

The end of a Cycle? From Globalism to Protectionism and the New Geostrategic Realignment

The post-crisis period has been characterized by a prolonged recession, lack of employment, deflated financial assets, and a downturn for the principal products exported from Latin American economies. It could be said that the foregoing is the outcome of the economic policies implemented for over four decades; trade liberalization, strategic partnerships with large transnational companies, and funding by institutional investors for all types of governmental economic activity.

On the other hand, democracy—as a regime of governance—is, at the moment, the expression of dissatisfied citizens, a feeling prompted by falling income and the scarcity of jobs, with the middle classes the most affected, as they have been displaced by the structural changes that the productive system has undergone and new technologies. The new generation of working-age young adults have not been able to find decent work, which jeopardizes the pension system and the investments that society makes in human capital.

A cycle in Latin America is now drawing to a close, with the end of progressive administrations, who handled social policy in such a way as to benefit their people and whose goal was to reduce poverty. Social policy and spending on education, health, and housing has been transferred to covering debt. In order to grow, governments that have recently risen to power have had to do away with social commitments to adjust to the needs of the financial markets. The return to international markets and economic growth expectations, in both Argentina and Brazil, have intensified neoliberal policies and caused the productive circuits to become more deeply inserted at the global scale. Do these economic policies have a chance in light of the results of the recent elections in the United States?

In spite of the outcome of the elections in the United States and the worldwide tsunami sparked by the win of the Republican candidate, Donald Trump, as President, it is time to reflect on the reasons behind his triumph and the fallout of the structural change policies applied in recent decades. To that is added the death of Fidel Castro, marking the end of a revolutionary project that shaped the economic, political, and social thought of liberation struggles in underdeveloped countries, something of which Latin American governments should be aware.

The North American Free Trade Agreement (NAFTA), a central target of Trump's campaign, as well as the need to renegotiate it, has caused the Mexican currency to slip downwards in value (peso compared to dollar). His opposition to the Trans-Pacific Partnership (TPP) has placed Japan's government between a rock and a hard place. In other news, undocumented immigrants and their potential deportation from the United States have spurred an "anti-immigration movement" that is dividing the country, emanating from major migrations. No

less important is the need for a fiscal policy to push American companies to return to the United States. Pulling away from globalization in an effort to return jobs to Americans, similar to the sentiments behind the Brexit, and the unfulfilled promises made by the government, have left the people feeling unsatisfied, which emerges during political campaigns.

The following question thus arises: to what extent are the promises Trump made during the campaign going to become reality? Just in the past few hours, news has been coming out about what it would mean to end the employment of Mexicans in the United States, as well as the cost of bringing industrial plants from China back to the United States. In the medium term, it remains to be seen if the campaign promises will become reality or will be subsumed by the big corporate interests that run Wall Street.

It is worth noting what Atilio Boron asserted in analyzing the people who handed Trump his victory. He wrote that it was the economically active population whose wages have stagnated, in real terms, people who have been displaced by free trade policy and globalization, that voted him in to office.

Social inequality has become so severe that it is endangering democracy, creating the need for repressive regimes. This idea was shared by James Galbraith and Joseph Stiglitz in countless forums around the world and expressed in papers and books. Thomas Palley, in an open letter, blames the ruling parties for the failure of neoliberal policies in the two Democratic Party terms. Without realizing it, the promises proffered in their campaigns were a failure that gave way to the triumph of the Republican Party, led by a figurehead who seized on the dissatisfaction felt by much of the American population.

Democracy is more relevant than ever because it is expressed in the opportunity that citizens have to call out the hits and misses of development policies spearheaded by a government over a long period of time. The results of economic policies around the world represent the weakness or strength of a State in its international environment, as well as its impact on citizens. As such, the expressions of Americans in response to the inequalities caused by development policies are manifested in elections in a parliamentary regime. The relationship of causality among democracy, development, and inequality frequently leads to the unexpected.

Citizens of the world are unsatisfied with globalization, neoliberal policies, declining employment, and the sharp drop in income. Even without taking into account the causes and effects behind the structural changes happening worldwide, the reality of discontent has been expressed in recent elections, in countries such as: Argentina, Brazil, Peru, and now the United States. Very soon, over the next two years, we will see significant changes happening in the upcoming democratic elections in the rest of Latin America.

This edition opens with a paper written by Pierre Salama, titled *Brazil and China: Paths of Strengths and Turmoil*, in which the author explains how Brazil's falling gross domestic product (GDP) is not related to slumping export prices, as China's share in the purchase of Brazilian exports has diminished, but is rather related to the lack of economic policies

focused on domestic investment. The comparisons between China and Brazil, using indicators such as purchasing power parity (PPP) and the GDP (between 1980 and 2015), reveal that low investment, the intensification of structural reforms to reduce poverty, and profound fiscal reforms implemented by the State have impeded a rapid recovery in the wake of the Great Crisis, unlike what happened in China.

The Transparency of Subnational Debt as a Mechanism to Limit its Growth, authored by Marcela Astudillo, Andrés Blancas, and Francisco Javier Fonseca Corona, introduces the topic of transparency in public finances, addressing corruption and accountability. Financial transparency is important insofar as it boosts efficiency, leads to a fairer distribution of wealth, and strengthens the development of democracy. Accordingly, transparency in handling public resources and the public debt is an essential tool to confront rising deficits and ballooning debt, as corruption affects the makeup of public spending and distorts the tax system.

In his paper, *Challenges in the Economic and Sociodemographic Transition of Mexico and Vietnam*, Lukasz Czarnecki compares two economies in transition to a neoliberal model, a shift that poses significant challenges. Examining the asymmetries and similarities present in Mexico's 1917 Constitution and the guidelines of Vietnam's 1986 Communist Party Congress permits an understanding of what transitions towards a more liberalized private sector entail.

At one time, the State played a major part in the economies of both countries, but gradually, their transformation towards market policies weakened the State's role. Social inequalities continue to be more severe in Mexico than in Vietnam, as the author shows through the demographic indicators he presents in the paper.

The article *Economic Growth and Industrialization on the 2030 Agenda: Prospects for Mexico*, by Alejandra Trejo Nieto, delves into the framework of the Agenda, and the Sustainable Development Goals (SDG), focused on 8: "Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all," and 9: "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation." The author conducts her analysis of Goals 8 and 9 in the Mexican economy, offering a critique of the country's poor economic growth, which has failed to consider the Mexican reality and the government's gamble on Washington Consensus policies.

Belem Vásquez and Salvador Corrales, in their paper, *The Cement Industry in Mexico: An Analysis of its Determinants*, signal that the Mexican cement industry is one of the most important industries in the country, not only because it expresses the country's overall economic cycle, but also because it triggers job dynamics and is highly sensitive to domestic prices. The large cement companies in Mexico are part of major international consortiums, with Cemex being one of the Mexican enterprises with the biggest footprint in the United States. Falling profits around the world are an expression of the Great Crisis in the construction sector and cement industry.

A paper by Isaac Minian, Ángel Martínez, and Jenny Ibáñez, *Technological Change and the Relocation of the Apparel Industry*, centers its analysis on how Mexico's apparel industry exports have plummeted, as American companies with plants in Mexico have pulled out of the country. This decrease in exports is the result of trade agreements, lower added value, and poor productivity as compared to other countries to which the industry has migrated. The textile industry began moving overseas to Asia starting in the 1950s, with whose low wages it is very hard to compete.

Is a Multi-Level Theory of the Agent Necessary? The Vernon Smith Perspective, by Arturo Lara and Inti Barrientos, analyzes how agents behave beyond the traditional borders of economics. Engaging in dialogue among various disciplines, according to Vernon Smith, enables a critique of neoclassical theory and better knowledge of how individuals adapt to their surroundings. As such, he insists that students should read more science than just economics. The proposal of neuroeconomics as a new sub-discipline is a major contribution to a deeper understanding of humanomics.

Alicia Girón, Journal Editor, *UNAM*, December 2016