<u>Geopolitics and development strategies in a post-Cold war era.</u>

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<u>Abstract:</u>

In the first decade of Twenty-First Century, developing countries experienced higher growth and greater geopolitical and geo-economic prominence than developed countries. The economic slowdown during the next decade started to undo at least partially, both the characteristics of decoupling and South geopolitical strategy. This paper is an attempt to examine the evolution of the economic, geo-economic and geopolitical paths followed by the countries of the South in the New Millenium and the geopolitical and geo-economic response of the United States to these more assertive strategies. It also aims to articulate the study of the economic evolution with both internal and external power relations.

I. Introduction.

During the Cold War, several peripheral countries under United States' hegemony were encouraged to follow the path of developmentalism. In Latin America and Asia, development-oriented states promoted industrialization and the improved infrastructure. The intent to establish a modern industry (heavy industry, automobiles, and chemicals) was more or less successful, according to internal as well as external factors. In this period, open access to the US market and international financing created external conditions for accelerated growth. Thus, we can characterize by "development by invitation"[3] the American strategy of not only allowing but also in several cases to deliberately promote the economic development of the allied countries in the regions of greater strategic importance for the conflict with the USSR. From the US point of view, the expansion of exports of its Allies and the reconstruction of the regional economy in Western Europe and Southeast Asia were important strategies for the growth of the world economy and for the construction of an international economic order that could isolate the Soviet bloc. From the US point of view, the expansion of exports of its Allies as well as the reconstruction of the regional economy in Western Europe and Southeast Asia were important strategies for the growth of the world economy and for the construction of an international economic order that could isolate the Soviet bloc. Latin America was far

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[3] The expression "development by invitation" was invented by Wallerstein (1979) to refer specifically to the invitation to the development made by large companies to small countries. It is used here in a different sense (see Medeiros and Serrano 1999).

from the warmer areas of the cold war and received less favorable external conditions to the continuation of industrialization, since neither a Marshall plan nor a regional economy supported by aid and privileged access to US markets were made available for the region.

Thus, according to their geopolitical importance, developing countries followed different patterns of growth. Diversification of exports was much higher in East Asia than in Latin America (L.A.). Income and land distribution was much more unequal in some regions and countries (L.A., India, Indonesia, Philippines) than others (East Asia). The structure of the ownership of industrial companies was also very heterogeneous in the periphery[4]. Prebisch (1949 [2000]) observed that structural change was a necessary step to reduce the external constraints (Prebisch (1949 [2000]) and industrialization was the main lever to achieve high growth rates and low unemployment. Beyond the somewhat artificial distinction between import substitution and export-oriented strategy, a common feature of all successful experiences was the central role played by developmental state (Medeiros 2013a). In this cold-war geopolitical context, the U.S. provided support to the countries according to their importance in this conflict but never allowed the emergence of regional autonomous powers.

The USSR's decline and collapse, which created the conditions for the Reagan-Thatcher offensive against social democracy in the "Centre", were also decisive for the end of US friendly attitude toward developmentalism in the eighties. The abandonment of developmental macroeconomics and industrial policy in the periphery was the mirror of the end of the subordination of monetary and fiscal policy to full employment in the "Centre". Nevertheless, the 1982 debt crisis affected the developing countries in much contrasted ways. Different of what happened in L.A. East Asian countries faced no similar external crisis, preserving their developmental institutions. They also began to participate in global value chains (GVCs) in manufacture production particularly in information and communication (TIC) goods.

In L.A., the agenda of liberalization reforms that spread all over within the region in the nineties dismantled their developmental institutions. While Mexico signed a free-trade and investment agreement with the US and Canada (NAFTA), other countries particularly in South America followed through free trade schema and strong political alliances with the US this same "integrationist" way even without a formal treaty (Amsden 2001). Panitch and Gindin (2012) and Petras and Veltmeyer (2016) dubbed this strategy adopted by developing countries as "imperialism by invitation" stressing the association between domestic and international firms under the leadership of US State. Panitch and

[4] In Latin America, public companies were common, with also a strong presence of transnational firms, whereas in Asia national conglomerates were dominant.

Gindin (2012) and Petras and Veltmeyer (2016) dubbed this strategy taken by developing countries as ‘imperialism by invitation’ stressing the association between domestic and international firms under the leadership of US State. Given its geographic location, Mexico joined the regional supply chains led by the US and adopted a growth strategy based on industrial exports and low unit labor costs. The other Latin American countries received significant inflows of FDI mainly in services and extractive industries pushed by mass privatizations deals (Medeiros 2013a).

This reality changed in the first decade of the new century. In the 2000s, the GDP growth was much faster in developing countries than in developed economies. The strong uprising in commodity prices and in capital flows and a rapid growth in domestic demand in large developing countries were the main factors for this change that stimulated also a major intensification of South-South trade. The geography of world trade changed, and China, boosted by its heavy industry boom, has taken a leading role in this process becoming the main trading partner for many developing countries, particularly in Africa and South America. Many natural resource rich countries of the periphery adopted the so-called nationalism of natural resources (Medeiros 2013b), taking partial or total control over the raw material production and their ground rents. It has allowed these countries to increase their fiscal revenues and public spending and to achieve higher growth and significant poverty reduction, but without structural change.

These economic changes have given greater political prominence to developing countries, particularly China, whose economic impact on world economy is far greater than any other nation. A new Global South's geopolitical strategies and new economic regional blocks aimed for greater multilateralism (no longer centered in the United States) emerged. As Celso Furtado (1967 [2000], 331) stated, “integration policy [is] an advanced way of developmental policy”.

This change in the global scenario challenged the post-Cold War American strategy and its security concerns based on a pro-automatic alignment with the United States in several multilateral institutions: IMF, World Bank, WTO, NATO and even the EU and a considerable part of the NGOs. The regionalization advocated by the United States through agreements such as NAFTA and mega initiatives as the Trans Pacific Partnership (TPP) or Transatlantic Trade Investment Partnership (TTIP) agreements (today they were discontinued or are in a process of restructuring, see last section) focused on free trade was part of this architecture. Their goal was the promotion of the leadership of the large corporations and the outstanding prominence of US. These multilateral trade agreements aimed control China's influence on the world economic order and were fundamentally opposed to the construction of a new institutional framework led by the countries of the South.

In the last decade, this reality changed again. Under new external economic circumstances created by lower growth in developed countries and lower commodity prices and under external and internal political conflict, the evolution in many countries is undoing in the last years both the characteristics of the higher growth rate of developing countries and the South geopolitical independent strategy. Brazil and Argentina, under economic and political pressures, abandoned their regional power ambition and the South American regionalization projects have gone into crisis. South Africa seems to follow the same path. New leaderships committed to a passive, 'integrationist', and strong political alliance with the U.S. reinforcing and regressing to the nineties' 'imperialism by invitation'. Although domestic political forces led this evolution, the United States strongly encouraged it. This change, nevertheless, was not homogenous among countries. Russia, China, and India have intrinsic national interests (especially in the area of security and defense) that enable them to preserve their national and autonomous strategy.

The liberal order promoted by US strategy along the last decades favored their big business particularly in innovative and financial sectors but generated high unemployment and great divide in US society. The new American nationalist strategy, promoted since the election of Donald Trump in 2016, points in the direction of a replacement, at least partial, of this US-centered multilateralism by a closed bilateral relationship in order to promote employment and old industrial sectors at the expense of the employment in the other countries. This strategy aims to contain China's exports into US market through bilateral negotiations and to increase foreign countries' concessions in exchange of access to American market. This strategy aims to contain China´s exports into US market through bilateral negotiations and to increase the foreigner's countries concessions in exchange of the access of American market.

This paper is an attempt to examine the evolution of the economic, geoeconomic and geopolitical paths followed by the countries of the South since the 2000s and the geopolitical and geoeconomic response of the United States to these more assertive strategies. The article also aims to articulate the study of the economic evolution with both internal and external power relations. The paper is organized as follows. Section II focuses on the way structuralist analysis dealt with the question of the role of the State. Section III takes a closer look at the decoupling and its economic consequences in the 2000s. Section IV deals with the geopolitical and geoeconomic rise of the South during the same decade. Section V discusses the continuity and change in the economic performance of the periphery and in its geopolitical and geoeconomic insertion during the 2010s. The last section offers brief final remarks.

II. The functionalist Role of State in Latin-American Structuralism.

Latin American structuralism has developed meaningful hypotheses on the differences between center and periphery, focusing essentially on productive structures and power relations. However, in the specific analysis on the dynamics of the peripheral process and of industrialization, a very functionalist view of the State has prevailed and the influence of geopolitical changes was not fully discussed or incorporated in this analytical framework.

Despite its wide perspective on economic development, Latin American structuralism shares with Keynesian the same functionalist theory of State as a rational power filling the gaps and failures created by markets. While State intervention on macroeconomic policies in Keynesian paradigm is a necessary step to stimulate economy, and bring about a socially needed full employment, for Latin American structuralist the role of State intervention has a wider meaning consisting in an adaptation of Keynesianism to another social and economic context. In this different reality, in order to bring about full employment, the State, argued Prebisch (1949) [2000], must engage on development policies aimed to achieve higher levels of on industrialization and autonomy from international markets.

Since the Second World War, these progressive perspectives have disputed the market fundamentalism of liberal economists and modernization theorists but have not discussed why and in which political circumstances some states followed these rational agenda and why others, the majority, did not. These approaches do not have an analysis of State formation and of social and political constraints that explains differences in historical national trajectories. As Fiori (2011) argued, these perspectives have developed a very “imprecise, homogenous and a-historical” concept of State as an actor intellectually created to solve economic problems.

Keynesian´s economic policy, observed Zadeh (2014, 33), “is largely a matter of technical expertise or economic know-how, that is, a matter of choice” Thus, the effectiveness of the Keynesian model is, therefore, based largely on hope, or illusion; since in reality the power relation between the state and the market/capitalism is usually the other way around.” Full employment policies were not an option taken by progressive governments but were the outcome of class struggle and by the reality created by the 1930 crisis. After the Second World War, it was generalized by the growing dispute of American led world against USSR. The demise of Keynesianism since the eighties are an expression of the extraordinary geopolitical change that occurred in this decade.

Latin American structuralism was born in ECLAC, a branch of United Nations, thanks to efforts led by intellectuals and Latin American government’s diplomacy. US agreed reluctantly to the new regional organization in an international context of institutional building led by US and aimed to isolate Western countries from URSS. Probably because of this origin, and despite of its originality and clear defense of economic planning two important consequences resulted from it: a prudent distance from Marxism thinkers and from socialism. Thus, structuralism did not refer to Marxist analysis of the imperialism and of the social and international origins of Latin American countries focusing essentially in what States should do to promote development. As Celso Furtado confirmed in an oral presentation (quoted in Bracarense 2012) “Prebisch was very careful with the terms he used... But he had succeeded in his prowess of saying what we wanted. For me underdevelopment was a matter of imperialism. But he would talk about the center and the periphery, a neutral description” (Furtado 2007, 4).

One consequence of this neutrality not only in center-periphery analysis, but at least some versions of dependency school that emerged from this perspective, was to consider the world-system as a bipolar structure and the national strategies and the rivalry among States has been frequently inconsiderate. Sunkel (1970) [2000], Cardoso and Faletto (1979) and Furtado (1978) examined the huge impact created by transnational corporations and the predominance of EUA as the major headquarter of those companies on Latin American dependent economies. Nevertheless, they did not explore the changing conditions created by State competition in the world economy center and its impacts and opportunities that were asymmetrically exploited by peripheral countries.

In most of this analysis, there is not a political economy of the economic and development policies followed by States. Underdevelopment (and underdevelopment countries) was conceptualized as a homogenous reality in opposition to development (and developed countries), conceptualized, as well, as a homogenous reality, underestimating the differentiated State formation, class struggle and different geopolitical insertion (Fiori 2011). Why some States in backward economies led their economies to achieve a higher level of development and why some Developmental State in underdevelopment countries followed this same road is not explained. Modern “new developmentalism” (Bresser-pereira 2010) shows the same shortcoming failing to explain why some countries sustained competitive real change rate of domestic currency, a policy that according to this perspective is the most important explanation factor of developmental performance observed in some countries. Nor different geopolitical insertion or social classes are present in this perspective.

The absence of geopolitics and State analysis in Latin America Structuralism can be seen in the Octavio Rodriguez deep syntesis ‘*El Estructuralismo Latinoamericano’* (2006). In fifteen chapters covering fifty years of ECLAC and Latin America structuralism authors, there are only two entries that carry State in the title and the analysis is exclusively concerned with the necessary role played by State. Although geopolitical factors are clearly assumed as a constraint factor for State autonomy, the only quotation in its support refers to Cardoso and Faletto (1979) where there is a fixed dimension of domination but not a geopolitical analysis.

We will show in this article how international changes influenced the relations of power and the national strategies of Latin American countries through their impacts on their balance of payments and consequently on the possibilities of growth, distribution and the conflicts that these policies generate. In the next session, we will identify some factors that have allowed peripheral countries, particularly those in Latin America, to gain autonomy from central countries and to have a higher rate of growth, in sharp contrast with the experience observed in the nineties.

III. The economic rise of the South: the Decoupling of the growth trend between developed and developing countries in the 2000s.

As we can see in table 1, in 2000s, the growth trend has been consistently higher in developing countries than in developed countries. The improvement of the balance of payments constraints and the adoption of expansionist economic policies in the majority of these economies in the 2000s in relation to the nineties (Freitas, Medeiros and Serrano 2016) explain this 'decoupling' of the economic growth of the developing countries from the relatively low rates of growth of developed economies.

Table 1 – Average Growth rate of GDP (constant prices) of advanced economies and emerging markets and developing economies (1980-2016).

Region	1980-1989	1990-1999	2000-2008	2009-2013	2014-2016
Advanced economies (1)	*3.1*	*2.8*	*2.4*	*0.8*	*1.9*
Emerging market and developing economies (2)	*3.3*	*3.6*	*6.5*	*5.4*	*4.3*
Difference (2) - (1)	***0.2***	***0.8***	***4.1***	***4.6***	***2.4***

Source: author´s elaboration based on IMF (2017).

The entire periphery has experienced high growth rates during the 2000s, even after the global financial crisis of 2008. Large disparities appear between regions of the periphery, but all of them saw their growth rate increase during the 2000s compared to the nineties (see table 2).

Table 2: Average Growth rate of GDP (constant prices) by regions of the periphery (1980-2016).

Region	1980-1989	1990-1999	2000-2008	2009-2013	2014-2016
Latin America and the Caribbean	*2.1*	*2.9*	*3.7*	*3.0*	*0.1*
Middle East and North Africa	*0.6*	*4.2*	*5.7*	*3.7*	*3.0*

Sub-Saharan Africa	*N/A*	*2.0*	*5.9*	*5.1*	*3.3*
Emerging and developing Asia	*6.8*	*7.2*	*8.2*	*7.8*	*6.6*

Source: author´s elaboration based on IMF (2017).

Both phenomena, the decoupling of the developing countries' growth trend and the increase in the relative prices of primary commodities during the 2000s, occurred in a context characterized by elements of continuity in relation to the previous decade, such as the flexible dollar pattern (Serrano 2003) and the existence of large flows of external private capital. We would like to emphasize that during this decade, besides the changes observed in the external economic circumstances, important changes occurred in the domestic economic policies.'

In this context, important changes in the macroeconomic policies occurred in developing countries. To understand these changes, we need to look back to the balance of payments conditions that characterized the periphery in the nineties. In that decade there was low growth in the value of exports in dollars (both in price and *quantum*), still lower than the high interest rates related to these flows. In addition, short-term capital flows prevailed even in some of the more dynamic East Asian countries. The adoption of fixed exchange rates, trade liberalization and other neoliberal reforms led to rapid import growth and worsened the competitiveness of peripheral exports. Following the crisis sequence in East Asia (1997), Russia (1998) and Argentina (2002), in the next decade there was a relatively rapid recovery of the US economy following the Dot-com Bubble crisis and in conjunction with this occurred a sharp increase in domestic demand in both China and other Asian countries. This recovery explains the trend of commodity price increases observed during the 2000s (at least until the global crisis of 2008), starting with oil and then followed by minerals and food.

In order to address the higher rates of growth of peripheral countries, we must consider some factors:

1) The US low interest rates and the international finance system provided large flows of private capital to developing countries;
2) High and sustained increase in commodity prices until 2012;
3) The higher growth of domestic demand in large developing countries (China and others) led to a major intensification of South-South trade;
4) Major improvement in balance of payments administration policies occurred in developing countries. This included: (i) generalization of flexible managed exchange regime replacing dollarization or fix exchange rate regimes; (ii) taxation of some commodity exports; (iii) early repayment of public external debt (or moratorium or default), creation of sovereign wealth funds;

(iv) substantial accumulation of foreign-exchange reserves, even in countries with current account deficits;

5) Many countries in the periphery (Russia, South America countries) adopted the so-called natural resource nationalism, and governments exerted partially or totally control over the exploitation of commodities. These countries could considerably increase their fiscal resources and public spending (Medeiros 2013b).

These combined factors led to more than ten years of high growth without any balance of payments crises in the Periphery and a rapid economic recovery from the global crisis of 2008, at least until 2013[5].

In these years, most of developing countries became more financially integrated (Akyüs 2012) with developed countries[6], which also occurred along the nineties, but there was a significant difference in outcomes between the two decades. Financial integration explained the temporary decoupling of growth in the first half of the nineties, but it also led to the balance of payments crises in the second half of the decade that disrupted this process. The external circumstances of the growth of the 2000s were different in the sense that no balance of payment crisis occurred.

Many countries have incurred into current account deficits. However, these capital flows did not cause currency crises because, as we have seen, there was a radical improvement in the administration of the balance of payments in the two-thousands, especially the accumulation of high amounts of foreign-exchange reserves, compared to the previous decade. A considerable increase in South-South trade occurred[7]. Along this period initiated in the early 2000s, China occupies a central place, having greatly increased its share of world trade and South-South trade. South America became a major trading partner of China. China also achieved a great trade expansion with other large developing countries, like Brazil, Russia, India and South Africa (see table 3). Besides, China, thanks to its position as the center of Asian Value Chain and to its strategy to follow a "second phase of catching-up" (Chang 2006) based on the construction of domestic technological capabilities, has an increasing

[5] For the new developmentalists (Bresser-Pereira 2010; Frenkel and Rapetti 2011), these changes generated a chronic overvaluation of the currency of each country. In our view, they prevented the periodic tendency to currency crisis and devaluation that historically took place in peripheral currencies (for details see Serrano 2013).

[6] In L.A., the main exceptions to this phenomenon were Argentina and Venezuela.

[7] The share of developing countries' merchandise exports to other economies of the "rest" rose from 42% in 1995 to 46% in 2005 and 58,5% in 2013 and the share of South-South imports increased from 37,9% in 1995 to 52,4% in 2005 and 59,6% in 2013 (UN Comtrade, 2017).

number of state owned transnational companies. It allows China to be more and more integrated in the commanding of the global value chains and projecting its interests around the world [8].

Table 3: Average growth rate of Chinese trade with other BRICS countries.

	Brazil	**India**	**South Africa**	**Russian Federation**
China's exports to BRICS countries				
2000-2008	*42.2*	*45.5*	*31.7*	*42.6*
2009-2016	*5.9*	*9.0*	*7.0*	*7.5*
China's imports from BRICS countries				
2000-2008	*48.0*	*44.9*	*33.0*	*21.7*
2009-2016	*6.9*	*-3.9*	*20.2*	*6.0*

Source: author´s elaboration based on UN Comtrade (2017).
Obs.: Data 1999 unavailable for South Africa.

During the commodity cycle of the 2000s, the composition of exports from primary export countries to China became more concentrated in raw material than the composition of their exports to North countries (Klinger 2009). But, despite this situation, many countries like Argentina, Brazil, and South Africa diversified their exports to other markets. When after 2010 the rate of growth of world economy fell down Chinese exports dislocated these countries from these markets as well as their internal markets.

According to Medeiros and Cintra (2015), the Chinese rise had both a "demand effect" or macroeconomic effect, through its impact on exports, trade balance, and investment[9] and a "structural effect" or sectoral effect through its unequal impact on the sectors or activities according to the degree of complementarity and rivalry. Depending on the country's structure, natural resource endowment, size, technological stage and domestic economic policies, the combination of both effects generates different results on economic growth. The growth of exports came both from a direct channel, through the increase of Chinese imports, and from an indirect one, when exports to other countries rose, due to the expansive effect on the capacity to import from these countries. The relative size of these channels depends on the intensity of the growth of the imports generated by the expansion of the exports and, therefore, the evolution of the balance of payments.

[8] China alone accounts for over 30% of the developing world's share in GVCs' trade (Medeiros and Trebat 2017).

[9] The "demand effect" induced by the rising exports increases if the macroeconomic policy is more expansive and if income distribution improves.

The “structural effect” has several dimensions. On the one hand, there is a complementarity between Chinese demand for raw material and its industrial exports. On the other hand, there is also a rivalry between China and the other industrialized economies when it comes to industrial production. The growing Chinese industrial exports challenge both directly the domestics markets and indirectly the foreign markets for manufactured goods of the other countries. Following Lall, Weis and Oikawa (2005), most of the studies on this subject assess the impact of Chinese expansion on a given economy through the effects it has on the market share of the industrial goods exported by this country. The greatest risk to other countries brought about by the rise of China could therefore be a loss of foreign and domestic markets for industrial goods and a tendency to the growth of raw material share in exports.

The share of exports in GDP increased in all Latin American countries during the 2000s, reaching different levels according to the economic features of the countries. In countries specializing in the export of raw materials, increased exports directly account for a significant part of economic growth. In the case of countries with less trade openness and a larger domestic market, such as Colombia, Argentina, and Brazil, the positive impact of rising exports on the balance of payments has led to increases in domestic demand (consumption and investment) which raised the GDP growth rate.

This economic situation was completely different from what happened during the 1990s, when the neoliberal policies adopted in South America failed to bring about sustained growth and employment and culminated in the balance of payments crises in the region between 1998 and 2003. Taking advantage of favorable international economic circumstances, these new governments have adopted economic and social policies that break with those of the previous decade. They increased social spending (education, health, pensions, social transfers). These active policies of social redistribution, including substantial increases in minimum wage, brought about important reduction in poverty, inequality and the labour share increased (Weisbrot 2015). They also abandoned most of the privatization programs and the macroeconomic austerity policies that had characterized the 1990s. Thanks to the rapid improvement of their balance of payments, these countries repaid or restructured their international debts, thus moving away from oversight of multilateral financial institutions such as the IMF. Some South American governments have also practiced 'nationalism of natural resources', i.e. the national control of high priced natural resources (particularly oil and gas) and their rents, both to increase their tax revenues and to assert greater geopolitical and geoeconomic independence (Medeiros 2013b). This was particularly the case in Venezuela, Bolivia and Ecuador, for whom oil and gas revenues constitute the bulk of tax revenues.

They also improved income distribution and reduced poverty and the weight of the informal sector. It was the "Latin American Spring" of the 2000s (Weisbrot 2015, 167), allowing most South-

American countries to launch several foreign initiatives supporting a developmental regionalization, as we will discuss in section IV.3.

IV. The geopolitical and geoeconomic rise of the South.

IV.1. U.S. geopolitical strategy in the post-Cold war era.

As pointed out in Mazat and Serrano (2012), the United States combined a military and civil power far above any country (Medeiros 2004; Ruttan 2006) after the end of the Cold War. The American geopolitical strategy has followed two main objectives after the end of the Cold War and the collapse of the USSR. The first one is to weaken the countries aspiring to be regional powers, especially - but not only - those with nuclear weapons (Fiori 2004). The other priority is the attempt to maintain control the access to the world's major reserves of energy resources. The central point is not primarily the guarantee of the routes of the United States' energy supply, but rather the maintenance of the capacity to veto, if and when necessary, the supply of other important countries, whether these are allies or rivals. Moreover, the U.S. have increased considerably its oil and gas domestic production in the recent years thanks to the "shale revolution". The United States practically does not import natural gas from Russia and/or Eurasia, which would make it difficult to understand the American interest in the region if the objective were only the energy security of the American economy. This geopolitical strategy aims to maintain the US leading position in the world system and, at the same time, goes hand in hands well with the general economic interests of the industrial-military complex (Hossein-Zadeh 2007) and the financial sectors. These sectors have major influence in the decisions of the American state and explains largely the militarism and the aggressiveness of its diplomacy. However, neither the state nor American capitalism are monolithic (Panitch and Gindin 2012). One can observe this in US relations with China. Economic complementarity in manufacture production tasks counterbalances the growing political rivalry aroused by the dispute for resources. Although complementarity does not eliminate this general orientation, it tends substantially to moderate it.

This general geopolitical strategy operates both in military and diplomatic terms and is tacitly present as a bias for automatic alignment with the United States in several multilateral agencies (the International Monetary Fund (IMF), The World Trade Organization (WTO), the World Bank and NATO and the EU). The ideological orientation of global media and many non-governmental organizations (NGOs) tends to accept the US diplomatic leadership and the defence of free trade of goods and capital widening the American soft power. As Petras and Veltmeyer (2016) observed, this 'economic imperialism' and multilateralism has evolved lately to a 'raw imperialism' at least in some areas, (in Asia and Middle East) where US engaged on unilateral projection of military force[10].

In this context, as we argued bellow, the attempts of some countries (Russia, China and, in a smaller extent, peripheral countries like India, South Africa, Brazil and Venezuela) along the 2000s to exert a regional leadership are perceived as threats by the United States. However, the degree of reaction of the United States varied greatly from one country to another, depending on the degree of threat it poses.

IV.2 U.S. geoeconomic strategy in the post-Cold war era.

Geoeconomics is defined by Blackwill and Harris (2016, 19) as:

> "the use of economic instruments to promote and defend national interests, and to produce beneficial geopolitical results; and the effects of other nations' economic actions on a country's geopolitical goals".

In order to promote its 'economic imperialism' towards emerging countries, the American strategy since the 80s worked to create an enabling environment for the expansion of its transnationals companies (TNCs), reducing or eliminating protectionist policies and embargoes or restrictions on investment and creating free trade agreements. Given the frustration of Doha Rounds in including services and intellectual property rights under a multilateral agreement, this strategy focused on the construction of mega regional agreements (NAFTA, TTIP, TPP), along with several bilateral free trade and investment agreements (Nayyar 2008). Besides the general goal towards free capital mobility, these initiatives aimed to contain the growing influence of China on international economy.

The regionalization advocated by the United States, through agreements such as NAFTA, TPP or TTIP, focuses on free trade, guarantee of property rights, strengthening the large corporations of the Core (Ryner and Cafuny 2017) and US investment regimes. It is fundamentally opposed to the construction of alternative international institutional frameworks led by the countries of the South and particularly addressed against the Chinese international presence (Tellis 2014, 49). The alleged neutrality of US advocacy for these new trade frameworks hardly hides the advantage the United States could take from its implementation (Blackwill and Harris 2016, 189).

Since the early 1990s, the United States (and up to a certain extent, the other developed countries), not only wants to move forward free trade of goods, but also the free circulation of capital. Thanks to the

[10] These transformations are currently in a process of change with Trump's administration. There is a shift from multilateral agreements to bilateral arrangements and growing nationalist pressures (see section V).

growth of global (and regional) value chains (GVCs) organized and controlled by TNCs, activities like research and development, production, support services, distribution, marketing, finance and after-sales services are more and more geographically separated (Millberg and Winkler 2013). In these chains, foreign Direct Investments (FDI) and trade in intermediary goods deeply interconnects. This trade and the growing expansion of trade in services creates a need to establish a regulatory framework to protect the US investment regime and US property rights (Panitch and Gindin 2012). Even under US leadership, WTO did not fully build this regulatory architecture creating economic and political space for those treaties where the targets are the liberalization of services, investment, and the control of intellectual property rights.

In this context of growing expansion of transnational investment and trade in services major global companies and investors created a huge demand for the generalization of the “rules of law” as the solid guarantor, to quote Panitch and Gindin (2012), of the “laws of value”. Given the predominance of American corporations in global investment and the American internal market on world investment, the US government acquired a predominant influence on regulatory provisions and juridical decisions related to investment in the world economy. As argued by these authors, the US efforts have been to subordinate the “national law making” of foreign countries to the “global norm making”, wherever the extraterritorial application of US law is not possible[11]. This includes not only an international standard pattern for government procurement, regulatory regimes, price controls, subsides, but an international jurisprudence on arbitration in investor-government disputes and guarantees against expropriation.

This ‘juridification’ of economy goes hand in hand with the ‘juridification’ of politics. An internationalization of American law, through the creation of an “arbitration community” controlled by American law firms, gave to US a new form of power. These firms assist and provide consulting services sold to enterprises from developing countries that want to follow the global (American) rules (Panitch and Gindin 2012). This deep involvement in business and law generated a kind of what they termed as an “imperialism by invitation”. In Latin America, Mexico under the NAFTA is the most notorious example. The acceptance of the foreign institutional rules by elites and government as it were of their own interests were of course very common during the nineties in countries that followed the Washington Consensus. In South America, given its natural resource richness and its geography, the acceptance of American leadership - the "peripheral realism" explicitly assumed in Argentina in the 1990s or the "autonomy for integration" advocated by Brazil in the same decade (Bastos and Hiratuka 2017) - has

[11] One remarkable example discussed by Panitch and Gindin (2012) was the extension to the NAFTA agreement of the US “regulatory takings”, a US jurisprudence that protect American investors from expropriation.

another additional meaning. It endorsed the Monroe Doctrine, an American old geopolitical strategy based on the America for the Americans (North America) (Boron 2013). As we observe in the next section, the growing presence of China in the region and the natural resource nationalism that spread in the beginning of the new century challenged this geopolitical setting.

Although the US new government elected in 2016 discontinued these mega trade agreements and political initiatives in order to achieve a higher employment at the expenses of other countries the economic interests behind them have not vanished. They correspond to the solid demand of American transnational corporations particularly in sectors where intellectual property rights are of the utmost importance. Before we discuss this change, it is important to consider another use of the "rule of the law". When countries do not follow the international rules or economically and politically collides with the principle of 'regional power policy' or with the 'energy control policy', the use of the law can assume a more political function, as an instrument to promote a regime change.

IV.3 New arrangements and consolidation of blocks and initiatives in the periphery.

The economic transformations of the last decade previously considered have given greater political prominence to developing countries, particularly to China, whose economic international impact is far bigger than any other nation. Global South's geopolitical strategies in the new millennium seeking greater multilateralism (no longer centred in the United States) are then an extension of the process of economic expansion taken in many peripheral countries in Africa and in L.A. This process was not only built by political decisions but also relied on the very logic of the material expansive process, which allowed China, for example, to set up deep alliances with strategic suppliers of its raw materials. The G20 initiative (designed over the G7-80) seems to materialize this growing importance of the emerging countries. Particularly the BRICS bloc was conceptualized as a new geopolitical platform that could reduce their dependence on US diplomacy and on the rule played by Washington organizations (Panitch 2015, 65).

The association of Brazil, Russia, India, and China into a political outfit known as the BRIC, which became BRICS in 2010, with the introduction of South Africa, is the result of this economic success of the periphery in the 2000s. In the case of Russia, the initiative was a way out of its geopolitical isolation, particularly after the Georgian war in 2008 (Sakwa 2015). Russia and Brazil (that launched explicit diplomatic and economic initiatives towards South countries) seemed to have been the leaders in the creation of BRICS (De Conning, Mandrup and Odgaard 2015). The BRICS summits have happened annually since 2009 and are the sign of a new South-South geoeconomic force less dependent on the North-South relationship. This idea became materially strong with the decision, taken by the BRICS countries in 2014, to form a New Development Bank (NDB), making loans available to promote infrastructure and development projects and a Contingent Reserve Arrangement (CRA), providing balance of payments financial support. The NDB and the CRA are alternatives to Bretton Woods's institutions like the IMF and the World Bank.

Other South-South regional agreements were born during this period: ALBA (Bolivarian Alliance for the Peoples of Our America), UNASUR (USAN- Union of South American Nations), SCO (Shanghai Cooperation Organization). In a world-economy historically led by Washington institutions, these initiatives and projects of the developing countries are contrary to the main lines of the post-Cold War geopolitical American strategy.

Since the 1990s, political and economic relations between China and Russia have become closer (Leão, Martins and Nozaki 2011, 214). However, it was only in the 2000s that Russia and China developed a strategic partnership. Both countries want to counterweight US geopolitical ambitions in either Eastern Europe, the Caucasus, Central Asia or the Pacific. The two countries have come to support convergent positions at the UN and other international forums, such as the G20. The partnership between China and Russia also exists in the arms sector. Russia has been China's largest supplier of modern weapons in the 2000s[12].

In South America, the ascent to power of 'progressive' governments meant also a change in the geopolitical and geoeconomic integration of these countries. The choice of a developmental regionalization led to the creation of institutions such as UNASUR and ALBA. The integration model chosen was an alternative to US-led free trade proposals, either through the failed Free Trade Area of the Americas (FTAA) or through bilateral agreements[13]. L.A. countries have launched other projects of financial and monetary cooperation like the *Banco del Sur* (Bank of the South) or the SUCRE (Unified System for Regional Compensation). This regionalism aimed to build institutions to support the development of each country as well as to foster regional cooperation. The need for macroeconomic

[12] The autonomous economic strategy followed by many peripheral countries included a more assertive geopolitical positioning. The average growth rate of real military expenditures between 2000 and 2016 was 9,5% in the Russian Federation, 10,8% in China and 4,6% in India (authors' calculation based on SIPRI (2017)).

[13] The U.S. established bilateral free trade agreements with Chile (2004), Peru (2007) and Colombia (2011). Colombia, Peru and Chile built a regionalism centered on free trade and the Pacific Alliance, but, unlike Mexico, they did not really change their productive and institutions after the integration. They remain close to the economic cycle of the other South American countries.

coordination between South American countries was also very clear to these new political leaderships, especially after the balance of payments crisis of 1998-2003[14].

Developmental regionalization aimed at reproducing at the regional level the national development strategies followed by Argentina and Brazil based on the expansion of their internal markets and by Bolivia, Ecuador and Venezuela with the focus on the control of royalties and their distribution directed to the poorest and to social projects. One of the results of this regionalization was the great expansion of intra-MERCOSUR (Southern Common Market) trade, the reduction of the importance of the US as a trading partner and the growing importance of China. The 'primarization' of South American exports during the 2000s is an undeniable phenomenon. But, external transformations and agreements in the MERCOSUR have enabled intra-regional trade in which manufactures have grown much more than in total exports. So, despite the Chinese rise, Brazil was benefited and had a growingly positive trade balance with the other Mercosur partners. Brazil also became the main market for Argentina's industry.

Most of South American countries will abandon part of these strategies in the 2000s and tens. We will discuss this change in the next session.

V. Continuity and change in the economic performance and the geopolitical and geoeconomic insertion of the periphery in the 2010s.

The global financial crisis of 2008 hit differently developed and peripheral countries. In this last group of countries, it apparently had a more limited extent. Nevertheless, we can observe a tendency to the recoupling of the economic growth of the developing countries to the rates of growth of developed economies, particularly after 2013, when international commodities prices fell. Although developed countries have experienced an economic recovery from 2014, this is mainly due to the significant decline in the average growth rate of developing countries as a whole. However, this observation covers heterogeneous realities inside the periphery since growth performances in the aftermath of the crisis have followed very different tendencies according to the country (see table 2).

The average growth rate of manufacturing producer countries in Asia fell slightly. However, other regions such as the Middle East and North Africa and Sub-Saharan Africa experienced a sharper contraction in their economic growth rates (see table 3). Latin America and the Caribbean, after a slight slowdown in growth during the period 2009-2013, entered a stagnation phase in 2014-2016.

[14] For example, the devaluation that occurred in the Brazilian exchange rate crisis of 1998 had a strongly negative impact on Argentina, which maintained a fixed and appreciated exchange rate up to 2002.

The BRICS countries have showed very heterogeneous performances: India and China sustained high although lower rate of growth whereas Brazil and Russia entered a deep economic crisis and South Africa has get closer to stagnation. This different evolution can be partially associated to the composition of exports and their impact on government budget. The fall of energy and commodity prices hit badly natural resource export countries and consequently their capacity to import and to finance public investment and social transferences. The mineral extractive countries like Chile, Ecuador, Peru, and Venezuela faced deterioration in their balance of payment and economic shortfalls and declining political support. However, this decline in commodity prices did not undermine all the features that allowed the decoupling tendency explained earlier. Particularly remarkable, as previously observed, was the absence of currency crisis in developing countries in contrast to what occurred along the nineties.

With large reserves and wide access to financial markets, developing countries followed different routes. One route was to keep the strategy previously taken in a context of lower growth. Some countries in South America like Chile and Bolivia followed this route. In fact, different from Chile or Colombia that are aligned with the U.S., Bolivia is one of the few South American countries still run by a leftist government, which preserved the social and economic model adopted after 2005. Bolivia has been the fastest growing L.A. economy during the period 2014-2016, with an average rate of 4,9%. In other South American countries, like Uruguay and Ecuador, governments of the left or center-left are still in power and continue to adopt policies similar to those practiced in the 2000s, but with less favorable economic results (see table 4). Venezuela also maintained the same strategy since a 'Bolivarian' government is still ruling the country. However, in a context of deep political crisis, the current economic collapse in Venezuela has internal political dimensions that cannot be generalized to the rest of South America.

All the 'progressive' governments who have ruled South American countries in the 2000s faced a growing internal opposition. Even before being ruled out, most of these governments have weakened and began to change their strategy, some of them even adopting conservative fiscal policies[15]. Regime changes occurred in Paraguay (2012) with the impeachment of Fernando Lugo; in Argentina (2015), with the election of Mauricio Macri and in Brazil (2016), with the impeachment of Dilma Roussef, and signaled a radically new direction. The main economies of South America shifted their political development strategy (internal and external economic policy) towards the right, interrupting the previous center-left political cycle and retaking the agenda of the Washington Consensus reforms (deregulation,

[15] In the case of Brazil, the adoption by Dilma Roussef of more conservative fiscal policies led to a lower economic growth (Serrano and Summa 2015) and created political opportunities for big business and other internal and external group of interests, discontent with the social and distributive policies, to destabilize the PT government.

privatization) amplified by institutional reforms as deregulation of labor relations. Part of this change has been the opening of the energy sector in Argentina (agreements with Chevron), Brazil (allowing the participation of private and foreign companies in the pre-salt layer blocks), Ecuador (agreements with the China National Petroleum Corporation) and Venezuela (Orinoco Basin).

This change in political and growth regime had some similarities to the process of liberalization of the eighties, when the main private economic groups that benefited from the developmental state led the political opposition to this State (Medeiros 2013a) [16]. Industrial and financial groups that benefited from the previous pattern of growth managed to form political coalitions to interrupt this growth regime[17]. Together with the abandonment of the development model chosen in the 2000s, South American countries like Brazil and Argentina began to give up their regional power ambition. South American regional integration projects are nowadays in crisis. "Integrationist" governments and 'imperialism by invitation' replaced progressive and nationalist governments following a strategy based on free trade schemes and strong political alliances with the US. South Africa seems to follow the same path. With the economic and political problems of some member countries, the very sustainability of the original BRICS project is threatened.

However, others countries did not follow this change. Russia, despite its economic difficulties, has an increasingly assertive geopolitical strategy, as proved by the annexation of Crimea in 2014 and the Russian participation in Syrian civil war (with the discreet backing of China). In other emerging countries such as India, the business sector, although discontent with nationalism and the growing presence of China have not been so successful or have found vested interests in attacking developmental institutions but continue to advocate greater integration with the United States to the detriment of the countries of the South. China continues to develop new multilateral institutional arrangements where it holds the lead, such as the Asian Infrastructure Investment Bank (AIIB), set up in 2016, with the goal of supporting the Chinese Belt and Road initiative (BRI)[18].

These disparities in the trajectories of developing countries show a great heterogeneity in their ability to follow persistently an independent geo-economic and geopolitical strategy, depending on the relation between the State and the big business. Countries such as Russia, China, and India have intrinsic

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[16] In Brazil, for example, the sectors that were most strongly opposed to the nationalization during the presidency of Geisel (1974-1979) are precisely the industrial groups that were promoted by heavy industrialization.

[17] As Petras and Veltmeyer (2016) put, the commodity exporters perceived an opportunity to rid from their connections with nationalist states and participate in more lucrative arrangements in a low tax and low wage economy.

[18] Formerly known as "New Silk Road" or "One Belt, One Road", the BRI has two pillars: the Silk Road Economic Belt (SREB) and the "Maritime Silk Road" (MSR).

national projects, especially on security, that resist changes in the ideological, political, and economic position of the leaders in power. However, countries like Brazil, Argentina or South Africa do not have this characteristic. In these countries, the adherence to regional or multilateral South-South (BRICS) construction projects depends on the choices of political leadership. This diversity in the South economic strategies is explained by domestic political and economic decisions but US action took the opportunities to promote their interests.

The new American nationalist strategy, promoted since the election of Donald Trump, seems to point in the direction of a replacement of this US-centred multilateralism for a closed bilateral relationship. Trump has politically used the rejection (including in a part of the Democratic Party) of multilateral agreements and appropriates this rhetoric in favour of a higher employment. The idea is to reformulate multilateral agreements or replace those agreements with bilateral agreements, so that the terms become favourable to US companies but probably in favour of American employment at expenses of employment in developing countries.[19].

In South America, with the fall or the weakening of 'progressive governments' in the mid-2010s, most of the countries abandoned their assertive geopolitical and geoeconomic strategies. Regional institutions like the Mercosur (Southern Common Market) and the UNASUR have declined since the new right-wing governments of Argentina, Brazil and Paraguay do not back these initiatives. These governments now support free trade agreements be they bilateral or with blocks already constituted (European Union, NAFTA). The independent foreign policy of the 2000s is substituted in many countries like Brazil or Argentina by an alignment with the U.S. State Department. It is the comeback of the "peripheral realism" and the "autonomy for integration" of the 1990s (Bastos and Hiratuka 2017).

It is interesting to observe that the conservative wave has submerged much of South American countries almost simultaneously. Three hypotheses can be advanced to explain this regionalization of the political cycle. The first hypothesis rests on political aspects. After the relative 'attention deficit' in L.A. observed in the 2000s, the United States would have demonstrated growing concerns toward the region[20]. The growing influence of China in the region[21], and 'progressive extractive nationalism' in ALBA

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[19] For example, Trump's administration wants to impose on Mexico restrictions on exports to the United States to reduce the bilateral trade deficit between the two countries. Other target is to force Mexico to replace imported components from China by others made in America, especially for Mexican exports to American market (Office of the United States Trade Representative 2017). In this way, US strategy is more than ever committed to the use of "economic tools" to achieve its goals (President of the United States 2017, 34).

[20] The US supported a military coup in Honduras, institutional change in Paraguay and destabilization in Bolivia and Venezuela. (Petras and Veltmeyer 2016; Moniz Bandeira 2016).

[21] China has signed agreements on the purchase of ore and oil and Chinese companies have bought strategic assets in the infrastructure and energy sectors of many L.A. countries (Cui 2016).

countries backed by Brazil and Argentina would have motivated a growing US engagement and support to opposition movements, including in some cases typically lawfare strategies. Besides, the regime change that occurred in Argentina and Brazil in 2016 and the profound crisis in Venezuela have enlarged America influence in its traditional backyard. Moniz Bandeira (2016) or Weisbrot (2016) have endorsed this interpretation. They claim that this process has been relatively similar to what occurred in North Africa during the "Arab Spring" started in 2010. It would have been politically subtler and more efficient than the failed attempts against the Chavist and other progressive L.A. governments during the 2000s [22]. However, this first hypothesis lacks of an analysis of the internal mechanisms that led to political and electoral discontent that would have politically propitiated the right-wing victory.

A second hypothesis mixing external and internal economic aspect would be that the expansion of public and social expenditures in South America during the 2000s depended heavily on the growth of exports of natural resources. So, when there was a fall in the price of commodities and a decrease in external demand, a phenomenon that manifests itself already in 2012, but was still stronger in 2015-2016, the previous economic cycle would have been disrupted and the economic growth declined sharply in the region. The economic crisis would then have undermined popular support for leftist governments and precipitated their end. However, this purely economic hypothesis has weak points. Not all the mineral economies, which were the most affected by the reversal of terms of trade, suffered the same economic and political impacts. Moreover, there has not been a currency and financial crisis like those that historically marked the disruption of economic and political cycles in L.A. in the eighties and nineties, because of the adoption of a better administration of the balance of payments (see section II).

A third hypothesis is based on the notion of distribution conflict. In Argentina and Brazil, at least until 2014, the decline of the economic growth did not lead to a substantial fall in employment and real wages. As it has been shown by Kalecki (1943 [1990]), a situation of full employment in a capitalist economy would create the conditions of a wage explosion. Even if Argentina and Brazil were not in an actual situation of full employment in 2015, strong inflationary pressure was still present in these countries. As a result of those tensions and even in the absence of a currency crisis, there would have been an opportunity for a new political cycle commanded by the right-wing parties and backed by the big business, opposite to the anterior one controlled by the center-left. Indeed, this new political cycle has led to the reversal of the social and economic policies adopted during the 2000s in these countries.

[22] "In the sphere of military influence and political intervention, collaborators of the US suffered major setbacks in their attempted coups in Venezuela (2002, 2003) and Bolivia (2008), and in Ecuador with the closing of the military base in Manta; but they were successful in Honduras (2009). The US secured a military base agreement with Colombia, a major potential military ally against Venezuela, in 2009" (Petras and Veltmeyer 2016, 33).

VI. Final Remarks.

We explored in this article how it is necessary to integrate geopolitical and geoeconomic dimensions to analyze the development strategies followed by the states. Our discussion began with the transformations brought about by the commodity cycle of the 2000s and the associated economic, social, and political transformations.

The high economic growth of developing countries during the decade of the 2000s led to a geopolitical and geoeconomic rise of the South. This evolution occurred under the leadership of US as the main economic and military power and in a liberal international environment led by transnational corporations. In this evolution, China played a central role in this movement. If the United States (and Europe) remain the 'cyclical center' (Prebisch 1949b [1993], 422) for Chinese exports, China has become a new 'cyclical center' for raw material exports, especially from Latin America and Africa, with a strong increase in South-South trade. Many initiatives to promote multilateralism centered on developing countries emerged in the 2000s, either through the establishment of cooperation institutions or South-South trade agreements. In South America, the developmental regionalization took in this decade aimed to support the national development strategies followed by Argentina and Brazil (based on the expansion of their internal markets) and by Bolivia, Ecuador and Venezuela (with a focus on the control of raw materials royalties and their distribution targeting the poorest populations and funding social projects). This regionalization colluded in many aspects with the one promoted by the US centered economically on free trade and capital mobility and geopolitically on the prevention of new regional power. In this context, the growing presence and influence of China in natural resource (energy) rich regions like South America, the BRICS initiatives and nationalism in the South challenged the previous status quo followed in many countries, particularly in L.A during the nineties.

This geopolitical and geoeconomic autonomy movement in the periphery seems to have entered a critical phase in the 2010s. The decline of commodity prices and the world rate of growth and the adoption of contractionary economic policies in many countries led to a sharp slowdown in economic growth. In the case of the biggest countries in South America, as Argentina and Brazil, changes in political leadership have led to the abandon (at least partially) of their regional integration and South-South cooperation projects.

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