Journal für Entwicklungspolitik XXXIV 3/4-2018, S. 46–71

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Latin American Developmentalism in the 21st Century: An Analysis of the Governmental Industrial Policies of the Workers` Party in Brazil

Abstract *This paper aims to analyse the feasibility of the return of industrial policies to foster development as a post-neoliberal alternative in the era of globalisation. With Partido dos Trabalhadores government, Brazil was considered one of the main countries in the Pink Tide. The government plan promised to foster industry modernisation and reduce poverty by bringing the state back into the picture to coordinate a project between public institutions, private sector and civil society in order to improve the country's position in the global economy. This paper thus analyses PT industrial policies to investigate the characteristics of a post-neoliberal development model in Latin America as an alternative to neoliberalism.*

Keywords *PT, Brazil, industrialisation, developmentalism, post-neoliberalism*

1. Introduction

Since the end of the 1990s, Latin America has seen a wave of governments with a leftist stance – known as the Pink Tide group – and a rejection of neoliberal ideas of minimal state intervention and intense international competitiveness. These ideas had pushed the countries back to a position of dependence on natural resources and cheap labor export through the depletion of the national industrial base (Heidrich/Tussie 2009: 37).

Industrial policies have regained popularity as the main tool to help countries to catch up with the Global North in the post-neoliberal context.

However, the dimensions to formulate and implement these policies must encompass far broader and more complex policies than in the Import Substitution Industrialisation (ISI) era. Significantly, post-neoliberalism is not a unified theoretical alternative, but encompasses approaches that range from the most radical to the most progressive ones[1]. A detailed discussion of the whole scope of post-neoliberal approaches is, however, beyond the scope of this article. As a matter of purpose, this research specifically concentrates on neostructuralism, the post-neoliberalism approach developed by the Economic Commission for Latin America and the Caribbean (ECLAC). The neostructuralist approach advocates for growth with equity, through technical progress based on knowledge accumulation, and is commonly connected with the Chilean and Brazilian former new-leftist governments during the 2000s (Bielschowsky 2009: 177).

The *Partido dos Trabalhadores* (PT - Workers' Party) government in Brazil positioned the country as an important actor in the post-neoliberal discussion, due to its outstanding role in Latin America, the size of its internal market, and its already diverse industrial base, which does not solely rely on the extraction of natural resources. The PT has actively promoted industrial policies aimed at updating the Brazilian industrial base and fostering innovation. However, when quantitative results are analysed, the pattern of decreased industrial participation and increased share of export of natural resources in the GDP has slightly changed, when compared to the Washington Consensus era in the 1990s (Doctor 2012: 806; Milanez/Santos 2015: 13).

These quantitative results, combined with the recent economic and political crisis that culminated in the impeachment of Dilma Rousseff and the return of a conservative government with neoliberal ideals in 2016, are part of a broad discussion on the effectiveness and expected long-term results claimed by ECLAC's neostructuralist strategy (Leiva 2008a; Boito/Saad-Filho 2016). Critics of the approach doubt the capacity of neostructuralism to go beyond the neoliberal model and to present a feasible alternative to it. Others, in contrast, recognise that all post-neoliberal alternatives remain at the mercy of global capitalism, albeit with a more positive perspective. It is argued that even cases that adopted more reformist policies and that try to operate within the contradictions of neoliberalism

– commonly considered more as *status-quo* defending and likely to be temporary solutions – have opened up space to several counter-hegemonic possibilities from below (Chodor 2015: 180).

This study, thus, aims to investigate the Brazilian case in an attempt to contribute to the diverse discussion of the effectiveness of industrial policies in a post-neoliberal alternative. It is divided into four parts. After this brief introduction, the next section presents the theoretical formulation of industrial policies in a neostructuralist approach, as well as its critique. The third section discusses the methodology employed – the analysis of the industrial policies in Lula's and Dilma's mandates in the literature, combined with expert semi-structured interviews carried out by the author in Brazil in 2016-17. Expert selection was based on the interviewees' connection to government, and with knowledge of industrialisation, of PT, and of neostructuralism. Finally, the paper concludes by presenting the main findings of the case study.

2. Latin America & industrial policies: theoretical perspectives

Historical evidence has shown that today's developed countries had been actively promoting interventionist policies in trade and industry during their catching-up process (Di Maio, 2009: 107; Chang, 2003: 43). Following the example of countries in the Global-North already in an advanced level of industrialization, Latin American countries have been promoting industrial policies that can be traced back to the 1940s through the promotion of the Import Substitution Industrialisation (ISI) model. This is commonly associated with the structuralist's thinkers of ECLAC. Adopting a historical-structural method, structuralism argues that the economic relations between the 'centre' and the 'periphery' tended to increase the underdevelopment conditions and deepen the gap between developed and developing countries (Bielschowsky 2009: 173). Structuralism sees the periphery – as commodity exporter – in an unfavourable position in international trade, contradicting the general benefits deriving from free trade in David Ricardo's comparative advantage theory (Bracarense 2015: 125).

Singer (1975: 46) argued that the significant difference between the more productive export sectors – commonly foreign-owned – and the almost subsistence production for the domestic sector in underdeveloped countries, showed that the export sectors were not becoming an integral part of the underdeveloped country's economy. Indeed, the foreign investment in the periphery with the purpose of maintaining them as providers of food and raw materials for the centre reduces the spread of technical progress and the periphery's capacity for capital accumulation. Thus, ISI focused on fostering an industrial base to replace foreign produced goods as a way to break away from the circle of dependency and underdevelopment (Bielschowsky 2009: 182).

Under ISI, the state played a central role in protecting national industries, by implementing multiple exchange rates, high tariffs and restrictive quotas on imports. It also promoted industrial growth via substantial subsidies that targeted those sectors with the highest potential for industrial upgrading and productivity growth. This extensive government intervention also pushed for institutional transformation: ministries and public agencies were expanded to include a variety of regulatory and subsidy activities, and national and development banks, new utilities, and holding companies to administer public investment were created to support industrial development (Melo/Rodríguez-Clare 2006: 6).

ISI presented ambiguous results – by the late 1960s Brazil, Argentina and Mexico could be characterised as semi-industrialised countries with Colombia and Chile not far behind, while countries such as Bolivia and Honduras remained dependent on commodities exports (Munck, 2008: 53). However, the extensive size and functions of the state led to a great concentration of power that was not matched by accountability. Large-scale industrial development and infrastructure programmes were funded via the excessive borrowing of foreign capital, resulting in the accumulation of a massive amount of debt in the late 1970s. This situation, combined with external factors in the world economy, drove the region to a widespread debt crisis in the 1980s, labeled as the "lost decade" (Melo/Rodríguez-Clare 2006: 6; Kerstenetzky 2014: 173).

During the debt crisis, ISI in Latin America reached its saturation point and industrial policies lost their leading role as development agents. With the introduction of neoliberalism through the Washington Consensus

(WC) in the region, the reasons for underdevelopment were understood as rooted in excessive state intervention in regulating economic relations, and thus, deregulation and privatisation were seen as essential to let market forces alone provide the 'right' signals for the allocation of investment and efficient production. In this sense, industrial policy was seen as harmful, since it was prone to rent-seeking, production inefficiency and adversely affecting the effectiveness of the market ability to efficiently implement resource allocation, thus impeding the industrial base of a country to fully pursue its comparative advantage (Taylor 2009: 27; Lall 2004: 1-2).

The period was also marked by the promotion of a new form of regional integration known as 'open regionalism' and the establishment of the *Mercado Común del Sur* (MERCOSUR - South American trade bloc) by Brazil, Argentina, Paraguay and Uruguay. Although Latin America had already experienced attempts of regional integration during its ISI period, its focus remained on implementing ISI strategies in industrial development at a national level (Sanahuja 2012: 2). The new attempt at regional integration in the neoliberal context tried to align with the policies of the WC through regional agreements to lower trade barriers and tariffs; this was done in order to move away from protectionism, to promote international competitiveness, and to intensify the integration in the global economy (Dabéne 2009: 21-22; Sanahuja 2012: 2-3).

However, the opening of the economies and the change to an export-led model forced uncompetitive local industries into international competition without minimal protection, bankrupting many small and medium-sized enterprises (SMEs), while the ones with international potential were privatised and incorporated to multinational corporations. This situation led to early deindustrialisation and massive job losses in most countries in the region (Scholz 2014: 13). By the end of the 1990s, unable to deliver on its promises, the leading thinkers of the WC recognised the necessity of moving away from the excessive focus on competition and perfect market forces, in a recognition that institutions play an essential role in efficient markets (Marangos 2009: 207; Saad-Filho 2010: 7).

This new focus led to the introduction of the so-called Post-Washington Consensus (PWC). PWC promoted the idea of policies directed to create a suitable institutional environment for economic growth. Institutions were intended to provide a supporting structure that promotes the diffusion of technological information, funding precompetitive research, and providing tax incentives for Research and Development (R&D) to stimulate the growth of industrial clusters and venture capital. These incentives are supervised by a network of decentralised agencies specialising in activities such as export promotion and Foreign Direct Investment (FDI) attraction (Marangos 2008: 207).

At the same time, following a wave of elected leftist governments, industrial policies re-entered mainstream political discourse with a broader definition. The new industrial policy formulation takes into consideration the necessity to acquire technological and organisational capabilities with a comprehensive structure that promotes learning-based production through rent-seeking incentives but that is also able to curb rent seeking *tout court*. These structures, it is argued, should be combined with industrial friendly macroeconomic management (Stiglitz et al. 2009: 543). This extended view, characterised as a post-neoliberal perspective, aims to break with neoliberal practices and moves beyond the proposals of the PWC (Yates/Bakker 2012: 64; Peres/Primi 2009: 14).

2.1 Neostructuralism and the renewed role of Industrial Policies (IP)

Post-neoliberalism can be categorised as a combination of an ideological project and a set of policies and practices that focus on redirecting a market economy to social concerns and the revival of citizenship through politics of participation and cross-sector alliances. Thus, as a government project, post-neoliberalism aims to preserve elements of the export-led growth model by committing to a certain level of fiscal restraint for economic stability, and to remain responsive to the global economy, while promoting social equity through conscious government spending and different stakeholder alliances (Grugel/Riggirozzi 2012: 1; Yates/Bakker 2014: 64).

Neostructuralism – a post-neoliberal approach developed by the ECLAC – argues that economic globalisation is not a phenomenon that will automatically lead to catching-up in terms of technological capabilities and increased well-being. Interdependent economies, particularly the ones in the Global-South, need even more refined measures of policy intervention that will lead them to the so-called 'high road' of globalisation, namely measures of policy intervention to profit from world market integration. This goal can only be attained when combined with social development, strong institutions and improved macroeconomic policies, in order to brace the economy against international financial volatility (Bielschowsky 2009: 185-188; ECLAC, 2012: 270).

In this sense, compared to PWC, neostructuralism has substantially broadened the market economy model scope in developing countries by incorporating the issue of coordination among governmental and non-governmental economic agents. Other themes, such as the formal exploration of increasing returns to scale and the availability of new technology, as well as knowledge production, information externalities and other forms of industrial organisation, also assume importance in the new approach (Todaro/Smith, 2012: 156).

Also, neostructuralism aims to tackle the flaws of its structuralist ISI past. ECLAC claims that, analytically, neostructuralism has remained close to structuralism by keeping its historical-structural orientation, while adding Schumpeterian approaches (the focus on knowledge formation and accumulation, the effects of path-dependency and changes in techno-economic paradigms) to countercyclical macroeconomic policies, citizenship and social cohesion, and an agenda coherent with the globalised environment in which developing countries function (Bielschowsky 2009: 179). Focusing on a more systemic and proactive form of public intervention would enable support to the private sector as a means to overthrow structural constraints in innovation, productive transformation and upgrade. It would allow for the expansion of development to generate growth and equity. In this context, industrial policies return to play an important role in fostering production growth and development in the context of rapid technical transformation (Devlin/Moguillansky 2011: 2).

Institutions must be strengthened, and accountability mechanisms settled, to avoid government corruption, and efficiently coordinate public agencies and the private sector, execute industrial policies and monitor their progress. The coordination and execution of horizontal and vertical industrial policies must have a clear-cut strategic view towards changing existing production patterns towards more knowledge intensive ones. Thus, the government partnership with the private sector should focus on selecting a small set of industrial sectors, not companies, which will change the direction of production to value-added goods and thus create spillovers (vertical industrial policy). Regarding horizontal policies, public-private partnerships and civil society should team up to complement vertical policies in order to change production patterns. This would focus not only on horizontal issues directly related to production, such as sound macroeconomic policies, technological innovation and investment, but also on more general areas that indirectly affect production, such as infrastructure, health, education, and working conditions (Melo/Rodríguez-Clare 2006: 5, 16).

Regarding regional integration, there is a shift from open regionalism to a post-hegemonic form (Riggirozzi/Tussie 2012). Neostructuralism does not reject globalisation, but embraces it in its various forms. It keeps the goal of strengthening regional institutions and institutional structures and seeks international competitiveness, while also focusing on signing preferential, reciprocal trade agreements at bilateral and sub-regional levels – particularly South-South agreements – guided by government supported export-oriented companies to know which markets should be prioritised to improve production development. This can be evidenced by the importance given to South-South relations and industrial policies, such as the 2008 Common Industrial Policy Programme (*Programa de Integración Productiva* - PIP) of MERCOSUR (Riggirozzi 2010: 9; MERCOSUR 2015: 20).

Industrial policy in neostructuralism has, thus, the intention of creating the necessary systemic competitiveness for the world market, a situation where macroeconomic equilibrium and productive modernisation go along with social and environmental equilibrium. This synergy would create a self-expanding virtuous circle that forges an efficient development project in the era of globalisation (Leiva 2008a: 13).

Although neostructuralist strategies have been praised as feasible alternatives to neoliberalism, with positive results in many countries, critics argue that their active support for manufactured export-led growth has deep contradictions and flaws that jeopardise their expected long-term results. The systematic exclusion of power relations in the neostructuralist mode of theorisation directly affects the possible positive results (Leiva 2008a: 97).

Neostructuralism promises a virtuous cycle, dependent on adequate technical, social-scientific capacity (i.e. human capabilities), and strong government institutions where those capabilities can influence and be exercised, to move beyond the corporatist standpoint and actively interact with government agencies and other stakeholders for long-term goals in production development. By ignoring power relations in the state-private sector-civil society nexus, neostructuralism becomes unable to explain the weak technical and social capacities, weak mechanisms for good governance, and lack of support of the private sector for common long-term goals. In this sense, issues such as new modes of unequal exchange, denationalisation and highly limited technology, and know-how transfers that remain concentrated within transnational companies (TNCs), are not adequately addressed by the approach (Melo/Rodríguez-Clare 2006: 18; Leiva 2008a: 97).

Authors also argue that neostructuralist macroeconomic priorities are not industry-friendly. Macroeconomic discipline to control inflation and high exchange rates does not generate an increase in savings and investments in the internal market. Thus, SMEs, infrastructure and technological capacity are directly affected. The neoliberal macroeconomic tripod – overvalued currency, high real interest rates and primary surplus (when the level of income is higher than the current spending) – makes industrial policies hardly achievable without harming SMEs (Ban 2012: 7; Saad-Filho 2015).

Thus, for critics, neostructuralism is a status-quo defending approach, since it ignores the main characteristics of its own structuralist roots in order to understand how the accumulation logic of capitalism undermines it. By believing that the high road for globalisation is an inevitable process if only the right policies were adopted, the proposal remains attached to the idea that development is a natural process, and ignores the historical North-South relations as much as it does PWC with its exclusive focus on institutional reform (Leiva 2008a: 225; Missio et al. 2015: 248).

3. The PT and the return of industrial policies

The debt crisis of the 1980s triggered the end of ISI and signaled the adoption of neoliberalism under the WC in Brazil. Industrial policy lost its importance as the mean to achieve growth and development, and a process of industry and infrastructure privatisation took place. This situation put the industrial base – which was already weakened and technologically backward because of the stagnation of the 1980s debt crisis – under pressure to compete with foreign companies and capital. The industry share in GDP fell drastically, and a new power structure took shape, through a few strategic industries and the re-structuring of a few private national groups (Suzigan/Furtado 2006a: 173). This new power structure – combined with external factors – increased unemployment as well as unequal income distribution, and intensified dissatisfaction among the national industrial elite (Boito 2007: 71).

This situation opened up an interesting and divided debate on industrialisation in Brazil, namely the question of whether the country had suffered deindustrialisation and 'regressive specialisation' since the WC programmes, or whether the country was just moving to the next step of advanced economies in a post-industrialisation context, where industry loses its share of GDP due to technological sophistication and the disintegration of certain productive processes (Urraca-Ruiz et al. 2013: 2-3).

A third view claims that the Brazilian process of deindustrialisation is relative and sector-specific, and thus possible to reverse through industrial policies that aim at reorienting the country towards the advanced economies and improving its participation in global value chains (Milani 2011: 7; Urraca-Ruiz et al. 2013: 7). This view was able to bring together a heterogeneous – and contradictory – alliance between the national industrial bourgeoisie, the social movements, and the working class to elect PT and Luís Inácio Lula da Silva in 2002, initiating a post-neoliberal and a leftist phase in the country (Boito/Saad-Filho, 2016: 194).

3.1 Lula's industrial policies

Historically, industrial policies have been constantly influenced by different powers within the country, with different levels of success. During the ISI period, as several governments (both democratically elected and dictatorship) added new agencies, institutions, policies and instruments to a ISI strategy with a highly influential developmentalist state, different political actors were created and/or strengthened around the industrial policy agenda: old and new elites, business associations and trade unions, and regional and sectoral bodies (Suzigan 2006b: 74).

Trade unions and nationalist groups influenced the nationalisation of oil production (Petrobrás). Industrial associations focused on a more pro-developmentalist agenda. Business elites backed the dictatorship and focus on high technology sectors, such as aircraft (EMBRAER), computers, the promotion of the automotive industry, and nuclear energy (Angra I & II). Notwithstanding these developments, the groups that influenced the government under ISI never acted as a unified coalition for a single, coherent development strategy (Schneider 2015: 116).

Therefore, the historical context in which the PT brought industrial policies back to the development agenda was marked by a complex institutional environment, where several actors and stakeholders at the national and international level were exerting their influence on policymaking and decision-taking (Almeida et al. 2014: 9).

This was also one of the main points mentioned by the expert interviewees when the context for the formulation of industrial policies in the era of globalisation was discussed; they pointed out that the huge power disputes within the government, and the commitment to the Right and international organisations such as the IMF for governability jeopardised a full/consequent implementation of industrial policies (Interviews 1/2, December 2016; Interview 4, January 2017).

A second challenge was related to the return of industrial policy *per se* as a goal for economic and social development in a globalised and open economy context. The stagnation of the 1980s and market-governed policies from the 1990s in Brazil created several obstacles to the implementation of an industrial development agenda. The main ones were the disadvantageous heritage left by neoliberalism, with unfavourable macroeconomic policies, privatisations, disarticulated institutions and instruments for industrialisation, and lack of investment in an already outdated infrastructure. Combined with an equality gap and lack of human capability (i.e. skilled work force fostered through a strong and inclusive education system), PT was left with a difficult environment for its objective of catching up with the Global North in terms of knowledge production and new technologies (Suzigan and Furtado 2006a: 173-174).

Those challenges created a government with a hybrid policy regime: it remained committed to economically liberal goals and instruments rooted in the WC, while adopting more interventionist instruments and policies commonly associated with neostructuralism. The government discourse emphasised the necessity of a gradual structural change through a national development project supported by a "new social pact" directed towards the forgotten population (Erber 2006: 19; Ban 2012: 1)

Efforts should have been directed towards macroeconomic stabilisation in order to generate an increase in savings and investments, focusing on the internal market – SMEs, infrastructure and technological capacity. The stabilisation would come with several institutional reforms from the fiscal to the social security sectors, uniting labour and productive capital on a solidarity synergy (Erber 2006: 20).

In this scenario, the *Política Industrial, Tecnológica e de Comércio Exterior* (PITCE - Industrial, Technology, and International Trade Policy) – was implemented. It was based on the, albeit affected and weakened by neoliberal deindustrialisation, diverse industrial base of the country, and was aimed at reducing external vulnerability. It was supported by the necessity for technological modernisation by targeting different sectors and productive chains, with a particular focus on the oil production chain, construction, pharmaceutical and agribusiness sectors, sectors that would be essential to generate and expand innovation, competitiveness and international dynamism (Cano/Gonçalves da Silva 2010: 7).

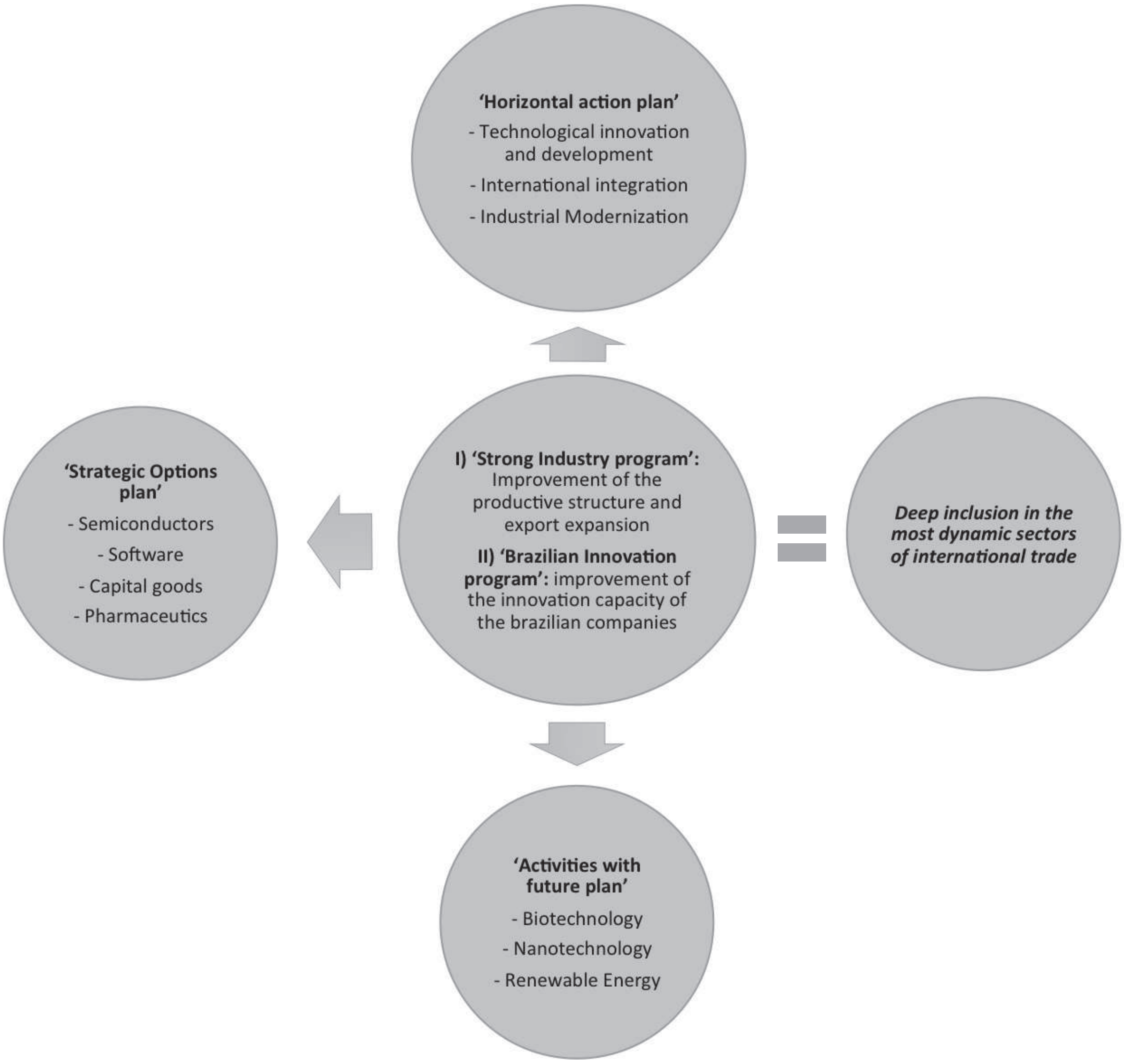

Figure 1: PITCE General Strategy
Source: dos Reis, 2006, own figure and translation

However, when the results of the PITCE were assessed, it turned out that its proposals were not all successfully implemented, due to the scenario left by neoliberal reforms. The results generated by the PITCE encompassed a broad package of measures with heterogeneous stages of planning and implementation, due to the incompatibility with the macroeconomic policies and the necessity to re-organise and strengthen the institutions for the promotion of industrial development. Nevertheless, it was able to open up a path of industrial reforms (Laplane/Sarti 2006: 285).

The sharp currency devaluation by the end of Lula's first mandate contributed to a decrease to zero of the trade deficit for manufactured products. This measure, along with the constraints for growth of the domestic sector caused by the monetary policy, payment of the IMF debt, and the positive international scenario for trade pushed by the Chinese economy, which opened a space to deepen South-South relations and insert Brazil as an important player in the world economy with BRICS and the G20, stimulated the expansion of the industrial production for export, as international restrictions were considerably reduced (Cano/Gonçalves da Silva 2010: 6).

There was a clear movement to create a resilient internal market to support the national industry. There was consequently a strong promotion of credit expansion, growth of household demand, unemployment reduction, increase of minimum wage, and the introduction of affirmative action policies and transfer cash programmes to reduce inequality as the means to boost national production (Cano/Gonçalves da Silva 2010: 15). There was also a move to upgrade and strengthen the national value chain of oil, with Petrobrás taking the lead. As argued by Expert 3, Petrobrás prioritised national goods – such as ships and other resources – to initiate a recovery process of the naval industry in Rio de Janeiro and develop the Northeast region of the country (Interview 3: December 2016).

With more freedom from external agents, after paying its debt to the IMF, and a more stable economy, PT was able to deepen its industrial policy strategy (Laplane/Sarti 2006: 285; Kupfer 2013). The Productive Development Policy (PDP) was launched to overcome PITCE limitations – such as the lack of coordination and proper instruments to foster innovation – and expand its action to a greater number of sectors by improving accountability mechanisms and creating institutions to promote industrialisation, such as the creation of the Brazilian Agency for Industrial Development (ABDI) (Guerriero 2012: 156).

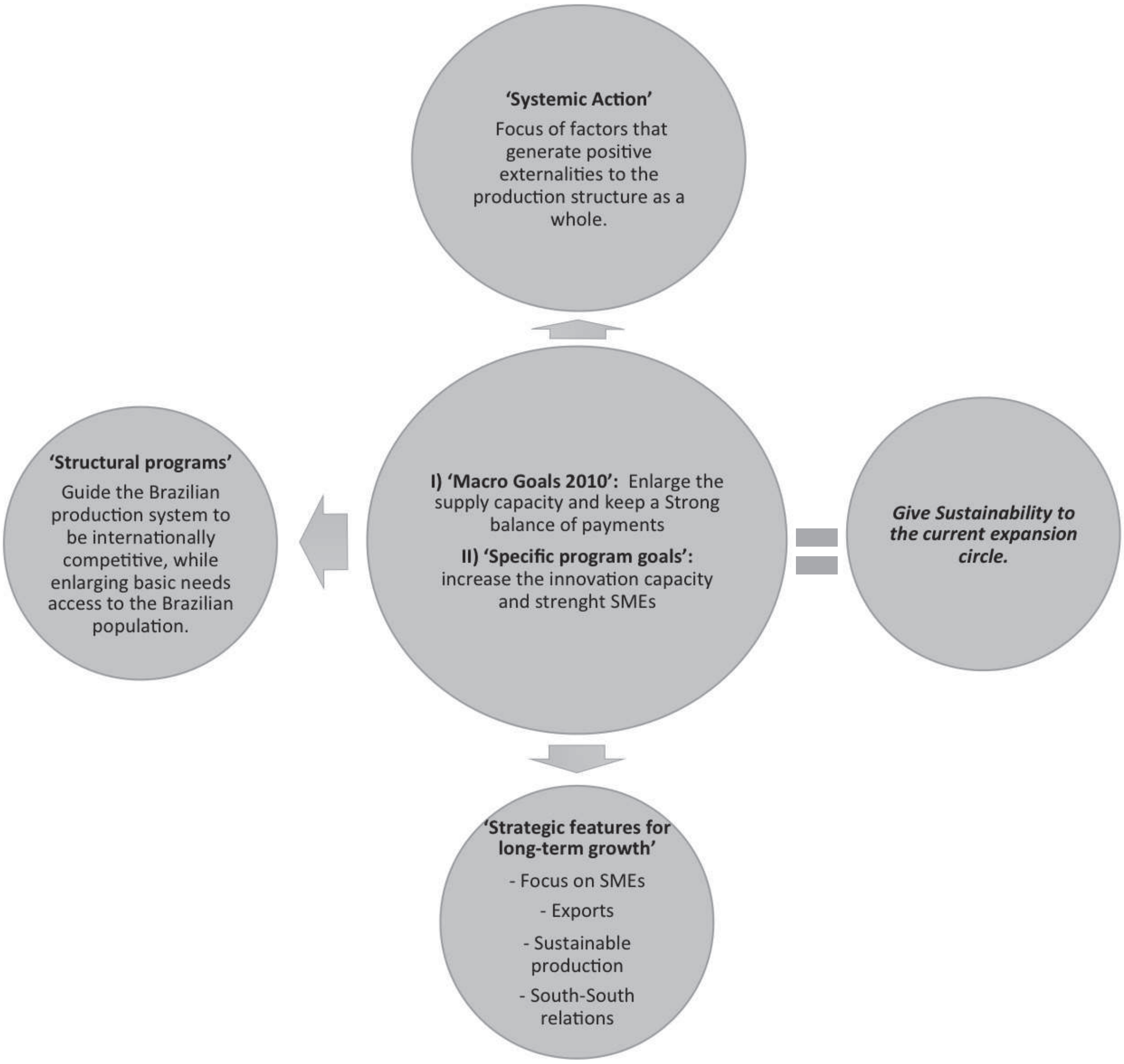

Figure 2: PDP General Strategy
Source: ABDI, PDP presentation, 2008, own figure and translation

The PDP proposal was to converge with macroeconomic policy and give sustainability to the favourable growth moment the country was experiencing. The stable macroeconomic moment opened a space for horizontal policy measures to close structural gaps that would upgrade production and promote development, such as promoting investment on the infrastructure and supporting education through financial and quotas programmes to foster a specialised workforce. The PDP formulation tried to expand instruments to stimulate the innovation capacity and combine them with investments to increase the supply capacity and avoid inflation and trade imbalances (ABDI 2008: 9; Guerriero 2012: 157-158).

Experts 1 and 3 – although they defended the position that the government could and should have done more regarding institutional change – praised the government's intention to move away from the rigidity of the first mandate by taking advantage of the favourable international scenario and acting quickly when the Global Financial Crisis hit the country (Interviews 1/3: December 2016). Existing programmes from the ISI era to support SMEs were adapted and relaunched. There was an effort to ease the obstacles for investment, production and export. Fiscal exemption was conceded to national products as an attempt to promote national producers. Tax exemption to buy machines and equipment was given to companies that exported at least 80% of their production (Cano/Gonçalves da Silva, 2010: 8).

Among the interviewees, the action of the Brazilian development bank (BNDES) was considered as one of the main supporters of the PT industrial strategy. They particularly emphasised its role in the second mandate in line with PDP, that explicitly focused on fostering international competitiveness by investing in the main sectors and companies of the Brazilian production system (Interviews 1/2, December 2016; Interview 4, January 2017).

Indeed, the plan was in line with their approach to South-South relations and the strengthening of MERCOSUR members' national companies through the region's productive integration in the framework of MERCOSUR's PIP. Under programmes within PIP guidelines, such as those to intensify and complement the automotive chain (FOCEM Auto) and the (Producers Qualification of Oil and Gas) chain in MERCOSUR (FOCEM P&G), the MERCOSUR was able to go beyond the idea of open regionalism from the neoliberal era by investing in regional infrastructure, such as the 550 million USD in the construction of the transmission line between La Paz (Paraguay) and the Itaipú hydroelectric power plant (ABDI n.d.; JIE September 2017).

Moreover, the country remained committed to the already established industrial cooperation partnership with Argentina. Since Lula's first mandate, they deepened and consolidated their bilateral economic, political and institutional relations and acted as active leaders in MERCOSUR to promote their national industries (KAS 2015). However, when compared to *Alternativa Bolivariana para las Américas* (ALBA) and Venezuela's leading role in it during the 2000s, Brazil's efforts were moderate. Economically weaker states complained that Brazil's foreign policy aspirations to broaden South-South relations left questions of asymmetries and inequalities within the bloc unaddressed (Vázquez/Ruiz Briceño 2009: 44)

Another central issue for industrial policies in the post-neoliberal context is the task of innovation. As pointed out by neostructuralists, competitiveness could not rely on cheap labour. It must, rather, change the export pattern to increase technological innovation and to raise labour productivity, creating a more 'genuine' form of competitiveness (Leiva 2008a: 13).

Interviewees pointed out that this was one of the main issues where Lula's government had many coordination flaws. Expert 1 pointed out that:

> "(...) the share of imported components in the industry rose considerably, thus, it weakened the industry [since there was no R&D knowledge transfer for upgrade]. When you analyze it as whole, in the second part of the 2000s, the industrial production rose, there was more regulation, which is something very positive. But at the same time, with these problems I mentioned" (Interview 1, December 2016).

There was also a lack of infra-structure policies to boost innovation: "[t]here was a rise in the consumption capacity [of the internal market]. (…) But to develop a technological industry, it is also necessary a [comprehensive development] policy that will develop urbanization, infrastructure" (Interview 3, December 2016). Indeed, the widespread protests of 2013, which started because of a high increase in the public transport tariff, were a reaction of the population against the lack of infrastructure investment of the government in roads and public transport alternatives (Saad-Filho 2013: 3-4).

Moreover, as discussed by Gudynas (2010: 2) and interviewees 1 and 5, despite the high importance of sustainable development and a more 'green consciousness' that neostructuralism should bring to industrial polices, PT – as many of its peers in Latin America – did not reverse the importance of their extractivist sector, e.g. Petrobrás and agri-business, particularly the food processor JBS. The government remained committed to build an infrastructure to answer the needs of those groups and not of the population as a whole. This contradictory combination shows the struggle for cohesion and more effective results in such a heterogenous power alliance for a long-term productive development plan (Interview 1, December 2016; Interviewee 5, March 2017).

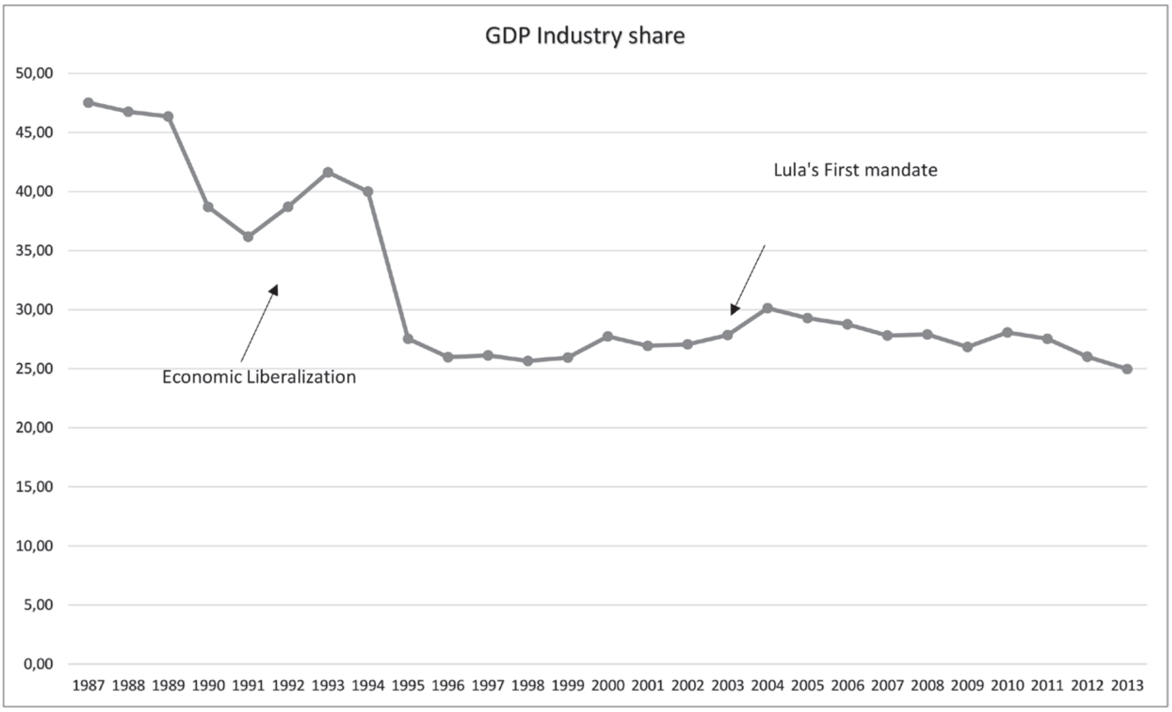

Figure 3: Industry share in the Brazilian GDP since the economic liberalisation
Source: IPEA 2016: GDP Industry data – November 2016, own chart

Thus, the PDP's main goal was to invest and innovate to sustain the growth momentum. However, the Global Financial Crisis in 2008, and difficulties in coordinating an alliance of heterogenous power groups directly affected the policy implementation. The PDP was redirected – along with other measures – to work as an anti-cyclical policy to reduce the crisis's immediate harmful shocks. Its redirection proved to be useful as a way to limit the negative effects of the crisis and to return to high rates of growth by 2010. Due to this reason, the share of industry of GDP did not rise further (Kupfer 2013).

3.2 Dilma's industrial policies

Dilma's government was marred by an already unfavourable international scenario, left by the 2008 Global Financial Crisis (ABDI 2013: 10). In this context, the PT launched its third industrial policy phase, known as *Plano Brasil Maior* (PBM – Great Brazil Plan). The main goal was to sustain growth by tackling the flaws of PITCE and PDP. Noteworthily, the PBM recognised that the state should coordinate and regulate the development process better, and guide the country to improve its position in the world economy (Guerriero 2012: 229; Curado 2017: 139).

The plan covered the promotion of innovation and technological development, the expansion of the internal and external market for the Brazilian companies, and the guarantee of social, inclusive growth. Also, there was a focus on investment via cosolidated enterprises, such as Petrobras, on innovation to lead the country to a change in production pattern and modernisation. Internal market dynamism remained an essential tool to shield the national companies against the unfavourable international scenario (Guerriero 2012: 229-230).

Official documentation shows that Dilma's government tried to intensify the action of state institutions to coordinate industrial policy implementation (Curado 2017: 139). Indeed, Expert 1 (December 2016) pointed out that Dilma had a more 'industrial' approach compared to Lula as "(...) she favored the industry a lot. She made a series of concessions, incentives and subsidies." The external scenario forced the PBM to focus on recovering the industrial base through investment in innovation and technological development, based on the dynamism of the internal market. However, the same unfavourable international scenario, and Dilma's lack of political power curbed the PBM results, as pointed out by Expert 2 (Interview 2, December 2016): "(...) something more structural took form but there were clearly no conditions of implementation. (…) Dilma's government had no political condition to implement [a project] (...)".

The more industrialist approach, with a stronger state presence of Dilma's government, was not seen favourably by private institutions, such as private banks, and it was impossible to build alliances with the private sector and elites that are still in power, such as traditional and conservative parties, especially the Brazilian Democratic Movement MDB (former

PMDB) – the current party in power under the presidency of Michel Temer, and which actively supported the impeachment of Dilma Rousseff. Private institutions directly attacked the government when it expanded the role of public banks, and felt there was strict regulation over their actions (Interview 2, December 2016).

The industrial project was also hit by several cases of corruption involving Petrobrás and other companies supported by, and with high investment from, the government. The accusations led to a perceived lack of legitimacy and support of the PT. Petrobrás, the main actor of the industrial projects involving the oil and gas chains, has had all its on-going contracts stalled because of the called 'Car Wash' federal police corruption investigation (Expert 5, March 2017).

This scenario was combined with the still contradictory role of the neoliberal macroeconomic policies. Since the first year of Dilma's first mandate, the government pushed for a huge primary surplus, increasing the already high interest rates (Interview 3, December 2016). This affects, once more, the task of innovation for the Brazilian industrial base. There were, indeed, measures from PBM implemented to foster innovation [i.e. sector specific financial programmes and tax wave on petrochemical products to foster competitiveness and innovation]; however, those results can only be evaluated in the long-run, and most of them were halted because of the economic and political crisis (Interview 5, March 2017).

Finally, in the context of growth retraction, the government maintained the already exhausted strategy of anti-cyclical policies of aggregate demand, which had been implemented to resolve the crisis of 2008. This situation led to a deeper economic crisis – transformed into a political crisis by opposing powers – that led to the end of Dilma's short-lived second mandate, with her controversial impeachment in August 2016 (Barcia 2016; Curado 2017: 145).

4. Conclusion

As the Brazilian case has shown, the industrial policies formulated during the PT government were not translated into a significantly increased share of industrial participation in GDP, as compared to the neoliberal era. The government was, indeed, successful in promoting an internal market based on mass consumption as an anti-cyclical measure after the 2008 financial crisis. It was able to maintain industry dynamism by giving exceptions to some sectors, as well as other measures. However, it was not able to deeply change essential aspects, namely, to boost innovation and technology, to create infrastructure and to improve the satisfaction of basic needs.

Nevertheless, neoliberalism is clearly not the undisputed way for developing countries to improve their position in the world economy while trying to create a more inclusive society in the era of globalisation. The administrative mistakes of PT, and the lack of enforcement and political reform, led to capacity inability to curb the country's historical corruption and to fully reverse the deindustrialisation trend. Notwithstanding these factors, it was able to bring industrial policies back to the development agenda, showing that there is still space for policy manoeuver in the context of WTO rules and open market economies.

However, neostructuralism's belief in the high road to globalisation as an inevitable process if only the right policies were adopted, marginalises power relations in the analysis of economy and society. This claim proved to be particularly strong because of the contradictory character of the Brazilian government's neoliberal macroeconomic policies when combined with industrial policies, creating a scenario that consistently turned down better results from the policies adopted. The government's inability to push for structural reforms, the resistance of some sectors of the elite to the government, the PT's pact with the right to keep the project moving, and the commitment to international financial institutions, cannot all be understood as a 'simple' lack of management ability to implement the 'right' policies, as neostructuralism would claim.

In this sense – for a development project that wants to foster innovation through the return of the state and industrial policies in order to be able to effectively stop deindustrialisation – it is, indeed, essential to reshape existing power structures, and not only to accommodate them. If not, opportunities for a profound change of the current global economic structure that reproduces the center-periphery-nexus will be continuously lost.

1 Leiva, claims that, while neostructuralism can be characterised as "status-quo defending", with its progressive focus on politics, institutions and culture that helps to legitimise and regulate the export-oriented regime of accumulation introduced by neoliberalism, the so-called 21st century socialism advocated by countries such as Venezuela can be understood as "status-quo transforming". This transforming characteristic is marked by its attempt to redirect society's economic surplus and reshape existing power structures by a gradual process that promotes a mixed economy and strengthens the state's role to guide economic surplus to development purposes that includes less powerful groups of the society (Leiva 2008a: 225).

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List of Interviews

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Interview 2: Academic in the field of economics and specialist in development banks, 19.12.2016.
Interview 3: Former member of PT and academic in the field of economics, 20.12.2016.
Interview 4: Academic in the field of political economy and specialist in leftist theories, 31.01.2017.
Interview 5: Former member of the Ministry of Sciences and Technology of Dilma's government and academic in the field of economics, 11.03.2017.