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Latin America: Regions and People, Second Edition.
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18 Latin America in the World Economy

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Much of Latin America remained beyond the control of the Spanish and Portuguese after the Conquest. But in the coastal regions and wherever there were dense indigenous population centers the colonial economy took root, transforming the region's landscapes and peoples and linking them to the world economic system. The mainstays of these colonial economies included the privatization of land and other property resources, forced labor and labor tribute/taxation, the establishment of large estates like haciendas and plantations, and the extraction of valuable natural resources. Several of the key elements of the colonial economy have been examined in other chapters in this book, including land privatization, colonial tribute systems, the slave trade, and new agricultural systems.

This chapter examines Latin America's place in the world economy. It outlines the geographical and economic dimensions of the mercantile systems that connected the colonies' economies to those of Spain and Portugal and then to the rest of the world. It documents the realignment of the region's geopolitical relationships and economic linkages in the postindependence period, and the establishment of commodity export economies. The economic dislocations caused by World War I, the Great Depression, and World War II are chronicled and the inwardly oriented economic strategies of that period that promoted industrial development are explained. The concluding sections of the chapter explore early efforts at regional economic integration in the 1960s and 1970s and the rapidly evolving panorama of regional trade blocs and customs unions in Latin America at the beginning of the 21st century. The chapter concludes with a discussion of the shift to neoliberal economic models in the closing decades of the 20th century and their social and political consequences, as well as the increasingly rapid rate of globalization that is transforming the region in the early decades of the 21st century.

The Colonial Mercantile System

A system of mercantile colonialism that controlled the terms of trade between the New World colonies and their metropolitan centers was the glue that held these vast colonial economies of Latin America in place and provided immense financial wealth to the colonial powers that controlled them, Spain and Portugal. Mercantile systems of various types characterized the colonial economies of European powers throughout the world during the period of intense European colonialism that occurred between 1500 and 1900. At their most elemental, these systems used a range of mechanisms that established terms of trade that favored the mother country at the expense of the colony.

In Latin America, both Spain and Portugal developed mercantile systems. Arguably, the Spanish system was the more efficient of the two. Trade was strictly controlled and only trade between the colonies and Spain was permitted. Trade to foreign ports or with foreign merchants was prohibited. All legal trade came from Spain, and returned there as well. As the colonial period advanced, the Spanish Crown and Spanish colonial authorities devised a number of legal and administrative mechanisms that ensured that trade was conducted under the control of the colonial authorities and that Spanish traders, merchants, and craftsmen, as well as the Spanish Crown, profited from this trade.

The control of trade also included limiting the number of ports and cities where trade between Spain and the colonies could occur. In Spain, all trade with the colonies passed through just one of Spain's many ports, Cadiz, on the southwest coast of the Iberian Peninsula; in the New World, a handful of cities served a similar function. In the Caribbean Basin there were effectively four ports through which all trade passed: Veracruz in Mexico, Cartagena in Colombia, Portobelo (Colón) on the Isthmus of Panama, and Havana in Cuba (Figure 18.1).

Acapulco, on Mexico's Pacific Coast, served as the official trading port for trade with Manila in the Philippines—at the time another important Spanish colony. Portobelo served as the transit point for trade to Lima, from which all trade from the central and southern portions of Spanish South America was to pass until the late 1700s. While this proved to be an efficient system for extracting taxes for the Spanish Crown and profits for colonial merchants, it promoted tremendous economic inefficiencies. For instance, exports from Buenos Aires and other points in Argentina had to pass overland, and then over the Andes, to Lima, a journey that was both torturous and long; imports from Spain to Argentina followed the reverse route.

A fleet system of trade between Spain and its New World colonies also served to reinforce the control of the Spanish Crown over nearly all external trade and commerce (Figure 18.2). The wealth of Spain's new colonies naturally attracted the attention of foreign pirates and privateers, the latter of whom operated with the direct support of competing colonial powers, especially the English, but also the Dutch and the French. The slow unarmed merchant ships that carried gold, silver, and a host of other valuable colonial products

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FIGURE 18.1. The entrance to the ruins of the Spanish colonial fortifications at Portobelo, Panama, 2014.

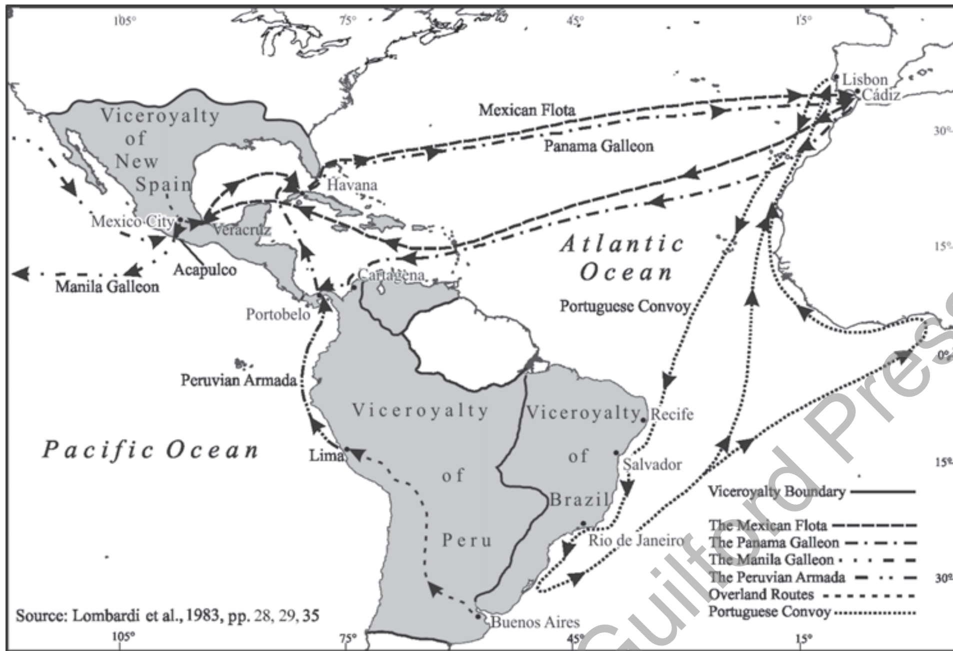

FIGURE 18.2. Trade routes, ports, and colonial administrations, circa 1650.

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to Spain from the New World were easy prey for the maneuverable and well-armed vessels used by foreign pirates, including the likes of Sir Francis Drake, John Hawkins, and Piet Heyn. In response to these attacks, the Spanish instituted a convoy system for colonial trade that began in the mid-1500s and continued to operate until the late 1700s. Operating from its principal ports in the Caribbean, the two main Spanish fleets, called the "Panama Galleon" and the "Mexican Flota," made one round-trip to Spain and back each year. The two fleets arrived in the Caribbean in late spring and summer, respectively, and then returned to Spain during the winter months, usually January and February. The return route brought both fleets to Havana, where they sometimes joined forces for the journey to Cadiz in Spain. Somewhat later in the colonial period, the Portuguese too established a fleet system between Lisbon and its principal Brazilian ports: Recife, Salvador, Rio de Janeiro, and Santos. Initiated in 1650, it too ceased to operate in the late 1700s.

Colonial governments also attempted to control trade through the licensing of trading companies. Often these companies were licensed to operate from certain ports, like the Guipuzcoa Company in Caracas or the Havana Company, while others had broader territorial mandates, like the Maranhão and Pará Company in Brazil. Other companies, especially in Spain, were authorized to trade in specific commodities. Unlicensed trading was prohibited by colonial and royal authorities, but unlicensed trading as well as smuggling were common features of the colonial economy, especially in peripheral locations. In Spanish America, for example, the Atlantic coastal region around Buenos Aires and Montevideo proved to be a major center of illegal trade and smuggling. The small port town of Colonia, directly across the Río de la Plata from Buenos Aires, was the region's principal smuggling center during the 17th and 18th centuries. European manufactured goods from Great Britain and other countries entered Buenos Aires illegally from Colonia. The foreign vessels carrying this contraband were loaded with hides for their return trips (Figure 18.3). Colonia's importance waned when Spain finally

FIGURE 18.3. A contemporary view of a colonial-period residential street in the historic core of the one-time smuggling center of Colonia, Uruguay, 1993.

established the Viceroyalty of Río de la Plata in 1777, permitting direct legal trade between Buenos Aires and Spain.

A variety of administrative rules and colonial policies served to reinforce the advantages of the mother country in trading relationships. Aside from immense quantities of silver and gold, both the Spanish and the Portuguese colonies provided an array of valuable raw materials to the Iberian Peninsula. These included commodities like sugar, cacao, leather, and tallow, as well as more exotic products like the cochineal bug and the leaves of indigo used respectively for making red and blue dyes. Manufactured goods came from Spain; if not made there, they still passed through the hands of Spanish merchants and were shipped from Spanish ports. Colonial supplies of firearms, steel weapons, paper, fine textiles, books, soap, wine, olive oil, and other products passed through Cadiz to the New World. Spanish policies often prohibited the introduction to the colonies of manufacturing technologies or agricultural products that might compete with interests in Spain. For instance, in Spain's colonies the introduction of the honeybee, an Old World insect domesticate, was prohibited for nearly 200 years in an effort to protect the interests of beekeepers who supplied beeswax for sacramental candles to Catholic churches throughout the colonies.

Taxes provided direct income sources to colonial authorities. These taxes came from a variety of sources. Municipal taxes represented an accessible, although sometimes difficult to collect, source of revenue for local governments (Figure 18.4). The greatest tax revenues, however, came from levies on mining and trade. In the Spanish colonies, taxes on gold and silver varied from a "royal one-fifth" to a "royal one-tenth," known in Spanish as the *quinta real* and the *decimo real*. In the mid-1600s, as much as 40% of Spain's colonial revenue came from taxes on gold and silver. Taxes on other more mundane commodities, as well as other royal fees and levies, provided the balance,

FIGURE 18.4. A Spanish-speaking municipal council officer responsible for tax collections in an Andean town receives payment from an indigenous Quechua speaker in this drawing from Felipe de Guamán Poma de Ayala's monumental illustrated book, *Nueva crónica y buen gobierno*, circa 1550.

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and often accounted for nearly three-quarters of all colonial tax collections. In the early 1700s the Crown established an even more lucrative source of revenue from its colonies: a monopoly on the tobacco trade in both Spain and its colonies.

The end of the colonial period saw a slow decline in the strength of the colonial mercantile system. The administrative reforms instituted by the Bourbons in the late 1700s allowed more open trading opportunities for the colonies. The fleet system disappeared in the late 1700s as changes in sailing technology and the geopolitics of the colonial period made it possible for individual vessels to make transoceanic voyages safely. But smuggling and illegal trade continued to flourish. The contraband trade in tobacco to Spain, for example, is estimated to have exceeded the legal trade by a factor of 2 or 3. Nevertheless, the colonial mercantile systems of Spain and Portugal in Latin America continued to provide immense financial benefits to the metropolitan centers on the Iberian Peninsula until the end of the colonial period.

Independence, Neocolonialism, and Export Economies

The first decades of the 1800s brought independence to most of Spain's and Portugal's New World colonies. The only exceptions were Cuba and Puerto Rico, which remained Spanish colonies until the end of the 19th century. The disarticulation of the colonial mercantile system had been underway for a number of decades before actual independence, but political independence thrust the newly independent nations of Latin America into the capitalist world economy and new forms of economic relationships.

The stability of the colonial system and the mercantile economy that it supported was dependent on the imposition of control by Spain and Portugal. Decrees, laws, legal decisions, and administrative fiats backed up by direct military force maintained order and the structure of the economic system in the colonies. Independence brought the new nations into other types of relationships with the world economic system. In many ways, Great Britain replaced Spain and Portugal as the principal colonial power in Latin America during the 100 years after independence. However, it exercised political and economic control through indirect means: loans to foreign governments, investment in key export activities, construction of basic communication and transportation infrastructure, and trade concessions. If these more benign techniques failed to bring Great Britain the results it desired, the threat of military force always hung in the background. The effectiveness of these tools was such that military force was rarely applied. Often referred to as "neocolonialism," this type of relationship with Great Britain characterized almost all of Latin America's nations well into the 20th century. By the 1920s, however, the United States had supplanted Great Britain as the new neocolonial power in Latin America. Nearly 100 years later, in the first decades of the 21st century, there is much evidence to suggest that the United States is rapidly being succeeded by China in this role (Vignette 18.1).

National economies dependent on the export of primary products to generate income for foreign exchange to pay for imports dominated Latin America's economic landscape during the 19th century. As an example, nearly 100 years after independence, in 1914, a single commodity, usually an agricultural product or a mineral, accounted for over 50% of exports in at least 10 Latin American nations. In South America, for instance, these countries included Venezuela (coffee), Ecuador (cocao), Bolivia (tin), Chile (nitrates), and Brazil (coffee). In several Central American countries banana plantations and banana exports figured so prominently in the national economies, and the foreign companies that controlled them were so dominant in the politics of national life, that

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VIGNETTE 18.1. ADIÓS, UNCLE SAM: CHINA'S METEORIC RISE IN LATIN AMERICA

Change is often slow and incremental, almost invisible to the casual observer. However, China's meteoric rise as a key player in the economic life of Latin America has not been slow or incremental. It has been rapid and its impacts stunning. In the space of barely two decades, China has gone from having a negligible presence in the region, to seriously contesting the sphere of influence of the United States as the region's most significant economic partner and dominant external political power. In just 20 years, China has had a transformative impact on trade, international finance, and diplomacy in Latin America.

China's economy grew at breakneck speeds during the 1990s as its manufacturing production skyrocketed. Once it joined the World Trade Organization in 2001, it quickly became the "world's factory," exporting its production to all corners of the globe. Simultaneously, despite its vast geographical size and resources, China also needed immense quantities of raw materials to feed these factories and its manufacturing economy. Latin America proved an attractive and receptive region to China's commercial overtures. Trade between Latin America and China grew quickly. For example, in 2002 Brazilian exports to and imports from China totaled less than $5 billion in each category, but in the short space of just a decade, exports had grown to $45 billion and imports to $33 billion! In 2012, China replaced the United States as Brazil's most important trading partner in terms of the value of both exports and imports. While China has not totally displaced the United States as the key trade partner for all Latin American countries, similar patterns are evident in many countries (Figure 18.5).

The pattern of exports and imports between Latin America and China is characteristic of that between developing and developed economies (Figure 18.6). Latin America exports raw materials, energy resources, and agricultural commodities, especially foodstuffs, to China. Copper (Chile and Peru), iron ore (Brazil), crude oil (Venezuela, Ecuador, Mexico), and soya beans (Brazil and Argentina) have been among the most significant of the region's exports to China. In return, China sends a wide range of manufactured goods to its Latin American partners. This is a relationship reminiscent of those that characterized the region's colonial relations with Spain and Portugal, and after independence with the neocolonial powers Great Britain and later the United States. And indeed, as China's profile has increased in Latin America, both Mexico and Brazil's manufacturing sectors, especially textiles, automobile manufacture, and electronics, have suffered as a result of Chinese imports at home and Chinese competition abroad.

Chinese financial institutions, state banks, have also rapidly become major players in financing Latin American development (Figure 18.7). In barely 10 years, Chinese loans to Latin American nations have grown from nearly zero in 2006, to about $120 billion. This significantly overshadows the development lending to the region by traditional sources like the World Bank and the Inter-American Development Bank. For example, in 2013, the World Bank made some $5.2 billion in loans, while Chinese banks loaned approximately $15 billion. Few conditions, low interest rates, and flexible repayment terms have made the Chinese loans very attractive for some Latin American countries, particularly those with troubled lending histories, frequent defaults, or unstable economies. Venezuela, Argentina, and Ecuador are all in this category and are among China's biggest debtors. As of 2014, Venezuela had borrowed a whopping $56 billion, much borrowed on terms that guarantee repayment of the debt in crude oil. Ecuador has accepted similar terms, as has Argentina. Most of these loans are linked to exploitation of natural resources to be exported to China or infrastructure projects to help move those products to market, for example, a new port in Cuba and railroad modernization in Argentina.

In a bold diplomatic move, in early 2015, China hosted the 33 nations of the Community of Latin American and Caribbean States in China (CELAC) in Beijing. The event served as an opportunity for the Chinese to showcase their interest and commitment to the region. At the conference the Chinese president, Xi Jinping, said that China intended to double its trade with Latin America to $500 billion within the next 10 years, as well as to invest some $250 billion in the region and make an additional $20 billion in loans. In a move that could be a total "game changer" in the region, a Chinese firm has successfully negotiated a deal with the Nicaraguan government to build a transoceanic canal from the Caribbean to the Pacific. The U.S. government, apparently preoccupied with other concerns, has largely ignored this challenge to its sphere of influence in the hemisphere.

Adiós, Uncle Sam.

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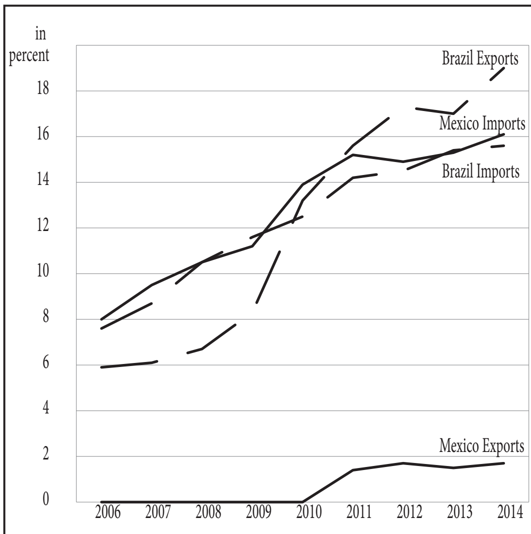

FIGURE 18.5. Chinese trade with Mexico and Brazil, 2006–2012. *Source:* World Trade Organization (2014).

the term "banana republic" was coined to describe them (Figure 18.8). The term is now used more generally to describe any small nation controlled by outside economic interests (it has also been appropriated by a clothing company as a brand name). Coffee played an extremely prominent role in this export economy during much of this period. It was the principal export crop in six Latin American countries; in many of these countries coffee accounted for an overwhelming percentage of the nation's export earnings. This occurred in small economies like Guatemala (85%), El Salvador (79%), and Nicaragua (65%), but also in large economies like Brazil (62%) and Venezuela (52%). Coffee also was the principal export crop in Colombia, but thanks to Colombia's slightly more diversified export sector, it only accounted for 37% of exports (Table 18.1).

Dependence on one or a handful of export commodities led to economic instability. Boom–bust economic cycles were characteristic of most nations. The health of these economies was highly dependent on a range of factors largely beyond their control. When international demand was great, higher commodity prices spelled good fortune for national economies and the collection of export taxes enriched government treasuries. However, the good times never lasted, and periods of economic decline and even depression always followed. The international market for tropical commodities drew from many world regions, and higher production in other areas could force down prices and spell catastrophe for Latin American economies. Coffee, for instance, was a key export commodity in Colombia, Brazil, Venezuela, Guatemala, and Costa

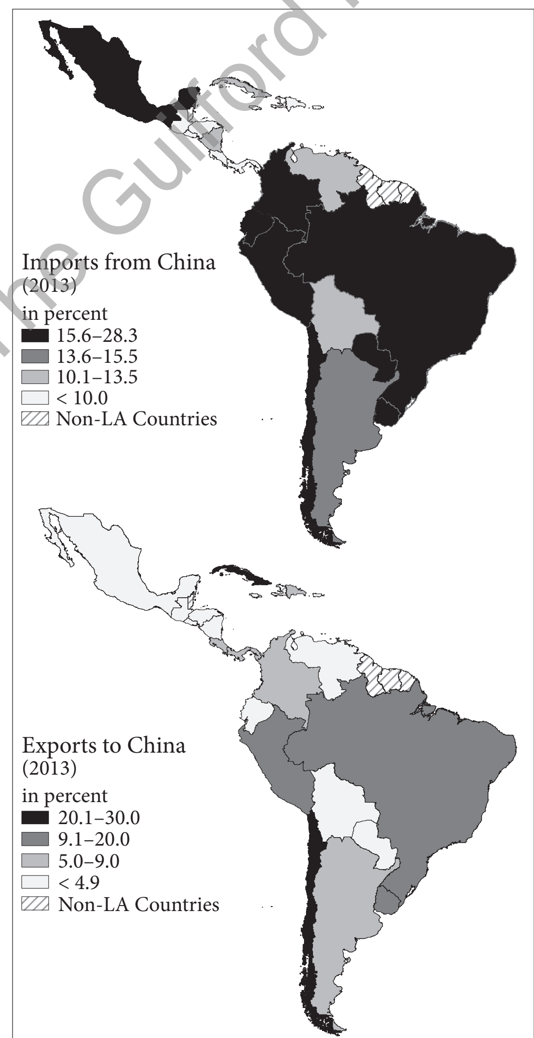

FIGURE 18.6. China–Latin America trade: Imports and exports, circa 2013. *Sources*: World Trade Organization (2014) and Observatory of Economic Complexity (2012).

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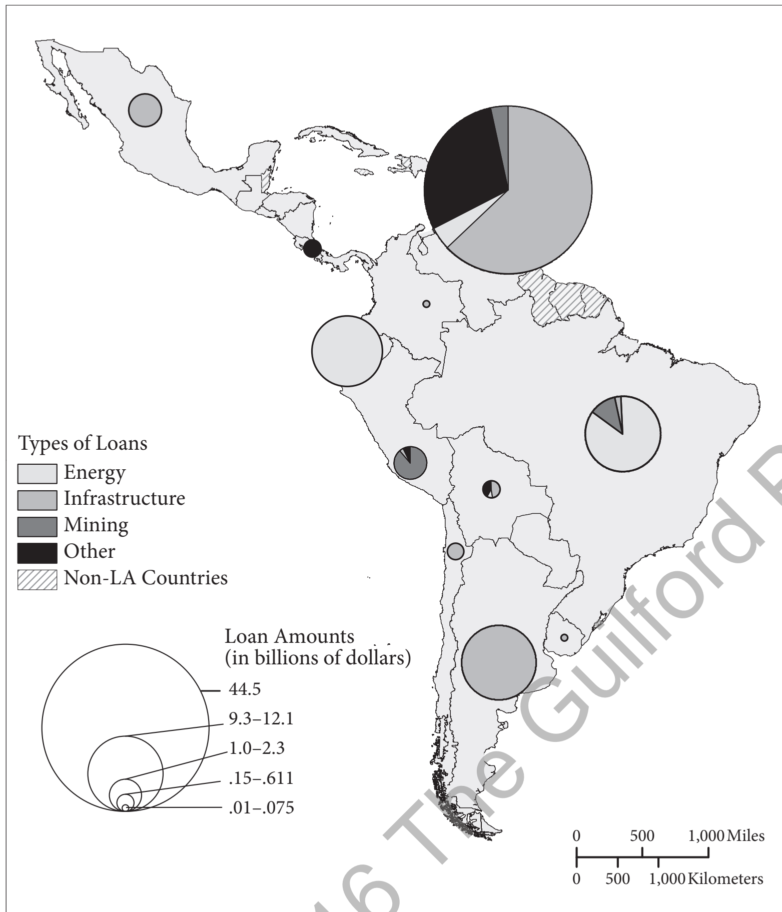

FIGURE 18.7. Chinese loans to Latin America, 2005–2012. *Source:* Gallagher and Myers (2014).

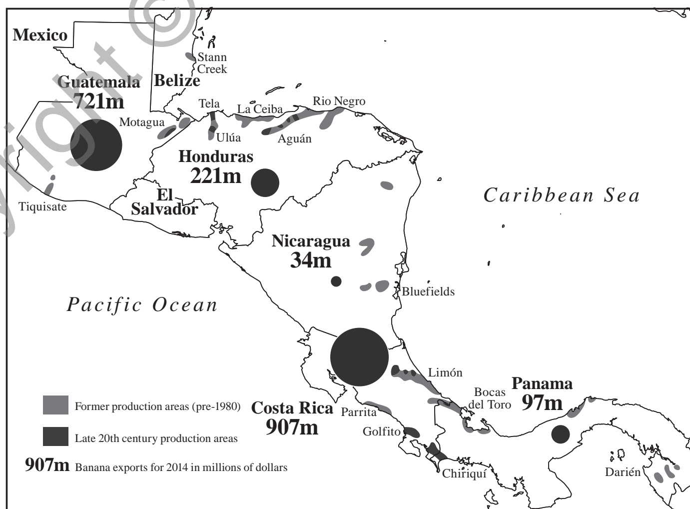

FIGURE 18.8. Central American banana production areas, and export production, 2014 (in millions of dollars). *Sources*: International Trade Centre (2015) and West and Augelli (1989, p. 379).

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TABLE 18.1. Export Commodity Concentration Ratios, Circa 1913

Country	First product	Percentage	Second Product	Percentage	Total
Argentina	Maize	22.5	Wheat	20.7	43
Bolivia	Tin	72.3	Silver	4.3	77
Brazil	Coffee	62.3	Rubber	15.9	78
Chile	Nitrates	71.3	Copper	7.0	78
Colombia	Coffee	37.3	Gold	20.4	58
Costa Rica	Bananas	50.9	Coffee	35.2	86
Cuba	Sugar	72.0	Tobacco	19.5	92
Dominican Republic	Cacao	39.2	Sugar	34.8	74
Ecuador	Cacao	64.1	Coffee	5.4	70
El Salvador	Coffee	79.6	Precious metals	15.9	96
Guatemala	Coffee	84.8	Bananas	5.7	91
Haiti	Coffee	64.0	Cacao	6.8	71
Honduras	Bananas	50.1	Precious metals	25.9	76
Mexico	Silver	30.3	Copper	10.3	41
Nicaragua	Coffee	64.9	Precious metals	13.8	79
Panama	Bananas	65.0	Coconuts	7.0	72
Paraguay	Yerba maté	32.1	Tobacco	15.8	48
Peru	Copper	22.0	Sugar	15.4	37
Puerto Rico	Sugar	47.0	Coffee	19.0	66
Uruguay	Wool	42.0	Meat	24.0	66
Venezuela	Coffee	52.0	Cacao	21.4	73

Source: Bulmer-Thomas (2014, p. 64).

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Rica, so regional competition played a role in prices, as did overproduction. But coffee was also produced in the highlands of Africa and Asia and increased production there affected Latin American markets negatively.

Agricultural export commodities were also susceptible to the development of new production areas in other world regions. Rubber and cacao are classic examples. Natural rubber comes from the sap of a wild tree, *Hevea brasiliensis*, a native of the Amazon Basin. In the second half of the 19th century and the first decades of the 20th century, the Amazon region experienced a tremendous economic boom as demand for rubber on world markets surged. The rubber boom brought immense wealth to the region. Manaus in Brazil and Iquitos in Peru blossomed into major urban centers. Despite Brazilian government prohibitions against the exportation of rubber trees or seeds, British botanists secured seedlings and took them to the Kew Botanical Gardens in London, where they were successfully cultivated. Subsequently, these contraband seedlings led to the introduction of rubber trees into British colonies in Southeast Asia, where the British successfully established vast plantations and soon dominated world production. Rubber gathering in the Amazon Basin collapsed, leaving economic ruin for many in its wake. World War II produced another boom that collapsed again in the postwar years. Rubber tapping continues in Brazil, often sustainably, albeit on a much reduced scale (see Vignette 19.1 in Chapter 19).

Cacao, a New World domesticated plant, whose seeds are the principal ingredient in chocolate, had a similar history. Initially, Latin American cacao producers enjoyed a secure market for their product. However, enterprising foreign agriculturalists soon successfully introduced the tree to equatorial areas in Africa and Asia, where the climatic conditions were similar to those of its American home-

land, and foreign production boomed. West Africa became a major production region. Cacao producers in Latin America experienced a significant reduction in market share and have since been subject to dramatic swings in demand and prices as a consequence of supply fluctuations in other production regions around the world.

Resource depletion, replacement, and product substitution also plagued the export economies of Latin American nations in the 19th and early 20th centuries. Mining economies were highly susceptible to the depletion of their resource base and subsequent economic collapse. Regions dependent on the mining of precious metals (gold and silver) often experienced the exhaustion of the ore lodes, but this occurred in the case of nonprecious metals as well. In some instances, newly discovered resources eliminated the demand for existing commodities exports or reduced it dramatically.

Guano, or bird dung, was mined along the dry coastal margins and small offshore islands of southern Peru beginning in the 1840s. High in nitrogen, the guano made superior fertilizer. It found a strong market in Europe and proved to be a major source of income for the Peruvian economy and government. However, the gradual depletion of the guano supply and the discovery of vast nitrate deposits in the Atacama Desert in Chile led to the demise of the guano export industry. The guano boom ended in the 1870s, taking with it one of Peru's most remunerative export products. Peru's misfortune was Chile's gain. Nitrate mining expanded dramatically in the Atacama Desert, generating immense tax revenues for the nation as well as strong profits for its oligarchs. While demand for nitrates remained strong through the early 1900s, the development of synthetic chemical fertilizers in Europe eventually spelled the end of the nitrate boom.

The export economies that characterized almost all of Latin America's nations during the 19th century and much of the 20th century produced narrowly focused economic benefits, although they were often significant. The number of jobs created was often limited. While unskilled jobs went to locals, the technical, supervisory, and managerial positions typically went to foreigners. While some profits were reinvested in the productive equipment and infrastructure of the export enterprise, often little found its way into the national economy. Most of the products were repatriated to the home countries of the foreign firms and reinvested there or elsewhere. Investment in infrastructure naturally focused on improving the means of efficiently exporting commodities. Port facilities, roads, and railroads linking production areas with export nodes (ports), and telecommunication infrastructure—first the telegraph and subsequently the telephone—absorbed most infrastructure investment. While these investments clearly created some positive spin-off effects for the national economies, the support of export industries remained the principal objective of these investments.

The pattern of railroad construction in many Latin American countries illustrates this phenomenon. Railroad construction in Peru focused almost exclusively on east–west routes that ran from mining centers down narrow Andean valleys to small ports on the Pacific coast from which the ore was shipped. While many of these train lines also carried passengers and other cargo, the mining operations provided the reason for their existence. When the ores were exhausted or if changes in the terms of trade made their extraction unprofitable, the railroads ceased to operate. In Argentina, railroad construction prior to 1885 focused on the principal entrepot, Buenos Aires, and its port facilities on the Río de la Plata. Over the next three to four decades, during the heyday of railroad construction in Argentina, the pattern of railroad line construction mirrored early trends. While some north–south lines were constructed and a few provincial cities did have direct rail connections, the overwhelming pattern of rail lines as well as passenger and freight flows moved to Buenos Aires (Figure 18.9).

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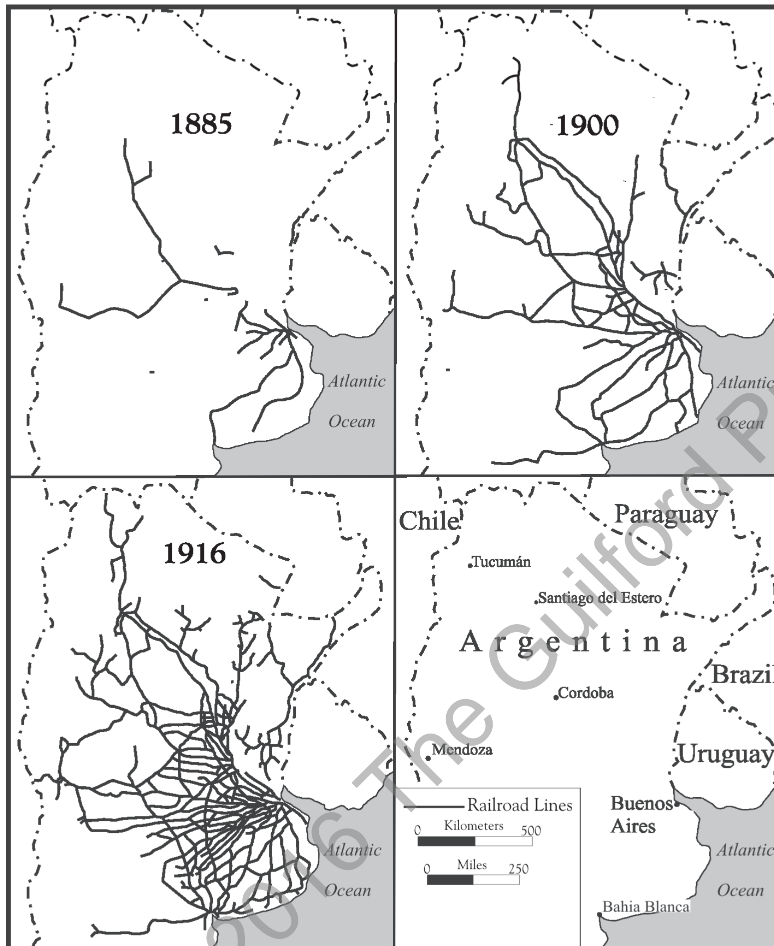

FIGURE 18.9. The Argentine railroad network: 1885, 1900, 1916. *Source:* Crossley (1983, p. 401).

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The commodity export strategy pursued by almost all Latin American nations for nearly 100 years proved to be a failure in many key respects. While some social sectors, usually the elites, and specific geographical regions did benefit from the commodity export trade, overall most Latin American economies showed only negligible economic growth during the century-long export boom. Even more problematic was the fact that in some countries living standards actually declined during the period, leaving much of the population worse off than 100 years earlier. Because growth was negligible and economic benefits were narrowly focused, the commodity export trade did little to stimulate internal demand and consequently encourage local manufacturing and industry.

Economic Retrenchment in the 20th Century: World Wars and Depression

The outbreak of World War I upset world trading patterns and had profound effects on the predominant model of economic development in Latin America: the commodity export economy. The changing demands of the

war economy on the region's principal trading partners, Europe and the United States, reverberated through the commodity export sector. Strategic commodities (those critical for the war economy) enjoyed strong demand. The export of industrial metals (tin, copper, lead), petroleum, and basic foodstuffs, like grains and meat, boomed. On the other hand, demand for nonessential commodities, for instance, cacao and coffee, dropped precipitously. Although the fate of individual nations varied depending upon their mix of export commodities, overall the upshot of these changes was a reduction in export earnings and foreign exchange. The war also brought a structural reorientation of Latin America's economy. Great Britain lost its traditional role as the region's preeminent neocolonial power and was replaced by the United States.

At the outbreak of World War I, Latin America was one of the world's least industrialized regions. In most countries, little or no effort had been directed at developing industrial production to capitalize on the needs of the export sector, nor had the commodity trade generated a sufficiently broad increase in wages and living standards to provide much of a national market for consumer goods. In most nations, the commodity export economy of the 19th century generated sufficient foreign exchange earnings to permit the importation of most manufactured products, whether these were consumer goods, like textiles, or capital goods, like transportation equipment or manufacturing machinery.

However, the outbreak of war rapidly transformed the industrial complexes of Europe and the United States, where production shifted to military supplies, armaments, munitions, and kindred needs. The production of consumer and capital goods for export markets declined dramatically. By the war's end there were few manufactured goods available for Latin American countries to import, even if they had the foreign exchange to do so. The worldwide economic depression that began in the late 1920s and continued through the 1930s only deepened Latin America's economic crisis and reinforced the need for a new approach to economic growth and development.

The economic shocks ushered in by the outbreak of World War I in 1914, followed by the depression in the 1930s, and then by World War II in the 1940s, contributed to a shift in the economic strategies pursued by Latin American nations. This period has been characterized by many scholars as a period of "inward orientation." It began around 1914 and lasted until about 1980. The first half of this period, running from the beginning of World War I until the end of World War II, was typified by increasingly widespread national economic protectionism. Countries erected formidable trade barriers to limit the entry of manufactured products in order to protect their own manufacturing enterprises from external competition. Initially these efforts centered on the protection of industries producing simple manufactured products destined for consumers' use, like soap, toothpaste, textiles, clothing, and shoes. As manufacturing sophistication increased, and local firms developed the capacity to produce increasingly complex products, duties on other products that could be produced nationally were increased substantially. This tariff subsidy favored national producers to the detriment of foreign producers.

After World War II, many national governments articulated a more focused inward development strategy. This strategy, known as "import-substitution industrialization," sought to promote manufacturing and economic development by substituting locally manufactured products for imported goods. Initially, basic consumer goods, for example, clothing, shoes, and soap, were obvious targets for this kind of industrialization. This had occurred well before the end of World War II in many countries and especially in the region's larger economies, like Brazil, Mexico, and Argentina. While small countries, like those in Central America, struggled to promote manufacturing

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of basic consumer goods after the war, the region's more advanced economies promoted the manufacturing of consumer durables. These more complicated and expensive consumer products require more sophisticated manufacturing skills. During the 1950s and 1960s, behind the protective walls of high tariff barriers, the manufacturing of consumer durables like radios, televisions, refrigerators, and other similar goods blossomed.

Multinational firms, like Ford, Volkswagen, Renault, and General Motors (GM) dominated motor vehicle manufacturing in Latin America during the phase of inward orientation. The largest nations—Brazil, Mexico, and Argentina—successfully moved from automobile assembly to automobile manufacturing. The smaller countries also made many efforts during the 1970s and 1980s, usually with strong government support, to assemble or manufacture motor vehicles. Peru, Venezuela, and Ecuador were among that group. One such effort was the production of the Andino, a small simple motor vehicle manufactured in Ecuador in the 1970s using GM motors imported from Brazil. A basic vehicle designed for the rigors of hard use, it—like most other such efforts—was not commercially successful, although a few Andinos still plied Ecuador's highways well into the 1990s (Figure 18.10). By 2000, most of these efforts had failed. Motor vehicle manufacture and assembly in the region continues to be dominated by Mexico and Brazil, with Argentina a distant third. Despite small markets and diseconomies of scale, a small number of vehicles continue to be manufactured in Venezuela, Colombia, and Ecuador (Figure 18.11).

Import-substitution industrialization also sought to promote the development of basic industrial infrastructure: steelmaking, chemical production, and petroleum refining, for example. While tariff barriers provided some protection for these kinds of industries, the capital investment and sophistication required to establish and operate such industries meant that entry into enterprises was difficult and beyond the capabilities of most private capitalists and entrepreneurs. As a consequence, national governments often promoted such industrial developments by creating state-owned industries and in some cases state-owned industrial complexes. In Brazil, the construction of the massive Volta Redonda steel plant in the Paraíba Valley just to the east of Rio de Janeiro is one prominent example of this kind of state-sponsored industrialization. Initiating production in 1946, the Volta Redonda plant marked the beginning of an impressive steel industry in Brazil, promoted and supported by strong state intervention.

FIGURE 18.10. An Andino pickup truck, an Ecuadorian effort at motor vehicle manufacturing as part of an import substitution strategy, Quito, Ecuador, 1979.

In the 1970s, based on the earlier development of basic industries like steel and allied manufacturing processes, some countries made active efforts to promote the manufacture of capital goods. *Capital goods* are those products that are used to manufacture other products. A lathe, a stamping mill (for molding and forming steel), and a drill press are all examples of capital goods. Few countries experienced any success with these efforts to extend import-substitution industrialization to capital goods. Most national economies were simply too small to generate sufficient internal demand for these

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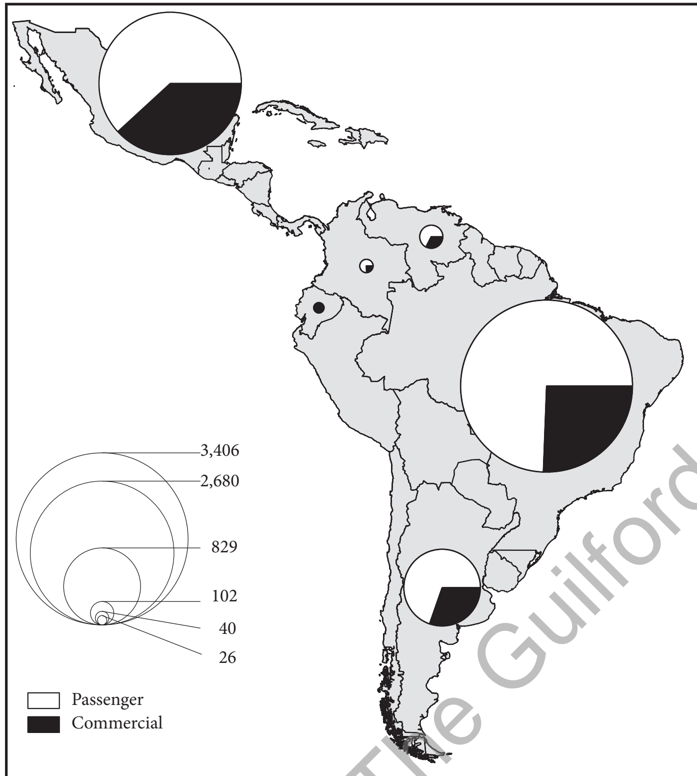

FIGURE 18.11. Motor vehicle production (in thousands of vehicles) in Latin America, 2011. *Source:* International Organization of Motor Vehicle Manufacturers (2011).

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capital goods. Moreover, since production was typically protected by stiff tariff barriers, the export of these products was impractical.

Only in Brazil, which benefited from a vast national market as well as a strongly developed and technically sophisticated industrial sector, did capital goods production succeed. One of Brazil's most stunning successes has been its entry into the global aerospace industry. In 1969, under government auspices, EMBRAER, the Empresa Brasileira de Aeronáutica S.A. (the Brazilian Aeronautical Company), was founded. Building initially on internal demand for military and commercial aircraft, EMBRAER built up its technical and production capacity by focusing on specialized market niches it was especially suited to serve. By 2015, the firm had grown into a substantial manufacturing enterprise with about 19,000 employees and had become one of the nation's top export companies. Its regional jets have been especially successful in the export market—for example, they are widely used by major airlines in the United States and 100s are currently in service there and around the world.

With the beginning of the 1980s the period of inward orientation and import-substitution industrialization drew to a close throughout Latin America. The results of these economic development strategies had been mixed. But the strategy had brought modern industry, in one form or another (rudimentary in some cases), to all Latin American countries.

The import-substitution strategy tended to work best in the countries with the region's largest economies. Brazil and Mexico accounted for over 60% of all Latin American manufactures, with most manufacturing lo-

cated on the Paraná Plateau of southern Brazil and the Mesa Central of Mexico. Brazil's manufacturing sector had established itself not only on a regional scale in Latin America, but had evolved into a major exporter of aircraft and military weaponry. Its home-grown steel industry had achieved the status of a major world producer and in the first decades of the 21st century experienced a massive expansion to fulfill rapidly growing demand created largely by China's rapidly growing economy and booming constructor sector during those years. Peru, Venezuela, and Mexico all experienced appreciable success in industrializing their economies during the inward-looking period that ended in the early 1980s.

Other nations, many which had done well exporting commodities to Europe and the United States during the 19th and early 20th centuries, like Cuba, Argentina, Chile, and Uruguay, did comparatively poorly during the period of inward orientation that ended in the 1970s and 1980s. In smaller nations, like those in Central America, import-substitution industrialization and other strategies of the phase of inward orientation were even less successful. With very small internal markets and little demand, there were few economies of scale in production, so manufacturing was often limited to the most basic consumer products in countries like Nicaragua and Honduras.

Halting Steps at Regional Integration: 1960s–1980s

The limitations of the strategy of inward orientation in promoting industrialization and manufacturing across much of Latin America had become increasingly apparent in the decades leading up to the 1980s. The model had not proved successful in many countries and the limitations of small markets had become obvious to most observers. During the period, Latin America's participation in the world export trade declined sharply. At the end of World War II, the region accounted for 25% of world exports, but by 1975 this had fallen to just 8%. Among all Latin American nations, only Brazil developed sufficient internal industrial capacity and sophistication to successfully break into the export of advanced industrial products, including commercial jet aircraft, computer electronics, and military armaments and munitions.

Regional economic integration in the form of multinational trade blocs with few restrictions on trade between member states became an increasingly popular concept as economists and politicians scrambled, with only the most limited success, to promote economic development and to improve living standards. The promise of larger markets would allow efficiencies in production that could not be realized in small national markets. It was reasoned that regional specialization, capitalizing on comparative advantages in the factors of production, would lead to the greatest efficiencies over larger geographical and population areas.

In 1960 Guatemala, Honduras, El Salvador, and Nicaragua joined forces to establish the Central America Common Market (CACM). Costa Rica joined in 1962. This customs union brought together again the same nations that had formed the United Provinces of Central America (1824–1836) immediately after independence from Spain. The CACM reduced tariffs for member states on a wide range of goods. During the decade of the 1960s intraregional trade rose sevenfold. However, the so-called Soccer War between El Salvador and Honduras at the end of the 1960s severely impacted the CACM's success when Honduras disrupted land transportation on the Pan-American Highway and imposed customs duties on goods from other CACM nations. CACM limped along until the early 1980s, when a combination of regional civil wars and continuing disagreements over customs tariffs led to its suspension. In the mid-1990s CACM was reorganized and reestablished, but its recent impact has not been especially significant.

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The Andean Group, a multifaceted international organization formed in 1969 under what is known as the Cartagena Agreement, brought together Colombia, Ecuador, Peru, Bolivia, and Chile in an ambitious effort to improve regional integration across a broad socioeconomic spectrum, including the establishment of a customs union. Also known as the Andean Pact initially, membership proved somewhat unstable, with Venezuela joining in 1973, Chile dropping out in 1977, and Peru suspending its membership between 1992 and 1997. Known as the Andean Community (*Comunidad Andina* [CAN] in Spanish) since 1997, the organization has heightened regional appreciation of economic integration, although it has been only modestly successful at producing concrete results. While both the CAN and the CACM delivered less than expected, the two organizations did succeed in raising the consciousness of politicians and the public to the concept of broader regional economic cooperation. Both organizations continue to operate in Latin America, but by the first decade of the 21st century, a range of new trade pacts and regional organizations focused on economic integration had appeared, creating a series of more open and comprehensive economic agreements (Figure 18.12).

Economic Shock and Realignment: 1980–2000

Heavy borrowing, ill-advised investment programs and small returns, overdependence on a few export commodities for foreign exchange

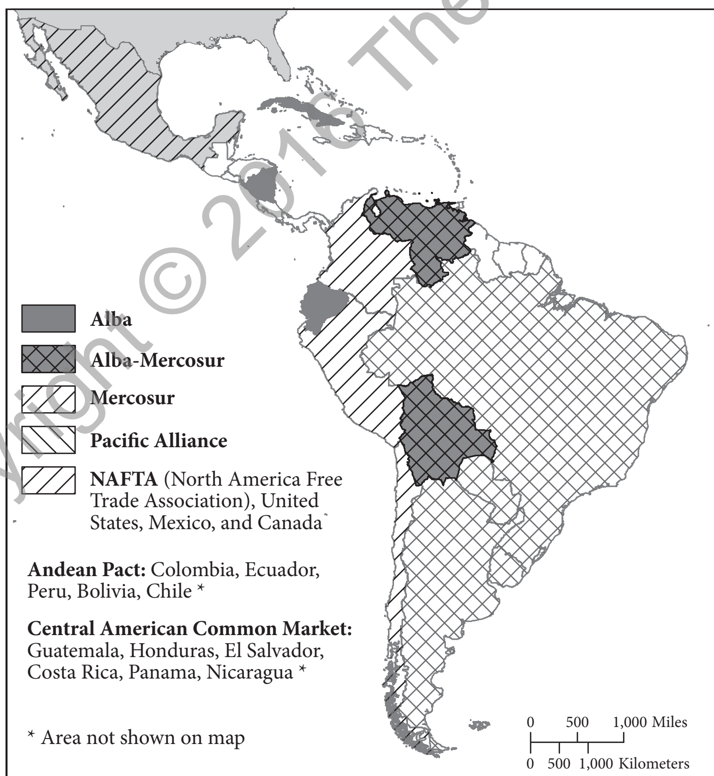

FIGURE 18.12. Latin American trade blocs, circa 2012. *Sources*: Alianza Boliviariana (2013), *Economist* (2013a, 2013b), and Mercosur (2012).

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earnings, and financial mismanagement and irresponsibility brought most Latin American governments to near-bankruptcy in the 1980s. Many have called the decade that followed the "Lost Decade" because economic progress stalled and social and economic conditions for many of the region's populations declined appreciably. Poorly designed fiscal policies provided inadequate tax revenues desperately needed to provide basic social services as well as to service immense public debts. Governments often usually responded by printing more currency, creating inflationary spirals—at times reaching 1,000s of percent per year in Argentina, Bolivia, and Peru. In Argentina new banknotes often had to be overprinted with additional sets of three zeros before they went into public circulation because the rate of inflation was so great. In late 1985, in Bolivia, inflation was so rampant that $100 bought a grocery bag of Bolivian currency. While very few circulated in the streets, notes denominated at 5 million pesos had a value of less than $5.

Excessive public debt in almost all countries eventually led to default on international loan obligations and their subsequent renegotiation, although some countries like Peru under President Alan Garcia defiantly suspended international debt payments for a time in the late 1980s. In most countries these bilateral and multilateral negotiations addressed debt payments and loan rescheduling between Latin American nations and powerful debt-holding nations like the United States, Japan, Germany, and Great Britain, as well as debts and payments to international lending organizations like the International Monetary Fund (IMF) and the Inter-American Development Bank (IDB).

In addition to protecting their loans as much as possible, the holders of these debt obligations, especially the IMF and the IDB, used the negotiations to impose broad economic policies designed to reform and invigorate the economies of the debtor Latin American nations. These paradigms, often summarized under the catch-all term of "neoliberal economic reforms," emphasized the critical need to rationalize government activity, make markets more efficient and more open, and reform the system of public finance. Specifically, these reforms sought to cut government expenditures, to reduce the government's role in the national economy, to deregulate and to open markets, to promote free trade, and to capitalize on local, regional, and national comparative advantages in export economies. These policies cut public expenditures by shrinking the government payroll and privatizing many state companies and activities. The participation of the state in the exploitation, extraction, and export of natural resources, in service sectors like public transportation, and in basic industries like steelmaking, petroleum refining, and chemical production was significantly reduced, although not necessarily eliminated, in most Latin American countries. However, it is important to note that in the oil-rich nations of Mexico and Venezuela the state still owns the petroleum industry; any suggestions that these industries be privatized is met with intense political resistance.

Beginning in the mid-1970s this occurred in Chile under the dictatorial leadership of General Augusto Pinochet. It was the first country to wholeheartedly pursue these neoliberal reforms. In Chile, one of the central objectives of these reforms was to diversify the export economy, heretofore heavily dependent on the export of copper. As in other nations that subsequently followed the same strategy, Chile sought to generate a diversified export sector by focusing on the production of commodities in which it had a comparative advantage. Fruit growing and the export of both fresh and processed fruit products proved central to that strategy, although other abundant natural resources, like timber and seafood, also played a significant role in the diversification strategy (Figure 18.13).

Chile brought a number of comparative advantages to temperate and subtropical fruit

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FIGURE 18.13. This commercial lumber mill in southern Chile near Concepción is an example of one of the elements in Chile's successful nontraditional export strategy, 1993.

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production for the export market. The seasonal reversal of its southern hemisphere location proved critical, since this meant that when Chilean orchards and vineyards were in full production, it was winter in the major markets of the northern hemisphere. In addition, Chile's Central Valley offered a range of optimal climates for temperate and subtropical fruit growing, as well as sufficient land and water resources to support expanding production.

In the following decades, fruit production and fruit exports boomed (especially apples, table grapes, peaches, and nectarines) and helped lead Chile's strong economic growth over the period. For example, the country exported about 25,000 metric tons of apples in 1974 and this number rose steadily over the next 40 years, reaching 840,000 metric tons in 2013. The export of table grapes, another key agricultural export crop, posted similar gains over the same period, with 750,000 metric tons exported in 2013. Overall the value of fruit exports increased from just $30 million in 1974, to $1,146 million in 1995, and most recently to a whopping $4,740 million in 2013!

Chile has shown remarkable economic growth and a major expansion in its exports by following this model of promoting nontraditional exports. Foreign trade expanded dramatically, growing from just $2 billion in 1975 to almost $90 billion in 2013, while at the same time dependence on traditional exports like metals (e.g., copper) have fallen notably. At the beginning of the period, metals accounted for nearly 80% of all exports; metals now account for around 50% of all exports. An increasingly diversified range of products—especially manufactured goods, but also agricultural products, forestry products, and fish products—now account for nearly half of all exports. While Chile's traditional export partners were the United States and Western European countries, the pursuit of nontraditional exports has also helped Chile to diversify its trading partners to include a broad range of industrial and industrializing countries in Asia: Japan, Taiwan, Hong Kong, China, and South Korea. During the 1990s Chile had the highest annual rate of economic growth of any nation in the region, in excess of 7%, nearly double that of many other Latin American countries during the same time period. The country has continued to pursue the neoliberal economic model and growth rates have continued to be strong, averaging nearly 5% per annum

between 1990 and 2013. This is substantially greater than the average annual growth rates for Latin America during the same period, just 3.0% (Table 18.2).

Neoliberal economic reforms have produced encouraging macroeconomic results for many nations in Latin America. Aggregate economic indicators at the national level have been positive. Average annual growth rates, a key macroeconomic indicator used by economists and government officials, showed steady growth through the decades of the 1990s and 2000s in many of the region's countries (Table 18.3). Most observers agree that the initial dislocations and economic disruptions occasioned by neoliberal economic restructuring hit the middle class, the working class, and the poor hard. Indeed, the adverse effects of these reforms typically hit the poorest sectors of the population the hardest. However, in most instances, after this initial period of economic restructuring and its effects occur, macroeconomic indicators do improve and economic growth is stimulated.

TABLE 18.2. Gross Domestic Product and Annualized Growth Rate in Latin America, 1990–2013 (Selected Countries)

Country	GDP, 1990 (millions $)	GDP, 2013 (millions $)	Annualized GDP growth rate, 1990–2013 (percent)
Chile	80,233	252,539	4.89
Peru	57,865	175,425	4.73
Bolivia	9,313	23,209	3.88
Argentina	213,522	524,030	3.81
Colombia	147,219	333,210	3.46
Ecuador	38,021	82,609	3.29
Uruguay	20,908	45,172	3.26
Paraguay	11,378	23,598	3.09
Brazil	1,169,550	2,279,748	2.82
Venezuela	143,203	267,213	2.63
Mexico	617,852	1,151,385	2.63
Latin America	2,646,656	5,471,032	3.07

Source: Economic Commission for Latin America and the Caribbean (2014).

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Nevertheless, there is considerable debate among neoliberalism's proponents and detractors about its long-term efficacy and the extent to which neoliberal economic policies have led, or will lead, to an improvement in the living standards of a particular country or the region generally. It is argued by some observers that one of the most troubling effects of the neoliberal economic model is that in some countries it has led to increasing income and social inequity. Critics suggest that the benefits of these economic reforms tend to be most concentrated among those social groups that already have had access to education and capital, while few benefits have accrued to the poor and those with limited education.

It is not surprising that the benefits of these neoliberal reforms designed to promote economic efficiency and market economics should benefit capitalists and entrepreneurs more than the working class and the poor. While "a rising tide lifts all boats," this has not been the case in many Latin American nations. These countries have not implemented fiscal and social policies (e.g., progressive income taxation and a basic social safety net) that would redistribute some of the economic benefits of neoliberal reforms to the poor and working-class population that has largely been left behind. Indeed, the World Bank has recently noted that Latin America countries have some of the most extreme levels of income inequality in the world.

Argentina in the early years of the 2000s is an excellent example. It pursued a neoliberal economic model throughout the 1990s with some success, although unemployment hovered at about 20% for most of the decade. However, in 2002 the nation's economic system collapsed: wages fell, unemployment levels climbed as high as 50%, and the number living below the poverty line increased sharply. Argentina represents an extreme case. However, critics of neoliberal policies suggest that the medium-term (10 years) social effects of neoliberal economic reforms in most countries can be summarized as follows: for the top 20% of the

TABLE 18.3. Rural, Urban, and Countrywide Poverty Rates in Latin America, 1990–2009

Country	Year	Country Total	Urban Total	Rural Total
Argentina	1994		16.1	
	1999		23.7	
	2002		45.4	
	2009		11.4	
Bolivia	1994		51.6	
	1997	62.1	52.3	78.5
	2002	62.4	52	79.2
	2007	52	42.4	75.8
Brazil	1990	48	41.5	71.5
	1996	35.8	30.8	56
	2003	38.7	35.7	54.5
	2009	24.9	22.2	39.9
Chile	1990	38.6	38.5	38.8
	1996	23.2	22	30.4
	2003	18.7	18.5	20
	2009	11.5	11.7	10.4
Colombia	1991	56.1	52.7	60.7
	1997	50.9	45	60.1
	2002	54.1	48.6	69.4
	2009	45.7	39.6	64.3
Dominican Republic	2002	47.1	42.4	55.9
	2009	41.1	39.3	44.7
Costa Rica	1990	26.3	24.9	27.3
	1997	22.5	19.3	24.8
	2002	20.3	17.5	24.3
	2009	18.9	18.5	19.5
Ecuador	1990		62.1	
	1997		56.2	
	2002		49	
	2009	42.2	40.2	46.3
El Salvador	1997	55.5	44.4	69.2
	2001	48.9	39.4	62.4
	2009	47.9	42.3	57.6
Guatemala	1998	61.1	49.1	69
	2002	60.2	45.3	68
	2006	54.8	42	66.5
Honduras	1990	80.8	70.4	88.1
	1997	79.1	72.6	84.2
	2002	77.3	66.7	86.1
	2007	68.9	56.9	78.8
Mexico	1994	45.1	36.8	56.5
	1996	52.9	46.1	62.8
	2002	39.4	32.2	51.2
	2008	34.8	29.2	44.6

(continued)

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TABLE 18.3. *(continued)*

Country	Year	Country Total	Urban Total	Rural Total
Nicaragua	1993	73.6	66.3	82.7
	1998	69.9	64	77
	2001	69.3	63.8	77
	2005	61.9	54.4	71.5
Panama	1991		32.7	
	1997		24.7	
	2002	34	25.3	48.5
	2009	25.8	16.3	43.1
Paraguay	1994		49.9	
	1999	60.6	49	73.9
	2001	61	50.1	73.6
	2009	56	48.1	67.1
Peru	1997	47.6	33.7	72.7
	2001	54.8	42	78.4
	2009	34.7	21.1	60.1
Uruguay	1990		17.9	
	1997		9.5	
	2002		15.4	
	2009	10.4	10.7	6
Venezuela	1990	39.8	38.6	46
	1997	48		
	2002	48.6		
	2008	27.6		
Latin America	1990	48.3	41.4	65.4
	1997	43.5	36.5	63
	2000	42.5	35.9	62.5
	2009	33.1	27.8	52.8

Source: Economic Commission for Latin America and the Caribbean (2014).

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population, their share of the national income has actually increased; for the next 40%, the middle class and the working class, incomes have been relatively stable or perhaps have even declined slightly; and for the lowest 40%, the poorest and most vulnerable, incomes have definitely declined.

There has been strong resistance to the neoliberal model in many quarters of Latin America, and these debates have played out at the ballot box in many countries across the region. In a number of instances, populist politicians who have repudiated the neoliberal model and instead have championed a more socialist political agenda, have been elected and reelected and have implemented economic policies strongly at odds with the neoliberal model. Venezuela, Argentina, Bolivia, Ecuador, and Nicaragua all have democratically elected presidents who have generally rejected the neoliberal model and are pursuing economic policies intended to spread the benefits of economic growth and development to the poor and working classes.

Recent research on economic conditions in Latin America over the last 20 years by the World Bank suggests that poverty rates have fallen dramatically and that the middle class has also expanded appreciably. The percentage of the population living in "extreme poverty,"

defined as those living on $2.50 per day (the minimum income to meet basic daily food requirements) fell from 26% in 1995 to just 13% in 2011. But significant regional differences do exist. In rural areas nearly 30% of the population is still categorized as living in "extreme poverty," but this falls to less than 10% in cities. Extreme poverty is more frequent in the Andes, Central America, and Mexico where it averages about 15% of total population, and the lowest in the countries of the Southern Cone, at about 10%. While extreme poverty has declined substantially across the region, it is also important to put this in human terms . . . nearly 80 million people in Latin America still live in extreme poverty.

Over the same 15-year time period the economic news for other groups was also positive. Fewer were classified as poor and more entered the middle class. The "poor" (defined as living on $4 per day) accounted for 43% of the region's population in 1995, but by 2011 this had fallen to just 27%. As those living in poverty declined, during the same 15-year period, the middle class (defined as having a daily income between $10–50) grew from 21 to 32%, welcome news and a remarkable accomplishment.

Regional Integration: 1990 and Beyond

The 1990s brought increasing emphasis on neoliberal economic policies and strategies in Latin America. Inspired and challenged by the success of the European Union (EU), Latin American nations pursued new efforts at regional integration to capitalize on regional comparative advantages. These efforts promised to bring more concrete benefits than the halting efforts at regional economic integration that characterized the 1960s and 1970s.

The "Common Market of the South" (*Mercado Común del Sur* in Spanish), or MERCOSUR as it is most commonly known, is an ambitious effort to establish a common market in Latin America. MERCOSUR evolved out of earlier efforts at regional economic integration in the region—notably, the Latin American Free Trade Association (LAFTA) (1960) and the organization that followed it, the Latin American Integration Association (1980). MERCOSUR evolved from a bilateral accord signed by Argentina and Brazil in 1985 to begin examining the integration of their economies. In 1991 these efforts culminated in the signing of a formal treaty creating MERCOSUR, with Argentina, Brazil, Paraguay, and Uruguay as its founding members. Venezuela joined later as a full member, while Bolivia, Chile, Colombia, Ecuador, and Peru all became associated members of MERCOSUR. MERCOSUR has been somewhat successful at establishing a free trade area among its member states, and also at establishing a common system of tariffs, a customs union, for all goods brought into its member countries. But it has also fallen short of many of the expectations for its success. The organization has been plagued by internal bickering among the member nations, including the ejection of Paraguay from the organization for a time and challenges to the admission of Venezuela as a member. In addition, some stubborn trade barriers remain among the members of the group, limiting the full economic benefits of such a trade agreement.

The ultimate goal is for the creation of a common market, a form of economic integration that not only eliminates customs duties between nations, but also allows for the free movement of both capital and labor among member states. MERCOSUR has moved aggressively to link itself with a broader range of countries and other trade associations. In 2003 it signed a free trade agreement with the Andean Community and it also has aggressively pursued closer ties and a trade accord with the EU, much to the consternation of the United States.

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The North America Free Trade Agreement (NAFTA) is a trade association that breaks new ground by bringing together the highly industrialized and advanced economies of the United States and Canada with that of a developing and recently industrializing nation, Mexico. Authorized originally in an agreement signed in 1992, NAFTA officially came into being on 1 January 1994, eliminating tariffs on many products. Nevertheless, NAFTA did not immediately eliminate all tariffs, but rather phased them out gradually over the first 15 years of the agreement.

The effects of NAFTA have been broad and have impacted all its members. Trade among the three nations has increased substantially over the first 20 years the treaty has been in place, confirming in part the rationale for NAFTA's establishment. In the United States and Canada, employment losses have occurred in some sectors and in some regions. Manufacturing industries especially hard hit by NAFTA have included original and replacement automobile parts, consumer electronics (e.g., televisions), and a wide range of light manufacturing and assembly processes. Automobile manufacturing in Mexico has also grown substantially since the signing of the NAFTA treaty, with many cars destined for export to the United States. For example, in 1990 Mexico exported about 250,000 automobiles to the United States. By 2015, this number is expected to reach 1.9 million automobiles. At the same time, total automobile production in Mexico is expected to surpass Brazilian production for the first time.

NAFTA has also caused employment and economic dislocations in Mexico. Overall, real wage rates fell during the first decade of the agreement. The agreement's detractors point to this as a major shortcoming of the pact's promises, while its supporters acknowledge some loss of real wages, but contend that Mexicans would have been much worse off without the beneficial effects of the agreement.

The border region is one area where the effects of NAFTA are especially apparent. In the 1970s and 1980s, prior to NAFTA, Mexico had promoted industrialization along the U.S. border, eliminating customs duties on imports as long as those imports were used in the manufacture of products that were subsequently exported. The program was a resounding success. Hundreds of factories, called *maquilas* or *maquiladoras*, sprung up in all of the border's principal cities, but especially in the larger urban areas like Tijuana, Mexicali, Ciudad Juárez, Nuevo Laredo, Reynosa, and Matamoros. The number of maquiladoras grew steadily, as did employment in them. During the 1990s the number of maquilas along the border grew from 2,000 to about 3,700 and employment grew from about 500,000 to over 1.2 million. However, beginning in 2000, both the number of maquiladoras and the number of manufacturing employees in them began to decline. By 2004, over 500 factories had closed and total maquiladora employment slumped by 300,000 to about 1 million. The film, *Maquilapolis: City of Factories* (2006), provides a fascinating look at the lives and struggles of maquiladora workers in Tijuana.

With the advent of NAFTA one of the key advantages that the maquiladoras enjoyed, the ability to locate in a region with inexpensive labor, was extended to the entire nation. As a result, some manufactures have moved to interior locations in Mexico, usually in the Mesa Central, where wage rates are considerably lower than in the border region (see Figure 16.12 in Chapter 16). Whereas nearly 90% of all maquiladoras were located in the border region in the mid-1990s, this figure stood at only 60% a decade later. Wage pressure comes not only from other regions in Mexico. Factories have relocated further south in Central America, and even offshore. The wage differential is immense. At the beginning of the 21st century, average Mexican manufacturing employees earned $2.08 per hour, while

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their counterparts in China earned only $0.61. Wages in China have risen substantially since and pressure for factory relocation has waned correspondingly.

NAFTA has also transformed the social and economic geography of Mexico's rural sector. Although the trade agreement did not immediately remove all tariffs on basic agricultural commodities, Mexico subsequently decided to reduce them more rapidly. Small marginal agricultural producers and subsistence farmers who produce basic grains, especially corn, and other food staples have been heavily impacted by these forces as their production costs often far exceed those of the heavily mechanized and highly subsidized commercial farms in the United States. Many farmers have been pushed from full-time agricultural employment. Some will eventually abandon the rural sector altogether as agricultural lands are consolidated and farming enterprises depend increasingly on mechanized equipment and technology in place of field hands. NAFTA also has contributed to the success of firms operating large-scale export-oriented farms, and indirectly to the much more widespread use of chemical fertilizers, herbicides, and pesticides typical of commercial farmers in the United States and most other industrialized nations. Large-scale tomato growers in Mexico, for example, have made strong inroads into the U.S. market. They have captured a large share of the winter tomato market and have forced down prices, much to the consternation of growers in Florida and other southerly locations in the United States.

For over two decades, and from both Democratic and Republican administrations, U.S. foreign policy has viewed NAFTA as just a first step in the establishment of a much broader free trade area: the Free Trade Area of the Americas (FTAA). The initial success of MERCOSUR surprised the United States and presented a serious challenge to U.S. policy initiative to establish a hemispheric free-trade area. But the United States pushed ahead aggressively by promoting bilateral and other subregional free-trade pacts. At the beginning of 2004, a free-trade pact between Chile and the United States went into effect. A similar agreement, the Central American Free Trade Agreement (CAFTA), between the United States and the five Central American Republics (Guatemala, Honduras, Nicaragua, El Salvador, and Costa Rica) and the Dominican Republic has been successfully negotiated and was approved by the U.S. Congress in 2005. In subsequent years, the United States signed other bilateral free-trade agreements with Peru (2007), Colombia (2011), and Panama (2011). The United States views these agreements as building blocks that will eventually be joined in one form or another as the FTAA, encompassing the majority of countries in the Americas in a vast free trade market area.

Another significant move toward fuller regional economic integration has been the creation of the Pacific Alliance in 2012. This pact includes Peru, Mexico, Colombia, and Chile, all countries that have favored neoliberal economic policies, especially free trade. Costa Rica and Panama are also candidates for memberships. Surprisingly, in a few short years, the Pacific Alliance has appeared as a serious alternative to MERCOSUR, which has increasingly been viewed as too politicized and tradition-bound to lead a transformation of regional trading relationships.

An alternative vision for a free-trade pact is ALBA, the Bolivarian Alliance for the Peoples of Our America, formed by Venezuela and Cuba in 2004. This alliance is inspired by socialist and social democratic ideals, emphasizing social welfare and mutual economic aid and development. Several other Latin American nations with similar economic and social policies have joined in subsequent years. Bolivia in 2006, Nicaragua in 2007, and Ecuador in 2009. Several small Caribbean island nations are also members. This group has had little significant economic impact to date and many observers view it as more of a political alliance between

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Venezuela and its minions, many of whom have benefited tremendously from Venezuela's largess in selling them petroleum well below market rates.

Over the next 20–30 years the countries of Latin America and the other countries in the Americas will be increasingly bound by regional trade agreements, and perhaps eventually customs unions and even common markets similar to the EU. Whether it will be a supraregional organization encompassing nearly all countries, along the lines of the FTAA envisaged by the United States; or two major trade blocks, one focused on North America and the other on South America; or some other configuration, remains to be seen. One possibility, advanced by Brazil, is an effort to integrate MERCOSUR and the EU into a single free trade area. Although negotiations bogged down in 2004, the idea has not been abandoned and will likely be pursued in the future.

Global Markets and Global Lives

For over 500 years the countries that comprise Latin America have been linked to the global economy. This has been the case since the early decades of the colonial period when the first shipments of gold and silver moved from the New World to Spain and the first boatloads of the tropical hardwood *pau brasil* were sent to Portugal from Brazil's northeastern coast. Later, these trade contacts expanded to include a much broader range of natural resources and agricultural products. During the colonial period the export trade in sugar promoted the slave trade and the forced migration of hundreds of thousands of Africans to Brazil, the Caribbean, and Hispanic America. Sugar also promoted the development of the plantation system, which strengthened the global economic linkages between Latin America and Europe, and subsequently other world regions.

In the 19th century these global linkages contributed to the transformation of Latin America into an export powerhouse. Argentina and Uruguay supplied European markets with meat and grain. Producing coffee for export to Europe and the United States dominated the agricultural economies of Guatemala, Costa Rica, Colombia, and Brazil. The international trade in mineral commodities likewise dominated the economies of Peru, Chile, and Bolivia throughout most of the 19th century and much of the 20th century.

So, in many respects, globalization is nothing new in Latin America. Nevertheless, the late 20th century and the early 21st century have ushered in a new era of global contact and interconnectedness never before experienced (Vignette 18.2). The contacts are more frequent, more rapid, and penetrate the daily lives of Latin Americans in more ways than in the past. Over the last few decades, technical and commercial advances in civil aviation have reduced time and economic barriers between Latin America and other world regions. Since the 1960s, Latin Americans have migrated in increasing numbers from their countries of origin to other Latin American nations, and even beyond to the United States, Japan, and Western Europe. Tremendous advances in telecommunications during the same period brought improved telephone services and much more extensive geographical coverage. In the 1990s the spread of cell phones throughout Latin America brought millions into the telecommunications revolution sweeping the world. With improved telecommunications infrastructure, Latin Americans have been able to link themselves to the world beyond their community or country through the Internet and the World Wide Web. Some scholars argue that because of the ease with which individuals can bridge geographical distance today, some individuals, especially recent immigrants, are "transnational." These transnational peoples live between two worlds—the homeland and the new land—transforming both and creating new communities in their wake.

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VIGNETTE 18.2. GLOBALIZATION, TRADE, AND THE CENTRAL AMERICAN ISTHMUS

When the United States completed the construction of the Panama Canal in 1914, it was a global "game changer." The opening of the narrow isthmus between the town of Colon on the coast of the Caribbean Sea and the city of Panama on the Pacific Ocean to oceangoing vessels had wide-ranging economic and geopolitical impacts. Locally, the province of Panama, once a remote tropical backwater, gained its independence from Colombia in the process of the canal's conception and construction. It also became something of a puppet state of the United States, a role it would play for much of the 20th century.

The canal revolutionized commerce and international trade worldwide as it opened a direct shipping route from the Pacific to the Atlantic. No longer would ships be forced to sail around the South American continent on a circuitous and often dangerous route through the Straits of Magellan. This was especially significant for the United States, as it facilitated cross-country trade and development. For example, prior to the canal's construction, a trip from Seattle to New York required a voyage of nearly 24,000 km, but after the completion of the canal this distance was more than halved to about 11,000 km. Effective shipping distances from ports on the western Pacific coast to Europe were cut by nearly 40%.

In the 100 years since the Panama Canal opened for business in 1914, much has changed in the global economy. The pace of globalization has quickened dramatically in the last few decades and world trade has grown at annual rates near 5% since the 1950s. This has been precipitated in part by free-trade policies that have favored open markets and the exploitation of local comparative advantages over protecting national markets by erecting trade barriers. Improvements in transportation infrastructure, communications advances, and the increasing ease of international financial transactions have all contributed to this process.

In the intervening decades, the size of ships plying the world's oceans has increased substantially. Shipping companies, seeking to maximize cargo capacity and profits, have ordered the construction of increasingly large vessels. These have included massive supertankers for transport of crude oil, refined petroleum, and other commodities; container ships that rival aircraft carriers in size; and even modern cruise ships for tourists, some of which now carry upward of 5,000 passengers. These vessels, known in shipping circles as "post-Panamax," cannot transit the canal because their width and length far exceed the capacity of the existing canal locks.

Consequently, in 2007, the Panama Canal Authority began a 10-year construction program to build a third set of locks through the isthmus that could accommodate these larger ships. Despite some difficulties and delays, the new locks are now nearly complete and will likely be operational by 2017. By way of comparison, the largest "Panamax" vessels, those which can currently use the canal, have a capacity of about 5,000 shipping containers, whereas the new set of locks have the capacity to allow vessels holding up to 13,000 shipping containers.

Alas, time does not stand still, and the search for increased efficiencies in shipping and profits goes on and shipping companies have built even larger vessels. Thus, in the intervening years, container ships have been christened that have the capacity to carry as many as 18,000 containers. These vessels will not be able to use new locks.

Surprisingly, as the Panamanians have moved toward the completion of the new locks, other players with an interest in building another transoceanic canal across the isthmus have appeared. In June 2013 the Nicaraguan National Assembly approved a law granting a 50-year concession to a Chinese firm, the Hong Kong Nicaragua Canal Development Investment Company (HKND), to build a sea-level canal across the Nicaraguan portion of the isthmus. In mid-2014, with less than 2 days of debate and review, the national assembly officially approved the route of the proposed canal. Then, in December 2014, officials broke ground on the first phase of the project at Brito on the Pacific Coast. While the process has been cloaked in secrecy and little information has been shared with the public, the proposed budget for the 278 km canal (three times as long as the Panama Canal) is approximately $40 billion and the project is slated to be completed in 5 years with the capacity to take ships even larger than will be possible with the upgraded Panama Canal (Figure 18.14).

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Despite the Nicaraguan government's enthusiastic embrace of the Chinese investors, many in Nicaragua are outraged at the plan. They have asserted that the autonomy and exceedingly favorable terms granted the Chinese in the laws authorizing the concession is reminiscent of those given to a colonial power. Some 30,000 peasant farms stand to lose their lands to expropriation. The constitutionally guaranteed sanctity of autonomous regions of indigenous peoples will be violated. Ecological reserves and sensitive environments will be damaged irreparably.

There is also considerable skepticism in some quarters about the feasibility of the project and whether it will be completed at all. Others question the financial wisdom of the investment, wondering if indeed there is sufficient trade volume for the new canal to be competitive and repay its investors. Others see the canal as a thinly veiled effort by the Chinese government to establish a real beachhead in the Americas and enhance its influence and power in the region.

The telecommunications revolution also facilitated the ease with which money can be moved globally. The formerly cumbersome process of all manner of financial transfers from one country to another—cashier's checks, money orders, letters of credit, and so on—can now be done electronically in seconds. For emigrants from Latin America, most of whom immigrate to the United States or Western Europe to improve their socioeconomic standing and often that of their families back home, this has been a boon. The ease and relatively low cost of such operations has made sending money, called *remittances*, back home much easier.

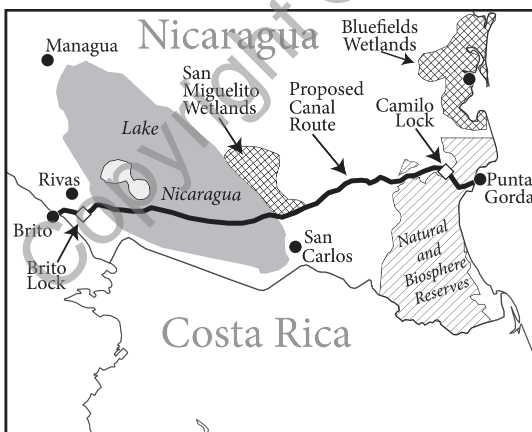

FIGURE 18.14. Proposed route of sea-level canal in Nicaragua, 2015. *Sources*: Watts (2015), Fonseca (2015), and Miller (2014).

This phenomenon of financial remittances has grown dramatically, linking labor markets in the United States with local communities and regions across Latin America, but especially in Mexico, Central America, and the Caribbean. The total magnitude of these remittances is astounding. In a series of annual studies, the Inter-American Development Bank has documented the financial remittances of Latin American immigrants. The most recent study, published in 2014, revealed that immigrants sent over $60 billion to their countries of origin in 2013, an amount that has held steady at that level since about 2006. Nearly three-quarters of these funds remitted to Latin America originate in the United States, with Spain a distant second.

In the United States, the average remittance is comparatively small, between $235 and $250, but about 50% of all Latin American immigrants send remittances, and most do so each month. The states with the largest immigrant populations, like California, New York, Texas, and Florida, remit billions annually, but even states with small immigrant populations, like Kentucky, send substantial sums. Over $160 million in remittances originated there in 2008 (Figure 18.15). The rate of remittance sending on a state-by-state basis varies considerably (Figure 18.16). In those states where Latin American immigrants have arrived recently, the percentage that sends remittances is high, exceeding 50%. States like Louisiana,

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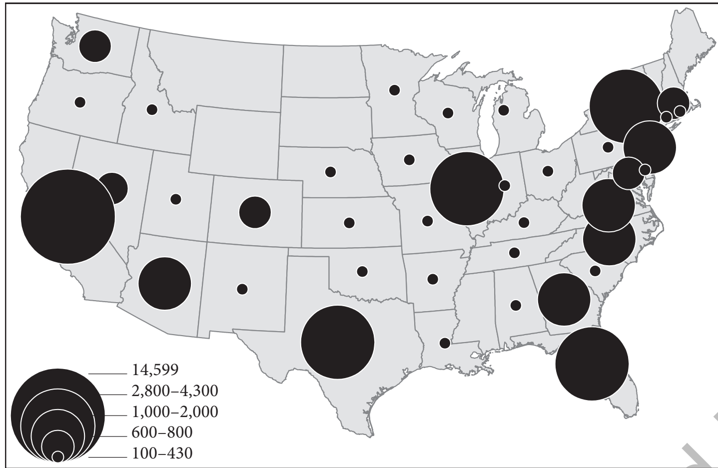

FIGURE 18.15. Remittances (in millions of dollars) by Latin American immigrants in the United States, dollar value by state, 2008. States with remittances less than $100 million are not shown. *Source:* Inter-American Development Bank, Multilateral Investment Fund (2008).

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Mississippi, Alabama, the Carolinas, Virginia, and Maryland stand out among this group. On the other hand, in those states with a long history of Latin American immigration—California, Texas, Arizona, New Mexico, and Florida, for example—the percentage of immigrants that sends remittances is less than half.

The magnitude of these remittances is staggering in many ways. In the first place, $60 billion is a lot of money. The amount of these remittances is so great that in some countries in Latin America these are one of the greatest sources of foreign exchange earnings. Such is the case in Mexico, where remittances rank third in foreign exchange earnings after petroleum and manufacturing exports. It is estimated that the remittances to Mexico are about $21 billion annually. Nearly 20% of all Mexicans receive remittances from relatives in the United States. Migrants send money to their families back home, but also often purchase homes and invest in farms and businesses. Not only do they send money to their families and invest for themselves, but they also contribute to civic projects and infrastructure investments through hometown associations formed in the United States. Although the Mexican example may be the most dramatic, similar patterns occur in other countries with large immigrant populations in the United States. In the small Central American republics of Guatemala, El Salvador, Honduras, and Nicaragua, remittance income accounts for close to 20% of each nation's GDP.

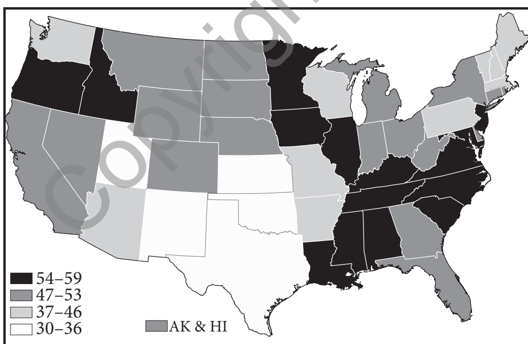

FIGURE 18.16. The percentage of Latin American immigrants in the United States who send remittances, by state, 2008. *Source:* Inter-American Development Bank, Multilateral Investment Fund (2008).

While the United States has long been and continues to be the dominant source of remittances to Latin America, now these come from

a more diverse range of countries. Other developed countries, both industrial and postindustrial, are the source for many of these remittances. Spain has become increasingly important as a source of remittances. This is particularly the case for the Andean countries of Ecuador, Colombia, and Bolivia, the origin of a significant proportion of Latin Americans who have immigrated to Spain. Remittances from other European countries are small. Halfway around the world, Brazilian immigrants in Japan, lured by industrial jobs and good wages, also contribute notably to this flow of remittances. Indeed, immigrants apparently remit sufficient funds that the Banco do Brasil has established a small branch network in several cities where the Brazilian immigrant population concentrates.

However, the biggest news is that intraregional remittances from other developing countries in Latin America account for an increasingly significant share of national remittance income. Changing economies have opened up new employment opportunities across the region and Latin Americans are swarming across national borders to fill them. Service and technical work draws well-educated workers to Chile, while construction work in Panama on its "new" canal and subway system has attracted legions of skilled and unskilled labor to the country. Brazil's strong economic growth has also attracted workers from Bolivia, Paraguay, and other neighboring countries. Almost all these workers send remittances home, boosting the local and national economy of their home country and increasing economic interdependency within the region at the same time. As a measure of change, Western Union, a money transfer company, reports that in 2002 outbound money transfers accounted for just 10% of its business in Brazil, while 10 years later this figure had climbed to 40%. A similar pattern pertained in Panama, where about 25% of money transfers were outbound in 2002, but had climbed to 50% within a decade.

Another bellwether indicator of globalization in the region is the increasing penetration of foreign and multinational corporations into Latin America. While this process has been ongoing for decades, it has accelerated in recent years. Multinational firms have become more numerous and have penetrated more sectors of both local and national economies. In the 1950s the commercial penetration of multinational firms was most evident in sales of manufactured goods, both capital goods and consumer durables. At the beginning of the 21st century, multinational firms sell fast food and operate megastore retail chains across Latin America. These commercial developments have contributed to changes in Latin America retail forms as well as cultural habits. Urban forms characteristic of the United States and Canada are increasingly common across the region. Automobile-friendly commercial strip developments, shopping malls, and mall food courts are a fact of life for the middle and upper classes in the region's major cities and metropolitan centers (Figure 18.17).

The U.S. megaretailer Walmart is one example of this more recent wave of multinational companies purveying fast food and retail goods to Latin Americans. Walmart began its expansion into Mexico in 1991, with stores in Puerto Rico, Brazil, and Argentina following in subsequent years (Figure 18.18).

FIGURE 18.17. A modern food court in a suburban shopping mall in Tegucigalpa, Honduras, 2002.

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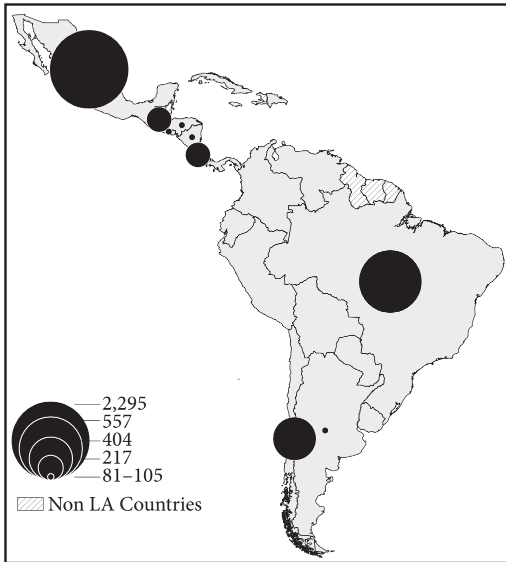

FIGURE 18.18. Walmart stores in Latin America, 2015. *Source:* Walmart (2015).

In Mexico, Walmart followed a two-pronged strategy. First, it bought up existing Mexican retail firms and operated them under their original Mexican brand names, and second, it established a series of stores under its flagship brands Walmart and Sam's Club. After 25 years of operating in Mexico, Walmart has a payroll of over 235,000, making it the single largest private employer in the nation. Some Mexicans chafe under Walmart's presence, making many of the same complaints that its detractors raise in the United States. Cultural imperialism is often another complaint. The construction of a Walmart store in 2004 in the shadows of the pre-Columbian ruins of the Pyramids of the Sun and the Moon in the Valley of Mexico outraged many Mexicans. At the same time, millions of Mexicans have continued to flock to Walmart stores, making over $30 billion in purchases in 2012.

Globalization, of course, is not a one-way street. As interaction between Latin America and other world regions increases, Latin Americans also affect and transform other countries and economies. At present, the international migration of hundreds of thousands of Latin Americans to the United States, Spain, and a handful of other countries may be the region's greatest effect. Few Latin American businesses have yet entered foreign markets, but some have. One Guatemalan fast-food chain, Pollo Campero, has over 300 locations, many in Central America, but also some far afield. The company successfully entered the U.S. market in 2002 and currently boasts 55 outlets there, as well as restaurants in Ecuador, Spain, Italy, Indonesia, India, and even in Bahrain (Vignette 18.3).

Globalization is a complex process. How its evolution and specific effects will play out in Latin America over the next 20 to 30 years remains to be seen. While it is decried by many in Latin America as contributing to a loss of economic and cultural sovereignty, others readily drink Coca Cola, shop at Walmarts in Mexico or Brazil, eat hamburgers and fries at Burger King and McDonalds, and get on with their lives. It does seem clear that multinational companies and the products and services they provide will become even more widespread in the decades ahead. It seems reasonable to expect some kind of increasing economic and cultural convergence as not only products and services transform behavior, but as work habits and business processes are also adopted from multinational businesses and integrated into national economies as local firms struggle to compete. Hybridization will also occur, as it does already, when products, services, or even foods are transformed to satisfy local and regional markets. While the dominant flow of these changes has been from outside of Latin America, this will not necessarily always be the case, as the number of Latin Americans who emigrate abroad continues to grow. The immense popularity of "Mexican food" in the United States is but one example of how the United States has also been affected by this ongoing process of globalization.

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VIGNETTE 18.3. POLLO CAMPERO: A CENTRAL AMERICAN FAST-FOOD RESTAURANT FINDS SUCCESS IN THE UNITED STATES

Pollo Campero is an immensely popular and successful fast-food chain in Central America. The name translated into English means "country chicken." While its outlets resemble U.S. fast-food establishments in many respects, there are notable differences. One of these is that the company's restaurants not only provide food for take-out, but also provide sit-down dining with table service for the same price. Founded in 1971 in Guatemala, the company developed a loyal customer base with a chicken-centered fast-food menu. Subsequently, it opened restaurants in other Central American countries with equal success and customer loyalty, and today has close to 300 outlets. Pollo Campero has about 70 locations in Guatemala, nearly 100 in other Central American nations, 50 in the United States, as well as a few restaurants in South America, Europe, and Asia (Figure 18.19).

Its fried chicken inspires intense customer loyalty. As Guatemalan and Salvadoran migration to the United States grew during the 1990s, many who returned home for brief visits would bring back boxes of its signature chicken for friends and family back in the United States. One customer made a take-out order for 1,600 pieces of chicken which she took back to the United States in two duffel bags, selling the chicken by the piece and paying for her flight with the profits. At one point, airline executives complained to the company that its planes were starting to smell like chicken and implored them to develop an odor-proof container. The company's executives declined to do so, but began studying the possibilities of entering the U.S. market.

The first store, opened in Los Angeles in 2002, was an immediate success. When the restaurant first opened customers waited up to 2 hours in line to buy its chicken and the number of pieces that could be purchased had to be rationed. Since then the company has opened additional stores across the United States, but especially in Southern California, Houston, New York City, and Washington, D.C. While the stores tend to locate in neighborhoods with a significant population of Central American immigrants, the firm has adapted its menu to the United States in order to attract a broader range of customers. Table service is not an option in its U.S. stores because labor costs are too high.

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FIGURE 18.19. The grand opening of Pollo Campero's first restaurant in China (Shanghai), 2007. *Source:* Pedro Alcaina from Wikicommons.

Summary

Latin America has been part of the world economic system for nearly 500 years. Spain and Portugal established mercantile systems that controlled the terms of trade between the colonies and the mother countries. Raw materials and commodities were exported to Europe, while manufactured goods were imported by the colonies. The system ensured that vast wealth accrued to both Spain and Portugal, but economic development in the colonies was hindered.

Independence from Spain and Portugal in the early 1800s brought significant changes to Latin America's trading and economic relation-

ships. Agricultural commodities and other raw materials continued to be the region's main exports. However, Great Britain replaced Spain and Portugal as the region's principal economic power and principal trading partner for much of the 19th century. Despite Latin America's political independence, Great Britain exerted considerable indirect control over the region through its dominance of financial institutions, technology transfer, investment decisions, and trade. Often referred to as neocolonialism, this pattern of relationships between Latin America and outside economic powers has characterized the region since then. By the early 20th century, the United States had replaced Great Britain as the region's primary neocolonial power.

During much of the 20th century Latin American countries struggled to diversify their economies and to move away from dependence on one or two export commodities. Governments employed inward-oriented economic development policies to reduce dependence on foreign manufactured goods and encourage industrialization. The erection of formidable tariff barriers also protected manufacturing from import competition. For most countries, the small size of internal markets made success elusive. However, the largest economies, Mexico and especially Brazil, did experience some notable successes.

The late 20th century brought new ideas and policies to the region as the world economy became increasingly interconnected. These economic and policy reforms focused on emphasizing the benefits of economic comparative advantage and the reduction and eventual elimination of trade barriers. As a consequence, regional economic integration strategies have been pursued. Major trade pacts like NAFTA and MERCOSUR have emerged as a result, and efforts are underway to build a hemisphere-wide free-trade zone. These policies, often referred to as neoliberal reforms, have also sought to reduce the role of government in business and financial markets and to ensure transparency and economic efficiency in markets. As the 21st century begins, the processes of globalization are bringing more of the outside world to Latin America as well as more of Latin America and more Latin Americans into the wider world.

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China–Latin America Finance Database
http://thedialogue.org/map_list

Since 2000 China has played an increasingly important role in the economic development of Latin America. It has become a major trading partner with many nations in the region and has financed major infrastructure development projects. "Now updated with 2014 data, the China–Latin America Finance Database is the result of collaboration between The Inter-American Dialogue and the Global Economic Governance Initiative at Boston University."

Observatory of Economic Complexity
https://atlas.media.mit.edu/en

"The Observatory of Economic Complexity makes international trade data and economic complexity indicators available through millions of interactive visualizations." This website provides time-series data on yearly imports and exports from 1995 to 2014 for nearly all countries. This is a treasure trove of detailed trade data.

The World Bank
www.worldbank.org

The World Bank is an international financial institution whose current stated goals are to end extreme poverty worldwide within a generation and to boost shared prosperity. The bank makes development loans to "middle-income and creditworthy low-income countries" and also provides development grants to the governments of the poorest nations. Its website offers access to data, research reports, and the bank's extensive publications.

Film

Maquilapolis: City of Factories (2006)

This film focuses on the maquiladora factories that locate along the United States–Mexico border and the struggles of factory workers, primarily women, to secure just wages and safe working conditions. Filmed in the factories, union halls, and neighborhoods of Tijuana, Mexico, it offers an authentic look at contemporary conditions. Directed by Vicky Funari.

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