



PRESIDÊNCIA DA REPÚBLICA  
Governo Fernando Henrique Cardoso

# **THE IMPACT OF GLOBALIZATION ON DEVELOPING COUNTRIES: RISKS AND OPPORTUNITIES**

CONFERENCE OF THE PRESIDENT OF  
THE FEDERATIVE REPUBLIC OF BRAZIL,  
FERNANDO HENRIQUE CARDOSO,  
AT THE COLEGIO DE MEXICO.  
MEXICO CITY, 20<sup>th</sup> FEBRUARY 1996

BRASÍLIA  
1996

PRESIDÊNCIA DA REPÚBLICA  
Governo Fernando Henrique Cardoso

**THE IMPACT  
OF GLOBALIZATION  
ON DEVELOPING COUNTRIES:  
RISKS AND OPPORTUNITIES**

CONFERENCE OF THE PRESIDENT OF  
THE FEDERATIVE REPUBLIC OF BRAZIL,  
FERNANDO HENRIQUE CARDOSO,  
AT THE COLEGIO DE MEXICO.  
MEXICO CITY, 20<sup>th</sup> FEBRUARY 1996

BRASÍLIA  
1996

Brasil. *Presidente* (1995 - : F. H. Cardoso).

The impact of globalization on developing countries : risks and opportunities / Fernando Henrique Cardoso. — Brasília : Presidência da República, Secretaria de Comunicação Social, 1996.

29 p. — (Documentos da Presidência da República)

Conferência pronunciada no Colegio de Mexico, Cidade do México, em 20 de fevereiro de 1996.

1. Condições econômicas e sociais — Países em desenvolvimento.
- 2.

Globalização da economia. I. Cardoso, Fernando Henrique, 1931 - . II. Título. III. Série.

CDD 330.91724

## **Table of Contents**

- I. Introduction: Challenges to Statesmen Face to Face with Globalization • 5**
- II. Facts which Have Contributed to the Obsolescence of Traditional Theories on Asymmetry and Dependence in World Economic and Political Relations • 7**
  - II.1 The Dimension of Capital • 8**
  - II.2 The Dimension of Labor • 9**
  - II.3 Some consequences of the new forms of Capital expansion, the organization of Labor and the relations between Capital and Labor • 11**
- III. Some of the Social Consequences of Globalization: the Problems of Increasing Inequality and Structural Unemployment • 19**
  - III.1 Inequality and Social Exclusion • 20**
  - III.2 The Rise in Unemployment • 21**
- IV. The Role of the Government in Combating Unemployment. How to Generate More and Better Jobs • 23**
- V. Conclusion: the Global Economy and the Future of Developing Countries. The Demand for Equity • 27**



# I

## **Introduction: Challenges to Statesmen Face to Face with Globalization**

---

It is a pleasure to come back to the Colegio de Mexico, one of the most creative centers of Latin-American thought, where I have so often received a generous welcome and always encountered intellectual stimulus for debate and research. I meet again with long-time friends and, above all, recall the excellent moments of companionship and friendship which academic life here had provided to me.

I am going to deal with a theme which has come to be definitively incorporated into the agenda of all contemporary governments: the Globalization of the economy and the risks and opportunities which result from this. In countries such as Brazil and Mexico, to reflect upon the implications of this phenomenon, both from the external and domestic viewpoints, is more than a mere intellectual challenge; it is rather a vital necessity.

I do not intend here to address this issue with the rigor of a man of science, among other reasons because in everything I have read about Globalization, I perceive that there is as yet a lack of a "unifying theory" to explain in depth the genesis of the changes and the course of the rapid developments underway in contemporary economic reality. Academia, it appears to me, is still in the process of mapping and understanding the set of events which are changing the lives of nations at a heretofore unimaginable speed.

---

But the timing and motivations of the Politician are essentially different from those of the Social Scientist. The Politician cannot wait for the sedimentation of knowledge in order to act. Should he do so he will be overcome by events. We have today but one certainty, and that is of the vast scope and depth of change — and this haunts and vexes us — in the awareness of the complexity of the challenges we must face.

The truth is that, irrespective of the theoretical gaps which exist, enough is already known about Globalization for us to perceive within a reasonable perspective where the probable course of Globalization will lead and in what fields we can act to mitigate some of its more pernicious effects, and at the same time, to exploit the full potential of the advantages which are arising so that, in the coming years, we can make great strides towards prosperity with greater social justice.

Globalization, in its various manifestations, has become an unavoidable component in the decisions of Governments, conditioning both choices at the national level and actions abroad.

This, however, in no way detracts from the fact that one of the most important missions of contemporary political action is to ensure that development will be guided by values, in accordance with which economic gains only have significance if they bring greater well-being to the majority of citizens. Thus, starting from this premise, we must find the means and instruments needed to lead the effort to integrate our countries into the new standards of productivity and competitiveness, the only way to achieve the necessary sustainable economic growth in a globalized economy.

This is the main focus which I intend to give to this conference. I have sought to ponder some of the social consequences of Globalization, especially those relating to the risks of increasing inequality, in each country and on the international level, and also the rise of the so-called structural unemployment.

## II

### **Facts which Have Contributed to the Obsolescence of Traditional Theories on Asymmetry and Dependence in World Economic and Political Relations**

---

A starting point for an improved understanding of the nature of the changes currently taking place in the worlds of economic and political reality would be to reflect on some of the reasons underlying the obsolescence of some of the theories which sought to explain in depth the dynamics of relations between Capital and Labor and their repercussion in the international scenario.

It is evident that I do not propose to exhaust such a complex theme in so short a time. My objective is merely to trace some lines whereby to allow us a better understanding of that which is taking place in the world today.

The extraordinary changes which have occurred since 1989, one of which has been the acceleration of the effects of Globalization, reveal the limitations of the theories and hegemonic ideologies of this century. This is true not only of Marxism; both classical liberalism (by virtue of the changes in the theory of comparative advantages), and social-democracy (which suffers from the criticism of the exhaustion of the *welfare state*) require a radical reformulation which has as yet not been forthcoming. Obviously: the historical perspectives available to the founders of these schools of thought were quite different and were based upon the premises of certain specific forms of dialectic between the internal and external,



---

and even between relations of capital and labor, which no longer exist.

The world has changed; the nature of Capital has changed; the nature of Labor has also changed. The instruments necessary for achieving increasing levels of social inclusion have likewise changed.

What History has not rendered obsolete in the ideologies principally of the left is a generous aspiration to the effect that change should have the objective of incorporating the weak, the disadvantaged. It is for this reason that the theme of inequality persists and occupies a necessary space in the reflection on globalization..

## **II.1 The Dimension of Capital**

In the dimension of Capital one of the aspects to be highlighted is that we are witnessing a veritable atomization of its property. Today pension and investment funds, for example, hold a strategic position in the control of Capital and in the definition of its utilization. This is diluting and depersonalizing the relations between employer and employee in the most dynamic and modern sectors of the economy, though in Brazil, as in a great many other developing countries, most employment is provided by small and medium companies.

Even the relation between entrepreneurs and companies is changing: in place of the "Schumpeterian" businessman, the visionary entrepreneur, is now being replaced by those who control some form of specialized and innovative knowledge, or otherwise, by the managers whose decisions are guided by standards of efficiency and competitiveness. The trend is not new and has been described since the 1950s, but it has most certainly become more marked in recent years.

To give but one example which confirms these trends: in Brazil, pension funds have become the greatest investors in the

---

process of the privatization of the economy. The managers of these funds now retain vast power, in terms of the choice of options for investment in the economy. The majority of these managers have come from the staffs of state companies.

How then can one with any clarity speak of capitalist exploitation, of the attainment of surplus value in the classical Marxist sense if a significant portion of the workers are beginning to be Capital's partners? Undoubtedly, there are specific groups of workers who have been better at achieving means of access to capital precisely because they were capable of becoming organized in a modern manner.

And here we have a first question, more of a sociological than of an economic nature: does the differentiation of labor, derived from the ease of access to capital —and as I shall point out, there are other determining factors in this differentiation — admit only modern forms of organization, or does it also serve those who, by political artifice, have managed to consolidate corporatist arrangements?

Another crucial element is the increasing mobility of international capital flows and their impact on the monetary and exchange policies of national economies. It becomes increasingly difficult to identify the origin of capital and, above all, the intentions of the managers who deal in it. An analysis of how profits are distributed and of who benefits there from also becomes a complex matter.

This does not mean that we are helpless in the face of the volatility of capital. The awareness of this trend cannot lead us to passivity. The internationalization of capital flows should correspond to new international arrangements to discipline them. And this is perfectly possible.

## **II.2 The Dimension of Labor**

I recall that in classical economic theory Labor, Capital and Land were considered the three basic factors of production. The

---

factor Labor was characterized as being static, homogeneous. Technology was associated directly with the factor Capital, not with Labor. Nowadays, as production has become more “knowledge intensive”, it is the worker himself who possesses this knowledge to a far greater extent than the company. A significant example of this is the case of Silicon Valley in the United States, which grew from a knowledge base, to which capital flowed *a posteriori*. Though this example may be somewhat schematic, it serves to illustrate the point which I wished to stress: that in the terminology of Marx, **variable capital** rises in importance in relation to **constant capital**, to the degree that the productive process becomes more knowledge intensive.

This fact has deep implications for our countries and economies. Knowledge has become a factor of differentiation in labor. Physical strength and general aptitudes have lost importance as elements which differentiate labor. High-level, qualified and creative manpower has become a “scarce” element, in comparison to the relative abundance of capital in circulation around the world. This is even more important for developing countries: any comparative advantage which peripheral countries might enjoy in terms of cheap and abundant labor has practically disappeared, or to be more precise, it is now located in the less modern sectors of the economy. This reinforces the difficulty of dealing with internal differences in complex developing countries, such as our own. It has become necessary to combine public policies that preserve areas which are modern and competitive by international standards, with a permanent effort to incorporate backward, more labor-intensive sectors.

There is another point which has had an extraordinary impact upon the relations between Capital and Labor. The modernization of the economy has led industrial manpower — in Marxist terms the **proletariat par excellence** — to lose ground to jobs to the tertiary sector; a sector which has a low capacity to mobilize (for the purpose of bargaining with the holders of capital), greater informality and greater differentiation in terms of variety in the

---

types of jobs and in pay scales. It is as a result of this change in the profile of jobs that there has been a move towards greater flexibility in labor standards throughout the four corners of the world.

Many consider that this migration of jobs from the manufacturing sector to the service sector has been a negative phenomenon. Conceptually however, this is a mistake: it is a fallacy that only industry can provide high-quality jobs. Also equally outdated is the notion that only the manufacturing sector has the potential to generate exports, and thus, the capacity to promote growth more easily.

### **II.3 Some consequences of the new forms of Capital expansion, the organization of Labor and the relations between Capital and Labor**

Some significant consequences stem from the implementation of the new forms of Capital expansion, the organization of Labor and the relations between Capital and Labor.

■ **First:** if on the one hand the mobility of capital flows across national borders may bring real opportunities for growth to emerging economies, on the other, the volatility of this short-term capital and the possibility of its being used in speculative attacks against currencies constitutes a real threat to economic stability and to the level of employment in these countries. (Mexico and all of South America, and even the more distant financial markets, are well aware of the undesirable impact that this volatility can cause).

■ **Second:** knowledge, as we know, has become a decisive factor in the differentiation between workers, rendering the position of those who occupy most of the least-qualified jobs vulnerable, especially in developing countries. On this question I would like to make an aside: this internal differentiation among the working class is reminiscent, at first sight, of the notion of a "proletarian bourgeoisie", which in Marxist thought is linked to imperialist exploitation.

---

However this is no longer the case: the rise of specific sectors may be a positive factor and represent productivity gains and the capacity to organize. The problem emerges when the benefits crystallize in corporatist mechanisms, resulting in unequal advantages which owe much more to the political skills of certain groups than to advances in methods of production. What had appeared at first sight to be modern may thus in reality be conservative, not healthy competition at all, but rather identified with the perquisites of political patronage. This occurs above all, in certain sectors of the State; in some countries this has led to the situation whereby the traditional left is used by these groups to defend causes which are paradoxically conservative, in that they preserve situations of privilege.

■ **Third**, and perhaps most alarming: in the face of this scenario of transformation, who are to be the new social protagonists for the construction of the future? No longer will it be the "conquering bourgeoisie", since capital has become depersonalized; no longer will the middle class act as the privileged bearer of democratic values; and neither will it be the proletariat, the orphan deprived of its revolutionary utopias after the downfall of real socialism. Further along I shall return to this theme, which I believe to be essential.

Parallel to the transformations which have occurred in the dimensions of Capital and Labor and in their inter-relations, other elements contribute to the obsolescence of the theories which sought to explain the system of economic and political relations on the basis of the Marxist concept of imperialism.

When Enzo Faletto and I worked on the building of the Theory of Dependence, the sub-strata of development on the periphery of capitalism, especially in Latin America, was the internationalization of the markets. However, at that moment, another phenomenon was emerging, one which was still hard to perceive in all its aspects from the conceptual view-point of the 1960s. While markets were being internationalized, in Latin America and the

---

developed West production was also being internationalized, which was to cause an impressive expansion of the flows of international trade, which grew far more than did the growth rates of the national economies. Formerly, the prevailing rule had been that all phases of production of a given good took place in the same country. This merchandise was either consumed locally or else exported. Tariff and non-tariff protection, in association with the strategy placing priority on the development of the domestic market, fed a series of national development projects based upon protected industrialization, or import substitution, as the process became known in Latin America. (I recall that the Asian strategy was different, since it was based upon a better income-distribution profile, and it was aimed at the domestic accumulation of capital and technology, which would, at a later stage, lead to more efficient models for meeting the issues of globalization).

But let us go back to the model of import substitution: its exhaustion stemmed basically from the fact that the national content of the majority of goods diminished and their phases of production became internationalized. The more technologically advanced the product, probably the greater the number of countries that had participated, all the way from its conception and design up to its production and marketing. This trend grew stronger, and this was not only as a consequence of the lowering of production costs (resulting from the technical and technological revolution), of the greater mobility of the factors of production, and furthermore, of the fall of transport and communications costs.

It was also the result of the progressive reduction of tariff and non-tariff protection, in successive rounds at multilateral fora such as GATT, sponsored mainly by the developed countries, but which also began to engage the more recently developed countries, who craved new markets. In this particular, the countries which joined the GATT latest, as is the case of Mexico, had to consolidate their tariffs at a lower level than those who had joined in an earlier period. It is symptomatic that of late there has been a broadening of the

---

themes treated by GATT, many of which were formerly restricted to internal jurisdiction.

As a result of the sum of these developments, there has been an exponential growth of intra-firm trade, which is today responsible for the most significant portion of international trade. If, a few decades back, what interested the multinational conglomerates was the legislation in force in the countries receiving their investments regarding the remittance of profits, now, they seek to give priority to the capacity of a given nation to produce intermediate or final products at competitive prices, within the framework of globally defined corporate strategies. Countries are now selected to receive investment from these multinational corporations on the basis of the estimate of the comparative advantages which they can offer, among which are qualified labor which has increasingly become a decisive factor.

These developments result in various consequences, the first of these undoubtedly being the weakening of the national development projects based on state-owned companies which had excluded the external market. The second was the intensification of competition among countries — especially of developing countries — for foreign investments. To a great extent countries have reformulated their policies in the economic field in order to attract capital, to complement their own insufficient rates of internal savings, thus obliging them to offer a more attractive and predictable domestic environment.

This once again is nothing new. What is now occurring, however, is different from the 1950s, since the model has changed, and there is no longer “specialized” investment for the Third World, while local economic activity has become linked to these transnational chains of production. Not always is this link to the outside world homogeneous, especially in extremely large countries in which the process of modernization cannot reach the nation as a whole. “Separating” certain parts of the national territory for differ-

---

entiated types of foreign links has been the solution adopted by some countries.

The intensification of competition between countries has not, however, excluded cooperation, which may take various forms. The main form has been regional integration. The creation of expanded markets, either in the form of free trade zones or, on a more advanced plane, customs unions, has become a fundamental instrument for developing countries within the context of Globalization. In the case of Brazil, in less than a decade MERCOSUR has become the main project for national diplomacy. MERCOSUR today attracts to the region as a whole a growing volume of large-scale investments, which have a significant impact upon the generation of new jobs. I am thus convinced that regional integration projects can be an effective mechanism for combating the most pernicious effects of Globalization

The third consequence is the emergence of an increasing uniformity in the institutional and regulatory frameworks of all countries. For the globalization of production to advance, the hegemonic notion of the standardization of economic and commercial rules has begun to prevail, so as to impede the creation of artificial advantages in a given country. An illustration of this has been the introduction within the World Trade Organization of international parameters for intellectual property rights and the Agreements for the Protection and Promotion of Investments. It is evident, however, that more homogeneous normative framework will only achieve its objective if, in the application of the standards, there is a greater sense of balance and, above all, if the unilateral abuse of economic power is stopped.

Also intimately linked to the issue of Globalization is the limitation which is imposed upon the capacity of States to choose differentiated development strategies, to adopt heterodox macroeconomic policies, or even more, to support rigid formulas with regard to Capital and Labor. The capital markets then act as veritable monitors of national activities; any measure, however correct it



---

may be from the domestic view point, which might signal a false step or upset foreign investors, leads to short-term capital flight, which in turn seriously affects the financial system of the country.

The orthodoxy or conservatism of this type of insubstantial though influential tribunal places constraints the capacity of governments to operate, since, on the one hand, governments cannot simply ignore these factors which condition contemporary reality, and on the other hand, they are obliged to seek among the contradictions and inconsistencies, and also in the windows of opportunity of the emerging system, strategies capable of reaffirming the priority of the national interest, of strengthening the vocation of countries such as our own for sovereign self-determination and, above all, consolidating our capacity to influence the building of the future.

Globalization is far from being a phenomenon that advances in a uniform manner on the international plane. Its pace obeys a variety of movements. The financial paradigm, for example, is different from the commercial one. In the latter, the areas of resistance are much more pronounced, especially in the developed countries, as has proven to be the case in the issues of agricultural products, fish, and so many others. There is a clear contradiction between the discourse of globalization and what happens in practice, a reality in which the regulation of limitations is dictated by diplomatic negotiations. In the financial area, the opening is certainly greater, but this does not mean that it is exempt from regulatory mechanisms, which are normally established by the Central Banks of each country.

Globalization has also made a contribution to changing the role of the State: the emphasis of governmental action is now directed towards the creating and sustaining of structural conditions of competitiveness on a global scale. This involves channeling investments for infrastructure and for basic public services, among them education and health, and removing the State from the role of the producer of goods with primary responsibility for the productive system.

---

At several moments I have mentioned that one of the sociological consequences of the modernization induced by Globalization is the dispersion of interests, the fragmentation of Labor and of Capital. The core of political action today is precisely the creation of a political space in which these interests can be harmonized rationally. It is in this respect that I consider it essential to understand that, with Globalization, the State needs to recompose its functions. Thus the mission of the State to provide steering capacity for development becomes much more important than the patently ineffectual attempt to take the place of private enterprise in the production of goods and services which are not of an eminently public nature.

This small grouping of contemporary developments in international economic relations, in my opinion, provides powerful elements which place in check all the theories which sought to explain reality, and above all, the traditional political and economic strategies which States sought to follow in their quest for growth. The challenges of facing a new reality are vast and increasingly complex, since it has become unfeasible to separate the internal and external conditioning factors. Besides this, a paradoxical situation is created, since while on the one hand the demand for equity increases in democratic regimes, among other things as a consequence of the globalization of information, it is directed at a State which, due to its new role, should intervene less often and more effectively, as it has increasingly restricted options in terms of economic policy, as a consequence of the necessary fiscal discipline and austerity in public spending.

Precisely for this reason, never has the quality of political work been so important. In what manner, and based upon what values should governments combine the internal and the external elements; how to conciliate the scattered pressures with the imperative of defining clear goals; how to make the classical mechanisms of representation compatible with the growing desire for the direct participation of citizenry in the decision-making process; how to

---

coordinate the thrust of transnational economic values with the need for a sovereign perspective? (I could provide a great many more of these dichotomies). We know that today there are no ideological formulas which coherently spin the threads of a changing reality. A merely pragmatic attitude on the part of the Government is an insufficient and simplistic attitude in the face of problems which involve complex options and values.

In this respect it becomes evident that the essential work of the politician in our respective countries is connected to themes of social justice. His or her principal mandate derives from those who possess little or nothing. In societies such as our own we cannot fool ourselves and accept Globalization as being a natural fact of life, or as a new form of ideology, while allowing internal dichotomies to become aggravated. Inequality, though feeding upon the asymmetries and injustices of relations among states, is still basically a national problem. It is our capacity to overcome this, and with intelligent measures to adapt to the new situation, which mark the action of the modern statesman. Whether the proponents of neoliberal ideologies like it or not, the State is still an essential reference, as an instrument for organizing the transformations, and the modern politician cannot and should not abdicate this responsibility.

### **III**

## **Some of the Social Consequences of Globalization: the Problems of Increasing Inequality and Structural Unemployment**

---

For decades, in the international fora and especially in UNCTAD, developing countries have, without much success, tried to influence the construction of a new international economic order. The truth is that, to a certain extent unnoticed by them, this new order was already being forged and is now known as Globalization.

Without giving in to the illusion that this new order responds only to market forces, however decisive these may be, and that the power of nation states has ceased to have the same impact upon the course of events, it is precisely the recognition of the "limits" of the market and the strength that some large countries such as Brazil and Mexico have to influence the course of the globalization of the economy, which allows us to adopt measures capable of counteracting the most negative social effects of the phenomenon, such as the growth of inequality and the increase in unemployment.

To do this, however, governments have to accept, as I have already said, certain conditioning factors of the economic order currently being forged with realism and a sense of pragmatism. The novelty of the process and the speed of the transformations require entirely new forms of action in the international scenario.

---

### **III.1 Inequality and Social Exclusion**

As we have seen, globalization creates uniformity even as it differentiates. The trend among many analysts and ideologists is to praise the processes which create uniformity, as if they in and of themselves were sufficient to create wealth and equity. The themes of differentiation are, however, decisive and perhaps constitute the essence of the construction of a political perspective for globalization. In truth, the issue of the rise in inequality and social exclusion which Globalization appears in some way to exacerbate is intricate and hard to combat. It is manifested both on the international plane and on the internal plane by both developed and developing countries. It is paradoxical — one might even say ironic — that the increase of inequality occurs precisely at the moment in which, with the end of the Cold War and greater opening to the world of the most hard-line socialist regimes, we move towards institutional uniformity and a greater universal convergence of values.

In the dimension of interpersonal relations, inequality can be regarded less as the fruit of “capitalist exploitation” or of distortions of the model of accumulation, than of the qualitative differences in labor and of innate or acquired skills and abilities. Material inequality is perversely identified as the result of a natural process of differentiation among individuals. This break in the sense of solidarity has serious repercussions on the very idea of national identity itself, as was pointed out by Robert Reich, the current Secretary of Labor of the Clinton Administration.

In the dimension of the relations between states, inequality is perceived not so much as a historical, political, economic or cultural phenomenon, but rather as an incapacity to adapt to the institutional and ideological framework which prevails in “nations who are winners”. This waning of the economic, sociological, historical or ethical explanation for inequality leads to the growth of indifference and intolerance with regard to “losers”, who are classified as the only ones responsible for their own backwardness.

---

Still on the plane of the relations between States, the concept that development requires that States "do their homework" satisfactorily, so as to establish the internal conditions of competitiveness has greater currency than the call for international cooperation for development, or for mobilization of the international community in the struggle against the segregation of the poorer countries. Perversely, the existence of inequality and exclusion is thus considered a natural datum reflecting reality, thus losing one of the most important elements of traditional "conservative" thinking, which as has already been mentioned, is solidarity; the protection of the weak and dispossessed in the name of the defense of a higher value, of the cohesion or of the harmony of the social fabric.

The real challenge is thus to go beyond conservatism. We know that it is indispensable to rediscover community values and recreate an **ethics of solidarity**. It is, however, no easy task to re-arrange the instruments and institutions which have the effective capacity to address inequality and exclusion.

### **III.2 The Rise in Unemployment**

The issue of unemployment is another theme which raises concern on the part of governments and citizens, especially because it is an aggravating factor in the process of deepening inequality and social exclusion.

Some preliminary statements are necessary so as to avoid our contemplating the future with our eyes turned back to the past. The first of these is that we have already come up against — and we will have to increasingly face — the extremely serious problem of so-called "structural unemployment" which is a consequence of both the loss of competitiveness of certain sectors of the economy which were formerly protected by almost unassailable tariff or non-tariff barriers, and the enormous productivity gains per work unit. The second, that was referred to earlier, has to do with the phenomenon of the outsourcing of the economy and has contrib-

---

uted to the transformation of the nature of work on a global scale. In Brazil, for example, the tertiary sector responds for more than 60% of the total of jobs in the economy. This is a fact of great significance in the decision-making processes of Governments.

Even the developed countries are not immune to the problem of unemployment. Among OECD member countries, unemployment rose by a factor of three between 1970 and 1992, according to data published in a 1993 UNDP Report on Human Development. And as a consequence of migratory movements, the problems of unemployment, both in the North and in the South, began to interconnect more clearly.

The fear of the worsening of this situation in the countries of the North was what led to certain attempts to "react" to the process of Globalization, as was the case of more closed schemes of regionalism and the advocating of such theses as "social dumping" or of "green protection". Market shares which we had worked hard to obtain by being more competitive began to be subject to discriminatory or illegal surtaxes or, worse still, had to face mechanisms of unfair competition, in flagrant disrespect for multilateral rules, as is clearly illustrated by the issue of agricultural subsidies in the developed countries.

## **IV**

### **The Role of the Government in Combating Unemployment.**

#### **How to Generate More and Better Jobs**

---

I have sought to demonstrate that unemployment, like so many other social issues, has an international dimension. The very nature of globalized development generates dramatic effects, as is illustrated by the trajectory of some developed countries. One point which I have sought to emphasize is that we should not stand passively by in face of the problems which Globalization has caused to emerge. The definition of the national strategies needed to combat these evils is absolutely imperative and urgent. For this reason I shall now reflect briefly upon the manner in which we in Brazil are dealing with the theme of unemployment.

One of the main problems of Government in a democratic country such as Brazil, which has vast social liabilities resulting from the historical neglect and negligence by its elites, is the misconception on the part of the population that the Federal Executive Branch can do anything, and has the capacity to overcome century-old distortions in the course of a single Presidential term of office. It is natural that this should be so, especially in light of the success which we are enjoying with the stabilization of the economy.

I am fully aware that the problem of employment, both in terms of the quantitative supply of jobs and of the qualitative aspect of the new jobs to be created, constitutes one of the most serious issues to be faced by political leaders throughout the world. This is



---

because the preservation and generation of jobs are prerequisite steps not only for the success of any social policy, but also to ensure the very dignity of the citizenry.

Facing up to this complex theme, however, does not depend only upon governments, though some governmental policies may be essential to minimize the impact of structural unemployment.

I shall now focus upon the Brazilian case which, I believe, bears certain similarities to that of Mexico. Before pointing out some of the measures my government is adopting in this field within the context of a broader strategy for social development, it would be useful briefly to analyze some of the elements which prevail in the dimension of the labor force and on the side of the supply of jobs within the Brazilian economy.

With regard to the dimension of the labor force, we must be aware of the following aspects:

- a) the demographic component will continue to exert strong pressure on the labor market over the next 15 years, the period after which the effects of the current drop in fertility rates will begin to be felt;
- b) the socio-cultural impact of the rise of the participation of women in the labor force;

With regard to the dimension of the supply of jobs, it is important to stress that:

- a) as a result of the opening of the economy and the imperative of competitiveness and productivity, it is necessary to know what will be the sectoral composition of a peripheral industrial economy which is integrated into the new international division of labor;

- 
- b) as I have already indicated, a profound restructuring of production is underway, as a consequence of new technologies which, on the one hand, devalue non-qualified labor, and on the other, demand great retraining efforts among the labor force; and
  - c) an organizational restructuring of the productive sector will demand the abolition of certain intermediate categories of jobs, at the same time as there is a growing trend towards the "informalization" of the labor market, which is further exacerbated by the outsourcing of functions.

In light of these conditioning factors — and given the limitations of the actions of the State — how best to seek innovative solutions which involve the different levels of government, civil society, labor unions and employers' organizations? It is not my task here to draw up a more detailed prescription to attack the problem. I merely mention some of the measures, both on the supply and the demand sides for Labor, which my Government has adopted or is in the process of implementing.

On the side of the supply of labor, I am committed to two points which I deem to be essential: massive investment in primary education and wide-reaching training and retraining programs, the costs of which are to be shared with the business community.

On the side of the demand for labor, our actions are to be concentrated on:

- a) sustained economic expansion by means of policies to promote growth conciliated with stabilization;
- b) the development of specific policies for the generation of employment, with a resumption of large-scale investments in the infrastructure and social areas (the social area, though overvalued as a significant generator of jobs, has enormous potential for employment generation);

- 
- c) technical and financial support for better training in labor-intensive sectors, such as construction, family-based agriculture, and tourism;
  - d) tax incentives, improved conditions of financing for production, and technical support for small and medium companies, which provide most of the jobs in the country;
  - e) the stimulus, through financing from state development banks, of programs which preserve and create jobs; and
  - f) the reduction of the cost of the labor factor in negotiations between Capital and Labor so as to make labor relations more flexible, including measures which provide greater autonomy to unions for the celebration of collective labor contracts.

## **V**

### **Conclusion: the Global Economy and the Future of Developing Countries. The Demand for Equity**

---

We are experiencing changes which will reorganize the policies and economies of the next century. The task of providing a human dimension to development in the era of Globalization has become a major challenge, since all of us have to deal not only with a radically new reality, but especially with the ethical vacuum which the idolatry of the marketplace has caused and which the demise of the revolutionary utopias has exacerbated.

If, through Globalization, the economy becomes the conditioning factor in the realm of production and management, the same does not apply in the realm of values. It is necessary to separate the concrete facts ushered in by Globalization from a pseudo-ideology which is building up around the phenomenon, with nuances which range from the uncritical preaching and celebration of the “virtues” of the emerging system, to the affirmation of the inevitability of the loss of relevance of the nation state.

In this regard we need to reflect on how Globalization, which signals the onset of an era of prosperity unprecedented in the history of Mankind — a new Renaissance, as I have already stated —, can be oriented toward the fulfillment of the demand for equity on the part of 4/5 of humanity which subsist in conditions of poverty and sickness. How can we reinvent the sense of community on the international plane, so as to avoid social exclusion and segregation?

---

How can we strengthen the social responsibility of the cultural and economic elites?

This last question regarding the social responsibility — or as some would have it, national responsibility — of the elites requires, as I see it, a more pondered response. Independently of the “democratization” of Capital, of which I have already spoken, and even for precisely this reason, the mechanics of the reproduction of the elites has become more robust. At the same time, the elites begin to close themselves off in the defense of their own more particular and narrow interests, which threatens not only the idea of democracy but also the very concept of the Nation. This irresponsibility of the elites fosters an exacerbation of individualism and a culture of conflict which cannot be sustained. What can be done to revive this social responsibility of the elites is one of the great challenges of our times. The appeal for an ethics of solidarity, a redefinition of national values and, especially, the struggle against inequality, which the elites today consider as something quite natural and even acceptable, are ideas which only Politics, as the art of building consensus, can resolve.

I have the conviction that the developing countries can contribute, perhaps even more than the developed countries, to this conceptual passage from the realm of the economy to the realm of values. Because, more than ever before, we have to exercise our creative capability of responding simultaneously to the challenges of the new reality and the overcoming of a social legacy which grieves and shames us.

It is not a question of going back to the values of the past, reviving utopias which no longer explain the contemporary world nor mesh with the prevalence of democratic values and the market economy. The solution to contemporary problems goes beyond national borders and demands universal mobilization.

A key to the framework of thoughts that I have attempted to address at this Conference is the lack of definition which prevails at the present time as to who are to be the social protagonists in the

---

building of the future. I do not believe that it is any longer possible to identify a specific social class with this role of helmsman of the nation on the path to development, in the midst of the turbulence of change. Giving a human dimension to progress, strengthening the ethic of solidarity both in the national and international dimension, has increasingly become a collective, dispersed and fragmented exercise: a veritable composite of partial utopias. No single social class or group today has the monopoly over the demand for equity.

It is precisely for this reason — I once again persist in saying — that we must revitalize the essential values of humanism, of wise understanding and of tolerance. These are the distinguishing characteristics *par excellence* of modern legitimacy. A real engagement on the part of the Government and society is necessary to counter the current climate of exacerbated and nihilistic individualism, which conspires against our very notion of national identity.

Governments, intellectuals, the leaders of civil society — all have a vital role to play so that the new Renaissance may bloom with all its capacity to transform History.

**PRESIDÊNCIA DA REPÚBLICA**  
**Secretaria de Comunicação Social**  
**Subsecretaria de Imprensa e Divulgação**

ESTA OBRA FOI FORMATADA  
E IMPRESSA PELA  
IMPrensa NACIONAL,  
SIG, QUADRA 6, LOTE 800,  
70604-900, BRASÍLIA, DF,  
EM 1996, COM UMA TIRAGEM  
DE 2.000 EXEMPLARES



