Argentina, Brazil, and Mexico in the Face of the Global Economic Crisis: What Economic Strategies Work Best?

by

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I. Introduction

Today world is experiencing a major economic crisis which started with the 2007 subprime mortgage crisis in the US. Although the crisis initially affected only the advanced countries, it soon began to spread to the developing countries. Now faced with a crisis which actually originated in advanced countries, developing countries are also struggling with the effects of the crisis.

Since neoliberalism was still dominating development theory and policy before the global financial crisis, with the emergence of the global crisis the mainstream “neoliberal” development model was put into serious trial (Birdsall and Fukuyama 2011). Within the developing world, Latin America is probably where neoliberal model was most completely followed. Yet, in the last two decades, many scholars are talking about the re-emergence of the Left in Latin America. After sluggish growth rates and a series of financial crises (1994-95 in Mexico, 1998-99 Brazil, and 2001-02 in Argentina) at the peak of the neoliberal period, the neoliberal model lost its credibility as a model for providing sustainable growth in the region. With these developments, the search for new models of development began in the region. Some scholars even suggest that the “post-neoliberalism” era started, while others simply call a return of “developmentalism” with a new outlook. Yet, not all countries in the region are in the same path.

The purpose of this paper is to drive some lessons from Argentina, Brazil and Mexico for evaluating the impact of the global economic crisis in the context of a shift away from the hegemony of the neoliberal model of development. Mexico is an example for states that have not broken away from the neoliberal model. If we use the categorization of Jorge Castaneda (2006), Argentina is an example for “bad leftist” (or populist) governments which broke away...
significantly from the neoliberal orthodoxy. Brazil is an example of the “good leftist” governments, which did not totally abandon the neoliberal agenda, but modified it to a certain extent.

The goal of this paper is to judge whether the policies adopted by Argentina, Brazil and Mexico before the global economic crisis have improved their macroeconomic performance and strengthened them in the face of global disruption. Therefore, this paper makes a comparison of Argentina, Brazil and Mexico in terms of how these two countries are affected by the global economic crisis. Especially important is to understand how the different strategies these two states have followed during the pre-crisis period (roughly 2002-2007) determined their economic performance during the global crisis. Since Mexico’s strategies were largely defined by the neoliberal model, while Argentina rejected some of the important principles of the neoliberal model since 2003, this study shall help us evaluate the neoliberal development model versus the emergent “neo-developmentalist” model.

This study is important for everybody who is trying to understand how developing countries are affected by the global economic crisis and which factors decreased or increased their vulnerability to such crises. In a way, the global crisis has been instrumental for highlighting strengths and weaknesses of each economy. The policies that were followed prior to the crisis have considerably determined how resilient these economies were during the crisis. In that respect, the results of this study may suggest some development policies to policymakers in order to enhance economic stability and development.

The findings of this study suggest that, Argentina and Brazil, who increasingly shifted to “neo-developmentalist” economic strategies prior to the crisis, performed better during the global crisis. Through the neo-developmentalist strategy, they have become more wary of neoliberal policies, and thus, they selectively maintained some of the neoliberal policies that were deemed
to be beneficial in terms of strengthening the economy (e.g. tight monetary and fiscal policies and flexible exchange rates) and replaced others with more interventionist ones (e.g. active industrial policy and social policy). Despite its drawbacks (e.g. rising inflation Argentina and low growth in Brazil), this heterodox approach to economic policymaking in Argentina and Brazil has proven to be more successful than Mexico’s neoliberal policy framework.

II. Global Economic Crisis and the Neo-developmentalistm

The global economic crisis of 2007-2010 is considered to be the first major global crisis since the Great Depression of the 1930s. In this current global crisis, growth rates have gone down and inequality and poverty have risen. The stock markets have crashed in both advanced countries and developing countries. Even the developing countries with current account surpluses and low deficits were considerably hurt (Gallagher 2009).

The global crisis have challenged several key premises of the neoliberal development model and instead pointed out the importance of some policy areas which were ignored by the neoliberal framework. One of the central arguments of the pre-crisis neoliberal consensus was that developing countries would benefit from greater flows of foreign capital (the “foreign finance fetish”), despite the fact that there was not strong evidence for the benefits of full capital mobility (Subramanian 2011). As the crisis was largely seen as a result of unregulated financial markets, this argument is largely discredited now. Another issue is the importance of social policy, which was downplayed before the global crisis. With the global crisis, it is now more recognized that social protection and social policies that target the poor are indeed important for political legitimacy and decreasing inequality, and also to shelter the people during the crisis. A third issue is related to the use of industrial policy. Pre-crisis economic consensus was for
minimum state involvement in the economy, but after the crisis there is more recognition for the benefits of effective state support to certain industries (Birdsall and Fukuyama 2011). All these themes can be assessed through an analysis of individual economies.

The problem is that, despite the fact that the crisis caused the neoliberal paradigm to be more challenged and discredited, a strong alternative paradigm to neoliberal model has not emerged yet. Instead what we see today is an ambiguity. Responses to the crisis have been mostly chaotic and mixed. Grabel (2011) labels this “productive incoherence,” which has replaced the “neoliberal coherence” of the past few decades. She suggests that this is an opportunity for developing countries to creatively experiment with policies of their own design. Yet, we can somehow talk about an emerging convergence in Latin America in terms of development strategy. This is a region which had implemented neoliberal framework to its most extreme, and now it is the region where this framework is most challenged. In Latin America the search for a new development model is a result of the region’s social and economic frustration with the neoliberal reforms and this search had started even before the global financial crisis. One obvious trend is that, despite some exceptions like Colombia, Mexico or Peru, state interventionism in the economy is increasing in general (Ocampo 2011). That increased role of state in the economy has led to a new kind of a development strategy, which we can simply call “neo-developmentalism.”

It may be wrong to categorize “neo-developmentalism” as a totally new and distinct policy framework. It is actually a hybrid model which combines some neoliberal policies with the classic developmentalist strategies. In a sense, it is trying to merge lessons learned from the ISI period with the lessons learned during the neoliberal period. Therefore, it is eclectic and pragmatic. It doesn’t reject all the neoliberal policies, but it challenges the neoliberal framework especially by bringing the state back into development. That’s why it is criticized both by the orthodox economists and radical economists.
The effects of the current crisis differed depending on the economic conditions (trade, finance, fiscal, and so on) of each country. Statistical cross-national analyses fail to provide rich details of how the crisis has been affecting each country and such data are not even readily available for many developing countries. This study uses the comparative case study methodology. It compares a case which has been continuing with the neoliberal economic policies (Mexico) with two cases which have been implementing neoliberal policies more selectively (Argentina and Brazil) in the last decade.

Argentina, Brazil and Mexico are chosen as the focus of this study, because they can be considered the most similar cases. They are all emerging markets and they are the three biggest economies in Latin America. Because of their similar history, they have shown some similarities in terms of their economic structures as well. Roughly in 1950s-1970s, all three were trying to implement import substitution industrialization (ISI) strategy, which was followed by the lost decade of 1980s caused by the debt crisis. Then one by one, each of them embraced “neoliberalism,” and started to implement orthodox economic policies at all fronts. It was thought that liberal policies would bring rapid and sustainable growth and also reduction of poverty. Yet, these ambitions largely remained unfulfilled. They suffered from “too much liberalization, too soon.” Prior to the 2000s, neither of them could achieve sustainable economic growth and they all faced with economic booms and busts caused by periodic crises. All of these countries have been among the top ten recipients of the IMF funds in the last three decades. Yet, in the recent years, especially since 2003, these economies began to differ more from each other. In general terms, we can suggest that Mexico largely remained as a typical neoliberal economy, while Brazil and Argentina switched to different degrees of neo-developmentalism. The purpose of this study is to elaborate on these growing divergences and to analyze how these differences mediated the effects of the global economic crisis on their economies.
III. The Impact of the Global economic Crises on Argentina, Mexico and Brazil

Argentina, Brazil, and Mexico are not unfamiliar with the economic crises. Actually they have had several crises before, but mainly due to their domestic economic failures. Just before the global crisis, both Argentina was among the fastest growing emerging economies, and Brazil and Mexico were considered countries with “stable growth.” All three were considered to have strong macroeconomic fundamentals when the global crisis emerged. Yet, having strong macroeconomic indicators does not mean a country will not be affected by the global economic crisis. In fact, if an economy is highly open to trade and capital flows, a strong external shock would inevitably leave that economy very vulnerable (Ocampo 2009). That is what happened for these three countries, at least temporarily, and thus, none of them could escape from the ramifications of the global crisis.

By looking at the GDP growth rates of all these three countries (see Figure-1), it is noticeable that their output was considerably affected by the crisis, especially in 2009. 2008 was also a year of decline for these economies, but all had their dip in 2009. Yet, in general Mexico’s economy looks like the one which suffered most. Claessens, Dell’Ariccia, Igan and Laeven (2010) note that Mexico was the first among three to enter into recession due to global crisis (by third quarter of 2008), but Argentina and Brazil soon followed suit (by the last quarter of 2008). They “all suffered steep and synchronised slowdowns in output growth in the 4th quarter 2008, largely led by manufacturing” (Sercovich 2009, p. 28). After 3.3% and 1.2% growth rates in 2007 and in 2008 respectively, the GDP of Mexico suffered a decline of about 6% in 2009, its biggest
decline since 1932. In the second quarter of 2009, its GDP decreased 10% compared to the previous year (Esquivel 2011). If we compare 2007 and 2009 growth rates of Mexico, there was more than 9 points drop in growth. What is also notable about Mexico is that, its growth was already in decline before the global crisis started.

**Figure-1:** Annual GDP growth rates

![Annual GDP growth rates](image)

*Source: Data are taken from the World Development Indicators database of the World Bank.*

Brazil and Argentina were having higher growth rates than Mexico before the crisis hit their economies. In Brazil, after three years of continuous expansion, GDP declined by 3.6% in the last quarter on 2008 and another 1% in the first quarter of 2009, mainly because of disruption in the credit markets which led to a sharp drop in investment (9.1% in the fourth quarter on 2008 and another 12.3% in the first quarter of 2009) (Blanco, de Holanda et al. 2011). Brazil recorded

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1 Data taken from *World Development Indicators* database of World Bank.
0.3% contraction in 2009, but this was a much smaller contraction in economy than Mexico’s. Still, if we compare this with 6.1% growth in 2007 and 5.2% growth in 2008, it is over 6 points of decline in GDP for the period. Only Argentina maintained a positive growth rate in 2009, but its growth rate decreased from 8.7% in 2007 and 6.8% in 2008 to only 0.9% growth in 2009.\(^2\) Therefore, drop in Argentina’s output was also significant.

Despite all the fears that these countries were on the verge of another economic collapse, they managed to recover rapidly. All three economies bounced back to higher growth rates by 2010. Most impressively Argentina grew 9.2% in 2010, followed by Brazil with 7.5% and Mexico with 5.3%. However, 2011 growth rates were not as high for Brazil and Mexico, and by 2012 Argentina and Brazil had low growth (1.9% and 0.9% respectively) while Mexico grew 3.9%.\(^3\)

The global crisis also had some impact on the employment rates. Argentina had very high unemployment in the early 2000s due to its 2001-02 crisis (peaking in 2002 with 22.3%), but it was very successful in creating jobs in the following years. Thus, Argentine unemployment rate was to 7.8% by 2008 when the crisis was in its early stages. Brazil also had unemployment problem prior to the global crisis (9.7% in 2003), but it was also successful at creating jobs in the following years and unemployment had fallen to 7.1% by 2008. In contrast, Mexico had less unemployment from the beginning of the 2000s on and its unemployment rate in 2003 (3%) was not too different from its unemployment rate in 2008 (3.5%). The global crisis caused unemployment to rise in Mexico from May 2008 on, reaching to 6.3% in August 2009, highest rate since the Tequila crisis. Argentina and Brazil had 8.6% and 8.3% unemployment rates respectively in 2009. When we look at official unemployment rates of Argentina, Brazil, and

\(^2\) World Development Indicators, World Bank.  
\(^3\) Ibid.
Mexico, it is very noticeable that they have converged around 5.5-7% by 2011, although they had had a very diverging performance in job creation in the early 2000s.\textsuperscript{4}

The immediate effects of the global crisis could be seen in the financial markets. In the fall of 2008 currencies of Brazil and Mexico depreciated by more than 40% and Argentine peso depreciated by 20% versus the US dollar. Also, the stock markets plummeted by over 50% in Argentina and Brazil, and spreads on yields quadrupled in Argentina and doubled in Mexico and Brazil (Boonman, Jacobs et al. 2011). However, none of these countries got into a financial crisis; rather they relatively quickly returned to a level close to their pre-crisis situation shortly after August 2009.

As can be seen in Figure-2, there was sharp devaluation of currencies of these three economies in the second half of the 2008. Brazilian peso depreciated 45%, Mexican peso depreciated 35%, and Argentine peso 14% (Loser 2009). Mexican peso had a sharp depreciation by mid-2008 but it was short-lived. From 2009 on peso started to appreciate again but it did not return to its pre-crisis level. Brazil’s currency had a similar slump, but real appreciated much faster and returned to its pre-crisis level by 2011. Argentine peso fared quite differently. It only had a slight decline in 2008, but it continued to depreciate in the coming years. This difference can be explained by the different exchange rate regimes followed by Argentina as opposed to Brazil and Mexico, which will be discussed in detail in the next section. Since none of the three faced a currency crisis, they were considered to weather the global crisis successfully in financial terms. This was thanks to the flexible currency regimes they adopted in the pre-crisis era.

\textsuperscript{4} Ibid.
Figure-2: Changes in the exchange rate: how much US Dollar is worth in terms of the respective local currencies

**Argentine peso**

**Brazilian real**

**Mexican peso**
As it can be seen in Figure-3, the drop in Brazil’s stock market was sharper than the other two, but it also had risen faster than the other two before the crisis. On 6 October 2008, trading in Brazilian stock market was suspended because of dramatic drops in the market. During the pre-crisis period (September 2005 through December 2006) the return was 54% in Argentine stocks market, 72% in Brazil’s stocks market, and 75% in Mexico’s stocks market compared to the 70% loss in Argentina, 59% loss in Brazil, and 58% loss in Mexico during the crisis period (November 2007 through February 2009) (Senbet and Gande 2009). Therefore, there was a similar sharp drop in all three stocks markets. Nonetheless, one difference is that Argentine stocks market had another slump from mid-2011 until the end of 2012.

Figure-3: Stock market trends during the global crisis
In terms of external debt, these three countries had very different positions by the early 2000s (see Figure-4). While Argentina was terribly indebted by 2003 (total debt was 132.5% of its GNI), it improved very fast over the coming years. Mexico had the best position in 2003 (total debt was 23.9% of its GNI) and its indebtedness increased quite little over the years, reaching 25.2% by 2012. Crisis was kind of a turning point, because it was in 2009 that Mexico’s indebtedness started to increase again. Brazil was more indebted than Mexico but much less indebted than Argentina by 2003 (total debt was 44.1% of its GNI) and its debt level became stable around 16-17% of its GNI since the crisis started. We can argue that the crisis did not impact the debt levels in Argentina and Brazil very much, but if we look at the quarterly external debt graphs in Figure-4, it is obvious that the crisis caused a sharp increase in external debt for Mexico. Although Brazil’s external debt has increased as well, that developed much more gradually compared to Mexico’s.
**Figure-4:** External debt in Argentina, Brazil and Mexico
Like most of the other developing countries Argentina, Brazil, and Mexico were mainly affected by the global crisis through the trade channel. However, they differed in terms of their current account balance both before and after the crisis. We can say that Mexico has chronic current account deficit since the beginning of the 21st century. Although this deficit has been relatively small (around 1%), it still indicates that Mexico didn’t have a good external position. Its deficit was worst in 2008 (1.7% of GDP) when the crisis was at its peak in the US. Argentina was successful in keeping a current account surplus. Except having a deficit of 0.4% of GDP in 2011, it maintained a positive balance, although its surplus has declined in the recent years. For Brazil, the global crisis became a turning point in terms of the current account. While it maintained a small surplus up until 2007, it started to run deficits from 2008 on.\(^5\)

It was not surprising that the external position of Argentina, Brazil, and Mexico deteriorated with the global crisis as all of them are important players in international trade. In fact, the crisis hit them most through the trade channel. The falling global economic activity reduced both commodity prices and demand for manufactured exports, so all these three countries’ current account worsened from 2007 onwards. There has not been much change for Mexico, but we can conclude that Argentina and Brazil had their current position significantly worsened with the global economic crisis. The main reason was the falling commodity prices and declining global demand for manufactured goods. In Brazil basic product exports decreased 30% and manufactured good exports decreased 33% in 2008 (Blanco, de Holanda et al. 2011). However, Brazil’s declining exports to Mercosur, EU, and US was partially compensated with increasing trade with China.

Brazil’s response to the global crisis was effective. It not only took steps to alleviate the credit crunch, but also adopted countercyclical monetary policies. Economic situation already

\(^5\) Data taken from World Development Indicators database of World Bank.
began to improve by the second quarter of 2009 (Blanco, de Holanda et al. 2011). Argentina also took very similar steps to counteract the crisis. However, the Mexican government failed to take the global crisis seriously in the beginning. Because Mexico had good stable financial and fiscal position, they thought they would be immune to the effects of the crisis. Therefore, they were late in responding to the crisis and the measures they took were insufficient (Esquivel 2011). This failure was another reason for Mexico to be affected worse during the crisis and it is also an evidence for the Mexican government’s reluctance to intervene in the economy.

In sum, we can conclude that Argentina, Brazil and Mexico were affected by the crisis, but they were not affected to the same extent. All three economies contracted significantly in 2009, but Mexico was affected the worst. In fact, Mexico is the Latin American country which was most affected by the global crisis, especially with respect to output growth. Although Mexico was in worse situation before the crisis in terms of current account and growth compared to the other two, it was in better situation in terms of some other indicators, such as employment, debt, and so on. Argentina was the country which had best indicators throughout the crisis. This is despite the fact that on October 30, 2008, the US Federal Reserve Bank established a $30 billion currency swap line from which Brazil and Mexico benefited (besides South Korea and Singapore) but not Argentina. So, why was Mexico worst affected? That is the question we will try to answer in the next section.

IV. Understanding the effects of the Crisis

After talking about how Argentina, Brazil and Mexico were affected by the global crisis, we have to deliberate on why they were affected the way they are. There are several economic factors:

6 For instance, they did not lower the target interest rate until early 2009.
linkages that cause developing countries to get affected by the global economic crisis although the crisis actually started in advanced countries. The primary links are trade and financial flows. Of course the degree of dependency on trade and financial flows determine how much an economy is affected but also some structural problems of individual economies determine how vulnerable they are to external disruptions.

A. Finance channel

In the past decades developing countries have become much more integrated with the global financial system. The biggest reason is that these countries were pushed by international financial institutions for liberalization of their capital accounts, liberalization of domestic stock markets, and privatization (Cali, Massa et al. 2008). For Argentina, Brazil, and Mexico, the increased dependence on foreign capital flows was especially a result of the liberal policies imposed by the IMF during their past economic crisis periods. More financial integration can increase economic growth, but at the same it may increase vulnerability in the face of a global financial crisis due to the contagion effects and reversal of financial flows.

Normally under a global financial turmoil developing countries would be adversely affected due to decreasing flows of foreign direct investment (FDI), foreign portfolio investment (FPI), and foreign debt (Cali, Massa et al. 2008). As the global crisis caused an increase in the US interest rates, the money flowing to emerging markets, was expected to decrease. Yet, not all developing countries were affected equally because the effect of the decline in the net capital flows depends on the size and contribution of the external liabilities in each economy (Blanchard, Das et al. 2010). In fact, by early 2008 capital flows to emerging economies began to decline and the fall in capital inflows was extensive (only half of in 2007) in the second half of 2008 (Loser
These capital reversals were also true for Argentina, Brazil, and Mexico. FDI inflows decreased in all three countries with the crisis.

Bank lending and portfolio investment are more volatile than FDI. Therefore, economies which are more dependent on bank lending and portfolio investment were expected to be affected worse by the global crisis (Cali, Massa et al. 2008). In fact, stock markets had a substantial fall in emerging economies, including Argentina, Brazil, and Mexico, as mentioned in the previous section. However, none of these three countries experienced a financial or banking crisis because of the global crisis. As a matter of fact, even though they had some sudden reversals of capital flows in the beginning, it proved to be just temporary and they remained quite resistant to the financial effects of the crisis. As it will discussed in the next section, the reason for this resilience was sound macroeconomic fundamentals of these three countries. They had their fiscal balances in order, inflation under control, reserves at higher levels, and, may be with the exception of Mexico, external balances in favorable terms. What was also important was that they had established much stronger regulation and supervision of their financial markets, so they were less vulnerable than even advanced countries to the effects of the crisis.

Some scholars argue that countries that borrowed extensively from international financial markets were affected more negatively and their financial links were probably the main cause of declining growth rates (Berkmen, Gelos et al. 2009). There are other scholars who have also argued that countries with more open financial systems had higher capital flight during the global crisis (Blanchard, Das et al. 2010). Not all financial flows may be equally harming in the face of the global crisis. The countries whose debt is mostly short-term are expected to be affected worse (Cali, Massa et al. 2008, Lane and Milesi-Ferretti 2011). Yet, during the pre-crisis period, Argentina, Brazil, and Mexico have all had quite open capital account (but less in Argentina) but all improved their debt position. They were less indebted compared to the 1990s and their
debt had more favorable terms. Yet, there is an important point that should be mentioned about Argentina. Having no access to international capital markets after its 2001-02 crisis might be seen as a disadvantage for Argentina, but it actually saved Argentina from a source of transmission of the global crisis.

Since Mexico was not the country which had worse financial situation before or during the crisis, it is not possible to explain why it was affected worse by the crisis through the finance channel of transmission. Therefore, it is necessary to look at the impact of the trade channel.

**B. Trade Channel**

Ocampo (2009) believes that the trade shock caused by the global crisis was the main reason that developing countries (at least in Latin America) suffered considerably. As the economic growth slowed down in advanced economies, their demand for goods and services of developing countries decreased (Loser 2009). Therefore, the more an economy was open to and dependent to international trade, especially with advanced countries, the worse it was expected to be affected. Yet, Berkman, Gelos, Rennhack, & Walsh (2009) argue that more than being open to trade, it was mostly what countries export that determined how much they were affected by the crisis.

Are the more trade dependent countries really hit worse by the global crisis? According to the World Bank data, by 2007 trade was 45% of Argentina’s GDP, 25.2% of Brazil’s GDP and 57.4% of Mexico’s GDP. Similarly, exports of goods and services constituted 24.6% of Argentina’s, 13.4% of Brazil’s, and 27.9% of Mexico’s GDP by 2007. Obviously Mexico is most dependent on international trade, followed by Argentina, while Brazil’s dependence is the least among these three. Therefore, it was no surprise that Mexico was the economy worst affected
during the global crisis. Yet, this cannot be the whole story, because the difference between Mexico and Argentina in terms of trade dependence is not huge enough to explain why Argentina still kept even higher growth than Brazil during the crisis.

It is not sufficient to look at how much an economy is trade dependent in order to understand how much that economy would be affected by the crisis. It is also necessary whether trade of that country is diversified in terms of trade partners and the kind of products it exports. As can be seen in Table-1, Brazil and Argentina have well diversified trade partners. According to CIA World Factbook, Argentina’s main export partners are Brazil (19.7%), China (7.2%), Chile (5.8%), and the US (5%). For Brazil they are China (17%), US (11.1%), Argentina (7.4%), and Netherlands (6.2%). These two not only trade with each other through Mercosur, but also sell extensively to Asian markets, US and Europe. Actually, share of exports to Asia has risen for both Argentina and Brazil during the 2000s.

Table-1: Direction of Exports by Trading Partners

<table>
<thead>
<tr>
<th></th>
<th>Latin America</th>
<th>United States</th>
<th>Europe</th>
<th>Asia</th>
<th>Rest of the World</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Argentina</strong></td>
<td>33.52</td>
<td>41.37</td>
<td>10.75</td>
<td>7.58</td>
<td>34.6</td>
</tr>
<tr>
<td><strong>Brazil</strong></td>
<td>22.43</td>
<td>24.10</td>
<td>19.34</td>
<td>15.58</td>
<td>32.64</td>
</tr>
<tr>
<td><strong>Mexico</strong></td>
<td>5.01</td>
<td>6.03</td>
<td>80.71</td>
<td>82.28</td>
<td>7.82</td>
</tr>
</tbody>
</table>

*Source:* INTAL-Inter-American Development Bank

For Mexico there is not much diversity in terms of where its exports go, because more than 80% of its exports head for the US. As some of their important trade partners continued to grow during the crisis, Argentine and Brazilian exports did not suffer as much as Mexico’s. On the other hand, as the US economic activity and demand declined sharply during the global crisis,
Mexico’s exports immediately plunged (e.g. -24% in automobiles, -19% in electronic appliances, and -39% in oil). As a result Mexican trade fell more than 20% in 2009 (Esquivel 2011). Therefore, we can consider Mexican economy as extremely dependent on the US economy through trade. Unfortunately the economic policies in the last decade has not improved this situation; on the contrary they have bolstered the problem, because the Mexican economy got more and more linked to the US economy through NAFTA. Thus, Mexico has failed to diversify its export destinations.

When it comes to goods that they export, we also see major differences among these three economies. Argentina’s main export items are soybeans and derivatives, petroleum and gas, vehicles, corn, and wheat. Brazil’s main export items are transport equipment, iron ore, soybeans, footwear, coffee, and autos. On the other hand Mexico mainly exports manufactured goods, oil and oil products, silver, fruits, vegetables, coffee, and cotton. Although each three seem to have a mixture of manufactured goods and basic goods for export, if we look to the share of each product group in exports, the picture becomes clearer. In 2005 47.5% of Argentine exports were agricultural products, 30.4% were manufactures, and 19.5% were fuel and mining products. For the same year 29.6% of Brazil’s exports were agricultural goods, while 52.1% were manufactures and 16% were fuel and mining products. On the other hand only 5.9% of Mexico’s’ exports were agricultural products, while 77% were manufactures and 16.7% were fuel and mining products (19.8% in 2011).7 Obviously Mexico is predominantly a manufactures exporter, whereas Argentina is mainly an agricultural product exporter and Brazil is somewhere in between. However, one should not jump into the conclusion that Mexico has a more favorable trade profile as it mainly exports manufactures which normally have more value added. In fact, because many

Mexican manufacture exports are import dependent, Mexico does not add much value to them as it mostly just does the assembling.

During the global economic crisis the decline was especially severe in the trade of durable manufactures due to economic uncertainty and worsened credit market conditions during the global crisis (Blanchard, Das et al. 2010, Lane and Milesi-Feretti 2010). Demand for manufacturing goods is cyclical and a dramatic decline in trade in manufactures occurred as the crisis hit mainly advanced economies which bought these kinds of goods from the developing countries. As the international orders of manufactures began to resume, growth in such developing countries also resumed (Blanchard, Das et al. 2010, Didier, Hevia et al. 2012). Therefore, countries which are mainly manufactured good exporters were affected worse by the crisis.

Although, world commodity prices also fell, that was more the case for commodities like oil and mining products rather than agricultural commodities. Actually, during the global crisis food prices were on the rise (FAO 2010). As can be seen in Figure-5, although there was a decline in food prices in 2009, still the prices were higher than the early 2000s and they soon bounced back. Therefore, Argentina’s exports did not suffer too much with the global crisis and Brazil started to export more agricultural products and less manufactured goods because of the crisis. On the other hand, Mexico suffered most because it was overwhelmingly exporting manufactures, especially to the US which was battling with recession.
V. Does “Neo-developmentalism” help?

For Latin American countries, including Argentina, Brazil, and Mexico, it has been mainly the trade link which caused a sharp contraction in economic activity. However, the policies that these countries have been following during the pre-crisis period had an impact on how these countries were affected by the global crisis. Thus, looking at their different economic strategies in the 21st century, it is important to compare how these economies have been performing during the global economic crisis. This would not only allow us to evaluate the economic performance of these countries, but also help us find out which economic policies enhance or impair economic stability in the face of a global economic disruption.
In general, as will be discussed in detail, it is possible to identify Mexico as the most orthodox economy since it has continued to implement neoliberal policies. It is followed by Brazil, which tries to implement an industrial policy and focuses on social policy to alleviate its inequality and poverty problems. Argentina is the country which contradicts most with the neoliberal mindset. Although Argentina is still a market economy, it has started using many heterodox policies. This section will analyze the pre-crisis economic policies of these three countries in detail and suggest that the favorable economic changes brought by the “neo-developmentalist” policy framework in Argentina and Brazil may explain why they fared better than Mexico during the global crisis.

A. Argentina

After the 2001 crisis under the rule of Kirchners, the Argentine economy changed in a way that state started to play a greater role and foreign capital plays a lesser role. Since the crisis, Argentina emphasizes over and over that they are more interested in increasing economic growth and decreasing poverty than paying to its creditors. One evidence for this difference is that when in 2004 the IMF asked Argentina to increase its primary fiscal surplus from its current level of 3 percent, the government refused by arguing that their first priority is to revive the economy and help the poor (Economist 2004). To achieve these goals, both Nestor Kirchner (2003-2007) and Cristina Fernandez de Kirchner (2007-present) extended state intervention in the Argentine economy. Some scholars have called it “neo-populism” (Castaneda 2006, Edwards 2010). However, this paper argues that Argentina can be better understood as a “neo-developmentalist” regime, which combines some neoliberal and non-liberal strategies for successful economic growth.
After 2002, many developing countries seemed to have entered into a boom phase, at least up until the global crisis. Yet, one of the most dramatic output growth was in Argentina, which rapidly grew after its economic collapse in 2001-2002. In fact, Argentina’s average growth rate between 2003 and 2007 was 8.8%, higher than Brazil’s 4% and Mexico’s 3.4% growth in the same period.\(^8\) Although Argentina’s economic boom in that period was mostly seen as a result of rising international prices of farm-commodity exports (especially soy beans) and government spending (Economist 2010), construction and industrial manufacture sectors also contributed to growth. Consumption helped achieve high growth rates, but investment in different sectors was an important component of high growth as well. Most of the investment was financed through national savings or export revenues (Wylde 2012). Actually the government actively shifted the focus of the economy from financial sector to industrial production. Kirchner’s industrial policy included tax breaks, subsidies, sponsored credit, and technical assistance (Wylde 2012). Therefore, Argentina can easily be defined as a “neo-developmental” economy. Favorable international conditions helped Argentina to recover, but actually gross domestic investment in Argentina grew much faster than exports during the global boom, thanks to the government effort to revive the manufacturing sector (Tussie 2009).

Therefore, on the one had Argentina took advantage of the favorable external conditions to boost its exports, and had a current account surplus of 3.5% of GDP on average between 2003 and 2007. On the other hand it deliberately implemented certain macroeconomic policies in order not to be too dependent on these external conditions for its economic growth. That is why Argentina was resilient during the global economic crisis.

\(^8\) Average 2003-2007 growth rates are calculated from the data of World Bank’s World Development Indicators database.
Argentina’s success in trade was a result of deliberate government efforts to maintain a competitive currency, i.e. “Stable and Competitive Real Exchange Rate” (SCRER). After the collapse of its “currency board” in 2002, Argentina adopted a more flexible exchange rate system. The new system allowed the government to intervene in the foreign exchange markets in a proactive manner in order to keep Argentine peso at a competitive level. According to Frenkel and Rapetti (2008),

This policy promoted economic growth not only by preserving external and fiscal accounts sustainability, but also by providing incentives to the tradable sector and thus encouraging the expansion of its production, employment and investment. Monetary and exchange rate policies aimed at preserving a SCRER collide with conventional wisdom, particularly with the open economy trilemma. (p. 215)

Thus, SCRER is the key policy in Argentina’s neo-developmental model. It not only made Argentina manufactures more competitive internationally, and thereby, reduced its dependence on commodity or agricultural exports, but also helped Argentina accumulate foreign exchange, helping it to reduce its external debt and increase international reserves. All these strengthened the Argentine economy. However, SCER and less prudent attitude towards fiscal balance in late 2000s had a negative impact: inflation. Although it is not revealed officially, economists estimate that the inflation rate in Argentina is more than 20% since 2008. Although it doesn’t look like that Argentina will fall back into a hyperinflationary spiral again, inflation is a problem which needs to be handled for Argentine economy to stay stable and strong.

Although Argentina increased state intervention in the economy to bring the economy to a more favorable structure, it continued to implement some of the orthodox economic strategies. One of these strategies is fiscal balance. Fiscal position of Argentina rapidly improved in the post-2002 period. Throughout Kirchner’s rule, Argentina had both a primary surplus and surplus in the public accounts. This was not only due to rising exports, but also due to increased tax
receipts.\textsuperscript{9} Also, during Kirchner administration foreign debt decreased from $164.6 billion in 2004 to $107.8 billion in 2006. Debt-to-GDP ratio also improved, falling from 153.6\% in 2003 to 62\% in 2006 (Wylde 2012). All these indicated a more sustainable fiscal position for Argentina, despite the fact that public investment had increased. Yet, it has to be noted that the fiscal position started to weaken with the global crisis.

Thanks to its 90 billion dollar debt default in 2001, Argentina had very little links with the international financial world and very little bank credit (Economist 2010). In 2004 the Argentine government saved $700 million a month for not paying its debt to its creditors (Economist 2004). Of course, they knew that not paying to the creditors would mean no money flow to Argentina, but they calculated that they could live without foreign finance (Economist 2005). And eventually they proved that Argentine economy could survive without international capital flows. Renegotiation of the international Argentine debt was another success of Kirchner. This not only meant a major haircut on outstanding debt but also a restructuring of debt with more favorable conditions. With its confrontational stance against international creditors, Argentina did not feel very restricted by them. By defaulting during the 2001-2002 crisis, it had already faced the capital strike. It was basically isolated from international capital markets. National debt was issued to the domestic market or Venezuela. Yet, Argentina paid off its outstanding IMF debt and got rid of its influence on economic policy. Therefore, although Argentina still had high debt during the global boom period, it was in no need to be very prudent in dealing with the international financial markets. That may also explain its increased tolerance for inflation.

Kirchners’ biggest departure from neoliberalism was probably their stance on privatization. When Nestor Kirchner assumed the presidency in 2003, a reversal of privatization

\textsuperscript{9} Tax receipts in Argentina increased from 2003 on thanks to the growing economy and increased efficiency of tax collection.
began in Argentina and the government established new state companies as well. First, Argentine postal service company was renationalized, and then railways, a radio-spectrum operator, a shipyard, and a water company were taken over by the state. Later AySa, the water company, and Argentine Airlines were on the line. The biggest renationalization was Cristina Fernandez de Kirchner’s expropriation of Argentina’s private pension funds in 2008 (Economist 2012). Nestor Kirchner generally had good relations with the TNCs which already had investments in Argentina but not sympathetic to the new TNCs which wanted to invest in Argentina (Wylde 2012).

The Argentine government also introduced some price control mechanisms to extend its control over the economy and these policies were quite popular among the urban poor classes. For instance, the retail price of natural gas was frozen and the price of beef was held down by adding a high export tax (35 percent) so that the domestic prices decreased (Padgett, Downie et al. 2007).

When it comes to social policy, Kirchner’s record was mixed. For poverty reduction, Kirchner mostly relied on job creation though economic growth. He actually maintained the existing universal social safety net program, Plan Jefes, but not in an effective way. He introduced two smaller plans, Planes Trabajar and Plan Familias. Yet, Kirchner was socially more active in terms of increasing the minimum wage level, which eventually had an important role in eliminating extreme poverty (Wylde 2012). Also, in 2008 Cristina Fernandez increased taxes on farmers who were benefiting from the agricultural commodity boom and began to use those tax revenues for subsidies and payments to poor urban households (Economist 2010). Taxes on sales and export revenues (e.g. 20% tax on agricultural commodities and hydrocarbons and taxes on mining exports) have actually allowed Kirchner governments to extend CCTs and even introduce some new ones, such as the Universal Child Benefit introduced by Cristina
Fernandez de Kirchner in 2010 (Grugel and Riggirozzi 2012). It was the first time the government was extending social welfare programs to people who are not unionized.

Although Kirchners’ model of development relied mostly on the neoliberal conditional cash transfer schemes, they did decrease inequality. According to Lustig, Lopez-Calva et al. (2013), the decline in inequality in terms of annual percentage change in GINI during 2000-2010 was -1.23 in Argentina, while it was 1.16 in Mexico and 1.07 in Brazil. Therefore, Argentina had the biggest fall in inequality among these three. Its Gini coefficient fell from 0.533 in 2002 to 0.442 in 2010 (p. 133). There were also large decreases in poverty and probably that was mostly thanks to the expanding employment and growing economy, but the effect of CCTs should not be disregarded. By 2002 44% of the population was living in poverty and 19.4% were living in extreme poverty. By 2010, these numbers dropped to 23.1% and 12.9% respectively (Grugel and Riggirozzi 2012).

In the mid-1990s, the trend in Latin America was to adopt some kind of an industrial policy (Melo 2001), but it did not become a serious policy until the 2000s. Although some scholars are skeptical about the existence of an active and well coordinated industrial policy in Argentina (Ortiz and Schorr 2009), Keynesian kind of industrial programs do exist and they stimulate demand, employment and growth in the economy. After the 2001 crisis, Argentina selected nine production chains to be supported by the National Forum for Industrial Competitiveness and Production Chains: wood and furniture, leather and leather products, textiles and apparel, agricultural machinery, building materials, software, biotechnology, natural gas for automobiles, and cultural industries (Peres 2011). Yet, there are serious doubts that these policies have significantly reconfigured the Argentine industrial sector or redefined Argentina’s comparative advantages in the global economy (Bugna and Porta 2008, Azpiazu and Schorr
Indeed, the growth of Argentine industries after the 2001-2002 crisis was mainly due to the devalued peso. According to Schorr (2011),

An analysis of the trajectory of the Argentine industry during post-convertibility cannot overlook its significant growth and impact on job creation. But neither can it ignore that this process was limited: It did not spur structural change in the manufacturing profile, and it did not substantially improve the competitiveness of the weakest manufacturing sectors. Neither did it change the picture of “structural duality” of foreign trade and its political counterpart. (p. 48)

Although rejection of neoliberalism meant more effort for active industrial policy, Argentina does not have an industrial policy as comprehensive and effective as Brazil’s. As a result, agricultural export industry still dominates the Argentine economy, which constitutes a limitation on its future growth. Yet, efforts of Argentina to diversify the economy away from agricultural exports have intensified with the global economic crisis.

Under Kirchner’s rule, tripartite negotiations and agreements between the government, labor and business became systematic. Through this channel Kirchner tried to balance the demand for higher wages with price controls and control inflation, and he was at least partially successful. This also brought a corporatist character to Argentina’s governance. As a result of this neo-corporatism, selective protectionism was provided for domestic business, prices were managed to please households and to control inflation, and labor was encouraged to negotiate rather than strike (Etchemendy and Collier 2007, Riggirozzi 2009).

In conclusion, we can argue that Argentina departed from neoliberal policies more than Brazil or Mexico. Yet, it would be more proper to define this new model as “neo-developmentalist” rather than “neo-populist.” This new model of economic governance involves a lot of state intervention, but it is also pragmatic and gradualist. Argentina was quite successful at stimulating exports and thus creating current account surpluses from 2002 on. Application of SCER policy was very instrumental in that. Argentina maintained some neoliberal policies. One
of them was tight fiscal policy. Thanks to fiscal adjustment, fiscal accounts also improved significantly in the post-2002 period. The new economic model of Argentina is also neoliberal in the sense that social programs and strategies to deal with poverty and inequality are still insufficient and largely consist of CCTs. As stated by Wylde (2012),

Kirchnerismo, on the other hand, was a strategy for growth based on selective protectionism and targeted state intervention in order to facilitate macroeconomic stability and economic growth through stimulation of an export industry and limited diversification away from traditional reliance on agro-exports. (p. 114)

Still, this model is more radical compared to Brazil and Mexico, because it had a much confrontational stance against international capital and IMF, especially after 2002.

B. Brazil

Brazil is another case which exemplifies a shift from a neoliberal strategy to a “neo-developmetalist” strategy for economic development. It is also a case which remained somewhat resilient during the global economic crisis. Therefore, it is important to understand which kinds of changes that Brazil has been going through since 2002 so that its economy has become less vulnerable to external disruption unlike in previous decades.

From 1989 until 2002, Brazil adopted most of the neoliberal economic policies prescribed by the international financial institutions, such as privatization, deregulation, trade liberalization and liberalization of foreign investment. In 1994 Brazil introduced its anti-inflationary Real Plan, which succeeded in price stabilization through a crawling peg exchange rate system and neoliberal structural reforms. Thus, in the 1990s, Brazil retreated from state intervention in the economy and started to liberalize trade and foreign capital flows and to privatize state owned enterprises extensively. In terms of trade policy, as a result of the freer trade policies adopted, together with Argentina, Uruguay, and Paraguay, MERCOSUR was established in 1994. Yet,
Brazil also liberalized its trade through other multilateral and unilateral agreements. With these liberal policies and decreased inflation, foreign capital inflows to Brazil increased in the second half of the 1990s (Hiratuka 2008, Christiansen, Oman, and Charlton 2002).

However, in 1998 Brazil faced a financial crisis and started to implement fiscal adjustment, flexible exchange rate, and inflation targeting regime. It also enhanced the regulation and supervision of the financial sector. With tight fiscal policies (e.g. primary fiscal target of 3.3% and Fiscal responsibility Law of 2000), Brazil decreased its debt burden and returned to fiscal sustainability. The new monetary regime, inflationary targeting, was successful in keeping inflation low while allowing the currency depreciate through market mechanisms.

Although the economy was in critical situation by 2002, soon it started to get stronger. In August 2002 Brazil signed a Stand-by agreement of $30 billion with the promise of Luiz Inácio Lula da Silva, the leftist presidential candidate, to maintain the economic policies established after the 1999 Real crisis. Lula kept his promise and continued with the tight fiscal and monetary policies. This newfound economic stability, its large population, and abundant natural resources placed Brazil among top five recipients of FDI in the 2000s.

Brazil took advantage of the global boom period (2002-08) to improve its fiscal and external balance. It continued to run primary fiscal surpluses and succeeded in decreasing its foreign denominated debt and in lengthening debt maturities. Public debt-to-GDP ratio fell from 57% in 2002 to 38% in 2008. Also, inflation fell from 12.5% to 4.5% and headline interest rates declined to 13.75% at the end of 2008 from its peak of 26.5% in 2003. As a result of these developments, Brazil’s investment rating steadily improved and led to increased flows of investment into Brazil. There were also strong productivity increases in that period (Blanco, de Holanda et al. 2011). Brazil grew 4% on average between 2003 and 2007. This growth was
mostly driven by industrial production which grew faster than the economy as a whole. Therefore, when the global crisis hit Brazil, it had a stable and sound economy.

One reason why Brazil’s economy got rapidly stronger is increased exports (from $60 billion in 2002 to $198 billion in 2008), thanks to the global boom and rising commodity prices. Although commodity prices had an important role in this rise, Brazil also achieved diversification of export destinations for its export products by especially increasing South-South trade. Actually its manufactured good exports rose more than commodity exports. Between 2002 and 2008, Brazilian exports to MERCOSUR increased by 150%, to Asia-Pacific by 52% and to the EU by 30%, while exports to the US declined by 18% (Blanco, de Holanda et al. 2011). Brazil continuously ran trade and current surpluses during the global boom period.

Its strong external position allowed Brazil to repay all its IMF debt by December 2005. It also allowed its international reserves to accumulate rapidly, from $37 billion in 2002 to $206 billion in 2008, further decreasing its vulnerability to an external financial disruption. Actually by 2008, Brazil’s debt position was significantly improved. Foreign debt no longer dominated foreign capital inflows to Brazil; increasing amounts of foreign capital flowing into Brazil was portfolio investment or more importantly FDI (Blanco, de Holanda et al. 2011). Yet, although all these sound like good news, they also had an important negative impact on the Brazilian economy. Increased capital inflows to Brazil caused real to appreciate, and thus, decreased competitiveness of Brazil in international trade and started to deteriorate the trade balance.

Accomplishing fiscal adjustment, low inflation and export growth while maintaining an open capital account sounds like an orthodox recipe for economic development. Yet, Brazil’s economic model is increasingly defined as “neo-developmentalism.” One reason why Brazil’s new economic strategy is called “neo-developmentalism” is that it started to produce comprehensive industrial policies to restructure its production and to increase its international competitiveness.
(Trubek, Countinho et al. 2012). Trying to emulate what East Asian countries did, Brazilian government decided that they needed active industrial and technology policies. There were already some incentive mechanisms to attract investment in certain sectors (e.g. auto industry), but there was no comprehensive and strategic industrial policy in Brazil prior to the 2000s (Christiansen, Oman et al. 2003).

In 2003 the government initiated the Industrial, Technology, and Foreign Trade Policy (PITCE) for the years 2003-2007. This was a unique program which had different features compared to the previous ones. It tried to bring universities, civil society, and state agencies together to define and apply Brazil’s industrial policy. It is not only interested in industrial development, but also technological innovation and increased international competitiveness through both horizontal and vertical policies. It included the Innovation Law, which established a new regulatory framework for links among universities, research institutes, and private corporations. Accordingly, four sectors were identified as strategic: capital goods, pharmaceuticals, software, and semiconductors, while three other sectors were identified as carries of the future: nanotechnology, biotechnology, and renewable energies (Hiratuka 2008). The important point here is that these industrial policies are state policies, acknowledging the necessity of state direction in the economy by lending support, providing incentives, and thus creating favorable conditions for the private sector in order to develop of nations’ productive capacity.

Later the government launched another series of industrial policies. They mostly focused on activities with high technology content and tried to create important locational advantages for Brazil and to channel investment into strategic sectors. “Productive Development Policy” (PDP) was announced for the period of 2008-2010 and focused on innovation. The “Greater Brazil” (20011-2014) policy was announced by Dilma Rousseff in August 2011 and it abolished payroll
tax in some labor intensive industries, promised greater care with dumping complaints and more favorable public procurement rules for the national businesses (Hiratuka 2008). The goal was to increase Brazil’s competitiveness in some critical sectors, particularly in the innovative and high value-added ones.

There are some criticisms that Brazilian industrial policy was not systematic or that it was not effective in the sense of promoting integrated development of the manufacturing sector and exports (Mollo and Saad-Filho 2006, Carvalho 2007), but it cannot be denied that the government took a lot of action to support certain industries through tax subsidies for R&D, loans and grants, and public procurement, especially agribusiness, construction, mining, and oil sectors where Brazil has a competitive advantage. PITCE, PDP and “Greater Brazil” are ultimate examples of that effort. Especially PITCE has been successful in increasing Brazilian exports which doubled between 2003 and 2005 (Wylde 2012). Besides these programs, the government intervened in another way for industrial development. It increased credits given by the state-owned development bank, BNDES, which acquired equity stakes in the companies. As of 2001, up to 20% of the Brazilian-listed companies had federal or state governments directly or indirectly among their top five shareholders (Leahy April 11, 2011). That strengthens the thesis that Brazil has shifted from pure neoliberal strategies to neo-developmentalism.

Government efforts also showed their effects in the area of investment. Gross fixed capital formation (GFCF) grew continuously during Lula’s two terms in office, except in 2009 when the economy was affected by the global crisis. In 2007 Brazil launched the Programa de Aceleração (Growth Acceleration Program), or PAC in short, which became one of the core elements of the Lula’s economic strategy. The goal was to increase public investment and thereby accelerate economic growth. It involved a series of infrastructural projects in areas such as water, sewage, electricity, sanitation, road and housing construction. It included support for
manufacturing sectors, but its target was mainly the poor. It was thought that by rebuilding *favelas* and building infrastructure in poorest areas, PAC would also improve the conditions of the poor. The program was to spend about $250 billion dollars between 2007 and 2011. Since poverty and poor infrastructure are two of the most important factors that suppress domestic demand, PAC was thought accelerate growth in Brazil. Hence, GFCF rose from being 14.5% of GDP in 2003 to 19.1% in 2010. Thus, Brazil still has a low level of investment, and higher investment rates are hard to achieve because of the tight fiscal and monetary policies followed (Wylde 2012).

Just like Argentina, Brazil also began to run double surpluses (current account and fiscal) during the global boom period. Fiscal surpluses which were achieved after the 1998 crisis continued under Lula, but they began to decrease with the initiation of the Growth Acceleration Program (PAC) of the government to deal with the impact of the global crisis on Brazil. Despite the primary surpluses, public debt as a share of GDP declined from 2002 on, but the Brazilian government still remained highly indebted.

Another distinctiveness of the Brazilian strategy is its focus on inequality and poverty. Its robust social policies since 2000 are an integral part of its “neo-developmentalism.” (Trubek, Countinho et al. 2012) As a result of wide range of social policies during the Cardoso (1995-2002) and Lula governments (2003-2010), poverty considerably decreased and inequality started to decline in Brazil. These policies mainly consist of a package of conditional cash transfers (CCTs), known collectively as *Bolsa Familia*. CCTs correspond more to neoliberal concept of welfare and social safety net approach (Wylde 2012).

CCTs in Brazil created a demand growth among lower echelons of the society which helped high output rates, especially during Lula’s term. This was particularly important for expanding the domestic consumption, which constituted the most important factor behind the
growth rate in 2004-2008. Although income and employment in Brazil increased mainly due to rising economic growth, enhanced social policies helped reduce poverty and inequality. Absolute poverty rate decreased from 39% in 2003 to 25% in 2008 and it is estimated that about 20 million people were lifted out of poverty between 2003 and 2009 (Wylde 2012). Labor income increased 20% in real terms and unemployment decreased from 12% to 5% during the same period (Blanco, de Holanda et al. 2011). There was also a modest improvement in inequality: GINI index decreased from 0.570 in 2003 to 0.548 in 2008 (Wylde 2012). That means the poorer section of the society benefited more from this growth and stability period. In fact, between 2002 and 2009, the income of the poorest 10% grew about 7% a year, while income of the richest 10% grew only 1.1% and the national average was 2.5% (Lustig, Lopez-Calva et al. 2013). Thus, Brazil’s social policies were successful in decreasing extreme poverty and had also some limited impact on inequality. Also, we should not forget that low inflation rate also benefited the poor, who were most vulnerable to its negative impact.

From the beginning Lula had promised more social dialogue over economic policies. Therefore, he formed the Conselho de Desenvolvimento Econômico e Social (Council for and Social Development Council), or shortly CDES in 2003. The purpose was to simultaneously achieve social justice and economic growth through greater dialogue, improved governance and social inclusion. This is generally seen as an attempt to institutionalize “macro neo-corporatism” (Wylde 2012), which is another element of “neo-developmentalist” model.

Despite the economic stability achieved in the last decade, positive effects of the global economic boom, and the government’s developmentalist efforts, Brazil is mostly seen as a country which has not yet been able to fulfill its potential. With its growing middle class of some 40 million people, definitely it is an attractive market. Also, by keeping the macro balances in check, it has been admired by the liberal economists, but it still has not been able to show a better
performance than Argentina in terms of economic growth. It is one of the BRIC countries but has not been growing as much as the BRICs. Some liberal critics point out that, despite its potential, it also has some critical challenges, such as high taxation, poor infrastructure, high production costs, bureaucratic red tape, and lack of skilled labor, which are referred as Custo Brazil (Brazil Cost) (The Economist, September 28, 2013). Indeed, in its 2013 Doing Business Survey, World Bank ranked Brazil 118th among 185 countries.10

One of the most important problems that Brazil faces in the recent years is high interest rates. Brazil has been using high interest rates to suppress inflation and to prevent depreciation of real, but this restricts demand and thereby does not allow unemployment to decline further. High interest rates benefit the financial sector but make manufacturing and agricultural sectors suffer due to high borrowing costs (Tussie 2009). They also increase the financial burden of public debt. Therefore, many scholars see this policy as “self-defeating” (Carvalho 2007, Saad Filho 2007, Vidotto and Sicsu 2007). High interest rates also attract high foreign capital flows which eventually appreciate real. Then, the overvalued real decreases competitiveness of the Brazilian exports, deteriorating the current account position of Brazil. Since basic goods of Brazil remain competitive despite the appreciated currency, it is mainly the manufacturers who suffer in this process (The Economist, 6 August 2011). Hence, since 2009 Brazil has been trying to implement some capital controls (e.g. taxing short-term capital inflows and raising reserve requirements for currency trading) in order to decrease capital inflows.11

Another handicap is that Brazil still has low savings and investment rates. Lula chose to continue with the orthodox fiscal and monetary policies that the previous governments followed. However, tight monetary policies does not allow to have a more competitive exchange rate and

10http://www.doingbusiness.org/data/exploreeconomies/brazil/
11Brazil’s other responses to the global crisis were to lower interest rates and cut taxes on consumption and imports in 2009.
lower interest rates, which could increase its growth rate to higher levels. Also, tight fiscal policies limit the amount of public investment, which could also stimulate higher economic growth. Therefore, by continuing with some key neoliberal policies, Lula achieved credibility in the eyes of the external creditors and continued with sound macroeconomic fundamentals, but at the same time he limited his country’s growth capacity. In that sense his economic strategy was criticized as not being fundamentally different from the previous government’s strategy. Obviously there was a lot of continuance with the previous government’s policies, but there was a fundamental difference: Lula successfully brought poverty issue to the forefront of public agenda and started to tackle it systematically. Also, although Lula did not reverse any privatization done before his administration, he was against any new privatization so no new privatization was made under his governments.

C. Mexico

Mexico was the Latin American country which was most affected by the global economic crisis in terms of growth. It is because Mexico has been much very dependent on the US economy in all aspects and this dependence has been increasing in the last two decades. Mexico’s economic policies are still conducted with a neoliberal agenda. Unlike Argentina and Brazil, Mexico did not increase the role of the state in its economy in order to overcome its structural weaknesses. Hence, Mexico’s overwhelming dependence on the US economy left Mexico very vulnerable in the face of the global crisis.

Short after its entry to NAFTA, Mexico had a devastating financial crisis in 1994-95, which is called the Tequila crisis. Mexico pulled itself out of this crisis through an export-led neoliberal model. With the depreciation of peso in that crisis and with the help of NAFTA, Mexico’s exports rose rapidly. The US economy was growing strongly in that period which
helped Mexico’s growth as well. Mexico’s average annual growth rate between 1995 and 2000 was 5.5% (Esquivel 2011). Yet, Mexico’s’ economic performance was not as impressive in the 2000s.

Mexican economy contracted 6% in 2009, but in fact Mexico was struggling with low growth even before the crisis. Although other developing countries were mostly taking advantage of the boom which preceded the global economic crisis, Mexico’s growth was modest at best. It grew 3.4% on average in 2003-2007, compared to 8.8% of Argentina and 4% of Brazil (see Figure-1). This was despite the fact that US economy was growing fast, oil prices were high, and remittances were increasing. Therefore, it was obvious that the Mexican economy had some structural problems. These problems could be dealt with during the favorable pre-crisis period, but Mexican government missed that opportunity. They were stuck with the neoliberal framework and, unlike Argentina or Brazil, they did not try to reshape their economy to have a more favorable structure. In fact, Mexico is one of the few remaining countries in Latin America (along with Peru and Colombia) which has not undergone any neo-developmentalist shift.

The main problem of Mexico is that it is extremely dependent on the US economy and it has done almost nothing serious to decrease this dependency. Therefore, as soon as the crisis started in the US, Mexico got affected even worse than the US itself. Yet, as mentioned, Mexico’s economy was growing slowly even before the global crisis. One reason of this slow growth in Mexico is that its competitiveness in trade has declined over the years. NAFTA was supposed to increase exports of Mexico. It definitely increased Mexican exports, at least in the beginning, but especially with China’s entrance to the WTO in 2001, Mexico has found it harder to compete with cheaper exports of other countries despite its geographical proximity to the US market. China soon replaced Mexico as the second most important trade partner of the US. Mexico lost over 800 maquiladoras and about 300,000 maquiladora jobs only from October 2000
to December 2003 and there was also slow employment growth between 2004 and 2006 (Sargent and Matthews 2009). While Mexico’s most important manufacture exports (textiles and electronics) are facing intense competition from other countries, revenues from its other major export, oil, are very volatile because of the fluctuations in the world oil markets. Therefore, Mexico could not achieve stable export expansion in the last decade.

Global crisis affected Mexico mainly through its deep trade ties with the US, but that was not the only channel that transmitted the crisis to Mexico. In fact, the slowdown of the Mexican real economy started even before the trade effects of the crisis were felt, so it was affected earlier than in Argentina and Brazil. It is because Mexican industries are so much linked to US because of their integration through NAFTA that a decline in the US economy is immediately transmitted to Mexico. That is another kind of dependency that Mexico has on the US.

One more source of dependency on the US is the remittances of the Mexican workers who live in the US. Remittances constituted 2.5% of GDP in Mexico as of 2007, making Mexico the second highest recipient of remittances in the world and making remittances second biggest source of foreign currency for the Mexican economy after oil exports. Between 2008 and 2010 remittances to Mexico decreased about 20% (Esquivel 2011). This decreases was sharpest during October 2008-January 2009 when monthly flows declined by 40% (Popescu, Popescu et al. 2010). One more source of dependency to the US is tourism. Tourism revenues constituted about 1.5% of the Mexican GDP by 2008. Tourism revenues were seriously affected as the number of tourists from the US and other advanced countries declined. This decline was partially due to the global crisis, partially due to the swine flu epidemic of 2009. The fall in tourism revenues was 27.6% during April-June 2009 (Esquivel 2011). Therefore, Mexico has multiple channels of dependency to the US economy, so it is highly sensitive to the level of economic activity in the US.
Another problem is that it is an oil dependent economy. Oil is the second highest source of foreign currency to the country and government’s budget is also highly supported from taxes and royalties from Pemex, the state owned oil company. Actually oil revenues constitute about 40% of the government revenues. Consequently, when the oil prices went down during the global economic crisis, it immediately had a negative impact on the fiscal position of Mexico by creating a 3% deficit in the budget (Esquivel 2011). What's more, oil extraction capacity of Pemex is in decline and some of the Mexican oil reserves are being depleted. Therefore, Mexico has to find other sources of fiscal revenue than oil, more taxation through a tax reform being the most logical one.

Mexico has been following tight fiscal policies since the Tequila crisis and that had made Mexico financially stronger. Yet, Mexico is a country where tax revenues are quite low. Even compared to other Latin American countries Mexico collects less taxes. Also, informal economy is very high in Mexico. Therefore, the budget remains very much dependent on the oil revenues. This is not a problem when oil prices are high, but it is a problem when oil prices go down as Mexico’s budget shrinks automatically. The solution to this problem is increasing tax revenues. Yet, tax reform is a highly political issue and has proven to be very difficult to change the existing tax regime. In fact, the Vicente Fox government tried to change the tax regime, but it failed due to political opposition (Pastor Jr. and Wise 2005). So far, instead of increasing tax revenues, Mexico has chosen to decrease fiscal spending to keep its budget in order. This had meant decreasing public investment, and thus, low domestic demand. As private investment had failed to compensate for the declining public investment (Moreno-Brid, Santamaria et al. 2005) that has contributed to the sluggish growth rates. The fixed capital formation in Mexico is low, about 21%, not close to 25% required to sustain a medium-term economic growth of 5%, according UNCTAD.
Mexico’s tight monetary policy since the Tequila crisis was also not helpful for economic expansion. Like Brazil, Mexico has been using inflation targeting strategy. Through this strategy Mexico achieved low inflation but at the same time it created a bias for overvalued exchange rate, leading to slow growth in output (Galindo and Ros 2008). Mexican peso started to appreciate due to increased inflows foreign currency through oil exports and remittances. Increased supply of foreign currency was good for increasing international reserves (which increased from $48 billion in 2002 to $78 billion in 2007) and for paying off external debt (Esquivel 2011), but it had a negative impact on the competitiveness of Mexican goods because of the overvalued currency. Therefore, a more competitive exchange rate system could fit better to the needs of the Mexican economy, but Mexico has continued with the inflation targeting regime.

It was these kinds of problems which caused Mexico to plunge with the global economic crisis and even to suffer a low growth before the crisis. An effective industrial policy could take care of some of the problems that Mexico is facing today, but unlike Argentina and Brazil, Mexico does not have a comprehensive industrial policy. Still adhering to the neoliberal strategy, Mexican government has continued to avoid state intervention in the development process. A proper industrial policy could make Mexican industries more competitive, increase the value added to their products, and also diversify the export destinations. However, in the context of China’s active industrial policies and rising competitiveness, Mexico has been losing out. According to Gallagher and Shafaeddin (2010),

Mexico has followed a “neo-liberal” path, whereas China’s approach could be described as “neo-developmental.” Mexico’s hands-off approach to learning has resulted in a lack of development of endogenous capacity of domestic firms, little transfer of technology, negligible progress in the upgrading of industrial production, and little increase in value added of exports. By contrast, China has deployed a hands-on approach of targeting and nurturing domestic firms through a gradual and trial and error led set of government policies. (p. 81)
Even the manufactured goods that Mexico produces depend highly on imported intermediate goods and raw materials (Moreno-Brid, Santamaria et al. 2005). And of course uncompetitive exchange rate makes the Mexican products even less competitive. In the face of declining competitiveness, the Fox government launched its 2002 Economic Policy for Competitiveness which introduced a list of targeted export industries to receive state support through tax and regulatory incentives. According to Peres (2011), there has been progress with some programs for the automotive industry, export maquiladoras and chemicals. However, this was considered insufficient and too late (Pastor Jr. and Wise 2005). Mexico has largely left the fate of its industries to the markets and as a result was largely unsuccessful in increasing its competitive edge and has even experienced loss of its industries through NAFTA. Technology transfer and R&D activities have also declined in Mexico. As of 2009 Brazil spent 1.2% of its GDP on R&D, while this rate was 0.6% for Argentina and only 0.4% for Mexico.  

One way of ending sluggish economic growth in Mexico could be relying more on the domestic market. With a population of over 100 million, Mexico has a large market. Yet, it is also a market characterized by high inequality and widespread poverty. Thus, social policies are needed to increase the living standards of the poor Mexican people, and thereby, expand the Mexican market. In fact, Mexican governments have started to focus more on the social policies since the Tequila crisis. Public expenditure on social development increased to 8.9% of GDP during 1995-2000 and then reached to 10.1% in 2001-2006 (Moreno-Brid, Santamaria et al. 2005). Mexico relied mostly on the CCTs to deal with poverty. Progresa, the broad CCT program introduced in 1997, was renamed as Oportunidades and expanded in 2002. It covers 5.8 million poor households in Mexico with a budget as low as 0.36% of the GDP (Lustig, Lopez-Calva et al. 2013). With these expanding targeted social policies, both poverty and inequality

12 These data are taken from World Development Indicators database of the World Bank.
started to decline in Mexico. Between 2000 and 2006, nutritional poverty decreased from 24.1% of the population to 13.8%, poverty of access decreased from 31.8% to 20.7%, and resource poverty decreased from 53.6% to 42.6% (Moreno-Brid, Santamaria et al. 2005). Also, the GINI coefficient fell from 0.547 in 1996 to 0.475 in 2010. Although the growth in Mexico was slow, we can say it was a pro-poor growth, because poorest 10% of the population increased their income twice faster than the income of the richest 10% (Lustig, Lopez-Calva et al. 2013). Unlike Argentina, this was not due to fast growth in output and employment but similar to Brazil this was mainly due to CCTs. The government also succeeded in expanding basic education, though not necessarily its quality. These are good news, but lack of robust economic growth and thereby lack of sufficient job opportunities inhibit further social development.

In conclusion, obviously some of the neoliberal policies adopted by Argentina, Brazil, and Mexico in the 1990s benefited these countries in terms of staying resilient during the global economic crisis. Some of these policies were prudent fiscal policy, flexible exchange rates, and tight monetary policy. Also, stronger supervision and regulation of the financial system was helpful for avoiding a financial collapse. Yet, from 2002 on, Argentina and Brazil have shifted towards a “neo-developmentalist” model of economic policy framework with different degrees. That means, both of them maintained some of the neoliberal policies that they saw as beneficial, but abandoned the others in favor of a more interventionist and heterodox economic agenda. By doing so, they have been trying to restructure their economies to become more competitive, more stable, more independent and less vulnerable in the context of economic globalization. On the contrary, Mexico largely preserved its neoliberal development framework. We know from the previous section that Argentina and Brazil stayed more stable compared to many advanced economies and emerging economies (especially East European economies), but Mexico was
significantly affected by the crisis. Although it is difficult to delineate a direct causal relationship, Mexico’s insistence on neoliberalism was an important factor for it to be hit hardest by the crisis. By continuing with the neoliberal policies, Mexico failed to take critical measures to deal with the structural problems of its economy and to effectively respond to the global crisis.

**VI. Conclusion**

The global crisis has affected and is still affecting many advanced countries, including the US and European Union members. It is also affecting developing countries extensively, but its effects on the developing countries are less investigated and less talked about. The purpose of this study was to look at how three emerging Latin American economies, Argentina, Brazil and Mexico, have been affected by the global crisis and to try to find out whether the different economic strategies they have been following before the crisis had an impact on how they have been affected.

Argentina had high and Brazil and Mexico had moderate growth levels during 2003-2007. They enjoyed the benefits of the international economic boom which preceded the global economic crisis. This boom was facilitated by high commodity prices, expanding international trade, and exceptional financial liquidity. After the meltdown of September 2008, all these positive factors disappeared and like all other developing countries, Argentina, Brazil and Mexico began to feel the pains of the global crisis. Neither of these countries got into a serious financial crisis due to the global crisis. This was mainly thanks to strong supervision and prudential regulations that were established after their respective financial crises of the 1980s-1990s. Yet, all of them suffered in terms of a sudden contraction in their economic activity, although there were differences in the way they were affected by the crisis. Argentina was the
one least affected by the crisis, while Mexico was the worst affected. The purpose of this paper is to understand this divergence by looking at the pre-crisis strategies of development.

As mentioned in the paper, Argentina, Brazil and Mexico were following different economic strategies prior to the crisis. Mexico remained within the neoliberal development framework, while Argentina and Brazil started to adopt the “neo-developmental” model. The impact of neoliberal policies on mediating the effects of the global crisis is a bit ambiguous. It looks like, to the extent that they provide stability to economies, they decrease their vulnerability to external disruptions. The neoliberal policies adopted by these countries in the 1990s which have improved fiscal balance, decreased inflation, increased exports, and stabilized currency have actually proved to help them stay resilient during the global crisis. When it comes specifically to financial markets, better regulation and supervision has proved to be source of strength. However, the liberal policies which have made countries more dependent on foreign flows of capital and foreign markets and caused them lose out in the face of fierce international competition have increased their vulnerability to external shocks. Having gone through several crises of their own, Argentina and Brazil have learned their lesson. Therefore, they began to pick neoliberal policies more selectively and they have also started reemphasize the role of state in stimulating the economy, shaping national industries and resolving social issues. As a result, a heterodox development framework emerged, which we call “neo-developmentalist.”

Argentina is the country which shifted most from the neoliberal orthodoxy in economic policymaking. After defaulting on its debt during the 2001-02, it had less to fear. Thus, Argentine state started to take an extensive role in the economy. Privatizations were reversed, price controls were introduced, international financiers were confronted, social policies were extended, effective industrial policies were launched, and an aggressive export expansion was pursued through competitive exchange rate policy. It was probably the last policy which had brought the
most benefit to the Argentine economy as it directly expanded the economy. According to international economic circles, Argentine economy was doomed to collapse with the crisis as it had confronted its debtors, including IMF; lacked credibility in the global financial markets, so had no links to global finance; and shifted away from liberal economic prescriptions. Yet, having less ties with global finance worked as an advantage as this source of vulnerability to crisis was not existing for Argentina. However, Argentina still suffered with the global crisis due to its dependence on trade. Argentina has been especially dependent on commodity exports whose prices declined considerably with the global crisis, at least for a short period. More importantly, Argentina is increasingly growing tolerant to inflation, which may become a serious problem later.

Brazil had a slightly different path. It definitely did not confront the international financiers and did not introduce price controls. There were no new privatizations since 2002, but also no reversal. Yet, as somewhat Argentina has also done, it started to emphasize domestic demand as a driving force for economic growth. This was done mainly through widespread anti-poverty social programs in the form of CCTs, which decreased both poverty and inequality in the last decade. Brazil had strong macroeconomic fundamentals, good external balances, high reserves, well regulated financial sector (decreased systemic risk), flexible exchange rate that accommodates shocks, well diversified trade; but it still has low savings, low investment, very tight monetary and fiscal policies which cause high interest rates and low public investment, and an appreciating currency. What is also important is a comprehensive and effective industrial policy. Brazil (and to a lesser extent Argentina) seeks to protect its domestic manufacturers from cheap imports and to establish a domestic high-technology industry.

Because Brazil kept more neoliberal policies intact compared to Argentina, it was accused of surrendering to the domination of international (especially financial) markets. It is true that
highly liberalized capital account of Brazil limits economic action more than in Argentina. Yet while Lula practically accepted the neoliberal globalization, he did not totally give in to its forces. He combined some neoliberal policies with some policies that protect and help the poor. Lula tried to blend financial stability with economic growth and social justice. It is still more interventionist compared to Mexico, especially with its active industrial policy. According to Burges (2009, p. 196) he is trying to “recruit and seduce,” the markets or in Panizza’s (2005, p. 15) words he is “bending and molding” markets to fit his own agenda of growth and justice.

Mexico has been pursuing the most market-led financially open model of growth among these three. Although it also expanded its social programs, for the rest of the areas it largely remained within the neoliberal framework. Its loss of competitiveness in trade, and failure to initiate an effective industrial policy to counter that, has been seriously limiting its growth. Its extreme dependence on the US economy is probably its biggest structural problem. Yet, Mexico has yet to deal with these problems. It actually can learn a lot from the experiences of Argentina and Brazil to restructure its economy in a more favorable way.

We have to admit that a much more radical political economy is necessary in order to solve the long-term structural inequality problem in all these three countries. By maintaining some core neoliberal policies intact, the neo-developmentalist model remained within the market logic, and thus the inequality issue was not systematically handled. Yet, in Argentina, Brazil, and Mexico the proceeds of the growth period were distributed more evenly across the society compared to previous two decades. Therefore, CCTs’ beneficial effects in terms of falling poverty and inequality cannot be denied.

As this study is a comparative case study, its results cannot be easily generalized. It is also too early to make definitive conclusions about the benefits of the neo-developmentalist model vis-à-vis the neoliberal model. Argentina, Brazil and Mexico all resumed growth in 2010, but we
don’t know if this growth will be sustained. However, we can still take some lessons from these three cases by looking at their performance before the crisis and during the crisis. Some of the lessons that we can derive are definitely not new, but they have been reinforced with the global crisis:

- In order to have stable growth, developing countries need more export diversification, not in terms of products but also partners. Thanks to strong external positions states had capacity for countercyclical credit and monetary policies during the crisis. Yet, still all these countries were affected by the global crisis, mainly due to the strong trade shock it created. The solution to this problem is simply more diversification in trade.

- Especially the countries which have large populations should not neglect their domestic markets for economic growth. Especially when international markets are down, domestic market can continue to stimulate growth. Yet, poverty and inequality problems need to be taken care of for domestic market to expand.

- Liberal capital account regime is not stable or pro-growth. For many developing countries, and even for some advanced countries, mobile capital flows mean overvalued currency and increased vulnerability to any shock. Therefore, more and more policymakers come to the conclusion that some controls on especially short-term capital flows is a good idea.

- A flexible exchange rate system is good for economic stability, but a competitive exchange rate helps even better because it increases competitiveness in trade, thus helps growth. This was proven both by the East Asian countries and also by Argentina.
Fiscal adjustment is good, but it should not cause neglect of public investment and social policy. As Chhibber and Khalilzadeh-Shirazi (1991, p. 28) argue, “there is little merit in having low budget deficit and a low external account deficit if the outcome is low level of savings and investment in the economy.” One effect of the neoliberal programs has been decreasing saving and investment ratios even when inflation and external deficits are reduced (Corbo and Fisher 1992). Yet, as the East Asian examples have shown, high savings and investment rates are vital for sustained economic growth and development.

- UNCTAD defines 25% fixed capital formation/GDP ratio as the minimum investment ratio required to sustain medium-term annual economic expansion of 5%. None of our three cases have reached that benchmark. Investment rate has to increase more to sustain high economic growth rates.

- A systematic and active industrial policy is extremely important. It is now obvious that reliance on market forces and FDI alone will not automatically lead to the transfer of technology and increase value added in exports. The capabilities of domestic firms have to be developed by formulating and implementing a comprehensive but selective and targeted strategy aimed in particular industries.

- CCTs have an important role in decreasing not only poverty but also inequality rates. Although they are considered as a neoliberal tool for fighting with poverty, one should not completely disregard them. Yet, semi-neoliberal economic framework is not sufficient to deal with the structural causes of poverty and inequality.

- Dependence on foreign finance is a problem when there is an external disruption as international financial markets are very volatile. Therefore, it is a good idea to rely on foreign short-term finance as little as possible. Thus, it is very important to increase
trade surplus and domestic savings. It is because national savings are very low in Latin America that foreign capital flows are still seen important for growth (Rojas-Suarez 2011).

- Good financial regulation and supervision creates sounds banks and that leads to stronger and resilient financial system in general.

- Social dialogue is also essential for a stable development whose benefits would be distributed more evenly across the society. Throughout the neoliberal epoch of 1980s and 1990s, power of the labor unions has declined. Besides, neoliberal reforms have general increased inequality and poverty. One of the major motivations for searching alternatives for neoliberalism was to reverse these trends. Therefore, “neo-developmentalist” rightly tried to include disenfranchised groups into the development process. Both Argentina and Brazil initiated somewhat “neo-corporatist” institutions where state, business, and labor representatives would come together to make tripartite negotiations. That is essential not only for creating proper strategies for development from which all sections of the society would benefit, but also for having social and political peace in society which is also essential for stable development.

These lessons come down to the core arguments for “neo-developmentalist.” In a way, this study has critically evaluated the dominance of the neoliberal development framework prior to the global crisis and argues for the benefits of alternative approaches to economic growth and development. One such alternative, “neo-developmentalist,” has emerged in Latin America. Although it doesn’t represent a totally new development paradigm, as it combines some neoliberal polices with some developmentalist ones, with its pragmatic and eclectic approach to economic policymaking, it should be seen as an illustration of the search for an alternative way
not only in Latin America, but also in the whole developing world that seeks stable economic growth in the context of greater economic globalization.
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