, truly express the internal dynamics of economic and political power.

Subaltern classes also apply pressure for their interests according to different social characteristics of economic insertion, organizations, and identity. However, given the extreme complexity of this discussion, here I will present only an initial approximation of this element based on their sectorial economical insertion and informality rates.

Then, I present some notes about the articulation between capitalist fractions and the subaltern classes and their disputes over State policies in Bolivia-Chile (Chapter 5) and Argentina-Brazil (Chapter 6) during 21st Century.

Finally, the last chapter contains some final remarks.

Part A – Latin American subordination in the capitalist *Longue Durée*: the historical foundation and theoretical dimensions for analysing the early 21st Century

Introduction

For more than two centuries, the capitalist mode of production has been dominant at a global scale and has been "combined" with other forms of reproduction of social life, which have been subordinated and subsumed[15]. In its benevolent face, capital accumulation has broadened the limits of Nature, it has transformed social relations of reproduction, promoting technological development and productive capacities. However, on the other side, it has also intensified the exploitation of humankind and the environment (SELWYN, 2018).

In long-term historical structures, LAC's system of capitalist social reproduction came into being as, and remained, a peripheral extension of the Global North. Since the colonial era, it has been configured as an asymmetrical "meeting" of three societies, due to the correlation of forces, this has implied economic, political, and ideological (or cosmovision) domination by Europeans and their descendants. Since then, Europeans' social groups have controlled the natural resources and administrated ties with the metropolis. Although the formation of the institutions of Latin American national states

[15] Subsumption could be real or formal. The real subsumption occurs when capitalism transforms the technique and previous organization and makes it fully capitalist. Formal subsumption, on the other hand, is when capitalism seizes non-capitalist techniques, non-capitalist organization and subjects into its accumulation. García Linera (2020) argues that colonialism is a form of accumulation, not only by expropriation, but also by production. Therefore, the second subsumption was and continues to be the form that contemporary colonialism takes.

tried to imitate “European” institutional organization, they were formed in societies under different relations of economic and political power. During the 19th and 20th centuries, these patterns of conquest have continued to structure civil societies that were reproduced under, what Aníbal Quijano (2000) summarized as, the “coloniality of power” (*colonialidad del poder*).

Over the past two centuries, Latin America’s material basis, measured by its GDP per capita has fluctuated around the world average, with three major phases. First, a relative “backwardness” between independence and 1870 due to the Industrial Revolution in the Global North led by England, which has been known as the “Great Divergence” (POMERANZ, 2009). Second, the primary export model and state-led industrialization (1870-1970) led to an upward trend in GDP. Finally, a “new” decline, since the “lost decade” in the 1980s (BERTOLA & OCAMPO, 2012:3). In this sense, Latin America far outpaced Africa and Asia until the mid-20th century. Since 1980, Asia has (re) emerged under the leadership of Japan and, later, China.

As this quick historical review shows, the condition of “underdevelopment”, “backwardness” or “periphery” implies relative positions in global capital accumulation. Could this situation or status be "overcome" by the acceleration of capital accumulation? This debate has been the common thread of economic analysis during the two centuries of Latin American independence. Although there are different lines of

thought, the explanations could be grouped around wheather or not they accept[16] the convergence thesis[17].

Since the rise of Asia in the 1970s, the literature has once again emphasized the role of the State as an accelerator of accumulation and as an agent of structural transformation, known as the Asian Developmental State. Also, it has returned to classic studies[18] that had pointed to the centrality of the State in historical cases, such as “early comers” or “late comers” (AMSDEN, 2002).

Without ignoring the multi-linear character of world history[19], it is important to take into account that this "solution" is not available for the entire periphery because it would imply a logical contradiction. Additionally, the unity between the economy and politics implies that the process also involves geopolitical and geoeconomic disputes within the interstate world system[20].

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[16] Liberalism, reformism and some currents of Marxism associated with the communist parties with ties to the Soviet Union. “Diffusionist” Marxism understood the capital accumulation as a process of “diffusion” in which modernization would promote general progress because of the incorporation of new techniques, and develop of previous forms and productive forces. Thus, the universal process of development would occur in a unilinear way. Therefore, an alliance between workers and the local bourgeoisie should be promulgated for achieving a “bourgeois” revolution, to later develop the forces of production to reach the revolutionary scenario (PUIGGROS, 1940; SONNTAG, 1988). This view, at the most abstract level of a theory of history, attaches to Marx a historical–philosophical conception that sees development as a succession of predetermined stages towards progress. For a critical review, see De Paula (2015) and Treacy (2017).

[17] Some Marxist social scientists such as Baran and Sweezy argued that central capitalism had been blocking development in the Third World because it had encouraged primary exports and helped traditional dominant classes to remain in power as a result of which the available surplus had not been used for productive investment. Under another perspective, Marini, Dos Santos, and Vambirra formulated Marxist Dependency Theory that considers the periphery as a constitutive part of development in the “centre”. They elaborated categories such as “value transfer as unequal exchange”, “splitting of capital phases” and “super-exploitation of the labor force” that were the foundations for the explanation of the underdevelopment of the periphery (LUCE, 2018).

[18] For example, Gerschenkron (1962) and his followers (LEVY-LEBOYER & LESCURE, 2002; SYLLA & TONIOLO, 2002).

[19] The multi-linear theory of history is opposed to the diffusionist vision. The possibilities for transformation of human societies were wider than the unique path developed by industrialized countries. This put the men’s and women action, or in other terms class struggle, as the central engine for history. For a review, see De Paula (2015), Treacy (2017), Garcia Linera (2020) and Musto (2020).

[20] Capital accumulation also implies the accumulation of political power that can be expressed in technological control, military capacities for national security, diplomatic influence or, even, an internationally accepted currency (OSORIO, 2017; FIORI, 2014).

Therefore, it is a struggle over domination with those regions, countries and classes which “are on top”. Depending on the hegemonic geostrategic interests, interstate dispute can derive into support or veto (or, in extreme cases, blockage[21]) of the accumulation trajectories of peripheral nation states[22] (OSORIO, 2017; FIORI, 2014; MEDEIROS & SERRANO 1999).

While nation states may eventually accelerate their processes of accumulation and climb the global hierarchy, contradictions and struggles between social classes and their fractions persist in the same way that the system of domination is reproduced (SELWYN, 2009; GRIGERA, 2014). In this sense, the expansion of capitalist relations of production does not necessarily lead to the same situation reached by the central countries.

Taking these debates into account, this Part A has two objectives with different analytical dimensions. The first, in terms of theoretical approaches and analytical categories, seeks to present the two main interpretations (mainstream/liberal and reformist/structuralist) of Latin America, as well as an alternative perspective that considers the articulation between geopolitics-geoeconomics, State & Market and classes. The second objective, with a historical dimension, aims to present the economic mechanisms that articulate and intertwine global dynamics with Latin American States

[21] The bloc could be produced by direct mechanisms such as commercial sanctions as well as by indirect mechanisms that exacerbate conflicts of domestic interest that promote a change in political and economic public orientation, also known as hybrid war (KORYBKO, 2015).

[22] In this sense, there are the national economies that develop under the immediate protective effect of the hegemon. Several authors have already spoken of development at the invitation of or association with to refer to the economic growth of countries that have privileged access to the markets and capitals of the dominant country. This is the case of the old English domains as Canada, Australia and New Zealand after 1931 or, also, the experience of Germany, Japan and Korea after World War II when they were transformed into military protectorates with preferential commercial links with the American economy (FIORI, 2009:175-176).

and their classes in the neoliberal accumulation pattern in the post-1980 period, highlighting how US hegemony and the rise of China in the 2000s impacted the region.

Chapter One – Two visions about Latin America and an (critical political economy) alternative

In terms of the history of Latin American economic thought, there are two major groups that interpret the Latin American political economic order from the 19th to the 21st century and, in a way, they represent different political projects: (neo) liberalism and (new) national-developmentalist / reformism.

This debate is a projection and aggiornamento of discussions that already existed in Europe in the 18th and 19th centuries. Although this characterization has a Eurocentric origin, it is important to highlight that there was a regional version of reformism, represented by the important theoretical and interpretative contributions by ECLAC's structuralists. However, as I will argue, both approaches consider the State a deus ex machina, which exists above individuals and the productive structure (social classes and their fractions).

Hence, the objective of this chapter is to present these two visions that have guided the analysis of Latin America, to show the need for addressing some of the shortcomings in these approaches to the State, and to present a methodology that takes into account elements of structural time and that articulates the relations between geopolitics-geoeconomics, the State & Market, and classes with the specificities of Latin America.

1.1 Liberalism and Reformism in Latin America

1.1.1 Mainstream, liberalism and neoliberalism

The traditional mainstream explanation for the differences in economic development and growth between nations has relied on the neoclassical production function and

traditional neoclassical growth models, following Solow, Cass, and Koopmans. In these models, differences between countries in factor accumulation are due either to differences in saving rates (SOLOW, 1956), preferences (CASS, 1965; KOOPMANS, 1963), or other exogenous parameters, such as total factor productivity growth (RODRIK, 2007). However, this formulation has run into some theoretical[23], but mainly empirical, difficulties.

> "In the neoclassical world, physical and human capital levels in developing countries are low, and thus returns to accumulation should be high. Either way, economic convergence with rich nations should be the norm rather than the exception. As it turns out, however, those predictions have not been borne out. Nevertheless, their failure informs us about the obstacles that need to be overcome if economic development is to happen." (RODRIK ET AL., 2017:26) (Author's emphasis)

In this way, it is not the theory that is identified as the problem, but reality; thus, it is necessary to address the obstacles that prevent the economic convergence. Therefore, mainstream growth theory paved the way for considering alternative explanatory variables and, in particular, sociopolitical factors, including geography, culture, and institutions. In this context, *neo-institutionalism* has flourished and regained the initiative for integrating institutions into the economic discussion, the relations between State & Market, but without modifying the core of neoclassical economics[24]. This feature

[23] First, production is guided by the perception of profit. Therefore, the first condition that must be met is that there is adequate demand and, subsequently, that the distribution of the surplus allows the appropriation of that profit by entrepreneurs (a.k.a capitalists). This criticism of Say's law already exists in the classical authors and, later, is highlighted by Keynes, Kalecki and their followers (GAREGNANI, 1983; EATWELL & MILGATE, 2011). Second, the production function has problems in its own logic since it requires special conditions for its operation. There are insurmountable inconsistencies such as the fact that capital cannot be measured independently of prices and distribution (Cambridge capital controversies) (LAZZARINI, 2011). For a critical review on the neoclassical perspective, see Shaikh (2016), Eatwell & Milgate (2011), among others.

[24] Rodrik, McMilland & Sepulveda (2017) and Diao, McMillan & Rodrik (2019) also promote an integration of Lewis's dual interpretation as a way of accepting the need for structural change in developing countries (moving resources from traditional low productivity activities to modern, more productive industries), but without removing the focus on productivity factors and the neoclassical logic.

made this perspective quite attractive to Washington-based multilateral organizations, which incorporated it into *mainstream knowledge*.

So, what are institutions in this approach? North (1990) defined institutions as "*the informal norms and formal laws of societies that constrain and shape decision making*". However, the primary focus is placed on economic institutions such as the structure of property rights and the presence and perfection of markets because they influence the structure of economic incentives. Without property rights, individuals will not have the incentive to invest in physical or human capital or adopt more efficient technologies. Although cultural and geographical factors may also matter for economic performance, differences in economic institutions are the major source of differences between countries in economic growth and prosperity (ACEMOGLU & ROBINSON, 2005).

> "The United States is also far richer today than either Mexico or Peru because of the way its institutions, both economic and political, shape the incentives of businesses, individuals, and politicians. Each society functions with a set of economic and political rules created and enforced by the state and the citizens collectively. Economic institutions shape economic incentives: the incentives to become educated, to save and invest, to innovate and adopt new technologies, and so on. It is the political process that determines what economic institutions people live under, and it is the political institutions that determine how this process works. (…) As institutions influence behavior and incentives in real life, they forge the success or failure of nations. Individual talent matters at every level of society, but even that needs an institutional framework to transform it into a positive force." (ACEMOGLU & ROBINSON, 2012: 42-43) (Author's emphasis)

In this way, the authors try to provide an overarching response to arguments that use geography as an explanation of the land productivity differential, to culturalist explanations of the Protestant reformation, or simply the arguments in which economists and policymakers do not know what to do. Then, market dynamics, the free adoption of technologies, and entrepreneurial drive should inexorably lead to the equalization of global per capita income.

But, who or what shapes these economic institutions? Acemoglu and Robinson (2005:390) state that economic institutions are endogenous, they are determined by society's collective choices. However, there is no guarantee that all individuals and groups will prefer the same set of economic institutions because different economic institutions lead to different distributions of resources. Implicitly, this point implies conflicting interests in regards to the distribution of resources and over the set of economic institutions. Then, political power holders are more likely to opt for a set of economic institutions that are beneficial for themselves, while detrimental to the rest of society, which will typically fail to protect the property rights of a broad cross-section of the population. On the contrary, good economic institutions are more likely to arise when political power lies in the hands of a relatively broad group with significant investment opportunities (ACEMOGLU & ROBINSON, 2005:395).

On this point, there is a convergence towards a rent-seeking perspective due to the fact that "*[i]ndividuals who have political power cannot commit not to use it in their best interests*" (ACEMOGLU & ROBINSON, 2005:390). For these reasons, neo-institutionalism promotes a relatively small State so individuals with political power do not accumulate more (de jure and de facto) power, which could lead to questioning property rights. In a recent book, the same authors (ACEMOGLU & ROBINSON, 2019) link this phenomenon to Hobbesian State theory, thus they argue in favour of a Shackled Leviathan. "*A strong state is needed to control violence, enforce laws, and provide public services that are critical for a life in which people are empowered to make and pursue their choices. A strong, mobilized society is needed to control and shackle the strong state*" (ACEMOGLU & ROBINSON; 2019:15).

In historical terms, these theoretical elements appear in a selection of milestones. In some cases, the historical landmark lies in successful bourgeois revolutions and, in other cases, the "bad institutions" are the inheritance of former "bad settlers".

> "Countries such as Great Britain and the United States became rich because their citizens overthrew the elites who controlled power and created a society where political rights were much more broadly distributed, where the government was accountable and responsive to citizens, and where the great mass of people could take advantage of economic opportunities. (…) Britain is richer than Egypt is because in 1688, Britain (or England, to be exact) had a revolution that transformed the politics and thus the economics of the nation. People fought for and won more political rights, and they used them to expand their economic opportunities. The result was a fundamentally different political and economic trajectory, culminating in the Industrial Revolution.
>
> (…) Why are the institutions of the United States so much more conducive to economic success than those of Mexico or, for that matter, the rest of Latin America? The answer to this question lies in the way the different societies formed during the early colonial period. An institutional divergence took place then, with implications lasting into the present day. To understand this divergence, we must begin right at the foundation of the colonies in North and Latin America. **Acemoglu & Robinson (2012: 3-4)**

In this sense, the argument focuses on two elements. On the one hand, and in a way that is apologetic toward English colonialism, they highlight the inclusive and non-extractive characteristics of the British colonies, since it was not possible to exploit either the Indigenous people or the colonists, which led to the need to create incentives to "invest and work hard". On the other hand, the authors place the emphasis completely on property rights and political stability, which does not put property rights at risk.

These two elements would have generated a different type of institutionality regarding access to land ownership, which led to a divergence in paths between Latin America and the United States. However, when these original conditions were questioned in the 20th century, the authors claimed that these political projects promoted political instability.

> "The persistence into the twentieth century of a specific institutional pattern inimical to growth in Mexico and Latin America is well illustrated by the fact that, just as in the nineteenth century, the pattern generated economic stagnation and political instability, civil wars and coups, as groups struggled for the benefits of power. (…) Expropriation or the threat of expropriation of assets continued apace, with mass agrarian reforms (or attempted reforms) in Bolivia, Brazil, Chile, Colombia, Guatemala, Peru, and Venezuela. Revolutions, expropriations, and political instability came along with military governments and various types of dictatorships." (ACEMOGLU & ROBINSON, 2012:37)

In some way, the argument that this kind of institutions are the cause of the deviation from an undeniable path was already present in different (liberal) authors in the Latin American nations, such as Montaner (2001) who shares the apologetic perspective about the British and Iberian colonies. Therefore, their studies tried to identify what historical moment was a "political deviation" from the promised path. It could be the "inward growth model" that forced a change in relative prices between agrarian and industrial goods (GERCHUNOFF & LLACH, 2011), or excessive economic aspirations by society that fuelled the distributive conflict and promoted external imbalances (GERCHUNOFF & RAPETTI, 2016), among other moments. In the same way, these arguments have been reproduced, during the 2000s, in the emergence of the "Pink Tide" and its attempt to insert the State back into economic life (CHODOR, 2014; NORTH & CLARK, 2017).

In both historiographic and epistemological terms, the whole argument is highly questionable given that isolated events are taken from different places and times, which makes it difficult to define a consistent causality. In this sense, it is important to highlight that institution as a concept are used in imprecise, timeless, and ahistorical way. Sometimes, it refers to the Modern State and, at other times, simply to the implicit norms of social relationships. Likewise, the questioning of political power without mentioning economic power (or economic elites) seems biased.

Therefore, what are the causes behind this argument's success? We can consider that the reason for its "success" is the fact that the institutional explanation contains the generality and universality required by neoclassical theory in order to argue that societies placed in different contexts and historical periods respond, at the general level, to one and the same principle: utility maximization. As Rodrik (2007: 18) states:

> "*social phenomena can best be understood by considering them to be an aggregation of purposeful behavior by individuals—in their roles as consumer, producer, investor, politician, and so on— interacting with each other and acting under the constraints that their environment imposes. This I find to be not just a powerful discipline for organizing our thoughts on economic affairs, but the only sensible way of thinking about them.*" (Author's emphasis)

However, it is not only a methodological issue. It is also about a rhetorical power of diffusion that it is easy to communicate because it does not imply categories above one's own personal experience, such as economic structure and classes. The liberal and neoliberal philosophical base arise from the individual's own practical experience. It is there where its ideological power was born and where it should be attacked.

1.1.2 Reformism, structuralism and neodevelopmentalism

This second group brings together schools of thought that make a critical diagnosis of the situation and, therefore, recommend reforming the productive structure based on the State occupying a central role. Because this transformation is not neutral, *liberals* find that this process would not be free from economic inefficiency and, also, from political corruption.

In the 21st century, the political shift in the region and the emergence of progressive governments ("the Pink Tide administrations") promoted a mix of resource nationalism, social policies and developmentalist rhetoric that reconfigured the space for debate regarding economic development in Latin America. Then, neodevelopmentalism

emerged in Latin America in the 2000s, presumably as an alternative to neoliberalism. There are multiple versions of neodevelopmentalism, drawing upon different combinations of Latin American structuralism, Keynesianism, evolutionary political economy, and other heterodox schools of thought.

The neodevelopmentalists aimed to build strong links between the State and the private sector and between investment and consumption. The goals of this proposed system included enhanced national economic independence through rebuilding production chains hollowed out by neoliberalism, revitalizing manufacturing, diversifying exports, and rolling back financialization, as well as income redistribution and enhancing social mobility. To achieve these goals, the State would reduce uncertainty, secure macroeconomic stability with the definition of a competitive real exchange rate that would promote the export of manufactured goods, and support private investment (BRESSER-PEREIRA, 2012; 2016). In some versions of neodevelopmentalism, the State would also implement industrial policies, promote competition and employment creation, and nurture domestic firms ("national champions") (PÉREZ, 2010)[25].

Different schools of thought have fed this current, but most of them recognize the legacy of ECLAC's structuralism. In this sense, Bielschowsky (2000; 2009) highlights that the connection with classical structuralism is strongly marked by a deductive historical-structural analysis[26]. Along this line, the historical interpretation (BERTOLA & OCAMPO, 2012) tends to periodize the economic history of the region in four stages or subperiods in line with the history of global capitalism: the Industrial Revolution or "Great Divergence" (1820-1870); the "first" globalization and the primary export model (1870-

[25] For a detailed analysis, see Bielschowsky & Torres (2018)
[26] For a critical review, see Saludjian (2010).

1930); inward growth model and State-led industrialization (1930-1980) and the neoliberal pattern (1980 to present).

Regarding the first two periods, this line of thought shares an interpretation with liberalism about a passive State, as deus ex machina, that did not promote the vectors of capitalist modernization, a long hiatus followed by a "passive" international insertion[27]. At that time, the "commodity lottery" defined the specialization patterns of Latin American economies: temperate agricultural crops (wheat, corn and meat) in the Southern Cone; tropical climate crops (sugar, coffee, cocoa and rubber) that dominated Brazil, Ecuador, Colombia, Central America, and the Caribbean economies, and the mineral productive structure of the Andean countries such as Chile, Peru, and Bolivia (BERTOLA & OCAMPO, 2012; THORP, 1998).

The third stage covers the long period of State-led industrialization (1929-80), which includes the Great Depression, the Second World War, and the most classic phase of industrialization lasting until 1980. During this period, economic development was mainly understood as an issue in terms of containing the communist threat. Rostow, Lewis, and Hirschmann contributed to this debate, but those works were not specifically oriented to the Latin American case.

ECLAC was one of the principal apparatuses for thinking about this issue. The centre-periphery scheme and the trend of falling commodity prices constituted the basis for

[27] In this sense, the region would have taken time to build its institutions to join the economic possibilities of independence and the free market. Due to the influence of Anglosaxon studies like Coatsworth (1998) or Acemoglu, Johnson & Robinson (2002), liberal and reformist authors seem to agree with the institutional hypothesis that compares Latin America to the United States. Political instability and the Iberian colonial institutional delayed the implementation of liberal reforms (property right, land markets, among others). These liberal reforms were the origin of the Indigenous technological development and productivity growth in the former British colonies. See Bertola & Ocampo (2012: Chapter 2) and Gerchunoff & Llach (2011).

their criticism of international trade as a source of global convergence and their call for industrialization to create an autonomous domestic accumulation cycle. Latin American and peripheral economies were characterized by (i) a productive structure with little diversification, (ii) specialization in primary goods, (iii) low levels of indigenous technical progress, (iv) productive heterogeneity with (v) large reserve armies of labour, (vi) high concentration of ownership of the means of production, and (vii) an uneven distribution of income (BIELSCHOWSKY, 2009). Therefore, ECLAC's analysis included advice for reforms associated with income distribution, and land reform, among other elements,[28] as a way to deepen inward oriented growth.

Under this approach, the State, as a monolith, was the main actor that had to organize the industrialization process, and define and promote the required reforms. The recommendations went through different phases (BIELSCHOWSKY, 2000; 2009) with a wide range of policies such as differential tariff protectionism, creating SOE's, public financing, incentives for FDI, and, also, questioning property relations, such as land reform, but they were approached as a normative necessity for industrialization and growth processes. Along these lines, the State remained oblivious to the struggle between capital fractions and above social classes. Therefore, the reforms were politically questioned and suppressed in most cases by *coups d'état*.

The external debt crisis in the 1980s was the element that consolidated the idea that industrialization had failed in the region and, that it was opportune to start a process of reform in line with the neoliberal spirit, which was emerging in the West. Then, ECLAC theorists readapted to the historical moment and began to receive contributions from

[28] For a review, see Bielschowsky (1998; 2009).

other schools of thought. In this sense, the role of the State was reconfigured towards an ambivalent complementary relationship with the market, such Public-Private Partnerships (PPPs). Although ECLAC did not openly oppose the Washington Consensus, these theorists could not confront it because of their own institutional membership.

This fourth period is associated with global neoliberalism and, also, encompasses a wide range of events, such as the lost decade of the 1980s, the process of economic liberalization and structural reform during the Washington Consensus, the rise of China in the 21st century, the international crises in 2008-9, and the COVID-19 pandemic.

Along this line, the neostructuralist diagnosis of Latin American economies in the 21st century has remained the same as that of the Latin American Manifesto in the 1950s (BIELSCHOWSKY, 2009). However, the neoliberal experience has implied divergent paths. During this period, Chile has operated as a model country that grants credibility to pro-market policies due to its continuous growth rates and institutional stability after the period of democratization. Between 1990 and 2019, it suffered only two years of recession associated with international crises: the Asian/Russian crisis in 1999 and the financial crash in 2009 and, in macroeconomic terms, it has been a "success".

However, Latin America experienced a "half of a lost decade" in the late 1990s: zero or falling GDP per capita, increasing inequality and rising poverty (BERTOLA & OCAMPO, 2012). In its most extreme versions, this period presented socioeconomic crises that questioned the continuity of the Washington Consensus neoliberal policies, in countries such as Venezuela, Argentina, Bolivia, Brazil, and Ecuador, among others. It was these experiences that deepened the critique of neoliberalism and opened the space for rethinking the classic structuralism that I commented on at the beginning of this section.

Indeed, a new debate on State theory is still pending[29]. Although economic criticism allows for overcoming the liberal idea of the market as a mechanism of complete rationality and economic efficiency, the idea of a "developmental" State commanded by its bureaucracy as a way of promoting structural change does not seem plausible or politically desired.

1.2 An alternative vision: Power bloc, balance-of-payment constraint and relative autonomy

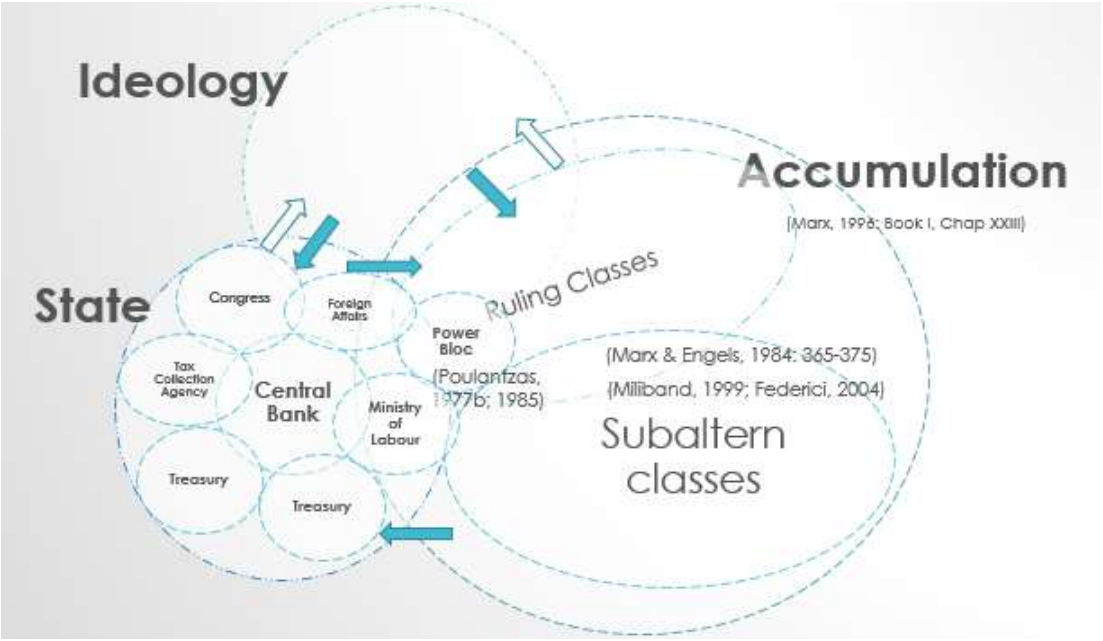
Returning to Latin American literature and Marxist tradition, this section introduces an alternative narrative based on natural resources-financial dependency and the relational character of the State. As the State mediates capital accumulation tensions on three levels, I will integrate the categories: balance-of-payment constraint, power bloc, and relative autonomy. This approach will enable the articulation of geopolitics-geoeconomics, the State & Market and classes, with their Latin American specificities based on a (structural-timed) historical perspective.

Following Osorio (2012), my epistemological/methodological approach tries to avoid the segmentation of the nomothetic disciplines (economics, sociology, and political science) and, instead, address the *totality*[30]. Along this line, my analytical framework returns to the idea of an abstract system of domination based on the objective / material elements, institutional power, and, without being exhaustive, subjective perceptions or

[29] For a discussion and critics, see Fiori (2020) and Grigera (2014)
[30] This notion goes against Popper and Weber's proposals in terms of considering reality as infinite and, given our finite knowledge, that we must be content to study particular phenomena (OSORIO, 2012).

cosmovisions[31]. These three elements are permeable, difficult to delimit, and have considerable feedback among them (Figure I-1). As the material basis and its socio-historical characteristics ultimately define the character of social reproduction (and, mainly, the impossibility of reproduction), the character of capital accumulation will be central in my analysis[32].

Figure I-1: Analytical framework



Source: Author's elaboration inspired by Cox (1981).

In the next section, I return to individuals as a category due to neoliberal political power on this sphere and show the necessity of articulating it with class, gender, and race, in order to, later, develop my interpretation of the State, the power bloc, and capital accumulation in Latin America.

[31] Social classes elaborated their ideological vision based on objective and subjective elements. The first are guided by their economic insertion, mainly their place in the system of reproduction. Regarding the subjective elements, they are under the influence of the ideological apparatus. Disputes over the definition of ideological hegemony or cosmovision will be disregarded. A detailed analysis of these mechanisms would deserve a special study that goes beyond the framework of this work, although they are fundamental for understanding the totality.

[32] Even when the political domination feedbacks into economic domination, the exercise of power does not necessarily imply its expanded accumulation. Competitive pressure does not modify this condition. This difference is what explains that "*in last instance, the economic prevails*".

1.2.1 Individuals: class and its fractions

> ***"Liberty,(…), non-dominance, means emancipation from any such subordination, liberation from any such dependency. It requires the capacity to stand eye to eye with your fellow citizens, in a shared awareness that none of you has a power of arbitrary interference over another." Acemoglu & Robinson (2019: 26)***

(Neo) liberalism places the emphasis of its argument on the individual and his/her ability to act. Although all technical analysis has been questioned in a methodological, and historical way, and even in terms of the very logics of its premises, its political power has remained practically intact. Its ultimate philosophical aim is similar to more radical approaches: the realization of freedom, non-domination. Its praxis is based on fully developing individual capacities such as entrepreneurship, meritocracy, the culture of work (immigrants who founded the "Nation"), among other euphemisms that, on the one hand, are presented ahistorically and, on the other hand, separate the economy from politics.

When individuals feel and suffer some type of oppression or domination, (neo)liberalism challenges them to act individually against this domination. However, capital is the element that governs the modern form of social organization[33]. Independently of their wills, individuals exist under social relations of exploitation and domination led by capital accumulation (OSORIO, 2014C:28).

[33] In its more abstract form, capital is a social relationship mediated by commodities with the objective of obtaining a surplus, which is appropriated in different and independent ways. In this sense, capital is an element of abstract domination.

For this reason, it is important to include class in the analysis. As surplus has become an end in itself[34] and can be privately appropriated, capital promotes a differentiation between the individuals who own capital (the capitalist class) and the individuals who have to sell their labour power in order to earn a living (the working class).

This asymmetry gives the capitalist class power over social reproduction, which is presented as a realization of its freedom. *Only as personified capital is the capitalist respectable* (MARX, 2011[1867]; CHAPTER XXII). However, the capitalist class is also gripped by the logics of capital and the need for its expanded reproduction. Competition (and, in an extreme, bankruptcy) can take away their status[35]. "*Profit is the disciplining element; if a company does not obtain profit, it dies"* (SHAIKH, 2020). Capitalist individuals strive to maintain their status and hierarchy, in coalition with others, be them of their kind or not. Dominant classes are the personification of capital.

Capital is not homogeneous; it is differentiated into fractions that are the result of specialization in some phase of its cycle. All fractions are focused on surplus value, leading to struggles and conflicts among them that can have important political consequences (OSORIO, 2014C:49-50).

In a similar way, subaltern classes[36] are not homogeneous. As we will see in Part C, most individuals fall into this group. However, subaltern classes are also dominated and

[34] Capital accumulation is self-expansive since its cycle implies its reproduction in an expanded form with a relative autonomy from social needs and environmental sustainability. Then, two trajectories emerge. On one hand, the competition that results in the tendency toward concentration and centralization. On the other hand, crisis as a scenario of non-compliance with its self-expansion.

[35] Shaik (2016; 2020) comments that it is not about feeling sorry for capitalists, but rather it is important to highlight the existence of the mechanism that pits them against each other. In this sense, the notion of (real) competition has nothing to do with neoclassical perfect competition. Competition is a war in which companies try to kill each other and try to take over each other's territory.

[36] The subaltern classes, derived from Gramsci's contributions, encompass a diverse group of people dominated by the logics of capital and which is broader than the category of the working-class, since it

differentiated by the logics of capital. In its historical formation, *primitive accumulation* under colonization, the slave trade, extermination and enslavement of Indigenous peoples in the Americas brought about significant differentiations within subaltern classes[37]. These processes of control, discipline, and plunder built the foundations of the system that, in turn, implied the feminization of reproductive labour, as unpaid labour (FEDERICI, 2004). The Indigenous and Afro-descendant people were also limited to carrying out certain types of social work that implied little or no appropriation of the social surplus, which has reproduced their position in the social hierarchy. In this way, an overload of social work has been imposed on these subaltern classes, which limits their possibilities for overcoming domination. For these reasons, it is also important to include class and its fractions into the analysis.

This social hierarchy of the social division of labour was reproduced during the formation of nation states and remains one of the historical roots of Latin American capitalist society. During the 20th century, internal migration, (unplanned and accelerated) urbanization and the semi-industrialization process further segmented and diversified the subaltern classes. These elements correspond to the material base of social life that is traversed by relationships marked by social customs, moral and religious values that go beyond individual practices and that unite life in society. This network of relationships

also includes marginalized sectors, the unemployed, and inactive workers. For a discussion, see Modonesi (2012) and Osorio (2014:51).

[37] Cultural universality, which was associated with Christianity during the 15th and 16th centuries, left no place for Indigenous people and Afro-descendants' manifestations or political participation. The division into cultures facilitated the universalization of modernity as the only possible alternative and gave the colonial State the power to administer these populations. The discourse of cultural diversity justified the expansion of modernity by violence (DUSSEL, 1995:35 *apud* ROJAS, 2020).

makes up a social *ethos* and constitutes the meaning of a *community* (OSORIO, 2014B:64).

The capitalist State condenses this "illusion of a community" and recreates community relations in which "we are all part of the same team and we will achieve common goals." Then, the prevailing laws and political projects are not only good for some, but they are good for the whole society. In this sense, the State has the objective function of social cohesion, while it operates as the main body that hides the prevailing institutional violence, class struggle, and system of domination (POULANTZAS, 1985; OSORIO, 2014B: 64). For this reason, individuals feel their oppression easily reflected in public policies. For that reason, it is also so important to control the State. That will be discussed in Part B and C, but, first, what is the State?

1.2.2 What is the State? Relational character, nature and apparatus

This question has been asked many times in different times and political contexts and has received different responses[38]. It is difficult - and some says impossible - to define the State considering that it has a long history, has taken different forms at different times and places, and is constantly changing (JESSOP, 2015; 2020). In this sense, my goal is to take an approach that does not consider it a deus ex maquina.

For the Marxist tradition, the modern State is a historical construction that results from the conflict between classes to build and preserve an apparatus of domination at the service of the capitalist class or the reproduction of its economy. In this sense, the State

[38] Andrade (2020) argues that it has oscillated among three traditions: the liberal, the classic Weberian and the Marxist. For a review, see Jessop (2015), Andrade (2020), among others.

does not necessarily respond to the interests of this social class as a unity, but rather protects the reproduction of the system of domination (O'DONNELL, 1982: 16).

Following Marx, Poulantzas-Miliband and their followers, we consider the State fundamentally as a complex social relation that houses class struggle. However, the State policy cannot be reduced to its own power since State power can only be understood as the power of certain classes and fractions (POULANTZAS, 1985). The laws of capital are maintained only to the extent that the capitalist relationship is reproduced in and through class struggle; and class struggle takes place within the limits of that relationship (JESSOP, 2020:28)[39].

Additionally, the State does not have a monolithic structure, but it is a set of apparatuses. Thus, State apparatuses constitute a set of mechanisms which institutionality is based on structures of conflict mediation, selection, and filtering. However, State apparatuses are not neutral structures. On the contrary, they incarnate political and ideological relations that are constituted as "material practices" of these apparatuses based on the relations of production. Then, the internal coherence of the capitalist State, which structure is shown as fragmented and impregnated with contradictions between classes, is restored through the hierarchical organization of its apparatuses (ROCHA, 2020). For this reason, this often leads to the complex domination of one State apparatus over others (POULANTZAS, 1977A; 1977B; CODATO & PERISSINOTTO, 2001; MOLLO, 2001; MIGUEZ, 2010).

[39] These elements are derived from the debate in the 1970s between the relational (which defined the State as a social relation) and the derivationist theories (which sought to derive the state form from the value-form). The debate was centred around criticism of an "instrumentalist" view of the State, as an entity instrumentally subordinated to a coalition of classes. For a review of this debate, see Clarke (1991), Mollo (2001), Miguez (2010), Bonnet & Piva (2017), among others.

The Central Bank, the Secretary of the Treasury and the Ministry of Labour are some of these apparatuses. If we take the D-M-D' formula, the State participates in almost all links, from defining a currency, regulating ownership and, even, commodity prices (especially labour power). Furthermore, foreign affairs are also quite important for the provision of strategic raw materials from abroad by placing regions or nations under diplomatic (or military) influence, and guaranteeing the remission of profits, among others. According to their interests, all these apparatuses become the focus of dispute between classes and their fractions.

Since the capitalist nature of the State implies that it tends to guarantee the accumulation of capital as a way to legitimate itself and consolidate consensus[40], the State becomes permeable to channelling popular demands. To carry out these tasks, the State must control a territory where the currency is legally accepted and its courts are capable of guaranteeing the realization of profit. In this sense, the devices of coercion and consensus have a fundamental and indissociable role to play with capital accumulation[41].

State capacity also has a spatial dimension, as it can vary significantly across the territory[42] (O'DONNELL, 1993 *apud* LUNA, 2020). However, several of the Latin American

[40] "*As a form of capitalist social relationships, [the State] depends on the reproduction of these relationships. Therefore, it is not only a State in capitalist society, it is a capitalist State, then its survival is linked to its ability to promote the reproduction of capitalist social relationships as a whole*" (HOLLOWAY, 1996:71 *apud* MIGUEZ, 2010:33).

[41] Michael Hardt and Toni Negri claim that capitalism is now organized both economically and politically along transnational lines. In this sense, the logic of accumulation demands a State-money to finish the cycle. So, in a way or another, any of the States in the system has to be behind the process and it could imply geopolitical conflicts between them. For a discussion, see Osorio (2014b) and Callinicos (2007).

[42] State capacity is essentially a relational concept based in part on infrastructural power or the ability of states to penetrate society (MANN, 1984). Therefore, the development of State capacity depends on the strategic interaction between different groups and how this contributes to building a State with the capacity to efficiently develop and implement public policies that seek economic growth and development (JESSOP, 2020).

states do not necessarily fulfil these formal legal functions[43] due to "challengers" (and, in some cases, substitutors) at the local (and even regional) level, such as *maras* in Central America, drug *cartels* in Mexico and Colombia, and *garimpeiros* in Brazil and Bolivia, among others (ALTMAN & LUNA, 2012; LUNA, 2020). These elements add complexity to the political dispute inside and outside the State.

So, who is leading the capitalist State? According to Poulantzas (1977a; 1977b), the basic premise is that the dominant classes are not cohesive, but rather compose a fragmented domination, and exert this domination through a power bloc. By representing a set of fragmented interests, the State must present itself as a structure endowed with some autonomy in relation to the class fractions that comprise the power bloc.

The power bloc groups the fractions of the ruling class that command the accumulation and have a greater capacity to promote their interests within the State's apparatus. However, they imply a contradictory unity of interests. It is the concept that articulates the economic and political dimensions (POULANTZAS, 1977A; BOITO, 2002; PINTO & BALANCO, 2014).

Unlike the Weberian tradition that focuses on elites[44], the relational character lies in the fact that the power bloc is not a static category, it enables individuals' mobility and

[43] According to Jessop (2020), a juridico-political definition would identify three constitutive elements of the State derived from the continental European tradition: (1) a clearly demarcated core territory under the more or less uncontested and continuous control of the State apparatus; (2) a politically organised coercive, administrative and symbolic apparatus endowed with both general and specific powers (State power); and (3) a permanent or stable population over which the State's political authority and decisions are exercised.

[44] In most cases, elites are either referred to in a loose, abstract manner (predatory, rent-seeking, mafia, enlightened elites, etc.), or are addressed by more thematic approaches (political, economic, bureaucratic, religious elites, etc.), or are approached in isolation by case studies (examples of individuals, families, lineages, etc.). The political and administrative elites are covered more often than business elites. For a review of this tradition, see North (2017), Razafindrakoto, M., Roubaud, F., & Wachsberger, J. M. (2018).

prevents personifications. This element, in some way, prevents us from falling into a mechanistic reading based on the economy, politics, or overdeterminations[45]. In this sense, I try to maintain a flexible approach, understanding that elites or social groups that keep some economic and political power formed under specific social relations of production. Thus, that social dynamic persists, even when family X or individual Y passes on to fulfil another role in the productive structure. Also, it prevents "voluntaristic" analyses of the accumulation process.

While the analytical description of these structures served as the basis for a theory of the State, it is not able to go beyond a functionalist and formalist definition of the State due to the fact that it tends to lose sight of its historicity (CLARKE, 1977). The impossibility of creating a transhistorical theory of the State was also highlighted by Jessop (2015). Along this line, my proposition is to examine the historicity of the Latin American State and regional capital accumulation and return to those structural elements that are under dispute within the State in Part B and C.

1.2.3 A world as one system: the Latin American State, financial and natural resource dependency

This section reconstructs a review of the global-regional articulation. Returning to the structuralist characterization, this section fills the gap within my approach in respect to domination. For narrative purposes, I focus on the cases that were considered most

[45] My attempt to highlight the relational character of the State also aims to avoid readings such as that of extractive or patrimonial elites that capture the State or the political system (CORTES & ITRIAGO, 2018). Although these visions are successful in characterizing a historical moment, they have difficulties in thinking about the dynamic process, that is, they cannot explain the origin and reproduction of that "capture" as Clarke (1977) points out. In some sense, the idea of "capture" incorporates the possibility of transformation through the "liberation". However, if the relations of social production are kept the same, it once again indicates a State outside the class struggle.

successful in each era: Argentina in 1870-1930, Brazil in the postwar period, and Chile during neoliberalism, and intersperse these with discussion of the regional dynamics. In this sense, the international division of labour appears as an imposition for the subaltern classes, while it represents an opportunity for profit and power for the dominant domestic classes associated with natural resources and international finances. This structural thread, which articulates subordinated accumulation, the Latin American State, and social classes, operates the foundation of the 21st century. Although it is presented as continuity, this does not exclude the originality of the facts (MARINI, 1973). For this reason, it is important to explore them.

Since Conquest, Latin American social formations have involved economic, political, and ideological domination excercised by Europeans and their descendants. In the colonial era, these Europeans controlled the natural resources that the Iberian Crown appropriated by force and, so, they administrated ties with the metropolis. When the Napoleonic wars started, these groups had accumulated enough economic interest to promote their independence[46]. Influenced by Europe, the Latin American institutional structure was based on "a territory, a State, a Nation." Although the Latin American national states tried to imitate the US and Western European institutional organization, the Latin American States were formed in societies in which different relations of

[46] The current Brazil originated in the same international framework but, with the difference that the Portuguese king escaped to his colonies in America in order to avoid the Napoleonic invasion and declared the formation of the Brazilian Empire. In this sense, the Portuguese power was already in a long decline but maintained its capacity for diplomatic influence. Then, the rupture of the colonial institutions in Brazil had been notably less than that of the former Spanish colonies.

economic and political power prevailed, without the presence of constant external threats or the lack of long wars[47] (VITALE, 1992; TUTINO, 2016).

At the time of the formation of LAC's national states, England commanded the capitalist system that arose with its epicentre in Europe[48]. Industrialization in the 18th and 19th centuries promoted the creation of the world market for consumption goods, as well as capital goods. Then, peripheral regions managed to insert themselves into the modern capitalist world without needing to develop those sectors or indigenous technology, but rather to import it, which became the first feature of *dependency* (MARINI, 1973). In this sense, the need for international money forced them to export or borrow, also known as the *external* or *balance-of-payment constraint to growth[49].*

At the end of the 19th century, Argentina was the "model" for the region. A European descendant oligarchy articulated an accumulation pattern based on exporting temperate agricultural products to England. The slaughter and expulsion of Indigenous people (known as "Campaña del Desierto"- Desert Campaign) was fundamental for the extension of the agrarian frontier. The "conquered" lands were given to soldiers

[47] The (European) bellicist State formation theory has pointed to the importance of the constant threat of wars and disputes for the territory in Western Europe between the 15th and 19th centuries. They implied structuring effective fiscal system and bureaucratic administration to maintain a well-equipped army. Along this line, the regional wars did not imply a constant external threat or a great and perdurable total conflict that could question the dominant class' survival.

[48] During the 19th century, the English state apparatus promoted capitalist relations globally and fueled its centrality in the system of accumulation. Under British hegemony, different milestones of global history can be associated with the construction of a global system with epicentre in England: the cotton plantation system of the southern United States, the India's colonization, the "gunboat diplomacy" for trade liberalization in China and, the slavery abolitionism in the Americas.

[49] This issue was widely explored in the Latin American literature (see BRAUN & JOY, 1962; TAVARES, 2000; BIELSCHOWSKY, 2000; 2009; MEDEIROS, 2008B; among others) and later, was formalized in the Thirwall's Law (THIRWALL, 1979; MCCOMBIE & ROBERTS, 2002). The dynamics of the balance of payments also had a strong role in explaining inflation in the Latin American visions (BIELSCHOWSKY, 2000). In this sense, the balance of payments crisis appears as the prelude to an inflationary outbreak and income redistribution. For a theoretical vision, see Ferrer (1963), and Bastos (2002) and for applied-historical analysis, see Pinkusfeld, Bastian et Al (2018) in the case of Brazil, Noyola (1957) and Sunkel (1958) in the case of Mexico and Chile.

according to their rank, who subsequently sold them to cover their debts to the oligarchy. This *primitive accumulation* promoted the formation of large latifundiaries. However, the differential element was its relationship with England, which had a demand for its products and provided financing for the extension of the railways in order to integrate productive lands to the port of Buenos Aires (ARCEO, 2003).

In regional terms, although each new republic had its specific international insertion due to the *commodity lottery*, most reproduced the rapid accumulation of wealth in the hands of a few owners. Since then, the absolute and differential rents derived from natural resources (agricultural, oil and mining)[50] and external financial cycles[51] have played a central role in LAC's accumulation. Therefore, the dominant classes and their power bloc were structured based on ownership of those natural resources, export infrastructure and finances (MARINI, 1973).

Regarding the subaltern classes, even in the context of the Industrial Revolution and massive productivity growth, their conditions of reproduction were unsatisfactory, not only in the periphery, but also in Europe[52]. Therefore, social protest increased until the

[50] "*The constitution of a national sphere based on the production of raw materials for the world market only makes sense to the extent that these raw materials are cheaper than if they were produced directly in the countries in which there is a demand. Furthermore, to the extent that these raw materials are commodities of agrarian or mining origin, this relative cheapness springs from the existence of relatively favourable natural conditions in the country that produces them. (…) In contrast to common commodities, raw materials are normally bearers of a surplus-profit existing in the form of ground-rent, and the greater the relative favourability of the natural conditions in which they are produced, the greater the surplus-profit is. Consequently, the generation of national spheres specialised in the production of raw materials also implies the permanent transfer of a portion of global social surplus-value to landlords.*" (CALIGARIS, 2016:62, Author's emphasis). The origin of this surplus-value that constitutes the rent, which is appropriated by the owners of natural resources, has been widely debated. See for example Carrera (2006), Galva (2017), Osorio (2017), among others.

[51] For a review, see Medeiros (2008b)

[52] During the 19th century, different revolts were generated in the centre of the system that were brutally suppressed, such as the Paris Commune. These social revolts also occurred under territorial war conflicts within Europe (Alsace and Lorraine). In this sense, the formation of the National States, their industrialization and subaltern classes' consolidation by coercion were a feedback process. Additionally, it created a geographic expansion of the system. On one side, this process exported labour power to the

Great Recession and the oligarchic State was forced to respond to popular demands. After the collapse of the primary export model, different nationalist and popular-based movements rosed up in the regional political scene.

After the nationalism that emerged as a consequence of the Great Recession and WWII, Europe closed its market to agricultural imports in order to consolidate its Common Agricultural Policy as part of its reconstruction. As it became impossible to afford imports through the rent from natural resources, and financial support was considerably reduced after the regional default in 1930[53], Latin American States had to promote productive diversification as a form of life and social reproduction. Meanwhile, the USA, the emerging hegemonic power, did not need primary imports for their accumulation pattern[54], so Latin America's "inward oriented" model was more a necessity than a choice.

Additionally, the Cold War promoted the position of the United States as guardian of the capitalist order against the Communist Threat. US institutional apparatuses (including the Bretton Woods institutions) supported, promoted, and financed the reforms that were necessary to keep the USSR surrounded. In responde to that threat[55], the capitalist development became a major issue and the State apparatus was diversified with those tasks: public companies, exchange controls, import quotas, pension systems, among others. It is Brazil that has been identified as the successful

Americas, especially USA and Argentina. On the other side, it promoted capital internationalization through the colonization of Africa and Asia (*imperialism*).

[53] Argentina was the only country in the region that kept paying its external debt during the Great Recession (OCAMPO ET AL, 2014).

[54] Import quotas and special tariffs were created for certain products that have been used as part of its foreign policy (of intervention). Central America and its bananas, sugar, and coffee are the best-known cases.

[55] The Chinese revolution, the Korean War, the decolonization of Africa and the Cuban Revolution implied the globalization of the dispute.

case in terms of growth in Latin America during this period (PRADO & EARP, 2003). In order to avoid a new China in Latin America, the US supported the 1964 military regime in Brazil, which made its "miracle" possible. The military was "committed" to consolidating the Brazilian industrial complex under the support of external indebtedness.

In regional terms, initial industrialization took place relatively successfully but problems arose with the production of capital and intermediate goods. It suffered cyclical external crises without special financial support (the "stop and go" model) due to its primary international insertion. Accordingly, foreign investment was promoted as a way to foster technological development and relief in terms of external constraint. However, technology transfer did not imply indigenous technology development and profit remissions also meant an outflow of international currency. Consequently, accumulation was cyclically limited by the balance-of-payment constraint.

In this context, the traditional dominant classes incorporated an industrial leg, mixed with the new bourgeois class (industrial and commercial) and created an "alliance" with the international companies that arrived to the region following the expansion of internal market (EVANS, 1979; EAKIN, 2001; BASUALDO, 2010A).

Even with the expansion of the domestic market and transformation of relations of production, Brazil and the region maintained a constant mass of workers with precarious labour insertion: informal, self-employed and domestic employees (mainly Afro-descendants and Indigenous people)[56]. Then, some fractions of the subaltern classes

[56] In the mid-1970s, the Brazilian *subproletariator* or marginal mass (NUN, 2010) represented half of the economically active population (SINGER, 2009; BIELSCHOWSKY & MUSSI, 2013).

were incorporated into mass capitalist consumption and others simply were not, which was functional to capital accumulation since it enabled a productive diversification, but without promoting a generalized increase in wages, an improvement in distribution, or significant social change in relationships of domination (DE OLIVEIRA, 2009). Despite this fragmentation, the subaltern classes' demands were channelled through unions, political parties, and student movements, which led to increasing pressure for social transformation.

However, these subaltern demands for transformation were constantly repressed by cyclical economical crises or by coercion. With support from the United States, *authoritarian bureaucratic states* (O'DONNELL, 1982, GRACIARENA, 1984) or *counter-insurgency States* (MARINI, 1978) tried to reinstate the relations of political domination that had prevailed before the 1930s crisis. For this reason, violence especially targeted unionism, political parties, and student movements.

The debt crisis brought the industrialization process to an end, while a process of formal redemocratization was opened. In this sense, Latin American social reproduction was structurally transformed, while its global insertion was reconfigured. Unlike the region as a whole, Brazil did not fall into the moratorium, because of its former industrial investments allowed it to increase its exports and reduce its imports in the mid-80s (CASTRO & SOUZA, 1985). From the point of view of the dominant classes, this relative economical "success" partially explains why it delayed implementing the neoliberal agenda until the mid-90s (BONA & PÁEZ, 2020)[57].

[57] Saad Filho (2019) argued that the Brazilian transition to neoliberalism came relatively late and advanced slowly compared with the Southern Cone, partly because of the vigorous resistance offered by the political left that had emerged during the democratic transition.

Although I will address this topic more fully in the following chapter, here it sould be pointed out that the neoliberal successful story was associated with Chile. With US military and logistical support, Pinochet's *coup* over threw Allende's government, which had nationalized copper mines in the early 1970s. The *military regime* introduced the neoliberal reforms that have been the pillar of the Chilean model until the present.

After democratization, the Chilean State aligned itself with the USA's policies, deepened its integration with the global capitalist order, and promoted economic and financial liberalization measures. It has signed 64 Free Trade Agreements (FTAs) that together represent almost 90 percent of the world's GDP, while integration into the US-led neoliberal world has generated a strong flow of FDI, primarily in infrastructure. Even though the relative importance of copper in its export basket was reduced, the mineral continues to be basis for Chile's export-based insertion into the world market. While Chilean per capita GDP has risen to the top of the regional ranking, the subsidiary State does not guarantee the basic social needs of the subaltern classes, which have been privatized to a lesser or greater extent (mainly higher education and pensions), intensifying social inequality.

In regional terms, the neoliberal experience has implied divergent paths. In the late 1990s and early 2000s, Latin America went through socioeconomic crises that questioned the continuity of the Washington Consensus. The Pink Tide rose to power in this context and put the role of the State as "developmentalist" up for discussion again.

As developmentalist historiography shows (AMSDEN, 2001; JOHNSON, 1995; WADE, 1990), the State as *deus ex machina* is capable of promoting an acceleration of capital accumulation and a structural change. However, how could we identify the interests of

the capital fractions that lead the power bloc? Since the balance-of-payment constraint limits domestic accumulation, it is our first clue.

1.2.4 Power bloc and the State & Market debate: The BOP missing chain and relative autonomy

Taking into account the contributions that I have already highlighted, Poulantzas tried to detach himself from economistic versions of Marxism to account for the political sphere. However, he could not avoid falling into the opposite error, a politicism that accentuates the ideological and repressive features of the State but neglects its economic role (MIGUEZ, 2010). In this sense, the French *regulation school* (BOYER, 1990) and the American *social structure of accumulation* approach (SSA) (KOTZ, 1994) also sought to address this debate, but assigned a pre-established role to the State based on the historical moment (*Fordism or golden age* [58]).

Along these lines, my **first contribution** is to return to Poulantzas' idea of the power bloc as a mediator between the State and the Market and incorporate a concept from Latin American literature: *the external constraint to growth*[59]. Along this line, my argument is

[58] The institutional emphasis was based on guaranteeing a high and stable rate of capital accumulation through the conciliation of classes and regulating inter-capitalist competition, either by focussing on the rate of profit (Marxist approach) or by promoting private investment in a scenario of "social peace" (Keynesian investment bias). In this sense, the political game is quite restricted or limited and does not give a role to inter-capitalist struggle and the role that the subordinate classes can play in the dispute over surplus. Although they have the potential for conjunctural analysis, these approaches suppress the unexpected results of class struggle and prevent us from observing the trajectories that mark the transformations of the mode of production, as Clarke (1977) already questioned. Wolfson &Kotz (2010) and Kotz& McDonough (2010) have tried to update the concept of SSA for neoliberalism due to the low rate of accumulation and volatility of this period. Therefore, Wolfson &Kotz (2010) reformulate the SSA concept to the set of profit-making institutions that stabilize class conflict, especially capital-labour conflict. This proposal is not entirely satisfactory; it is just an *ad hoc* answer.

[59] As I commented previously, world industrialization in the 18th and 19th centuries created the world market for final and capital goods. In this sense, peripheral regions managed to insert themselves into the modern capitalist world without developing those sectors or indigenous technology and importing them. In this sense, the need for means of international payments forced them to export or borrow (BRAUN & JOY, 1968; TAVARES, 2000). This is also known as Thirwall's Law (THIRWALL, 1979; MCCOMBIE & ROBERTS, 2002).

that capitalist fractions that have achieved successful international insertion and that provide international currency to the national system are leading the accumulation process at the national level. Thus, they command the power bloc due to the fact that they hold the key to unblock local accumulation and a greater capacity to press for public policies that are favourable for their accumulation. In this sense, the rest of the capital fractions are subordinated to them.

Therefore, my research will be structured around the following elements: 1) balance of payments; 2) external constraint to growth; 3) social classes and their fractions; 4) power bloc. The balance of payments is defined by Feijó as:

> "[...] the accounting record of all economic transactions between a country and the rest of the world over a given period of time. In applied economics, the balance of payments is normally used to analyse the state of a country's international finances, since a negative balance in a given account means that payments abroad have exceeded revenues from abroad for that type of transaction. In other words, the balance of payments is an important instrument for economic analysis, as it allows the evolution of the flow of material and financial resources between resident and non-resident agents in a given economy to be monitored." (2013, p. 165, Author's translation)

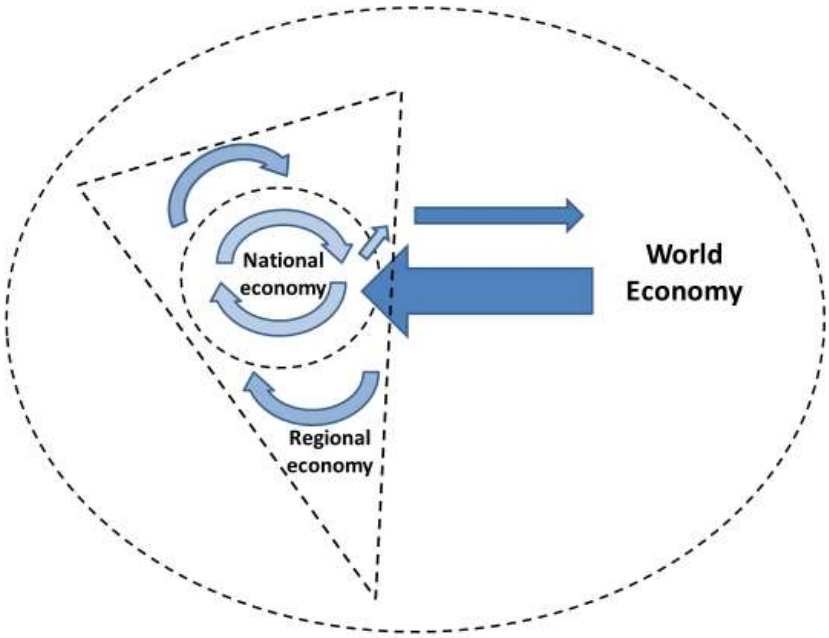
In the accounting records of the balance of payments (wealth flows), it is possible to identify both the results of material and financial flows, which impact the capital accumulation process and express the external constraint to growth, as well as the domestic fractions that increased or reduced their flows of wealth. While this effect can be measured, the challenge is to avoid over-determination[60].

According to Thirlwall's law, countries face an external constraint when their performance in foreign markets and the response of the financial markets to this

[60] The over-determination of the external under the inner dynamics is one of Samir Amin's main criticisms of Wallerstein-Arrighi's world system theory (KUFAKURINANI ET AL, 2017:12-14). Osorio (2012) also criticizes Wallerstein's conception because the latter considers the parts of the world system only as historical concepts without theoretical relevance.

performance restrict growth at a lower rate than internal conditions would warrant[61]. In this sense, the balance-of-payment dynamic is the element that mediates and articulates the global and internal dynamic[62] (Figure I-1). As capital structures the ruling classes, which are personifications of economic categories and bearers of certain class relations and interests, this element can also be identified within the balance-of-payment dynamics. Thus, being part of the production of a specific product or service, could be used as a proxy for class fraction interest[63].

Figure I-2: External-Internal dynamics



Source: Author's Elaboration

Therefore, the BOP criteria allow for integrating the economic and the political categories with the power bloc as the mediator. It is important to highlight that the BOP

[61] In this sense, Thirlwall's approach is an alternative framework to mainstream theory (whether framed in terms of exogenous or endogenous growth theory) which places the focus on endowments and technology to explain growth differences among countries and for which there are no demand constraints (PEREZ CALDENTEY & VERNENGO, 2019).

[62] The distinction between 'internal' and 'external' factors should be taken essentially as a preliminary simplifying classification. So-called 'internal' structures are, in turn, the outcome of earlier historical processes of interaction between the external and the internal, and those 'external' links have, in fact, very concrete and powerful internal manifestations (SUNKEL, 1970).

[63] For the methodological approach, see Part B. Introduction

constraint also became a tool for domination between classes and fractions. It is an element that privileges their requests within the state apparatus[64]. However, the State maintains its degree of relative autonomy with respect to capital fractions in order to fulfill its role as guarantor of capitalist accumulation, creating a balance between coercion and consensus.

The success of the East Asian "developmental States" spurred a debate about the characteristics of effective political projects that are capable of steering dominant classes towards investment in high-growth and high productivity sectors, accelerate rate of accumulation and, then, promote structural change (AMSDEN 2001; JOHNSON 1995; WADE 1990). Debates on this literature have been focused not only on particular aspects of the industrial-promoting agencies, but also on the historical geopolitical conditions for the emergence of States with sufficient motivation and authority to induce the capitalist fractions to "contribute" to a cohesive project and, also, to climb in the hierarchy of the interstate system (OSORIO, 2017; FIORI, 2014; MEDEIROS & SERRANO 1999).

Therefore, **my second contribution** consists of linking these historical geopolitical conditions with the *Poulantzian* concept of the relative autonomy of the State, which implies that state power acts with a greater or lesser degree of autonomy from the dominant classes' interest (POULANTZAS, 1977B; 1985). In this sense, "State power" might not correspond to "class power" and, may even, contradict it (CODATO & PERISSINOTTO, 2001; MOLLO, 2001).

[64] There is a seminal idea in Basualdo (2010a) and his followers that they call veto power. Exporters maintain veto power over economic policy. My interpretation implies a more general application to an economic logic that exceeds the political will of the fractions of capital.

As I have been arguing, the State does not remain separate from social classes and their relations of abstract domination. However, an accelerated and persistent process of capital accumulation in peripheral economies requires the highly active role of the State (creator / developmentalist). As this process tends to generate new capitalist fractions and can improve the material conditions of the subaltern classes (or part of them), it also leads to questioning the relations of economic and political domination, both absolute (who leads) and relative (the order between class fractions) domination, which can make contradictory interests align with the objective of stopping the process of continuous capital accumulation[65].

As the power bloc groups the fractions of the ruling class that have a greater capacity to project their interests within the state's apparatus, the "developmentalist" State would only be recreated in specific scenarios. Otherwise, the power bloc would be articulated to reproduce the status quo. So, what are these specific scenarios? They refer to historical moments when capitalist domination is questioned at global, regional or national scale. Questioning the system implies that the State gains relative autonomy from the dominant classes and leads economic and social transformations in order to restore the legitimacy and sustainability of capitalist domination[66].

Historically, the typical case has been the Cold War. The socialist "threat" to the global capitalist system made the experiences of *developmental* states possible in Japan and

[65] A seminal idea could be found in Kalecki (1943), but it is only associated to capitalist class. Here, I am extending the idea to the subaltern classes, especially high-income formal waged workers.

[66] Somehow, we can find these lines of relationship between the economy and politics in other historical moments where there were relative changes in the dynamics of accumulation in different regions: the rise of the USA, Germany and Japan at the end of the 19th century and, in the very origin of the capitalist system with its epicentre in Europe. However, this line of argument exceeds the scope of my present investigation.

the Asian Tigers due to US geopolitical interest (development *avant la lettre*)[67]. Also, there are other types of risks for domination: threats of total wars, pandemics, or the collapse of the State[68]. In this sense, they could promote a nationalist effort to improve their army and defence system (a vector for industrialization and development of the national system of innovation), improve public health systems, redistributive policies, among others. When the system of domination is at risk, the different state apparatuses act to save it and have no difficulty in redirecting economic surplus. However, these processes can mean structural changes that modify the relations of domination and were not initially desired by the dominant fractions.

Therefore, the question is whether these conditions exist for Latin America in the 21st century. Our insight is that there is a contradiction between the rate of accumulation and the interests of the power bloc. In this sense, the dominant fractions pursue a mode of accumulation that feeds their own economic accumulation and political power, that is, their status quo in the system of domination.

Since the fractions that lead the power bloc and supply foreign currency are interested in maintaining the status quo, the margin of action for a sovereign, autonomous, developmental national political project is quite small in the absence of the mentioned

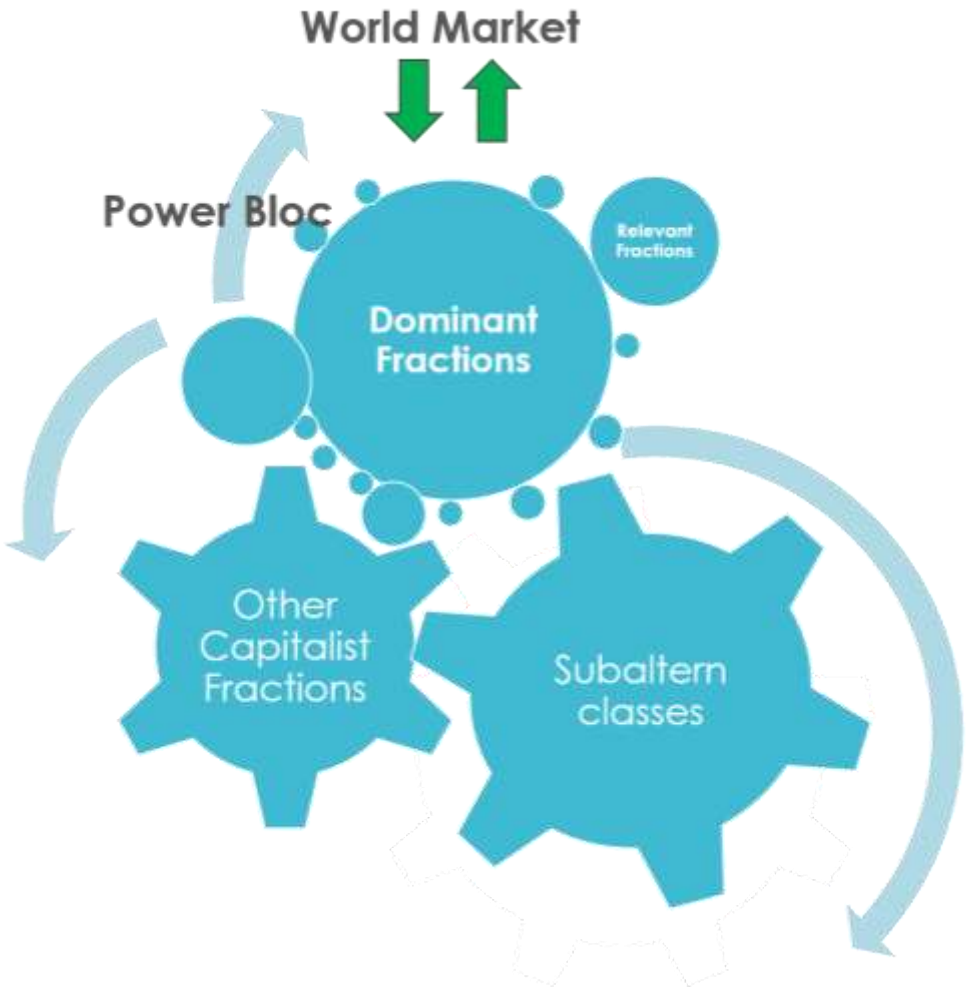
[67] The subsequent rise of South Korea and China was the result of specific geopolitical conditions that encouraged the hegemonic power's support. US foreign policy to contain communism promoted the unilateral opening of its internal market, which enabled the Asian Tigers export miracle (also known as the "*flying geese scheme*") led by Japan and, later, by China, guaranteed FDI and portfolio investments and, also, if necessary, military support (OSORIO, 2015; FIORI, 2014). The US geopolitical interest behind the Chinese Rise during the '1980s was part of its policy to isolate the USSR (KISSINGER & HORMANN, 2011). Additionally, these geopolitical conditions allowed the Nation State to have a central role in executing a development strategy, disciplining the dominant classes and subduing the working class (OSORIO; 2015).

[68] Scheidel (2017) explores these four elements as income levellers within countries on a global scale. My work, on the other hand, identifies these elements as generators of relative autonomy of the State to sustain the systems of domination.

geopolitical and geoeconomics conditions. Therefore, it is essential to explore the geopolitical and geo-economic elements that are operating in the interstate system during the 21st Century. These issues are addressed in the following chapter. Later, Part B empirically explores who has been leading the power bloc using the BOP criteria.

Summary Figure

Figure I-3: Power bloc, capitalist and subaltern classes



Source: Author's elaboration based on Figure I-1 and Figure B-2

Chapter Two –US hegemony, Neoliberalism and the Rise of China: Latin America's International Insertion

Chapter 2 aims to show that, depending on its type of insertion in the international system and its dynamism (international division of labour, geopolitical, and geoeconomic disputes, among other aspects), a Latin American State could gain a greater relative autonomy to promote capital accumulation. This is especially true when changes in the external scenario reduce the BOP constraint.

Although the arrival of neoliberalism in Chile is associated with *authoritarianism*, it later spread throughout the region in different waves and has reproduced similar characteristics[69].

The first section, therefore, explores "*the continuity with originality*" of neoliberalism in its first stage of emergence and consolidation. Then, the second section does the same for the (re)emergence of China, its impact on relation of production in Latin America, and on macroeconomic dynamics[70].

[69] Despite the fact that it is not the main objective, I will make some mention of the specificities of Argentina and Brazil because, as former "regional leaders", their relative weight sets the trend for regional outcomes.

[70] My macroeconomic approach is based on the idea that effective demand defines the level of activity and the GDP in the short and long term. In these terms, economic growth is guided by aggregate demand components: (i) final consumption expenditure (government or private); (ii) gross capital formation or (iii) exports. Once the external constraint is reduced by the current and/or financial account, any of the components of the aggregate demand can command the process and their determinants are defined within the State apparatus, thus they are subject to the dispute between different classes and fractions. For this debate, see Serrano (1995), Freitas & Serrano (2015), Serrano & Freitas (2017), Lavoie (2016), Dutt (2019), among others.

2.1 US hegemony, Latin American and Global Neoliberalism

> "*The Chilean liberal model has generated a historic opportunity for Latin American countries. It is no longer possible to dismiss the free market as an efficient solution only for Anglo-Saxon countries, for Protestant cultures, or for hard-working Asian nations. Freedom has worked and has produced great progress in a Latin, Catholic and American country. The liberal revolution was not imposed by force - which would be a contradiction - but rather it is an eloquent testimony to the force of ideas. Liberal change is possible in democracy. The challenge in the 90s for Latin America is to transform this opportunity into reality and to get out of underdevelopment, poverty and ignorance once and for all.*" **José Piñera Echenique, 1992 (Pinochet's minister and brother of Sebastian Piñera, Chilean President 2010-2014 and 2018-)**
>
> "*There Is No Alternative.*" Slogan of **Margaret Thatcher (Conservative British Prime Minister, 1979-1990)**

During the last decades of the 20th century, the US State apparatus retook the hegemonic position, while its internal material base was reconstituted by the accelerated volatility of finance, an extraordinary degree of economic transformations, and social dislocation (TAVARES, 1985; PANITCH & GINDIN, 2012). In this sense, it diversified the dimensions of global hegemony (economic, political-institutional, and ideological), which acquired new forms and placed limits on the aspirations of its potential competitors, such as Japan and Germany. *A posteriori*, these transformations opened a gap that allowed for the rise of China in the 21st century[71]. The construction of the neoliberal global order began in the 1970s, intensified in the 1980s and deepened definitively in the 1990s.

Global accumulation was reorganized around three topics: the geopolitical importance of oil that started with OPEC's price shock[72] (KORPI, 2002; FIORITTI, 2016), the

[71] This strategic partnership created one of the conditions for the beginning of the Chinese economic miracle: China's inclusion in the US capital and goods market, which allowed its export rush and Chinese access to US international financing. The difference between China and other Asian states invited to development by the US (Japan, South Korea and Taiwan) was that China never gave up its autonomous defence strategy and its party/state-led anti-imperialist rhetoric (MEDEIROS, 2008A).

[72] The USA promoted an agreement with Saudi Arabia, the main OPEC operator, to maintain its influence over determining oil prices in exchange for military support (FIORITTI, 2016).

reconfiguration of the international monetary system by unilateral dollar depreciation and the establishement of monetary pattern based on a flexible dollar[73] (TAVARES, 1985; SERRANO, 2002), and the restructuring of industrial production by the explosion of high technology and the construction of global value chains with China playing a leading role (MEDEIROS, 2008A; PINTO, 2011; PANITCH & GINDIN, 2012; NAUGHTON, 2007). All these elements served to reconstitute the material basis of US hegemony. Under the Global North's capitalist logic and the declining influence of the USSR, these transformations lead to a weakening of working-class organization and identity (PANICH & GINDIN, 2012; MEDEIROS & SERRANO, 1999; SERRANO, 2002).

In the late 1970s, most of Latin America (at least 13 countries) was governed by military regimes. An early first wave of neoliberalism was led by authoritarian governments in Chile and Argentina in the mid-1970s. The military governments shared the opinion that manufacture was the material basis of a workers' movement that challenged the relations of domination and, therefore, it was best to repress it (CANITROT, 1980; FERRER, 1981).

The neoliberal model involved a complete transformation in the regime of accumulation and economic policy. The "Chicago boys" argued that the cyclical (external and inflationary) Latin American crises were caused by *populist* policies and statist regimes. Therefore, they argued, the economy had to be opened up and deregulated to enable

[73] The USA may incur global balance of payments deficits and fund itself with assets denominated in its own currency (complete elimination of external constraint). In addition, the lack of convertibility between gold and the dollar gave the USA the freedom to unilaterally change its parity against the currencies of other countries through changes in the interest rate on Treasury bonds (MEDEIROS & SERRANO 1999; SERRANO 2002).

market initiative, so that imbalances would be corrected and a new era of sustained growth would begin (GUILLEN, 2007).

In Chile and other parts of the region, the dominant classes embraced the new business opportunities that arose with the neoliberal order as *primitive accumulation*: the privatization of public companies, the nationalization of private external debt, the privatization of pension, health, and education services, among others (CAPUTO, 2008; KEJSELMAN, 2017). In 1980, Pinochet's Constitution institutionalized a minimal State and promoted the commodification of social services, which created special spaces of accumulation such as private pensions administrators (*Administradoras de Fondos de Pensión*-AFPs in Spanish), private health insurance (*Instituciones de Salud Previsional*-ISAPREs), and tradeable water rights (CAPUTO & GALARCE, 2006; BOCCARDO ET AL, 2020).

Under a new era of finance due to liberalization and internationalization and the abundance of "petrodollars", because of the rise in oil prices, Latin America tripled its foreign debt stock between 1975 and 1980. This corresponded with increasing capital flight due to regional financial liberalization[74], especially in Argentina, Mexico, and Venezuela (OCAMPO ET AL, 2014).

While Volcker's shocks unleashed the commodity price bubble and international inflation, external public and private debt went into a moratorium in most LAC countries[75]. In 1982, Chilean and other Latin American economies collapsed. In a context

[74] Local and transnational private companies had benefited from cheap international credit (accounting for the 40% increase in debt stock) and used it to turn profits using local and international rate differentials, and later promoting capital outflows (OCAMPO ET AL, 2014).
[75] For a chronology, see Ocampo et al (2014) and Bertola & Ocampo (2010).

of current account deficits, rising credit costs, and high indebtedness, the Pinochet regime intensified “orthodox” measures and opened up a new phase of reform: successive devaluations, bailing out the private sector by nationalizating its debt, while mining legislation was reformed to allow foreign capital to re-enter into large-scale mining through full concession contracts (KEJSEFMAN, 2017).

In regional terms, the "lost decade" generated profound economic and social damage in debtor countries[76]. The macroeconomic shock applied in Chile was used as a model in almost all those countries. These policies led to strong export growth and, at the same time, to economic stagnation and an inflationary explosion. While the ruling classes’ external private debts were nationalized and their capital saved in the same way that the US government sought to save American banks from exposure (BOTZMAN & TUSSIE, 1991; OCAMPO ET AL, 2014), subaltern demands had to wait, even in a process of formal democratization. Following the decline of really existing socialism, the world system lost the counterweight generated by the existence of an alternative to capitalism. The disappearance of this alternative made the relations of force worse for the global subaltern classes and promoted the fragmentation of emancipatory struggles (TREACY, 2017).

The relative autonomy of the State during the Cold War faded with "the end of history". This was functional to the implementation of the Washington Consensus and the consolidation of neoliberalism through policies of labour flexibility, economic opening, privatization of public companies and deregulation of capital movements, which

[76] It should be noted that, after the crisis of the 1930s, it took Latin America 7 years to recover its prior level of activity per capita; after the crisis of the 1980s, it took 17 years. In regards to poverty, Latin America only returned to its 1980 level in 2004, nearly a quarter of a century lost (BERTOLA & OCAMPO, 2012: 223).

strengthened the power of the traditional dominant classes and connected them to transnational capital (PANITCH & GINDIN, 2012: 324; NOCHTEFF, 1999; BULL ET AL, 2014). In this way, it was possible to consolidate the logic of power of the dominant classes of the Global North and the subordination of peripheral countries (GARCÍA LINERA, 2009; TREACY, 2019).

After democratization, the Chilean State aligned itself with the US's policies, deepened its integration into the global capitalist order, and promoted economic and financial liberalization measures. As neoliberalism gained international prominence, new institutions were promoted in the USA, which later spread to Europe and Japan. First, trade rules were implemented with the creation of the World Trade Organization (WTO) in 1993. Later, investment rules were included in the North American Free Trade Agreement (NAFTA) and extended to Bilateral Investment Treaties (TBI)[77]. Then, US laws and courts that guarantee investment were internationalized and globally accepted with the diffusion of TBIs (PANITCH & GINDIN, 2012). Following this line, Chile quickly signed a Free Trade Agreement (FTA) with Mexico and Canada in the mid 1990s, as a prelude to its FTA with the US[78].

As global capital accumulation became dominated by international financial integration, that "financialization" was expressed in different forms[79]. In this context, the abundance

[77] Neoliberal principles also became completely dominant in international financial institutions such as the International Monetary Fund (IMF) and World Bank, which fully promoted the Washington Consensus.
[78] Meanwhile, Brazil and Argentina promoted open regionalism with the creation of Mercosur. This commercial bloc proved functional for the ruling classes that had acquired their industrial leg and guaranteed the industrialized consumption of the high-income subaltern classes in both countries, as well as in Uruguay and Paraguay (OSORIO, 2014).
[79] These included financial services to individual workers, diffusion of corporative bonds and stocks, among others (For a debate, see Lapavitsas, 2009; Chesnais, 2016). Thus, financial expansion generated consensus around its political demands. Additionally, as banking-financial fractions gained importance, they have also become useful for the rest of the capital fractions as a way to increase their financial incomes and send their revenues to tax havens.

of international liquidity allowed Latin American countries to promote foreign capital inflows in order to relieve the external constraint, control inflation, and integrate domestic financial markets into international financial circuits. Along these lines, Chile received a huge flow of FDI for the copper mining sector, which substantially increased its production and exports[80] (PALMA, 2019). Additionally, foreign capital inflow promoted a productive transformation in large-scale mining, increasing the technical composition of capital and leading a 43% loss of direct employment (KEJSEFMAN, 2017).

In macroeconomic terms, Chile was the fastest growing country in the region during the 1990s. Chilean GDP per capita grew 4.5% annually, while the regional average was 1.4%. In turn, poverty fell from 38.6 to 20.6% while indigence fell from 12.9 to 5.7% (ECLAC, 2004:45; PALMA, 2019). This was the neoliberal success story.

In the late 1990s and early 2000s, Latin America experienced socioeconomic crises that questioned the continuity of the Washington Consensus. Even when their traditional forms of organization were strongly attacked, subaltern classes organized under new forms, such as social movements, pressed for socioeconomic improvements, and created scenarios of relative autonomy for the State, in order to avoid the slogan "There is no alternative". Along this line, the Pink Tide rose to power and brought the role of the State as “developmentalist” up for debate again. In this scenario, have geopolitical and geoeconomic conditions enhanced that relative autonomy?

[80] Similarly, Argentina, Mexico and Brazil became major receivers of the abundant international flows of speculative capital after financial liberalization and the stabilization of the nominal exchange rate (MEDEIROS & SERRANO, 1999; BASUALDO, 2010A).

2.2 Chinese (re) emergence and LACs balance-of-payment relief

"China's growing influence in Latin America is a threat to our way of life"
Rick Scott, Jun 2019 (US Republican Senator, 2019 - , and former Florida Governor, 2011-2019)

"Chile is a beacon of freedom in the Western Hemisphere" **Mike Pence, August 2017 (US Vice President, 2016 -)**

When China joined the World Trade Organization (WTO) in 2001, the global economy and geopolitics were transformed. China had been undergoing a period of major transformation through its (controlled) integration into the capitalist world economy starting in the late 1970s. For more than 30 years, its economy has grown 10 percent a year until becoming the "factory of the world" in the late 1990s. Since its global commercial integration, China has continued rising in the international hierarchy[81] and gaining an increasing share of global growth (See Chart II.1).

While China has established itself as the world's leading producer and an important supplier of US demand, it has also become a major consumer market for high-tech machinery from the Global North and raw materials (oil, minerals and agricultural products) from the Global South (MEDEIROS, 2006; PANITCH & GINDIN, 2012; PINTO, 2011; PINTO & GONÇALVES, 2015). In terms of its relationship with Latin America, China has remained very cautious and has followed the guidance of its two White Books to avoid confrontation with the US's backyard policy. In this sense, the Asian country has maintained a special interest in Chilean and Peruvian copper and Brazilian iron ore for its urbanization process, Argentine and Brazilian soybeans to feed its poultry industry,

[81] The Chinese state gained power in bilateral negotiations and, also, in multilateral institutions such as the United Nations (UN), World Trade Organization (WTO), International Monetary Fund (IMF), World Bank (WB) and G-20. However, the United States has remained at the top of the international hierarchy.

and Venezuelan oil as a way of diversifying its sources beyond US Oil Diplomacy (FREITAS DA ROCHA & BIELSCHOWSKY, 2018). As the digital economy consolidates, Chile and Bolivia's lithium reservoirs have also taken on new significance (RAY & GALLAGHER, 2017). China has emphasized on mutual cooperation, meaning increasing commercial ties, investment, and financial flows (RAY & GALLAGHER, 2017; FREITAS DA ROCHA & BIELSCHOWSKY, 2018).

Chart II.1. GDP and GDP PPP per capita annual growth rates by regions and selected countries (In dollars at 2010 constant prices) (2002 -2018)

	GDP			GDP PPP per capita		
Country/Region	2002-2008	2009-2014	2015-2018	2002-2008	2009-2014	2015-2018
United States	2.4%	1.3%	2.4%	1.4%	0.6%	1.7%
China	11.0%	8.7%	6.7%	10.4%	8.2%	6.2%
Russian Federation	6.8%	1.1%	0.5%	7.1%	0.7%	0.3%
India	6.6%	6.8%	7.5%	4.9%	5.5%	6.4%
South Africa	4.4%	1.9%	0.9%	3.1%	0.3%	-0.5%
East Asia & Pacific	4.8%	4.4%	4.2%	5.6%	5.0%	4.4%
Europe & Central Asia	2.6%	0.6%	2.2%	2.9%	0.4%	1.8%
Latin America & Caribbean	3.9%	2.5%	0.7%	2.6%	1.4%	-0.8%
Middle East & North Africa	5.1%	3.1%	2.8%	3.0%	0.9%	1.1%
North America	2.5%	1.4%	2.3%	3.2%	1.9%	-0.1%
South Asia	6.4%	6.4%	7.2%	1.5%	0.6%	1.6%
Sub-Saharan Africa	5.9%	4.5%	2.2%	4.6%	4.9%	5.9%
World	**3.4%**	**2.3%**	**2.9%**	**3.0%**	**1.9%**	**2.4%**

Source: World Bank.

Meanwhile, the United States has played the role of global "consumer of last resort ". During the last nearly two decades, the Federal Reserve has maintained a policy of low interest rates that has stimulated global liquidity, as well as the US economy (PANITCH & GINDIN, 2012:448). Along this line, the Chilean State has continued its alignment with the US's policies, signing an FTA in 2004. A few years later, Chile also signed an FTA with China and completed its full integration into the two-pole global mode of production

(MEDEIROS, 2006). Currently, Chile holds 64 FTAs that together represent almost 90 percent of the world's GDP.

In terms of the BOP constraint, Chile's commercial strategy did not transform the stop and go model. The current account, with the exception of the sub-period of the "commodity prices boom" (2002-2008), has recorded a deficit (See Statistical Annex.Chart A.1, Chart A.2 and Chart A.3). This feature was also reproduced in regional terms. Even since China became South America's main commercial partner, capital accumulation has continued to be associated with a significant increase in imports of intermediate and capital goods, which rapidly turns the current account negative and requires financing[82].

However, Chilean integration into the US-led neoliberal world has generated a strong flow of FDI (mainly in mining and infrastructure services), which explains the international reserves accumulation and external constraint relief. Similarly, FDI has played a central role for LAC as a whole, due to the fact that it has received flows that represent between 3% and 4% of the regional GDP (Chart A.5). Along this line, Chile, together with Brazil, Peru, and Colombia, have presented the most significant relative GDP flows within medium and large economies[83] (See Statistical Annex.Chart A.1, Chart A.2 and Chart A.3 and Chart A.5).

[82] The CGV did not modify this fact as shown by the Mexican maquila. Although exports increased sharply, so did imports and domestic value added is extremely low. Most of Latin America, especially South America, remained outside the GVCs. While South America appears to be relatively isolated from global production networks, the region's economy is indeed strongly internationalized, with foreign investors playing an important role in industry, services, natural resources and the financial sector (MEDEIROS & TREBAT, 2017).

[83] Small economies have received a relatively greater impact from the investment flows that have arrived in the region. The cases of Panama, Honduras, the Dominican Republic, and Costa Rica stand out in this regard.

Under this BOP relief, Chilean GDP continued to grow faster than the regional average during the first two decades of the 21st century. According to demand drivers, the Chilean economy grew primarily because of final consumption in the three subperiods, followed by gross capital formation. Regarding this issue, it is important to highlight that gross capital contribution was double the regional mean until the fall in commodity prices in 2014 (See Statistical Annex.Chart A.7 and Chart A.8), especially boosted by FDI, which was around 3.5% and 4% of the GDP (Chart A.5). In the last subperiod (2015-2017), the capital formation contribution was zero, while FDI slowed down.

In general terms, foreign trade implied a negative net contribution (exports minus imports), showing the limits of proposing an export growth strategy. As it also requires opening to imports, the effect of export expansion would be annulled by the growth in imports, due to historical technological dependency and imitative consumption patterns. Along this line, it is quite difficult to promote unilaterally greater favorable trade integration with the exception of receiving, what Wallerstein called, a "*development by invitation*" (WALLERSTEIN, 1974; MEDEIROS, 2013)[84].

Although Chilean GDP per capita has reached the top of the regional ranking, the subsidiary State has not guaranteed the basic social expenses of subaltern classes, which have been privatized to a greater or lesser degree, intensifying social inequality. Since the mid-2000s, there has been a climate of increasing social unrest, largely due to the impoverishment of retirees and indebtedness of students (MAYOL, 2012; BOCCARDO ET AL, 2020).

[84] The "invitation" implied favourable terms to commercial integration due to geopolitical interests, such as those played by Japan or South Korea during the Cold War.

Chart II.2.LAC. GDP and GDP per capita annual growth rates (In dollars at 2010 constant prices) (2002-2018) (Selected countries)

Country/Group	GDP			GDP per capita		
	2002-2008	2009-2014	2015-2018	2002-2008	2009-2014	2015-2018
Brazil	4.0%	2.8%	-1.2%	2.7%	1.8%	-1.7%
Mexico	2.2%	1.8%	2.6%	0.8%	0.4%	1.3%
Argentina	5.0%	1.4%	0.2%	3.9%	0.3%	-0.8%
Chile	5.0%	3.6%	2.3%	3.8%	2.6%	1.5%
Colombia	4.8%	4.3%	2.1%	3.4%	3.3%	1.4%
Peru	6.6%	5.0%	3.2%	5.2%	3.6%	2.2%
Venezuela	4.7%	0.4%	-13.1%	3.0%	-1.0%	-14.6%
Bolivia	4.2%	5.0%	4.4%	2.3%	3.3%	2.8%
Uruguay	3.7%	4.8%	1.6%	3.6%	4.4%	1.2%
Paraguay	3.8%	4.6%	4.0%	2.2%	3.2%	2.7%
Ecuador	4.7%	4.4%	0.6%	3.0%	2.7%	-0.8%
Costa Rica	5.1%	3.1%	3.5%	3.6%	1.9%	2.5%
Dominic Republic	5.4%	4.5%	6.3%	3.9%	3.1%	5.1%
Guatemala	4.0%	3.1%	3.3%	1.5%	0.8%	1.3%
Panama	7.3%	6.6%	4.9%	5.4%	4.9%	3.3%
Latin America and the Caribbean (33 countries)	**3.9%**	**2.6%**	**0.2%**	**2.6%**	**1.4%**	**-0.8%**

Source: CEPALStat and World Bank. Data updated to 2019/09/11

Even under the veil of the neoliberal success story, Chile was outpaced in terms of capital accumulation by smaller economies such as Peru, Panama, and the Dominican Republic (Chart II.2). In this sense, all these countries are within the Latin American neoliberal bloc, which promoted a sharpening of neoliberalism along the lines of the US (Democrats)'s *globalism*[85]. This new global institutionality has attempted to consolidate the global division of labour, in which the global industrial production system shapes global value

[85] After the defeat of the Free Trade Agreement of the Americas (FTAA) in 2005, the USA continued working to consolidate the proposal for an American economic bloc with countries that pursued neoliberal policies and promoted bilateral FTAs (Chile, Peru, Colombia, Panama and CFA-Dominican Republic). In global terms, the USA has also promoted the negotiation of a number of international agreements, such as the Trans-Pacific Partnership (TTP), and the Transatlantic Trade and Investment Partnership (TTIP) proposing a free trade agreement between the USA and the European Union and the Agreement on Trade-Related aspects of Intellectual Property Rights (TRIP) which is an extension of WTO rules that would maximize intellectual property privileges. These agreements have been heavily criticized as they eliminate the periphery's ability to generate policies that were used in industrialized countries during their development processes, especially in their "early stages" (CHANG, 2009; OLIVEIRA, 2018).

chains (GVCs)[86] between the Global North and the Global South. On the Global South's side, little added value is accumulated for workers and companies, consolidating "global poverty chains" due to higher levels of exploitation (SELWYN, 2019). Despite the political and institutional stimulus, Chile and the neoliberal bloc (with the exception of Mexico) have not managed to insert themselves into manufacturing GVCs (MEDEIROS & TREBAT, 2017), they only supply raw materials, such as Chilean and Peruvian copper.

However, BOP statistics also show that the consolidation of a regional accumulation pattern that increased poverty and inequality led part of the subaltern class to attempt to migrate during the recent decades. This phenomenon is especially observed in Mexico, Central America, and the Caribbean, as well as certain South American countries, such as Colombia, Peru, and Bolivia. The reflux of this movement is the flow of remittances (secondary income) that attempt to economically assist the families that remain in the home country. In a way, this flow is directly related to the reproductive element, which means payment for the labour force and making social relations explicit that remain relatively invisible when they are reproduced within nation state borders. Paradoxically, this flow has partially offset the historical trend of profits and interest outflows (See Statistical Annex.Chart A.1, Chart A.2 and Chart A.3 and Chart A.5).

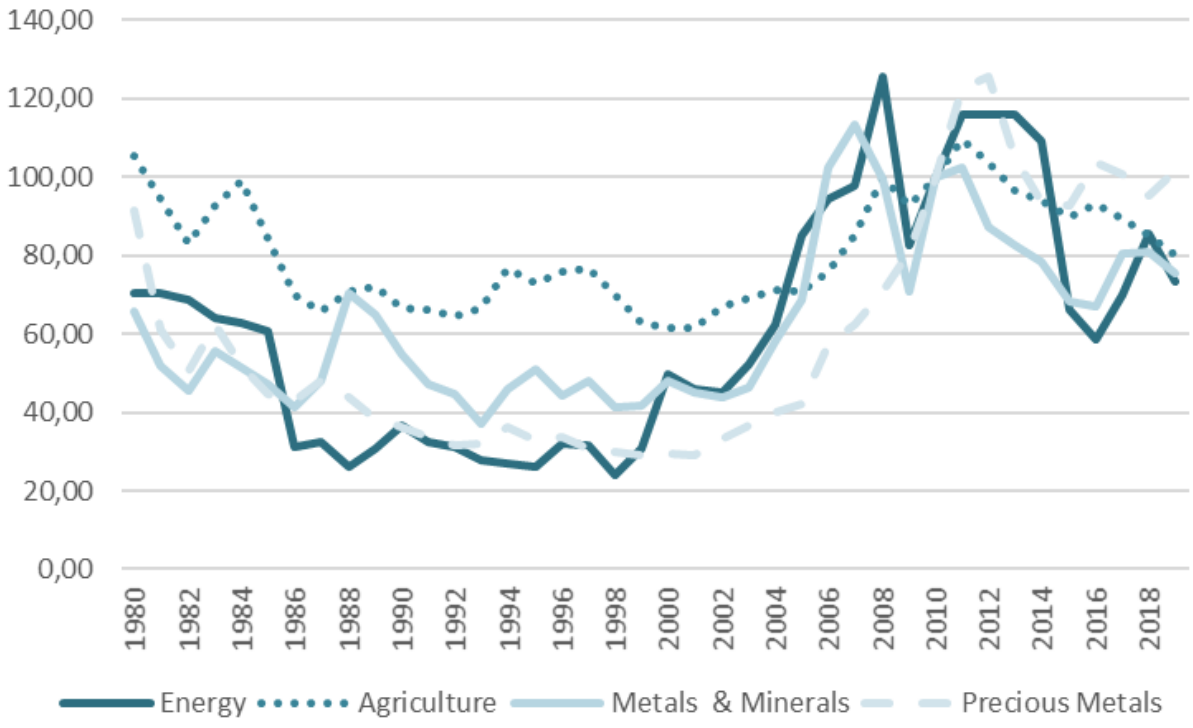
Unlike this group, the Plurinational State of Bolivia has not signed any FTAs with the USA, but has continued an accelerated growth rate (only comparable with Paraguay in South America). This growth can be explained by exports during the commodity boom and,

[86] GVCs are led by a select group of large transnational corporations that take advantage of the new legal framework in order to generate and appropriate rents and quasi-rents derived from innovation, design and their financial capabilities. This scheme created an international (unequal) division of labor in which tangible labor (manufacturing and assembly) takes place in the Global South of cheap labor, while intellectual labor (R+D, design, finance and marketing) concentrates in the rich countries of the West and Japan (MEDEIROS & TREBAT, 2017).

later, by final consumption. Contrary to Chile and the regional trend, Bolivia has boosted its capital formation contribution following the financial crises (See Statistical Annex.Chart A.7, Chart A.8 and Chart A.9). Furthermore, macroeconomic growth was accompanied by low inflation and poverty reduction. Taking to account all these elements, the Plurinational State of Bolivia becomes interesting as a case study.

In regional terms, Latin America managed to accelerate its growth above the world average during the commodities boom (2002-2008) and the post-international financial crisis period (2009-2014)[87]. These two phases were extremely favourable for the Global South, but the region presented a lower rate. The Chinese effect promoted synchronized growth in several regions due to the external constraint relief (See Chart II.1).

Figure II-1. Commodity Price Index (Real 2010 US Dollars) (1980-2018)



Source: World Bank (Pink Sheet Data)

[87] The shock of the financial crisis in 2008 temporarily cut the bonanza cycle of commodity prices. The subprime crisis started a new period in the Global North characterized by low growth, especially in the USA and Europe. First, the Eurozone was affected by the subprime crises and, later, by the peripheral public debt market (PIGS): Portugal, Ireland, Greece and Spain.

Since 2002, China's growing demand for raw materials and low international interest rates promoted the commodity prices boom[88], which phenomenally improved the Latin American terms of trade up until the financial crises and allowed Latin American economies to accumulate international reserves (see Figure II-1). In this sense, the former regional leaders, Brazil and Argentina[89], have been the main reason behind the regional divergence with the Global South. Following the crisis of the Washington Consensus, Pink Tide administrations came to power in both countries, promoting social policies and changing their geopolitical orientation toward Global South[90].

In macroeconomics terms, both countries maintained a growth rate lower than that of Chile. Although growth was led by consumption, expansion in Argentina and Brazil did not boost gross capital formation in the same way as it did in Chile. As highlighted above, Brazil received large flows of FDI, however those did not mean a substantial formation of new capital (See Statistical Annex.Chart A.7, Chart A.8 and Chart A.9).

Starting in 2012/2014, the shale oil revolution led to a fall in oil prices, which consolidated a new (lower) level for commodity prices[91]. Since then, the Latin American divergence has not only widened between it and the rest of the Global South, but it has also fallen below the world average and signified a per capita loss. Along with Venezuela[92], both Argentina and Brazil have shown null or negative growth. In this line,

[88] The debate about the causes behind the commodity prices boom has focused on different factors, such as demand-side, or supply-side explanations and financial elements. See Chandrasekhar & Ghosh (2012) and Serrano (2013).

[89] Mexican accumulation has been strongly influenced by the US's accumulation since NAFTA went into effect in 1994 and has continued showing similarly low rates for the last 30 years (ROS, 2016).

[90] The economic boom promoted the emergence of the BRICS (Brazil, Russia, India, China and South Africa) as new global geopolitical players that could lead the Global South. Since the fall in oil price in 2012/2014, Russia and Brazil's geoeconomic projection was severely affected.

[91] The main oil consumer reduced its dependence on imports, which consolidated the tendency for prices to fall compared to the first decade of the 2000s (FIORITTI, 2016).

[92] Venezuela suffered the limits of its export dependence on oil and US geopolitical cornering.

the Argentine growth reached a limit while it was unable to finance its current account deficit until 2015 and the Pink Tide administration lost the election. With the change in administration, the neoliberal agenda came back and opened up a new phase of public indebtedness that financed imports, but without an effect on gross capital formation (See Statistical Annex.Chart A.3 and Chart A.9) (BASUALDO ET AL, 2017).

In the case of Brazil, recession results from an abrupt slowdown in gross capital formation and private consumption. In this sense, these results did not originate in a balance-of-payments crisis given that Brazil had accumulated international reserves during the two decades (See Statistical Annex.Chart A.3 and Chart A.9). Thus, the answers have to be sought in the disputes over public policies and the issue of who leads the accumulation process.

These questions will be addressed in Parts B and C. In the next part, I explore how social interests are prioritized within State apparatuses, in other words, who leads the power bloc. To do so, I will focus on the selected cases (Bolivia, Chile, Argentina and Brazil - BCAB), going from less to greater complexity.

Summing up

Latin America's *longue durée* shows that regional leaders (Argentina, Brazil, and Chile) have been fully integrated into the hegemonic power and, this integration has promoted BOP relief through FDI inflows. Although this trajectory allowed the diversification of productive structures, geopolitics and geoeconomics have not promoted transformations in the social relations of production and class in the style of the Asian Developmental State. On the contrary, accumulation remained dependent on natural

resources and international finance and it constantly reinforced the internal class structure. This has been reproduced during China's (re) emergence.

As popular demands have historically been postponed, the relative autonomy of the State has been generated by the political pressure applied by subaltern classes. In this sense, the state apparatuses under dispute have managed the demands of different social classes between coercion and consensus and this is what, ultimately, explains the differences between one national trajectory or another.

The next part explores how social interests are prioritized within State apparatuses, who leads the power bloc. To do so, I will focus on the selected cases (Bolivia, Chile, Argentina, and Brazil - BCAB), going from lesser to greater complexity.

Part B – The Dominant Classes and the Power Bloc in Bolivia, Chile, Argentina, and Brazil (BCAB) during the Early 21st Century: Political Economy of the Balance of Payment

Introduction

This Part II aims to analyse the balance-of-payments statistics in selected countries in Latin America (Bolivia, Chile, Argentina and Brazil - BCAB), between 2002 and 2017, with two objectives:

(i) To show the role played by current and financial flows, highlighting the external constraint as an important limit for capital accumulation (See Chapter 1.2.3).

(ii) To carry out a political economic analysis that identifies, under the BOP criteria, which fractions are leading the power bloc in these countries, distinguishing between dominant or relevant fractions, and highlithing the relative winners and losers in the early 21st century.

To follow up this analysis, I use ECLAC's statistical records and its annual reports on *Foreign Direct Investment in Latin America and the Caribbean*. In the specific case of the trade balance, I use the UN-COMTRADE database and carry out a methodological adjustment to associate the goods trade flows with industrial activities. I describe this methodology below.

Methodological Issues

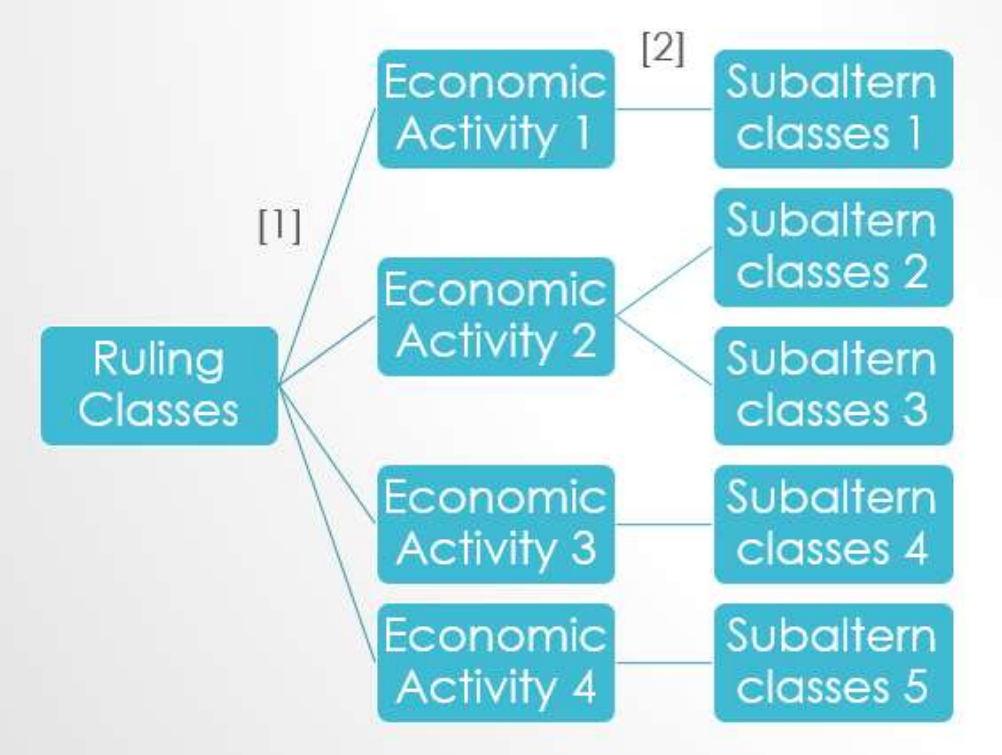
The wealth flows expressed in the BOP statistics of Bolivia, Chile, Argentina, and Brazil provide important clues for understanding the political economy of the class fractions that compose the power blocs in those countries. It should be noted that the capitalist fractions that obtain a greater level international insertion - expressed in their participation in BOP flows - have a more prominent role in the power bloc due to the fact that this greater insertion can allow for the expansion of other fraction's capital accumulation. In this sense, internationalized capital fractions may hold the key to unlocking local accumulation, which provides them with a greater capacity to push for public policies favourable to accumulation.

In this study, I connect three different dimensions: 1) BOP statistics, which express the wealth flows among national territories; 2) exports (SITC code[93]) arranged according to the international standard industrial classification (ISIC classification[94]) by the UN correlation table (Chart B.1); and 3) these exports grouped into industrial segments, which will act as proxies for the capitalist fractions. In this sense, different mediations are carried out that do not imply linearity, but rather attempt to establish a relationship. The most difficult is the relationship between economic activities and the ruling class ([1] in Figure B-1). Therefore, it is important to keep in mind that we are observing a part of accumulation that is expressed in its internationalization and that incorporates the interest of a certain class fraction.

[93] The Standard International Trade Classification (SITC, Rev. 4) was accepted by the United Nations Statistical Commission for use in the analysis of international merchandise trade.

[94] The International Standard Industrial Classification of All Economic Activities (ISIC) is the international reference classification of productive activities. Its main purpose is to provide a set of activity categories that can be utilized for gathering and reporting statistics according to such activities. (https://unstats.un.org/unsd/classifications/Econ/ISIC.cshtml)

Figure B-1. Economic activities, social classes and social relation of production



Source: Author's elaboration.

Taking up Pinto (2010)'s methodology, Chart B.0.1 shows exports' ISIC classification and how they correspond with the classification of industrial segments that were used as a proxy for the class fractions[95].

Chart B.0.1. Exports by ISIC classification and correspondence with industrial segments (proxy for class fractions)

ISIC Code	ISIC Name (Sectorial Classification)	Industrial Segment (class fractions' proxy)
A1	Crop and animal production, hunting and related service activities	Agricultural and extractive sectors (natural-resource intensive sectors)
A2	Forestry and logging	
A3	Fishing and aquaculture	
B5	Mining of coal and lignite	
B6	Extraction of crude petroleum and natural gas	
B7	Mining of metal ores	
B8	Other mining and quarrying	
B9	Mining support service activities	
C10	Manufacture of food products	

[95] I am aware that this approach presents certain limits when it comes to talking about capitalists who maintain a diversified insertion. However, I have to point out that *holdings* are usually characterized by a core business that leads accumulation and enables the diversification process. Thus, identifying that leading sectorial interest is still quite useful.

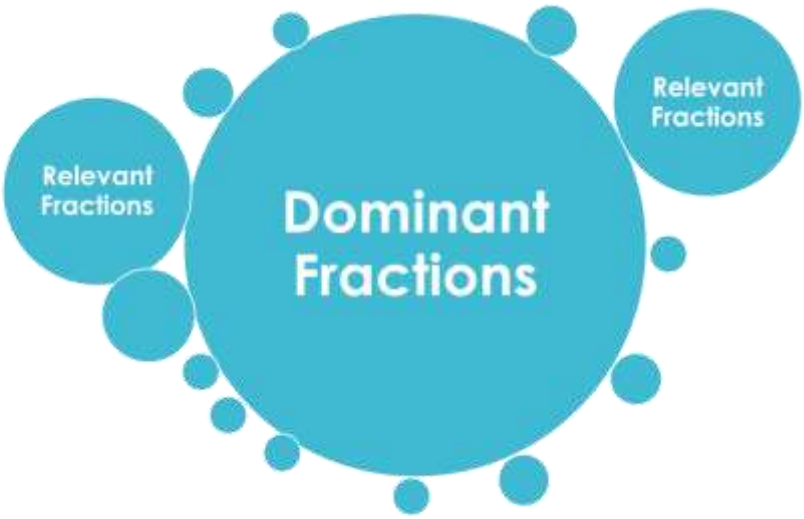
C11	Manufacture of beverages	
C12	Manufacture of tobacco products	
C13	Manufacture of textiles	Traditional Manufacturing (Labour force intensive sectors)
C14	Manufacture of wearing apparel	
C15	Manufacture of leather and related products	
C16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	Agricultural and extractive sectors (natural-resource intensive sectors)
C17	Manufacture of paper and paper products	Commodity Manufacturing (Capital intensive sectors)
C18	Printing and reproduction of recorded media	Traditional Manufacturing (Labour force intensive sectors)
C19	Manufacture of coke and refined petroleum products	Commodity Manufacturing (Capital intensive sectors)
C20	Manufacture of chemicals and chemical products	
C21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	
C22	Manufacture of rubber and plastics products	Traditional Manufacturing (Labour force intensive sectors)
C23	Manufacture of other non-metallic mineral products	Commodity Manufacturing (Capital intensive sectors)
C24	Manufacture of basic metals	
C25	Manufacture of fabricated metal products, except machinery and equipment	
C26	Manufacture of computer, electronic and optical products	Technology Intensive Manufacturing
C27	Manufacture of electrical equipment	
C28	Manufacture of machinery and equipment n.e.c.	
C29	Manufacture of motor vehicles, trailers and semi-trailers	
C30	Manufacture of other transport equipment	
C31	Manufacture of furniture	Traditional Manufacturing (Labor force intensive sectors)
C32	Other manufacturing	
C33	Repair and installation of machinery and equipment	Technology Intensive Manufacturing
D	Electricity, gas, steam and air conditioning supply	Infrastructure Services
E	Water supply; sewerage, waste management and remediation activities	
F	Construction	Civil Construction
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	Other Services
H	Transportation and storage	
I	Accommodation and food service activities	
J	Information and communication	
K	Financial and insurance activities	Financial services
L	Real estate activities	Other Services
M	Professional, scientific and technical activities	
N	Administrative and support service activities	
O	Public administration and defence; compulsory social security	

P	Education
Q	Human health and social work activities
R	Arts, entertainment and recreation
S	Other service activities
T	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use

Source: KUPFER (2001), ROCHA & KUPFER (2002), PINTO (2010) and PINTO (2013)

It should be noted that, in addition to exports, financial account data is also analysed to identify class fractions and to analyse the evolution of wealth flow between 2002 and 2017, attempting to empirically identify the dominant and relevant fractions in the power bloc.

Figure B-2. Power bloc Components



Source: Author's Elaboration

Along this line, I differentiate two groups within the power bloc (See Figure B-2). First, the dominant fraction in the power bloc is the industrial segment with the largest share of inflows, which is usually associated with the trade of goods. It should be noted that when there is current account deficit, it is possible to say that international financial capital has a stronger influence in the power bloc (Chart B.0.2) because, sooner or later,

greater financial flows (FDI, portfolio and other investments) would be needed to continue the accumulation process.

Secondly, there is another group that plays a *relevant* role in terms of international insertion. The *relevant* fractions are associated with, at least, 5% of international sales, minor financial flows (mainly FDI) and companies with national bases that have managed to make investments abroad (*trans-latins*). Although these latter firms do not imply, *strictus sensus,* a positive flow, they have the potential to promote international inflows (capital or profits repatriation) (Chart B.0.2).

Chart B.0.2. Dominant and Relevant fractions: identifying criteria

Criteria	
Dominant Fractions	• Main sectorial group in terms of international money provision (current and financial account)
Relevant Fractions	• > 5% in terms of exports • Minor financial flows (FDI, portfolio and other investment). • Direct Investment Abroad (outflows due to the potenciality of dividends and repatriation)

Source: Author's Elaboration

In addition to this introduction about methodological issues, this part includes two chapters. In chapter 3, I explore Bolivian and Chilean international economic insertion and the evolution of the dominant and relevant fractions in the power bloc in those countries, which are characterized by the preponderance of a single commodity export. In chapter 4, I perform the same type of analysis on Brazil and Argentina, two semi-industrialized economies.

Chapter Three – Bolivia, Chile, and the Political Economy of BOP: Single Commodity State-led-Accumulation

The aim of this chapter is to identify Bolivian and Chilean balance-of-payments trends and associate them with dominant and relevant fractions within the power bloc. I group these two experiences because both cases depend on a single commodity, which is mostly owned by the State. Next, I dedicate one section to each country, while the third focus on making a comparison that allows for highlighting some differential elements.

3.1 The (Plurinational State of) Bolivia: "La unión es la fuerza"

> "*The future of Bolivia is to export or die*". Sanchez de Lozada, March 2003 (President of Bolivia, 2002-2003)

The perspective of the *longue durée* shows dependence on a single product: first, silver mines, then tin and, in recent decades, gas. Aditionally, Bolivia is a country with no ocean access as a result of the Pacific War (1879-1883). This undoubtedly acts as an economic constraint for its interaction with the world market and implies a dependence on its neighbours.

In socioeconomic terms, it is possible to identify the formation of two well-differentiated socioeconomic spaces that concentrate most of the population in key departments: (i) the Western highlands "colla" (La Paz, Oruro, Potosi) which is associated with Indigenous peoples and mestizos and, (ii) the Eastern "kamba" (Santa Cruz, Pando, Beni) where the population's identity is associated with European migratory flows.

In 2005, Evo Morales was elected president, the first president of Indigenous descent, and was re-elected in 2009, 2013 and, most recently, in October 2019, when he suffered

a coup d'Etat. This period was characterized by intense transformations, which were much greater than the two decades of democratic experience before Morales' election, that had been marked by strong neoliberal hegemony.

During the late 20th century, Bolivia had experienced major social conflicts due to deep economic crises and political instability. In this context, social movements had emerged onto the political scene, mainly formed by Indigenous peasants, miners, street vendors, and coca growers, who formed the basis of Morales' political support.

First, the protests against the privatization of water in Cochabamba caused trouble for the Banzer- Quiroga Ramirez administration (1997-2002) and, later, the gas conflict broke out in 2003, which led to the call for early elections during the Sanchez de Lozada – Carlos Mesa administration (2002-2003). This critical situation opened up a scenario that allowed for the political/electoralist emergence of representatives from social movements.

In this sense, Evo's administration has implied a radical change in the political scene because it brought historically subaltern social and ethnic sectors to state power. However, this has not been the only transformation, Evo also implemented a nationalist and left-wing indigenous political project. One of his first decisions was the renationalization of the hydrocarbon and telecommunications companies.

In 2006, a Constituent Assembly approved the creation of the Plurinational State, which has abandoned the European State conception ("one nation, one identity, one State") and vindicated the indigenous cosmovision (CUNHA FILHO, 2018). In the same way,

Morales has implemented an anti-imperialist foreign policy that included the expulsion of the US ambassador in 2008[96].

Regarding these transformations, many analysts (GUDYNAS, 2009; MASSUH, 2012; POSTERO, 2013) have addressed some of paradoxes in Morales' political program. Mainly, they have focus on the fact that, despite the rhetoric of ecological development, the natural resources extraction has increased since 2006. In this sense, Bolivia is emblematic of what Eduardo Gudynas (2009) calls "neoextractivism" due to the State's increasing involvement in the exploitation and management of extractive firms, which has legitimized extractive industries.

Neoextractivism in Bolivia must also be understood in light of the *longue durée* history. Since Spanish conquerors began exploiting silver mines in Potosi in 1545, extractive activities have been the foundation of the regional economy. After silver, the cycles of tin and, currently, gas have guided capital accumulation in Bolivia. In this regard, Bolivian capitalist accumulation has been characterized by the cyclical international provision of a single product that generated extreme socioeconomic disparity due to the low value appropriated by most of the population. Under Evo's administrations, those socioeconomic disparities have shaped a potent narrative of "resource nationalism"[97] with the widespread belief that resource wealth should be used to benefit the nation.

[96] Similarly, USAID was expelled in 2013 on suspicion of political conspiracy against Evo's administration. BBC (05/01/2013). "Bolivian President Evo Morales expels USAID" (Available in https://www.bbc.com/news/world-latin-america-22371275)

[97] "*The natural resources in the ground or under the sea are the property of the nation rather than of a firm or individual who owns the surface area. In this view, natural resources are a 'national patrimony' and, consequently, should be used for the benefit of the nation rather than for private gain*" (MARES, 2010:6).

3.1.1 Bolivian macroeconomics and the external constraint

Taking these historical elements into account, Evo Morales led these radical transformations based on "resource nationalism" that resulted in great macroeconomic performance in the context of relief of the BOP constraint. During the commodity boom, the Bolivian economy grew 4.2% between 2002 and 2008, and around 5.0% between 2009 and 2014. After the fall in international prices, the Bolivian economy continued to have high growth rates, an average of 4.4 % between 2015 and 2018. This was possible thanks to transformations in global patterns of accumulation (the "Chinese Effect") and the administration of the balance of payments dynamics (international reserves accumulation and contract renegotiation for gas provision to Argentina and Brazil).

Chart III.1. Bolivia. Balance of Payments (Average in current millions of US dollars)

	2002-2008	2009-2014	2015-2017
I. CURRENT ACCOUNT	778	864	- 2,081
Balance on trade	407	988	- 2,336
Balance on primary income	- 384	- 1,322	- 957
Balance on secondary income	755	1,198	1,212
II. CAPITAL ACCOUNT	432	21	7
III. FINANCIAL ACCOUNT	- 42	379	1,040
Direct Investment	256	909	483
Portfolio Investment	- 70	- 233	- 107
Other Investment	- 228	- 297	665
IV. NET ERRORS AND OMISSIONS	- 274	- 68	- 525
V. RESERVES	894	1,196	- 1,559

Source: Author's elaboration using CEPALStat

Bolivian external vulnerability followed similar trends to the regional dynamic. The main difference with the region has been a negative portfolio investment flow throughout the first two decades of the 21st century. However, this phenomenon did not prevent Bolivia from accumulating reserves during the first two subperiods (2002-2008 and 2009-2014): during the first, due to the positive current account (commercial account and, especially,

remittances) and, in the second, "new" foreign investment flows arrived while the current account was also positive. In the last subperiod (2015-2017), the balance on trade became negative, because exports prices were reduced (imports have remained stable). Also, it is important to highlight the role of remittances (secondary income) given that it is the only flow that remains positive and continues to grow.

Reference to the net flows of remittances has increased in absolute terms as we can see in Chart III*.1*. This highlights a particular fact: at least 7.5% of the Bolivian population lives abroad, primarily in Argentina, Spain, the United States, Brazil, and Chile. It is important to note that this indicator has long been above the regional and the world average (3%), as the Andean country has been exporting people from different social classes for many decades. In average, 12% of Bolivian households have received remittances[98]. In this sense, this flow has a twofold role in Bolivian capital accumulation: on one hand, it finances domestic consumption (such as food, health care, and education expenditures but, likely also fixed investments such as housing improvements) and, on the other hand, it supplies foreign currency and relieves external constraints to growth.

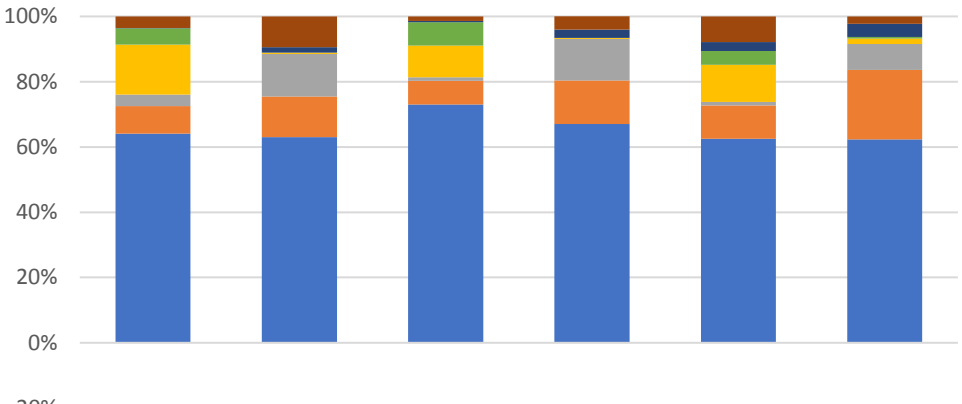
Since 2010, the economic crisis in Spain and the more restrictive migratory policies in the European Union and the United States have induced more people to return to Bolivia and a slight decrease in emigrants' stock since 2010 (MACHICADO, KORNACKA &

[98] There is some evidence that countries such as Bolivia report income from remittances in the lowest and the highest income distribution quintiles. The department of Oruro has the highest percentage of households receiving remittances (38%), followed by La Paz (24%) and Pando (19%) while Cochabamba has the lowest percentage, around 9%. In relation to the average annual amount per household, Santa Cruz is the department that receives the highest amount USD 2,604, while Potosí receives the lowest, USD 497 (MACHICADO, KORNACKA & CARDONA; 2016).

CARDONA, 2016). Along with higher local growth, this explains why remittances fell from 6.7% to 3.5% in proportion to the GDP (see *Chart A.4*)

In the same way that remittances are net suppliers, foreign investment dividends and interest payments have played an important role in capital outflow. These elements associated with specific class interests will be analysed later. For the moment, it is important to note that regardless of the net balances, international trade, especially in goods, plays a central role in the provision of foreign currency (Chart III.2).

Chart III.2. Bolivia. Inflow and Outflow in Balance of Payments (In shares)



	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
	2002-2008		2009-2014		2015-2017	
Other Investment	4%	9%	1%	4%	8%	2%
Portfolio Investment	0%	2%	0%	2%	3%	4%
Direct Investment	5%	0%	7%	0%	4%	0%
Secondary Income	15%	0%	10%	0%	11%	2%
Primary Income	4%	13%	1%	13%	1%	8%
Services	8%	12%	7%	13%	10%	21%
Goods	64%	63%	73%	67%	62%	62%

Source: Author's elaboration using CEPALStat

The financial account (direct, portfolio and other investments) has remained in a secondary role in the Bolivian balance of payments, while there has been a surplus in the commercial account (2002-2014) (Chart III.2). In the last subperiod, its significance

grew from 8% to 12%, since the only way to maintain exchange rate stability is by selling reserves or attracting funds via the financial account.

Evo's macroeconomic policy was based on maintaining a relatively fixed nominal exchange rate (with few oscillations), which made it possible to maintain relatively low inflation rates (a nominal anchor of domestic prices). This exchange rate stability allowed the "Bolivianization" of the economy, recovering the centrality of the Bolivian peso and reducing the amount of foreign currency that operated within private operations during the 1990s. The Bolivian peso's deposits increased its share from 5.3% in 2000 to more than 80% in 2015 (ROSALES, 2016). This was possible thanks to the favourable international scenario and the international reserves' accumulation.

Taking these elements into account, first let's look at the interests of the capital fractions associated with the goods trade[99] and, then, try to approximate the financial channels that gained relevance in the last subperiod.

3.1.2 Bolivian trade and the centrality of its gas

First, if we look at the data on goods exports (Chart III.3 **and Statistical Annex.**Chart A.10**)**, it shows that agricultural and extractive sectors have concentrated an increasing share of exports, up to 90%. The main activities are associated with natural gas extraction and metal ores mining. The list of dominant capitalist fractions is completed

[99] The available data does not allow for undertaking a similar analysis with trade on services. Comtrade information allows us only to infer the importance of travel and transport. However, a detailed analysis would be impossible.

by the agricultural sector and its manufacturing. Therefore, the interests of the main fractions of the ruling classes are articulated around these activities.

Chart III.3: Bolivia. Goods Exports by sectorial classification (In shares) (2002, 2008, 2014 and 2017)

ISIC Classification	2002	2008	2014	2017
Agriculture and extractive sectors	**80.8%**	**91.3%**	**93.1%**	**90.9%**
Agriculture, hunting and forestry	**7.0%**	**5.2%**	**5.8%**	**5.8%**
Mining and Quarrying	**46.1%**	**75.9%**	**78.3%**	**76.8%**
Extraction of crude petroleum and natural gas	25.0%	51.5%	51.8%	34.8%
Mining of metal ores	20.8%	24.2%	26.2%	41.5%
Manufacturing	**27.8%**	**10.2%**	**9.0%**	**8.3%**
Manufacture of food products	26.2%	9.7%	8.8%	8.1%
Commodity Manufacturing	**5.6%**	**5.1%**	**5.0%**	**6.6%**
Traditional Manufacturing	**9.8%**	**3.5%**	**1.9%**	**2.5%**
Technology Intensive Manufacturing	**3.6%**	**0.0%**	**0.1%**	**0.1%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Author's elaboration on the basis of Comtrade and ISIC Classification (See Methodological Annex). More details in Statistical Annex.Chart A.10.

In quantitative terms, this increase in the gas's importance is the result of the provision contracts with neighbouring countries, Brazil (1999)[100] and Argentina (2006)[101], which account for almost the gas exportation. Although Brazil and Argentina have plans to expand their recent discoveries of large deposits (*Pre Sal* and *Vaca Muerta*), Bolivian gas provision would be the reason for its integration into Mercosur. After the nationalization of hydrocarbons in 2006, Yacimientos Petroliferos Fiscales Bolivianos (YPFB) has taken control of gas reserves and their exploitation. Foreign companies such as Petrobras

[100] In 1999, a gas pipeline connecting Bolivia and Brazil was inaugurated. In 2007, Evo implemented a "fair price" policy and managed to quadruple the price charged to Brazil, from USD 1.09 to USD 4.20 per BTU. Source: O Globo (2007/02/14. "Morales se reúne com Lula e obtém aumento no preço do gás enviado ao MT". Available in https://oglobo.globo.com/economia/morales-se-reune-com-lula-obtem-aumento-no-preco-do-gas-enviado-ao-mt-4216338)

[101] After the nationalization of hydrocarbons, Evo's administration also negotiated a new higher price with Argentina. It ended up around USD 4.90 per BTU due to the fact that Argentina's imports are significantly lower than Brazil's. Source: Folha de São Paulo (2006/06/14. "Argentina pagará mais pelo gás da Bolívia". Available in https://feeds.folha.uol.com.br/fsp/dinheiro/fi1406200618.htm)

(Brazil) and Repsol-YPF (Argentina) lost their assets. Thus, the gas-based capital reproduction pattern came to be led by the State.

Along this line, the characteristics of the mining industry also reinforce the pattern of capital reproduction led by the State following nationalization in 2007. Mining activity is managed and controlled by the Corporación Minera de Bolivia (Comibol), a SOE which administers the cooperatives that operate in the national mines and also regulates the activity of private domestic and foreign companies in the sector.

In the case of mining, the "Chinese effect" directly impacts the export of metal ores (such as zinc, silver, and lead), which have increased tenfold, but China is still not one of its main commercial partners. The expansion of other Asian economies, such as South Korea (zinc, silver and lead), India (gold), Japan (zinc and silver), and the United Arab Emirates (gold), has also contributed to the export expansion. Mineral extraction for export is concentrated around Potosi's mines (MEFP, 2019:105-106).

In political terms, mining cooperatives have been a key source of Morales' support since he came to power in 2006. During this time, the number of mining cooperatives has multiplied due to the boom in metal prices and favourable government policies such as the creation of a credit agency, constitutional recognition as "not-for-profit" organizations, which involve reduced taxation and loosened restrictions in fiscal reserve areas. Between 2006 and 2017, the number of registered mining cooperatives increased from 911 to 1816, with total membership increasing from 50,000 to 120,000.[102]

[102] Mamani, Lidia (2018) "El numero de cooperativas mineras se duplico en 12 anos." Página Siete, January 26.

In general terms, it is worth noting that Evo's administration has intensified the exploitation of gas, which has led to a sharp fall in its recorded reserves due to the lack of new discoveries. In this respect, the expectation for future years is the exploitation of lithium,[103] a fundamental input for the new generation of cell phone and electric car batteries. In this sense, the challenge continues to lie in creating value locally. Thus, its geopolitical strategy would resemble a lithium-OPEP with Chile and Argentina to administer the international price. With the objective of exploiting and industrializing this commodity, a new SOE has been created, *Empresa Pública Nacional Estratégica Yacimientos de Litio Bolivianos* (YLB). During 2019, Evo tested the first electric car using a Bolivian lithium battery[104].

This is a first group that is led by the State but that includes national and international private providers. In this sense, the dispute over the control of the state apparatus takes on a fundamental importance.

In a second instance, there are the interests of the capital fractions associated with agricultural activity and the manufacture of agricultural products. Their relative loss was partially due to the fact that international prices favoured hydrocarbon and mineral products more than agricultural goods (JEMIO & DEL GRANADO, 2016). However, this is a relative loss (not an absolute one), since they were inserted into the export of processed soybeans (oil and feed stuff for animals). Agricultural exports also include

[103] The "lithium triangle", as it is known, formed by Argentina, Chile and the Plurinational State of Bolivia, accounts for half of global identified resources of lithium: 18% in Argentina, 17% in the Plurinational State of Bolivia and 16% in Chile (ECLAC, 2018).

[104] Diario Opinión (02/10/2019). "Evo estrena el primer vehículo eléctrico que usa batería de lítio" (https://www.opinion.com.bo/articulo/pais/evo-estrena-primer-vehiculo-electrico-usa-bateria-litio/20191002081351729326.html)

typical regional products such as quinoa (USA), chestnut (*castana*) (European Union), bananas (Argentina), and sugar (Colombia).

These are the capital fractions linked to the Santa Cruz land oligarchy or cruceña elite (ESPINOZA, 2015), which García Linera (2012) called patrimonial hacienda power (*poder hacendal patrimonial*) and has long historical roots in the colonial period. They have maintained large *latifundios*, subsumed the work of the indigenous peasantry (not necessarily through wage labour[105]) and controlled the state apparatus as part of their patrimony[106]. Agroindustrial farming in low-lying areas of the department has displaced traditional rural farming (concentrated in the valleys and Andean highlands) and expanded the agricultural frontier from 413,320 hectares in 1990 to 1,821,631 hectares in 2007. An estimated one million hectares are devoted to the soybean complex and the rest to other crops. Santa Cruz thus accounts for 66% of the 2.7 million hectares of land under cultivation (ECLAC, 2012:98)[107]. In the early 2000s, Venezuela and Colombia accounted for two thirds of the exports of agricultural goods and manufacturing. In recent years, due to Venezuela's crisis, it has lost significance in this regard and Peru has risen to second place among commercial partners. For this reason, the dominant classes associated with these interests have a greater interest in inserting themselves in the Pacific Alliance.

[105] One of the ways to subsume the work of the peasantry is by controlling the industrialization process or commerce channels with the rest of the Bolivian departments or abroad. In this way, they gain a dominant position in the value chain and feel free to negotiate for lower prices.

[106] For a historical trajectory of this capitalist fraction, see Laguna (2014) and Espinoza (2016)

[107] Much of the agricultural boom is directly related to the expansion of soybean farming, driven in a large part by land owners from Brazil who arrived to the Plurinational State of Bolivia in three waves. The first and smallest was in the late 1980s. The second, and largest, was between 1993 and 1999. Lastly, since 2005, there has been a new wave of immigration from Brazil to the search for land for soybean and livestock (URIOSTE, 2011).

Following Evo Morales' electoral triumph in 2005, the Santa Cruz families (*elite camba*) were interested in overthrowing him and attempted to organize their own State with its own parliament to continue absolute control over land, taxes, and education (a complete separatist attempt). The family networks run the main institutions of economic and political power in Eastern Bolivia: Santa Cruz, Beni, Pando and Tarija. In 2008, they promoted an unsuccessful coup d'etat. The regional rejection organized around the *Unión de Naciones del Sur* (UNASUR-South Nations Union) also played an important role in the coup attempt (Espinoza, 2016).

With respect to this capitalist fraction, the main disputes in relation to Evo's reforms were the legislative definition of land's social-economic function[108], which allowed for expropriations, in 2006 and, subsequently, the attempt to limit land ownership in the New Constitution in 2009. This political struggle ended up establishing a limit of 5,000 hectares, but its retroactive implementation was avoided, which has implied relative peace for the landowners (CUNHA FILHO, 2018). After the conflict, Garcia Linera (2012:50-51), Evo's vice-president, stated that "*[b]etween 2006 and 2011, 1.4 million hectares were expropriated from the landowners, radically disrupting the ownership structure of the Amazon region. (...) However, this structural modification of property relations over land has not been sufficient to dismantle the despotic power-business power, since there is a need to dismantle the mechanisms for collecting and processing business that suffocate the indigenous economy".*

Moreover, a second group that plays a relevant role can be identified. This capitalist fraction is associated with commodity manufacturing (manufacture of nonferrous

[108] The mere payment of taxes ceased to imply the fulfilment of the social economic function, therefore unproductive lands became liable to expropriation (CUNHA FILHO, 2018).

metals) and traditional manufacturing. These sectors are involved in a smaller part of Bolivia's foreign trade, accounting for between 5 and 10% of total foreign sales. The US is the commodity manufacturing sector's main commercial partner, due to tin and metallic silver exports (MEFP, 2019). Along this line, the SOE Empresa Metalurgica Vinto plays a central role in the production of metallic tin, which reinforces what I have been characterizing as a state-led capital reproduction pattern.

As we have highlighted, Bolivia has no exit to the ocean. This generates a great dependence on neighbouring countries' ports, particularly Arica and Iquique (Chile). Therefore, Evo's government went to the international courts to negotiate with Chile for access to the Pacific Ocean, which ended in an unfavourable result in 2018.[109] The other proposed alternative was to promulgate the use of lake ports on the border with Brazil to connect to the Paraguay-Parana waterway and the Atlantic Ocean (MEFP, 2019:101).[110]

[109] BBC News (01/10/2018). "Bolivia sea dispute: UN rules in Chile's favour". Available in https://www.bbc.com/news/world-latin-america-45708671

[110] Related to its landlocked character and foreign currency provision, Bolivia is located at the epicentre of drug trafficking in South America. The coca leaf is produced to chew or to consume in tea, but it is also the raw material for cocaine that could be exported. The Andean country is next door to the second largest illegal drug market in the world (Brazil), shares a border with the world's leading cocaine producer (Peru), and with the leading marijuana producer in South America (Paraguay). Additionally, Argentina has experienced an increase in domestic drug consumption, particularly "basuco" or "paco", a type of cocaine that can be produced in Bolivia. Likewise, Chile and Uruguay are in the top ten countries in terms of cocaine consumption per capita in the world (MCDERMOTT, 2014; SMITH, 2017). This dynamic in South America is completely independent of the traditional drug trafficking routes that supply the United States's market. Most countries are part of secondary supply networks to Europe, so countries are classified as producers or transit. For a route map, visit https://elordenmundial.com/mapas/las-rutas-de-la-cocaina-en-el-mundo/. In this regard, these illegal commercial activities could be the source of large foreign currency flows that would feed the accumulation of capital in different sectors, such as durable goods and real state. These illegal activities are controlled by local cartels with the presence of foreign organized crime, particularly Brazilians as members of the Primeiro Comando Capital (PCC), Comando Vermelho and Familia do Norte (Asmann, 2017). While this scenario could completely change the socioeconomic and political scenario in the style of Mexico, the response of the Evo Morales' administration has been to advance in the control of coca crops, which has led to relative success, which has been recognized by the world press (The New York Times, 14/09/2016. "How Bolivia fight the drug scourge". Available in https://www.nytimes.com/2016/09/14/opinion/how-bolivia-fights-the-drug-scourge.html). However, this problem remains standing.

To this point, I have identified the providers of US dollars in commercial terms. The following table shows the evolution of purchases by product type, which could be associated with different capital fractions that demand foreign currency. Although intermediary goods are the majority of imports, the continued economic expansion meant a greater increase in capital goods, consumer goods and fuels. The purchase of capital and intermediary goods and, partially, fuels are associated with historical technological dependency. The first two items are associated with productive activities and have represented between 66 and 75%. In this sense, elaborated industrial inputs and capital goods are the main subitems, accounting for about a half of imports (See Statistical Annex.Chart A.11). It is not an easy task to differentiate the capitalist fractions behind these imports, but, if economic expansion continues without indigenous technological development, the process would experience the classical stop-and-go cycle.

Chart III.4. Bolivia. Good Imports by Broad Economic Classification (In participation shares) (2002, 2008, 2014 and 2016)*

Broad Economic Classification (BEC)	2002	2008	2014	2016*
INTERMEDIATE GOODS (BI)	54%	46%	40%	42%
CAPITAL GOODS (BK)	21%	21%	28%	25%
CONSUMER GOODS (BC)	20%	21%	21%	24%
FUELS AND LUBRICANTS	4%	11%	11%	9%
Total	100%	100%	100%	100%

Source: Author's elaboration based on the Instituto Nacional de Estadistica de Bolivia and BEC Classification (More details Statistical Annex.Chart A.11).
Note: *The last available data is from 2016.

Finally, the expansion of consumer goods (passenger cars, prepared foods and beverages) is the result of an improvement in income levels, with imitative consumer standards, and a relative real exchange rate appreciation.

3.1.3 Bolivia and the financial account

Secondly, we must look at the financial items that have played a secondary role. In this sense, direct investment has accounted for around 4 to 7% of foreign currency inflows (Chart III.2). According to the Bolivian Central Bank (2019: Graph 3.5), most foreign investment was allocated in extractive sectors, such as hydrocarbons and mining,[111] and the main source was profit reinvestments, while capital contributions were almost null. Taking into account the end of diplomatic relations with the US in 2008, the origin of investments has been concentrated in Spain, Sweden and Peru (ECLAC, 2019). So far, practically no investments of Chinese origin have been registered. In this respect, the foreign capital stock estimated by ECLAC (2019:85) has shown a reduction since 2001, when it represented 72% and then slowed down to 30% of the GDP in 2018.

Chart III.5. Bolivia. Direct Investment (% GDP)

Direct Investment	2002-2008	2009-2014	2015-2017
Direct investment abroad	0.0%	0.0%	-0.2%
Direct investment in reporting economy	2.4%	3.5%	1.5%
Balance of direct investment	**2.4%**	**3.5%**	**1.4%**

Source: CEPALStat

Additionally, taking into account the net effect generated by the retribution of this foreign investment (direct investment income – debit – in the Chart III.6), shows that this kind of relationship is a deficit due to the fact that balance of direct investment has implied between 2 and 3,5% of the GDP (Chart III.5) and its income has represented between 3 and 5% of the GDP.

[111] The available FDI data does not allow us for making a detailed sectorial analysis for Bolivia as I do for the other cases under study.

Chart III.6. Bolivia. Balance on primary income (% GDP)

	2002-2008	2009-2014	2015-2017
Income (credit)	1.5%	0.6%	0.4%
Employees' compensation (credit)	0.3%	0.1%	0.0%
Investment income (credit)	1.2%	0.5%	0.4%
Direct investment income (credit)	0.0%	0.0%	0.0%
Portfolio investment income (credit)	1.3%	0.5%	0.0%
Other investment income (credit)	-0.1%	0.0%	0.3%
Income (debit)	-5.1%	-5.7%	-3.1%
Employees' compensation (debit)	-0.1%	0.0%	0.0%
Investment income (debit)	-5.0%	-5.7%	-3.1%
Direct investment income (debit)	-3.4%	-5.0%	-1.8%
Portfolio investment income (debit)	0.0%	0.0%	-0.1%
Other investment income (debit)	-1.6%	-0.6%	-1.2%
Balance on primary income	**-3.6%**	**-5.1%**	**-2.7%**

Source: CEPALStat

Regarding the financial sector, as Chart III.2 demostrates, international financial flows have significantly less importance with respect to trade flows. In this sense, Bolivia has remained relatively outside of large financial flows in the 2000s. As shown in Chart III.7, the balance of financial transactions was constantly negative in the first two subperiods, which implies that the government and the private sector mainly reduced their indebtedness, up until the fall in gas prices in 2014 (BCB, 2019). A second possibility is that Bolivian capital has left the Bolivian economic space and gone to other territories, what is identified in the literature as "capital flight". During the last subperiod, liabilities were resumed to obtain financing abroad, mainly due to the external debt issuance by the central government (1,000 million dollars).

In this regard, the functioning and mediation of the world's main financial intermediaries in the daily operation of the Bolivian financial system cannot be identified. This data allows us to conclude that the country does not maintain significant integration into the global financial market.

Chart III.7: Bolivia. Financial Account (2002-2017) (In millions of current dollars and % GDP)

Financial Account (excluding FDI, reserves and related items)	2002-2008	2009-2014	2015-2017
Portfolio Investment (I=a+b)	- 70	- 233	- 107
a- Assets	-	- 126	- 464
b- Liabilities	- 70	- 108	357
Other Investment (II=c+d)	- 228	- 297	665
c- Assets	-	- 111	- 154
d- Liabilities	- 228	- 186	819
Total (I+II) **(% GDP)**	**- 298** **(-0.5%)**	**- 530** **(-0.5%)**	**558** **(0.3%)**

Source: CEPALStat

Summing up

To summarize and finish this subsection, the nationalization of the gas and mining industries meant that the Bolivian state took control over the dynamics of accumulation by controlling approximately 50% of foreign trade. Because of this, the disputes over directly controlling state apparatuses have taken up new dimension.

Chart III.8. Bolivia. Social classes and their role in the balance of payments

Bolívia		2002-2008	2009-2014	2015-2017
Capitalist fractions	Dominant Fractions	**Agricultural and extractive sectors (natural resource intensive sectors):** extraction of crude petroleum and natural gas (international companies and later SOE), metal ore mining (international companies and later SOE and cooperatives), manufacture of food products (Santa Cruz oligarchy).		
	Relevant Fractions	**Commodity Manufacturing** (Manufacture of nonferrous metals) (SOE) and **Traditional Manufacturing**		
Subaltern classes and the external constrain		Remittances provision and consumer of imported products		

Source: Author's elaboration

Agrarian capital appears as a secondary partner of state-led accumulation due to its international insertion. Positive macroeconomic results and sustained popular and electoral support put a limit on direct confrontation with this capital fraction. Contrary to Espinoza (2015:550), Cunha Filho (2018) stated that it is difficult to assume an attempt to co-opt this business fraction due to the government's "developmentalist"

agenda, even when there was a decrease in tensions after the possibilities of radical agrarian reform had been diluted. However, all these speculations collapsed with the *coup* in late 2019.

As a second element to be highlighted, the working class has a particular role given that their remittances are a key source of foreign currency and partly reflect the contradictions of the system itself. In the absence of productive diversification and improvements in living conditions, the working class migrates to support their family and enables the accumulation by domestic capitalist fractions. This dynamic is reversed when domestic conditions improve and remittances reduce their importance.

> "*Seven years ago, Brazil with three oil companies owned 100% of hydrocarbons and controlled 30% of the GDP, while the State only controlled 16%. Now, the Bolivian State controls 34% of the GDP and owns 100% of the hydrocarbons in the entire production chain. More than 10 million hectares in the hands of landowners, politicians, and foreigners have been recovered by the State and handed over to Indigenous peoples and peasant communities, ending the landowner quality of the lowland agricultural system.*" Garcia Linera, Evo Morales' vice-president (2012: 9-10) (Author's Translation).

3.2 The Chilean (Pragmatic) Neoliberal State Leads Accumulation

Chilean economic history, similar to that of Bolivia, has been governed by the cycle of a single commodity. At the end of the 19th century, its international insertion was based on saltpeter (*salitre*), a natural fertilizer, whose cycle ended with the proliferation of chemistry and the production of synthetic fertilizers. Copper took on the central role at the beginning of the 20th century.

In this sense, geography has enhanced the international insertion of the Andean mines. Given Chile's narrow geography, the ocean is always a short distance from the spaces of production, which considerably reduces transport costs. The Chilean port network plays a fundamental role in the country's international insertion as well as in the integration of its territory. In the north, ports mainly serve to transport minerals, Antofagasta is especially important in this regard. In the south, this port infrastructure is used for products derived from wood and, in the southern zone, it is practically the only means for passengers and cargo transfers.

The Chilean territory is administratively divided into 16 regions. However, three quarters of its population is concentrated in the central region around the metropolitan city of Santiago. Thus, the main ports are Santo Antonio and Valparaiso in the Central area, both administrated by SOEs. The national port system is made up of 77 port terminals: 13 state-owned ones for public use (grouped into 10 state-owned port companies), 17 private ones for public use, and 47 private ones for private use.[112]

Similar to Bolivia, the State also owns the main natural resource. Corporación Nacional del Cobre de Chile (CODELCO) was created in the 70s after the nationalization of the mines and today is the world's leading producer and holder of copper reserves.

Starting with military regime led by Pinochet (1973-1990), Chilean accumulation adopted the neoliberal form following the advice of the Chicago Boys. The Pinochet's Constitution institutionalized neoliberal policies and promoted the commodification of social services that created special spaces of accumulation, such as private pensions administrators (AFP's), private health insurances (ISAPREs) and tradeable water rights

[112] Subsecretaria de Transporte (http://www.logistica.mtt.cl/areas/1/desarrollo-portuario).

(CAPUTO & GALARCE, 2006; BOCCARDO ET AL, 2020). The democratization process has maintained those neoliberal aspects and did not reduce the army's role in the political scene (SOLIMANO, 2015; KEJSEFMAN, 2017).

Over the years, adjectives have appeared to qualify the model, such as "state developmentalism without a developmental state" (KURZ, 2001) due to the fact that the State owns the world's leading copper company, promoted productive diversification through different policies, and remained subsidiary with respect to social services. Clark (2018) argued that this paradox vanishes when we conceptualize the military regime in sociological terms, the "revolution" was the construction of a capitalist elite capable of subordinating the state and integrating civil society into its socioeconomic and ideological networks.

The new century's political scene has consisted of the Concertación governments of Ricardo Lagos (2000-2006) and Michelle Bachelet (2006-2010, 2014-2018) until the political irruption and electoral victory of Sebastian Piñera (2010-2014; 2018-). On one hand, the *Concertación de Partidos por la Democracia* was formed by a political alliance of leftist, center-left, and center parties, which had opposed the Pinochet dictatorship, and has governed for most of the post-democracy period. Piñera, on the other hand, is a billionaire businessman, who had held interests in real estate, the financial sector, and LAN (LATAM), among others. Despite his profile as an entrepreneur, he has maintained an active militant life in different right-wing parties and coalitions.

Between 1990 and 2019, Chile suffered only two years of recession and, in macroeconomic terms, it has been a success. In this sense, macroeconomic dynamics do not present the conditions for major political breakdowns or scenarios of relative

autonomy. From the institutional point of view, this reproduction of the neoliberal status quo was reinforced by the special majorities established in the Pinochet constitution and that prevented the *Concertación* from modifying part of the legacy of the military regime (ATRIA ET AL, 2013).

3.2.1 Chilean macroeconomics and the external constraint

During the 2000s, economy grew 5.0% during the commodities boom (2002-2008), 3.6% after the international crises (2009-2014) and 2.3% between 2015 and 2018, surpassing the three main economies of the region (Brazil, Mexico and Argentina) and the regional averages (Chart II.2). Without a doubt, this is related to the dynamics of international insertion. Throught the 2000s, the Chilean balance of payments showed, in contrast to regional dynamics, a positive balance on trade and a negative portfolio investment flow throughout the 2000s. However, this last phenomenon has not stopped Chile from accumulating reserves during the whole period analysed. Along this line, it is important to point to the great flow of net direct investment and remittances (Chart III.9).

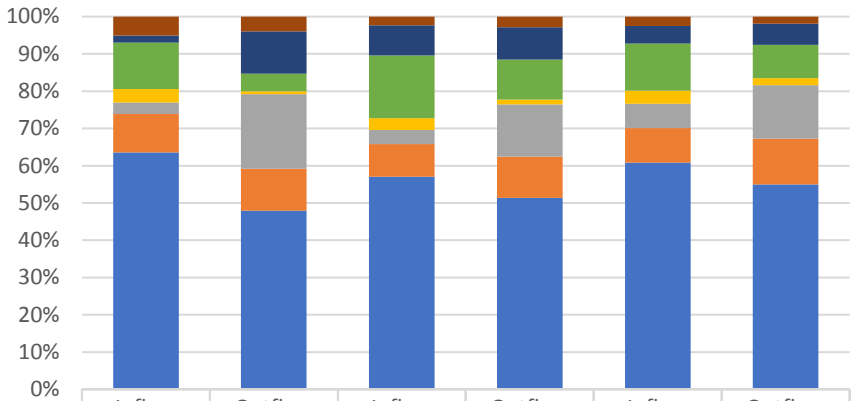
Chart III.9. Chile. Balance of Payments (Average current millions US dollars)

	2002-2008	2009-2014	2015-2017
I. CURRENT ACCOUNT	1,653	- 3,965	- 4,385
BALANCE ON TRADE	11,035	6,255	2,292
BALANCE ON PRIMARY INCOME	- 11,312	- 12,757	- 8,356
BALANCE ON SECONDARY INCOME	1,930	2,537	1,678
II. CAPITAL ACCOUNT	23	1,050	250
III. FINANCIAL ACCOUNT	- 83	7,036	3,353
DIRECT INVESTMENT	5,403	8,115	3,843
PORTFOLIO INVESTMENT	- 6,356	- 509	- 1,056
OTHER INVESTMENT	870	- 570	566
IV. NET ERRORS AND OMISSIONS	- 641	- 810	538
V. RESERVES	941	3,311	- 244

Source: CEPALStat

Similar to Bolivia, migrants' remittances have maintained a positive balance and are a source of foreign currency. But, unlike Bolivia, they do not involve an increasing flow, which meant a drop in their significance in terms of GDP from 1.4% in the 2002-2008 period to 0.7% in 2015-2016 (see *Chart A.4*).

Chart III.10. Chile. Inflow and Outflow in Balance of Payments (In shares)



	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
	2002-2008		2009-2014		2015-2017	
Other Investment	5%	4%	2%	3%	2%	2%
Portfolio Investment	2%	11%	8%	9%	5%	6%
Direct Investment	12%	5%	17%	11%	13%	9%
Secondary Income	4%	1%	3%	1%	4%	2%
Primary Income	3%	20%	4%	14%	7%	14%
Services	10%	11%	9%	11%	9%	12%
Goods	64%	48%	57%	51%	61%	55%

Source: CEPALStat

Aditionally, the net flows of foreign investment are as relevant as the trade balance in terms of foreign currency provision. Observing these flows in gross terms (Chart III.10) shows that their significance increases given that incoming flows are considerable in the same way as the outflows of Chilean capital invested abroad. However, this positive phenomenon is reversed by the dividend flows (current account). In this sense, it is worth pointing out that Chilean capital export does not necessarily imply a macroeconomic benefit given that these firms usually prefer to establish their

headquarters in tax havens. This dynamic lead to an increase in its political significance as a potential supplier of foreign currency in the case of repatriation.

Therefore, taking into account Chart III.10, it makes sense to analyse the relevant fractions in terms of the goods trade[113]. Second, it is interesting to observe the fractions involved in the flows of incoming and outgoing investments and what happens with the financial fraction because, unlike the region as a whole, the portfolio investment has constantly been negative.

3.2.2 Chilean trade and the centrality of its copper

First, Chart III.11 shows the remarkable significance of natural resource intensive activities, which account for nearly 60% of commercialized goods. These industries are associated with the dominant fractions in Chilean capitalism.

In this sense, the centrality of the copper value chain is substantial given that it covers mining of metals and non-ferrous manufacturing, which has had an increasing share in the export basket (from 40% in 2002 to 55% in 2017). The increase is explained by an intensification of primary activity and international prices. In regards to this specific item, the Chinese effect has had a remarkable impact. It has become the first destination for this kind of product, followed by the European Union, Japan, and the USA. This is the classic characterization of a peripheral economy that provides a commodity for the global core.

Chile has the world's largest copper reserves and extracts one third of global production. This metal is a good conductor of electricity that is essential for electronics,

[113] The available data does not allow for undertaking a similar analysis with trade on services. Comtrade information allows us only to infer the importance of travel and transport. However, a detailed analysis would not be possible.

telecommunications, automotive, and civil construction industries. A brand-new car requires 20 kilograms of copper and a modern house about 200 kilograms, so Chile has played a special role in China's urbanization process.

Therefore, the SOE Corporación Nacional del Cobre de Chile (CODELCO), which controls a third of copper production and is the main exporter, as well as private mining companies, are at the core of Chilean capitalist accumulation. Private mining companies are both transnational, such as Anglo American (head office in London), BHP Billiton (Australia and United Kingdom), and Freeport-McMoRan Copper & Gold (EUA), and domestic-based, such as Antofagasta (Luksic family). However, private companies are only allocated in the primary sector, which largely accounts for the export's expansion. The copper smelting and refining process (commodity manufacturing) is mainly carried out by SOEs, Codelco and the Empresa Nacional de Minería (Enami), which concentrate five of the seven plants and 70% of the installed capacity.[114]

Related to copper, there are two major issues associated with the state apparatus. On one hand, it is a significant source of public funds, while it also finances a sovereign wealth fund, the Social and Economical Stabilization Fund (*Fondo de Estabilización Economica y Social – FEES-),*[115] which covers eventual fiscal deficit or public debt principal. On the other hand, it was recently revealed that the army has been receiving

[114] "¿Cuál es la situación de las fundiciones en Chile?" (10/02/2019). https://www.mch.cl/reportajes/la-situacion-las-fundiciones-chile/

[115] It is the successor of the Copper Stabilization Fund (Fondo de Estabilización del Cobre – FEC -) that was dissolved in 2007. It is financed with the fiscal surpluses (tax revenues of copper and others) based on a structural fiscal rule defined in the Fiscal Responsibility Law. Their assets have to be invested in top-rated fixed-income instruments, mainly sovereign bonds (70% of the portfolio). It reached the market value of 13 billions dollars in November 2019 (around 4% of the GDP) (https://www.hacienda.cl/fondos-soberanos/fondo-de-estabilizacion-economica-y.html).

10% of CODELCO's sales for arms purchases through "the reserved copper law" since 1958.

Chart III.11. Chile. Goods Exports by sectorial classification (In shares) (2002, 2008, 2014 and 2017)

ISIC Classification	2002	2008	2014	2017
Agricultural and extractive sectors (natural-resource intensive sectors)	**50.9%**	**47.6%**	**54.9%**	**58.8%**
Agriculture, hunting and forestry	**16.7%**	**11.8%**	**13.4%**	**13.7%**
Crop and animal production, hunting and related service activities	12.4%	9.8%	11.3%	11.6%
Forestry and logging	4.3%	2.0%	2.2%	2.1%
Fishing	**8.9%**	**5.3%**	**7.1%**	**8.1%**
Mining and Quarrying	**15.9%**	**24.9%**	**28.4%**	**31.0%**
Mining of metal ores	14.3%	22.2%	27.1%	29.8%
Metalliferous ores and metal scrap	12.9%	21.1%	25.7%	28.8%
Gold, non-monetary (excluding gold ores and concentrates)	1.4%	1.1%	1.4%	1.0%
Extraction of crude petroleum and natural gas	1.2%	2.4%	0.8%	0.8%
Other mining and quarrying	0.4%	0.3%	0.4%	0.3%
Mining of coal and lignite	0.0%	0.0%	0.1%	0.1%
Manufacturing	**9.5%**	**5.7%**	**6.0%**	**6.1%**
Commodity Manufacturing (Capital intensive sectors)	**40.3%**	**46.5%**	**38.5%**	**35.6%**
Manufacture of basic metals	27.6%	36.2%	29.3%	26.1%
Non-ferrous metals	27.3%	34.7%	28.8%	25.8%
Iron and steel	0.4%	1.4%	0.5%	0.3%
Manufacture of paper and paper products	6.2%	4.9%	4.7%	4.5%
Manufacture of chemicals and chemical products	5.0%	4.3%	3.5%	4.0%
Manufacture of fabricated metal products, except machinery and equipment	0.7%	0.8%	0.7%	0.7%
Manufacture of basic pharmaceutical products and pharmaceutical preparations	0.7%	0.2%	0.3%	0.2%
Manufacture of other non-metallic mineral products	0.2%	0.2%	0.1%	0.1%
Technology Intense Manufacturing	**2.7%**	**3.4%**	**3.6%**	**2.9%**
Traditional Manufacturing (Labour force intensive sectors)	**3.1%**	**2.5%**	**3.1%**	**2.6%**
Total	**100%**	**100%**	**100%**	**100%**

Source: Author's elaboration on the basis of Comtrade and ISIC Classification (See Methodological Annex). More details in Statistical Annex. Chart A.12

Copper is not the only important mineral for Chile. In 2016, Chile produced 37% of the world's lithium. Current production levels place the country as the world's second-largest lithium producer after Australia. In 2016, according to the USGS, Chile had 46.9%

of the world's lithium reserves. Lithium is vital in the production of electric vehicles and batteries, so surges in lithium demand can be expected as the electric vehicle industry expands. Currently, there are only two companies active in the industry: Soquimich S.A. (SQM) (controlled by domestic capital) and Albemarle (based in the USA). In May 2018, a quarter of SQM's shares were bought by Tainqi (China).

Among extractive activities and dominant fractions, it is also important to highlight capitalist interests associated with agriculture (fresh fruits, such as apples, grapes, kiwifruit, pears, cherries, blueberries, and plums), fishing (salmon), and manufacture of beverages (wine). The relative share of agriculture decreased from 30% in 2002 to 26% in 2017, with an interregnum of 16% in the context of the international crisis. The main destination of these products is the USA and, in second place, China (DIRECON, 2018).

Along with the interests of the dominant fraction, commodity manufacturing plays a significant role in terms of international trade. The main commodities are associated with paper and paper products (we can also include forestry here) and chemicals. These industrial products are primarily sold to the USA, Mercosur and, in the second instance, to the European Union and the Pacific Alliance (DIRECON, 2018). However, its share and relative significance has declined during the 2000s due to the copper expansion.

In terms of economic interests and trade integration, Chile has expanded its relationships and maintains 26 trade agreements that involve 66 economies, such as Mercosur (1996) and Alianza del Pacifico (2016). However, the most important treaties are the free trade agreements with the USA (2004) and China (2006). Chilean exports reach markets that represent 86.3% of global GDP with privileged tariff conditions (USDA, 2017). However, Chile is not within the global manufacturing chains.

In recent decades, the foreign affairs policy was used to create the idea of a national project that would position Chile on the international scene and recreate the benefits of globalization locally. In this regard, the foreign policy of the Chilean State has involved an alignment with the USA's policies, deepening its integration into the global capitalist dynamic and promoting economic and financial liberalization measures.[116]

Although the agreements would have advantages for the leading sectors, several studies have warned about the negative effects of this integration, especially for sensitive manufacturing sectors in terms of job creation, such as textiles (ECLAC, 2016b). Also, the recognition of China as a market economy makes it difficult to implement differential policies to protect strategic sectors which compete with Chinese firms that have the support of subsidies.

This trend toward commercial integration leads me to ask about the class interest behind imports (See Chart III.12 and Statistical Annex.Chart A.13). In this sense, intermediate goods (basic and elaborated industrial inputs) represented about 40% and, if we also take into account capital goods, productive items represent about 60% of total imports, reproducing regional technological dependency. Besides, it should be pointed out that, even in a decelerating phase, consumer goods (passenger cars, prepared foods and beverages, and durable consumer goods) continued increasing during 2014-2017. This could be result of the bilateral trade agreements, especially those associated with Chinese trade.

[116] Ahumada (2019:234-235) describes the pressure that the dominant fractions exerted on Lagos' administration to not enter into Mercosur, while the US strategically made an offer to Chile to immediately initiate negotiations for the FTA.

Chart III.12. Chile. Good Imports by Broad Economic Classification (In participation shares) (2003, 2008, 2014 and 2017)*

Broad Economic Classification (BEC)	2003	2008	2014	2017
INTERMEDIATE GOODS (BI)	43%	38%	34%	41%
CAPITAL GOODS (BK)	20%	20%	18%	23%
CONSUMER GOODS (BC)	26%	23%	26%	38%
FUELS AND LUBRICANTS	6%	15%	10%	9%
GOODS NOT SPECIFIED PREVIOUSLY	4%	6%	12%	-12%
Total	100%	100%	100%	100%

Source: Author's elaboration based on Banco Central de Chile and BEC Classification (See Statistical Annex. Chart A.13)
Note: *2002 data is not available.

In regards to the divergence among the ruling classes, even when the dominant interests are focused on natural resources, these activities do not have the same sources of wealth nor are they presented as complementary. Mining makes intensive use of water, which is detrimental to agriculture (fruits such as apples, grapes, and pears) and forestry. In recent years, water resources have become scarcer due to droughts in northern and central Chile. In the same sense, forestry presents itself as a competitor to perennial agriculture. Therefore, this situation could trigger struggles between different capital fractions.

3.2.3 Massive FDI into Chile and capital flight

Returning to the providers of external currency, the second topic is the externalization and arrival of direct investments. Unlike the Bolivian case, the flow of foreign direct investment has had increasing relevance. During the 1990s, large flows were destined

to the copper mining sector using institutional tools inherited from the Pinochet dictatorship (Decree Law 600)[117], investment promotion and protection agreements.[118]

During the new century, new flows have arrived in massive waves, totally between five to nine per cent of the GDP (Chart III.14). According to the Chilean Central Bank, in terms of industries, we can observe a clear prevalence of mining (Canada, USA, and United Kingdom- Anglo-American Plc and BHP Billiton) and financial services (Canada-Scotia Bank and Spain-Santander and BBVA), accounting for more than 50% of the flows). In recent years, Chinese capitals (Tianqi Lithium) also became interested in the Sociedad Química y Minera de Chile (SQM), the world's second largest lithium producer. Lithium mining in the region is fuelling growing investment interest due to the fact that this mineral is one of the key inputs for the manufacture of lithium-ion batteries, which store the energy that powers mass-market electronic devices (such as telephones, tablets, laptop computers, wireless tools), automobiles, and other electric vehicles, as well as electric power grids (when connected to wind turbines and photovoltaic cells).[119]

[117] See Chackiel & Orellana (2014: 2-5) for an analysis of the legal functioning of the instruments.

[118] Chile has signed 55 bilateral investment treaties (BITs) since the early 1990s. Most BITs grant a number of guarantees for international investments, which typically include fair and equitable treatment, protection from expropriation, free transfer of means and full protection and security. The distinctive feature of many BITs is that they allow for an alternative dispute resolution mechanism, whereby an investor whose rights under the BIT have been violated could have recourse to international arbitration, such as the World Bank's ICSID (International Center for the Settlement of Investment Disputes), rather than suing the host State in its own courts. Panitch and Gindin (2012) identify this mechanism of expansion of an international "institutionality" as a process of extending the influence of the US legal system as international courts reproduce their practices and are on a direct political influence for their participation in the directories.

[119] Lithium, along with other metals such as cobalt, will be in increasing demand if a low-carbon development model takes root, in which electro-mobility, renewable energies and accumulation systems are adopted on a large scale. Recently, renewable energy is also a sector which is generating interest for foreign investors. Chile had emerged as a "world-class destination for investment in various renewable energies, notably photovoltaic solar, wind and marine energy". In the last decade, Chile has been the main destination in the region for foreign investments in renewable energy projects, receiving 33% of the total investment amount announced (ECLAC, 2019).

Chart III.13. Chile. FDI by sector (2009-2017) (In current millions of dollars and participation shares)*

Sectorial Classification	2009-2014		2015-2017	
Agriculture and extractive sectors (natural-resource intensive sectors)	7,874	37%	2,453	18%
Financial Services	5,347	25%	4,960	37%
Infrastructure Services	2,017	9%	1,168	9%
Other Services	2,205	10%	317	2%
Manufacturing	926	4%	269	2%
Civil Construction	267	1%	254	2%
Not Identified	2,843	13%	3,860	29%
Total	**21,480**	**100%**	**13,281**	**100%**

Source: Author's elaboration based on Banco Central de Chile and ISIC Classification (See Methodological Annex).
Note: *Data available since 2009.

In seconda place, we find infrastructure and other services, such as telecommunications, which attracted capital from Spain (Telefonica, Iberdrola, Abertis Infraestructuras), the USA (AES Corp), and France (Teleperformance) due to the implementation of Public-Private Partnership (PPPs) agreements (CHACKIEL & ORELLANA, 2014: 13-14; ECLAC, 2006; 2009; 2013:30). The Chilean Government has undertaken an ambitious public works and infrastructure concession programme, in which the private sector has been heavily involved through build-operate transfer (BOT) agreements. Foreign construction firms have been key actors in this process. Spanish companies (Ferrovial, Acciona, ACS and OHL), in particular, have provided almost 60% of foreign direct investment (FDI) in construction. Also, the Italian Atlantia (which is connected to the Benetton family) acquired several urban highway concessions. Due to be low-risk schemes that generate a long-term and stable cash flow, Chile's highways have attracted not only infrastructure management firms but also investment funds. Canadian investors, which already had a track record in the Chilean infrastructure market, became very active in this area and have focused on the new urban highways in the capital, Santiago (ECLAC, 2013:30).

As I showed in the previous section, China also maintained its strategic interest in the energy industry in Latin America. In 2018, it gained a foothold in Chile, where China Southern Power Grid International Co. acquired a participation in Transelec, the country's largest distributor with 10,000 km of transmission lines, from the Canadian fund Brookfield Infrastructure PartnersCo. Ltd (ECLAC, 2019).

Focusing on capital origin, USA, Canada, and Spain led the ranking until 2014, when certain tax havens appeared as important background sources (Bermuda, Caiman Islands, British Virgin Islands, and the Netherlands[120]). In recent years, the rest of Asia (usually territories responding to Chinese interests) has become the main origins of capital.

Due to the major FDI flows, international companies have gained an increasing role in the Chilean power bloc. This trajectory has taken place while it was propelled by adhesion to international legal frameworks, such as Free Trade Agreements and, since 2010, the OECD's capital liberalization agreement. Regardless of the institutional framework, it should be noted that the main mechanism is the reinvestment of profits, which explains at least 40% of the flows (CHACKIEL & ORELLANA, 2014: 14-15; ECLAC, 2013; 2019).

[120] Although corporate taxes are high, the Netherlands offers advantages that allow TNCs to reduce taxes on profits and dividends obtained in subsidiaries in other countries. In addition, the Dutch system has highly developed double taxation, information exchange and investment agreements with other countries, which offers significant tax benefits for financial expenses, particularly for loans between the parent company and its subsidiaries. Finally, there is also the so-called "Dutch sandwich", whereby TNCs benefit from preferential agreements that are maintained with some tax havens, such as the former Netherlands Antilles (ECLAC, 2016c).

This phenomenon has implied the internationalization of capital stock in Chile. The ECLAC (2019) estimate has shown that the foreign direct investment stock in terms of GDP went from 64% in 2005 to 100% in 2018.

Chart III.14. Chile. Direct Investment (% GDP)

Direct Investment	2002-2008	2009-2014	2015-2017
Direct investment abroad	-2.3%	-5.5%	-3.8%
Direct investment in reporting economy	6.4%	8.8%	5.3%
Balance of direct investment	**4.1%**	**3.4%**	**1.5%**

Source: CEPALStat

Furthermore, as shown in Chart III.14, Chile is also a capital exporter. During the 1990s, a group of Chilean companies (trans-latins) became international after taking advantage of privatization processes in neighboring countries or as a mechanism to overcome the saturation of the local market. In this sense, companies operating in sectors such as telecommunications (ENTEL), electricity generation and distribution (ENERSIS, ENDESA and AES Gener), retailers (CENCOSUD and Falabella), paper and cellulose manufacturing (Arauco and CMPC), and financial services as pension fund managers (AFP Summa and Provida) became regional in their scale. This internationalization process has meant that global players became interested in buying Chilean trans-Latins, so the dynamics have presented an expansionary phase followed by a subsequent period of reduction (ECLAC, 2006: 75-78). This experience shows the limits to a developmental strategy based on *national champions* when the State does not have a strategic interest in defending national capital.

However, some Chilean trans-Latins "resisted" this process and, during the 2000s, continued their international expansion. These flows have also expressed between 2 and 5,5% GDP (Chart III.14). According to the Central Bank of Chile (which provides data

since 2009), exported capitals are concentrated in mining (Molymet) and financial services (CorpBanca), accounting for about 40% of the flows. In the second instance, commodity manufacturing (cellulose paper firms) and other services like commerce (retailers as CENCOSUD and Falabella) and infrastructure/logistics services (Lan-Latam[121] and Sudamericana de Vapores) also explain Chilean trans-Latin internationalization. The main destinations for these are Brazil (Cencosud), Panama, Colombia (Falabella), Peru (Cencosud, Falabella) and Argentina (Cencosud, Falabella) (ECLAC, 2009;2013).

Chart III.15. Chile. Balance on primary income (% GDP)

	2002-2008	2009-2014	2015-2017
Income (credit)	1.6%	2.0%	2.7%
Employees compensation (credit)	0.0%	0.0%	0.0%
Investment income (credit)	1.6%	2.0%	2.7%
Direct investment income (credit)	1.0%	1.7%	1.5%
Portfolio investment income (credit)	0.0%	0.0%	1.0%
Other investment income (credit)	0.6%	0.3%	0.2%
Income (debit)	-10.0%	-7.4%	-6.0%
Employees compensation (debit)	0.0%	0.0%	-0.1%
Investment income (debit)	-10.0%	-7.4%	-5.9%
Direct investment income (debit)	-9.3%	-7.3%	-3.9%
Portfolio investment income (debit)	-0.1%	0.3%	-1.0%
Other investment income (debit)	-0.6%	-0.4%	-1.0%
Balance on primary income	**-8.4%**	**-5.4%**	**-3.2%**

Source: CEPALStat

In addition, it is important to keep in mind that the dynamics of capital are not linear in terms of nationality or property, which makes it difficult to analyse the statistics. In this regard, the Chilean economy has become a key for transnational corporations operating in Latin America. Nearly 26% of its inward FDI is subsequently invested outside the

[121] LATAM was the result of the fusion between LAN (Chile) and Tam (Brazil) in 2012. LATAM is headquartered in Santiago and is mostly Chilean-owned, although the Brazilian partners hold a majority on the board of directors.

country by Chilean subsidiaries of foreign companies. Some regional operations are consolidated and coordinated from Chile, so it is seen as an investment platform or an entry point to other markets in Latin America (ECLAC, 2013: 28).

As I have mentioned, capital inflows in the form of FDI are being completely neutralized by capital outflows in the form of FDI income. In other words, the effect that the investments of transnational corporations are having on the balance of payments in Latin America and the Caribbean has changed substantially. In the same way, it is not possible to expect that the trans-Latins completely renationalize their income from abroad investment, even when Chart III.15 shows direct investment income (credit) for 1 to 1.7% of the GDP. We have to keep in mind that direct investment by Latin American entities abroad would just add another potential source of tax base erosion, since local businesses would be able to access the same tools to reduce their tax obligations. For example, 8 of the 20 largest Chilean trans-Latins have subsidiaries in the Cayman Islands or the British Virgin Islands (ECLAC, 2013).

Chart III.16: Chile. Financial Account (2002-2017) (In millions current dollars and % GDP)

Financial Account (exclude FDI, reserves and related items)	2002-2008	2009-2014	2015-2017
Portfolio Investment (I=a+b)	- 6,356	- 509	- 1,056
a-Portfolio investment assets	- 7,566	- 10,698	- 6,032
Equity securities (assets)	- 1,619	-	455
Debt securities (assets)	- 159	-	- 2,190
b-Portfolio investment liabilities	1,210	10,189	4,976
Equity securities (liabilities)	1	-	484
Debt securities (liabilities)	596	-	1,720
Other Investment (II=c+d)	870	- 570	566
c-Other investment assets	- 1,736	- 2,287	- 68
d-Other investment liabilities	2,607	1,717	634
Total (III=I+II) **(% GDP)**	**- 5,486 (-1.0%)**	**- 1,079 (-0.2%)**	**- 490 (0.0%)**

Source: CEPALStat

In this sense, international financial insertion plays a key role due to the possibility of inflows, but mainly of outflows. In line with its high level of integration into the neoliberal world order, Chile promoted the formation of an Integrated Latin American Market (*Mercado Integrado Latino Americano – MILA*) with the Peruvian and Colombian stock exchanges in 2011 and, subsequently, the Mexican exchange in 2014. However, financial integration has not meant a net inflow. In the 2000s, the international rates have been close to zero, but even in this scenario, we observe a continual outflow of financial funds. In general, these flows are associated with the phenomenon of capital flight.

Chart III.17. Chile. Investment Abroad Stock by country (Current millions dollars, participation shares and growth) (2009 and 2017)

Regions and countries	2009		2017		% Growth
America	**29.546**	**52,3%**	**102.929**	**78,4%**	**248,4%**
Argentina	4.601	8,1%	9.240	7,0%	100,8%
Brazil	5.055	8,9%	19.177	14,6%	279,4%
EUA	1.231	2,2%	10.334	7,9%	739,6%
Caiman Island	1.710	3,0%	3.983	3,0%	132,9%
British Virgin Islands	3.348	5,9%	9.507	7,2%	183,9%
Panamá	3.695	6,5%	15.305	11,7%	314,2%
Europe	**6.444**	**11,4%**	**17.972**	**13,7%**	**178,9%**
Luxemburg	375	0,7%	4.107	3,1%	994,5%
Switzerland	439	0,8%	5.734	4,4%	1205,7%
Asia	**1.814**	**3,2%**	**499**	**0,4%**	**-72,5%**
Oceania	**60**	**0,1%**	**365**	**0,3%**	**509,5%**
Not Identified	**18.642**	**33,0%**	**9.275**	**7,1%**	**-50,2%**
Total	**56.507**	**100,0%**	**131.329**	**100,0%**	**132,4%**

Source: Banco Central de Chile. Data since 2009.

Although we can assume that there are investments in the main stock markets in the world such as those of the US or Europe, we can also observe that the flows to fiscal havens such as Panama, Luxembourg, Switzerland, British Virgin Island, and the Cayman Islands have doubled (or even more) between 2009 and 2017 (Chart III.17). The Chilean

Central Bank's estimate allows us to conclude that around 30% of assets abroad are in fiscal havens, which amounts to around 38 billion dollars (3 times the Social and Economic Stabilization Fund or around 12% of the GDP). In this sense, financial integration also allowed a strategic partnership between the financial sector and the rest of the capital fractions given that the former enables the remission of large capital flows abroad in order to avoid tax obligations.

Summing up

In summary, I have identified that the agricultural and extractive sectors are associated with dominant fractions in the power bloc because of their central role in international trade. The role of the copper industry continues to be fundamental, as it has been throughout the 20th and 21st centuries. Although the State has promoted opening the primary sector to private investments (mainly to FDI), CODELCO maintains a key role in the primary segment and in the transformation process (commodity manufacturing). Therefore, the dispute over control of state apparatus is a key issue that lies at the core of Chilean accumulation.

Although the State remains in the centre, I have also identified other players within the dominant fractions associated with industries that were stimulated by public policy, such as fresh fruits, fishing (salmon), and manufacturing of beverages (wines).

Additionally, I have highlighted the financial sector due to the outstanding interest that it has generated for transnational capital (FDI). Furthermore, financial services group the interests of the dominant and relevant fractions based on their integration with the

world order, which enables the internationalization of domestic capital, profits remission for transnational capital, and, also, capital transfer to fiscal havens.

Chart III.18. Chile. Social classes and their role in the balance of payments

Chile		2002-2008	2009-2014	2015-2017
Capitalist fractions	Dominant Fractions	**Agricultural and extractive sectors** (Mining of metal ores; Crop and animal production; Fishing; Manufacturing) and **Commodity manufacturing** (Copper industry) (SOE and international companies); **Financial services** (pension fund administrators)		
	Relevant Fractions	**Commodity manufacturing** (Manufacture of paper products and Manufacture of chemicals); **Infrastructure** (electricity, gas and water); **Civil Construction and other services** (Highways; telecommunications; Transport-LAN/LATAM and Sudamericana de Vapores; Retailers – CENCOSUD and FALABELLA)		
Subaltern classes and the external constrain		Production cost of exportable goods, consumers of imported products and remittances provision		

Source: Author's elaboration

In addition, I have also identified a group of relevant fractions, which have a subordinate role in the power bloc, associated with commodity manufacturing (paper and chemicals), Chilean trans-latins (retailers such Fallabella and Cencosud and the airline LAN / LATAM), and fractions related with infrastructure, civil construction and other services because of FDI.

3.3 Political Economy of the Bolivian and Chilean BOP: The State and Dominant Classes

In the previous sections, I have identified the economic interest around the dominant and relevant fractions in the power bloc according to the balance of payment dynamics. These results together with the relatively winners and losers during the period analyzed are summarized in Chart III.19 for Bolivia and Chart III.20 for Chile. Taking these results

into account, this section seeks to present some notes about the articulation between these fractions, state power, and the dynamics of accumulation.

On the one hand, we are presented with two antagonistic cases in terms of the political scenes. Chile has continued down the path of the neoliberalism of the 1970s, despite the governments of the centre-left alliance and the scenario of growing social discontent expressed by the student movement.[122] Bolivia, on the other hand, has undergone a radical change with the rise of the subaltern classes (*plebeyos* in Linera's terms) to state power and an attempt to implement an alternative economic and social model to the hegemonic neoliberalism in the West.

There were two underlying (and entwined) differences: (i) the diplomatic relationship with the US and (ii) the degree of questioning the social order. In this sense, Chilean neoliberalism achieved positive macroeconomic results that significantly reduced poverty and prevented the generation of institutional crises or, in a broad sense, challenges to the accumulation model. Additionally, the relationship between the US and Chile has encouraged the insertion of the latter into global neoliberal institutions. For the USA, Chile has been a strategic partner in South America. The Bolivian case, in this sense, presented various institutional and economical crises at the beginning of the 21st century that eroded the neoliberal consensus, fuelled social mobilization, allowed an institutional rupture, and promoted the expulsion of the US ambassador in 2008. In

[122] Since 2011, different protests have been carried out against the legacy of the Pinochet period that established neoliberal policies, with students playing the main role. Recently, since the end of 2019, a popular uprising has mobilized the political scene by calling into question the Constitution written during the military regime.

this regard, a scenario of relative autonomy of the State was opened that allowed for reorganizing the system of accumulation.

On the other hand, the cases are similar in terms of their economic structure based on single-commodity international insertion, with that natural resource, in turn, owned by the State. For this reason, disputes over directly controlling the state apparatus play a fundamental role in accumulation dynamics in both countries. However, the two countries present divergent trends on this issue. Evo's administration, taking advantage of the scenario of relative autonomy, expropriated private domestic and transnational capitals, nationalized hydrocarbon and mining resources, and increased gas exploitation. Chile, in contrast, has promoted an increase in the market share of transnational and domestic private capital in copper mining sector since the 1990s, a counter-reform with respect to the reforms of the 1960s-1970s (MAYOL, 2012).

This divergent trend has been extended to the exploitation of lithium. The Bolivian State has already nationalized this resource and has promoted its domestic industrialization, while in Chile the resource is owned by domestic and transnational capital, mainly Chinese and US-based companies. At this point, the divergence has reached a point of collision, since the claim for the Bolivian sovereign access to the Pacific Ocean involves territories rich in mining resources (especially lithium) and its associated export infrastructure, mainly ports. Thus, the dispute has involved many capitalist interests.

In terms of relative winners and losers, the changes in international dynamics have reinforced, in both cases, the interests connected to the main natural resources. Therefore, the relative winners due to commercial interests are mostly clear and are associated with the Asian Rise, especially the (re)emergence of China. Additionally,

Chilean commercial integration has favoured other natural resource intensive industries, such as fresh fruits, fishing (salmon), and manufacturing of beverages (wines) that were able to reach “new” markets.

In the Chilean case, the transnational capitalist fractions that benefited from Chile’s insertion into the neoliberal international institutions and are associated with infrastructure, financial services and civil construction should also be added. As I have pointed out, foreign policy was used to create the idea of a national project that would position Chile in the international scene and locally recreate the benefits of globalization. In this sense, the Chilean State’s foreign policy has involved an alignment with the USA’s policies, deepening its integration into the global capitalist dynamic, and promoting economic and financial liberalization measures. As I have shown, FDI has granted greater importance to international companies in the Chilean power bloc, but does not contribute net foreign currency flows because of dividend and interest reflows or because profits are reinvested. Therefore, the main result has been that the economical structure was acquired by international capitals, reaching 100% of the GDP, according to CEPAL estimates.

In contrast, Bolivian nationalizations and the relatively low foreign investment flows have implied a reduction in the foreign capital stock. In most cases, inflows were only profit reinvestment, so they did not have a positive impact in term of foreign currency provision. Furthermore, if we take to account its retributions, the direct investment has a negative effect on the balance-of-payment constraint.

In this sense, the developmentalist literature explores the idea of promoting *national champions* as a way to improve exports and relieve the external constraint. However, I

have also shown that there are some problems with the Chilean *national champions* such as Falabella, Cencosud, and LAN. The internationalization of domestic firms did not necessarily help with the external constraint due to the fact that they could send their dividends to tax havens. Additionally, some Chilean *national champions* were bought by global players following its regionalization during the 1990s and 2000s. Thus, if there are no reasons for the State to protect these assets that originated with "developmentalist" policies, they could be bought by other transnational capitals without any restriction.

Furthermore, it is important to highlight how the financial sector groups the interests of the Chilean dominant and relevant fractions based on its role in financial integration. It is what enables the internationalization of domestic capital, profit remission for transnational capitals, and it could also forbid connections with fiscal havens.

By contrast, Bolivia's connection with international financial flows has been mainly due to the issuance of public external debt. When the current account did not consistently achieve a positive balance, the financial account has gained an increasing relative relevance, but it has been quite minor due to the successful policy of international reserves' accumulation.

In regards to the relative losers in the Bolivian case, the Santa Cruz oligarchy stands out. The indicators show decreased or lower growth in terms of the commercial trade. However, there are also some direct losers associated with the former owners of nationalized natural resources. Along with the rejection of US policy, these would be the initial elements for analysing the *coup* that took place in 2019.

Also, there are some other relative losers that there are not included in the dominant/relevant fractions or even in the power bloc. These elements will be explored

later but it is worth pointing out two issues. First, Chilean FTAs also had negative effects on manufacturing sectors due to increasing competition. Second, the accumulation pattern has promoted labour force emigration in both countries. Paradoxically, this phenomenon has generated a flow of income that is functional for domestic capitalism.

These are the first elements to begin to characterize the dynamics of accumulation in Bolivia and Chile. In this sense, it is important to incorporate elements from the rest of the dominant and subaltern classes to capture the complexity of the public policy dispute. This will be addressed in Part III.

Summary Charts

Chart III.19. Bolivia. Social classes, their role in the balance of payments, relative winners and losers

Bolívia		2002-2008	2009-2014	2015-2017
Capitalist fractions	Dominant Fractions	**Agricultural and extractive sectors (natural resource intensive sectors)**		
	Relevant Fractions	**Commodity Manufacturing** (Manufacture of nonferrous metals) and **Traditional Manufacturing**		
Capitalist fractions Evolution	Relative Winners	Extraction of natural gas (SOE); Mining of metal ores	Extraction of natural gas (SOE); Mining of metal ores	Mining of metal ores
	Relative losers	Foreign oil companies (replaced by nationalization); manufacture of food products (Santa Cruz's oligarchy); traditional manufacturing	Manufacture of food products (Santa Cruz's oligarchy); traditional manufacturing	Manufacture of food products (Santa Cruz's oligarchy) and Extraction of crude petroleum and natural gas (SOE's); traditional manufacturing
Subaltern class and the external constrain		Remittances provision and consumer of imported products		

Source: Author's elaboration. For more details, see Chart III.8.

Chart III.20. Chile. Social classes, their role in the balance of payments, relative winners and losers

Chile		2002-2008	2009-2014	2015-2017
Capitalist fractions	Dominant Fractions	**Agriculture and extractive sectors** and **Commodity manufacturing** (Copper industry); **Financial services**		
	Relevant Fractions	**Commodity manufacturing**; **Infrastructure** (electricity, gas and water); **Civil Construction and other services**		
Capitalist fractions Evolution	Relative Winners	Mining of metal ores; Manufacture of nonferrous metals	Mining of Metal Ores; Crop and animal production; Fishing	Mining of Metal Ores; Crop and animal production; Fishing
	Relative losers	Crop and animal production; Fishing; Manufacture of paper and paper products; Manufacture of chemicals	Manufacture of nonferrous metals; Manufacture of paper and paper products; Manufacture of chemicals	Manufacture of nonferrous metals; Manufacture of paper and paper products; Manufacture of chemicals
Subaltern classes and the external constrain		Production cost of exportable goods, consumer of imported products and remittances provision		

Source: Author's elaboration. For more details, see Chart III.18.

Chapter Four – Argentina, Brazil, and the Political Economy of BOP: Dual Economies

The aim of this chapter is to identify the Argentinean and Brazilian balance-of-payments trends and associate them with dominant and relevant fractions within the power bloc. We have grouped these two experiences due to their semi industrialized economic structures. Then, we will dedicate one section for each country and the third will be focused on making a comparison that allows us to highlight some differential elements.

4.1 Argentina. "Cultivar el suelo, es servir a la patria"[123]

A long-term view of Argentinian history shows the centrality of the agricultural sector since the country's early international into the expansion of British capitalism through the production of wool and chilled beef, and later the agricultural consolidation of wheat and corn throughout the 20th century. Although its productive structure was diversified following the end of the primary export model in the 1930s, the manufacturing sector had difficulties inserting itself globally, despite playing a significant role in regional integration, in the Mercosur commercial block that was created in the 1990s. The landowning oligarchy of the Pampas established itself as the dominant fraction since the end of the 19th century and has remained at the centre of the economic and political scene (ARCEO, 2003; BASUALDO, 2010B; SABATO, 1988).

Although the Argentine territory is quite large (the eighth largest in the world), its productive structure has been concentrated in the *Pampa Humeda* (mainly the province of Buenos Aires and the neighbouring regions of Santa Fe, Córdoba, Entre Rios, and La

[123] "To cultivate the soil is to serve the Nation" is the motto of the Sociedad Rural Argentina (SRA), a civil society association, founded in 1866, that brings together the large landowners in the Pampas region.

Pampa). Additionally, most of its population lives in this area (around 60%), and is especially concentrated in the metropolitan area of Buenos Aires and its port.

As in the Brazilian case, the industrialization process did not generate significant technological innovation, was led by public companies and, in a complementary way, by the implementation of policies to promote transnational capital (especially in the automotive, oil, and petrochemical sectors). The landowning oligarchy also diversified its assets into the industrial sectors that processed natural resources (BASUALDO, 2010A). However, this process was truncated by the coup d'etat in the 1970s and completely abandoned without social resistance after the debt crisis and the episodes of hyperinflation in the late 1980s (ABELES, 1999).

The neoliberal reforms of the 1990s were implemented under a currency board policy that was successful in addressing the problem of inflation, but required constant financial inflows (mainly public debt) (DAMILL, 2000). These reforms involved labour flexibilization, trade and financial liberalization, the privatization of a large number of public companies, including the social security and public services system, and incorporation into the legal-institutional structure of the world order led by the USA. These policies continued and deepened the processes and transformations initiated in the 1970s: capital concentration and centralization, disintegration of the industrial structure with the consequent rise in unemployment, a fall in real wages and notable growth in poverty (NOCHTEFF, 1999; BASUALDO, 2010A). Finally, when it became impossible to continue increasing the external public debt, the currency board collapsed in 2001/2002.

The period being analysed coincides with the Nestor Kirchner (2003-2007) and Cristina Fernandez de Kirchner (2007-2015) administrations and Macri's government (2015-2019). The neoliberal experience of the 1990s ended with the worst economic, social, and institutional crisis in Argentina's history. The unemployment rate increased to 25% and the poverty rate reached 50%, while the economy fell 10 pp in 2002. Looting, repression, and deaths were the most repeated images of the December 2001 revolts. This situation fully questioned the neoliberal hegemony that had been built in the West and its artifices: the United States and the multilateral credit organizations such as the IMF and the World Bank. This promoted a scenario of relative autonomy to save the system of domination and proclaim some sovereignty in terms of international relationships. Unlike the Chilean and the Brazilian cases, the democratization process during the 1980s left the armed forces out of the political scene. The coup's members were tried for their crimes against human rights and, during the 1990s, the forces were underfunded. Thus, it was not an option for the armed forces to intervene on the political scene during the neoliberal crises.

At this point, it is important to emphasize that the policies taken during the transition (2002-2003) had a notable impact on Argentina's relationship with the world economy.[124] First, the financial sector was in the eye of the storm. The country defaulted on (and subsequently renegotiated) its external public debt and the local financial system had to be compulsorily *pessified* to avoid massive bankruptcy.[125] Although the Central Bank implemented prudential measures to avoid speculative movements in the

[124] For a detailed analysis, see Varesi (2014a), Feliz & Lopez (2012).

[125] During the final decades of the 20th century, the various inflationary phases and, especially, the hyperinflationary episodes of the late 1980s promoted *de facto* dollarization, especially as a value reserve. During the 1990s, the currency board legitimized these practices and allowed banks to open accounts denominated in dollars, at the same time, that the dollar was legally established as a means of payment.

line with other regional administrations, international financial flows practically did not enter the country while these conflicts remained latent.

Second, foreign direct investment was also discouraged by lawsuits initiated by the transnational corporations that were already operating public services and opposed the pessification of their profits. These firms took advantage of the extended judicial institutionality of bilateral investment treaties and filed claims to the ICSID to protect their interests.

Third, the end of currency board and the peso depreciation generated a scenario of extraordinary profitability for natural resource exports (agribusiness, oil, and mining)[126], which was partially offset by an export tax in order to avoid an immediate transfer to domestic prices. The redistribution of this natural resource rent was a key factor of dispute throughout the two decades of the 21st century (VARESI, 2018A; BASUALDO, 2010A).

4.1.1 Argentinian Macroeconomics and the External Constraint

Taking this legacy into account, the Kirchner administrations (2003-2015) modified the State's role in the economy and reoriented foreign policy towards the region and the Global South. The economy recovered and grew 5.0% in 2002-2008, while it slowed to 1.4% in 2009-2014. In 2015, the neoliberal project embodied by Mauricio Macri gained State power, realigning foreign policy with the USA, while the gross product remained practically unchanged (0.2% between 2015-2018). As I have highlighted, Argentina's

[126] The end of the currency board was settled between two alternative economic projects: the devaluation supported by domestic economic groups and the dollarization *a la Ecuador* supported by the international financial sector. Ultimately, the first prevailed. For a discussion, see Merino (2015), Basualdo (2010a), among others.

dynamic shows greater macroeconomic and political breakdowns than the rest of the region and the balance of payments has been central.

In this sense, the three subperiods analysed display completely different dynamics (Chart IV.1) First, the **sub-period 2002-2008** reproduced the regional trends: commercial and current surplus which meant reserves accumulation (even in a negative financial account framework). The commodity boom and Chinese demand guaranteed an expansion of exports, especially underpinned by the soybean complex. This relief in the external constraint made it possible for Argentina to renegotiate part of the debt it defaulted on in 2005. This subperiod finished with the international financial crises and the "*crisis del campo*"[127], an episode which created a rivalry between the agricultural fractions and the Kirchner administrations.

Secondly, **the subsequent period (2009-2014),** following the regional trend, presented a trade surplus while the current account turned deficit. Even when FDI inflow allowed the financial account to become surplus, it was not enough to accumulate reserves. The commercial surplus deteriorated due to the classic technological dependency that notably increases capital and intermediate goods imports during the expansion phase. This situation was boosted by the debacle in domestic energy production (BARRERA & SERRANI, 2019). This fact led to the renationalisation of the former state oil company, Yacimientos Petroliferos Fiscales (YPF), in 2012 (MECON, 2012).

[127] The "agrarian conflict" originated in March 2008 as a result of the attempt to establish higher taxes on exports of soybeans and other crops. For several months, the confrontation between the government and agricultural fractions undermined economic activity and reorganized the political-social scenario in a remarkable way (Barsky & Davila, 2008; Giarraca et Al, 2008; Basualdo, 2011).

Chart IV.1. Argentina. Balance of Payments (Averaged current millions of US dollars)

	2002-2008	2009-2014	2015-2017
I. CURRENT ACCOUNT	6,125	- 4,025	- 21,213
BALANCE ON TRADE	13,505	8,224	- 8,600
BALANCE ON PRIMARY INCOME	- 8,127	- 13,079	- 13,517
BALANCE ON SECONDARY INCOME	747	829	904
II. CAPITAL ACCOUNT	166	60	189
III. FINANCIAL ACCOUNT	- 1,872	2,680	29,370
DIRECT INVESTMENT	3,923	8,229	7,573
PORTFOLIO INVESTMENT	- 2,196	- 134	23,871
OTHER INVESTMENT	- 3,599	- 5,415	- 2,074
IV. NET ERRORS AND OMISSIONS	- 151	- 1,137	- 359
V. RESERVES	4,268	- 2,423	7,987

Source: CEPALStat

Unlike the rest of the region, its default on its external debt and its subsequent renegotiations in 2005 and 2010 profoundly limited Argentina's access to external credit.[128] Although the external public debt restructuring reached almost all the creditors, "vulture funds" acquired a minority percentage (around 7% of the *defaulted* debt), which resulted in a judgment that blocked access to international financial flows for the National and Subnational States as well as for some local companies.[129]

Adittionally, constant capital flight and a few bank runs deteriorated the external position[130] (BASUALDO ET AL, 2017). By the end of 2011, the external constraint appeared as a limit to the macroeconomic trajectory. This reinforced the capacities of the export sectors, particularly the agricultural capitalist fractions that had sustained a confrontation with the Kirchner administration since 2008/2009, to engage in a

[128] For a history of the negotiations, see Arceo & Wainer (2008)

[129] For a narrative of this conflict, see Kupelian & Rivas (2014).

[130] The outflow of private capital in the context of the global crisis affected a group of "developing countries", a process that was called the "flight to quality." In this context, Damill and Frenkel (2013) argue that internal sources of uncertainty were added to this process, such as the intervention into the statistical institution (INDEC), the "agrarian conflict", and the (re)nationalization of the pension system. The authors affirm that the magnitude of such outflows can only be compared with the bank crisis in the 1980s, the "Mexican crisis" in the mid 1990s, and the final phase of the currency board.

retention of production in order to depreciate the exchange rate and increase their profits.

The Kirchner administration's response to this situation involved the definition of import quotas and quantitative controls on the foreign exchange market (VARESI, 2018A). Faced with the impossibility of obtaining international financing, the Chinese government encouraged a swap agreement to shore up international reserves.

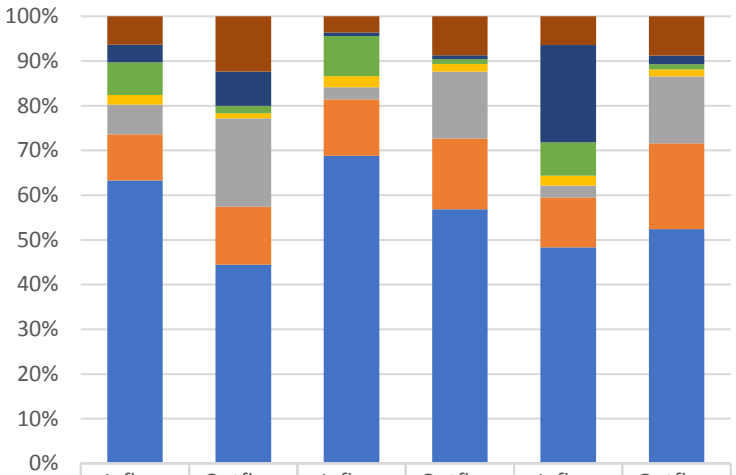
The fall in the terms of trade and the aforementioned deterioration of the external accounts made it impossible to improve the material conditions of the subaltern classes, which, along with other factors of internal political struggle, led to political change in the presidential elections in 2015 (VARESI, 2018A).

Finally, the **third sub-period** is associated with the change in administration and modification of State strategy. Macri's electoral triumph implied the recognition and payment of the debt with the *vulture funds*, which reopened the possibilities of international indebtedness. Quantitative controls were released, which led to an accelerated devaluation of the exchange rate in December 2015 and the consolidation of the current and commercial account deficit. In line with regressive distributive policies, taxation for exporting commodities was also reduced, while rates for public services were raised dramatically.[131] Unlike the former sub-period, the financial account financed the deficit and allowed for the accumulation of reserves (BARRERA & BONA, 2018). Without controls of financial flow, the "carry trade"[132] was encouraged by the high local interest rate, while the repatriation of capital was promoted by a tax

[131] For a chronology, see Varesi (2018b).
[132] A currency carry trade is a financial operation whereby a high-yielding currency funds trade with a low-yielding currency. A trader using this strategy attempts to capture the rate differential.

exemption (portfolio and other investments in the balance of payments scheme). These elements, along with the growing external indebtedness, enabled the stability of the nominal exchange rate during 2016-2017. However, the result was the highest recorded debt issuance in Argentine history (BASUALDO ET AL, 2017).

Chart IV.2. Argentina. Inflow and Outflow in Balance of Payments (Average current millions US dollars)



	Inflow 2002-2008	Outflow 2002-2008	Inflow 2009-2014	Outflow 2009-2014	Inflow 2015-2017	Outflow 2015-2017
Other Investment	6%	12%	4%	9%	6%	9%
Portfolio Investment	4%	8%	1%	1%	22%	2%
Direct Investment	7%	2%	9%	1%	7%	1%
Secondary Income	2%	1%	3%	2%	2%	2%
Primary Income	7%	20%	3%	15%	3%	15%
Services	10%	13%	13%	16%	11%	19%
Goods	63%	44%	69%	57%	48%	52%

Source: CEPALStat

In 2018, the runs against the exchange rate stability and the interruption of external financing forced the government to start negotiations with the IMF to obtain a *stand-by* loan. The scenario of the accumulation of reserves came in the formation of external assets by the private sector (CIFRA, 2019). With Trump's support and contradicting its statute, the IMF agreed to the greatest loans in its history with the usual austerity "recommendations". It demanded fiscal discipline focused on the reduction of public investment in infrastructure, current transfers to subnational states, public employees'

wages, and social benefits. The recession was the prelude to a new presidential election in 2019. The GDP fell 5.0% between mid 2015 and the same period in 2019, while GDP per capita went down 8.8% (CIFRA, 2019). Then, Macri's administration was electorally defeated at the end of 2019.

Thinking about social classes and their role in external constraint, as I have been highlighting, exporters were the main player during the two first subperiods. Later, financial services also took on a dominant role. Therefore, it makes sense to analyse the fractions in terms of the goods trade[133] and, secondly, to explore the fractions around the financial account that are responsible for the (direct and portfolio) investment inflows and their retributions outflow.

4.1.2 Argentinian trade. Chinese effect, soybean expansion and the manufacturing decline

First, let's explore the goods trade. If we look at the data on goods exports (See Chart IV.3 and Statistical Annex.Chart A.14), we can see that agriculture and extractive sectors have concentrated an increasing share of total sales (around 66% in 2002 to 69% in 2017), mainly manufacture of food products (especially soybean by-products: meal and oil) and crop and animal production (cereals, cereals preparations, fruits and meat). Also, it is important to highlight the notable drop in the participation of the oil industry due to the aforementioned productive crisis and the relative expansion of mining, doubled its participation reaching 5% of exports. In summary, these natural-resource

[133] The available data does not allow for undertaking a similar analysis with trade on services. Comtrade information allows us only to infer the importance of travel and transport. However, a detailed analysis would not be possible.

intensive sectors are associated with the economic interests of the dominant fractions in the power bloc.

Chart IV.3. Argentina. Goods Exports by sectorial classification (In shares) (2002, 2008, 2014 and 2017)

ISIC Classification	2002	2008	2014	2017
Agricultural and extractive sectors (natural-resource intensive sectors)	**66.2%**	**65.9%**	**64.9%**	**69.1%**
Agriculture, hunting and forestry	**20.3%**	**26.1%**	**22.2%**	**27.2%**
Crop and animal production, hunting and related service activities	19.9%	25.8%	22.0%	27.0%
Cereals and cereal preparations	9.0%	11.0%	8.8%	13.2%
Oil-seeds and oleaginous fruits	5.0%	7.1%	6.2%	5.4%
Vegetables and fruit	3.5%	4.4%	3.9%	4.9%
Fishing	**2.8%**	**1.8%**	**2.3%**	**3.4%**
Mining and Quarrying	**19.6%**	**12.1%**	**9.4%**	**8.1%**
Extraction of crude petroleum and natural gas	16.8%	9.2%	4.7%	2.8%
Petroleum, petroleum products and related materials	14.4%	7.1%	3.9%	2.1%
Mining of metal ores	2.7%	2.8%	4.6%	5.2%
Manufacturing	**23.5%**	**25.8%**	**31.0%**	**30.3%**
Manufacture of food products	22.0%	24.0%	29.1%	28.1%
Feeding stuff for animals	10.9%	11.3%	19.1%	17.1%
Fixed vegetable fats and oils	7.6%	9.6%	6.0%	8.1%
Technology Intense Manufacturing	**10.6%**	**14.5%**	**15.8%**	**13.5%**
Manufacture of motor vehicles, trailers and semi-trailers	6.2%	9.4%	12.4%	10.0%
Commodity Manufacturing (Capital intensive sectors)	**13.1%**	**12.0%**	**11.4%**	**11.3%**
Traditional Manufacturing (Labor force intensive sectors)	**8.8%**	**5.3%**	**5.0%**	**4.5%**
Other Services	**1.0%**	**2.0%**	**2.8%**	**1.6%**
Infrastructure Services	**0.3%**	**0.3%**	**0.0%**	**0.0%**
Total	**100%**	**100%**	**100%**	**100%**

Source: Author's elaboration based on Comtrade and ISIC Classification (See Methodological Annex). More details in Statistical Annex. Chart A.14)

As I have mentioned, the Chinese commercial effect has mainly been expressed in the soybean sector (oil-seeds, feeding stuff for animals, fixed vegetable fats and oils). Soybean cultivation has expanded widely in the region.[134] In the specific case of

[134] This was a result of the action of the fourth agricultural technological block that included the development of genetically modified soybean seeds tolerant to herbicide and pesticides, the direct sowing and agrochemicals that improved the yield of genetically modified seeds (VITELLI, 2003). In this sense, the high profitability of soybeans, resulting from a substantial reduction in costs and the increase in international prices since 2002, has led agricultural capitalists to massively plant this oilseed.

Argentina, the expansion occurred in the lands of the traditional Pampas (the provinces of Buenos Aires, Santa Fe, Cordoba, and La Pampa) and, also, extended to new productive lands such as Entre Rios, Chaco, San Luis, Salta, and Santiago del Estero, reaching up to 15 of the 24 Argentine subnational states. Soybean has been competing for lands with other traditional activities, such as cattle production (meat and milk), wheat, cotton, and other oilseeds[135]. This phenomenon has also affected the exports of other agricultural activities (PÁEZ, 2016). Along this line, what is important to note is that the soy expansion nationalized the interests of landowners and agricultural producers creating a power bloc that it is no longer focused on the Pampas region.

In a complementary way, the 1990s legislative reforms related to mining promoted foreign direct investment and enabled metal mining (mainly gold) to begin in Catamarca, San Juan, Santa Cruz and Jujuy. In this regard, the sector is commanded by international companies (BASUALDO, F, 2012). Similarly, the oil and gas industry has been the focus of different promotion policies, since the beginning of neoliberal reforms, and multinational firms have gained increasing importance, especially after the privatization of YPF in the early 1990s. However, this scenario involved a reduction in local production with a consequent slow down in exports during the 2000s (BARRERA, 2018). This institutional framework changed in 2012 when YPF was renationalised and new policies were implemented to increase production, especially in *Vaca Muerta*'s shale reserves. So far, the oil industry has not recovered its significance in terms of currency provision, but it has reduced its share in term of imports (see Chart IV.4).

[135] Monoculture has resulted in soil depletion and a greater need for fertilizers, with negative effects on the environment.

Secondly, there is a group of relevant activities corresponding to manufacturing sectors that, jointly, went from accounting for 31% in 2002 to 29% in 2017. This decreasing trend was mainly explained by traditional manufacturing (textile and leather products that experienced a major global price reduction) and commodity manufacturing (basic metals and basic pharmaceutical products). On the contrary, technology intensive manufacturing has increased its participation. It has been energized by the automotive industry that doubled its share until 2014 and, later, fell due to the Brazilian crisis and stagnation.

Based on data analysed, it is worth remarking on the dual character of the economy. Although extractive sectors have increased their global participation, the manufacturing sector did not completely lose its relevance. Additionally, although several authors (FERNANDEZ BUGNA & PORTA, 2011; TAVONASKA & HERRERA, 2012) have highlighted the reindustrialization process in the 2000s, it is also important to comment that this sector did not deepen its international insertion, except for the aforementioned exception of the automotive industry.[136]

In addition, the dual character or semi-industrialized productive structure implies that economic expansion promotes an increasing share of intermediate and capital goods imports, around 65-80% (Chart IV.4). Likewise, the Argentine trend has shown an expansion of capital goods, in detriment to intermediate goods. It should be noted that, although Tierra del Fuego was constituted as special economic zone for domestic

[136] In addition to foreign currency providers, the role of the illegal drug trade must not be ignored. This activity leads to money laundering and promotes the accumulation of capital in different sectors, especially the construction sector. Argentina is classified as a transit country, that is, it participates as a link in commercialization towards Europe (aside from the internal consumption of cocaine and marijuana). I am unable to explore the issue further here due to the lack of available data, but, without a doubt, it influences the political dynamics of state apparatuses, especially municipal and provincial spheres.

provision, Argentina remains relatively outside the dynamics of global value chains (MEDEIROS & TREBAT, 2017), so the increase in intermediate good imports cannot be explained by this factor.

Chart IV.4. Argentina. Good Imports by Broad Economic Classification (In participation shares) (2002, 2008, 2014 and 2017)

	2002	2008	2014	2017
INTERMEDIATE GOODS (BI)	**66%**	**53%**	**47%**	**46%**
CONSUMER GOODS (BC)	**15%**	**18%**	**16%**	**23%**
CAPITAL GOODS (BK)	**14%**	**22%**	**19%**	**22%**
FUELS AND LUBRICANTS	**5%**	**8%**	**18%**	**9%**
Total	**100%**	**100%**	**100%**	**100%**

Source: Instituto Nacional de Estadisticas y Censos (INDEC-Argentina) (For more details, see Chart A.15)

4.1.3 Argentina and the "Sisyphean" Financial Account

Argentina has not been a main destination for direct investment during the 2000s. However, it has a long history of international capital participation. During the periods analysed, the flow has represented around 1.2 to 1.8% of the GDP (Chart IV.6), significantly less than Brazil or Chile. In addition, it is important to point out that the prior internationalization process negatively affected the external accounts. Direct investment inflows were not large enough to compensate the great outflows of dividends (primary income) (Chart IV.6 and Chart IV.7). In this line, the ECLAC estimates (2019) suggest that foreign capital stock represented 27% of the GDP in 2001 and fell to 19% in 2018.

In the same way as financial capital was affected by the default and policies for exiting the neoliberal crisis, transnational companies remained on alert during the following years due to the judgments that were initiated by the freezing of public services tariffs. In a way, there has also been disinvestment in infrastructure services (see the first subperiod in Chart IV.5). Argentina was one of the countries that signed many bilateral

investment treaties in the 1990s, therefore, TNCs were later able to resort to international tribunals such as the International Centre of Settlement of Investment Disputes (ICSID) of the World Bank ("*imperialism by invitation*"). Due to ICSID's conflicts and a set of regulations governing foreign currency outflows during the period from 2012–2015, the reinvestment of profits[137] was encouraged and reduced the weight of equity (ECLAC, 2017).

Chart IV.5. Argentina. Foreign Direct Investment by sector (2005-2016) (In current million dollars and participation shares)*

ISIC Classification	2005-2008		2009-2014		2015-2016	
Agricultural and extractive sectors (natural-resource intensive sectors)	2,391	28%	3,576	32%	2,602	33%
Other Services	2,047	24%	3,114	28%	1,832	23%
Financial Services	1,603	19%	1,784	16%	2,105	27%
Commodity Manufacturing (Capital intensive sectors)	1,262	15%	1,584	14%	902	12%
Technology Intensive Manufacturing	1,048	12%	801	7%	-70	-1%
Traditional Manufacturing (Labour force intensive sectors)	95	1%	304	3%	239	3%
Civil Construction	45	1%	23	0%	50	1%
Infrastructure Services	-91	-1%	44	0%	170	2%
Total	**8,400**	**100%**	**11,229**	**100%**	**7,829**	**100%**

Source: Author's elaboration based on Banco Central de la Republica Argentina -BCRA- (*https://www.bcra.gob.ar/PublicacionesEstadisticas/Inversiones_directas.asp*) and ISIC Classification (See Methodological Annex). For more details, see Statistical Annex
Note: *Data available from 2005 to 2016

The general trend shows that FDI was diversified in many sectorial groups with a focus on extractive activities, other services (retailers and telecomunications), and financial services, which increasingly account for between 70% and 85% (Chart IV.5). Mining and petroleum activities concentrate the main share of natural-resource intensive sectors (Statistical Annex.Chart A.16). Gold exploitation and, recently, lithium reserves[138] have

[137] The limits to the outflow overestimated FDI in the second subperiod (see Chart IV.5).
[138] Lithium-related investment projects continued to increase in Latin America. The region is the world's second largest supplier, with Argentina, Chile, and the Plurinational State of Bolivia making up the "lithium triangle". 72% of the reserves (identified exploitable resources) are in Chile and Argentina (ECLAC, 2019:36).

promoted investments in this area. The oil and gas industry was also a target for transnational capital due to the *Vaca Muerta* shale oil reserves. Additionally, in the beginning of the century, Brazilian trans-Latins acquired local subsidiaries in the meat chain sector (Marfrig, BRF and JBS-Friboi) (ECLAC, 2009).

Along the same line, Chilean trans-Latins acquired local retailers (CENCOSUD and Falabella-Chile). Finally, I should point out that telecommunication (Telefonica-Spain, Claro-Mexico and Telecom-Italy/Spain) and financial services flows are part of a global trend that has been modernizing these sectors. However, financial services have also been part of a general scenario merger and acquisitions: Patagonia Bank (Banco do Brasil – Brazil), Bank Boston (Standard Bank-South Africa), Standard Bank (ICBC – China), among others.

A final issue to highlight about FDI is the ambivalent role of manufacturing. As can be seen, commodity and technology intensive manufacturing are significant recipients of investments and cannot be ruled out as relevant actors. In this sense, the automotive sector, manufacturing of basic metal and chemicals respond to transnational accumulation interests, in which decision making takes place at a global level.

In terms of the external constraint, the final result of FDI (Chart IV.6) and its retribution (debit in Chart IV.7) shows almost a null effect[139]. It is the same effect that it is generated by Argentinian companies investing abroad. These results dismiss any consideration about the debate regarding capital's *nationality* or even the *national champions* policies.

Chart IV.6. Argentina. Direct Investment (% GDP)

Direct Investment	2002-2008	2009-2014	2015-2017

[139] Kennedy & Sanchez (2019) highlight that if a longer period is taken into account (1992-2018), the balance of FDI and its remuneration is positive due to the fact that YPF, the largest company in the country, was sold to international capitals in 1999.

Direct investment abroad	-0.4%	-0.2%	-0.2%
Direct investment in reporting economy	2.2%	1.8%	1.4%
Balance of direct investment	**1.8%**	**1.6%**	**1.2%**

Source: CEPALStat

Chart IV.7. Argentina. Balance on primary income (% GDP)

	2002-2008	2009-2014	2015-2017
Income (credit)	2.2%	0.6%	0.5%
Employees compensation (credit)	0.0%	0.0%	0.0%
Investment income (credit)	2.2%	0.6%	0.5%
Direct investment income (credit)	0.5%	0.2%	0.1%
Portfolio investment income (credit)	0.2%	0.2%	0.2%
Other investment income (credit)	1.3%	0.1%	0.1%
Income (debit)	-6.6%	-3.2%	-2.7%
Employees compensation (debit)	0.0%	0.0%	0.0%
Investment income (debit)	-6.5%	-3.2%	-2.7%
Direct investment income (debit)	-2.1%	-2.1%	-1.4%
Portfolio investment income (debit)	-2.8%	-0.8%	-0.9%
Other investment income (debit)	-1.6%	-0.4%	-0.3%
Balance on primary income	**-4.3%**	**-2.6%**	**-2.2%**

Source: CEPALStat

The "Argentine" companies' internationalization process was pioneering in the region (ECLAC, 2006). However, few companies have survived into the early 2000s. The main ones include the Techint group (specializing in seamless tubes) and Arcor (food manufactures).[140] The first on has moved its head office to Luxembourg and has become a global player. In this way, its local roots are fragile since as, a group, it responds to an internationalized institutionality and, as discussed in the previous chapters, it has a strong link with the US legal apparatus.

In addition to litigation with the ICSID, it is important to mention the conflict with the *vulture funds* in the New York court, the jurisdiction of the 1990s sovereign debt. This trial involved the inaccessibility of the international financial market for the public

[140] For internationalization process, see Santos (2012)

sector. In this sense, the financial flows had a constant negative balance during the first two sub-periods due to the cancellation of renegotiated debt and "capital flight"[141] (See Chart IV.8). The impossibility of financing current deficits eroded international reserves accumulation. In turn, it prevented the Central Bank from maintaining an autonomous exchange policy.

Chart IV.8. Argentina. Financial Account (Average in current millions of US dollars and % GDP)

Financial Account (excluding FDI, reserves and related items)	2002-2008	2009-2014	2015-2017
Portfolio Investment (I=a+b)	- 2,196	- 134	23,871
a-Portfolio investment assets	- 417	- 67	- 2,131
Equity securities (assets)	- 345	- 248	282
Debt securities (assets)	- 72	181	- 2,413
b-Portfolio investment liabilities	- 1,779	- 67	26,002
Equity securities (liabilities)	254	- 11	1,413
Debt securities (liabilities)	- 2,033	- 56	24,590
Other Investment (II=c+d)	- 3,599	- 5,415	- 2,074
c-Other investment assets	- 5,668	- 8,158	- 7,865
Other investment assets: Monetary authorities	-	-	-
Other investment assets: General government	- 77	- 213	565
Other investment assets: Banks	- 235	391	- 912
Other investment assets: Others sectors	- 5,356	- 8,336	- 7,518
d-Other investment liabilities	2,069	2,743	5,791
Other investment liabilities: Monetary authorities	- 858	- 18	2,164
Other investment liabilities: General government	- 361	2,350	1,510
Other investment liabilities: Banks	75	- 328	659
Other investment liabilities: Others sectors	3,212	739	1,457
Total (III=I+II)	**- 5,795**	**- 5,549**	**21,797**
(% GDP)	**(-0.8%)**	**(-0.3%)**	**(0.9%)**

Source: CEPALStat

In this regard, the different scenarios of exchange rate depreciation fuelled the distributive conflict that was unleashed in 2007. These characteristics promoted a recurring cycle of real exchange rate appreciation, commercial account erosion and, later, (nominal and real) exchange rate depreciation. Unlike Bolivia, the instability of the

[141] For a detailed chronology, see Barrena & Bona (2016), Kennedy & Sanchez (2019), among others.

nominal exchange rate encouraged *de facto* dollarization and capital flight, which created feedback with the previous cycle. The quantitative controls (imports and financial assets known as *cepo*) imposed by the government only decelerated the cycle, but failed to reverse it and resulted in the proliferation of a parallel market and financial engineering to access the exchange market. Barrera & Bona (2018:17) estimated that capital flight reached around 4% of the GDP between 2002-2007 and 2% during 2008-2015.

As I have already mentioned, Macri's administration accepted and paid the unfavourable sentence against the *vulture funds* in 2016, which reopened the international capital market for a few months. Along these same lines, he promoted a repatriation of capital with a tax incentive. These two measures together (temporarily) reversed the sign of the financial balance in the third subperiod (See Chart IV.8). However, the result was the highest recorded debt issuance in Argentine history (Basualdo et Al, 2017).

Like in the Sisyphus mythology, the interruption of external financing forced the government to start negotiations with the IMF to obtain a *stand-by* loan in 2018. The runs against the exchange rate stability promoted the formation of external assets by the private sector (CIFRA, 2019). The usual "recommended" austerity drove a recession that was the prelude to a new presidential election in 2019.

Summing up

To summarize, the financial account inflows were limited by the policies implemented to abandon the currency board and recover from the neoliberal crisis. Agricultural and extractive activities have been associated with the dominant fractions within the power

bloc during the two firsts subperiod due to their importance in international trade. Agricultural products such as soybean and its by-product, cereals and its manufacture have accounted for more than 50% of total exports. In this sense, the agricultural export capitalist fractions maintained a veto capacity over the entire logic of local accumulation and over the Kirchner administrations' ability to practice economic policies.

Chart IV.9. Argentina. Social classes and thei role in the balance of payments

<table>
<tr><th colspan="2">Argentina</th><th>2002-2008</th><th>2009-2014</th><th>2015-2017</th></tr>
<tr><td rowspan="2">Capitalist fractions</td><td>Dominant Fractions</td><td colspan="2">Agricultural and extractive sectors (natural-resource intensive sectors): (mainly, soybean industry, cereals and its manufactures) (Pampas oligarchy and international companies); Extraction of crude petroleum (international oil companies and later, SOE); Mining of metal ores (international mining companies)</td><td>Agriculture and extractive sectors (natural-resource intensive sectors); Financial Services</td></tr>
<tr><td>Relevant Fractions</td><td colspan="2">Technology Intensive Manufacturing (Motor vehicles) (International automotive companies); Commodity Manufacturing (Manufacture of chemicals, basic pharmaceutical products and basic metals - TECHINT) (International and domestic private companies); Traditional Manufacturing (Manufacture of rubber and leather) (International and domestic private companies); Other Services (Retailers and telecommunications); Financial Services</td><td>Technology Intensive, Commodity Manufacturing and Traditional Manufacturing; Other Services (Retailers and telecommunications)</td></tr>
<tr><td colspan="2">Subaltern class and the external constrain</td><td colspan="3">Consumer of imported products, production cost of exportable goods and foreign assets buyers (de facto bimonetarian economy)</td></tr>
</table>

Source: Author's elaboration

In the new phase opened by the change in administration, both the agricultural exporters and international financial sector have assumed a dominant role. International institutions led by the US allowed the international financial fractions (*vulture funds*) to obtain extraordinary profits.

However, it is important to highlight the existence of a relevant fraction associated with technology intensive, commodity and traditional manufacturing and other services (retailers and telecommunications) that are internationalized due to their exports or FDI.

In this sense, even when the new international dynamic has benefited the extractive sectors and traditional ruling classes, the presence of these relevant fractions feeds the idea of a dual economy.

4.2 Brazil and its "Casa-Grande"[142]

Among countries in the region, Brazil, along with Mexico, achieved the greatest degree of productive diversification during the state-led industrialization process, a process that was truncated by the debt crisis of the 1980s. The industrialization process was led by public companies and, in a complementary way, by the implementation of policies to promote transnational capital and domestic capital under the scheme known as *Triplice Alliance* (EVANS, 1979; EAKIN, 2001). Unlike the Global North, Brazil industrialized without generating significant technological innovation, which remains a characteristic of Brazilian (and Latin American) industrialization to this day (EAKIN, 2001; BIELSCHOWSKY, 1999).

Furthermore, this process did not imply social and geographical integration. A large part of the population continued living in with precarious conditions; inequality intensified, since the process was concentrated in southeast region: Rio de Janeiro, São Paulo, and Belo Horizonte. The southern states maintained an agrarian insertion into the global economy, relatively middle-high social and human indicators, similar to the rest of the Plata Basin (the Pampa region in Argentina and Uruguay). Meanwhile, the three remaining regions: the Northeast, Central-West, and North present the worst social and economic indicators. In this sense, the cities in the Northeast and North maintain the

[142] Published in 1933, Casa-Grande e Senzala (translated to English as: The Masters and the Slaves) is a book by Gilberto Freyre, about the formation of Brazilian society. The casa-grande ("big house") refers to the slave owner's residence on a sugar cane plantation, where whole towns were owned and managed by one man.

legacy of the relations of production from the colonial and slavocracy era and the first decades of the Republic. This period was characterized by accumulation cycles based on exportable commodities, such as sugar (Pernambuco and Bahia), rubber (Amazonas, Rondonia, and Para), and cotton (Maranhão).[143] Thus, large landowners have also maintained their central political and economic role in these regions. However, the concentration of land owndership is not only a regional issue. The era of coffee plantations also left its mark on the Southeast. This explains why the land Gini index is 0.856, demonstrating the historical role of the national rural elites in the configuration of an extremely unequal agrarian structure (ESCHER & WILKINSON, 2019)[144].

As mentioned above, the industrialization process was abandoned after the debt crisis and hyperinflation episodes in the late 1980s. Thus, the neoliberal wave did not arrive until the mid-1990s, later than in the rest of the region (SAAD FILHO, 2019). The democratization process involved a new constitution (1988) that announced a social role for the State as a way to settle an old social debt with the subaltern classes. Similar to Chile, the armed forces did not lose their role on the political scene. However, they have attempted to play a secondary role as guardians of the institutional order.

Neoliberal transformations did not penetrate as deeply as in other countries and meant that the State maintained a large part of its "developmentalist" apparatus, primarily the development bank (Banco Nacional de Desenvolvimento Economico e Social – BNDES)

[143] We should not forget the gold cycles in Minas Gerais in the colonial era and coffee in Sao Paulo during the 19th - 20th centuries. However, these regions were subsequently transformed by industrial development.

[144] For different maps showing the land Gini Index by county, see Atlas da Questão Agraria Brasileira (http://www2.fct.unesp.br/nera/atlas/estrutura_fundiaria.htm)

and oil SOE (Petrobras). However, the main mining company, Vale do Rio Doce, was privatized.

In general terms, Fernando Henrique Cardoso's administrations (1994-2002) consolidated the *Real* program and a macroeconomic policy known as *tripé* or "policy tripod" that aimed to stabilize the economy and keep away the ghost of hyperinflation. The tripod enforced typically neoliberal policies: inflation targeting and the operational independence of the Central Bank, floating exchange rates with largely unregulated international flows of capital, and contractionary monetary and fiscal policies buttressed by the Fiscal Responsibility Law of May 2000 (SAAD FILHO, 2019). However, this macroeconomic model did not prevent the emerging countries' financial crisis of the late 1990s and the subsequent crisis of the country's main partner, Argentina (SERRANO & SUMMA, 2011).

This scenario of local economic instability and regional questioning of the Washington Consensus enabled the rise of the *Partido dos Trabalhadores (PT),* which vindicates the expansion of social rights and poverty reduction (SAAD FILHO, 2019). However, this political scene did not mean the same degree of relative autonomy as in Argentina or Bolivia. In order to secure its election and maintain political stability within the "rules of the game," the PT committed itself to neoliberalism and maintain the tripod macroeconomics policy[145](SAAD FILHO, 2019).

[145] Carta ao Povo Brasileiro [Letter to the Brazilian People] (2002) was the Lula's public commitment that his administration would honor contracts and property while respecting the macroeconomic model established during the 1990s.

4.2.1 Brazilian macroeconomics and the external constraint

Since then, the period under analysis corresponds to the PT administrations of “Lula” da Silva (2002-2010) and Dilma Rouseff (2010-2016); the government that emerged after the parliamentary coup (2016-2018), and Bolsonaro’s administration (2019-). During the commodity booms, the Brazilian economy grow 4.0% and, after the international financial crises, it slowed down to 2.8% in 2014. In the last subperiod (2015-2018), it started a decreasing trend of -1.2%. The trajectory clearly shows the rise of the *Pink Tide administrations* following the neoliberal crises, their consolidation, their decline, and the re-emergence of conservative forces through a parliamentary coup.

The macroeconomic model based on the *tripé* has been maintained over the last two decades. Thus, the change in the political scenario was associated with the role played by the State, which was called "social developmentalist" or “inclusive and developmental neoliberalism” (SAAD FILHO, 2019). On one side, the focus was social inclusion (and, in some way, the democratisation of social life) through increasing social expenses[146], raising the minimum wage, among other things, which opened the way for what Singer (2012) has called “Lulism” (FILGUEIRAS ET AL, 2010; SINGER, 2009; SAAD FILHO, 2019). Fonseca et Al (2020) underscore that Lula and Rousseff’s governments

[146] Since this increase in social spending did not imply universalization and was implemented as targeted policies, it generated the antipathy of the subaltern classes that were excluded due to income level criteria (middle and high wage labour). In general, this gap not covered by the State has promoted the commodification of social expenses such as education, health and social protection with the support of the financial system. Furthermore, fiscal collection on personal income taxes increased. Then, new taxpayers emerged from the formally waged subaltern classes as a result of retention in their workplaces. On the other hand, the ruling classes have kept their tax obligations low through tax avoidance and evasion mechanisms (Fagnani, 2018). The information available in Brazil suggests that poverty and income inequality from labour showed a decline, but the exceptionally large concentration of income at the top did not change. As a result, the “bottom” made gains at the expense of the “squeezed middle” (MORGAN, 2017; PRATES ET AL, 2020).

certainly had a project in terms of income distribution.[147] On the other side, the "developmentalism" was driven by the BNDES's financing policy (GHIBAUDI & LALTUF, 2017). In term of international relationships, the PT administration announced that it would seek greater independence from the Global North, with the objective of positioning Brazil as a regional power and reference point in South-South relations.

Lula's reelection[148] (2006-2010) led to a Keynesian turn, increasing public spending in infrastructure (*Programa de Aceleração do Crescimento*) as a way out of the international crises. Even though the growth rate did not achieve the historical rates of the 1970s (GONÇALVES, 2014), the general balance was positive due to increasing social inclusion and a growing international relevance[149].

Dilma's administration (2011-2014), a continuation of Lula's, assumed State power with the promise to deepen *developmental* policies. In this sense, a lower interest rate (SELIC) was promoted as a way to drive productive investment in a context of low international rates (See Chapter 2.2 Chinese (re) emergence and LACs balance-of-payment relief). This international context had created a great financial flow into developing countries, such as Brazil (see the second subperiod in Chart IV.11) and caused the appreciation of the Brazilian exchange rate (SERRANO & SUMMA, 2015).

The attempt to lower the domestic interest rate and dispute with financial banking ended when the consequent exchange rate depreciation rekindled the ghost of inflation (SINGER, 2015). Here, a new turn was made in the political orientation. The

[147] Brazil's historical growth pattern has always intensified income concentration, but there was a steady decline in this trend after 2003. The minimum wage as an index of pensions and social security played an important role in maintaining the historical commitment to income redistribution.
[148] It was preceded by *mensalão,* a corruption case in which the PT administration was accused of buying votes in Congress. The scandal almost brought Lula down.
[149] For a detailed analysis, see Boito (2012) and Singer (2009)

administration chose to boost private investment through fiscal exemptions, while international commodities prices were falling. Then, the fiscal deficit promoted fiscal austerity (due to the *tripé*)[150]. This was the last step in the developmentalist attempt. In parallel, accusations of corruption began in the SOE Petrobras, which resulted in the *lava jato* operation. Additionally, social mobilizations for improvements in basic urban services irrupted in 2013. In this scenario, Dilma managed to be re-elected in 2014, but the economic crisis was already underway. As Chart II.2 shows, the economy has been falling since 2014, while the unemployment rate has doubled and reached double digits and inequality began to increase again. In this sense, the economic decline was the prelude to political decay. With the erosion of the PT's support base, former PT allies and opponents carried out the 2016 parliamentary coup with the promise of neoliberal reforms (privatizations, labour and pension reform).[151].

The coup enabled Dilma's vice president, Michel Temer, to take office. Temer approved the labour reform, a constitutional amendment freezing primary fiscal spending in real terms for 20 years, and a change in oil exploration contracts to benefit transnational companies at the expense of the SOE Petrobras. Despite the neoliberal "promise", the economy was not reactivated. In the context of the discrediting of the political class, the new elections placed Jair Bolsonaro, a former military officer, in office in Brasilia. Under

[150] The reduction of taxes on corporate profits has been partially supplanted by a trend to increasingly tax individuals' income. The exonerations in Brazil were part of a strategy of the Dilma administration to encourage private investment and reduce the formation of public capital. On the contrary, this resulted in a negative fiscal result that, due to fiscal rules, promoted a reduction in primary expenses, triggered the drop in aggregate demand, and generated a recession (SERRANO & SUMMA, 2015; DWECK & TEIXEIRA, 2017).

[151] For a chronology, see Pinto et Al (2019)

the slogan of "*fighting corruption*", the economic plan has included fiscal austerity, privatization, and pension reform (SAAD FILHO, 2019).

Unlike the Argentinian case, the external constraint is not considered one of the causes of the PT administrations' downfall. Taking into account the transformations of the global capitalist dynamic, Brazil has not faced the BOP constraint since 2003, in spite of its large current account deficits during the second and third subperiod (see Chart IV.10) and the turbulence in international financial markets after 2008 (SERRANO & SUMMA, 2011).

Chart IV.10. Brazil. Balance of Payments (In Average current millions of US dollars)

	2002-2008	2009-2014	2015-2017
I. CURRENT ACCOUNT	1,315	- 71,733	- 30,914
BALANCE ON TRADE	23,594	- 23,105	8,497
BALANCE ON PRIMARY INCOME	- 25,795	- 51,705	- 42,187
BALANCE ON SECONDARY INCOME	3,516	3,077	2,776
II. CAPITAL ACCOUNT	664	398	371
III. FINANCIAL ACCOUNT	19,761	100,887	31,198
DIRECT INVESTMENT	12,519	65,015	63,565
PORTFOLIO INVESTMENT	8,418	40,830	- 3,472
OTHER INVESTMENT	- 1,175	- 4,958	- 28,895
IV. NET ERRORS AND OMISSIONS	- 631	146	4,644
V. RESERVES	21,110	29,699	5,300

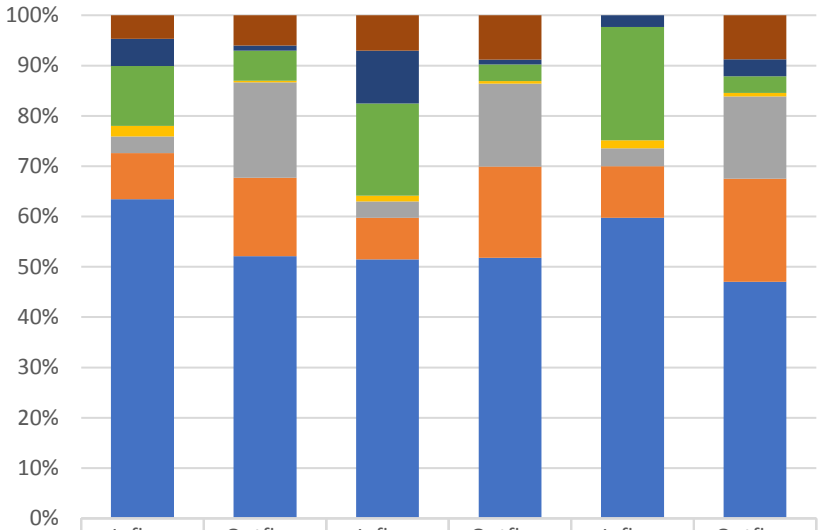
Source: CEPALStat

Accumulated international reserves reached USD 375 billion by mid-2012 and, since then, have oscillated around this level. This massive accumulation of international reserves improved the external solvency and liquidity index (SERRANO & SUMMA, 2015). This scenario created favourable conditions for the Central Bank to maintain a persistent exchange rate appreciation policy that reduced international inflationary pressures and facilitated imports (SERRANO & SUMMA, 2011), which eroded the

commercial account. Feedback was produced between this scheme and the inflation targetting policy and the high interest rate spreads that promoted strong financial flows.

The current account dynamics showed a growing deficit following 2008, although the balance on goods turned into a deficit in 2014. After the commodity price boom, the external dynamics became strongly dependent on the financial account after the subprime crisis. Then, the interest rate defined by the Central Bank gained a central role in the dynamics of accumulation (LOUREIRO & SAAD FILHO, 2018). In this sense, foreign direct investment was the main cause of reserves accumulation after 2009 (Chart IV.10).

Chart IV.11. Brazil. Inflow and Outflow in Balance of Payments (In shares)



	Inflow	Outflow	Inflow	Outflow	Inflow	Outflow
	2002-2008		2009-2014		2015-2017	
Other Investment	5%	6%	7%	9%	0%	9%
Portfolio Investment	5%	1%	11%	1%	2%	3%
Direct Investment	12%	6%	18%	3%	23%	3%
Secondary Income	2%	0%	1%	0%	2%	1%
Primary Income	3%	19%	3%	16%	4%	16%
Services	9%	16%	8%	18%	10%	20%
Goods	63%	52%	51%	52%	60%	47%

Source: CEPALStat

In order to identify the relevance of capital fractions, three issues can be pointed to. First, exports accounted for about two thirds of foreign currency provision (Chart IV.11).

In the second instance, it is important to highlight the role of direct investment that generates a strong inflow, but also a strong outflow (primary income outflow). Third, it is also worth commenting on the volatile role of financial flows, which reached 20% of international money provision in the second subperiod and fell sharply after 2014. As I have commented, the relevance of this fraction became stronger when the commercial account became a deficit during the second subperiod.

4.2.2 Brazilian trade: China and the Reprimarization Effect

First, let's examine the trade account. The data on goods exports[152] (See Chart IV.12) shows that the agricultural and extractive sectors have concentrated an increasing share of total exports (around 40% in 2002 to 60% in 2017), meaning that they can be associated with the dominant fraction. That dynamic is explained by agriculture (which almost doubled its participation due to soybean, meat, and corn-maize) and mining of metal ores (iron ore).[153] The manufacture of foods products, such as sugar and coffee, continued their historical levels of participation, with a relative expansion of sugar.

In second place, manufacturing activities also played a role in terms of international currency provision: technology intensive manufacturing (machinery and equipment manufacturing and the automotive sector), commodity manufacturing (steel, paper, and chemical products), and traditional manufacturing (rubber and plastic products, textile and apparel products). During the 2000s, they lost some relative relevance due to the

[152] The available data does not allow for undertaking a similar analysis with trade on services. Comtrade information allows us only to infer the importance of travel and transport. However, a detailed analysis would not be possible.

[153] Brazilian refineries are not prepared for the type of oil that is extracted in their territory. Therefore, the increase in pre-salt deposits implied an increase in its exports since 2008 (see Chart IV.12), but, it is offset by oil imports from Middle East and Africa.

change in international relative prices between industrial and primary products (see the former chapters).

Chart IV.12. Brazil. Goods Exports by sectorial classification (In shares) (2002, 2008, 2014 and 2017)

ISIC Classification	2002	2008	2014	2017
Agricultural and extractive sectors (natural-resource intensive sectors)	**42.9%**	**50.5%**	**61.5%**	**59.8%**
Agriculture, hunting and forestry	**15.1%**	**17.1%**	**22.9%**	**24.2%**
Crop and animal production, hunting and related service activities	13.6%	16.2%	22.3%	23.5%
Oil-seeds and oleaginous fruits	5.0%	5.6%	10.5%	12.0%
Meat and meat preparations	5.2%	7.3%	7.6%	7.0%
Mining and Quarrying	**11.6%**	**20.9%**	**24.7%**	**22.1%**
Mining of metal ores	6.3%	11.0%	15.1%	13.1%
Metalliferous ores and metal scrap	5.7%	10.5%	14.0%	11.8%
Extraction of crude petroleum and natural gas	4.9%	9.5%	9.3%	8.7%
Petroleum, petroleum products and related materials	4.9%	9.5%	9.2%	8.7%
Manufacturing	**15.6%**	**12.3%**	**13.8%**	**13.3%**
Manufacture of food products	12.2%	10.2%	12.1%	11.6%
Sugars, sugar preparations and honey	3.7%	2.9%	4.4%	5.4%
Coffee, tea, cocoa, spices, and manufactures thereof	2.9%	2.7%	3.4%	2.8%
Feeding stuff for animals (not including unmilled cereals)	3.8%	2.4%	3.3%	2.5%
Technology Intensive Manufacturing	**25.0%**	**21.7%**	**15.1%**	**17.5%**
Manufacture of machinery and equipment n.e.c.	8.0%	7.7%	6.7%	7.2%
Manufacture of motor vehicles, trailers and semi-trailers	7.1%	7.1%	4.2%	6.6%
Manufacture of other transport equipment	4.7%	3.9%	2.8%	2.4%
Manufacture of electrical equipment	4.8%	2.8%	1.3%	1.2%
Commodity Manufacturing (Capital intensive sectors)	**19.9%**	**19.1%**	**15.3%**	**15.8%**
Manufacture of basic metals	9.0%	9.1%	5.8%	6.2%
Iron and steel	6.4%	7.0%	4.8%	5.2%
Manufacture of chemicals and chemical products	3.9%	4.2%	3.3%	2.9%
Manufacture of paper and paper products	3.4%	3.0%	3.3%	3.9%
Traditional Manufacturing (Labour force intensive sectors)	**10.2%**	**6.2%**	**5.9%**	**5.7%**
Other Services	**2.0%**	**2.5%**	**2.2%**	**1.2%**
Total	**100%**	**100%**	**100%**	**100%**

Source: Author's elaboration based on Comtrade and ISIC Classification (See Methodological Annex). More details in Statistical Annex. *Chart A.17*

Due to the *subprime* crisis, the USA was displaced as the main commercial partner and China took its place. The commercial Chinese effect has been expressed mainly in soybean and mineral ore sectors and, at lower extend, in crude petroleum. Among natural resource countries, Brazil's distintictive feature is its strong presence and

competitiveness in the three major commodity groups: agriculture, mineral and oil. Chinese's fast expansion exerted a strong push effect in all of them.

As I have highlighted, soybean cultivation has expanded primarily in Brazil and Argentina, but it has also extended to Paraguay, Bolivia, and Uruguay[154] (PACHECO, 2012). In the specific case of Brazil, the expansion occurred in the lands of Mato Grosso, Parana, Rio Grande do Sul and, to a lower extent, Goiás, Mato Grosso do Sul, Minas Gerais, Bahia, São Paulo, Maranhão, Tocantins, Piauí, Santa Catarina, and Pará, involving 13 of the 26 Brazilian states[155]. Soybean exploitation has reached 53% of the total grains area (ESCHER & WILKINSON, 2019). This transformation valued lands that were not traditionally agricultural,[156] almost nationalized the "*modern*" agricultural practice, while increasing the need for infrastructure to connect with port areas. In the same way, it increased the pressure (political and para-state violence) on indigenous lands, quilombolas and biodiversity reservoirs such as the Amazon, reproducing *primitive accumulation*. This issue, which has involved trasnational players, has been discussed globally through the term *land grabbing* (FLEXOR & LEITER, 2017).

In addition, soybean meal, which has long been considered a by-product, has become the main product sought after in the world market due to the fact that it is the main input (along with corn) for animal production industries, such as poultry and hog

[154]These countries are known as the "united soybean republics " because they produce more than half of the world's soybean (RULLI & BRAVO, 2007).

[155] Previously concentrated in the South, soybean production later spread to the Cerrado regions (in the Central-West and Minas Gerais states) and the Northeast. In the 2000s, it expanded to the Amazonian region, especially to the Amazon state and Pará (particularly in the south-eastern and western parts of the state) (FLEXOR & LEITE, 2017).

[156] From 2010 to 2015, land valorization was more intense in the North, Northeast and Central-West. In these regions, where agricultural expansion was more intense, average price variations went beyond 150%, reaching 220% in the extreme example of the North. In the South (+131%) and Southeast (+130%), average variations were less intense, even if there was significant increase (FLEXOR & LEITE, 2017).

breeding. This element is connected with another sector that experienced strong growth: the meat chains of the cattle, chicken and hog industries. The agricultural boom and the expansion of the productive frontier[157] involved the development of this production, which allowed firms located in Brazil to climb to the first steps of the world market. The most significant cases have been those of JBS and Brasil Foods, meat processing companies owned by domestic capitals, who acquired assets in the region and the world leveraged by the Brazilian development bank (BNDES). In addition to historical and "new" landowners, transnational companies that own export structures were also relative winners, such as Cargill, Bunge, ADM, Louis Dreyfus, and Nidera (bought in 2014 by COFCO, Chinese capitals), among others. These are the main actors of the Brazil-China soybean-meat complex[158] (ESCHER & WILKINSON, 2019).

Activities related to iron ore are also associated with the dominant fraction's interest. Iron ore exploitation lies almost entirely in the hands of Vale (more than 80%), the largest mining company in the world and one of the ten largest companies in the region. The firm was privatized during Fernando Henrique Cardoso's administration in the 1990s and its ownership is currently distributed among domestic and international shareholders (listed in New York, Paris, and Madrid) and the national state (BNDES participation). While they benefited from the Chinese effect, miners are also a key supplier for the domestic steel industry and, consequently, a key supplier for

[157] According to Companhia Nacional de Abastecimento (CONAB)'s data, grain production has increased fourfold while the agricultural area has doubled between 2000 and 2017. Rice and corn productivity per hectare also doubled (https://www.embrapa.br/visao/trajetoria-da-agricultura-brasileira).

[158] China, as an importing hub, is going through changes in eating habits towards the increase in the consumption of animal protein due to the increase in income per capita, urbanization and the affluence of the new middle class. Brazil, as an export hub, is experiencing expansion in the planted area, in the quantity produced and in exports of soybeans. However, this connection goes beyond bilateral trade, since the Chinese companies have been making foreign direct investments (FDI) in soybeans and also in other Brazilian agribusiness chains (land, inputs, sugar, tobacco, cellulose, etc.) and its related infrastructure (ESCHER & WILKINSON, 2019).

automotive, civil construction, capital goods, and durable goods manufacturing enterprises. This domestic realization involves between 30 and 40% of their total production.

Moreover, the discovery of large petroleum reserves in the pre-salt layer reinforced the Chinese effect and placed the Brazilian economy in a prominent position in the global petroleum market. In Latin America and the Caribbean, Brazil has the second biggest proven oil and gas reserves and it is the leading oil producer, having surpassed Venezuela since 2016. The extraction increased by one third between 2009 and 2018, while exports doubled, with China as the main destination (about 50%). This activity is concentrated in Rio de Janeiro and Amazonas. The Brazilian government has been opening the sector up for private investment (transnational capitals such as Shell, Petrogal, Equinor, Sinopec, and Total), however the SOE Petrobras was still been responsible for more than 85% of oil and gas production in 2018[159] (ANP, 2019). The relevance of Petrobras shows the importance of the dispute over the state apparatus.

The traditional elites associated with coffee and sugar chains can also be included within the agricultural and extractive industries. The coffee chain has strong roots in São Paulo and Minas Gerais. Sugar cane is produced practically throughout the whole country, but it has shown a sharp increase in southeast São Paulo, Minas Gerais, Mato Grosso do Sul, Goiás, and Paraná.[160]. The industrial sectors of both chains are, mainly, located in the Southeast (São Paulo).

[159] The refining process (*downstream*) is also controlled by SOE Petrobras, which owns 98% of the industrial capacity.

[160] This expansion is mostly due to ethanol production related to the Brazilian Agro-energy Plan (Programa Nacional de Agroenergia). Production is concentrated in the southeast (in particular in São Paulo and Minas Gerais), and has spread into Mato Grosso do Sul, Goiás, and Paraná, to the detriment of more

Secondly, relevant activities can be identified that correspond to manufacturing sectors that, jointly, went from accounting for 55% in 2002 to 37% in 2017. This trend toward a decreasing share was reflected in all the sectorial groups (traditional, commodity manufacturing and technology intensive manufacturing) and almost all the industries (see Statistical Annex. Chart *A.17*). In 2002, the main destinations of manufactured goods were NAFTA, the European Union and, to a lesser extent, Mercosur. Manufacturing exports grew until 2017, but less than extractive activities, and Mercosur has become their second most significant destination. In the cases of technology intensive (automotive industry) and traditional manufacturing (rubber and plastic products), the regional block has become the main destination of exports. An interesting fact, not highlighted in the literature, is that China has become the third most important destination for commodity manufacturing (mainly pulp and paper waste), surpassing the regional bloc (Source: Comtrade).

This event has implied a relative reprimatization process of exports due to the fact that extractive sectors have expanded their international insertion to a larger share. Silva Amaral (2016) argues that this was mainly due to changes in international demand. Since Brazil had already revealed comparative advantage in extractive industries, the change in the composition of global demand eventually accelerated the growth of exports, causing the country to deepen its commercial specialization[161].

'traditional' areas used to cultivate sugar cane (the north of the state of Rio de Janeiro, the Zona da Mata in Pernambuco, the north of Alagoas, and the south of Paraíba) (LEXOR & LEITE, 2017).

[161] Furthermore, we can also identify the fractions linked to illegal drug trafficking. In this sense, it is important to highlight that although Brazil grew as a consumer market, its main role in the international network is as a transit country. Brazilian ports (mainly, Santos) are the bridge connecting South America to Europe, in some cases via Africa. Since the 1970s-1980s, different groups (Commando Vermelho, PCC, Amigos dos Amigos) have disputed control over the territory and created quasi parallel states (Luna, 2020). Nevertheless, I cannot go into depth on this issue due to the lack of data about its significance in terms of international trade.

Similar to the Argentinian case, intermediate goods represented about 60% and, taking into account capital goods as well, productive items represented about 70% of international purchases during the 2000s and 2010s (See Chart IV.13 and Statistical Annex.Chart A.18). It should be noted that, even though Manaus was constituted as a special economic zone for domestic provision, Brazil remains relatively external to the dynamics of global value chains (MEDEIROS & TREBAT, 2017), so the increase in imports of intermediate goods cannot be explained by this factor.

Chart IV.13. Brazil. Good Imports by Broad Economic Classification (In participation shares) (2002, 2008, 2014 and 2017)

Broad Economic Classification (BEC)	2002	2008	2014	2017
INTERMEDIATE GOODS (BI)	63%	58%	55%	62%
FUELS AND LUBRICANTS	13%	18%	17%	12%
CONSUMER GOODS (BC)	10%	11%	14%	15%
CAPITAL GOODS (BK)	14%	12%	13%	11%
GOODS NOT SPECIFIED PREVIOUSLY	0%	0%	0%	0%
Total	100%	100%	100%	100%

Source: Author's elaboration based on data from the Ministerio da Industria, Comercio Exterior e Serviços (MDIC) and BEC Classification

4.2.3 Brazil and the Financial Account

Second, I have pointed out the relevance of FDI. Brazil has been the sixth most important destination for FDI in the world and received investments in a variety of sectors given its semi-industrialized production structure. This has meant an increasing share of GDP until reaching 4.0% in the last subperiod analysed (Chart IV.15). Thus, it has implied the internationalization of its structure. According to ECLAC (2019) estimates, the stock of FDI in relation to GDP went from 22% in 2001 to 43% in 2018.

Given this significant flow, it is important to identify the sectors that were relevant for this trend (Chart IV.14). Unlike Chile, most of investments were capital contributions (ECLAC, 2013; 2019; BCB,2018), which were diversified across different sectors. Services (retailers, telecommunications, real estate and transportation), natural resources and

commodity manufacturing were the leading groups in terms of flows and have concentrated about 70% of total flows (2006-2017). Even in times of international crisis, flows have grown due to a large domestic market, a lower dependence on exports than in other emerging economies, and the Brazilian banking system's low exposure to the financial crisis (ECLAC, 2009:26; 2017b: 61-63).

Chart IV.14. Brazil. FDI by sector (2006**-2017) (In current millions of dollars and participation shares)*

ISIC Classification	2006-2008		2009-2014		2015-2017		2006-2017	
Other Services	7,548	22%	15,359	29%	19,032	33%	14,325	29%
Agricultural and extractive sectors (natural-resource intensive sectors)	8,135	24%	12,245	23%	10,814	19%	10,860	22%
Commodity Manufacturing (Capital intensive sectors)	7,509	22%	10,579	20%	7,291	13%	8,990	18%
Financial Services	5,107	15%	6,428	12%	2,871	5%	5,209	11%
Technology Intensive Manufacturing	1,746	5%	4,105	8%	8,305	15%	4,565	9%
Infrastructure Services	1,480	4%	1,944	4%	6,869	12%	3,059	6%
Civil Construction	1,303	4%	1,495	3%	941	2%	1309	3%
Traditional Manufacturing (Labour force intensive sectors)	1,025	3%	1,277	2%	1,148	2%	1,181	2%
Total	**33,853**	**100%**	**53,432**	**100%**	**57,271**	**100%**	**49,498**	**100%**

Source: Author's elaboration based on Banco Central do Brasil and ISIC Classification (See Methodological Annex). For more details, see Statistical Annex. Chart A.19)
Note: *Capital contribution, exclude profit reinvestment and intercompany operations
**Data available since 2006

In addition to interest in access to the domestic market, there is also the issue of acquisition of strategic assets such as investments in natural resources, especially oil.[162] Oil and gas extraction was one of the main of FDI during the second and third subperiod (see Statistical Annex. Chart A.19). During the commodity boom, investments in mining (iron ore) increased greatly (ECLAC, 2006; 2009; 2013). These flows have reinforced the relevance of the agricultural and extractive industries within the power bloc.

In reference to the industrial structure, I should point out that, even when the export basket has been reprimarized, commodity (basic metals and chemicals) and technology

[162] I have already mentioned *land grabbing*.

intensive manufacturing (automotive, machinery and electrical equipment sectors) have been attracting a great flow of international investment, accounting for around 30%. In this regard, they also play a central role in terms of the external constraint, so they must be included within the dominant group.

In regards to its origins, most FDI came from the Netherlands, the USA, and Luxembourg (ECLAC, 2013; 2019). The Netherlands and Luxembourg are known as capital export platforms that enable capitalists to elude certain taxes, so it is difficult to make a definitive analysis about the origin of this capital. In this sense, a recent study by the Brazilian Central Bank (2018) estimates that North American (USA), European (Belgium, Spain, UK, and France) and Asian (China) investors have increasingly channelled their direct investments into Brazil through intermediary countries *(financial conduits)* in Europe. This element shows that, for the moment, the main players remain associated with the Global North's capitalism, while China begins to use the same mechanisms of financial intermediation to invest in Latin America.

Chart IV.15. Brazil. Direct Investment (% GDP)

Direct Investment	2002-2008	2009-2014	2015-2017
Direct investment abroad	-0.9%	-0.5%	-0.6%
Direct investment in reporting economy	2.3%	3.3%	4.0%
Balance of direct investment	**1.4%**	**2.8%**	**3.4%**

Source: CEPALStat

In the same way that Brazil has been the main receptor of capital in the region, it has also been the main exporter (ECLAC, 2019). The internationalization of Brazilian trans-Latins has a long history that started during the State-led industrialization process in the

1960s and 70s[163]. This was the characteristic that led Marini to speak about *subimperialism*.

At the beginning of the 21st Century, the largest enterprises investing abroad were the oil SOE Petrobras and, the former State-owned and privatized firm, Companhia Vale do Rio Doce, which specializes in mining[164]. In second place, we can find the group of companies focused in engineering and civil construction (Odebrecht, Andrade Gutierrez and Queiroz Galvão) and commodity manufacturing, such as steel (Gerdau, the formerly state owned Usiminas[165] and Companhia Siderurgica Nacional), paper (Klabin and Fibria) and cement (Camargo Correa, Intercement and Votorantim Cimentos) (ECLAC, 2006; 2009; SANTOS, 2012).

During the 2000s, new sectors have also become involved in the internationalization process, such as the meat and food processing industry (JBS-Friboi, BRF Foods, Marfrig and Sadia) in extractive activities and, also, other more complex manufacturing, such as bus bodies (Marcopolo) (ECLAC, 2006; 2009; 2013) and pharmaceutical products[166] (Eurofarma, EMS, Cristália and Biolab). Along the same line, we can identify the partially State-owned *Empresa Brasileira de Aeronautica* (EMBRAER) in the high-tech intensive manufacturing sector. However, it has recently undergone a process of complete acquisition by BOEING, following experiences of joint ventures in Europe, USA and China. There was also trans-Latin expansion in the financial sector due to Itau Bank,

[163] For a brief review, see ECLAC (2006:71-75)
[164] For a historical review of both enterprises, see ECLAC (2006)
[165] In 2011, Usiminas was partially bought by Techint. Estadão (2011/11/28). "*Techint fecha compra da Usiminas*". Available in https://economia.estadao.com.br/noticias/geral,techint-fecha-compra-da-usiminas-imp-,803797
[166] For studies about the internationalization process, see Pereira & Gomes (2017) and Steiner (2019).

which became a competitor of regional leader TNCs, such as the Spanish BBVA and Santander and Citicorp (ECLAC, 2009).

This internationalization process was supported by two state institutions. On the one hand, APEX Brazil, which promotes exports with business rounds while BNDES financed pre- and post-export operations[167] and the purchase of assets abroad (PIMENTEL ET AL, 2014; GHIBAUDI & LALTUF, 2017). Related to direct investment abroad, the focus was on extractive activities (meat processing industry) and commodity manufacturing (pharmaceutical, chemical, and petrochemical products) (GHIBAUDI & HIRT, 2017: 79).

According to Santos (2012:312), the ten main Brazilian trans-latins were concentrated in extractive industries (JBS, Vale, Petrobras, Marfrig and Brasil Foods), commodity manufacturing (Gerdau, Intercement, Fibria and Votorantim), and civil construction (Odebrecht). Brazilian Central Bank data shows that direct investment is primarily canalized through fiscal havens or *offshore centres* such as *the* Cayman Islands, British Virgin Islands, Bahamas, Luxemburg, and Panama. Then, it is not possible to know what is the final destination. In this sense, it is important to highlight that the Netherlands has greatly increased its importance as financial tunnel or hub for Brazilian capital (Chart IV.16). The predominant mechanism is more or less the same in each destination. They invest in a financial holding (financial services in Statistical Annex.Chart A.20) and, later, they canalize the flows to another country (*trans-shipping*) or the flows could come back to Brazil in an attempt to benefit from an accounting device or fiscal exonerations (*round tripping*).

[167] Between 2009 and 2014, the principle amounts used for financing post export operations were allocated to Boeing and the engineering and civil construction firms such as Odebrecht, Andrade Gutierrez, Queiroz Galvão and Camargo Correa (GHIBAUDI & HIRT, 2017:72).

Chart IV.16. Brazil. Direct Investment Abroad. Stock by country (Current millions dollars, participation shares and growth) (2007 and 2018)*

Country	2007		2018		2007-2018
Cayman Islands	41,653	29%	68,897	18%	**65%**
Netherlands	2,205	2%	58,718	16%	**2,563%**
British Virgin Islands	11,876	8%	51,186	14%	**331%**
Austria	31,215	22%	40,874	11%	**31%**
Bahamas	9,760	7%	33,654	9%	**245%**
USA	7,140	5%	25,248	7%	**254%**
Luxemburg	4,288	3%	21,047	6%	**391%**
Panama	1,278	1%	10,563	3%	**726%**
Spain	4,269	3%	8,063	2%	**89%**
United Kingdom	915	1%	7,768	2%	**749%**
Others	27,282	19%	51,567	14%	**89%**
Total (GDP %)	**141 880 (10%)**	**100%**	**377 584 (20%)**	**100%**	**166%**

Source: Banco Central do Brasil. Data since 2007.
Note: *Capital contributions and intercompany loans

In terms of GDP, this type of international integration has increased its significance, going from 10% in 2007 to 20% in 2018. In this sense, the potential impact in terms of the balance-of-payment constraint is not minor. Furthermore, it is important to highlight that this capital is subject to neoliberal global institutions, laws and agreements that were designed with US supervision (See Chapter 2).

Regarding to the formation of *national champions*, I will make three points. First, the formation of large companies does not imply an improvement in the dynamics of the external constraint since remuneration for foreign investments does not necessarily return to the sphere of the domestic economy, especially in an international scenario characterized by tax havens. However, repatriation remains a potential element that would feed pressures for a tax reduction in exchange.[168] Second, Brazilian companies show diverse insertion, in terms of sectors; they have achieved a global presence and

[168] In 2014, Dilma promoted a law (*Lei de Repatriação de Recursos*) that regularized the repatriation of capital that had not been declared to the *Receita Federal* (Brazilian Revenue Service). (https://www12.senado.leg.br/noticias/materias/2016/01/14/dilma-sanciona-lei-que-permite-repatriacao-de-dinheiro-mantido-no-exterior)

some of them are global players. Then, it is quite difficult to sustain that Brazilian capitalism has failed. Third, unlike Chile, Brazilian companies have implied an increase in the intercapitalist struggle on global scale, which implies the direct participation of state apparatus in different ways, via financing, diplomatic support for conflict resolution,[169] definition of para-tariff barriers and/or the use of elements of hybrid warfare.[170]

Chart IV.17. Brazil. Balance on primary income (% GDP)

Primary Income	2002-2008	2009-2014	2015-2017
Income (credit)	0.6%	0.6%	0.6%
Employees' compensation (credit)	0.0%	0.0%	0.0%
Investment income (credit)	0.6%	0.6%	0.6%
Direct investment income (credit)	0.1%	0.3%	0.4%
Portfolio investment income (credit)	0.3%	0.1%	0.0%
Other investment income (credit)	0.1%	0.2%	0.2%
Income (debit)	-3.4%	-2.8%	-2.9%
Employees' compensation (debit)	0.0%	0.0%	0.0%
Investment income (debit)	-3.4%	-2.8%	-2.9%
Direct investment income (debit)	-1.3%	-1.7%	-1.6%
Portfolio investment income (debit)	-1.4%	-0.9%	-0.9%
Other investment income (debit)	-0.7%	-0.3%	-0.4%
Balance on primary income	**-2.8%**	**-2.2%**	**-2.2%**

Source: CEPALStat

Taking these observations to account, I must point out that the net effect of direct investment (Chart IV.15) and its retributions (direct investment income debit and credit in Chart IV.17) has been positive during all the subperiods. On the contrary, the portfolio and other investments (Chart IV.15) and its retributions (debit and credit in the Chart

[169] For a study about the role of Itamaraty (Foreign Affairs Office) in the internationalization process, see Berbert (2018)

[170] The initial information that would have led to the investigation known as *Lava Jato* [Car Wash] was provided by the US State Department. This investigation involved the prosecution of the main businessmen of the major construction companies, Odebrecht, created a cloak of doubt and stopped all the investments that implied an association between the private and public sphere (Pinto et Al, 2019).

IV.17) have been negative. Therefore, the reserves accumulation process is mainly explained by the dynamics of direct investment.

Third and finally, as I have been pointing out, Brazil has been the destination for large portfolio investments, especially during the second subperiod (Chart IV.18), due to large differential between the domestic and the international interest rates (SERRANO & SUMMA, 2011). However, the net effect in terms of GDP was quite minor compared to FDI, less than 1%.

Chart IV.18.Brazil. Financial Account (Average current millions of US dollars and % GDP)

Financial Account (exclude FDI, reserves and related items)	2002-2008	2009-2014	2015-2017
Portfolio Investment (I=a+b)	8,418	40,830	- 3,472
a-Portfolio investment assets	- 68	- 493	- 2,734
b-Portfolio investment liabilities	8,486	41,323	- 738
Other Investment (II=c+d)	- 1,175	- 4,958	- 28,895
c-Other investment assets	- 6,932	- 34,974	- 26,535
d-Other investment liabilities	5,756	30,016	- 2,360
Total (III=I+II)	**7,243**	**35,872**	**- 32,367**
(% GDP)	**(0.0%)**	**(0.4%)**	**(-0.4%)**

Source: CEPALStat

In the same way as direct investment, portfolio and other investment keep a stock of Brazilian capital abroad that could have a potential effect in terms of balance-of-payment (around 3-4% of the GDP). Unlike direct investment, they are primarily channelled to the world's main stock: the USA and United Kingdom, and secondly place, to fiscal havens, such as the Bahamas, Cayman Islands, and Switzerland (Chart IV.19). Like Chile, financial integration also allowed a strategic partnership between the financial sector and the rest of the capital fractions given that the former allows the remission of large capital flows abroad in order to avoid tax obligations.

Chart IV.19. Brazil. Portfolio and other Investment Abroad. Stock by country (Current millions dollars, participation shares and growth) (2007 and 2018)*

Country	2007		2018		2007-2018
USA	10,606	36%	29,258	46%	**176%**
Bahamas	2,036	7%	8,199	13%	**303%**
Cayman Islands	4,289	14%	8,575	13%	**100%**
Switzerland	1,172	4%	3,144	5%	**168%**
Luxemburg	437	1%	1,980	3%	**354%**
Bermuda	3,295	11%	965	2%	**-71%**
United Kingdom	2,642	9%	1,044	2%	**-60%**
Portugal	185	1%	1,144	2%	**518%**
Netherlands	634	2%	524	1%	**-17%**
France	516	2%	1,097	2%	**113%**
Others	3,988	13%	7,724	12%	**94%**
Total (GDP %)	**29,799 3%**	**100%**	**63,655 4%**	**100%**	**114%**

Source: Banco Central do Brasil. Data since 2007.
Note: *Includes stocks, bonds, deposits and coins

Summing up

Let's review this subsection. As anticipated, Brazil's productive structure is the most diversified in the region, which implies that a diversity of capitalist interests are presented in its economy. However, commercial insertion showed an increasingly dominant role of fractions based in natural resources (soybean, corn, meat, metal ores, sugar, among others), partly encouraged by the rise of China. In advance, these fractions are positioned as dominant. However, domestic dynamics of accumulation have increasingly depended on FDI and financial portfolio flows. Therefore, the dominant group also includes some interests based on commodity (basic metals and chemicals), technology intensive (automotive sector) manufacturing, infrastructure and other services (retailers and telecommunications) that were the focus of FDI flows. Along the same line, the financial services fractions were the connection for the portfolio flow and were also a focus of FDI. In this sense, the logic of local accumulation became increasingly controlled by the interests of international financial and productive fractions.

Chart IV.20. Brazil. Social classes and their role in the balance of payments

Brazil		2002-2008	2009-2014	2015-2017
Capitalist fractions	Dominant Fractions	**Agricultural and extractive sectors:** crop and animal production (soybean, corn and meat industries – international and domestic private companies); mining of metal ores (domestic private company); extraction of crude petroleum (SOE); manufacture of food products (sugar and coffee); **Financial Services** (ITAU bank and transnational firms)**; Technology intensive manufacturing:** motor vehicles (international companies); **Commodity manufacturing**: manufacture of iron and steel (international private companies); **Other Services** (telecommunication and retailers)		
	Relevant Fractions	**Technology intensive manufacturing:** machinery (international companies) (EMBRAER); **civil construction** (domestic private companies); **Commodity manufacturing**: manufacture of paper and paper products (domestic private companies)		
Subaltern class and the external constrain		Production cost of exportable goods and consumer of imported products		

Source: Author's elaboration

In second place, there are a group of fractions that play or could play a role in terms of the international constraint. They have a minor participation in international trade and/or are Brazilian trans-latins, such as the technology intensive manufacturing sector (EMBRAER), civil construction (domestic private companies like Odebrecht, Andrade Gutierrez) and manufacture of paper and paper products' sector. They are associated with the relevant fractions.

4.3 Political Economy of the Argentinian and Brazilian BOP: the State and Dominant Classes

In previous sections, I associated the power bloc's dominant and relevant fractions with different industries according to the balance-of-payments dynamics. These results, along with the relative winner and loser fractions during the period analysed, are summarized in Chart IV.21 for Argentina and Chart IV.22 for Brazil. Taking these results into account, this section presents some notes on the articulation between these fractions, state power, and the dynamics of accumulation.

Argentina and Brazil are the largest economies in South America. In both countries, industrialization processes were led by public companies and, in a complementary way, by the implementation of policies to promote transnational and domestic capital. However, their manufacturing sectors had difficulty inserting themselves globally, even though they played a significant role in regional integration. In this sense, dual or semi-industrialized economies were configured with a greater degree of diversification than in Chile or Bolivia.

At the end of the 20th century, both countries experienced the ups and downs of the neoliberal model. However, the Argentine experience involved an economic, social and institutional crisis that opened a wide margin of relative autonomy. In the case of Brazil, the neoliberal model consolidated a macroeconomic scheme, and left pending the issue of social rights. Both trajectories enabled a transformation of the country's political orientation and a geopolitical realignment with the region and the Global South.

This change in the political scene took place in a context of the transformation of global dynamics due to the rise of China and low international interest rates that allowed massive financial inflows to the region. These two phenomenons implied a relief in LAC's external constraint. However, financial account inflows were limited in Argentina due to the policies implemented to get out of the currency board and recover from the neoliberal crisis. On the other hand, Brazil has been one of the world's most important destinations for financial inflows. Furthermore, the Chinese effect has been primarily expressed in soybean, mineral ore, oil and, recently, meat industries.

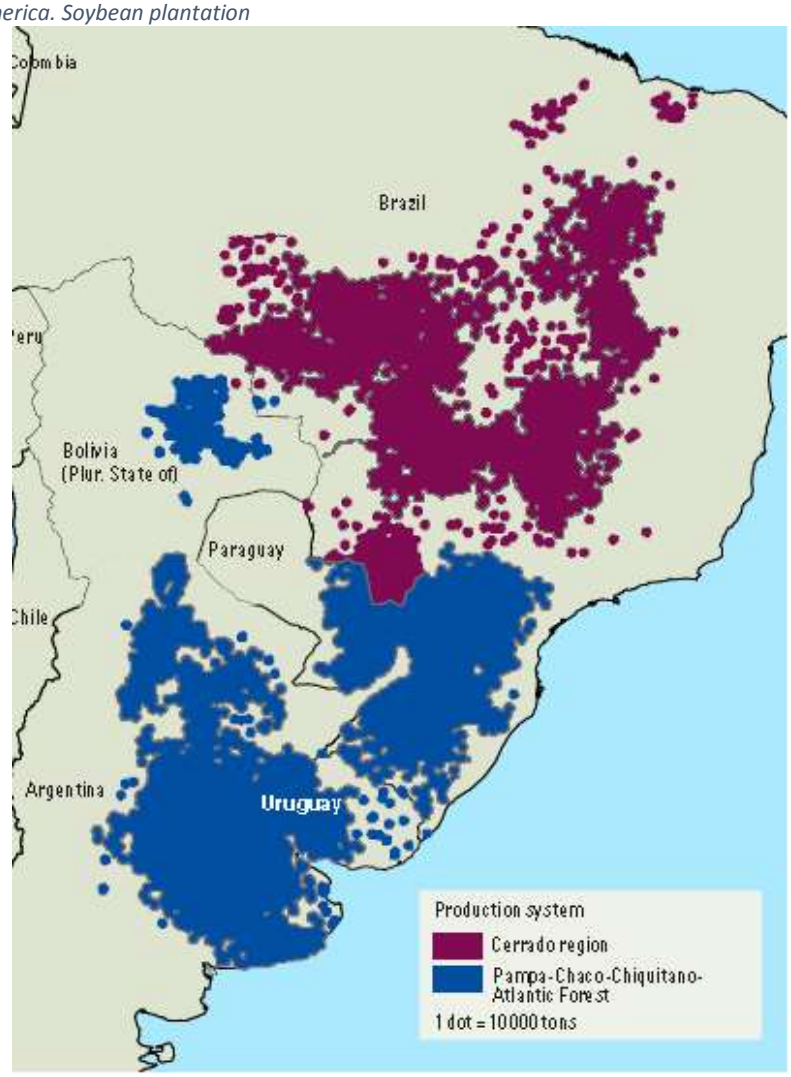
Therefore, agricultural and extractive activities have been associated with the dominant fractions in the power bloc due to trade issues. In the Argentinian case, this was

conclusive. However, the Brazilian case also incorporates the technology intensive (automotive industry) and commodity (basic metals, chemicals, and pharmaceuticals products) manufacturing and other services (telecommunications and retailers) that were the focus of FDI. These have also played a role in Argentina, but it was secondary in relation to extractive activities. In the same sense, financial services have played a central role in Brazil while they gained relevance in Argentina during the third subperiod, after the resolution of the conflict with the *vulture funds*.

In terms of relative winners and losers, five different trends can be identified. **First, changes in international dynamics have reinforced, in both cases, interests in the main natural resources.** Therefore, the relative winners, due to commercial interest, are almost clear and are associated with the Asian Rise, especially China's(re) emergence. In this sense, agricultural interests were spread almost across the entire national territory. Soybean cultivation expansion has involved 13 of the 26 Brazilian states and reached up to 15 of the 24 Argentinian subnational states (See

Map 1). This transformation valued lands that were not traditionally agricultural, while it increased the need for infrastructure to connect with port areas. The agricultural boom and extension of the productive frontier involved the development of meat chains of cattle, chickens, and hogs, which allowed firms located in Brazil to rise to the first steps of the world market. In the same way, it increased the pressure (political and para-state violence) on indigenous lands, quilombolas and biodiversity reservoirs, such as the Amazon, reproducing *primitive accumulation*.

Map 1. South America. Soybean plantation



Source: Oliveira & Hecht (2016) apud ECLAC (2019: 156)

Although the players can be differentiated from the agricultural and livestock chains, the traditional and "new" landowners maintain important economic and political power. Due to the new technological bloc, producers of GM seeds and herbicides have gained a relevant power to appropriate part of the income generated. In the same sense, I can mention the major international traders who hold the key to the world market, which, in most cases, are the owners of the grain processing industries. In Argentina and Brazil, exports are led by the big four, ABCD (Archer Daniels Midland -ADM-, Bunge, Cargill, and Dreyfus) and, recently, by the Chinese State-owned COFCO. The strong presence of

transnational commodity corporations is partially offset by certain large local groups. In Argentina, the leading companies are Aceitera General Deheza (AGD), Vicentin SAIC, and Molinos Río de La Plata, while in Brazil it is the Amaggi group, which also has a presence in Argentina (ECLAC, 2019).

To a lesser extent, the metal ore mining mining and oil industries have also played a role in the balance-of-payment dynamics. In both countries, mining activities have been benefited from the new international scenario due to increased exports and also by receiving a great flow of FDI. Vale and many transnational companies, such as Barrick Gold, have played a central role.

By contrast, the oil and gas industry has experienced different political trends in response to the discovery of large reserves, Pré Sal and Vaca Muerta. On one side, Brazil has tended to open the market for domestic and foreign investors. On the other side, Argentina nationalized the former SOE and, a few years later, promoted domestic and foreign capital. However, both countries continue to need fuel imports. These oscillating movements explain the relative winners and losers during the subperiods in Chart IV.21 and Chart IV.22.

Second, the fractions related to manufacturing industries as a whole appear as relative losers. However, different results can be identified among those industries. In both countries, traditional manufacturing has lost influence due to its role in the balance-of-payments dynamics. In a way, this is result of the Asian Rise, the huge growth in terms of productivity in this low value manufacturing and the consequent trend toward cheaper products (See chapter 2).

Technology intensive and commodities manufacturing have presented different results. In the Brazilian case, both groups have shown a decreasing share in international trade. However, they have had a relevant share of FDI inflows (around 28%, see Chart IV.14). In the Argentinian case, they represented a lower share in international trade than Brazilian industry but, they did not lose their share during the 2000s. Furthermore, the automotive sector has increased its share, due to Brazilian market expansion (see Chart IV.3). In the same sense, the main "Argentinian" trans-latin originated in the commodity manufacturing sector and this group accounts for around 15% FDI inflows (Chart IV.5).

In this regard, it is clear that the agricultural and extractive sectors have gained a greater relevance, however, the manufacturing sector is still playing a relevant role in terms of trade and FDI inflows.

In this regard, Brazil has been the sixth most important destination for FDI in the world, meaning the net international currency flows (minus dividends and interest reflows) has been positive. However, this scenario is particularly exceptional as I have shown in other cases (including Argentina), because it is quite difficult to reproduce these great inflows over a long period of time while the productive structure is increasingly foreignized. Nevertheless, the internationalization process is not necessarily continuous as shown in the Argentinian case (foreign capital stock represented 27% of the GDP in 2001 and fell down to 19% in 2018).

Fourth, and similarly to Chile, Brazil and, to a lesser extent, Argentina, have developed the idea of promoting *national champions* as a way of improving exports and relieving the external constraint. However, the internationalization of domestic firms did not necessarily help with the external constraint due to the fact that they could send their

dividends to tax havens. Furthermore, and in contrast to Chile, Brazilian companies have been involved in an increase in intercapitalist struggle on global scale, which has implied the direct participation of the state apparatus in conflict resolution.

Fifth and finally, financial services have played different roles. In the Brazilian case, they have been associated with dominant fractions since the 1990s, while, in the Argentinian case, the *vulture funds*' conflict limited inflows between 2002/2003 and 2016.

In both countries, the financial service sector has been useful for financial outflows. The financial sector has brought together the interests of the Argentinian and Brazilian dominant and relevant fractions based on its role in financial integration. This has enabled the internationalization of domestic capital, profit remission for transnational capital, and, also, it could forbid a connection with fiscal havens. Similar to Chile, both countries have a great capital stock abroad. Even when extractive and manufacturing might have divergent visions in regards to to *protectionist* or FTA policies, they converge in the interest of increasing financial integration.

These are the first elements to begin to characterize the dynamics of accumulation in Argentina and Brazil. In this sense, it is important to incorporate elements from the rest of the dominant and subaltern classes to capture the complexity of the public policy dispute. These will be addressed in Part III.

Summary Charts

Chart IV.21. Argentina. Social classes, their role in the balance of payments, relative winners and losers

Argentina		2002-2008	2009-2014	2015-2017
Capitalist fractions	Dominant Fractions	**Agricultural and extractive sectors (natural-resource intensive sectors)**		**Agricultural and extractive sectors (natural-resource intensive sectors)**; **Financial Services**
	Relevant Fractions	**Technology Intensive Manufacturing**; **Commodity Manufacturing**; **Traditional Manufacturing**; **Other Services**; **Financial Services**		**Technology Intensive, Commodity Manufacturing** and **Traditional Manufacturing**; **Other Services** (Retailers and telecommunications)
Capitalist fractions Evolution	Relative Winners	Crop and animal production; feeding stuff for animals; fixed vegetable fats and oils; Manufacture of motor vehicles	Crop and animal production; Feeding stuff for animals; Mining of metal ores; Manufacture of motor vehicles	Crop and animal production; Fixed vegetables fats and oil; Mining of metal ores; Financial Services
	Relative Losers	Extraction of crude petroleum; **Commodity Manufacturing** and **Traditional Manufacturing**	Extraction of crude petroleum; Fixed vegetables fats and oils; **Commodity Manufacturing** and **Traditional Manufacturing**	Extraction of crude petroleum; Feeding stuff for animals; Manufacture of motor vehicles; **Commodity Manufacturing** and **Traditional Manufacturing**
Subaltern class and the external constrain		Consumer of imported products, production cost of exportable goods and foreign assets buyers (de facto bimonetarian economy)		

Source: Author's elaboration. For more details, see Chart IV.9

Chart IV.22. Brazil. Social classes, thei role in the balance of payments, relative winners and losers

Brazil		2002-2008	2009-2014	2015-2017
Capitalist fractions	Dominant Fractions	**Agricultural and extractive sectors**; **Financial Services; Technology intensive manufacturing**; **Commodity manufacturing**; **Other Services**		
	Relevant Fractions	**Technology intensive manufacturing**; **civil construction**; **Commodity manufacturing**		
Capitalist fractions evolution	Relative Winners	Crop and animal production (soybean, corn and meat industries); Mining of metal ores; extraction of crude petroleum; Financial Services	Crop and animal production (soybean, corn and meat industries); Mining of metal ores; Manufacture of food products; Financial services	Crop and animal production (soybean industry); Financial Services
	Relative losers	Manufacture of food products; technology intensive, commodity and traditional manufacturing	Extraction of crude petroleum; technology intensive, commodity and traditional manufacturing	Mining of metal ores; extraction of crude petroleum; Manufacture of food products; technology intensive, commodity and traditional manufacturing
Working class and the external constrain		Production cost of exportable goods and consumer of imported products		

Source: Author's elaboration. For more details, see Chart IV.20.

Part C – Dominant Classes, the Power Bloc and Subaltern Classes in BCAB in the Early 21st Century: Political Economy of Domestic Capital Accumulation (GDP, Economic Policy and the Labour Force)

> "*Capitalist production, therefore, under its aspect of a continuous connected process, of a process of reproduction, produces not only commodities, not only surplus-value, but it also produces and reproduces the capitalist relation; on the one side the capitalist, on the other the wage labourer.*" (Marx, Das Kapital, B.I, Chapter XXI)

Introduction

So far, I have identified the capitalist fractions that led the power blocs in the selected Latin American countries (Bolivia, Chile, Argentina and Brazil – BCAB) through the BOP political economy between 2002 and 2017 (Part B). However, it is necessary to verify if these fractions really express the internal dynamics of economic and political power, in line with the hypothesis suggested in part B.

For this purpose, Part C will analyse GDP participation, between 2002 and 2017, as a proxy for (the increase in or reduction of) internal economic power of the fractions within the power bloc. Therefore, I make some adjustment to the national accounts that are detailed below in Methodological Issues.

To a large extent, the evolution of this flow expresses the capacity of the power bloc fractions to project their interests within the State. In the same way, the subaltern classes also push for their interests according to different social characteristics of economic insertion, organizations, and identity. In other words, this dynamic expresses

the way in which the class struggle is configured in each Latin American social formation, characterized by precarious labour conditions and high exploitation. Given the extreme complexity of this discussion, which goes beyond the scope of this study, here I only present a first approximation of subaltern's interests[171] according to their insertion in the labour market, using the information available through ECLAC and the national account systems.

Methodological Issues

Similar to Part B, here I will investigate the evolution of wealth flows and sectorial shares recorded by the GDP[172] estimates in the national account systems in Bolivia, Chile, Argentina, and Brazil. I will try to show how this evolution (positive or negative) is a manifestation of economic policies (exchange rate, interest rate, wage level, import tariff, trade regulation, among others). To a large extent, these wealth flows are the expression of disputes both internal to the power bloc (struggles for greater appropriation of profits) and between the power bloc and subaltern classes (class struggle, with the dispute between wages and profits as one of its expressions).

Then, I return to the classification of the sectorial groups that were used as proxies for capitalist fractions in Part II (Chart B.0.1).

[171] This investigation does not try to recreate the construction of "*the people*" as a collective political actor (LACLAU, 2005). On the contrary, I consider that all classes and social fractions (and, in an extended form, individuals) are under a regime of abstract domination governed by capital and all them carry out, at least, defensive political movements to protect their relative positions. Garcia Linera (2012:10-11) points out that disputes within "*the people*" is a mechanism that divides popular sectors into fractions and favours the ruling classes.

[172] GDP is an economic indicator that measures the value added generated domestically and that is appropriated between the different classes. In this sense, it is not an indicator of profitability. However, GDP share is used because it provides a way of accounting for a certain activity's relevance, which allows for approximating a certain capital fraction's relevance.

Chart B.0.1. Exports by ISIC classification and corresponding with industrial segments (class fractions'proxy)

ISIC Code	ISIC Name (Sectorial Classification)	Industrial Segment (class fractions' proxy)
A1	Crop and animal production, hunting and related service activities	Agricultural and extractive sectors (natural-resource intensive sectors)
A2	Forestry and logging	
A3	Fishing and aquaculture	
B5	Mining of coal and lignite	
B6	Extraction of crude petroleum and natural gas	
B7	Mining of metal ores	
B8	Other mining and quarrying	
B9	Mining support service activities	
C10	Manufacture of food products	
C11	Manufacture of beverages	
C12	Manufacture of tobacco products	
C13	Manufacture of textiles	Traditional Manufacturing (Labour force intensive sectors)
C14	Manufacture of wearing apparel	
C15	Manufacture of leather and related products	
C16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	Agricultural and extractive sectors (natural-resource intensive sectors)
C17	Manufacture of paper and paper products	Commodity Manufacturing (Capital intensive sectors)
C18	Printing and reproduction of recorded media	Traditional Manufacturing (Labour force intensive sectors)
C19	Manufacture of coke and refined petroleum products	Commodity Manufacturing (Capital intensive sectors)
C20	Manufacture of chemicals and chemical products	
C21	Manufacture of basic pharmaceutical products and pharmaceutical preparations	
C22	Manufacture of rubber and plastics products	Traditional Manufacturing (Labour force intensive sectors)
C23	Manufacture of other non-metallic mineral products	Commodity Manufacturing (Capital intensive sectors)
C24	Manufacture of basic metals	
C25	Manufacture of fabricated metal products, except machinery and equipment	
C26	Manufacture of computer, electronic and optical products	Technology Intensive Manufacturing
C27	Manufacture of electrical equipment	
C28	Manufacture of machinery and equipment n.e.c.	
C29	Manufacture of motor vehicles, trailers and semi-trailers	
C30	Manufacture of other transport equipment	
C31	Manufacture of furniture	Traditional Manufacturing (Labour force intensive sectors)
C32	Other manufacturing	
C33	Repair and installation of machinery and equipment	Technology Intensive Manufacturing
D	Electricity, gas, steam and air conditioning supply	Infrastructure Services

E	Water supply; sewerage, waste management and remediation activities	
F	Construction	Civil Construction
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	Other Services
H	Transportation and storage	
I	Accommodation and food service activities	
J	Information and communication	
K	Financial and insurance activities	Financial services
L	Real estate activities	Other Services
M	Professional, scientific and technical activities	
N	Administrative and support service activities	
O	Public administration and defence; compulsory social security	
P	Education	
Q	Human health and social work activities	
R	Arts, entertainment and recreation	
S	Other service activities	
T	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	

Source: KUPFER (2001), ROCHA & KUPFER (2002), PINTO (2010) and PINTO (2013)

Therefore, the national accounts data on GDP by activity at current prices in national currency (ECLAC for Bolivia and Chile, INDEC for Argentina, and IBGE for Brazil) was reclassified following Chart B.0.1 (above). Thus, the evolution of these economic flows can be analysed as result of economic policies, which are structured based on intra-capitalist struggles and inter-classes disputes.

As I will be looking at GDP participation as a proxy of the capitalist fraction's economic power, it is important to make some considerations:

First, other services include small, medium, and large capital associated with retail, wholesale trade, transportation, and administrative services, among others that usually amount to a large share of the GDP. However, except for specific cases,[173] they maintain

[173] Along this line, it is important to consider the ideological apparatuses of domination such as the media (communication, in our classification), education (other services) and religious institutions. In this sense, GDP share underestimates its political relevance. Its degree of concentration implies the capacity to define

a secondary role in capitalist accumulation because of their use value and, consequently, have less influence in the dispute over public polices.[174]

- Second, a similar argument could be made for the case of infrastructure services and civil construction that are associated with public services (roads, sewers, distribution of water and electricity) and the urbanization process. However, political definitions within the State, which create these markets, are fundamental for their rate of accumulation. Therefore, they hold a central interest in the political dispute over public policies. Nevertheless, as I have been arguing, their accumulation process is subordinated to fractions that have successfully internationalized.

In the case of subaltern classes, ECLAC presents data about the structure of the employed population by employment category and the structure of total employed population by economic activity sector. In addition, the Argentinian Labour Ministry and Brazilian Pension System present more details about sectorial insertion, which were also reclassified following Chart B.0.1. Taking this data into account, I will be able to create proxies for the marginal mass and formal wage labour by sector.

and disseminate a certain vision of the world. However, as we have mentioned, it is not the focus of my investigation. Nevertheless, it is important to highlight that ideological apparatuses in the region and the analysed cases have been characterized as widely concentrated. In this sense, the Catholic church (especially in Bolivia and Chile) and traditional families have been the main media owners, such as Kuljis, Garafulic and Rivero in Bolivia (GIAVEDONI, 2010), Solari Falabella, Luksic, Edwards and Saieh in Chile (LOS HIJOS DE MAFALDA, 2015), Herrena Noble (Clarin Group) and Mitre in Argentina or Marinho (O Globo Group), Saad (Bandeirantes Group), Macedo (Record Group) and Sirotsky (RBS Group) in Brazil. There are also transnational companies such as the Spanish Prisa Group or Time Warner that have operated in the region. Therefore, certain voices are not reproduced and a single vision is recreated.

[174] As Luna (2020) warns, illegal markets are an essential part of the economy and politics in (our) Latin American countries. These markets can generate more profitable jobs than the formal economy, finance consumption for a significant portion of the population, provide (alternative) financing to the State and politicians, and could even establish more effective social assistance services than Nation State apparatus. Although I am aware of this reality and its statistical limitations, it exceeds the scope of the present investigation.

Then, this part presents a brief map of the economic relations between dominant and subaltern classes that operate structurally as the basis for disputes within the State in Argentina, Brazil, Bolivia, and Chile. Based on this map, I engage the relevant literature on these experiences.

In addition to this introduction, this third and last part is composed of two chapters. Chapters 5 completes the political economic analysis showing intracapitalist and interclass (capital-labour) tensions and contradictions in domestic accumulation (expressed in GDP shares and labour conditions) for Bolivia and Chile. Finally, Chapter 6 does the same for the Argentinian and Brazilian cases.

Chapter Five – Bolivia and Chile: Dominant Classes, Economic Policy, and Subaltern Classes

This chapter explores the internal dynamics of capital accumulation (GDP and labour conditions) in Bolivia and Chile, seeking to: 1) present the identification and evolution of capitalist fractions within the power bloc (associated with the generation of the wealth flow expressed in the GDP), and explore whether or not these reflect the capitalist fractions identified in chapter Three in relation to external dynamics; and 2) show the articulations, tensions, and contradictions, even if in a panoramic way, between the capitalist fractions and subaltern classes expressed by disputes over the definition of State policies. The second section also presents a critique of the literature on how classes have disputed state policies in Bolivia and Chile during the 21st century.

5.1 Dominant Capitalist Fractions and the Power Bloc: GDP Evolution

The first section returns to the economic characterization of the ruling classes by the political economy of the GDP and the structural elements presented in the previous parts.

5.1.1. Bolivia. Gas, Mining and the Santa Cruz Oligarchy

In terms of GDP, (i) agricultural and extractive sectors have accounted for the main share (See Chart V.1). In contrast to their international insertion, these sectors have maintained an oscillating share of approximately one third of the GDP, led by agricultural and foods products. Most of the sectorial group has held its share almost without change, even when the economy has experienced a stable growth rate. However, (ii) it

is important to highlight the expansion of financial services, from 7% to 10%. Let's explore these two trends in more detail.

Chart V.1: Bolivia. Average sectorial share in GDP. Current Prices (2002-2017)

Sectorial Classification	2002-2008	2009-2014	2015-2017
Agricultural and extractive sectors (natural-resource intensive sectors)	28%	30%	27%
Financial Services	7%	7%	10%
Commodity Manufacturing (Capital intensive sectors)	3%	3%	3%
Civil Construction	2%	3%	3%
Infrastructure Services	3%	2%	2%
Traditional Manufacturing (Labour force intensive sectors)	1%	1%	1%
Technology Intensive Manufacturing	1%	1%	1%
Other Services	54%	53%	54%

Source: Author's elaboration based on CEPALStat (taken from National Institute of Statistics of Bolivia - Información Estadística/ Producto interno bruto anual - http://www.ine.gob.bo/indice/indice.aspx?d1=0101&d2=6)

First, let's explore dispute within the agricultural and extractive sectors. The most relevant fraction among extractive activities are the sectors associated with the Santa Cruz oligarchy: agriculture (especially crops) and manufacturing associated with food production (see Chart V.2). Along this line, two subsectors can be distinguished within Bolivian agriculture: the peasant-indigenous economy and the agricultural-business economy. The first one, is made up of small and medium producers who have mainly settled in the macro-agro-regions of the Altiplano and Valleys (La Paz, Cochabamba, Potosí, Chuquisaca, and Oruro). The second, is made up of larger farmers and some agro-industrial companies, almost entirely established in Santa Cruz and, to a lesser degree, in Tarija. Their production is mainly oriented towards external markets (Nina, Suxo & Romero, 2016). However, power relations between the two groups are not symmetrical. The Santa Cruz oligarchy controls the production chain (Garcia Linera, 2012).

Chart V.2: Bolivia. Agricultural and extractive sectors. Share in GDP. Current prices. (2002-2017)

Sectorial Classification	2002-2008	2009-2014	2015-2017
Agricultural and extractive sectors (natural-resource intensive sectors)	28%	30%	27%
Agriculture, hunting, forestry and fishing	12%	10%	11%
Agriculture, hunting and forestry	12%	10%	11%
Agriculture, hunting and related service activities	11%	9%	10%
Growing of crops, hunting, and related service activities	8%	7%	8%
Farming of animals	3%	2%	2%
Forestry, logging and related service activities	1%	1%	1%
Fishing	-	-	-
Mining and quarrying	10%	14%	10%
Mining and quarrying except extraction of crude petroleum and natural gas	5%	8%	6%
Extraction of crude petroleum and natural gas	6%	6%	4%
Manufacturing	6%	6%	6%
Food products, beverages and tobacco products	6%	6%	6%
Wood, products of wood and cork except furniture, and articles of straw and plaiting materials	1%	1%	1%

Source: Author's elaboration based on CEPALStat (taken from National Institute of Statistics of Bolivia - Información Estadística/ Producto interno bruto anual - http://www.ine.gob.bo/indice/indice.aspx?d1=0101&d2=6)

In the case of the meat industry, there are 3.5 million heads of cattle in Beni, which represents 41% of the national total. The historical markets for this production, which move the activity of small and medium farmers and peasant communities, are the highlands of La Paz, Oruro, Potosí, and the Cochabamba valleys. However, the meat processing chain is not located there. While primary activity is carried out in Beni, final sale and processing are carried out in Santa Cruz. Therefore, the Beniano producers are subject to intermediaries that take the cattle to Santa Cruz. The three most important slaughterhouses in Bolivia are located in Santa Cruz: Fridosa, owned by Beltrán de Lazo; Frigor, owned by Monasterio; and the Chiquitano slaughterhouse. These slaughterhouses regulate the price of meat nationwide. In this way, the main regional economic activity in the Amazon region has been controlled by a small group of businessmen. They fix the prices of the beef that is consumed nationwide and appropriate the regional Benian rent (GARCIA LINERA, 2012: 31-32).

A similar trend occurs with the other Amazonian extractive activities: soy, sugar, sunflower, sorghum, corn, wood, chestnut, and lizard skin. The agro-industrial-agrochemical-commercial capitalists subordinate non-capitalist agrarian producers. Prices are imposed by capitalist fractions because they monopolize the processing chain (wood, chestnut) and credit. It is an elite that holds rent in its distribution (although not in its production) (GARCIA LINERA, 2012: 33-34).

Similar to neighbouring countries, the soybean process has also encouraged land grabs, with Brazilian agrarian fractions playing a major role. Therefore, this fraction's interests are interconnected with those of the Santa Cruz oligarchy. They formed an opposition block against Evo's agrarian reform policy, which became central in the dynamic of accumulation, as I highlighted earlier.

Regarding mining and gas extraction, the State has played a significant role in Bolivian capital formation due to nationalizations. Along this line, Evo's administration has faced a major challenge as it has attempted to implement its revolutionary aspirations: how to provide material support promised to Bolivia's citizens without relying on resource extraction. To manage the tensions triggered by this position, Morales' government articulated a revolutionary narrative of plurinationalism that justifies state-led resource extraction, while downplaying the experiences, expressions, and proposals of other groups that are already navigating the everyday dilemmas that extraction entails (MARSTON & KENNEMORE; 2019). However, the production of natural gas in Bolivia has increased ninefold between 2000 and 2015, mainly due to natural gas sales to Brazil and Argentina. Bolivia and Peru are the only countries in the region (Argentina, Brazil, Colombia, Venezuela and Trinidad & Tobago) that have continuously increased their

production, which has led to a persistent decrease in their confirmed gas reserves. The main exploitation wells are located in Tarija and Santa Cruz.

In regards to mining, the industry is commanded by state companies (mainly COMIBOL), transnational companies and cooperatives concentrated in Potosi, Oruro, and, recently expanded to the East. Along these lines, Tejeda (2012) shows that mining activity proliferated towards the East due to partnerships between Brazilian businessmen and mining workers in the exploitation of gold and other metals. The main exploitation is based on zinc, tin, silver, and gold, among others (MORALES, 2010). Miners from the cooperatives formed part of Evo Morales' base of support, but they maintained a relationship of constant conflict with the administration over legislative reforms, especially those regarding environmental issues (STEFANONI, 2016; SCHNEIDER, 2017).

In addition to lithium, *rare-earth minerals* such as scandium, neodymium, samarium, lanthanum or dysprosium and 17 other elements present great potential for Bolivia's future. High-tech industries demand them for TV screens, tablets, headphones, hybrid cars (both batteries and fuel), new wind turbines, missile defence systems, solar panels and even for F-16 fighter jets. Green technologies also depend on these types of minerals and the USA is already searching for them in its own territory, since it must compete with China, the largest producer of rare minerals (97%) (TEJADA, 2012).

For these reasons, Morales' administration sought to promote the industrialization of these minerals in Bolivian territory (GYBC, 2019), focusing on lithium. However, other industries, such as cardboard, chestnuts, dairy, textiles, glass containers, cement, and fertilizers, were also promoted through public companies. In this sense, the industrialization strategy was forward linked.

Financial capitalist fraction gains relevance. The expansion of financial services took place in correlation with increasing coverage expressed by the number of agencies and access to debit cards and credit lines. Statistics show that the number of credit agencies quadrupled between 2007 and 2019. In addition, credit participation in the first decade of the 2000s remained at around 30% of the GDP. Since then, credit expansion reached 50% of the GDP in 2015 and 60% in 2018. This expansion meant that that Bolivia was ranked second in the regional ranking of credit in relation to GDP, only behind Chile (ASFI, 2019).

In 2013, a new law on financial services was passed (Law 393) in Congress, which began to regulate the activity as a public interest, implying that the State must ensure the service's continuity and stability. In doing so, financial companies were segmented according to their purposes: multiple banks, banks oriented to SMEs, housing financial institutions, savings cooperatives, development financial institutions, and productive development banks. In this way, the State sought to implement legislation that would encourage the financial sector to develop a developmental role. However, according to the structure of the banking system, the activity is mainly dominated by private domestic capital. The leading role in deposit capture and credit played by 11 multiple banks that represent 90% of operations, mainly Banco Mercantil de Santa Cruz (domestic private company), Banco Union (SOE)[175] , Banco Nacional de Bolivia (domestic

[175] *"Gobierno boliviano crea banco estatal para competir con privados"* (Dez 2012) https://lta.reuters.com/articulo/latinoamerica-economia-bolivia-banco-idLTASIE8BR06L20121228

private company), Banco BISA (domestic private company), Banco de Crédito de Bolivia (Peruvian private company), and Banco Fassil (domestic private company).[176]

Finally, it is important to note that, like any sustained expansion process, new capitalist fractions were created, such as a small Indigenous (especially Aymara) bourgeoisie, which led to a conservative reaction by the (historical) bourgeoisie of European origins.

In this section, I was able to conclude that GDP dynamics and the associated sectors in Bolivia is, to a great extent, an expression of the BOP dynamics, which expresses the centrality of the agricultural and extractive fractions. In this sense, it should be noted that the weight of the agrarian oligarchy of Santa Cruz is relatively greater than that of the gas and mining fractions, unlike what takes place in terms of international insertion.

5.1.2. Chile. Copper and Financial Services

> "*Today is the Day of National Dignity and Solidarity. It is the Day of Dignity because Chile breaks with the past; stands with faith for the future and begins the definitive path of its economic independence, which means its full political independence.*" Salvador Allende, June 1971 (Chilean President 1971-1973) after the nationalization of copper was approved in Congress.

Analogously to the Bolivian case, I am going to explore GDP shares in Chile (see Chart V.3). Here three trends can be identified. First, (i) GDP shares show the centrality of extractive activities and financial services in Chilean capitalism, with a growing importance for financial services. Secondly, (ii) civil construction and infrastructure

[176] "*Ranking Depósitos de Bancos Múltiples por captación de nuevo mercado en Bolivia*" (Nov 2016). https://www.bslatam.com/Tendencias201611DesempenoCompetenciaRankingDepositosCaptacionesBancosMultiplesBoliviaBSLatAm.htm

services have also been gaining increasing relevance. Third, (iii) manufacturing as a whole, especially due to commodity manufacturing, has accumulated a decreasing share, falling from almost 9% to 5.6%. On the contrary, other services have increased their relevance by 5%. Let's explore these trends in more details.

Chart V.3: Chile. Average sectorial share in GDP. Current Prices (2002-2017)

Sectorial Classification	2002-2008	2009-2014	2015-2017
Agricultural and extractive sectors (natural-resource intensive sectors)	23.6%	21.5%	18.1%
Financial Services	12.0%	15.0%	14.6%
Civil Construction	5.3%	6.3%	6.6%
Commodity Manufacturing (Capital intensive sectors)	6.3%	4.0%	3.7%
Infrastructure Services	2.6%	2.8%	3.1%
Technology Intensive Manufacturing	1.8%	1.9%	1.7%
Traditional Manufacturing (Labour force intensive sectors)	0.7%	0.3%	0.2%
Other Services	47.8%	48.2%	52.0%

Source: Author's elaboration based on the Central Bank of Chile - Estadísticas/Cuentas nacionales anuales/Base de datos - http://si3.bcentral.cl

Agricultural, extractive, and financial capital leads Chilean capitalism. Even when they seem to their GDP share, the agricultural and extractive sectors play a central role. In the same way as I argued in part B, international currency providers hold the key to unlocking internal accumulation, so their centrality is expressed in the balance of payment, and also in the share of GDP. In this sense, a reduction in their participation does not mean a loss of their relevance, but the opposite, they are making it possible for the rest of the capitalist fractions to accumulate.

Examining participation in natural resource intensive industries in detail (see Chart V.4) shows that copper mining accounts for almost the half of that sector's share. Here, I have already pointed out the importance of CODELCO, since it is responsible for about one third of the country's total copper production. Additionally, there are ten large

transnational corporations that operate in Chile. In 2014, 31% of the copper extracted in the world came from Chile, three times the quantity of the second largest producer (China). The centrality of mining is also seen in terms of area. The activity has involved the concession of 15 million hectares, about 20% of the Chilean territory, for exploration and exploitation in 2018. This leads to a scenario of tension with respect to the availability of water and the environmental effects/pollution on farms (MARTINEZ ESPINOZA, 2018).

Chart V.4: Chile. Agricultural and extractive sectors. Average Share in GDP. Current prices. (2002-2017)

Sectorial Classification	2002-2008	2009-2014	2015-2017
Agricultural and extractive sectors (natural-resource intensive sectors)	23.6%	21.5%	18.1%
Agriculture, hunting, forestry and fishing	4.1%	3.6%	3.9%
Agriculture, hunting and forestry	3.3%	3.0%	3.3%
Fishing	0.7%	0.6%	0.6%
Mining and quarrying	13.9%	13.0%	8.9%
Copper Mining	12.9%	11.8%	8.0%
Rest of Mining	1.0%	1.2%	0.9%
Manufacturing	5.7%	4.9%	5.3%
Food products, beverages and tobacco products	4.7%	4.3%	4.6%
Wood, products of wood and cork except furniture, and articles of straw and plaiting materials	1.0%	0.6%	0.7%

Source: Author's elaboration based on the Central Bank of Chile - Estadísticas/Cuentas nacionales anuales/Base de datos - http://si3.bcentral.cl

Furthermore, copper has generated a very significant portion of Chilean State revenues. The World Bank has estimated that copper rent was about 5% - 10% of GDP in the period from 1970 to 2002 and climbed to 15% and 20% in subsequent years (STURLA ZERENE ET AL, 2018: GRAPH 2). This suggests that the generation of economic rents is not only a cyclical phenomenon, typical of periods of prosperity in the copper market, but a long-term element. Thus, the Chilean State has been financed by the copper industry over

the long term.[177] In the same way, it has financed the armed forces and the creation of the sovereign wealth fund.

Similar to Bolivia, lithium has attracted significant attention in the last years. In 2016, Chile was responsible for a third of the world's production, becoming the world's second-largest lithium producer after Australia. So far, there are only two companies active in the industry: Soquimich S.A. (SQM) (controlled by domestic and Chinese capital) and Rockwood/Albemarle (settled in USA). State exploitation has never been put into practice, despite the fact that Chile is the first country in the "Lithium Triangle" (Argentina, Bolivia, and Chile) to constitutionally determine that lithium would be a strategic resource reserved for the State (Pinochet's regime in 1979) (GYBC, 2019).

In second place, we can find agriculture and food manufacturing, which includes diverse activities that have stimulated by public policy (LEBDIOUI, 2019). In this regard, I have already mentioned internationalized value chains such as salmon, wines, and fresh fruits and the importance of FTAs for export expansion. The result of those agreements has been that 46% of the total food production is exported to more than 190 countries worldwide, while 54% is sold in the domestic market (USDA, 2018).

As I have already pointed out, the availability of water begins to be a source of tension with other capital fractions as scenarios of drought scenarios.[178] Mayol (2012) points out

[177] Non-tax revenues associated to natural resources has shown a decreasing share, which cannot be explained by the fall in prices. Sturla Zerene et al (2018) argued that policy promoting investment in copper has included tax exemptions for private capitals, which has reinforced the SOE CODELCO's relevance in terms of fiscal revenues. In addition, mining companies were allowed to discount the deposits' amortization, a factor that they used to reduce their tax burden (PALMA, 2013). Thus, large companies have succeeded in imposing legislation tailored to their needs, with a squalid tax regime, and Chilean taxation on mining became one of the lowest in the world (LANDHERR, 2018). For this reason, the Chilean model is classified as classic extractivism.

[178] According to the *Direccion General de Aguas* (Water Authority), there are around 108 communes in a state of agricultural emergency, more than 20 declarations of "catastrophe zone" and five underground water prohibition zones. Between 2008 and 2018, 97 water scarcity decrees were enacted at the national

that the agrarian counter-reform came hand in hand with water rights. Small producers who managed to obtain property rights to land, now might no longer have sufficient water to produce (BOCCARDO ET AL, 2020:20). Along this line, Chile is an exceptional case in the world in regards to water management, there is no other country in which both water sources and their management are privatized. In no other country are water use rights granted free of charge, in perpetuity, nor are they inheritable and transferable for any more profitable use. The combination of this free, perpetual, and deregulated delivery generates a water market, which is also subject to financial speculation[179] (BOCCARDO ET AL, 2020).

In addition to agricultural and extractive activities, the financial sector (banks and AFPs) plays a central role in Chilean capitalism. The financial system is the third largest in the region, behind Brazil and Mexico, which shows its relative expansion beyond the size of the real economy. The sector was boosted by the privatization of pension funds during the Pinochet regime and the formation of pension fund managers (AFPs, in Spanish). The private system compulsorily channels pension savings from the waged working class to the AFPs. In turn, these funds are invested in the purchase of bonds, stocks, and other financial instruments issued by the corporate sector and banks, which continuously provides financial resources to companies, banks, insurance companies, and other financial intermediaries.

Civil construction and infrastructure services have been also gaining growing relevance. This phenomenon is associated with the proliferation of public works within

level while 21 decrees were generated only in 2019, which account for the rapid progress of this phenomenon (BOCCARDO ET AL, 2020: 16).

[179] According to the World Bank (2011), between 2005 and 2008, there had been more than twenty thousand transactions in the water market for a value close to USD 4.8 bilion (or USD 1,2 billion annually).

the framework of public-private partnerships (PPPs) and private management of public services such as highways, water, and electricity distribution. These sectors accounted for a large share of the major FDI inflows.

Downward trend in the manufacturing share. Solimano (2015) shows that manufacturing represented 17% in the mid-1970s and currently stands at around 10%, which indicates a downward trend throughout the neoliberal period.

Commodity manufacturing is the only fraction that has remained relevant. However, the falling trend has been accelerating in the 21st century. Even when petrochemical and chemical products kept a main share, paper and copper manufacturing has been losing relevance (see Chart V.5).

Chart V.5: Chile. Commodity manufacturing. Share in GDP. Current prices. (2002-2017)

Sectorial Classification	2002-2008	2009-2014	2015-2017
Commodity Manufacturing (Capital intensive sectors)	6.3%	4.0%	3.7%
Paper, paper products, publishing, printing and reproduction of recorded media	2.1%	1.3%	1.0%
Coke, refined petroleum products, nuclear fuel, chemicals and chemical products, rubber and plastics products	2.4%	1.5%	2.3%
Non-metallic mineral products, basic metals, and metal products except machinery and equipment	1.3%	0.7%	0.5%

Source: Author's elaboration based on the Central Bank of Chile - Estadísticas/Cuentas nacionales anuales/Base de datos - http://si3.bcentral.cl

As the economy grows, as mentioned previously, other services also do so due to the multiplier effect (see Chapter 3). This includes capital fractions associated with retail and wholesale trade, and transportation, storage, and communications. Here, we can identify Chilean trans-latins, such as retailers (Fallabella and Cencosud), and the airline LAN / LATAM.

As in the previous section on Bolivia, this section allowed for concluding that the BOP criteria shows, to a great extent, the centrality of the agricultural and extractive

fractions. In this sense, copper plays a fundamental role in Chilean accumulation, regardless of the proliferation of activities promoted by the State.

5.1.3 Summing up

In the previous sections, the political economy of the GDP allowed us to identify the evolution of the wealth flow of the power bloc. Along this line, it also allows us to differentiate between the dominant and relevant fractions within the power bloc. The results are summarized in Chart V.6 for Bolivia and Chart V.7 for Chile.

Capital accumulation in Bolivia is led by the capitalist fractions associated with natural resources (specifically food production, and mineral and gas extraction). Financial services are gaining relevance but, so far, they are subordinated to the internationalized fractions. Given that the mineral and gas extraction sectors have greater international insertion, it can be affirmed that this sector concentrates the interest of the fractions that lead the ruling classes and subordinates the other fractions to its accumulation process. At this point, the state apparatuses directly control the main threads of accumulation in Bolivia. Therefore, the dispute for direct control of the State takes on fundamental importance.

In parallel, it is important to highlight conflicts that arise from, on the one hand, the emerging bourgeoisie of an Indigenous origin and, on the other hand, the interests of Brazilian agrarian fractions and Santa Cruz oligarchy.

In the same sense, Bolivia is gaining geoeconomic and geopolitical relevance due to lithium reserves and rare-earth elements. It is likely that the exploitation of these reserves will be the focus of dispute between different fractions of domestic and transnational capital in coming decades.

Chart V.6. Bolivia. Power bloc, capitalist classes and thei fractions

Bolívia			2002-2008	2009-2014	2015-2017	GDP
Capitalist fractions	Power bloc	Dominant Fractions	**Agricultural and extractive sectors (natural resource intensive sectors):** extraction of crude petroleum and natural gas (international companies and later SOE), mining of metal ore (international companies and later SOE and cooperatives), manufacture of food products (Santa Cruz oligarchy).			Around 30%
		Relevant Fractions	**Commodity Manufacturing** (Manufacture of nonferrous metals) (SOE) and **Traditional Manufacturing**			4%
	Other		**Financial Services**			7% to 10%
			Civil Construction			2-3%
			Other Services			54%

Source: Author's elaboration. For more details, see Chapter 3 and Chart V.1.

Chilean capitalist accumulation is led by the capitalist fractions associated with natural resources (specifically copper mining, food production and certain specific industries, such as apples, wine, and salmon), commodity manufacturing (paper/cellulose and copper products) and, increasingly, financial services.

In Chapter 3, I showed that the agricultural and extractive sectors are associated with the dominant fractions in the power bloc because of their central role in international trade. In this regard, the copper industry has played a central role. Although the State has promoted opening the primary sector to private investments (mainly to FDI), the SOE CODELCO maintains a key role in the primary segment and in the process of transformation (commodity manufacturing). Similarly, the state power to exploit lithium would also potentially place the state apparatus at the centre of Chilean accumulation. Therefore, the dispute over control of the state apparatus is a key point and lies at the core of Chilean accumulation.

In terms of relative winners and losers, Chilean accumulation has meant that civil construction, infrastructure services, retailers, and the Chilean tras-latin LAN/LATAM have gained more relevance, while a decreasing trend can be seen in the relevance of manufacturing.

Chart V.7. Chile. Power bloc, capitalist classes and their fractions

Chile			2002-2008	2009-2014	2015-2017	GDP
Capitalist fractions	Power bloc	Dominant Fractions	**Agricultural and extractive sectors** (Mining of metal ores; Crop and animal production; Fishing; Manufacturing) and **Commodity manufacturing** (Copper industry) (SOE and international companies); **Financial services** (pension fund administrators)			Around 33%
		Relevant Fractions	**Commodity manufacturing** (Manufacture of paper products and Manufacture of chemicals); **Infrastructure** (electricity, gas and water); **Civil Construction and other services** (Highways; telecommunications; **Transport**-LAN/LATAM and Sudamericana de Vapores; **Retailers** – CENCOSUD and FALABELLA)			Around 15%
	Other		**Technology Intensive Manufacturing**			1,5-2%
			Traditional Manufacturing			Around 0,5%
			Other Services			Around 50%

Source: Author's elaboration. For more details, see Chapter 3 and Chart V.3.

5.2 Political Economy of Bolivian and Chilean Accumulation: Preliminary Elements

This last subsection of this chapter aims to present articulations and interpretations, albeit in a panoramic way, concerning the relationship between capitalist fractions, the State and its policies, and the subaltern classes in these two countries.

It should be noted that, although I gone into more detailed analysis of the dominant classes, this section incorporates – in an exploratory way – some proxies about subaltern classes: economic insertion by sector and marginalized subaltern classes who are associated with waged labour in precarious conditions (see Chart A.21 and Chart A.22), which express how the class struggle operates in these countries.

All these contributions are summarized in the maps of productive relations between classes and their fractions for Bolivian and Chilean capitalism in Chart V.8 and Chart V.9. This section does not pretend to be exhaustive, but rather to outline some elements that would allow for qualifying the debate.

Both Bolivia and Chile were successful in promoting sustained macroeconomic growth, reducing unemployment and poverty, maintaining relatively low inflation rates and a scenario of relative stability and, as I have been arguing, the state apparatus are central nodes of accumulation. In this sense, we can divide the literature into two main interpretations: "extractivism/neo-extractivism" and "developmentalists".

Regarding the extractivism/neo-extractivism debate, many analysts (GUDYNAS, 2009; MASSUH, 2012; POSTERO, 2013) have characterized Evo Morales' administrations as neoextractivist, despite the rhetoric of ecological development. In this sense, the State's increasing involvement in the exploitation and management of extractive firms has legitimized the extractive industries. At the same time, social policies funded by a higher tax on gas rent have fuelled the consensus around neo-extractivism.

In Chile, several authors (CAPUTO & GALARCE, 2006; GALARCE, 2012; PALMA, 2013; LANDHERR, 2018) emphasize that the State has maintained a subsidiary role in mining, even though it has constitutional powers to play a more central role. Thus, it has allowed the proliferation of extractivism by domestic and international private companies. This "classical extractivism" has only deepened inequality and poverty,[180] as well (GALARCE, 2012; GUDYNAS, 2009).

[180] Galarce (2012) stated that poverty statistic is under statistical fraud and the real poverty rate is closer to the pre 1970s rate (around a third of the population).

Similarly, Caputo & Galarce (2006) and Galarce (2012) foreground the difficulties in diversifying the economic structure given that copper continues to account for most of the exports. Palma (2019) also problematises the idea of macroeconomic "success" in the 2000s. In fact, the expansion has slowed down significantly, in spite of favourable global conditions, since the 1990s. The author associates it with the dramatic slowdown of productivity growth, due to the lack of investment and failure to upgrade production to higher quality sectors. According to Landherr (2018) and Palma (2013; 2019), this is the result of the absence of an industrial policy, the absence of the State due to political error or lack of political will. The local elite is, then, just a few rentiers who do not worry about the "*country's development*" (Palma, 2013; 2019).

In regards to the developmentalist rhetoric, the discussion in Bolivia was about the relation between the Santa Cruz oligarchy and the *plebeyo* administration. Espinoza (2015:550), on one side, argued that the historical ruling classes were co-opted by Morales' "developmentalist" agenda. On the other side, Cunha Filho (2018) argued that it is difficult to assume co-optation, even when there was a decrease in tension after the possibility of a radical agrarian reform had waned.

In the case of the neoliberal success story, Kurz (2001) has characterized the Chilean model as "state developmentalism without a developmental state" due to the fact that the State owns the world's leading copper company, promoted productive diversification based on different promotion policies and remained subsidiary with respect to social services. For Clark (2018), the "revolution" led by the military regime was the construction of a capitalist elite capable of subordinating the State and integrating civil society into its socioeconomic and ideological networks. Along this line,

Kejsefman (2017) sustains that the subsidiary role in social terms is the product of the popular defeat in 1973, which has not been reversed.

Both the Plurinational State of Bolivia and Chile have shown that capitalist accumulation has been led by the fractions associated with agricultural and extractive activities (specifically food production, mineral and gas extraction).

In the Plurinational State of Bolivia, Morales's political project tended to promote capital accumulation led by new state-owned companies, thereby reducing the relevance of the Santa Cruz oligarchy and transnational capital. This can be observed in terms of international insertion and also in the attempt to promote an agrarian reform that mainly affected the traditional oligarchic families. Additionally, a small local bourgeoisie has begun to emerge. Furthermore, I have commented on the industrialization policy, in which public companies play a major role. In this regard, the political attempt was more than neo-extractivism, but it was limited by the capitalist logic of profits and competition. As these companies competed with imports or domestic capital companies, the industrialization results were uneven while private interests for privatization increased. All these elements, together with the constitutional conformation of the Plurinational State, laid the foundations for questioning the historically established relations of domination within the power bloc. Therefore, certain interests around retaking control of the state apparatus and stopping the process of structural change converge at this point.

Unlike Bolivia, Chilean capitalism presents a power bloc that seems to have a strong convergence of interests. The copper industry, under domestic and international capitalist domination, continues to be central. However, there are diverse natural-

resources industries (food production, apple, wine, and salmon), commodity manufacturing (paper and copper products) and, increasingly, financial services activity that are within the power bloc that were created with public stimulus or the privatization of public funds (pension and health commodification). In addition, their investments and profits are protected by international neoliberal institutions that make it difficult to transform the subsidiary state. Furthermore, international integration has served as ideological purpose to postpone subaltern demands, such as social spending and progressive tax structures. Additionally, financial services have been among the winners, promoting the financial integration that enables capital flight for the rest of the ruling classes. In this sense, the dominant fractions have had no reason to question the neoliberal path or to fight for an acceleration of the accumulation rate via state apparatuses.

In regards to the subaltern classes, two elements can be highlighted. On the one hand, the power bloc does not account for most of the direct (formal) employment, only about 40%.[181] Therefore, the power bloc depends on employment multipliers to guarantee the social sustainability of the accumulation pattern.

[181] The dominant fractions in Bolivia (extractive and agricultural activities) have directly employed around 35-40% of total employed population. In Chile, as financial services and copper manufactures are also within the dominant fractions, this group has directly explained about 20% of formal jobs. Probably, we are underestimating the share because it not possible to discriminate copper manufacturing. In this sense, the relevant fractions (paper and chemicals manufacturing, infrastructure, civil construction, retailers, among others) gain importance since they have explained more than 37%, mainly due to trade (22%) and transport (7%) (See Chart A.22). Therefore, adding both groups, the two countries present a power bloc that concentrates about 40% of formal direct employment, implying different participation between the dominant and relevant fractions.

On the other hand, the marginalized subaltern classes proxy[182] shows a larger share of self-employed (cooperative miners[183], small informal merchants, among others) and unpaid family workers in Bolivia, around 60%, than Chile (20%). This first indicator shows a clear fragmentation between formal employment, which is capitalist waged labour in its classic and direct form, and other segments of precarious employment, which implies a hierarchy according to gender, race and ethnicity.[184] Precarious labour relations, in any of their forms, have an extremely relevant participation, generating a remarkable reserve army. Thus, social policy has played a fundamental role.

The elements highlighted here reinforce the material dependence on the multipliers that are generated by income redistribution policies, which allow the expansion of consumption and the proliferation of other services. Therefore, the subaltern classes also have an interest in projecting their demands within the state apparatus.

[182] Self-employed category includes a large number of jobs with a heterogeneous remuneration such as medium-high income "liberal" professions and, also, precarious employees who are inserted in different branches of economic activity and who observe their labor rights abolished.
[183] Cooperative miners are the central actor in mining production with 119 thousand workers, compared to 8 thousand in private mining and 7.5 in state companies (STEFANONI, 2016).
[184] Almost half (48%) of the Bolivian population have claimed as indigenous while 10% have done so in Chile (WEF, 2019). In terms of economic insertion, these characteristics are the basis for a social distribution of work that places them in poorly paid tasks. Similarly, this segmentation has also occurred with women, although this is not a regional characteristic.

Chapter 5 – Summary Charts

Chart V.8. Bolivia. Capitalist, subaltern classes (SC) and their fractions

<table>
<tr><th colspan="3">Bolívia</th><th>2002-2008</th><th>2009-2014</th><th>2015-2017</th><th>GDP</th><th>Employed Population – Proxy SC</th><th>Self-Employed and others – Proxy MSC*</th></tr>
<tr><td rowspan="4">Capitalist fractions</td><td rowspan="2">Power bloc</td><td>Dominant Fractions</td><td colspan="3">Agricultural and extractive sectors (natural resource intensive sectors): extraction of crude petroleum and natural gas & mining of metal ore (international companies and later SOE and cooperatives), manufacture of food products (Santa Cruz oligarchy).</td><td>Around 30%</td><td rowspan="3">40%</td><td rowspan="4">Around 60%</td></tr>
<tr><td>Relevant Fractions</td><td colspan="3">Commodity Manufacturing (Manufacture of non-ferrous metals) (SOE) and Traditional Manufacturing</td><td>4%</td></tr>
<tr><td colspan="2" rowspan="3">Other</td><td colspan="3">Financial Services</td><td>7% to 10%</td><td>3-4%</td></tr>
<tr><td colspan="3">Civil Construction</td><td>2-3%</td><td>7-9,5%</td></tr>
<tr><td colspan="3">Other Services</td><td>54%</td><td>43-44%</td></tr>
</table>

Source: Author's elaboration. For more details, see Chapter 3, Chart V.1, Chart A.21 and Chart A.22.

Note: *Marginalized subaltern classes

Chart V.9. Chile. Capitalist, subaltern classes (SC) and their fractions

Chile			2002-2008	2009-2014	2015-2017	GDP	Employed Population - Proxy SC	Self-Employed and others – Proxy MSC*
Capitalist fractions	Power bloc	Dominant Fractions	**Agricultural and extractive sectors** (Mining of metal ores; Crop and animal production; Fishing; Manufacturing) and **Commodity manufacturing** (Copper industry) (SOE and internacional companies); **Financial services** (pension fund administrators)			Around 33%	19-21%	20%
		Relevant Fractions	**Commodity manufacturing** (Manufacture of paper products and Manufacture of chemicals); **Infraestructure** (electricity, gas and water); **Civil Construction and other services** (Highways; telecommunications; **Transport**-LAN/LATAM and Sudamericana de Vapores; **Retailers** – CENCOSUD and FALABELLA)			Around 15%	>10%	
	Other		**Technology Intense Manufacturing**			1,5-2%	<10%	
			Traditional Manufacturing			Around 0,5%		
			Other Services			Around 50%	55-60%	

Source: Author's elaboration. For more details, see Chapter 3, Chart V.3, Chart A.21 and Chart A.22. Note: *Marginalized subaltern classes

Chapter Six – Argentina and Brazil: Dominant Classes, Economic Policy, and Subaltern Classes

The objective of this chapter is to show the internal dynamics of capital accumulation, expressed in GDP and labour conditions, in Argentina and Brazil. It seeks to show the trajectory of the fractions within the power bloc and to highlight the articulations and tensions between the dominant fractions and the dominated classes expressed by disputes in the configuration of State policies in Argentina and Brazil.

6.1 Dominant Capitalist Fractions and the Power Bloc: GDP Evolution

This first section analyses the political economy of GDP dynamics and related sectors, according to the categories presented above.

6.1.1 Argentina. Soybean and financial sectors

Similar to the sections on Bolivia and Chile, this section explores the question of which capitalist fractions play a special role in the Argentinian accumulation process, taking GDP shares as a proxy for relevance in political struggle.

In terms of GDP shares, five trends can be identified (see Chart VI.1). First, (i) agricultural and extractive activities have represented the main share, followed by commodity manufacturing and civil construction. Second, (ii) unlike the previous cases, I should also highlight that financial services maintain a stable and minor GDP share, around 4%. However, this indicator does not show the sector's relevance in terms of the dynamics of accumulation, given that it adopted a central role following 2015. Third, (iii) manufacturing sectors (commodity, traditional, and technology intensive) have shown a decreasing trend in their participation, in a way that is similar to the global tendency.

Chart VI.1: Argentina. Average sectorial share in GDP. Current Prices (2004-2017)*

Sectorial Classification	2004-2008	2009-2014	2015-2017
Agricultural and extractive sectors (natural-resource intensive sectors)	20%	17%	16%
Commodity Manufacturing (Capital intensive sectors)	8%	6%	5%
Civil Construction	5%	6%	5%
Financial Services	4%	4%	4%
Traditional Manufacturing (Labour force intensive sectors)	4%	4%	3%
Technology Intensive Manufacturing	3%	3%	2%
Infrastructure Services	2%	1%	2%
Other Services	54%	59%	62%

Source: Author's elaboration based on data from the Argentinian National Institute of Statistics and Census (INDEC). *Data since 2004.

Fourth, (iv) it is important to comment on the relevance of *Patria Contratista*, the group of civil construction companies that grew stronger hand in hand with public works, maintaining spurious relations with the political class, mainly during the military regimes (BASUALDO, 2010A; BONA & PÁEZ, 2020). Fifth and finally, (v) other services represent a higher share of the GDP than in Bolivia and Chile, which demonstrates the importance of the domestic market.

Let's explore these trends.

(I) **Agricultural and extractive sectors play a central role in Argentinian capitalism,** even when their share of the GDP seems to decline. Similar to my argument in Part B, international currency providers hold the key to blocking or unlocking internal accumulation, so their centrality is expressed in the balance of payment and also in terms of their share of the GDP. In this sense, a reduction in their participation does not mean a loss of relevance, but rather the opposite, since they have increased their relevance in the BOP dynamics.

Looking at participation in natural resource intensive activities in detail (see Chart VI.2) shows that the most relevant ones in terms of GDP are agriculture (especially crops),

their manufacture, associated with food production, and the extraction of crude petroleum.

In terms of agriculture and food manufacturing, large value chains, with convergent and divergent interests, can be identified. Historically, the agricultural activities with the most economic and political influence have been those associated with the *Pampa Húmeda*: maize, wheat, cattle, and, to a lesser extent, barley and sunflower. Since the irruption of glyphosate-resistant transgenic soy in the mid-1990s, this activity grew exponentially and relegated the other activities to second place. Regarding manufacturing, mills, oil, and meat processors stand out. Landowners, producers, and manufacturers may be represented by the same person or not, which generates a continual process of alignment and divergence of economic interests.

In a second line, associated with agricultural activities, are the regional oligarchies that have economically and politically controlled different subnational jurisdictions, with the mains ones being sugar in Tucuman and Salta, cotton in Chaco, and tea and *yerba mate* in Misiones. Following the nationalization of the soybean model and the displacement of livestock to “marginal” lands, these landowners saw their lands gain value and their interests converge with those of the landowners of the *Pampa Húmeda* (PÁEZ, 2016).

In regards to extractive industries, the oil activity is dominated by Yacimientos Petroliferos Fiscales (YPF), a company created by the State in 1907, privatized during the 1990s, and partially renationalized in 2012. This firm controls one third of crude oil extraction (upstream) and half of the refined petroleum products’ capacity (downstream) in the country. Domestic private (Pluspetrol and Tecpetrol) and international companies (Shell, Petrobras, Total, among others) also compete in the oil

sector. Currently, the great reservoir under dispute is the exploitation of Vaca Muerta's shale gas (BARRERA, 2018; BARRENA & SERRANI, 2018).

Chart VI.2: Argentina. Agricultural and extractive sectors. GDP Shares. Current prices. (2004-2017)

Sectorial Classification	2004-2008	2009-2014	2015-2017
Agricultural and extractive sectors (natural-resource intensive sectors)	20%	17%	16%
Agriculture, hunting, forestry and fishing	9%	8%	7%
Agriculture, hunting and forestry	9%	7%	6%
Agriculture, hunting and related service activities	8%	7%	6%
Growing of crops, hunting, and related service activities	6%	5%	4%
Farming of animals	2%	3%	2%
Forestry, logging and related service activities	0%	0%	0%
Fishing	0%	0%	0%
Mining and quarrying	6%	4%	4%
Mining and quarrying except extraction of crude petroleum and natural gas	1%	1%	1%
Extraction of crude petroleum and natural gas	5%	3%	3%
Manufacturing	6%	6%	5%
Food products, beverages and tobacco products	5%	5%	5%
Wood, products of wood and cork except furniture, and straw articles and plaiting materials	0%	0%	0%

Source: Author's elaboration based on data from the Argentinian National Institute of Statistics and Census (INDEC)

(ii) **Financial services and their minor share.** Locally, financial services are dominated by national and provincial public banks (Banco Nación Argentina, Banco de la Ciudad de Buenos Aires and Banco Provincia de Buenos Aires) that have accumulated 40% of the banking system's and grant two thirds of the loans. Other relevant players are the Spanish-origin banks BBVA Banco Francés and Santander Rio.

In the 1990s, the pension and retirement system was privatized, which gave rise to its administrators (AFJP, in Spanish). However, in the framework of the international crisis of 2008/2009, these funds were nationalized and started to be managed by a State apparatus called *Administración Nacional de Seguridad Nacional* (ANSES). The pension funds public management began to finance social policies, which caused a change in base of electoral support for Kirchnerism (Basualdo, 2011). Likewise, the nationalization

allowed the State to become a shareholder of the main companies and appoint directors, which sparked the ruling classes' ire.

During Macri's administration, this sector acquired a different role due to the plan to reintegrate into international financial flows. In this sense, the large investment banks and international funds administrators gained a dominant role in defining economic policy, which included the sentence payment to *vulture funds* and capital account deregulation (BASUALDO ET AL, 2017; BONA, 2019).

(iii)**Declining manufacturing sector.** Different studies (FERNANDEZ BUGNA & PORTA, 2011; AZPIAZU & SCHORR, 2010; TAVOSNANSKA & HERRERA, 2012) identified a relative re-industrialization during the first years of Kirchner administrations, mainly in traditional manufacturing. However, this did not reverse the major process of foreignization that had taken place in the 1990s (AZPIAZU & SCHORR, 2010). Those companies import technology and produce domestically under Mercosur tariff protection. In this sense, the semi-industrialized structure implies an increasing demand for imports during an expansionary phase. Therefore, the debate that emerges from this situation is over whether to deepen an industrialization that is not competitive on a global level or to move toward openness, industrial disarticulation, with a negative impact on employment (BONA, 2019).

The commodities manufacturing sector is dominated by chemical products and steel (basic metals and metal products). The steel industry is dominated by the Techint Group, the Argentinian trans-latin, that produces flat steel, welded pipes, and seamless pipes. In this sense, its relevance in terms of BOP criteria is reproduced in its GDP share.

(iv) **Civil construction.** Fourth, *Patria Contratista* has maintained a relevant role on the political scene although, in terms of accumulation, it remains subordinated to the internationalized fractions. However, this fraction maintains a great interest in infrastructure works promoted by the state apparatus, especially roads, highways, and ports. Both domestic and Brazilian companies such as Odebrecht and Andrade Gutierrez operate in Argentina.

(v) **Economic diversification.** The larger participation of other services in the GDP share demonstrates a greater degree of economic diversification with respect to the Chilean and Bolivian economies. Except for specific cases, the accumulation of this fraction remains subordinated, and, consequently, it projects less influence in the dispute over public politics.

These trends affirm that the BOP criteria is reproduced internally. However, it is important to note that the qualitative relevance of financial services is not reflected in their participation in GDP. This highlights the safe-conduct role that financial services play in the connection between global and domestic accumulation.

6.1.2 Brazil. The Natural Resources, Manufacturing and Finances Trident

As in the previous section with the Argentinian case, this section explores which capitalist fractions have a special role in the Brazilian accumulation process, taking into account GDP shares as a proxy of relevance in the political struggle.

In terms of GDP shares, **five trends** can be identified (see Chart VI.3).

First, (i) agricultural and extractive activities are at the top of a diversified productive structure. Second, (ii) despite the global financialization trend, financial services have maintained a stable GDP share, around 7%. However, this indicator does not show their relevance in terms of accumulation due to the fact that they have been financing commercial account deficit since 2007.

Third, (iii) manufacturing sectors (commodity, traditional and technology intensive) have shown a decreasing trend in their participation (from 14% to 12%), similar to the Argentinian case.

Chart VI.3: Brazil. Average sectorial share in GDP. Current Prices (2002-2016)

Sectorial Classification	2002-2008	2009-2014	2015-2016
Agricultural and extractive sectors (natural-resource intensive sectors)	11%	11%	9%
Financial Services	7%	6%	7%
Commodity Manufacturing (Capital intensive sectors)	7%	4%	5%
Civil Construction	5%	6%	5%
Technology Intensive Manufacturing	5%	5%	3%
Infrastructure Services	3%	2%	3%
Traditional Manufacturing (Labour force intensive sectors)	2%	2%	2%
Other Services	59%	63%	65%

Source: Author's elaboration based on data from the Brazilian Institute of Geographic and Statistical (IBGE - https://www.ibge.gov.br/estatisticas-novoportal/economicas/contas-nacionais/9052-sistema-de-contas-nacionais-brasil.html?=&t=resultados)

Fourth, (iv) it is important to highlight the relevance of *Empreiteiras*, the group of civil construction companies that grew stronger hand in hand with public works and by maintaining spurious relations with the political class, especially during the military regime (CAMPOS, 2012). Fifth and last, (v) other services have a higher participation in terms of GDP share than in Bolivia and Chile, demonstrating a greater degree of economic diversification and the importance of the domestic market.

Let's explore these trends.

(i) **Agricultural and extractive activities.** The relevance of natural-resource intensive activities seems to be diluted by the diversification of the productive structure. However, as I showed in Part B, their political and economic role has been growing.

Looking at GDP participation within the group in detail (see Chart VI.4) shows that the most relevant activities in terms of GDP are agriculture, hunting and forestry and related manufacturing associated with food and beverage production (meat, poultry, sugar, coffee, and soybean oil, among others).

In terms of agriculture and food manufacturing, large value chains with convergent and divergent interests can be identified. During the 20th century, the agricultural fractions, which had more economic and political influence, were associated with coffee, sugar, and certain fruits, such as oranges. In the early 2000s, Brazil experienced a major agricultural revolution that incorporated Cerrado into the production of soybean, corn, and cattle, also known as the Brazil-China soybean-meat complex (see Chapter 4). In turn, this expansion of grain production made it possible to increase the intensive production of animal proteins such as pork and chicken, which reached the international market. With the expansion of this agricultural frontier, the interests of the landowners made it across the whole national territory (see

Map 1) (FLEXOR & LEITE, 2017; ESCHER & WILKINSON, 2019).

The PT administrations attempted to implement agrarian reform with the political support of the *Trabalhadores Rurais Sem Terra* (MST) and *Confederação Nacional dos*

Trabalhadores na Agricultura (Contag), but the results were only partially successful.[185] Later, Temer's administration gave a new impetus to latifundios with the *lei de grilagem,*[186] which considerably affects peasants and Indigenous peoples (CUNHA, 2017; SAUER & LEITE, 2017). It has driven a new shock wave towards the Amazon with an environmental impact that has been criticized globally. *Primitive accumulation* never ends (BRANDÃO, 2010).

In the other side, mining (iron ore) and the extraction of crude petroleum (mainly by the SOE Petrobras) has a secondary relevance in terms of GDP.[187] Both iron ore and oil mining chains are led by just one company: (former SOE) Vale and SOE Petrobras. This element shows the State's ability to build large companies with a great potential for export that, later, become extremely valuable appropriated by private capital.

Chart VI.4. Brazil. Agricultural and extractive sectors. GDP shares. Current prices. (2002-2016)

Sectorial Classification	2002-2008	2009-2014	2015-2016
Agricultural and extractive sectors (natural-resource intensive sectors)	11%	11%	9%
Agriculture, hunting, forestry and fishing	6%	5%	5%
Agriculture, hunting and forestry	4%	4%	4%
Fishing	2%	1%	2%
Mining and quarrying	3%	4%	2%
Mining and quarrying except extraction of crude petroleum and natural gas	1%	1%	1%
Extraction of crude petroleum and natural gas	2%	2%	1%
Manufacturing	2%	3%	3%
Food products, beverages and tobacco products	2%	2%	2%
Wood, products of wood and cork except furniture, and articles of straw and plaiting materials	0%	0%	0%

[185] For a review, see Fernandes (2013)

[186] A legal device that enables the private appropriation of public lands under the presentation of property or occupation titles of doubtful veracity. *Grilos* (Cricket) feces allow the paper to take on an aged look, which is used to falsify old titles.

[187] There are other illegal and extractive activities that are difficult to measure, such as gold mining in the Amazon led by *garimpeiros*. This extractive activity is linked to others that involve the exploitation of the Amazon's natural resources, for example by loggers.

Source: Author's elaboration based on data from the Brazilian Institute of Geographic and Statistical (IBGE - https://www.ibge.gov.br/estatisticas-novoportal/economicas/contas-nacionais/9052-sistema-de-contas-nacionais-brasil.html?=&t=resultados)

(ii) **Financial services.** Commercial and public development banks (Banco do Brasil, Caixa Economica and Banco Nacional de Desenvolvimento Economico e Social – BNDES) are leaders in the sector, as shown by the fact that they have accumulated 40% of the banking system's assets and grant two thirds of loans. Other relevant players are domestic banks such as Bradesco or the Brazilian trans-latin Itau. Similarly, the São Paulo stock market (BOVESPA) is the largest in Latin America. Despite the financialization process that has been identified by different studies (PRATES ET AL, 2020; LAVINAS ET AL, 2020; among others), the financial sectors have not shown a clear expansion in terms of GDP.[188]

Along with the financialization process, BNDES also played a key role in the PT's developmentalist agenda by acting as a lender and a minority shareholder of major domestic companies. Furthermore, BNDES actively supported the internalization strategy of the *national champions* by financing export and investment activities (GHIBAUDI & LALTUF, 2017). During and after the global financial crisis, BNDES's role was expanded and the government used it to carry out counter-cyclical operations. A comparison between BNDES and the World Bank illustrates the scale of BNDES's rise. BNDES's annual disbursement has exceeded the World Bank's since the mid-2000s and was over three times larger than the World Bank's in 2013 (KIM, 2020).

After the *parliamentary coup,* there has also been a multidimensional retreat of BNDESs' operations that has completed its rise and fall. Firstly, BNDES has lost its role as a credit-

[188] This could be underestimated in the national accounts since it is an indirect estimate.

crunch fighter and promoter of industrialization. Instead, the bank has increasingly focused on the infrastructure sector, whose share of the loan portfolio rose from 37% in 2013 to 53% in 2019. In loans, high-tech intensive manufacturing's shares have generally shrunk. Secondly, BNDES role as a shareholder of national champions has been declining. The number of companies in BNDES' equity portfolio fell from 155 in 2013 to 90 in 2019, particularly shares in large firms, many of which were involved in recent corruption scandals. In this sense, the lawfare not only affected domestic companies that managed to become global players, but also imploded its financial leg.

(iii) **Manufacturing.** Traditional, commodity, and technology intensive manufacturing have shown a tendency to decrease their participation (14% to 10%) in a similar way to the global trend. In this sense, Brazil is the country in the region that has gone deepest in the articulation of industrial linkages. However, like Argentina, it maintains some dependence on the importation of technology and capital goods, while those fractions produce domestically under Mercosur's tariff protections. Although Brazil has managed to export regionally, the interest of transnational companies is focused on Mercosur's market. Therefore, as certain sectors promote FDI, such automotive production and steel manufacturing, they are allocated to the dominant group within the power bloc.

As mentioned above, the PT sought to carry out an industrialization process based on national champions financed by the BNDES. Later, this strategy broke down and a neoliberal agenda was reinstated (PRATES ET AL, 2020). Along this line, global results show the beginning of a deindustrialization phase and regressive specialization (SARTI AND HIRATUKA, 2017; MEDEIROS ET AL, 2019). Therefore, the political debate has continued to focus on the dispute over whether to deepen industrialization or, to

intensify primary insertion via commercial opening and dismantling the industrial structure with its negative impact on employment (FONSECA ET AL, 2020).

(iv) **Civil Construction.** E*mpreiteiras* has maintained a central role in the political scene due to its GDP share and its international relevance. Infrastructure investment accounted for approximately 25-30% of fixed capital formation during the 2000s, and was especially boosted by *Programa de Aceleração do Crescimento* (Growth Acceleration Plan) (BIELSCHOWSKY ET AL, 2015). Although these firms have a great interest in infrastructure works promoted by state apparatuses, Brazilian companies have also managed to internationalize, as I showed in previous chapters (See Chapter 4). In this sense, they have disputed the world sectorial leadership, carrying out works in Africa and Latin America, including in Cuba. These events have meant that they were at the centre of inter-capitalist and geopolitical dispute and, therefore, have ended up as a focus of hybrid war and *lawfare* since 2013 (COSTA PINTO ET AL, 2019).

(v) **Economic Diversification.** Similar to Argentina, other services have a higher participation in terms of GDP share than in Bolivia and Chile. As mentioned earlier, the other services that include the capital fractions associated with retail and wholesale trade, and transportation, storage, and communications, with the exception of specific cases, have less relevance in capitalist accumulation and, consequently, less influence on the dispute over public politics.

Taking these trends into account, it can be affirmed that the BOP criteria is reproduced internally. Similar to Argentina, financial services' relevance is not reflected in their GDP participation. This highlights the tunnel role they play in the connection between global and domestic accumulation.

6.1.3 Summing up

In the previous sections, the political economy of GDP allowed me to identify the evolution of the wealth flow of the power bloc. Along this line, it also allowed me to differentiate between the dominant and relevant fractions within the power bloc. The results are summarized in Chart VI.5 for Argentina and Chart VI.6 for Brazil.

Chart VI.5. Argentina. Power bloc, capitalist class and its fractions

<table>
<tr><th colspan="3">Argentina</th><th>2002-2008</th><th>2009-2014</th><th>2015-2017</th><th>GDP</th></tr>
<tr><td rowspan="4">Capitalist fractions</td><td rowspan="2">Power bloc</td><td>Dominant Fractions</td><td colspan="2">Agricultural and extractive sectors (natural-resource intensive sectors): (mainly, soybean industry, cereals and its manufactures) (Pampas oligarchy and international companies); Extraction of crude petroleum (international oil companies and later, SOE); Mining of metal ores (international mining companies)</td><td>Agricultural and extractive sectors (natural-resource intensive sectors); Financial Services</td><td>20%</td></tr>
<tr><td>Relevant Fractions</td><td colspan="2">Technology Intensive Manufacturing (Motor vehicles) (International automotive companies); Commodity Manufacturing (Manufacture of chemicals, basic pharmaceutical products and basic metals - TECHINT) (International and domestic private companies); Traditional Manufacturing (Manufacture of rubber and leather) (International and domestic private companies); Other Services (Retailers and telecommunications); Financial Services</td><td>Technology Intensive, Commodity Manufacturing and Traditional Manufacturing; Other Services (Retailers and telecommunications)</td><td>25-30%</td></tr>
<tr><td colspan="2" rowspan="3">Other</td><td colspan="3">Civil Construction</td><td>5-6%</td></tr>
<tr><td colspan="3">Infrastructure Services</td><td>1-2%</td></tr>
<tr><td colspan="3">Other Services</td><td>55-60%</td></tr>
</table>

Source: Author's elaboration. For more details, see Chapter 4 and Chart VI.1.

In summary, Argentinian accumulation has been led by fractions associated with natural-resource industries (manufacturing of food products, crop and animal production, extraction of crude oil and gold mining), which is expressed both by their

participation in GDP and international currency provision. During the last sub-period (2015-2017), the financial sector played a central role given the significant debt process of the public sector, even though the financial sector's share does not show great variations.

In a complementary way, I have also identified some relevant fractions that respond to the semi-industrial pattern, such as technology-intensive manufacturing (automotive and machinery) and commodity manufacturing (chemical products, basic metals - iron and steel – and rubber and plastics products).

These relevant fractions maintain a convergent interest in trade integration within Mercosur that avoids international competition. On the contrary, both dominant fractions struggle for a greater international integration based on commercial and financial deregulation.

Chart VI.6. Brazil. Power bloc, capitalist class and its fractions

Brazil			2002-2008	2009-2014	2015-2017	GDP
Capitalist fractions	Power bloc	Dominant Fractions	**Agricultural and extractive sectors**: crop and animal production (soybean, corn and meat industries – international and domestic private companies); mining of metal ores (domestic private company); extraction of crude petroleum (SOE); **manufacture of food products** (sugar and coffee); **Financial Services** (ITAU bank and transnational firms); **Technology intensive manufacturing**: motor vehicles (international companies); **Commodity manufacturing**: manufacture of iron and steel (international private companies); **Other Services** (telecommunication and retailers)			Around 15%
		Relevant Fractions	**Technology intensive manufacturing**: machinery (international companies) (EMBRAER); **civil construction** (domestic private companies); **Commodity manufacturing**: manufacture of paper and paper products (domestic private companies)			17 to 13%
	Other		**Infrastructure Services**			2-3%
			Traditional Manufacturing			2%
			Other Services			60-65%

Source: Author's elaboration. For more details, see Chapter 4 and Chart VI.3.

Brazilian accumulation has been led by a heterogeneous group of fractions associated with natural-resource industries, financial services, high tech and commodity manufacturing, and other services such as telecommunication and retailers. Their relevance is expressed both by their participation in GDP and international currency provision. The agricultural and extractive fractions have been at the top of the dominant fractions due to their increasing share in terms of international trade (see Chapter 4).

In a complementary way, I have also identified some relevant fractions associated with the manufacturing structure, such as machinery (EMBRAER) and paper products and civil construction. The Brazilian economic structure is more diversified than the rest of the cases analysed and, consequently, the interests of the dominant classes are articulated around many activities.

6.2 Political Economy of Argentinian and Brazilian Accumulation: Preliminary Elements

The last subsection of this chapter aims to present the articulations and interpretations, albeit in a panoramic way, of the relationship between capitalist fractions, the State and its policies, and the subaltern classes in these two countries.

It should be noted that, although I have explored the analysis of the dominant classes in more detail, this section incorporates – in an exploratory way – some proxies for subaltern classes: economical insertion by sector and marginalized subaltern classes who are associated with precarious conditions of wage labour (see Chart A.23 and Chart A.24), which express how class struggle operates in these countries.

All these contributions are summarized in the maps of productive relations between classes and their fractions for Bolivian and Chilean capitalism in Chart V.8 and Chart V.9.

This section does not pretend to be exhaustive, but rather seeks to outline some elements that would allow for qualifying the debate.

Given that they are the two largest economies in South America, there is extensive literature analysing these cases. However, we can sketch common lines around two arguments: “varieties of neoliberalism/neo-extractivism” and “developmentalism”.

(a.i) In the Argentinian case, the first group argues that the Kirchnerist government simply reinstated the capitalist accumulation model that had almost collapsed with the 2001 crisis (CARACOCHE, 2018). As a neo-extractivist scheme, primary-export insertion was stimulated and the State apparatuses redistributed part of the agrarian rent to re-install consensus (SVAMPA, 2012). In this sense, the redistribution of the surplus via fiscal policy enabled a higher growth rate with an increase in employment, but through precarious hiring conditions (overexploitation of the labour force) (FELIZ, 2018; CANTAMUTTO & COSTANTINO, 2016). After the agrarian rent was exhausted, the contradictions of the model undermined the capacities to renew social developmentalism and neoliberalism returned under the tutelage of the United States.

(b.i) In the Brazilian case, this group observes that social inclusion and developmental outcomes were secondary features of the essentially neoliberal accumulation pattern. From this point of view, Collor de Mello, Henrique Cardoso in the 1990s and, later, Temer (2016-2018) and Jair Bolsonaro (2019 -) were similar to Lula da Silva (2002-2010) and Dilma Rousseff (2011-2014). The former group actively promoted the neoliberal pattern and the latter accepted it as irreversible and adapted to it (Filgueiras, 2020). In this sense, economic growth was limited by the tripod macroeconomics schema and industrial policy operated without controls over private capital. Furthermore, income

redistribution was marginal because of the imperatives to preserve the distribution of assets and secure large fiscal surpluses. As deindustrialization and reprimarization have continued, employment creation has been also limited (SAAD FILHO, 2019; FONSECA ET AL, 2020). The broad social pact proposed by Lula acknowledged the hegemony of financial capital, and its contradiction was that it protected the hegemonic group by means of monetary and fiscal policies that required growth in the gross domestic product, a favourable balance of payments, and a gap between wages and productivity (FILGUEIRAS, 2010; TEIXEIRA & PINTO, 2012; BOITO, 2012; FONSECA ET AL, 2020). Following the change in the international scenario and the fall in commodity prices, a structural crisis has developed. Rousseff responded to the crisis with a "new macroeconomic matrix" that amounted to the abandonment of Lula's class-coalition pact (PINTO ET AL, 2019; FONSECA ET AL, 2019). Since then, the social-democratic social pact could not be rebuilt and a neoliberal model in line with the US project was re-established.

(a.ii) On the other side, the second group argues that the BOP constraint limited Argentinian economic expansion after 2011. For some authors, it was due to this external limit, that Kirchner's administration failed to carry out its developmental program with the support of the subaltern classes and the market-internalist bourgeoisie (popular block) (VARESI, 2014B; 2018A). The political project was limited internationally by the conflict with the vulture funds and internally by the agriculture and extractive fractions. Then, a neoliberal administration was reinstated, which was strongly influenced by international financial capital and agricultural-extractive fractions (oligarchic block) (BASUALDO ET AL, 2017; VARESI, 2018B).

(b.ii) In Brazil, this second group argues that PT administrations maintained a tepid commitment to social inclusion and developmental outcomes: economic growth, industrial policy, redistribution, employment creation, and the promotion of citizenship[189] (BIELSCHOWSKY, 2012; SERRANO & SUMMA, 2018)[190]. Thus, the basis for the parliamentary coup was a series of accumulated errors or mistakes: Dilma's fiscal policy that promoted austerity and recession (SERRANO & SUMMA, 2015), Dilma's decision to promote a reduction in interest rates, while the subaltern classes allowed themselves to be manipulated by media fractions (SINGER, 2015). Thus, the developmentalist program could have been boosted by three "engines of investment" (massive consumption due to progressive income distribution, natural resources, and infrastructure investment under private and public demand) articulated with a national innovation system (BIELSCHOWSKY, 2012; BIELSCHOWSKY ET AL, 2015). Therefore, it was the coup that cut off the developmental project.

My research affirms that the effect of the transformations of the world market were notably greater than any developmental attempts by Pink Tide administrations. In this sense, the rise of China and new international conditions reinforced the central role of the fractions associated with extractive activities and financial services. Thus, both Argentinian and Brazilian capitalist accumulation has been led by a group of capitalist fractions associated with agriculture and extractive activities, financial services,

[189] For a review on this literature, see Prates et Al (2020).

[190] Similarly, Chodor (2014) found that the Brazilian Third Way can be understood as a passive revolution that has delivered significant material concessions to the subordinates classes and which involves a more powerful ideological project based on notions of (political, economic, and racial) inclusion. This reformed neoliberal project has managed to win the consent of almost all sections of Brazilian society, especially its poorest sectors.

manufacturing, and other services (retailers and telecommunications) (Chart VI.7 and Chart VI.8).

Although the political struggle in Argentina between an oligarchic bloc and a popular bloc may exist on the political scene, the relations of production show that one bloc clearly dominates the other. Along this line, I identified that Argentinian accumulation has been led by dominant and relevant fractions within the power bloc.[191] The dominant fractions within the power bloc were composed of the natural-resource intensive sectors that included a diverse group of players such landowners from the Pampas, regional oligarchs, domestic and transnational natural-resource extractivists and processors, and the oil SOE. As this group has been responsible for 20% of the GDP and only 15-18% of direct employment (See Chart VI.7), this bloc cannot guarantee social and economic sustainability.

In this sense, whether the power bloc is in a position to consolidate a national project around its interests is under debate in both countries. On the one hand, economic insertion has shown that a minor share of the subaltern classes (around 40-45%) are employed by the power bloc.[192] Thus, social consensus around domination depends on

[191] The dominant group includes a diversity of natural resource intensive industries such as manufacture of food products (especially soybean by-products: oil and meal), crop and animal production (cereals, cereals preparations, fruits and meat), extraction of crude petroleum and gold mining. During the last subperiod (2015-2017), the financial sector played a central role in this group.
In a complementary way, I have also identified some relevant fractions such as technology intensive manufacturing (automotive and machinery) and commodity manufacturing that includes chemical industries, manufacture of basic metals (iron and steel), and manufacture of rubber and plastics products (see Chart VI.7).

[192] The dominant fractions in Argentina (extractive and financial activities) have directly employed around 15-18%, a relatively small share. Agricultural activities could be underestimated due to the phenomenon of informality. In this sense, the relevant fractions (automotive, basic metals, chemicals, retailers, among others) gain importance since they account for around 25%, mainly due to the role of services as commerce.
The case of Brazil is different because part of the manufacturing and services industries is also within the dominant fractions. Therefore, this group directly accounts for about 35% of formal jobs. In contrast, the relevant fractions only account for about 10%. So, adding both groups together, the two countries present

the multipliers that are generated by credit diffusion or income redistributive policies, which enable the expansion of consumption and proliferation of other services.[193]

However, Argentinian and Brazilian experiences have shown that social inclusion and the massification of consumption generated discomfort for the dominant classes, but also in some subaltern fractions.[194] In turn, the phenomenon of the expansion of social spending with the counterpart of direct taxes on individual income and corporate profits fed the liberal anti-state spirit of the hegemonic ideology. This shows a clear contradiction between aggregate processes and individual trajectories. The progressive income distribution would allow for higher GDP growth, but this aggregate result is not necessarily the scenario desired by the classes and their fractions.

On the other hand, the subaltern classes provide political support for maintaining a domestic manufacturing system. Although there is a global trend towards the reduction of industrial jobs, their participation still accounts for around 12-15% in both countries, which is still relevant.

Furthermore, even though a considerable part of Brazil's population continues to consist of marginalized subaltern classes (around 40%), the size of its market keeps attracting investments that are significant for manufacturing (automotive and iron and steel manufacturing) and other services such retailers and telecommunications, enabling

a power bloc that concentrates between 40 and 45% of formal direct employment, implying different levels of participation of the dominant and relevant fractions.

[193] Argentinian data includes only private employment. Therefore, other services are underestimated due to the fact that public employment (mainly, education and health employees) were dismissed.

[194] The rejection was not only against the social policy of income transfers, but also against the measures aiming to expand access to public goods and services to subaltern fractions that had historically been denied them, such as Indigenous and Afro-descendant populations. In both countries, Indigenous groups account for about 1% of the total population (WEF, 2019). Additionally, 56% of the Brazilian population identifies as Afro-descendants (AFONSO, 2019).

them to be represented within the power bloc. However, their interest especially lies in the high-income domestic market that reproduces the capitalist consumption patterns of industrialized countries. This element is in partial contradiction with the neoliberal political agenda promoted by the fractions based on natural resources and financial services.

Finally, the marginal mass (NUN, 2010) or subproletariat (SINGER, 2009) proxy[195] accounts for more than 20% of the employed population (around 30% if domestic service is also included) (See Chart A.23). The data shows that the rate of informality varied between 50% and 40% during 2004-2012 in Brazil and stagnated around 30% in Argentina (COSTA ET AL, 2015; ZUAZUA & MASSI, 2020). In summary, precarious labour relations, in any of their forms, have an extremely relevant participation, which means a remarkable reserve army. In this sense, the marginalized subaltern classes are the manifestation of the uneven and combined development that is expanding throughout the region.

[195] The category of self-employed includes a large range of jobs with a heterogeneous remuneration such as medium-high income "liberal" professions, as well as precarious workers who are inserted in different branches of economic activity and have largely had their labour rights abolished.

Chapter Six – Summary Charts

Chart VI.7. Argentina. Capitalist, subaltern classes (SC) and their fractions

Argentina			2002-2008	2009-2014	2015-2017	GDP	Employed Population - Proxy SC	Self-Employed and others – Proxy MSC*
Capitalist fractions	Power bloc	Dominant Fractions	**Agricultural and extractive sectors (natural-resource intensive sectors)**		**Agricultural and extractive sectors; Financial Services**	20%	15-18%	Around 25-28%
		Relevant Fractions	**Technology Intensive Manufacturing** (Motor vehicles); **Commodity Manufacturing**; **Traditional Manufacturing** (Manufacture of rubber and leather); **Other Services** (Retailers and telecommunications); **Financial Services**		**Technology Intensive, Commodity Manufacturing and Traditional Manufacturing; Other Services** (Retailers and telecommunications)	25-30%	25%	
	Other		**Civil Construction**			5-6%	3,5 to 7%	
			Infrastructure Services			1-2%	1%	
			Other Services			55-60%	62-63%	

Source: Author's elaboration. For more details, see Chapter 4, Chart VI.1, Chart A.23 and Chart A.24.

Note: *Marginalized subaltern classes

Chart VI.8. Brazil. Capitalist, subaltern classes (SC) and its fractions

<table>
<tr><th colspan="3">Brasil</th><th>2002-2008</th><th>2009-2014</th><th>2015-2017</th><th>GDP</th><th>Employed Population - Proxy SC</th><th>Self-Employed and others – Proxy MSC*</th></tr>
<tr><td rowspan="4">Capitalist fractions</td><td rowspan="2">Power bloc</td><td>Dominant Fractions</td><td colspan="3">Agricultural and extractive sectors; Financial Services (ITAU bank and transnational firms); Technology intensive manufacturing: motor vehicles (international companies); Commodity manufacturing: manufacture of iron and steel; Other Services (telecommunication and retailers)</td><td>Around 15%</td><td>~25%</td><td rowspan="4">40 to 33%</td></tr>
<tr><td>Relevant Fractions</td><td colspan="3">Technology intensive manufacturing: machinery (international companies) (EMBRAER); civil construction (domestic private companies); Commodity manufacturing: manufacture of paper and paper products</td><td>17 to 13%</td><td>~10%</td></tr>
<tr><td colspan="2" rowspan="3">Other</td><td colspan="3">Infraestructure Services</td><td>2-3%</td><td>1%</td></tr>
<tr><td colspan="3">Traditional Manufacturing</td><td>2%</td><td>6-7%</td></tr>
<tr><td colspan="3">Other Services</td><td>60-65%</td><td>60 to 70%</td></tr>
</table>

Source: Author's elaboration. For more details, see Chapter 4, Chart VI.3, Chart A.23 and Chart A.24.

Note: *Marginalized subaltern classes

Final remarks

Mainstream and reformist perspectives have provided limited answers for understanding the status of economic development in Latin America. Their approach implies, on the one hand, the possibility of developing autonomous units, which would promote a convergence in a global dynamic and, on the other hand, that the State is above social classes (deus ex machina).

In reference to the first issue, I postulated that development appears as the benevolent face of capital accumulation, while it has deepened the exploitation of humans and the environment. As capital creates a hierarchy between capitalists and workers, between genders, and also between regions and countries, capital accumulation implies "*uneven and combined development*".

Thus, capital accumulation promotes tensions and contradictions in (at least) three issues that are mediated by the State: (i) the global scale, (ii) inter-class relations, and (iii) intra-class relations. This is fully related with the second issue and the need to present an approach that neither keeps the State above social classes, but nor does it consider as a neutral arena for class struggle. The capitalist nature of the State implies that it tends to guarantee capital accumulation as a way to legitimize itself and consolidate consensus. However, the State, as deus ex machina, is capable of promoting an acceleration of capital accumulation and structural change.

In this sense, my proposal was to return to the concept of the *Poulantzian* power bloc as a mediator between the capitalist State and the Market and incorporate the BOP constraint as a way to identify the capital fractions that lead the power bloc. The capitalist fractions that have achieved successful international insertion, that provide

international currency to the national system, hold the key to unblocking local accumulation, so the rest of the capital fractions are subordinated to them.

However, the State maintains its degree of relative autonomy with respect to capital fractions in order to fulfil its role as the guarantor of capitalist accumulation, creating a balance between coercion and consensus. In this sense, the State could gain greater relative autonomy in historical moments when domination is questioned on a global, regional, or national scale. These processes can lead to structural changes that modify the relations of domination, in ways that were not initially desired by the dominant fractions. Since this argument could mean a relevant explanatory element to understand the processes of economic and social transformation, it is a line of research that deserves to be developed in the future.

Since my objective was not merely theoretical, I applied this method to return to the historical foundations of the regional situations and to provide some new panoramic insights for it at the beginning of the 21st century.

In terms of its long-term historical structures, LAC's system of capitalist social reproduction was born and remained a peripheral extension of the Global North. Starting with the Conquest, European social groups controlled natural resources and administrated ties with the Global North. In this sense, the international division of labour appeared as an imposition for the subaltern classes, while in contrast, it has represented an opportunity for profit and power for dominant domestic classes associated with natural resources and international finances.

The historical "regional leaders" (Argentina, Brazil, and Chile) have been fully integrated with the hegemonic power in each era (England and the USA). This international

integration promoted BOP relief by FDI inflows. Although this trajectory allowed the diversification of productive structures, geopolitics and geoeconomics have not promoted transformations in the social relations of production and class relations in the style of the Asian Developmental State. On the contrary, accumulation remained dependent on natural resources and international finance, which reinforced the internal class structure. This has been reproduced during the (re)emergence of China.

As popular demands have historically been postponed, the relative autonomy of the State has been generated by the political pressure exerted by subaltern classes. In this sense, the state apparatuses under dispute have managed the demands of different social classes between coercion and consensus and this is what, ultimately, explains the difference between one or another national trajectory.

Then, "*the continuity with originality*" during the rise of China has been related to relief in the BOP constraint due to greater commercial and FDI flows and the possibility that Latin American states could boost their domestic accumulation. However, as the US does not need to take care of capitalism on the global scale, structural change is no longer a political issue. In this sense, the Latin American ruling classes adapted to neoliberalism, appropriated part of the productive structure previously created by the State, and were able to join the global financial integration that allows their wealth to be placed in tax havens. At the global level, the domestic ruling classes engage as subordinates and embrace the expansion of the US judicial apparatus that guarantees their rights. Therefore, the region maintains a peripheral and subordinate role in global accumulation given that this situation is functional for the accumulation and domination of transnational capital and domestic capitalist fractions.

However, I have emphasized that the capitalist classes are not homogeneous and that there is a struggle among them to lead the accumulation process, which is mediated by the State. Taking these elements into account, Part B allowed for problematising the question of which capitalist fractions have the greatest capacity to project their interests within the State apparatus through the political economy of BOP. Due to financial-technological dependence, the fractions that are providers of international money have an implicit mechanism for applying pressure on the State, as well as, on the other fractions and social classes. Based on sociohistorical and geopolitical relevance, I focussed on Bolivia, Chile, Argentina, and Brazil (BCAB).

My methodological contribution makes it possible to identify between the dominant and relevant fractions within the power bloc. In this sense, my preliminary results showed that the global dynamic of accumulation intensified the relevance of the exploitation of natural resources controlled by the State (copper and gas) in Bolivia and Chile, allowing the accumulation of international reserves. Therefore, disputes over directly controlling the state apparatus take on a fundamental importance.

Despite semi-industrialized structures in the Argentinian and Brazilian cases, the analysis showed that agricultural and extractive activities (soybean complex, meat value chain, mining, and oil) have been associated with the dominant fractions in the power bloc due to trade issues. Both States maintain control over part of the apparatuses that had promoted industrialization in 20th century and are able to displace surplus from one industry to new ones, such as public commercial and developmental banks, SOE oil companies, among others. Thus, disputes about directly controlling the state apparatus have a fundamental significance in the accumulation rate.

In Chile and Brazil, the financial sector has also played a central role in the BOP constraint due to the outstanding interest that it has generated for transnational capital (FDI) and portfolio investment. In Argentina, financial services only gained relevance during the third subperiod, after the payment to the *vulture funds* in 2016, while Bolivia appears to be situated outside of international financial flows. In all the cases, financial services have also been useful for financial outflows so, the sector has grouped the interest of the dominant and relevant fractions based on its role in international financial integration (*capital flight*).

Furthermore, the Brazilian dominant fractions also incorporate the technology intensive (automotive industry) and commodity (basic metals, chemicals and pharmaceuticals products) manufacturing and other services (telecommunications and retailers) sectors, which were focus of FDI. They have also played a certain role in Argentina, although it was secondary.

Chile, Brazil and, to a lesser extent, Argentina have developed the idea of promoting *national champions* as a way to improve exports to relieve the BOP constraint. However, the internationalization of domestic firms did not necessarily help with the external constraint due to the fact that they could send their dividends to tax havens. Furthermore, and in contrast to Chile, Brazilian companies have been involved in an increase in intercapitalist struggle on global scale, which has implied the direct participation of state apparatus for conflict resolution.

Part B highlighted that international insertion does not depend on the management of indigenous technology. As the region does not present the “military/defence issue”, technological change occurs in the Global North and expands towards the region as

modernization. In this sense, the rise of China deepened “traditional” production relations and their associated class structure.

In Part C, I used the political economy of GDP to conclude that BOP criteria were, to a large extent, a manifestation of the differential capacities in the internal dispute over public policies. Along this line, it confirms the validity of my methodological and interpretative contribution.

In addition, Part C pointed to some relevant empirical facts. First, my study has suggested that the effects of transformations in the world market were notably greater than any developmental attempts by Pink Tide or by the Chilean model. In this sense, the rise of China and new international conditions reinforced the central role of the fractions associated with agriculture, extractive activities, and financial services.

Second, it is important to note that the qualitative relevance of financial services is not reflected in their participation in GDP, especially in Argentina and Brazil. This highlights the safe-conduct role that financial services play in the connection between global and domestic accumulation.

Regardless of this result associated with the world market, there is a wide range of relative winners and losers associated with civil construction, infrastructure services, retailers and trans-latins. In this sense, a common relative loser is associated with manufacturing activities.

Furthermore, this final part explores, in a panoramic way, the tensions and contradictions between capitalist fractions and the subaltern classes. Along this line, some preliminary elements were highlighted in the four cases. On the one hand, the power bloc does not account for most of the direct (formal) employment, around 40-

45% in Bolivia-Chile and 30% in Argentina-Brazil. Therefore, social sustainability depends on employment multipliers.

Secondly, the subaltern classes have a more direct relationship with the other services' fractions, primarily urban jobs, which are generally precarious. Furthermore, the high degree of precariousness and fragmentation of labour insertion leads to difficulties in generating common experiences that would foster social organization. These difficulties negatively affect the possibility of disputing a part of the surplus through institutional channels.

In the case of Argentina and Brazil, manufacturing jobs are still expressive, even when there is a global trend towards their reduction. Since their participation accounts for around 12-15% of total employment, the subaltern classes express political support for maintaining a domestic manufacturing system.

Besides, Argentina, Brazil and, later, Bolivia have shown some outlines that the massification of consumption initially generated a discomfort in the ruling classes and high-income sectors in the subaltern classes, due to the loss of a certain exclusivity. In turn, phenomenon of the expansion of social spending with the counterpart of direct taxes on individual income and corporate profits fuelled the hegemonic ideology's liberal anti-state spirit. Progressive income distribution would have allowed for higher GDP growth, but this aggregate result was not necessarily the scenario desired by the classes (both capitalist and subaltern classes) and their fractions. As progressive redistribution is usually a policy objective by left-oriented administrations, this is a phenomenon that would be relevant for further investigation in future research.

Although I presented some results based on the sectoral insertion of the subaltern classes and their levels of informality, their capacity for organization and struggle involves other elements, such as ideology and identity, among others, that need further investigation and will be part of future research.

To conclude, my study was able to show, theoretically and empirically, that capitalist development presents contradictions and tensions that produce economic and political limits in Latin America: all of these are enclosed in the State and Market relationship.

Statistical Annex

Chart A.1. LAC and Selected Countries. Balance of Payment (2002-2008) (Average current millions of US dollars)

2002-2008	LAC	Brazil	Mexico	Argentina	Chile	Colombia	Peru	Venezuela	Bolivia	Uruguay	Rest of Latin America	The Caribbean
I. CURRENT ACCOUNT	10,109	1,315	-8,999	6,125	1,653	-2,901	-237	18,798	778	-286	-6,421	284
Balance on trade	45,767	23,594	-16,020	13,505	11,035	-1,601	3,159	26,312	407	71	-14,938	243
Balance on primary income	-82,914	-25,795	-13,554	-8,127	-11,312	-5,456	-5,263	-1,866	-384	-475	-8,520	-2,162
Balance on secondary income	52,613	3,516	20,575	747	1,930	4,156	1,867	-289	755	118	17,036	2,203
II. CAPITAL ACCOUNT	2,961	664	-393	166	23	-	-	-	432	3	1,722	343
III. FINANCIAL ACCOUNT	40,344	19,761	20,418	-1,872	-83	4,445	3,214	-14,305	-42	869	6,959	980
Direct Investment	60,411	12,519	19,172	3,923	5,403	4,427	3,241	833	256	937	6,665	3,035
Portfolio and Other Investment	-20,067	7,243	1,247	-5,795	-5,486	17	-27	-15,138	-299	-68	294	-2,055
IV. NET ERRORS AND OMISSIONS	-8,299	-631	-3,837	-151	-641	91	-47	-2,083	-274	-108	-247	-371
V. RESERVES	**44,969**	**21,110**	**7,190**	**4,268**	**941**	**1,635**	**2,930**	**2,410**	**894**	**478**	**1,879**	**1,236**

Source: CepalStat.

Latin America & the Caribbean: 33 countries

Chart A.2. LAC and Selected Countries. Balance of Payment (2009-2014) (Average current millions of US dollars)

2009-2014	LAC	Brazil	Mexico	Argentina	Chile	Colombia	Peru	Venezuela	Bolivia	Uruguay	Rest of Latin America	The Caribbean
I. CURRENT ACCOUNT	-121,683	-71,733	-16,689	-4,025	-3,965	-11,136	-5,146	5,524	864	-1,397	-13,756	-224
Balance on trade	-18,828	-23,105	-15,272	8,224	6,255	-3,097	2,579	28,989	988	872	-25,332	71
Balance on primary income	-151,860	-51,705	-23,502	-13,079	-12,757	-12,807	-11,081	-8,019	-1,322	-2,423	-12,129	-3,037
Balance on secondary income	63,652	3,077	22,084	829	2,537	4,768	3,356	-799	1,198	153	23,705	2,742
II. CAPITAL ACCOUNT	3,286	398	68	60	1,050	-	-	-35	21	45	1,349	331
III. FINANCIAL ACCOUNT	195,372	100,887	45,889	2,680	7,036	15,121	10,245	-7,412	379	3,045	15,739	1,763
Direct Investment	129,152	65,015	15,066	8,229	8,115	8,029	7,736	747	909	2,308	11,197	1,801
Portfolio and Other Investment	66,220	35,872	30,823	-5,549	-1,079	7,091	2,509	-8,159	-530	737	4,542	-38
IV. NET ERRORS AND OMISSIONS	-18,630	146	-11,753	-1,137	-810	202	290	-2,854	-68	213	-1,263	-1,597
V. RESERVES	**58,344**	**29,699**	**17,515**	**-2,423**	**3,311**	**4,187**	**5,389**	**-4,776**	**1,196**	**1,905**	**2,069**	**273**

Source: CepalStat.

Latin America & the Caribbean: 33 countries

Chart A.3. LAC and Selected Countries. Balance of Payment (2015-2017) (Average current millions of US dollars)

2015-2017	LAC	Brazil	Mexico	Argentina	Chile	Colombia	Peru	Venezuela	Bolivia	Uruguay	Rest of Latin America	The Caribbean
I. CURRENT ACCOUNT	- 119,344	- 30,914	- 24,546	- 21,213	- 4,385	- 13,670	- 5,607	- 7,378	- 2,081	259	- 7,940	- 1,869
Balance on trade	- 57,892	8,497	- 22,376	- 8,600	2,292	- 13,290	53	- 2,492	- 2,336	2,859	- 19,693	- 2,807
Balance on primary income	- 136,797	- 42,187	- 28,945	- 13,517	- 8,356	- 6,348	- 9,331	- 4,879	- 957	- 2,809	- 18,028	- 1,441
Balance on secondary income	75,345	2,776	26,777	904	1,678	5,967	3,670	- 7	1,212	210	29,781	2,376
II. CAPITAL ACCOUNT	2,785	371	34	189	250	-	3	-	7	66	1,167	698
III. FINANCIAL ACCOUNT	133,396	31,198	28,189	29,370	3,353	13,964	6,605	5,762	1,040	- 718	13,192	1,441
Direct Investment	135,307	63,565	27,325	7,573	3,843	9,024	7,070	744	483	- 378	14,750	1,307
Portfolio and Other Investment	- 1,910	- 32,367	863	21,797	- 490	4,939	- 466	5,019	558	- 340	- 1,558	134
IV. NET ERRORS AND OMISSIONS	- 13,104	4,644	- 10,533	- 359	538	82	- 374	- 1,770	- 525	- 79	- 3,942	- 786
V. RESERVES	**3,733**	**5,300**	**- 6,856**	**7,987**	**- 244**	**375**	**627**	**- 3,386**	**- 1,559**	**- 472**	**2,477**	**- 515**

Source: CepalStat. Latin America & the Caribbean: 33 countries

Chart A.4. Balance on Secondary Income/GDP (2002 -2017) (Selected countries)

Country/Group	Balance on Secondary Income/GDP		
	2002-2008	2009-2014	2015-2017
Brazil	0.4%	0.1%	0.1%
Mexico	2.3%	1.9%	2.4%
Argentina	0.4%	0.2%	0.2%
Chile	1.4%	1.1%	0.7%
Colombia	2.8%	1.5%	2.0%
Peru	2.3%	2.0%	1.9%
Bolivia	6.7%	5.0%	3.5%
Guatemala	12.5%	11.4%	11.6%
El Salvador	19.5%	19.1%	19.5%
Nicaragua	13.0%	12.7%	12.0%
Honduras	17.4%	18.3%	19.1%
Haiti	27.8%	32.2%	31.6%
Latin America and the Caribbean (33 countries)	**1.8%**	**1.1%**	**1.3%**

Source: Author's elaboration based on CEPALStat

Chart A.5. Balance on direct investment (In % GDP) (2002 -2017) (Selected countries)

Country/Group	Balance on FDI/GDP		
	2002-2008	2009-2014	2015-2017
Brazil	1.4%	2.8%	3.4%
Mexico	2.4%	1.3%	2.4%
Argentina	1.8%	1.6%	1.2%
Chile	4.1%	3.4%	1.5%
Colombia	2.7%	2.3%	3.0%
Peru	3.7%	4.6%	3.6%
Bolivia	2.4%	3.5%	1.4%
Panama	7.2%	7.6%	8.3%
Dominic Republic	3.7%	4.0%	3.7%
Costa Rica	5.7%	4.7%	4.3%
Honduras	5.9%	5.4%	4.4%
Latin America and the Caribbean (33 countries)	**2.0%**	**2.3%**	**2.4%**

Source: CEPALStat

Chart A.6: Balance on portfolio investments (2002 -2017) (In % GDP) (Selected Countries)

Country	2002-2008	2009-2014	2015-2017
Brazil	0.6%	1.9%	-0.2%
Mexico	0.1%	2.7%	1.7%
Argentina	-1.7%	0.0%	4.0%
Chile	-4.6%	-0.7%	-0.2%
Colombia	-0.6%	1.6%	1.8%
Peru	1.2%	0.7%	0.7%
Bolivia (Plurinational State of)	-0.6%	-0.8%	-0.6%
Costa Rica	-0.1%	1.7%	0.8%
Panama	-1.3%	-0.2%	0.3%
Dominican Republic	0.3%	1.4%	3.1%
Uruguay	1.9%	0.7%	-0.8%

Source: CEPALStat.

Chart A.7. Contribution to the rate of growth of Annual Gross Domestic Product (GDP) by expenditure at constant prices (2002-2008)*

	LAC**	ARG	BOL	BRA	CHI
Final consumption expenditure	**2.9%**	**3.7%**	**2.7%**	**2.8%**	**3.6%**
Government final consumption expenditure		0.5%	0.5%	0.6%	0.5%
Private final consumption expenditure		3.1%	2.2%	2.2%	3.1%
Gross capital formation	**1.3%**	**1.4%**	**0.9%**	**1.1%**	**2.2%**
Gross fixed capital formation	1.1%	1.6%	1.0%	0.9%	2.1%
Changes in inventories		-0.6%	-0.1%	0.2%	
Exports of goods and services	**1.0%**	**1.2%**	**3.4%**	**0.8%**	**2.2%**
Imports of goods and services	**-1.2%**	**-1.0%**	**-2.5%**	**-0.6%**	**-2.8%**
Gross domestic product (GDP)	**3.9%**	**5.0%**	**4.2%**	**4.0%**	**5.0%**

Source: CEPALStat. Data updated to 2019/09/11
Notes: * At 2010 prices. ** 19 countries.

Chart A.8. Contribution to the rate of growth of Annual Gross Domestic Product (GDP) by expenditure at constant prices (2009-2014)*

	LAC**	ARG	BOL	BRA	CHI
Final consumption expenditure	**2.4%**	**2.2%**	**3.8%**	**2.9%**	**3.5%**
Government final consumption expenditure		0.7%	0.8%	0.4%	0.5%
Private final consumption expenditure		1.6%	3.0%	2.5%	3.0%
Gross capital formation	**0.4%**	**0.1%**	**1.7%**	**0.4%**	**0.9%**
Gross fixed capital formation	0.6%	0.1%	1.7%	0.8%	0.9%
Changes in inventories		0.1%	0.0%	-0.4%	
Exports of goods and services	**0.4%**	**-0.2%**	**2.1%**	**0.1%**	**0.4%**
Imports of goods and services	**-0.7%**	**-0.5%**	**-2.6%**	**-0.7%**	**-1.0%**
Gross domestic product (GDP)	**2.6%**	**1.4%**	**5.0%**	**2.8%**	**3.6%**

Source: CEPALStat. Data updated to 2019/09/11
Notes: * At 2010 prices. ** 19 countries.

Chart A.9: Contribution to the rate of growth of Annual Gross Domestic Product (GDP) by expenditure at constant prices (2015-2018)*

	LAC**	ARG	BOL	BRA	CHI
Final consumption expenditure	**-0.1%**	**1.0%**	**3.4%**	**-0.7%**	**2.4%**
Government final consumption expenditure		0.2%	0.8%	-0.1%	0.6%
Private final consumption expenditure		0.7%	2.7%	-0.6%	1.8%
Gross capital formation	**-0.7%**	**0.1%**	**1.3%**	**-1.3%**	**0.0%**
Gross fixed capital formation	-0.7%	0.1%	1.2%	-1.2%	0.0%
Changes in inventories		-0.1%	0.1%	-0.1%	
Exports of goods and services	**0.4%**	**0.1%**	**-1.3%**	**0.5%**	**0.2%**
Imports of goods and services	**-0.2%**	**-0.9%**	**+0.3%**	**+0.4%**	**-0.9%**
Gross domestic product (GDP)	**0.2%**	**0.2%**	**4.4%**	**-1.2%**	**2.3%**

Source: CEPALStat. Data updated to 2019/09/11
Notes: * At 2010 prices. ** 19 countries.

Chart A.10: Bolivia. Goods Exports (FOB prices) (In current millions of US dollars and shares) (2002, 2008, 2014 and 2017)

ISIC Classification	2002		2008		2014		2017	
Agriculture and extractive sectors (natural-resource intensive sectors)	**1,108.0**	**80.8%**	**6,268.0**	**91.3%**	**11,954.5**	**93.1%**	**7,120.4**	**90.9%**
Agriculture, hunting and forestry	**95.5**	**7.0%**	**359.2**	**5.2%**	**740.6**	**5.8%**	**454.6**	**5.8%**
Crop and animal production, hunting and related service activitie	72.2	5.3%	295.6	4.3%	702.0	5.5%	425.8	5.4%
Forestry and logging	23.3	1.7%	63.6	0.9%	38.6	0.3%	28.8	0.4%
Fishing	**0.0**	**0.0%**	**0.0**	**0.0%**		**0.0%**		**0.0%**
Mining and Quarrying	**631.7**	**46.1%**	**5,207.1**	**75.9%**	**10,059.4**	**78.3%**	**6,016.5**	**76.8%**
Extraction of crude petroleum and natural gas	342.5	25.0%	3,534.5	51.5%	6,646.5	51.8%	2,723.4	34.8%
Gas, natural and manufactured	268.0	19.5%	3,159.1	46.0%	6,011.9	46.8%	2,625.2	33.5%
Petroleum, petroleum products and related materials	74.6	5.4%	375.4	5.5%	634.6	4.9%	98.2	1.3%
Mining of metal ores	284.7	20.8%	1,660.5	24.2%	3,367.3	26.2%	3,255.2	41.5%
Metalliferous ores and metal scrap	195.1	14.2%	1,518.9	22.1%	2,006.2	15.6%	2,225.8	28.4%
Gold, non-monetary (excluding gold ores and concentrates)	89.6	6.5%	141.6	2.1%	1,361.1	10.6%	1,029.4	13.1%
Other mining and quarrying	4.4	0.3%	12.0	0.2%	45.6	0.4%	37.9	0.5%
Mining of coal and lignite	0.0	0.0%		0.0%		0.0%		0.0%
Manufacturing	**380.8**	**27.8%**	**701.7**	**10.2%**	**1,154.5**	**9.0%**	**649.4**	**8.3%**
Manufacture of food products	359.8	26.2%	666.5	9.7%	1,130.0	8.8%	633.4	8.1%
Feeding stuff for animals (not including unmilled cereals)	211.8	15.4%	295.1	4.3%	690.9	5.4%	365.2	4.7%
Fixed vegetable fats and oils, crude, refined or fractionated	106.8	7.8%	286.4	4.2%	349.7	2.7%	222.2	2.8%
Manufacture of wood and of products of wood and cork, except	17.8	1.3%	33.2	0.5%	20.4	0.2%	15.4	0.2%
Manufacture of beverages	1.8	0.1%	1.4	0.0%	4.0	0.0%	0.5	0.0%
Manufacture of tobacco products	1.5	0.1%	0.6	0.0%		0.0%	0.0	0.0%
Commodity Manufacturing (Capital intensive sectors)	**76.9**	**5.6%**	**351.5**	**5.1%**	**637.4**	**5.0%**	**515.9**	**6.6%**
Traditional Manufacturing (Labor force intensive sectors)	**134.8**	**9.8%**	**242.7**	**3.5%**	**241.7**	**1.9%**	**195.0**	**2.5%**
Technology Intense Manufacturing	**48.9**	**3.6%**	**2.0**	**0.0%**	**7.0**	**0.1%**	**5.0**	**0.1%**
Other Services	**2.8**	**0.2%**		**0.0%**		**0.0%**	**0.0**	**0.0%**
Infraestructure Services	**0.0**	**0.0%**		**0.0%**		**0.0%**		**0.0%**
Total	**1,371.4**	**100.0%**	**6,864.2**	**100.0%**	**12,840.6**	**100.0%**	**7,836.3**	**100.0%**

Source: Author's elaboration based on data from Comtrade and ISIC Classification correlation (Chart B.1)

Chart A.11: Bolivia. Good Imports (CIF Prices) (In current millions of US dollars and participation shares) (2002, 2008, 2014 and 2016)*

Broad Economic Classification (BEC)	2002		2008		2014		2016	
INTERMEDIATE GOODS (BI)	**994.2**	**54%**	**2,346.4**	**46%**	**4,284.0**	**40%**	**3,556.7**	**42%**
Elaborated industrial inputs	639.2	35%	1,716.9	34%	2,957.9	28%	2,529.5	30%
Parts and accessories for capital goods	102.6	6%	229.6	5%	504.1	5%	402.4	5%
Parts for transport equipment	98.1	5%	141.4	3%	509.8	5%	360.1	4%
Elaborated food and beverages, mainly for industry	39.4	2%	151.2	3%	127.2	1%	143.1	2%
Basic industrial inputs	16.9	1%	42.5	1%	63.5	1%	73.4	1%
Basic food and beverages, mainly for industry	98.1	5%	64.7	1%	121.5	1%	48.3	1%
CAPITAL GOODS (BK)	**392.0**	**21%**	**1,095.7**	**21%**	**2,955.9**	**28%**	**2,151.0**	**25%**
Capital goods, except industrial transport equipment	297.6	16%	788.4	15%	2,202.9	21%	1,491.6	18%
Equipment for industrial transportation	94.4	5%	307.3	6%	753.0	7%	659.4	8%
CONSUMER GOODS (BC)	**362.1**	**20%**	**1,087.6**	**21%**	**2,206.1**	**21%**	**2,029.4**	**24%**
Non-durable goods	118.9	6%	275.9	5%	517.7	5%	519.9	6%
Cars for passengers	32.8	2%	339.8	7%	499.2	5%	409.7	5%
Prepared foods and beverages, mainly for domestic consumption	79.8	4%	207.5	4%	459.5	4%	403.0	5%
Semi-durable consumer goods	70.0	4%	127.1	2%	371.1	3%	367.6	4%
Durable consumer goods - except transport equipment	47.0	3%	91.9	2%	246.8	2%	223.5	3%
Non-industrial transport equipment	5.3	0%	28.7	1%	78.0	1%	65.9	1%
Basic food and beverages, mainly for domestic consumption	8.4	0%	16.6	0%	33.8	0%	39.8	0%
FUELS AND LUBRICANTS	**81.4**	**4%**	**555.4**	**11%**	**1,215.6**	**11%**	**760.1**	**9%**
Fuels and lubricants developed - except (motor spirit) gasoline for cars	80.7	4%	551.9	11%	929.6	9%	605.9	7%
Petrol for cars (motor spirit) - evidence in compliance with HS.	0.6	0%	3.4	0%	284.8	3%	153.2	2%
Fuels and lubricants – basic	0.0	0%	0.0	0%	1.1	0%	1.1	0%
GOODS NOT SPECIFIED PREVIOUSLY	**2.3**	**0%**	**15.2**	**0%**	**12.6**	**0%**	**17.9**	**0%**
Goods not otherwise specified	2.3	0%	15.2	0%	12.6	0%	17.9	0%
Total	**1,832.0**	**100%**	**5,100.2**	**100%**	**10,674.1**	**100%**	**8,515.1**	**100%**

Source: Author's elaboration based on data from the Instituto Nacional de Estadistica de Bolivia and BEC Classification. Note:*2016 is the lastest data available.

Chart A.12: Chile. Goods Exports (FOB prices) (In current millions of US dollars and participation shares) (2002,2008, 2014 and 2017)

ISIC Classification	2002		2008		2014		2017	
Agricultural and extractive sectors (natural-resource intensive sectors)	**8,865.8**	**50.9%**	**30,608.2**	**47.6%**	**41,068.1**	**54.9%**	**40,598.2**	**58.8%**
Agriculture, hunting and forestry	**2,905.2**	**16.7%**	**7,599.7**	**11.8%**	**10,048.4**	**13.4%**	**9,431.9**	**13.7%**
Crop and animal production, hunting and related service activities	2,156.3	12.4%	6,302.3	9.8%	8,433.8	11.3%	7,996.8	11.6%
Vegetables and fruit	1,668.9	9.6%	4,816.9	7.5%	6,415.1	8.6%	6,311.7	9.1%
Forestry and logging	748.9	4.3%	1,297.3	2.0%	1,614.5	2.2%	1,435.1	2.1%
Fishing	**1,543.0**	**8.9%**	**3,379.7**	**5.3%**	**5,290.4**	**7.1%**	**5,584.2**	**8.1%**
Mining and Quarrying	**2,766.6**	**15.9%**	**15,996.2**	**24.9%**	**21,272.9**	**28.4%**	**21,391.8**	**31.0%**
Mining of metal ores	2,491.1	14.3%	14,275.9	22.2%	20,290.8	27.1%	20,569.9	29.8%
Manufacturing	**1,651.1**	**9.5%**	**3,632.8**	**5.7%**	**4,456.5**	**6.0%**	**4,190.3**	**6.1%**
Manufacture of beverages	615.2	3.5%	1,412.9	2.2%	1,899.8	2.5%	2,056.3	3.0%
Commodity Manufacturing (Capital intensive sectors)	**7,026.2**	**40.3%**	**29,917.1**	**46.5%**	**28,829.6**	**38.5%**	**24,601.0**	**35.6%**
Manufacture of basic metals	4,814.4	27.6%	23,251.2	36.2%	21,940.6	29.3%	18,007.0	26.1%
Non-ferrous metals	4,747.4	27.3%	22,319.6	34.7%	21,556.1	28.8%	17,820.2	25.8%
Manufacture of paper and paper products	1,078.5	6.2%	3,170.0	4.9%	3,483.7	4.7%	3,104.7	4.5%
Manufacture of chemicals and chemical products	863.2	5.0%	2,770.1	4.3%	2,597.6	3.5%	2,751.5	4.0%
Technology Intensive Manufacturing	**466.4**	**2.7%**	**2,157.8**	**3.4%**	**2,674.8**	**3.6%**	**2,028.7**	**2.9%**
Traditional Manufacturing (Labour force intensive sectors)	**540.6**	**3.1%**	**1,593.4**	**2.5%**	**2,292.1**	**3.1%**	**1,798.9**	**2.6%**
Total	**17,420.4**	**100.0%**	**64,280.8**	**100.0%**	**74,865.0**	**100.0%**	**69,029.2**	**100.0%**

Source: Author's elaboration based on data from Comtrade and ISIC Classification correlation (Chart B.1 and Chart B.0.1)

Chart A.13. Chile. Good Imports (FOB Prices) (In current millions of US dollars and participation shares) (2003, 2008, 2014 and 2017)*

	2003		2008		2014		2017	
INTERMEDIATE GOODS (BI)	**7,767**	**43%**	**21,999**	**38%**	**25,869**	**34%**	**22,875**	**41%**
Elaborated industrial inputs	1,532	9%	4,613	8%	4,727	6%	4,149	8%
Parts and accessories for capital goods	1,375	8%	3,377	6%	4,181	6%	3,768	7%
Elaborated food and beverages, mainly for industry	74	0%	311	1%	423	1%	350	1%
Basic industrial inputs	2,714	15%	8,312	14%	7,438	10%	4,498	8%
Basic food and beverages, mainly for industry	212	1%	735	1%	574	1%	604	1%
CAPITAL GOODS (BK)	**3,486**	**20%**	**11,454**	**20%**	**13,518**	**18%**	**12,646**	**23%**
Capital goods, except industrial transport equipment	2,744	15%	8,349	14%	9,617	13%	9,691	18%
Equipment for industrial transportation	742	4%	3,105	5%	3,901	5%	2,955	5%
CONSUMER GOODS (BC)	**4,719**	**26%**	**13,300**	**23%**	**19,713**	**26%**	**21,028**	**38%**
Non-durable goods	1,082	6%	3,517	6%	4,097	5%	3,834	7%
Cars for passengers	597	3%	2,040	3%	2,882	4%	3,334	6%
Prepared foods and beverages, mainly for domestic consumption	517	3%	1,200	2%	2,284	3%	2,765	5%
Semi-durable consumer goods	1,378	8%	3,414	6%	5,977	8%	6,309	11%
Durable consumer goods - except transport equipment	1,146	6%	3,129	5%	4,473	6%	4,787	9%
FUELS AND LUBRICANTS	**1,144**	**6%**	**8,481**	**15%**	**7,363**	**10%**	**5,240**	**9%**
Fuels and lubricants developed - except (motor spirit) gasoline for cars	698	4%	6,396	11%	5,917	8%	4,377	8%
Petrol for cars (motor spirit) - evidence in compliance with HS.	200	1%	743	1%	707	1%	525	1%
Fuels and lubricants – basic	246	1%	1,341	2%	739	1%	337	1%
GOODS NOT SPECIFIED PREVIOUSLY	**752**	**4%**	**3,222**	**6%**	**8,991**	**12%**	**-6,496**	**-12%**
Goods not otherwise specified	752	4%	3,222	6%	8,991	12%	-6,496	-12%
Total	**17,868**	**100%**	**58,455**	**100%**	**75,455**	**100%**	**55,293**	**100%**

Source: Author's elaboration based on data from Banco Central de Chile and BEC Classification.

Note: Some total may not coincide with disaggregated data. * 2002 data not available.

Chart A.14: Argentina. Goods Exports (FOB prices) (In current millions of US dollars and participation shares) (2002, 2008, 2012 and 2017)

ISIC Classification	2002		2008		2014		2017	
Agriculture and extractive sectors (natural-resource intensive sectors)	**16,974.4**	**66.2%**	**45,425.1**	**65.9%**	**43,722.8**	**64.9%**	**39,718.2**	**69.1%**
Agriculture, hunting and forestry	**5,202.3**	**20.3%**	**18,016.2**	**26.1%**	**14,925.7**	**22.2%**	**15,650.0**	**27.2%**
Crop and animal production, hunting and related service activities	5,107.7	19.9%	17,808.4	25.8%	14,788.7	22.0%	15,547.3	27.0%
Cereals and cereal preparations	2,309.6	9.0%	7,590.1	11.0%	5,932.2	8.8%	7,565.4	13.2%
Oil-seeds and oleaginous fruits	1,280.7	5.0%	4,861.6	7.1%	4,160.6	6.2%	3,089.0	5.4%
Vegetables and fruit	904.3	3.5%	3,006.8	4.4%	2,606.0	3.9%	2,802.3	4.9%
Meat and meat preparations	576.2	2.2%	2,192.2	3.2%	1,935.2	2.9%	1,930.6	3.4%
Crude animal and vegetable materials, n.e.s.	28.9	0.1%	121.1	0.2%	131.5	0.2%	126.4	0.2%
Live animals other than animals of division 03	8.1	0.0%	36.6	0.1%	23.2	0.0%	33.5	0.1%
Forestry and logging	94.6	0.4%	207.8	0.3%	136.9	0.2%	102.7	0.2%
Fishing	**714.3**	**2.8%**	**1,270.2**	**1.8%**	**1,565.8**	**2.3%**	**1,958.0**	**3.4%**
Mining and Quarrying	**5,035.2**	**19.6%**	**8,356.2**	**12.1%**	**6,350.4**	**9.4%**	**4,669.4**	**8.1%**
Extraction of crude petroleum and natural gas	4,304.7	16.8%	6,341.5	9.2%	3,193.8	4.7%	1,621.0	2.8%
Petroleum, petroleum products and related materials	3,679.8	14.4%	4,899.0	7.1%	2,592.8	3.9%	1,215.8	2.1%
Gas, natural and manufactured	624.9	2.4%	1,442.5	2.1%	601.0	0.9%	405.2	0.7%
Mining of metal ores	701.4	2.7%	1,956.3	2.8%	3,081.4	4.6%	2,999.7	5.2%
Other mining and quarrying	28.5	0.1%	53.2	0.1%	69.6	0.1%	44.2	0.1%
Mining of coal and lignite	0.6	0.0%	5.2	0.0%	5.6	0.0%	4.6	0.0%
Manufacturing	**6,022.6**	**23.5%**	**17,782.5**	**25.8%**	**20,881.0**	**31.0%**	**17,440.9**	**30.3%**
Manufacture of food products	5,642.7	22.0%	16,552.3	24.0%	19,572.9	29.1%	16,165.1	28.1%
Feeding stuff for animals (not including unmilled cereals)	2,783.1	10.9%	7,798.1	11.3%	12,851.7	19.1%	9,842.3	17.1%
Fixed vegetable fats and oils, crude, refined or fractionated	1,960.9	7.6%	6,614.7	9.6%	4,030.0	6.0%	4,631.3	8.1%
Dairy products and birds' eggs	302.9	1.2%	851.1	1.2%	1,349.4	2.0%	601.7	1.0%
Miscellaneous edible products and preparations	111.8	0.4%	593.5	0.9%	617.1	0.9%	382.0	0.7%
Sugars, sugar preparations and honey	272.9	1.1%	437.3	0.6%	339.2	0.5%	396.5	0.7%
Coffee, tea, cocoa, spices, and manufactures thereof	127.8	0.5%	235.6	0.3%	369.5	0.5%	288.1	0.5%
Animal or vegetable fats and oils, processed	77.9	0.3%		0.0%		0.0%		0.0%
Animal oils and fats	5.5	0.0%	21.9	0.0%	16.0	0.0%	23.2	0.0%
Manufacture of beverages	151.5	0.6%	717.8	1.0%	922.2	1.4%	899.8	1.6%
Manufacture of tobacco products	156.4	0.6%	354.0	0.5%	291.5	0.4%	322.3	0.6%
Manufacture of wood and of products of wood and cork, except furniture; manu	72.0	0.3%	158.4	0.2%	94.3	0.1%	53.7	0.1%
Technology Intense Manufacturing	**2,722.8**	**10.6%**	**9,959.3**	**14.5%**	**10,650.0**	**15.8%**	**7,783.7**	**13.5%**
Manufacture of motor vehicles, trailers and semi-trailers	1,601.4	6.2%	6,473.1	9.4%	8,324.3	12.4%	5,771.2	10.0%
Manufacture of machinery and equipment n.e.c.	736.6	2.9%	2,053.5	3.0%	1,641.3	2.4%	1,232.7	2.1%
Manufacture of other transport equipment	108.9	0.4%	857.7	1.2%	322.2	0.5%	588.1	1.0%
Manufacture of electrical equipment	233.8	0.9%	546.7	0.8%	263.7	0.4%	175.8	0.3%
Manufacture of computer, electronic and optical products	42.1	0.2%	28.2	0.0%	98.5	0.1%	15.9	0.0%
Commodity Manufacturing (Capital intensive sectors)	**3,363.4**	**13.1%**	**8,248.2**	**12.0%**	**7,683.8**	**11.4%**	**6,486.8**	**11.3%**
Manufacture of chemicals and chemical products	870.0	3.4%	3,277.2	4.8%	3,592.5	5.3%	3,078.7	5.4%
Manufacture of basic metals	1,433.5	5.6%	3,088.2	4.5%	2,215.2	3.3%	1,717.0	3.0%
Manufacture of basic pharmaceutical products and pharmaceutical preparations	542.4	2.1%	685.9	1.0%	942.2	1.4%	889.0	1.5%
Manufacture of paper and paper products	279.7	1.1%	545.3	0.8%	470.4	0.7%	414.7	0.7%
Manufacture of fabricated metal products, except machinery and equipment	135.2	0.5%	434.9	0.6%	277.5	0.4%	240.7	0.4%
Manufacture of other non-metallic mineral products	102.6	0.4%	216.8	0.3%	186.0	0.3%	146.7	0.3%
Traditional Manufacturing (Labor force intensive sectors)	**2,249.4**	**8.8%**	**3,658.6**	**5.3%**	**3,389.9**	**5.0%**	**2,612.1**	**4.5%**
Manufacture of rubber and plastics products	722.1	2.8%	1,570.9	2.3%	1,397.6	2.1%	1,134.0	2.0%
Manufacture of leather and related products	719.6	2.8%	971.2	1.4%	1,054.8	1.6%	741.6	1.3%
Manufacture of textiles	362.2	1.4%	498.7	0.7%	512.0	0.8%	402.1	0.7%
Other manufacturing	158.2	0.6%	450.3	0.7%	317.7	0.5%	240.0	0.4%
Manufacture of wearing apparel	74.4	0.3%	167.5	0.2%	107.8	0.2%	94.4	0.2%
Manufacture of furniture	212.9	0.8%		0.0%		0.0%		0.0%
Other Services	**256.3**	**1.0%**	**1,404.4**	**2.0%**	**1,875.3**	**2.8%**	**900.3**	**1.6%**
Infraestructure Services	**66.9**	**0.3%**	**214.8**	**0.3%**	**0.1**	**0.0%**	**0.5**	**0.0%**
Total	**25,633.2**	**100.0%**	**68,910.4**	**100.0%**	**67,322.0**	**100.0%**	**57,501.6**	**100.0%**

Source: Author's elaboration based on data from Comtrade and ISIC Classification correlation (Chart B.1 and Chart B.0.1)

Chart A.15. Argentina. Good Imports (FOB Prices) (In current millions of US dollars and participation shares) (2002, 2008, 2014 and 2017)

	2002		2008		2014		2017	
INTERMEDIATE GOODS (BI)	5,894.0	66%	30,184.5	53%	30,109.0	47%	30,765.2	46%
FUELS AND LUBRICANTS	482.2	5%	4,333.2	8%	11,343.2	18%	5,722.7	9%
CONSUMER GOODS (BC)	1,310.9	15%	10,165.7	18%	10,258.6	16%	15,243.5	23%
CAPITAL GOODS (BK)	1,292.7	14%	12,668.1	22%	11,977.3	19%	14,907.9	22%
GOODS NOT SPECIFIED PREVIOUSLY	9.6	0%	110.8	0%	249.1	0%	298.6	0%
Total	**8,989.5**	**100%**	**57,462.4**	**100%**	**63,937.4**	**100%**	**66,938,086**	**100%**

Source: Instituto Nacional de Estadisticas y Censos (INDEC Argentina)

Chart A.16. Argentina. Foreign Direct Investment by sector (ISIC Classification) (2005-2016) (In current millions of US dollars and participation shares)*

	2005-2008		2009-2014		2015-2016	
Agricultural and extractive sectors (natural-resource intensive sectors)	**2,391**	**28%**	**3,576**	**32%**	**2,602**	**33%**
Crop and animal production, hunting and related service activities	241	3%	192	2%	78	1%
Forestry and logging	25	0%	16	0%	19	0%
Fishing and aquaculture	2	0%	19	0%	-14	0%
Mining of coal and lignite	0	0%	1	0%	-0	0%
Extraction of crude petroleum and natural gas	470	6%	742	7%	-98	-1%
Mining of metal ores	582	7%	63	1%	848	11%
Other mining and quarrying	144	2%	1,160	10%	207	3%
Mining support service activities	228	3%	405	4%	207	3%
Manufacture of food products	453	5%	480	4%	1,012	13%
Manufacture of beverages	233	3%	427	4%	398	5%
Manufacture of tobacco products	6	0%	58	1%	-61	-1%
Manufacture of wood and of products of wood and cork, except furniture	7	0%	14	0%	7	0%
Civil Construction	**45**	**1%**	**23**	**0%**	**50**	**1%**
Commodity Manufacturing (Capital intensive sectors)	**1,262**	**15%**	**1,584**	**14%**	**902**	**12%**
Manufacture of paper and paper products	77	1%	161	1%	156	2%
Manufacture of coke and refined petroleum products	115	1%	161	1%	6	0%
Manufacture of chemicals and chemical products	223	3%	568	5%	357	5%
Manufacture of basic pharmaceutical products and pharmaceutical preparations	80	1%	335	3%	220	3%
Manufacture of other non-metallic mineral products	72	1%	112	1%	107	1%
Manufacture of basic metals	647	8%	195	2%	44	1%
Manufacture of fabricated metal products, except machinery and equipment	47	1%	53	0%	12	0%
Financial Services	**1,603**	**19%**	**1,784**	**16%**	**2,105**	**27%**
Infrastructure Services	**-91**	**-1%**	**44**	**0%**	**170**	**2%**
Electricity, gas, steam and air conditioning supply	-97	-1%	35	0%	151	2%
Water supply; sewerage, waste management and remediation activities	5	0%	9	0%	19	0%
Other Services	**2,047**	**24%**	**3,114**	**28%**	**1,832**	**23%**
Wholesale and retail trade; repair of motor vehicles and motorcycles	1,018	12%	1,397	12%	751	10%
Transportation and storage	179	2%	117	1%	51	1%
Information and communication	265	3%	299	3%	448	6%
Real estate activities	169	2%	192	2%	-33	0%
Technology Intensive Manufacturing	**1,048**	**12%**	**801**	**7%**	**-70**	**-1%**
Manufacture of computer, electronic and optical products	42	0%	229	2%	-455	-6%
Manufacture of electrical equipment	38	0%	60	1%	34	0%
Manufacture of machinery and equipment n,e,c,	89	1%	86	1%	177	2%
Manufacture of motor vehicles, trailers and semi-trailers	835	10%	402	4%	132	2%
Manufacture of other transport equipment	-2	0%	9	0%	6	0%
Repair and installation of machinery and equipment	46	1%	14	0%	36	0%
Traditional Manufacturing (Labour force intensive sectors)	**95**	**1%**	**304**	**3%**	**239**	**3%**
Total	**8,400**	**100%**	**11,229**	**100%**	**7,829**	**100%**

Source: Author's elaboration based on data from Banco Central de la Republica Argentina -BCRA- (https://www.bcra.gob.ar/PublicacionesEstadisticas/Inversiones_directas.asp) and ISIC Classification correlation (Chart B.1 and Chart B.0.1)

Note: *Available data since 2005 to 2016

Chart A.17: Brazil. Goods Exports (FOB prices) (In current million of US dollars and participation shares) (2002, 2008, 2014 and 2017)

ISIC Classification	2002		2008		2014		2017	
Agriculture and extractive sectors (natural-resource intensive sectors)	**25,870.0**	**42.9%**	**98,734.5**	**50.5%**	**137,014.3**	**61.5%**	**128,887.0**	**59.8%**
Agriculture, hunting and forestry	**9,094.3**	**15.1%**	**33,416.0**	**17.1%**	**51,066.0**	**22.9%**	**52,248.8**	**24.2%**
Crop and animal production, hunting and related service activities	8,199.7	13.6%	31,694.5	16.2%	49,725.2	22.3%	50,667.7	23.5%
Oil-seeds and oleaginous fruits	3,037.6	5.0%	11,008.8	5.6%	23,390.0	10.5%	25,920.6	12.0%
Meat and meat preparations	3,130.8	5.2%	14,315.7	7.3%	16,926.8	7.6%	15,115.0	7.0%
Cereals and cereal preparations	322.4	0.5%	2,123.9	1.1%	4,676.1	2.1%	5,227.0	2.4%
Vegetables and fruit	1,529.0	2.5%	3,255.2	1.7%	3,113.3	1.4%	3,272.6	1.5%
Forestry and logging	894.6	1.5%	1,721.5	0.9%	1,340.8	0.6%	1,581.2	0.7%
Fishing	**343.1**	**0.6%**	**269.4**	**0.1%**	**207.2**	**0.1%**	**246.0**	**0.1%**
Mining and Quarrying	**7,014.1**	**11.6%**	**40,912.1**	**20.9%**	**54,993.3**	**24.7%**	**47,660.1**	**22.1%**
Mining of metal ores	3,781.6	6.3%	21,557.9	11.0%	33,567.0	15.1%	28,266.2	13.1%
Metalliferous ores and metal scrap	3,432.5	5.7%	20,525.4	10.5%	31,230.6	14.0%	25,464.7	11.8%
Gold, non-monetary (excluding gold ores and concentrates)	349.2	0.6%	1,032.5	0.5%	2,336.4	1.0%	2,801.5	1.3%
Extraction of crude petroleum and natural gas	2,950.9	4.9%	18,640.8	9.5%	20,649.1	9.3%	18,710.2	8.7%
Petroleum, petroleum products and related materials	2,931.2	4.9%	18,635.9	9.5%	20,587.0	9.2%	18,662.6	8.7%
Other mining and quarrying	281.2	0.5%	712.1	0.4%	776.3	0.3%	682.9	0.3%
Manufacturing	**9,418.5**	**15.6%**	**24,137.0**	**12.3%**	**30,747.7**	**13.8%**	**28,732.0**	**13.3%**
Manufacture of food products	7,370.2	12.2%	19,916.2	10.2%	26,936.1	12.1%	25,056.9	11.6%
Sugars, sugar preparations and honey	2,235.2	3.7%	5,741.4	2.9%	9,716.4	4.4%	11,690.8	5.4%
Coffee, tea, cocoa, spices, and manufactures thereof	1,721.6	2.9%	5,371.9	2.7%	7,484.7	3.4%	6,034.4	2.8%
Feeding stuff for animals (not including unmilled cereals)	2,300.1	3.8%	4,687.2	2.4%	7,363.4	3.3%	5,394.8	2.5%
Fixed vegetable fats and oils, crude, refined or fractionated	820.1	1.4%	2,804.8	1.4%	1,290.4	0.6%	1,212.6	0.6%
Miscellaneous edible products and preparations	169.9	0.3%	690.4	0.4%	645.1	0.3%	546.5	0.3%
Dairy products and birds' eggs	53.2	0.1%	604.7	0.3%	425.1	0.2%	160.8	0.1%
Manufacture of tobacco products	1,008.2	1.7%	2,752.0	1.4%	2,501.9	1.1%	2,092.2	1.0%
Manufacture of wood and of products of wood and cork, except furniture; mar	1,007.1	1.7%	1,368.2	0.7%	1,140.9	0.5%	1,418.5	0.7%
Manufacture of beverages	33.0	0.1%	100.6	0.1%	168.8	0.1%	164.5	0.1%
Technology Intense Manufacturing	**15,058.7**	**25.0%**	**42,461.0**	**21.7%**	**33,729.8**	**15.1%**	**37,752.2**	**17.5%**
Manufacture of machinery and equipment n.e.c.	4,811.2	8.0%	14,976.7	7.7%	14,916.8	6.7%	15,461.7	7.2%
Manufacture of motor vehicles, trailers and semi-trailers	4,281.8	7.1%	13,896.2	7.1%	9,442.3	4.2%	14,331.5	6.6%
Manufacture of other transport equipment	2,849.5	4.7%	7,681.5	3.9%	6,321.1	2.8%	5,106.7	2.4%
Manufacture of electrical equipment	2,879.8	4.8%	5,552.9	2.8%	2,790.8	1.3%	2,580.5	1.2%
Manufacture of computer, electronic and optical products	236.5	0.4%	353.6	0.2%	258.8	0.1%	271.7	0.1%
Commodity Manufacturing (Capital intensive sectors)	**12,007.2**	**19.9%**	**37,412.9**	**19.1%**	**34,185.9**	**15.3%**	**34,083.1**	**15.8%**
Manufacture of basic metals	5,426.1	9.0%	17,752.7	9.1%	12,941.8	5.8%	13,262.1	6.2%
Iron and steel	3,857.2	6.4%	13,659.4	7.0%	10,713.7	4.8%	11,282.5	5.2%
Non-ferrous metals	1,568.9	2.6%	4,093.2	2.1%	2,228.1	1.0%	1,979.5	0.9%
Manufacture of chemicals and chemical products	2,322.0	3.9%	8,302.7	4.2%	7,354.4	3.3%	6,341.6	2.9%
Manufacture of paper and paper products	2,050.1	3.4%	5,826.9	3.0%	7,267.3	3.3%	8,309.2	3.9%
Manufacture of fabricated metal products, except machinery and equipment	678.8	1.1%	2,457.7	1.3%	2,845.4	1.3%	2,796.3	1.3%
Manufacture of other non-metallic mineral products	959.3	1.6%	2,020.9	1.0%	2,115.9	0.9%	2,048.2	0.9%
Manufacture of basic pharmaceutical products and pharmaceutical preparatior	570.9	0.9%	1,052.0	0.5%	1,661.1	0.7%	1,325.8	0.6%
Traditional Manufacturing (Labor force intensive sectors)	**6,137.1**	**10.2%**	**12,175.6**	**6.2%**	**13,204.7**	**5.9%**	**12,223.7**	**5.7%**
Manufacture of rubber and plastics products	1,353.5	2.2%	4,287.5	2.2%	4,900.6	2.2%	4,811.4	2.2%
Manufacture of textiles	1,017.8	1.7%	2,245.1	1.1%	2,437.1	1.1%	2,292.8	1.1%
Manufacture of leather and related products	867.3	1.4%	1,989.1	1.0%	3,001.2	1.3%	1,956.5	0.9%
Manufacture of wearing apparel	1,748.5	2.9%	2,294.1	1.2%	1,413.5	0.6%	1,452.6	0.7%
Other manufacturing	611.4	1.0%	1,359.7	0.7%	1,452.1	0.7%	1,710.4	0.8%
Other Services	**1,223.5**	**2.0%**	**4,826.7**	**2.5%**	**4,800.3**	**2.2%**	**2,680.1**	**1.2%**
Total	**60,296.6**	**100.0%**	**195,657.9**	**100.0%**	**222,935.0**	**100.0%**	**215,638.2**	**100.0%**

Source: Author's elaboration based on data from Comtrade and ISIC classification correlation (Methodological Annex)

Chart A.18: Brazil. Good Imports (FOB Prices) (In current millions of US dollars and participation shares) (2002, 2008, 2014 and 2017)

	2002		2008		2014		2017	
INTERMEDIATE GOODS (BI)	**29,613.0**	**63%**	**100,298.4**	**58%**	**126,882.1**	**55%**	**93,664.0**	**62%**
Elaborated industrial inputs	16,122.2	34%	58,054.7	34%	75,063.7	33%	55,889.4	37%
Parts and accessories for capital goods	6,436.9	14%	19,441.8	11%	25,113.6	11%	18,218.4	12%
Parts for transport equipment	4,362.5	9%	14,506.7	8%	18,792.3	8%	12,901.1	9%
Basic industrial inputs	809.2	2%	4,300.2	2%	3,361.4	1%	2,953.7	2%
Basic food and beverages, mainly for industry	1,314.4	3%	2,479.6	1%	2,657.8	1%	1,978.2	1%
Elaborated food and beverages, mainly for industry	567.7	1%	1,515.3	1%	1,893.2	1%	1,723.1	1%
FUELS AND LUBRICANTS	**6,226.0**	**13%**	**31,545.6**	**18%**	**39,477.7**	**17%**	**17,575.3**	**12%**
Fuels and lubricants – basic	4,246.8	9%	22,280.5	13%	24,811.5	11%	8,081.4	5%
Fuels and lubricants – elaborated	1,979.2	4%	9,265.1	5%	14,666.3	6%	9,493.9	6%
CONSUMER GOODS (BC)	**4,687.9**	**10%**	**19,694.0**	**11%**	**33,116.0**	**14%**	**23,266.0**	**15%**
Consumer goods semi-durable and non-durable	3,584.8	8%	12,222.6	7%	22,666.7	10%	18,348.1	12%
Durable consumer goods	1,103.1	2%	7,471.4	4%	10,449.3	5%	4,917.9	3%
CAPITAL GOODS (BK)	**6,571.9**	**14%**	**21,565.5**	**12%**	**29,487.9**	**13%**	**16,135.1**	**11%**
Capital goods, except industrial transport equipment	5,993.1	13%	18,221.7	11%	23,916.9	10%	13,398.5	9%
Equipment for industrial transportation	578.8	1%	3,343.8	2%	5,571.0	2%	2,736.6	2%
GOODS NOT SPECIFIED PREVIOUSLY	**41.4**	**0%**	**15.0**	**0%**	**164.1**	**0%**	**109.2**	**0%**
Goods not otherwise specified	41.4	0%	15.0	0%	164.1	0%	109.2	0%
Total	**47,140.2**	**100%**	**173,118.6**	**100%**	**229,127.8**	**100%**	**150,749.5**	**100%**

Source: Author's elaboration on the basis of Ministerio da Industria, Comercio Exterior e Serviços (MDIC) and BEC Classification

*Chart A.19. Brazil. Foreign Direct Investment by sector (ISIC Classification) (2006**-2017) (In current million of US dollars and participation shares)*

ISIC Classification	2006-2008		2009-2014		2015-2017	
Agricultural and extractive sectors (natural-resource intensive sectors)	**8,135**	**24%**	**12,245**	**23%**	**10,814**	**19%**
Crop and animal production, hunting and related service activities	326	1%	415	1%	664	1%
Forestry and logging	197	1%	214	0%	130	0%
Fishing and aquaculture	4	0%	1	0%	2	0%
Extraction of crude petroleum and natural gas	889	3%	5,251	10%	4,197	7%
Mining of metal ores	4,771	14%	2,187	4%	1,647	3%
Other mining and quarrying	75	0%	49	0%	185	0%
Mining support service activities	168	0%	766	1%	798	1%
Manufacture of food products	1,501	4%	2,223	4%	2,072	4%
Manufacture of beverages	98	0%	979	2%	237	0%
Manufacture of tobacco products	43	0%	23	0%	787	1%
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	64	0%	137	0%	97	0%
Construction	**1,303**	**4%**	**1,495**	**3%**	**941**	**2%**
Commodity Manufacturing (Capital intensive sectors)	**7,509**	**22%**	**10,579**	**20%**	**7,291**	**13%**
Manufacture of paper and paper products	765	2%	508	1%	530	1%
Manufacture of coke and refined petroleum products	1,157	3%	1,123	2%	237	0%
Manufacture of chemicals and chemical products	1,058	3%	2,837	5%	2,574	4%
Manufacture of basic pharmaceutical products and pharmaceutical preparations	214	1%	862	2%	662	1%
Manufacture of other non-metallic mineral products	419	1%	680	1%	830	1%
Manufacture of basic metals	3,799	11%	4,285	8%	1,840	3%
Manufacture of fabricated metal products, except machinery and equipment	97	0%	284	1%	619	1%
Financial and insurance activities	**5,107**	**15%**	**6,428**	**12%**	**2,871**	**5%**
Infrastructure Services	**1,480**	**4%**	**1,944**	**4%**	**6,869**	**12%**
Electricity, gas, steam and air conditioning supply	1,432	4%	1,939	4%	6,493	11%
Water supply; sewerage, waste management and remediation activities	48	0%	5	0%	376	1%
Other Services	**7,548**	**22%**	**15,359**	**29%**	**19,032**	**33%**
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,353	7%	4,940	9%	6,102	11%
Transportation and storage	625	2%	1,510	3%	3,329	6%
Accommodation and food service activities	234	1%	303	1%	455	1%
Information and communication	978	3%	2,973	6%	2,717	5%
Real estate activities	1,219	4%	2,819	5%	2,462	4%
Professional, scientific and technical activities	837	2%	787	1%	844	1%
Administrative and support service activities	321	1%	607	1%	952	2%
Other service activities	876	3%	1,007	2%	1,863	3%
Technology Intensive Manufacturing	**1,746**	**5%**	**4,105**	**8%**	**8,305**	**15%**
Manufacture of computer, electronic and optical products	199	1%	954	2%	723	1%
Manufacture of electrical equipment	330	1%	568	1%	861	2%
Manufacture of machinery and equipment n,e,c,	431	1%	670	1%	1,145	2%
Manufacture of motor vehicles, trailers and semi-trailers	705	2%	1,688	3%	5,013	9%
Traditional Manufacturing (Labour force intensive sectors)	**1,025**	**3%**	**1,277**	**2%**	**1,148**	**2%**
Total	**33,853**	**100 %**	**53,432**	**100 %**	**57,271**	**100 %**

Source: Author's elaboration based on data from the Banco Central do Brasil (https://www.bcb.gov.br/htms/infecon/seriehistfluxoinvdir.asp?frame=1) and ISIC Classification correlation (Chart B.1)

Note: *Capital contribution, exclude profit reinvestment and intercompany operations. **Available data since 2006

Chart A.20. Brazil. Direct Investment abroad by sector (ISIC Classification) and country (2018) (Participation shares)*

ISIC Classification	Cayman Islands	Netherlands	British Virgin Islands	Austria	Bahamas	USA	Luxemburg	Others	Total
Financial Services	18.6%	5.3%	12.4%	2.4%	9.1%	4.4%	2.4%	9.3%	**64.1%**
Agricultural and extractive sectors	0.1%	8.7%	0.1%	8.3%	0.0%	0.0%	0.0%	0.2%	**17.3%**
Other Services	0.6%	0.2%	1.8%	0.4%	0.6%	1.7%	0.2%	4.3%	**9.7%**
Manufacturing	0.0%	0.6%	0.2%	0.1%	0.0%	0.1%	3.3%	3.5%	**7.8%**
Civil Construction	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.7%	**1.0%**
Infrastructure Services	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Total	**19.5%**	**14.7%**	**14.6%**	**11.2%**	**9.7%**	**6.3%**	**6.0%**	**18.0%**	**100.0%**

Source: Author's elaboration based on data from the Banco Central do Brasil and ISIC Classification correlation (Chart B.1 and Chart B.0.1)
Note: *Capital contribution, exclude intercompany loans.

Chart A.21. Bolivia and Chile. Structure of employed population by category of employment (2003, 2008, 2014 and 2017) (Percentaje of total employed population).

Country	Year	Employers	Employees	Self employed	Domestic service	Unpaid family workers
Bolivia	2003	5.2	34.4	39.0	3.0	18.5
	2008	6.2	36.7	35.6	2.3	19.3
	2014	8.0	34.8	37.5	2.0	17.7
	2017	4.3	34.8	44.1	2.1	14.7
Chile	2003	3.9	68.3	20.1	6.2	1.4
	2009	3.1	71.1	20.1	4.9	0.8
	2013	2.0	74.4	19.4	3.7	0.5
	2017	2.2	72.3	21.5	3.5	0.4

Source: CEPALStat

Chart A.22. Bolivia and Chile. Structure of total employed population by sector of economic activity. Both Sexes (2003, 2008, 2014 and 2017)

Country		Agricultural and extractive sectors	Manufacturing*	Infrastructure Services	Civil Construction	Financial Services	Other Services
Bol	2003	34.6	11.7	0.4	7.3	2.8	43.2
	2008	32.5	11.3	0.4	7.1	3.6	45.1
	2014	33.6	9.5	0.3	8.8	4.5	43.3
	2017	30.6	10.2	0.5	9.5	4.7	44.7
Chi	2003	14.6	13.3	0.6	8.6	6.9	56.1
	2009	13.5	10.3	0.8	8.6	8.1	58.8
	2013	12	11.3	0.6	9.4	8.4	57.8
	2017	10.9	9.3	0.7	8.9	9.1	60.1

Source: Author's elaboration based on CEPALStat.

Note: *It is not posible to discriminate within the manufacturing activities (traditional, commodity and technology intensive). Agriculture and extractive is underestimated and manufacturing overestimated due to manufactures of food products and beverages

Chart A.23. Argentina and Brazil. Structure of employed population by category of employment (2003, 2008, 2014 and 2017) (Percentaje of total employed population).

Country	Year	Employers	Employees	Self employed	Domestic service	Unpaid family workers
Argentina	2003	3.9	67.6	20.7	6.5	1.3
	2008	4.7	69.9	18.0	6.7	0.7
	2014	3.5	71.0	19.5	5.4	0.6
	2017	3.6	69.4	21.1	5.5	0.4
Brazil	2003	4.3	55.2	26.9	7.7	5.9
	2008	4.6	59.1	24.8	7.2	4.3
	2014	3.8	61.3	25.8	6.5	2.6
	2017	4.6	60.9	25.3	6.8	2.4

Source: CEPALStat

Chart A.24. Argentina and Brazil. Structure of formal employed population by sector of economic activity. Both Sexes (2003, 2008, 2014 and 2017) (Percentage of total formal employed population)

Country		Agricultural and extractive sectors	Traditional Manufacturing	Commodity Manufacturing	Technology Intensive Manufacturing	Infrastructure Services	Civil Construction	Financial Services	Other Services
Arg	2002	15.5	5.3	5.5	2.8	1.3	3.5	3.6	62.4
	2008	13.7	5.3	5.5	3.4	0.9	7.4	2.6	61.3
	2014	13.4	4.9	5.3	3.4	1	6.8	2.5	62.7
	2017	13.1	4.5	4.9	3.1	1.1	7	2.5	63.8
Bra	2003*	19.9		14.5		0	6.6	0	58.9
	2008	10.4	7.3	4.1	3.2	0.9	8.7	1.9	63.5
	2014	8.1	5.6	3.7	2.8	0.9	8.4	1.9	68.7
	2016	8.7	5.7	3.5	2.4	0.9	7	1.9	69.8

Source: Author's elaboration based on data from Argentinean Labor Ministery (Formal and private employment) and Brazilian Pension Institute (Formal Employment). For more details, see Chart A.26.

Chart A.25. Brazil. Structure of formal employed population by sector of economic activity. Both Sexes (2008, 2014 and 2016) (Percentage of total formal employed population)

ISIC Classification	2008	2014	2016
Other Services	**63.5%**	**68.7%**	**69.8%**
Wholesale and retail trade; repair of motor vehicles and motorcycles	21.3%	23.6%	22.6%
Administrative and support service activities	12.9%	13.3%	13.7%
Public administration and defence; compulsory social security	8.1%	7.8%	8.7%
Transportation and storage	5.1%	5.1%	5.5%
Accommodation and food service activities	4.1%	4.7%	5.1%
Human health and social work activities	3.3%	3.9%	4.7%
Other service activities	3.3%	3.9%	2.8%
Education	2.9%	2.9%	4.0%
Information and communication	1.7%	2.1%	1.9%
Arts, entertainment and recreation	0.5%	0.6%	0.6%
Real estate activities	0.2%	0.7%	0.4%
Agricultural and extractive sectors	**10.4%**	**8.1%**	**8.7%**
Crop and animal production, hunting and related service activities	5.4%	3.6%	3.9%
Manufacture of food products	4.1%	3.7%	4.0%
Mining of coal and lignite	0.5%	0.5%	0.5%
Extraction of crude petroleum and natural gas	0.5%	0.3%	0.4%
Civil Construction	**8.7%**	**8.4%**	**7.0%**
Traditional Manufacturing	**7.3%**	**5.6%**	**5.7%**
Manufacture of textiles	3.8%	2.9%	2.8%
Other manufacturing	2.3%	1.8%	2.0%
Manufacture of rubber and plastics products	1.1%	0.9%	0.9%
Commodity Manufacturing	**4.1%**	**3.7%**	**3.5%**
Manufacture of fabricated metal products, except machinery and equipment	1.3%	1.2%	1.0%
Manufacture of other non-metallic mineral products	1.0%	0.9%	0.9%
Manufacture of chemicals and chemical products	0.8%	0.8%	0.8%
Manufacture of basic metals	0.6%	0.4%	0.4%
Manufacture of paper and paper products	0.4%	0.3%	0.4%
Technology Intensive Manufacturing	**3.2%**	**2.8%**	**2.4%**
Manufacture of machinery and equipment n.e.c.	1.4%	1.3%	1.1%
Manufacture of motor vehicles, trailers and semi-trailers	1.3%	1.0%	1.0%
Manufacture of computer, electronic and optical products	0.4%	0.4%	0.3%
Financial Services	**1.9%**	**1.9%**	**1.9%**
Infrastructure Services	**0.9%**	**0.9%**	**0.9%**
Total	**100%**	**100%**	**100%**

Source: Author's elaboration based on Brazilian Pension Institute (Formal Employment).

Chart A.26. Argentina. Structure of formal and private employed population by sector of economic activity. Both Sexes (2002, 2008, 2014 and 2017) (Percentage of total formal and private employed population)

ISIC Classification	2002	2008	2014	2017
Other Services	**62.4%**	**61.3%**	**62.7%**	**63.8%**
Wholesale and retail trade; repair of motor vehicles and motorcycles	16.2%	17.2%	17.9%	18.3%
Administrative and support service activities	9.4%	11.4%	10.3%	10.0%
Education	8.2%	6.5%	7.2%	7.6%
Transportation and storage	6.8%	6.7%	7.3%	7.3%
Human health and social work activities	4.7%	3.9%	4.6%	5.0%
Other service activities	4.0%	3.1%	3.4%	3.6%
Real estate activities	3.7%	2.4%	1.9%	1.8%
Accommodation and food service activities	3.1%	3.8%	4.1%	4.3%
Information and communication	2.5%	1.6%	1.5%	1.5%
Arts, entertainment and recreation	1.5%	1.7%	1.8%	1.8%
Activities of households as employers	1.4%	1.4%	1.0%	1.0%
Professional, scientific and technical activities	1.0%	1.5%	1.6%	1.8%
Agricultural and extractive sectors (natural-resource intensive sectors)	**15.5%**	**13.7%**	**13.4%**	**13.1%**
Manufacture of food products	6.8%	5.6%	5.8%	5.8%
Crop and animal production, hunting and related service activities	6.4%	5.7%	5.3%	5.2%
Extraction of crude petroleum and natural gas	0.8%	0.9%	1.0%	0.9%
Manufacture of wood and of products of wood and cork, except furniture	0.5%	0.6%	0.5%	0.4%
Fishing and aquaculture	0.4%	0.3%	0.2%	0.2%
Forestry and logging	0.2%	0.2%	0.2%	0.1%
Manufacture of tobacco products	0.2%	0.1%	0.1%	0.1%
Mining of metal ores	0.1%	0.1%	0.2%	0.2%
Commodity Manufacturing (Capital intensive sectors)	**5.5%**	**5.5%**	**5.3%**	**4.9%**
Manufacture of chemicals and chemical products	1.9%	1.6%	1.8%	1.7%
Manufacture of fabricated metal products, except machinery and equipment	1.3%	1.6%	1.5%	1.4%
Manufacture of basic metals	0.8%	0.7%	0.6%	0.5%
Manufacture of other non-metallic mineral products	0.7%	0.8%	0.7%	0.7%
Manufacture of paper and paper products	0.7%	0.6%	0.5%	0.5%
Manufacture of coke and refined petroleum products	0.3%	0.2%	0.1%	0.1%
Traditional Manufacturing (Labour force intensive sectors)	**5.3%**	**5.3%**	**4.9%**	**4.5%**
Manufacture of textiles	1.1%	1.1%	1.1%	1.0%
Printing and reproduction of recorded media	1.1%	0.9%	0.7%	0.6%
Manufacture of rubber and plastics products	1.1%	1.1%	1.1%	1.0%
Manufacture of leather and related products	0.8%	0.7%	0.6%	0.5%
Manufacture of wearing apparel	0.7%	0.8%	0.7%	0.7%
Manufacture of furniture	0.5%	0.6%	0.6%	0.6%
Other manufacturing	0.0%	0.1%	0.1%	0.0%
Financial Services	**3.6%**	**2.6%**	**2.5%**	**2.5%**
Civil Construction	**3.5%**	**7.4%**	**6.8%**	**7.0%**
Technology Intensive Manufacturing	**2.8%**	**3.4%**	**3.4%**	**3.1%**
Manufacture of computer, electronic and optical products	1.2%	1.4%	1.5%	1.4%
Manufacture of motor vehicles, trailers and semi-trailers	1.1%	1.4%	1.3%	1.2%
Manufacture of electrical equipment	0.3%	0.4%	0.3%	0.3%
Manufacture of other transport equipment	0.2%	0.2%	0.2%	0.2%
Infrastructure Services	**1.3%**	**0.9%**	**1.0%**	**1.1%**
Total	**100%**	**100%**	**100%**	**100%**

Source: Author's elaboration based on Argentinean Labor Ministery (Formal and private employment).

Methodological Annex

Chart B.1 Correlation between SITC and ISIC codes

SITC Code and Description		ISIC Code and Description	
00	Live animals other than animals of division 03	A1	Crop and animal production, hunting and related service activities
01	Meat and meat preparations	A1	Crop and animal production, hunting and related service activities
02	Dairy products and birds' eggs	C10	Manufacture of food products
03	Fish, crustaceans, molluscs and aquatic invertebrates, and preparations thereof	A3	Fishing and aquaculture
04	Cereals and cereal preparations	A1	Crop and animal production, hunting and related service activities
05	Vegetables and fruit	A1	Crop and animal production, hunting and related service activities
06	Sugars, sugar preparations and honey	C10	Manufacture of food products
07	Coffee, tea, cocoa, spices, and manufactures thereof	C10	Manufacture of food products
08	Feeding stuff for animals (not including unmilled cereals)	c10	Manufacture of food products
09	Miscellaneous edible products	c10	Manufacture of food products
11	Beverages	c11	Manufacture of food products
12	Tobacco and tobacco manufactures	c12	Manufacture of beverages
21	Hides, skins and furskins, raw	c13	Manufacture of textiles
22	Oil-seeds and oleaginous fruits	A1	Crop and animal production, hunting and related service activities
23	Crude rubber (including synthetic)	A2	Forestry and logging
24	Cork and wood	A2	Forestry and logging
25	Pulp and waste paper	C17	Manufacture of paper and paper products
26	Textile fibres and their wastes	C13	Manufacture of textiles
27	Crude fertilizers, other than those of Division 56, and crude minerals	B8	Other mining and quarrying
28	Metalliferous ores and metal scrap	B7	Mining of metal ores
29	Crude animal and vegetable materials	A1	Crop and animal production, hunting and related service activities
32	Coal, coke and briquettes	B5	Mining of coal and lignite
33	Petroleum, petroleum products and related materials	B6	Extraction of crude petroleum and natural gas
34	Gas, natural and manufactured	B6	Extraction of crude petroleum and natural gas
35	Electric current	D35	Electricity, gas, steam and air conditioning supply
41	Animal oils and fats	C10	Manufacture of food products
42	Fixed vegetable fats and oils, crude, refined or fractionated	C10	Manufacture of food products
43	Animal or vegetable fats and oils, processed	C10	Manufacture of food products
51	Organic chemicals	C20	Manufacture of chemicals and chemical products
52	Inorganic chemicals	C20	Manufacture of chemicals and chemical products
53	Dyeing, tanning and colouring materials	C20	Manufacture of chemicals and chemical products
54	Medicinal and pharmaceutical products	C21	Manufacture of basic pharmaceutical products and pharmaceutical preparations
55	Essential oils and resinoids and perfume materials	c21	Manufacture of basic pharmaceutical products and pharmaceutical preparations
56	Fertilizers	c20	Manufacture of chemicals and chemical products

57	Plastics in primary forms	c22	Manufacture of rubber and plastics products
58	Plastics in non-primary forms	c22	Manufacture of rubber and plastics products
59	Chemical materials and products	c20	Manufacture of chemicals and chemical products
61	Leather, leather manufactures and dressed furskins	c15	Manufacture of leather and related products
62	Rubber manufactures, n.e.s.	c22	Manufacture of rubber and plastics products
63	Cork and wood manufactures (excluding furniture)	c16	Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw
64	Paper, paperboard and articles of paper pulp	c17	Manufacture of paper and paper products
65	Textile yarn, fabrics, made-up articles, n.e.s., and related products	c13	Manufacture of textiles
66	Non-metallic mineral manufactures	c23	Manufacture of other non-metallic mineral products
67	Iron and steel	c24	Manufacture of basic metals
68	Non-ferrous metals	c24	Manufacture of basic metals
69	Manufactures of metals, n.e.s.	c25	Manufacture of fabricated metal products, except machinery and equipment
71	Power-generating machinery and equipment	c28	Manufacture of machinery and equipment n.e.c.
72	Machinery specialized for particular industries	c28	Manufacture of machinery and equipment n.e.c.
73	Metalworking machinery	c28	Manufacture of machinery and equipment n.e.c.
74	General industrial machinery and equipment and machine parts, n.e.s.	c28	Manufacture of machinery and equipment n.e.c.
75	Office machines and automatic data-processing machines	c26	Manufacture of computer, electronic and optical products
76	Telecommunications and sound-recording and reproducing apparatus and equipment	c27	Manufacture of electrical equipment
77	Electrical machinery, apparatus and appliances, n.e.s., and electrical parts thereof	c27	Manufacture of electrical equipment
78	Road vehicles	c29	Manufacture of motor vehicles, trailers and semi-trailers
79	Other transport equipment	c30	Manufacture of other transport equipment
81	Prefabricated buildings; sanitary, plumbing, heating and lighting	c28	Manufacture of machinery and equipment n.e.c.
82	Furniture and parts thereof; bedding, mattresses, mattress supports	c31	Manufacture of furniture
83	Travel goods, handbags and similar containers	c14	Manufacture of wearing apparel
84	Articles of apparel and clothing accessories	c14	Manufacture of wearing apparel
85	Footwear	c14	Manufacture of wearing apparel
87	Professional, scientific and controlling instruments and apparatus, n.e.s.	c28	Manufacture of machinery and equipment n.e.c.
88	Photographic apparatus, equipment and supplies and optical goods, n.e.s.	c26	Manufacture of computer, electronic and optical products
89	Miscellaneous manufactured articles	c32	Other manufacturing
91	Postal packages	j61	Telecommunications
93	Special transactions and commodities not classified	g47	Retail trade, except of motor vehicles and motorcycles
96	Coin (other than gold coin), not being legal tender	g47	Retail trade, except of motor vehicles and motorcycles
97	Gold, non-monetary	b7	Mining of metal ores

Source: UN-Stats

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