TRAJECTORIES OF DEVELOPMENT AND RESPONSES TO CRISES: SOUTH AMERICA AND SUB-SAHARAN AFRICA IN COMPARATIVE PERSPECTIVE

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The twenty-first century began with major changes in the international arena, notably those related to the 2008 economic and financial crisis. Among these changes, it is noteworthy the rearrangement of regions and countries in the global system, which derives from their respective economic conditions and, as such, gained political and strategic connotation.

The crisis strongly affected the developed countries, but its impact has been much lower on the periphery. South America and Sub-Saharan Africa are interesting examples. Two regions which faced numerous problems in the final decades of the twentieth century, and have recently joined the paths of growth in contrast with what is happening in the United States, Europe and Japan.

This new reality poses important challenges to economic analysts as well as to development policy students. The big picture is outlined, but the canvas is all but completely painted. The aim of this paper is to approach it by analysing the routes of
development in both regions in order to unveil their differences and similarities over time.

We argue that the 2008 crises made explicit the new features of the process of capitalist accumulation, in which it is for the emerging countries a large share in supplying agricultural and manufactured goods, while the central or developed countries concentrate on services – especially financial services – and keep their strategic control in innovation and high technology. The 2008 crisis had actually a limited impact on Latin America and Africa by virtue of such new pattern of the international economy, which has redefined their position within global capitalism.

**The Paths: Convergences and Divergences**

The study of the divergences and convergences between the two regions involves the analysis of the domestic and international spheres.

Internationally, both South America and Africa have long been inserted in the global capitalist system through a relationship of dependency. As to the domestic sphere, the focal point is the construction of national states, along with efforts to promote national development in terms of (relative) autonomy.

From the angle of the global capitalist system, we can point out similarities and also some contrasts in comparing South America to Africa. The similarities are set in the model of monoculture/plantation, in the establishment of productive enclaves (in mining, for example) and in the elite pacts between European powers and their colonies. The differences are unveiled when we distinguish certain stages of history: 1)
the colonial past; 2) the period 1930-1970; 3) the crisis and reforms in the late twentieth century; 4) the recent phase, including the context of the new crisis that opened in 2008.

Prior to mercantilism, the peoples of America lived without contact with other parts of the world – unlike most Africans communities. The mercantilist period corresponded precisely to the colonization process, which extended until the early nineteenth century. American colonies were shaped as outposts of European capitalism, with Africa being connected to the two other continents as a supplier of slave labour, representing a kind of 'periphery of the periphery', in the words of Amin.iii The triangular relationship between Europe, America and Africa during the mercantilist phase is crucial for understanding the foundations of global capitalism as shaped by the Iberian kingdoms.

The post-mercantilist phase in the nineteenth century is similar in both cases, but led to opposing outcomes. The South American peoples were engaged in consolidating their national states, having overcome the colonial status. The African peoples, in turn, were about to join the colonial stage itself – as export platforms for industries of the central countries – but in a more ‘modern’ fashion than the American colonies centuries earlier, given the advances of the capitalist system after the industrial revolution.

These outcomes mark the main divergence between the two regions analysed. The point here is the question of autonomy of the countries that were being formed in America, as the conditions for this were hindered in Africa and would only return to the agenda in the second half of the twentieth century, with the decolonization process.

The reference to autonomy as a question alludes to the fact that the South American countries became politically independent in precarious circumstances, which accentuated to some extent their economic subordination in the center-periphery
relationship. The difference is that, by forming the states, the center of political
decisions was now inside, and not overseas.

Economically, the end of the colonial pact resulted in the period of 'outward expansion', according to the classification of Cardoso and Faletto (1970). This model lasted a long time and only exhausted itself with the global crisis that erupted in 1929. Its axis was the export of agricultural products and minerals for the central countries, from which were imported manufactured goods and other items needed by peripheral societies.

To the impact of the global economic crisis of the 1930s was added an internal crisis, of a socio-political nature, which had been affecting the power system beforehand. One important factor leading to that was the process of social differentiation, resulting in the emergence of middle classes.

The global crisis made the South American countries turn to the internal market – as happened everywhere at that time. The model of 'growing outwards' was inverted to one of 'growing inwards' through industrialization policies aimed at import substitution. If such policies were initially seen as emergency measures, the long duration of such a situation (say, from 1930 to 1950) made the 'inwards growth' become an effective development strategy.

Here we are also considering the domestic dimension, since the experiences of 'inwards growth' were lived in very particular ways by the countries that walked this path. Thus Brazil achieved significant results along the half century that its policy of import substitution lasted, namely from 1930 to 1980. For its part, Argentina had less success in this phase than in the previous one: in effect, by the early twentieth century,
right in the predominance of agro-export, Argentina had become one of the richest countries in the world.

The countries of enclave economies (like Chile, Peru and Bolivia) had difficulty in diversifying their production systems from the monoculture and specialization that had been established in the past. Their domestic markets were nascent, as well as their entrepreneurial classes. However, given the external constraints, they also followed the route of import substitution by fomenting industrial consumer goods to some extent.

The varieties of models of development in South America were then linked to different types of social and political coalitions, and were well analysed by authors such as Cardoso and Faletto (1970). An important variable was the role of the state in the process - more or less focused on the coordination of agents, or acting itself as a financier and even as strategic entrepreneur directing productive investments.

What happened in Africa at this point? The beginnings of African industrialization date from the early decades of the twentieth century, but only in a few industries, notably complementary branches of production and marketing of commodities. For it was not the goal of colonial governments to deploy industries that would compete with the ones in their home economies, nor were there sufficient market incentives to local entrepreneurs.

The Second World War stimulated the substitution of imports for the same reasons that occurred in Latin America: there was an adverse shock represented by the sharp reduction of foreign trade with developed countries, which until then were the suppliers of manufactured goods, and the development of the war also increased the demand for African raw materials.
The end of the war raised the prospect of decolonization, which took shape in the second half of the 1950s. The projects of nation-building of the new countries were aimed at import substitution to consolidate the independence. There were, notably, concerns about the vulnerability caused by monoculture, the specialization in a few products with volatile prices. The demonstration effect exercised by the nationalist economic policies in vogue in Latin America onto African leaders must also be considered.

In the first half of the 1960s, some of the new African countries began to establish substitution industries, taking advantage of certain favourable internal conditions such as pre-existing developments or potential consumer markets. That was what happened in Nigeria, Tanzania, and Zambia, which were followed later in Ghana, Madagascar and many others. The first attempts stimulated foreign capital to drive the process, but it did not yield the results expected by governments. Thus, the command of the state over the economy grew considerably throughout Africa, as evidenced by the proliferation of public companies, the formation of joint ventures (through a partnership between the government and domestic private sector), the creation of state agencies for industrial development and the nationalization of foreign companies, as well as administrative and exchange controls on foreign trade aiming to limit competition from imports. Such controls, it is worth recalling, were widely used in South American countries to protect domestic production.

This outline of the roads of South America and Black Africa suggests that there were significant differences in their modes of integration into the global capitalist system. But there were two crucial similarities: first, agriculture and mining were the channels of insertion in this system; second, the strategy of import substitution, especially through industrialization, was adopted by a majority of their countries as an
alternative to the status of raw materials producers, to balance against the deteriorating terms of trade that disfavoured them.

It is important to note that the kind of integration of South America and Africa into the international economic system reflected a scenario whereby industrial production remained centralized in the developed countries, whereas the peripheral countries searched opportunities to industrialize, notably through policies of import substitution. According to that pattern the periphery would continue to provide raw materials for the industrial centers – especially for branches of higher technology – but was allowed to incorporate industrial branches of smaller aggregate value into their productive structure.

However, the 1960s and 1970s witnessed some trends in the international economic order that helped to define new patterns of capitalist accumulation, with significant implications for South America and Africa. The United States lost their world leadership in exports and entered a recurrent path of commercial deficits, together with huge deficits in their public accounts. The U.S. commitment at the Bretton Woods Conference to ensure the ballast of the dollar to gold had become an obstacle both to financing their deficits and to the economic growth of the country. At the same time, oil prices rose sharply, which ultimately generated the financial resources that would meet the demand for credit from the United States, from the other developed countries, and also from the developing countries. (Gowan, 2003).

In that context, the Nixon administration introduced a deregulation process in the American financial system and was followed by the European countries, notably the United Kingdom (Helleiner, 1995). Plenty of credit and the possibility for the financial agents, based in the developed countries, to expand their loans toward developing and
underdeveloped countries gave a new shape to capitalist relations: as the financial intermediation concentrated in the central countries, the periphery should expand its productive activities, particularly in agriculture and manufacturing. To this end it was necessary to introduce several kinds of reforms, such as in the trade relations (with negotiations for tariff reductions at the Trade World Organization), in production relations, with the mass migration of companies moving to peripheral countries (through foreign direct investments), and finally in the political field, in order to ensure “security” for business. All these reforms had global scope and came to be known as “neoliberal reforms”. It is within such reshaping of the international economic order that we should understand the trajectories of South American and African countries from the 1970s onwards.

So far, we focused our analysis on the historical processes of these peripheral economies. Now, we shift the focus to the unfolding that came about from this type of insertion in the international system during the systemic crisis that occurred in the 1970s. Then we analyse the impacts of other systemic crisis – the one that burst in 2008 – on South America and Sub-Saharan Africa.

The crisis in the periphery and its aftermath

In the last quarter of the twentieth century, both South America and Africa experienced crises that paralysed their autonomous development strategies. The crises came from outside and struck the two regions for a long time, undermining their currencies by inflation and charging high price in the social field – through unemployment, widespread impoverishment, and precariousness of public services given the decapitalization of governments.
Arrighi (2002) places the African collapse of 1975-1990 in the context of a major shift in the economic performance of the Third World regions. He notes that in this period a clear bifurcation developed between the deterioration of Sub-Saharan Africa, Latin America and to a lesser extent the Middle East and North Africa, on the one hand, and the best performance ever in South and East Asia, on the other hand. The collapse of Africa was the most extreme manifestation of this divergence.

The mentioned bifurcation resulted, first of all, from the recovery of the United States after a decade of decline in the 1970s. As already mentioned, the U.S. began to attract capital from all over the world, reversing the previous flow that was benefiting the Third World. The U.S. greatly increased interest rates, submerging the economies of both Africa and Latin America, which had taken cheap loans in the environment of ample liquidity that followed the first oil shock. The 'petrodollars', in effect, had been made available as accessible cash to Third World countries without major restrictions, leading them into debt at an increasing rate. Among other goals, these funds were intended for ambitious projects of investment in infrastructure and also to amplify the process of industrial expansion. In Brazil, the Second National Development Plan, introduced in 1974, looked at a new stage of import substitution to reach the capital goods sector.

In the early 1970s, terms of trade were relatively favourable to the peripheral suppliers of primary products. However, the two oil price shocks – in 1973 and 1979 – altered this situation. Terms of trade became unfavourable to the two regions analysed, with the exception of its few oil-producing countries. Following the increase in interest rates, the burden of the debts of many African and South American countries became untenable. Soon they found themselves insolvent, quite vulnerable to external control. Their governance was compromised and their sovereignty amputated in the face of
hegemonic international actors: the International Monetary Fund (IMF) with its usual partner, the U.S. government, which worked together to guarantee creditor banks and direct their organized reaction.

The asymmetry in the correlation of forces was deepened by the coalition of creditors against fragmented and disoriented debtors. There was not from the latter anything like a coordination that would strengthen them in such adverse conditions.

An effect of this situation was a growing inability of debtor countries to implement economic policies worthy of the name, particularly with regard to development strategies. Their horizon was short: how to pay the immediate bills? That is why one can speak of low governance, eventually resulting in crisis of legitimacy of many Third World political regimes, in view of the deteriorating living conditions of their populations.

It was in this atmosphere of decay, and largely caused by it, that the process of overcoming dictatorships, which were raging since the 1960s, took shape in South America. By rupture or negotiated transition, authoritarian regimes, usually of corporate-military character, gave way throughout the 1980s to democratic regimes in the context of political mobilization for removed rights or new ones, that tended to be much more inclusive and advanced than those of the past. Thus the years of the 1980’s, which became known as the 'lost decade', may have been lost in the economy, but not in the political sphere.

In the decade of the 1980s and the first half of the 1990s, South American and Sub-Saharan African economies worked under conditions of high inflation and low, even negative, growth rates of the gross product, which was configured as a period of stagflation, as seen in Table 1.
Here it is important to draw attention to the co-existence of two agendas with which the South American countries had to deal. On the one hand, the political transition process was rooted on a democratic agenda with strong social content. On the other hand, the external debt crisis marked the exhaustion of the 'growing inwards' model and imposed a liberal agenda as an alternative based on market-oriented reforms and the incorporation of economies into the globalization process. Although in many ways democratization and liberalization could coincide in values and goals, they went into collision in many others (for example, as to the degree of primacy of social policies, the promotion of labour rights, the treatment of the national question, the recognition of rights of specific communities). The crux of the difference lies, first of
all, in the range of social protection systems and in the models of public policies in the social field, which vary according to the range of action of the state and of the market in the provision of education, health, social security, and other public goods.

The idea of a 'lost decade' would mean that the 1980s were often wasted by vulnerable or insolvent countries, which lingered to promote the adjustments required by creditor banks and multilateral financial institutions, mainly the IMF and the World Bank. These adjustments were inscribed in the Washington Consensus of 1990. From then on they spread as a paradigm of 'good governance' to all parts of the world.

Certainly, the adoption and management of this dual agenda was not easy, and it keeps challenging governments. Nevertheless, the process of democratization went forward, as well as the economic and financial reforms. Stabilization policies succeeded in curbing inflation and strengthening currencies, with positive effects on the business environment. Stable currencies, moreover, assign as a requisite for social stability in a broad sense.

However, this progress was accomplished by policies that limited economic and social development: excessive reliance on foreign savings (through the 'exchange anchor'), reduction of the role of the state, as well as tax adjustments that sacrificed social investments.

What happened in South America was parallel to Sub-Saharan Africa, yet the African situation presented aggravating factors. Among these, natural disasters with long periods of drought, resulting in scenes of famine that were published around the world, as well as the expansion of the AIDS epidemic, discovered precisely in the 1980s. Not to mention the civil wars that were being fought in many countries, influenced by external powers in the context of the Cold War.
Another feature that stands out in the analysis of African reality is the greater weight given to 'good governance', considering the severity of humanitarian crises. The causes of the dramatic problems that plagued the continent were attributed, to a large extent, to 'bad policies' that had been introduced after independence: the import substitution policies, which in several cases have been adopted by regimes of socialist inclination in order to strengthen the autonomy of the new countries. (Sawyerr, 1990; Arrighi, 2002). This diagnosis did not appear as strongly in South America, whose regimes, dictatorial or not, were often anti-communist and open to foreign capital, even when professing nationalist convictions.

In the 1980s 'Structural Adjustment Programmes' (SAPs) became widespread in Africa according to the guidelines of the IMF and the World Bank. In mid-1987, 28 countries were implementing such programs (Sawyerr, 1990).

The following decade was marked by processes of political democratization, which progressed from different situations. In South Africa, there was a negotiated transition that resulted in replacing the system of racial segregation by a representative system in which the black majority ascended to political power, with economic power remaining in control of the white minority. In countries emerging from protracted civil wars after independence, the end of these intestine struggles provided the political and institutional stability necessary to promote economic development strategies. Angola is a typical example. Other large, rich countries like Nigeria and Congo-Kinshasa (then called Zaire) were ruled by dictatorships for a long time, and democratic institutionalization was hampered by an environment of recurring disputes between interests that linked provinces and relevant ethnic groups. The most recent case in this line was the Ivory Coast. Cases of overthrowing elected governments after the end of dictatorships were not rare in Africa, bringing authoritarianism back into effect in a new
guise, until another opening was attempted later. This also happened in South America — for example, in Argentina and Bolivia — but not in the recent phase.

Nevertheless, despite numerous setbacks as in South America, Sub-Saharan Africa has advanced in the implementation of a democratic agenda, which encompasses social programs focused on overcoming poverty and malnutrition — a goal actually favoured by multilateral agencies. The programs have different scopes and budgets, with varying potential capacity for poverty reduction, but pointing to a similar direction. In 2008, income transfer programs, either conditional or not, were in operation in almost all South American countries and in many sub-Saharan African ones. (Hailu, Soares, 2008).

At the same time, as already indicated, the structural adjustment programs tuned in the two regions with the neoliberal agenda expressed by the Washington Consensus. The result was a far-reaching reorganization in terms of monetary stability, fiscal responsibility, repair of government accounts, and assets reform in the public sector through privatization of companies.

This allowed the insertion of the two regions in the new configuration of global capitalism, in their new roles as we argue in this article. The inflation of the 1980s and 1990s was controlled in Latin America in general and Brazil in particular, leading to a relative stability in the general level of prices. Also, economic growth rates were achieved well above those of the previous decades. The same happened in Africa.

This effort was difficult and complex, but had unimagined consequences for the long term. Both regions entered a clear constructive step, which was highlighted in the first decade of the twenty-first century. Political stability, coupled with global market integration, provided greater economic growth. Social effects were also considerable:
upward social mobility, enlargement of the middle class, expansion of consumption for
the working classes. The trend of social inclusion through consumption should be
emphasized, given the elitist retrospect of African and South American societies of
exclusive growth, conspicuous consumption by the upper layers of society, and supply
of goods and opportunities only for the few.

However, a systemic factor was particularly important to define the roads of the
two regions: foreign credit at low cost. Apart from the adjustment programs, the plenty
international credit – mainly from the U.S. e European banks – allowed a substantial
growth of consumption and investment levels (both public and private) in South
American and African countries. Public policies of income distribution and inequality
reduction became viable thanks to the high rates of economic growth, which enlarged
the bases of consumption and stimulated higher levels of investment.

One of the most interesting points is the situation of both regions in the global
context today. While developed countries have been greatly affected by the 2008 crisis,
South America and Africa were able to resolve the crisis and have improved their
relative position. This is what we analyse below.

**The Recent Evolution**

The 2008 crisis clearly demonstrated the degree of global economic
interdependence. The starting point was the rupture of the U.S. financial system, which
affected the financial system in Europe and other continents, and that, due to its length
and the volume of resources involved, has altered the consumption, production,
employment and income on a global scale. Given these features, the 2008 crisis can be
compared to the 1929 crisis: both were systemic crises with devastating effects throughout the world.

South America and Africa, with a high degree of integration in the economic system, could not be immune to the turmoil. Since 2002 the two continents were achieving very significant rates of economic growth but in 2009 this growth was reduced or turned negative. However, the most outstanding aspect is their rapid recovery after the worst period of the crisis. There arose a question mark in international organizations regarding the impact of the crisis on Africa and South America, especially considering the short period of time in which their economies have suffered its effects. In effect, the resilience of the Latin American countries struck by contrast with their problems in the past (IMF, 2009: 33). For Africa, the evaluation was also very positive (IMF: 2011: 1)

The rapid recovery of the two continents can be explained by a combination of internal and external factors. Internally the majority of South American countries and several African countries, mainly from the Sub-Saharan region, took advantage of the product growth cycle from 2002 to 2007 to further increase domestic adjustment policies. After two decades (1980s and 1990s) of high levels of public indebtedness, in the 2000s those countries were able to promote policies to cut spending and increase government revenue, as shown in Table 2.
The adjustment of public accounts in Sub-Saharan Africa reduced from 70% to 32% the relation public debt/GDP. At the same period, for developed countries, that relation rose from 72% to 100%. Such adjustments allowed Latin American and African countries, during the 2008 crisis, to adopt expansionist policies of government spending and tax breaks which gave a boost for the resumption of growth.

However, the most important reasons for overcoming the crisis are external. Since the early 2000s, there have been strong fluctuations in oil prices. The growing global demand for energy eventually set a very positive picture for oil exporters in both regions – Colombia, Ecuador, Bolivia, and Venezuela, in South America, and Angola, Chad, Equatorial Guinea, Gabon, Nigeria, and Congo, in Africa. According to the IMF report, their economies would have a growth rate above ten percent in 2011.

Table 2

<table>
<thead>
<tr>
<th>Year</th>
<th>Advanced Countries</th>
<th>Latin America</th>
<th>Sub-Saharan Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>72.47</td>
<td>48.4</td>
<td>70.01</td>
</tr>
<tr>
<td>2001</td>
<td>72.39</td>
<td>50.25</td>
<td>73.07</td>
</tr>
<tr>
<td>2002</td>
<td>73.47</td>
<td>61.54</td>
<td>66.6</td>
</tr>
<tr>
<td>2003</td>
<td>75.55</td>
<td>60.42</td>
<td>60.42</td>
</tr>
<tr>
<td>2004</td>
<td>79.67</td>
<td>56.1</td>
<td>53.91</td>
</tr>
<tr>
<td>2005</td>
<td>79.32</td>
<td>51.65</td>
<td>45.08</td>
</tr>
<tr>
<td>2006</td>
<td>76.66</td>
<td>48.74</td>
<td>34.24</td>
</tr>
<tr>
<td>2007</td>
<td>74.04</td>
<td>47.4</td>
<td>29.73</td>
</tr>
<tr>
<td>2008</td>
<td>81.02</td>
<td>47.49</td>
<td>28.69</td>
</tr>
<tr>
<td>2009</td>
<td>94.66</td>
<td>50.52</td>
<td>31.96</td>
</tr>
<tr>
<td>2010</td>
<td>100.71</td>
<td>50.06</td>
<td>32.09</td>
</tr>
</tbody>
</table>

Source: IMF. World Economic Outlook Database, 2012
International institutions divide the low-income economies (LIC) into two groups: those with low incomes and those with weak economies, a total of 29 African countries. The rate of growth of the first group, home of two thirds of the region's population, was 7% on average since 2004, including 2008, with a slight fall to 5.7% in 2009 and returning to 7% in 2010. (IMF, 2011: 5)

These economies, although importers of oil and food products, saw the prices of their main products increase internationally. According to the IMF, 'exports are a major contributor to the robust growth projected for LICs' (IMF, 2011:7). The vast majority of them have their neighbours in the region as the main destination of exports. This is also an important feature of less developed countries in South America. Regional integration seems to be a key element to reduce the external vulnerability of these small economies.

An interesting aspect concerning the regional dimension is the convergence of macro-economic, institutional and social policies among the member countries of the East African Community (EAC), established by agreement in 2000 and composed of Kenya, Tanzania, Uganda, Burundi, and Rwanda. The 2011 IMF report treats the performance of countries in this community as exemplary cases of economic success. Among the 20 fastest growing economies in the world, three (Uganda, Rwanda, and Tanzania) belong to the EAC and they all are part of the 29 poorest countries in the world, a condition that they might overcome in a short time period.

The lower external vulnerability of the two continents can also be explained by the greater amount of foreign currency reserves. Besides the positive trade balances of most of their countries, an essential element for this improvement is the flow of foreign direct investment into their economies. (United Nations, 2010). The U.S. monetary expansion, together with the trade involving developing and underdevelopment
countries (by exports of manufactures, energy or agricultural products) and the enlargement and diversification of financial flows (short-term investments) have generated an expressive amount of reserves in foreign currency, which greatly reduced the exposure of those countries to external crises. This is a relevant dimension of the kind of participation of South America and Africa in the international system in the recent period. Throughout almost its entire history, such regions showed high vulnerability to external shocks, given their low levels of reserves in foreign currency. The diffusion of global financial mechanisms, as well as their position as exporters of manufactures and energy, have significantly reduced the dangers of that kind of shocks for their economies. It is in this context that one must examine the effects of the 2008 crisis upon them.

The combination of such factors resulted in substantial reduction of the foreign debt in Latin America and Sub-Saharan Africa, as shown in Table 3. Throughout the 2000s, Sub-Saharan Africa has halved the debt to GDP ratio, thus substantially reducing its exposure to the effects of external crises. In both regions the ratio of debt to official creditors and the GDP fell even in the crisis. Therefore there is a lesser need for loans and reduced exposure to changes in this international scenario.
Table 3

<table>
<thead>
<tr>
<th>Year</th>
<th>Latin America</th>
<th>Africa</th>
</tr>
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<tbody>
<tr>
<td>2000</td>
<td>35.76</td>
<td>63.22</td>
</tr>
<tr>
<td>2001</td>
<td>37.39</td>
<td>63.92</td>
</tr>
<tr>
<td>2002</td>
<td>41.94</td>
<td>60.63</td>
</tr>
<tr>
<td>2003</td>
<td>41.88</td>
<td>51.52</td>
</tr>
<tr>
<td>2004</td>
<td>36.62</td>
<td>43.46</td>
</tr>
<tr>
<td>2005</td>
<td>28.01</td>
<td>34.24</td>
</tr>
<tr>
<td>2006</td>
<td>23.95</td>
<td>25.58</td>
</tr>
<tr>
<td>2007</td>
<td>22.68</td>
<td>24.58</td>
</tr>
<tr>
<td>2008</td>
<td>20.22</td>
<td>22.48</td>
</tr>
<tr>
<td>2009</td>
<td>21.99</td>
<td>24.82</td>
</tr>
<tr>
<td>2010</td>
<td>21.26</td>
<td>23.61</td>
</tr>
</tbody>
</table>

Source: IMF. World Economic Outlook Database, 2012

The data regarding foreign direct investment flows, seen in Table 4, indicate two important events. The first and most significant relates to its expansion since 2000 in Africa (except Northern Africa) and South America. Africa saw foreign investments multiply by at least five times during that decade. The second refers to its downfall in the year of the crisis, that is, in 2008. However, as the IMF observed, this decrease was substantially less than expected, and already recovering in 2010.
Table 4

Direct Investment, Latin America and Sub-Saharan Africa, 2000-2010
(Net US dollars)

<table>
<thead>
<tr>
<th></th>
<th>Latin America</th>
<th>Sub-Saharan Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>72.718</td>
<td>6.114</td>
</tr>
<tr>
<td>2001</td>
<td>69.282</td>
<td>17.721</td>
</tr>
<tr>
<td>2002</td>
<td>51.403</td>
<td>10.652</td>
</tr>
<tr>
<td>2003</td>
<td>40.092</td>
<td>12.505</td>
</tr>
<tr>
<td>2004</td>
<td>50.492</td>
<td>11.672</td>
</tr>
<tr>
<td>2005</td>
<td>57.348</td>
<td>18.541</td>
</tr>
<tr>
<td>2006</td>
<td>32.839</td>
<td>8.673</td>
</tr>
<tr>
<td>2007</td>
<td>90.731</td>
<td>22.090</td>
</tr>
<tr>
<td>2008</td>
<td>98.304</td>
<td>35.418</td>
</tr>
<tr>
<td>2009</td>
<td>70.233</td>
<td>31.033</td>
</tr>
<tr>
<td>2010</td>
<td>77.068</td>
<td>22.168</td>
</tr>
</tbody>
</table>

Source: IMF. World Economic Outlook Database, 2012

In this sense, we should give due emphasis to the relationship of the two regions with the so-called emerging countries, which explains part of their resilience to the crisis. There is the aforementioned relationship with China, which stands out in the picture. And there is also the relationship between the two regions — for example, between Brazil and several African countries. This relationship went through distinct phases, and took shape by the end of the last century. That was when Brazilian construction companies began to internationalize, undertaking projects in Africa, pressured by the reduction of works in the domestic market due to the crisis of the 1980s.

This process has heightened since the beginning of the twenty-first century, with the increasing and diversified presence of Brazilian companies in Africa. Indeed Brazil is the biggest investor in the continent among the countries of Latin America. As shown
by Cretoiu (2011: 33), subsidiaries of Brazilian companies in Africa comprise industrial or commercial units, franchise agreements and also units in the fields of construction, manufacturing, and information technology. The same author observes that this diversity reflects the breadth of the Brazilian offering and also indicates that opportunities arise in different market segments and in several countries of the continent – seventeen countries of Black Africa, so far, plus the five countries of Northern Africa, where construction and manufacturing companies presently work, not to mention Petrobras, the state oil company.

**Some Conclusions**

What do these recent experiences point to? What challenges do they bring to the conventional analyses of economics and international politics? What do they suggest as theoretical innovations?

On the systemic or international field, the most salient aspect concerns the terms of trade, often seen as inevitably harmful to peripheral countries. It is well known the deterministic view elaborated by core authors of Economic Development, as Ragnar Nurkse, Gunnar Myrdal and Raúl Prebisch, under whose inspiration the argument for autonomous industrialization was erected. On the opposite side, liberals and free traders saw this interpretation only as a myth, which was not enough to shake the defense of the free trade legacy inherited from classic authors such as Adam Smith (Lal, 2002).

In fact, a rigid view does not hold in this field. There have been marked alternations in terms of trade. Suffice it to mention the 20s and 70s of the last century, quite favourable to commodity producers, which were succeeded by plummeting terms of trade that destabilized the peripheral economies. Certainly, those were the reversals.
that concerned analysts as Prebisch and his colleagues at ECLA, in search of alternatives to the instability that agricultural and mining countries were subjected to in the context of deep dependence on industrial countries.

So what is happening now? By the beginning of the century, there was a new reversal of the terms of trade, which reached its peak in 2008, just before the global financial crisis, to decline the following year, but it resumed in 2010 in a more moderate pace. Besides the oil-exporting countries, which have been the main beneficiaries, also exporters of minerals are found in very good stead in this scenario. A calculation of the evolution of terms of trade over the last decade (United Nations, 2010: 50) shows that, taking 2000 as base year (= 100), oil exporters have reached the level of 190 points in 2010, ores exporters rose to 165, exporters of agricultural products to 110, while exporters of manufactured good fell to 80. By region, Africa's performance was particularly outstanding, reaching 155 points, while Latin America (with the Caribbean) improved its position to 130 points. The developed economies, in turn, stood at the same level as ten years ago.

The question then arises: are we facing a merely conjunctural fluctuation or something more lasting?

A parallel with the 1920s can be established, with the difference that the demand for commodities has become more diversified, not depending just on the core countries. Certainly the contraction of demand in these countries has a global effect, eventually reaching the suppliers of basic products. The novelty now is a larger demand for food (not to mention, of course, for ores and fuels), given the greater access to consumption and the improving income distribution in the countries of the periphery. So producers of food and other agricultural inputs also have good prospects for long-term exchanges.
As to the globalization of demand, an additional aspect to note is the diversification of trading partners and investors among countries, a trend that has changed the dynamics of the less developed economies. China is the greatest expression of this, especially in Asia and Africa. The same can be said of Brazil, concerning its economic relations not only with Africa, but also with neighbouring countries in South America.

In short, the contemporary international environment offers opportunities to peripheral areas that were absent when their trade was confined to Europe and the United States. The emergence of new actors on the scene and the rise of other economic centers increase the degree of autonomy of the two regions studied here. Their countries acquire greater ability to drive public policies, expanding the governance of the economy. Completing our history, and going back to the beginning: dependence remains, but in new conditions, with more room for maneuvering.

In the domestic sphere, the most relevant point to be drawn from recent developments is the reaffirmation of politics, particularly regarding the role of the state. The 2008 crisis broke the principle of separation between economics and politics on market dynamics, which rooted the Washington Consensus and the neoliberal paradigm in the broad sense. With the bank bailout and industries in trouble, governments returned to participate directly in the game, and in a position of strength. More recently, the issue of system governance has been putting both the U.S. and Europe in serious difficulties in order to coordinate interests or to break impasses between political actors unwilling to compromise. Political disputes, sometimes hard ones, come to the forefront, far from the ideological consensus around liberal capitalism that once came to be heralded as the "end of history".
Here one can point a bifurcation between North and South with respect to their contemporary trends in the field of public policies. The countries of South America and Black Africa, in the wake of the crisis of the 1980s, managed to gradually implement macroeconomic policies guided by concern for stability in both the monetary and the fiscal sides. As a result of these adjustments, there was a gradual increase of the internal market, the enlargement of the middle class, meaning less dependence on foreign markets to ensure the vitality of production and consumption. It is a very different situation from the one which had prevailed in the old semi-colonial and colonial times.

In addition, these countries adopted social protection systems of a more universalistic nature than those existing in earlier times. The commitment to social policies has produced social, political and also economic consequences, as demonstrated by the significant role that countercyclical policies have played during the recent global crisis. Political democracy and economic stability, plus greater social integration, shape the prospect that the two regions have on the horizon – without ignoring, of course, variations in the conditions and policies of each specific country.

**Bibliography**


