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WHAT HAS HAPPENED TO SOCIAL DEVELOPMENT POLICY IN THE ERA OF NEOLIBERAL GLOBALIZATION AND EMERGING MARKETS? A LOOK AT LATIN AMERICA IN GLOBAL CONTEXT

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Las elites globales (por ejemplo, instituciones internacionales financieras, capitalistas globales o la burocracia y clientes de la administración del Estado) presentan al neoliberalismo como el salvador de los problemas del Tercer Mundo.
Países que prestan oído a los consejos de esos líderes globales han sido nombrados "mercados emergentes" y pronto llegan a ser receptores de inversión extranjera. Este trabajo se basa en una gran cantidad de fuentes escritas que describen la experiencia internacional y demuestran que este tipo de desarrollo es inherentemente inconstante y se encuentra condicionado a los intereses de las elites de los países del norte por lo que tienen una baja posibilidad de alcanzar un desarrollo social sostenido. Cuando un país gana el título de *mercado emergente*, es sinónimo de oportunidades para inversionistas que buscan ganancias rápidas. El problema mayor es que esas ganancias rápidas se logran a expensas de la calidad de vida de las personas. Nuestra conclusión es que el discurso neoliberal, como el de los mercados emergentes, necesita ser confrontado si se quiere dar una oportunidad a caminos alternativos de desarrollo.

1. INTRODUCTION TO THE NEOLIBERAL ERA

Since the 1980s, a combination of crises throughout the world have precipitated a widespread convergence toward neoliberal development policies. These crises, associated with foreign debt, a decline in traditional primary exports, and the collapse of state socialist regimes in the Soviet Bloc, have pushed many governments to adopt a range of neoliberal policies. A commonality of most of these neoliberal policies is the way that they open new opportunities for international capital to profit from investments in the host country. Policy advocates insist that they are the best hope for global development from which the great majority of countries and peoples will benefit (Deardorff and Stern 2000).

Global investors have leapt at the new range of profit making opportunities that neoliberalism has availed. As one illustration, daily international currency trading has grown more than sevenfold, from US$200 billion in 1986 to US$1.5 trillion in 1998. A large portion of the recent growth in international investment has been in the so-called "emerging markets", a new term for countries in the semiperiphery of global capitalism (Shannon 1992). Mutual fund investment in designated

emerging countries grew from about US$1 billion in 1991 to US$32 billion in 1996, prior to the "Asian Flu"-related skittishness about investment in these countries. Indeed, as the terminology we are using suggests, concomitant with the explosive growth in capital moving in and out of semiperipheral countries is a new lexicon aimed at defining how development can be achieved. Countries that were recently categorized as Third World, developing, or communist are now identified as emerging markets or transition economies.

This paper focuses on how the international financial institutions led by the World Bank and the IMF, along with their allies –global capitalists, core and client state administrations (Sklair 2001)– have subverted the philanthropic persuasions of development agendas. Under the guise of the supposed inevitability of neoliberalism, the global semiperiphery and periphery, led by globalization-espousing elites, are experiencing another round of external agenda-setting, domination, and profit extraction. These transformations in the global economy and development policy lead to the two questions this paper considers. Firstly, what has become of Third World development and development policy in the era of globalization and market triumphalism (Peet and Watts 1993)? Secondly, how did "emerging markets" become the signifier for the semiperiphery of the capitalist global economy, and how does that conceptual shift affect how we think about development?

We seek answers to these two questions by drawing from a range of written sources that reveal the agendas and viewpoints of global elites and their advocates. In the process of reviewing these sources of elite opinion and agenda, we are also able to summarize the current neoliberal view of appropriate development policies for semiperipheral countries. When pursuing these issues, we keep a close watch out for important geographical variations in these neoliberal processes at the level of world regions. We are particularly interested in differences between the four non-core regions of the capitalist global economy (i.e., Asia, the former Soviet bloc, Latin America, and Africa). A brief characterization of the relation of each of these four regions to the global economy and to global development is in order before we examine more specific development-related issues in the sections that follow.

Firstly, the region that has received the lion's share of emerging market investment is Asia, particularly East Asia (Sharma 2002). Until the capital exodus from East Asia in recent years, the region was declared the third world development "model" –or better yet, "miracle" (World Bank 1993; Wade 1996). The ideological basis of East Asia's supposed free market model is revealed by comparing it to the reality of state-led and market-guided development (Berger and Beeson 1998; Wade and Veneroso 1998).

Secondly, the so-called "transition economies" of Central and Eastern Europe and the former USSR have attracted much international capital (and have made some foreign investors a lot of money). However, the GDPs of 22 of the region's 25 countries were smaller ten years after the Communist dictatorships collapsed (Economist 1999). The poverty rate has also increased dramatically since 1989, even in better-off Central Europe (Williams and Balaz 1999). These downward trends from an already very low base underscore the rarely-asked question, *transition to what*? The mainstream presumption is that the transition is toward stable, western-style capitalist democracies, but this belies the insecurity, hardship and dislocation throughout the region during the first decade forward.

Thirdly, Latin America has been deeply immersed in this turbulent neoliberal revolution, although

more in the role of development model follower than maker, with the exception of the "Chilean model", discussed below. To provide sufficient specificity to a particular region in this brief paper, we devote more attention to the unfolding drama of neoliberal development, globalization, and emerging markets in Latin America.

Fourthly, while African countries too have been forced by foreign debts and global trends into structural adjustment agreements, they have been virtually ignored in the discussions of and investments associated with emerging markets. Other than South Africa, the continent has thus far been allocated little more than a spectator's role in the emerging market frenzy. However, elite discussion and planning by the late 1990's began to involve contemplating how to extend global neoliberalism to Africa.

The rest of the paper unfolds as follows. The next section suggests that there are many reasons to be wary of much of the current, conventional understanding of global development and the Third World within it. We support our position in favor of skepticism and opposition by dissecting and demonstrating the problems with three key elements of conventional wisdom:

- the universal development **prescriptions** that are being advocated for the Third World (i.e., problems we find with what is generally considered to be "good"),
- the current **discourse** about the inevitability and benefits of globalization (i.e., problems we find with what is widely considered an exogenous and inescapable force), and
- definitions of the main **crises** in the Third World (i.e., problems we find with what is considered to be "bad").

Having established a critical posture on global neoliberalism in section two of the paper, section three then recounts precisely how Third World countries suddenly became known as "emerging markets" during the 1990s. We also show how this redefinition is tied to the interests of global capitalists and their allies. The fourth section summarizes the paper's main points.

2. NEOLIBERAL DEVELOPMENT MODELS, GLOBALIZATION, AND ECONOMIC CRISES

> *"Latin America [had no] desire to flaunt free trade, but ... was forced to do so. [In this period,] most of Latin America followed the liberal doctrine of free trade. Advocates of protection in Latin America found little favor in government circles which were beholden both literally and intellectually to creditors in the developed world". (Skidmore 1995 p.228)*

It is often difficult to see historical precedent in current trends that seem novel and specific to recent circumstances. The above profile could well apply to the 1980s and '90s, when in fact it was written to characterize the period 1880-1914. Our point is to stress that now is not the first time that peripheral and semiperipheral countries have been lectured on the universal benefits of free trade (Klak 1999 p.108). Even after the global economic crisis of neoliberal development that began in 1997, which has left tens of millions impoverished and unemployed throughout the third

world, the global elite cling to the notion of universal benefits. As the Vice President of Germany's Bundesbank flatly explained, "All countries have benefited from the free market system" (Kristof and WuDunn 1999 p.1). While open trade may increase a country's Gross Domestic Product, it is incorrect to assume that such increases deliver improved living conditions for working people.

Observing development prescriptions over a time period of many decades, one can note that elites tend to claim that their currently favorite development strategy, although probably designed to be self-serving, will in fact benefit everyone. Then, as a new development model is put forth, the previous scheme that seemed so universally right at the time gets renounced as a bad idea after all (cf Chomsky 1999). We seek to emphasize that there really are no "sure-fire" and universal remedies for underdevelopment and it should be of no surprise when these brilliant development prescriptions fail. Attempts at development throughout the 20th century illustrate these basic points, as can be seen in the following examples.

Petras (1999) looks back at the outcomes of an earlier period of free market capitalism and globalization around 1900, the same period of free trade ideology describe by Skidmore. After an intrusion of foreign capital, technology, and transport links transformed Latin America into a major exporter of primary products, the free market period culminated in a deep crisis and collapsed into global wars and depression. The present neoliberal period has many features reminiscent of the earlier one. The IMF and the World Bank are advocating that Third World economies specialize to reap the rewards that comparative advantage theory promises. But specialization for most of the Third World amounts to exporting primary products. By 1999, non-fuel primary products had fallen to a mere 10 percent of their value relative to industrial products when compared to 1960 (Sutcliffe 2001). Furthermore, and also contrary to neoclassical economic theory, the determination of which countries specialize in what production is not based primarily on natural endowments. It is instead largely the result of colonial history when European powers worked to monopolize industrial exports while forcing colonies to import their manufactures and specialize in primary products (cf Porter and Sheppard 1998). Today, the average Third World country relies on primary product exports for 80 percent of its revenue. This overspecialization has become especially problematic now that prices for primary products have taken a spectacular plunge. Prices for commodity exports (here including fuel) fell 16 percent between 1997 and 1998 alone. They are expected to remain low due to sagging demand and an oversupply of many of them. The low commodity prices are also one global reverberating impact of the Asian economic crisis because it curtailed demand from one of the world's major consumers of oil and other primary products (Fuerbringer 1999).

As Krugman (1996) and others have noted, the conventional wisdom about how to achieve development in the 1920s and '30s was strikingly similar in rhetoric to the Washington consensus that emerged in the 1980s. Further, in another development era that ran from the late 1940s to the 60s, experts were equally exuberant about the development payoffs of the import substitution model of development that pervaded policy circles. Krugman (1996) suggests that although development policy is often driven by bad ideas so far as development is concerned, these ideas serve the interests of the global elite. Over time, development experts feel free to change their prescriptions based on self-serving short term goals and prevailing truths, while the lives of millions of ordinary people lie in the balance.

Global Elites and their Agendas

As noted above, whatever the global development models and prescriptions that are presently in vogue, one can usually find beneath the rhetoric that they serve the current material interests of an international elite. In this paper, we use the term "global capitalists" as a shorthand for the elite groups of investors and their allies who at present have a profound influence on Third World development prescriptions (Sklair 2001). The principal members of this elite cadre are the high level representatives of the World Bank, the IMF, and the G-7 countries, approximately 30,000 financial traders and fund managers, and the Third World's own domestic elite (Rothkopf 1999). Even conservatives have raised concerns over the power wielded by this elite group. The eminent free trade economist Jhagdish Bagwati is one such conservative, and his analysis of these elites has led others to conceptualize a "Treasury-Wall Street-IMF complex" (Wade and Veneroso 1998). Other neoliberal insiders and advocates have triumphantly labeled the worldwide adoption of their preferred policies as a "Universal Convergence" (Williamson 1990; 1993). In turn, critics of the roller coaster ride administered by this elite cartel have pejoratively labeled them "the Masters of the Universe" (Dyer 1999).

Lawrence Summers, former chief economist at the World Bank and US Secretary of the Treasury, and now President of Harvard University, exemplifies the viewpoints and reasoning that one finds among global capitalists. A few years ago Summers suggested that the World Bank should be encouraging more migration of dirty industries to the under-polluted Third World. Summers reasoned that a cancer-producing agent will have larger effects "in a country where people survive to get prostate cancer than in a country where under-5 mortality is 200 per thousand". He then concluded that "the economic logic behind dumping a load of toxic waste in the lowest-wage country is impeccable and we should face up to that" (from a 1991 memo by Summers and excerpted here from Chomsky 1993). Summers is commonly portrayed in elite circles and the media as one of the world's most gifted and knowledgable economists. He is certainly among the key players behind recent international economic policy.

Of course members of the neoliberal elite group do not always agree, as ilustrated by the public dispute between the World Bank-IMF in 1999 over whether states should regulate capital flows illustrated. The elite disputes, however, are over tactics, not over global vision. They share a view that free market capitalism is the right policy for all the world, and thus far, the laissez-faire types have won out over those arguing for greater state regulation of capital. We see it appropriate to include in this neoliberal group the many authors in the media and academia who trumpet the neoliberal cause whether or not they are deeply materially invested in it. By proclaiming neoliberalism's virtues, such writers contribute to the discursive construction and solidification of the neoliberal hegemonic project and the delegitimization of its alternatives (cf Klak and Das 1999).

Uneven Geographies of Globalization

Global elites and most social scientists define the current reality as one of unprecedented globalization. This viewpoint is so often repeated in the media and scholarship that it has the status of a truism, so obvious that it is beyond refute or need for empirical substantiation. Many observers, including mainstream scholars as well as political economists, go one step beyond presenting

globalization as an unquestionable empirical manifestation of contemporary capitalism. They present globalization as a process which itself has power, and in so doing reify globalization (cf Klak 1998 chapter 1).

Facing this tidal wave of globalization discourse, a few skeptics have countered that most of the fundamental features and empirical manifestations of global capitalism today remain as they were decades and even centuries ago (Hirst and Thompson, 1992; 1996; Wallerstein 1999). Capitalism in the American hemisphere too, as Petras (1999) argues, was born globalized back in the 16th century. Further, the movement of capital around the world and among third world countries in recent years has been highly uneven geographically and socially. Fully eighty percent of all world trade is within the core triad (Europe, North America, Japan), which accounts for less than 20 percent of world population (Dicken 1998; Hirst and Thompson 1996). Certain investment trends are beginning to more fully integrate parts of the Third World, but the distribution, again, is very uneven. FDI in the third world grew from 20 percent of total flows in 1980 to 37 percent of flows in 1997. Asia was by far the largest recipient of FDI (22 percent), Latin America received 14 percent, while Africa, with 1 percent, was almost completely left out (more on Africa's exclusion below). This unevenness raises the fundamental question of why we refer to it as "globalization", which implies an inclusive process.

From a geographic viewpoint, therefore, "globalization" is a misleading term. This is more than quibbling about terminology. Labels shape how we think about things. For this reason Harvey (1995, p. 12) suggests that we jettison "globalization" entirely, and replace it with the "uneven spatio-temporal development of capitalism". That is a mouthful, but it points in the right direction. Political economists need to work to employ a lexicon that gets as close as possible to the processes of concern, and avoid reiterating and reifying the language of power and domination.

The Creation of Flexible Workforces for Global Capitalism

During recent decades, Guy Standing and the International Labour Organization (ILO) have played a crucial role in monitoring and publicizing global trends in industrial production. Reflecting on the broad global patterns over time, Standing identifies three trends in employment and wages that, taken together, he has labeled "global feminization". Firstly, in the policy realm, there have been reductions in labor codes thanks to structural adjustment and the associated turn away from state protections of worker rights and toward their market regulation. Secondly, male industrial workers have declined as a share of the workforce and in terms of the quality of their employment. Thirdly, women have been hired in export-oriented factories in growing numbers. Together these trends indicate that we are now in "an era of more generalized insecurity and precariousness" (Standing 1999 p.583).

The growing insecurity identified by Standing is not confined to world regions experiencing economic decline, nor to those the World Bank labels "lagging" with respect to the neoliberal transition (Quereshi 1996). Global feminization instead appears to be a fundamental component of neoliberal economic growth. Standing's (1999 p.585) summary of the evidence is that "all countries that have successfully industrialized have done so only by mobilizing large numbers of (low-paid) women workers" (similarly see Cagatay and Ozler 1995).

Workforce feminization applies to Southeast Asia as well as any region. That region's economies were among the world's most dynamic in the 1980s and 1990s (prior to the "Asian Flu" and "contagion effect"). Thailand, for example, registered the world highest per capita economic growth rate of over 8 percent (1985-95). Standing characterizes the typical worker in the region's export-oriented factories as follows:

> In Southeast Asian economies, a woman wage worker has been typically young, single and highly exploitable in part because to a certain extent her wage labor income has been supplemented by transfers from her (village) community, both at the time of her wage labor and subsequently when [she] returns to [her] village (Standing 1999 p.593).

Standing's account indicates a key linkage between the urban export-oriented factory and the traditional rural community. But development studies have traditionally dichotomized urban and rural areas, and have even created distinct subdisciplines to study them separately (Corbridge 1995).

Neoliberalism's impacts on employment suggest that analysts look across the socially constructed urban-rural divide. As Standing (1999) described the situation for export-oriented factories, labor force "flexibility" has also come to define employment in agriculture, which, like industry, neoliberal policies have made more export-oriented. Whereas prior to the neoliberal era about two-thirds of the jobs in agriculture in Latin America were permanent, now about two-thirds are temporary. Workers are employed only seasonally, fewer of them are hired owing to mechanization, and those that are given jobs are largely women (Kay 1999). Through these hiring practices, neoliberal development exploits previously existing and socially constructed gender categories so as to increase the rate of surplus value extraction. As Standing (1999 p.590) explains, "women are prepared to labor for less, having lower 'aspiration wages'". In Chile and elsewhere in Latin America, the new "flexible" agricultural work force lives mainly in shantytowns (Kay 1999).

Neoliberal Models in Latin America

Chilean development has been hailed as the Latin American success story of how labor can become more flexible and how the free market can be unleashed. It is worth summarizing the main changes in Chile's political economy that are said to be exportable to the rest of Latin America and beyond. Chile's experiment with neoliberal practices began as early as 1975, and therefore the window to observe change is also greater than any other country in the region. A broad reconsideration of Chile's path since the 1973 coup has begun to surface. Pinochet's house arrest in the UK, and the subsequent evaluation of his record and health for the purpose of prosecution of human rights violations, have opened a broader public discussion and debate over his reign. Memories among Chileans of all political stripes that were long ago suppressed during his dictatorship have surfaced, and the costs of the free market transition are now more open to scrutiny.

Collins and Lear (1995), among others, have revealed that the standard of living improvements from Chile's free market experiment in the 1970s and 80s were highly selective. Many people, particularly those in the middle or lower-classes, found themselves in a more precarious position than they were in prior to Pinochet. Initially, Pinochet used the fear of repression to implement free

market policies. A wide range of carefully orchestrated policies served to minimize the power and prospects of labor. These policies included the privatization of public agencies and assets, the banishment of labor unions, the subcontracting of work to less regulated work environments, and the suppression of the real value of a minimum wage.

Business owners in Chile argue that subcontracting creates a vibrant informal sector. But wages tend to be below minimum wage, minors are often employed rather than attending school, and the work is seasonal and thereby inconsistent. All of these employment characteristics favor the employer. As a result, Chile by 1990 had become one of the world's most unequal societies (Sutcliffe 2001). The top 10 percent of Chilean society earns almost half of the total wealth and the richest one hundred people earn more than the state spends on social services (Cooper 1998).

Another result was massive productivity increases. During the 1980s Chile's GDP increased by nearly 10 percent per annum (Collins and Lear 1995). This was largely jobless economic growth. Wages fell by approximately 5 percent over this same period. The minimum wage in 1988 was 40 percent lower (in real terms) than in 1981, while an estimated 32 percent of the labor force earned minimum wage or less. So, the poor have had to work more to maintain the same standard of living.

Despite the state's suppression of resistance to such anti-labor policies, by 1983 popular protest to the regime including growing activism by grass-roots groups and by organized labor began to take hold. For years this activism limited the effectiveness of the regime and its development policies due largely to the weakened organization of the popular groups (Oppenheim 1993). In the 1990s, the post-Pinochet *Concertacion* governments reoriented a substantial amount of state spending toward social welfare. This shift has redistributed wealth back down the income hierarchy, and has dampened the working class protests. These social policies arguably have put a "human face" on the earlier more ruthless version of neoliberalism in Chile. However, social spending has not reordered the national priorities instituted by the Pinochet regime, which heavily favor investors (Vergara 1996). Pinochet's labor policy revisions tilted the power structure in favor of the employers who now set the terms of employment relations. Results include public acceptance of higher rates of unemployment, lower wages, and work instability and insecurity. From the viewpoint of mainstream economics, one would say that Pinochet transformed labor deployment in Chile into a more "efficient" system with "flexible" labor (Green 1994). People are more willing to work longer hours, earn less money, consume on credit, and often work under unsafe conditions. As an illustration, in Chile during the mid-eighties, the maximum number of hours an employee could work in a day without earning overtime rose from eight to twelve (Collins and Lear 1995). All this represents Latin America's free market model to be emulated in other countries. Chile's political economic restructuring certainly set the stage for a region-wide neoliberal transformation beginning in the 1980s.

By the 1990s, mass consumerism through credit and personal debt substitutes for social development. For example, Cooper (1998) reports on one woman in Santiago who sells credit door-to-door. The client need only to show six months worth of pay stubs to obtain a loan equivalent to four months' salary payable over 24 months with a 75 percent interest rate. Cooper (1998 p. 12) also observes that people are using Diners' Club cards to purchase potatoes and cabbage and Air Jordan sneakers, and WonderBras are bought on a twelve-month installment plan. When Chile's personal debt-based development is considered together with the on-going slide in the primary

commodity prices on which Chile's "miraculous" export-sector relies, the fragility of the Chilean development model begins to reveal itself.

Thanks to NAFTA, Mexico is arguably the second leading country in Latin America's neoliberal conversion after Chile. Aguilar (1997) has examined what has happened in Mexico before and after 1994. He notes changes in Mexico's employer-employee relations in favor of the former, falling real wages, and a neoliberal reorientation of the development model. These changes have combined to increase risk, insecurity, and uncertainty for the majority of the population, and not just the urban poor. Anderson (2001) brings the analysis of NAFTA's impacts on Mexico forward. FDI, maquiladora employment and exports to the United States have all more than doubled since 1994, while manufacturing productivity has increased by almost 50 percent. From these indicators, most economists and journalists declare NAFTA a huge success for Mexico. The human impacts tell a different story, however. Despite productivity increases, manufacturing real wages were 20 percent lower in 1999 than 1993. World Bank figures indicate that the share of Mexicans living in poverty increased from 51 to 58.4 percent 1994-98 (Anderson 2001). Looking beyond Mexico at the global patterns, Aguilar (1997) adds that as societies become more deeply integrated into the global economic system, economic dependency increases, organized labor weakens and the disparity between highly-skilled and well-paying positions and the rest of the population accentuates.

Neoliberalism in the Global Economic Periphery

Among Sub-Saharan African countries, only two have been significant recipients of FDI in recent years. They are South Africa and Nigeria, the investor interest in which has been confined to petroleum exploitation (World Bank 1999a). Only South Africa is regularly mentioned in lists of emerging markets (World Bank 1999b). The rest of the continent is essentially off the charts so far as global investors are concerned.

To date, neoliberalism's most notable economic impact in Africa is its continued reliance on primary commodity export, which mainstream economics sees as the region's logical emphasis in terms of comparative advantage. Historically speaking, however, there is good reason to doubt the development potential of this strategy. The Third World's emphasis on the export of primary products and the import of industrial goods has worked to its distinct disadvantage (Porter and Sheppard 1998 chapter 17). Beyond the historical patterns of disadvantage, Africa's current emphasis on primary product exports also fails as a development strategy because of the recent fall in their value and the weakening of Africa's colonial market access in the post-independence period. Africa is therefore pursuing an "export niche" as neoliberalism insists, but it is a singularly uncompetitive one (Agnew and Grant 1997). Besides South Africa, the subcontinent's remaining countries have received little of the investment or other capital flows that have become prominent in the era of emerging markets.

Africa's relations with the outside world in some ways suggest that it is actually stuck in the pre-neoliberal era. It is the only world region where the official state-supplied aid, which was prominent globally the post-war era of development prior to neoliberalism, is still significant. Worldwide, official aid hit an 18-year low in 1998, but for Africa it still represented 40 percent of capital in-flow.

Perhaps Africa will still be admitted to the neoliberal fold. Since Clinton's visit to Africa in 1998 there has been talk of an "African Renaissance," meaning, in the eyes of investors, untapped opportunities for profits. However, as Mills (1999) points out, this renaissance has been slow to materialize because most outsiders perceive the continent as bogged down by its "internal" problems such as widespread poverty, high and rising unemployment, uncontrolled urbanization, rampant corruption and poor infrastructure and services.

The Meaning of Crisis and Recovery

Events in the Third World are generally labeled an economic "crisis" only when they threaten elite interests, and not when they harm ordinary people, as the examples below will illustrate. This labeling amounts to an appropriation of the general understanding of crisis. This too is not new. There is precedence from earlier this century for such a position in such famous statements as "what's good for GM is good for America" by that auto maker's CEO, and from US President Calvin Coolidge's declaration that "The business of America is business".

Elite appropriation of popular understanding of crisis is illustrated by U.S. media coverage of two Caribbean capitals, Kingston and Havana. Kingston has extensive poverty, high unemployment, a vast gulf between rich and poor, increasing crime, and deteriorating roads, buses, and working class housing (Meeks 2000). But never do these add up to what is labeled as a "crisis". In contrast, Cuba is considered to be in perpetual crisis. This is mainly because U.S. political elite have viewed Cuban state socialism as a threat to U.S. hemispheric hegemony, and commentary surrounding this island nation is often "bad news" to conform to the elite's presentation of the island as a failed communist pariah (Klak 1994; LeoGrande 1997).

The passing of the Latin American debt crisis of the 1980s illustrates this same pattern. The region's foreign debt has been rescheduled to reduce the likelihood of default. On-going debt payments made Latin America a net exporter of capital for several years prior to the recent wave of investments in privatized public assets, bonds, portfolio accounts, and stock markets. Long-term debt's financial drain has drastically reduced funds available for social spending on items such as public health and education. But no one in the mainstream speaks of a debt crisis anymore. In 1996 the total foreign debt of Latin America and the Caribbean stood at $622 billion, or $189 billion more than in 1987 when bankers and First World politicians said the crisis peaked (IDB 1997 p.256; Rosen 1997). Mexico's national debt increased from $140 billion in 1994 to $167 billion in 1999, requiring between $24 billion and $44 billion in annual debt servicing that could have funded social programs (Anderson 2001).

The recent change in investor attitudes toward East Asia is an apt example of the fickle reinterpretation of models for Third World development. Thanks to sudden and massive foreign capital flight in 1997, the East Asian development "model-miracle" has quickly been reinterpreted and relabeled "crony capitalism" (Bello et al. 1998). This recent example of how development can be abruptly reconceptualized should highlight the need to be skeptical of universal development prescriptions. Seen in this light, the neoliberal development model amounts to the current version of an historical series of adhoc prescriptions for how to achieve development.

By mid-1999 most international elite and their spokespersons argued that the crisis that began in Thailand in July 1997 and spread across East Asia and then globally, had largely passed. Asian countries, they argued, were back on track and on their way to recovery. There were again profits available for the portion of global investors who have returned to Asia. The major stock market indices in Thailand, Indonesia and Malaysia were up by 40-60 percent during the first half of 1999. During those same six months, South Korea's stock values doubled and neared record levels. In addition, Asian GDPs had begun to grow again, currencies had strengthened, and inflation and interest rates had fallen.

However, news of the "recovery" has yet to reach the tens of millions in Asia and throughout the third world which the crisis has left impoverished, un- or underemployed, and without public services that have been cut as part of the recovery process. Various estimates indicate that in 1999 there were twice as many East Asian people living in poverty as in 1996. For Thailand, Oxfam International reports that one third more people lived in poverty in 1999 compared to 1997 before the crisis. Poverty has also increased from 3 to 7.5 percent in relatively well-off South Korea, where the unemployment rate was 6.8 percent in 1999 compared to 2.5 percent in 1997 (Gan 1999). The situation was much worse in Indonesia, where 80-100 million of the country's 200 million citizens lived in poverty at the end of 1998, four times more than in 1996 (Francis 1998). Malnutrition has increased so sharply so that 450 Indonesian children have been dying each day from it. In 1998 the then Indonesian President Habibie went so far as to admit that the long-term human impacts of the crisis include a "lost generation" of kids lacking adequate nutrition and health care (Emerging Markets Datafile 1998). To global capitalists, these human impacts, if considered at all, are an unfortunate side effect of "market corrections".

Faced with mounting criticisms of the dire human impacts of its structural adjustment programs, the World Bank has begun to organize conferences with local businessowners, farmers, researchers, and working people in Third World countries in order to establish a dialogue on the neoliberal transition. In Uganda, which the World Bank considers an African "model" for implementing structural adjustment reforms, Bank officials learned something about why there is such discontent. A report on one such meeting in June 1998 revealed that:

> In Uganda, rapid liberalisation and high interest rates were hurting small business. Lack of government aid and transport systems have hit cotton farmers and producers of indigenous crops. Malnutrition is on the rise. An estimated 350,000 workers have lost their jobs as part of the privatisation process. There has been no training and little or no severance pay. ... [E]mployees were being underpaid, and labour regulations were not followed. It is not clear that bank officials were impressed by the testimony, though they say they are committed to the inquiry (Dunne 1998 p.4).

3. THIRD WORLD COUNTRIES AS "EMERGING MARKETS"

In this section we examine how Third World countries have come to be known as "emerging markets". We trace the process over a decade, from the term's coinage in the late 1980s, to its becoming

commonplace in investment circles, politics, the media, academics, and popular discourse by the late 1990s. Our main points in this section are as follows: The World Bank, whose logo still claims that it is devoted to creating "A World Free of Poverty", created the concept of emerging markets. The Bank also initiated the associated opportunities for quick profits on investments in emerging markets, and is therefore primarily responsible for their collapse and the associated dire human consequences in the late 1990s and early 2000s.

The World Bank created this situation primarily through two sets of actions. Firstly, beginning in the early 1980s, it made a concerted effort to push Third World countries to relax restrictions on the in- and out-flow of international capital, all under the auspices of structural adjustment. Secondly, in the late 1980s, the World Bank organized the first investment funds for countries it was willing to grant "emerging market" status, based on their profitability and the extent of their neoliberal reforms. As noted in the introduction, mutual fund investment in emerging countries then mushroomed from about $1 billion in 1991 to $32 billion in 1996. Then, in 1997 and 1998, international investors panicked and withdrew their capital from emerging markets in great volumes, contributing much to the human suffering in these countries.

What follows is a brief chronology of how "emerging markets" has become a standard term for countries of the capitalist semiperiphery. As recently as 1984, no one spoke of emerging markets in the Third World. The term was used only its conventional, nongeographic, and pre-neoliberal meaning from the field of product marketing. That is, the term "emerging market" was used to mean that a firm was developing a new product line to meet an emerging market for a certain innovation, such as a type of airplane or telephone equipment. In late 1985 and continuing to the end of the decade, however, the World Bank led a campaign to give the term a new meaning and to create the associated investment opportunity in the third world.

The World Bank began to publicize its new investment scheme as early as December 1985 through its affiliate, the International Finance Corporation (IFC). The IFC was tasked to promote neoliberal capitalism in the Third World through, among other things, a $50 to $60 million fund it invested in the public stock markets of certain developing countries. In the first round of creating emerging markets, the IFC judged the stock markets of seven countries –Argentina, Brazil, South Korea, Thailand, Malaysia, Chile, and Mexico– as worthy of investment. Other countries have been deemed emerging markets since. The original seven met the IFC minimum criteria for market liquidity, investor information, and official regulations, including fiscal soundness and foreign exchange repatriation rules. The IFC distributed shares in the fund among a few large institutional investors from Europe, Asia, and the US (Dunne 1985).

Although the first emerging market fund dates to the late 1980s as described above, emerging markets did not become part of the standard lexicon of global capitalists until the mid-90s. In 1992 observers were still getting used to the new terminology to describe the huge new profit making opportunities in the capitalist semi-periphery. Here is one depiction of the investment surge and terminological transition:

> Nothing draws American money like rising prices. A few years ago, when stock prices were low in what used to be called third world countries, few in [the US] were interested. Now those countries are called emerging markets, many of them have seen soaring

> prices, and the money is pouring in. In the first half of this year..., American investors invested $3.3 billion in those markets, or more than the record $2.2 billion invested in all of 1991. Back in 1987, the figure was $22 million (Norris 1992 p.13).

As the above quote illustrates, discussions of emerging markets focus squarely on how investors can exploit them. Focus has shifted away from economic (let alone social) development per se, and onto how outsiders can profit from conditions in the Third World. Most reports suggest that the flow of investment benefit firstly foreign investors and secondly Third World nations or their economies. The impacts on Third World people usually go unmentioned, implying that Third World people are either irrelevant or are also included under the universal benefits. The following example is illustrative:

> Investing in emerging markets still seems, for most of us, a peripheral venture into the exotic: a gamble on the side. That is out of date. *For investors, at least, developing countries are developing faster than ever before*. Poor Asian nations are scrambling up the ladder, ailing Latin American economies are at last benefiting from swallowing IMF medicine and former communist states are making up for lost time (Searjeant 1996 np; emphasis added).

Such a depiction represents a distinct conceptual shift from the term "developing countries". Certainly capitalist concerns have always dominated discussions of developing country issues, but a range of other issues, such as employment, health, education, and the environment, also surfaced. In contrast, poverty is rarely mentioned in discussions of emerging markets. In the rare cases where the two are discussed together, emerging market activities are said to cure poverty. Recall the earlier discussion that elites claim that their current development policies will have universal benefits when reading about the situation in South Asia:

> Finance Minister Saifur Rahman of Bangladesh said the country's "comprehensive economic reform program" will go forward despite current political tensions. Bangladesh has been one of the best performing emerging markets this year, and government officials are eager to encourage foreign investment to ensure the success of its privatization program. *"We must move the economy to a higher plane," he said. "Millions of Bangladeshis are on the poverty line"*. Bangladeshis will put their political differences aside "for the future of the country," he said (Platt 1994 p.3A; emphasis added).

By the late 1990s emerging markets had become an investment craze for global capitalists. Concerns about the semiperipheral countries themselves took a backseat to whether there were quick profits for people from rich countries. Here is an example from early in 1997:

> Investors who bet on emerging markets and developing countries had a particularly profitable quarter. Stocks in Russia continued to post extraordinary gains, and other

> countries that barely registered a blip on investors' radar screens last year delivered powerful returns. In Africa and Latin America, economic reforms and privatization rewarded investors willing to take big risks on nascent markets (Block 1997 p.11B).

The investor euphoria captured in the above statement from April 1997 ended abruptly three months later. The Thai baht collapsed and the "contagion effect" caused investors to flee from emerging markets. During the second half of 1997 investors pulled $105 billion out of South Korea, Indonesia, Thailand and Malaysia alone, representing an incredible 11 percent of those countries' combined GNP (Friedman 1998). Because the redefinition of Third World countries as emerging markets has made international investor profits the main concern, "recovery" too is defined as enriching global capitalists. By 1998 they began to profit again from a new round of investments in certain parts of the third world. Here's how one report entitled "Emerging Markets on the Mend" told of the good news for 1998: "Indeed, it was the Philippines, South Korea and Thailand that came to the rescue of beleaguered emerging-market investors" (Rehak 1999 p.15).

Pre-Emerging Markets

Capitalism continually seeks new horizons over which to find profits, as Marx observed more than a century ago. In pursuit of this same objective but from within the current lexicon, the United Nations Conference on Trade and Development recently published a report entitled "Investing in *Pre*-Emerging Markets" (emphasis added). The report speaks of a new perspective among a growing number of investors who recognize the need to conquer the world's last investment frontiers (UNCTAD 1999, xi). The UNCTAD report is significant on several counts. First, the labeling of pre-emerging markets signifies the perceived investment opportunities within the formerly marginalized peripheral capitalist economies and their likely deeper integration into the global economy in the future. The report focuses on non-"emerging market" countries in Asia and Africa only and refers to these as Less Developed Countries (LDCs). This categorization and labeling suggests the perception that the countries previously granted emerging market status are no longer perceived as LDCs, despite what is revealing by other indicators (e.g., poverty, nutrition, health, education, economic vulnerability and dependency).

The UNCTAD report focuses on the investment opportunities in tourism, agro-industry, and the extension of publicly-owned or privatized infrastructure. These are economic sectors that the report claims the LDCs have a distinct comparative advantage and private investment gaps. Of course, having a comparative advantage in non-industrial sectors or in cheap labor holds little long-term promise, as past experiences in the third world have demonstrated. With regard to tourism and agro-industry, the report argues that these economic sectors are "underexploited or not exploited efficiently which gives investors an opportunity to realize potentially high returns" (UNCTAD 1999, p. 4). The fact that these countries are liberalizing their economies gives them "added attractiveness". Of course, risks such as political and economic instability and poor existing infrastructure are included as a warning to potential investors, but the report promises that investors can earn a 15 percent or more per annum investment return (p. 51).

The inclusion of these once marginalized economies into the agenda and discourse of global capitalists is further illustration of the attitude and objectives of the investment elite and the (eventual) more global impacts of their agendas. Investment trends do not suggest that these "pre-emerging market" countries will ever become major recipients of FDI, but rather that they can be integrated nonetheless due to their "underexploited" resources and adherence to the universal neoliberal prescription. It would be highly optimistic to hope that the governments of these countries could learn from previous failed experiments in the Third World and to construct an investment climate that would benefit local economies and local people in the long run.

4. CONCLUSION

This paper has tried to show that the seemingly universal truths of development policy are in fact highly fickle, intimately tied to the immediate interests of an international elite, and easily rewritten to suit the shifting agendas of that elite. Most importantly, they have little to do with human development in the third world. Those elites, however, argue the contrary, as they always have. Through their evolving interpretations over more than five decades of what constitutes the problems of and the solutions for the Third World, the World Bank and its allies have maintained that global poverty reduction and "development" are their principle aims. But the facts are that throughout many decades of Third World development from the era of empires to neoliberalism, the gap between rich and poor has dramatically widened. The difference in per capita income separating the richest and poorest country was 3:1 in 1820, 35:1 in 1950 when the World Bank era commenced, and 72:1 by 1992 (UNDP 1999). Now the world's three richest people have as much wealth as the GDPs of the world's 48 poorest countries (Porter 1999). In fact the world has grown more unequal at many levels: between rich and poor countries, within the Third World, and within most poor countries themselves (Porter and Sheppard 1998 pp. 13-18; Gwynne and Kay 1999 pp. 5-6; Dicken 1998).

In the current version of how to develop, globalization is said to be the only game around, and neoliberal policy is seen as the prerequisite for a country to have even a chance at development. Implicit in the current round of externally imposed policies is the view (that extends from the modernization theory of the 1950s) that Third World nations are underdeveloped and in dire need of external resources including capital, technology, advice and commodities (Brohman 1995). Once the appropriate infrastructure for profitable investment is in place (ideologically as well as materially), a select few of these developing countries may be deemed "emerging markets", prepared to be integrated into the global economy. Until 1997 East Asia was presented as the Third World success story, and has garnered nearly 60 percent of its FDI. But to us Asia provides a poignant example of investor fickleness, the shifting nature of development discourse, and their affects, development policy and vulnerable populations. Over the last decade, we have witnessed the Asian "model", "miracle", "crisis", "cronyism", "flu", "contagion effect", "correction", and now the region's "re-emergence".

Beyond Asia, international integration has been highly uneven across as well as within Third World regions. In Latin America, Brazil, Mexico, Chile, and Argentina have been in recent years among the favorite investment targets because of their great profit opportunities and commitments to economic liberalization. Africa is still largely a spectator but this may change in the near future if the "African

Renaissance" begun by the Clinton administration materializes and opportunities for investors surface. There are many cautionary tales to be told regarding the human and economic dependency and instability associated with adopting neoliberal policies, as we have tried to show in this paper.

While the global elite and their allies continue to espouse the successes and promises of globalization and neoliberal development, there is another side to the story. Behind their triumphant rhetoric the reality looks more like policy imposition, downward policy harmonization, labor disempowerment, generalized insecurity, and widespread social inequity and unfairness. But the human face of neoliberal development is less well known and understood. The current investor-based agenda of creating, rationalizing, and celebrating the new opportunities for quick profits in emerging markets has had a profound influence on our broader understanding of global cultures, peoples, and their aspirations. It is therefore important to expose and contest hegemonic discourses such as the "emerging markets" trope if alternative paths to development, sustainability, security, fairness, and human decency and fulfillment are to be given their full and proper hearing.

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