

**INTERNATIONAL CONFERENCE**

**Comparative perspectives of development experiences in South America and Eastern Europe**

**Development and semi-periphery**

**Tallinn, October 9th-10th of 2008**

Conference organized by



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Institute of International and Social Studies  
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Both of the regions, Eastern Europe and South America, have experienced during last twenty years profound and rapid political and economic restructurations, which have had deep social and cultural impacts. This phase can be identified as a period of institutional reforms that promoted the reduction of State regulation of the economy, especially through privatisations, commercial liberalisation and cuts in public investments. The predominantly liberal agenda in

South America follows a trajectory, which closely resembles the Eastern European experience. Nonetheless, there has been little discussion on as well as little mutual understanding about the effects of those processes that present the following intersections:

- 1) **The institutional experiences with integration in the semi-periphery.** This implies to compare the Eastern European rich experience with European Union integration and South American experience in constructing a regional integration model Mercosul or regional integration of Andes as well as a block of developing countries G20 in the trade negotiations. The EU eastward integration has challenged the theoretical-ideological presupposition about institutional and cultural convergence, demonstrating instead variety of development paths that have unfolded in an enlarged Europe Union.
- 2) **The experience with market reforms and institutional legacies.** The countries of the two regions have gone through a rapid restructuring of productive regimes in the process of integration with the global capitalist system that has evolved differently when it comes to the integration of the society as a whole. While in South America the reforms have been predatory and resulted in growing structural and social inequalities, in Eastern Europe this process has been more integrative and not delivered so exhaustive social impacts. This brings us to the discussion about the variety of forms of state that have unfolded in different peripheral countries and their role in social engineering of economic models and social policies as well as to the impact of elites and ideas on the institutional innovations.
- 3) **Transformations in political culture, collective identities and contentious politics.** The rolling back of state institutions responsible for universalising social rights, accompanied with the progressive incapacity of the economy to grow and create employment, resulted in an enormous suspicion of the societies about the classical institutional organisations of liberal representative democracy. The growing distance between the state and society, social disintegration as well as concrete effects of market reforms – unemployment, informality, loss of rights – were closely related to a growing social mobilization as well as to a politicization of social and ethnic identities in South America. The same social movements started to organize in parties and other organisations in order to contend for and win elections. In Eastern Europe the institutional model of liberal democracy has been challenged on the one hand by the claims of social equality, which derives from the communist legacy and on the other hand by the question of political rights that has emerged within the context of the new wave of nationalisms and politicisation of ethnic identities.

Having these issues in mind and with a prospective outcome of creating a research network, Eastern European and South American scholars are invited to initiate a dialogue about the semi-peripheral conditions and institutional configurations that have unfolded in these two regions as well as the potentials of transformative politics to tackle the structural and social inequalities.

## Conference Programme

**Conference venue:** The conference will take place at Tallinn University, in Tallinna saal (room U-218) situated in 5 Uus-Sadama Street.

### Thursday – 9<sup>th</sup> of October

#### 9.00– 9.20 Words of welcome

#### 9.20–12.00 1<sup>ST</sup> SECTION – Financial systems, macroeconomic policies and varieties of capitalism

Financial Markets and Development: Latin America in Comparative Perspective  
Barbara Stallings, Brown University

Managing the Faustian Pact: monetary autonomy in the pursuit of development in Eastern Europe and Latin America  
Joseph N. Cohen, CUNY

Post Socialist States in the system of global capitalism: a comparative perspective  
David Lane, University of Cambridge

Politics, Institutions and Development: lessons from Latin America  
Renato R. Boschi and Flavio Gaitán, IUPERJ

#### 12.00–13.00 Lunch

#### 13.00–15.30 2<sup>ND</sup> SECTION – Political culture, identity politics and political contention

Indigenous movements and their proposals in Bolivia, Ecuador and Peru  
Xavier Albó, CIPCA

Path dependency in identity politics in Estonia  
Raivo Vetik, Tallinn University

Perceptions of Democracy in Germany and Estonia  
Johannes Oeschies, University of Tartu

#### 15.30–16.00 Coffee break

#### 16.00–18.30 3<sup>RD</sup> SECTION – Political systems and institutional reforms during last twenty years

Informational Foundations of Executive's Agenda Powers in Brazil  
Fabiano Santos, IUPERJ

Regional Parliaments and Parties in Europe and Latin America: EP, Parlacen and Parlandino  
Juliana Erthal, Universität Tübingen

Corruption, Legitimacy and the Quality of Democracy in Central and Eastern Europe and Latin America  
Svetlozar Andreev, CEPC, Recon

## Friday – 10<sup>th</sup> of October

### 9.00–12.00 4<sup>TH</sup> SECTION – Ideas and the role of elites and advocacy networks: translating and legitimating the frontiers of institutional reforms

Late Agrarianism in Brazil: Kautsky and Chayanov in the 1970s  
Joseph Love, University of Illinois

Marketing Professional Expertise by (re)inventing States  
Yves Dezalay, CSE- MSH, Paris

Political and Economic Elites on European Integration  
György Lengyel, Corvinus Univ. of Budapest

Critical conjunctures, institutional legacies and epistemic communities: limits and possibilities of a development agenda in Brazil  
Carlos Henrique Santana, IUPERJ

### 12.00-13.00 Lunch

### 13.00-15.30 5<sup>TH</sup> SECTION - Institutional legacies, development and modernity

The variety of peripheral statehood in Eastern Europe and Central Asia  
Jan Drahokoupil, MZES

Development and dependency, developmentalism and alternatives  
José Maurício Domingues, IUPERJ

What kind of Europe? The aftermath of eastward enlargement  
György Schöpflin, MEP for Hungary (Fidesz)

### 15.30-16.00 Coffee break

### 16.00-18.30 6<sup>TH</sup> SECTION – Economics reforms, public policies and development

Political, economic and health consequences of different methods of making private property  
Lawrence King, University of Cambridge

Innovation Policy in the Periphery: Latin America and Central and Eastern Europe Compared  
Rainer Kattel, Tallinn University of Technology

Poverty and inequality in Latin America: the role of social and economic policies  
Flavio Gaitán, IUPERJ

## Lecturers and abstracts

**Barbara Stallings** [[Barbara\\_Stallings@brown.edu](mailto:Barbara_Stallings@brown.edu)] is William R. Rhodes Research Professor at the Watson Institute for International Studies, Brown University, and editor of Studies in Comparative International Development. She has a PhD in economics from the University of Cambridge and a PhD in political science from Stanford University. Her work has focused on economic reform and development, particularly in Latin America and East Asia; finance for development; development strategy; and international political economy.

## **Financial Markets and Development: Latin America in Comparative Perspective**

This paper examines the relationship between financial markets and development, viewing the Latin American experience in a comparative perspective. While the main comparison is between Latin America and East Asia, Eastern Europe will also be included. Section one begins with a discussion of the changing views on the role of finance during the post war period. Section two analyzes the changes in Latin American financial markets in comparison to other regions. Section three looks at the impact of the changes for financial crises, financial depth, investment, and access to finance. Section four concludes with some lessons that Latin America might offer to other regions.

**Carlos Henrique Santana** [[chsantana@iuperj.br](mailto:chsantana@iuperj.br)] is PhD candidate at IUPERJ and researcher at NEIC

## **Critical conjunctures, institutional legacies and epistemic communities: limits and possibilities of a development agenda in Brazil**

Observing how distinct are the trajectories of diffusion of neoliberal reforms and retaking of the development agenda among countries, it is possible to leave aside the conventional perspective according to what there would be a tendency of institutional convergence because of globalization, especially financial, and start to explore what aspects of local path-dependency contribute to a bigger or lesser degree of freedom and adaptation to these agendas. Considering the centrality of monetary policy in Brazil, the role of State in creating a structure of incentives is limited by a model of doublefront economic policy that broaden within straight margins arrangements of public policies dedicated to guarantee bigger state capacity in providing development policies. Would such a duplicity be capable of attending the conditions to a more coordinated trajectory as those that have been appointed by the notion of selective industrial policy?

In order to evaluate this process, it is possible to combine a set of theoretic perspectives that aim at comprehending the importance of forming a discursive base provided by epistemic communities, legitimated both by critical experience of indebtedness trajectory and inflationary escalation that contaminated all Latin America, as well as by normative coercion unfolded by policies of structural adjustments defended by multilateral financial institutions. In this context, the proposal is to fertilise the literature of comparative economic policy with emphasis on the Varieties of Capitalism (VoC), from a perspective of discursive institutionalism. Particularly, present proposal aims at emphasising Brazilian trajectory by relating it with a development agenda that recovers state capacities; identifying institutional complementarities within the scope of Pension Funds and National Bank of Economic and Social Development (BNDES); and evaluating the emergence of new professional networks based on the incentive structure provided by new institutional articulations, stressing the role of these networks in consolidating a new cognitive regime capable of defining normative bases that would sustain the changes of development trajectory.

**David Lane** [[dsl10@cam.ac.uk](mailto:dsl10@cam.ac.uk)] is currently Principal Investigator in the Faculty of Social and Political Sciences at the University of Cambridge and was previously Professor of Sociology at the University of Birmingham. He is currently the recipient of a British Academy Research award on the transformation of Ukraine and Russia. He is a member of the EU VIth Research Network on 'New Modes of Government in the EU'.

## **Post Socialist States in the system of global capitalism: a comparative perspective**

The paper considers the economic integration of the post-communist countries into the world system in the post-1989 period of building capitalism. The focus of the paper is on the extent of economic globalisation of countries and their economic corporations. Important differences have developed between the post-socialist states with respect to economic penetration and exposure to the world market. The outcomes have not fulfilled the expectations of advocates of world economy entry. Comparisons are made between groups of non post-socialist countries. While the new member states of the EU have entered the world economy as formal members of the 'core', they are not economically equal to the dominant 'old' members of the EU. For the countries of the Commonwealth of Independent States (CIS) there has been a decline in their relative economic and welfare positions. Russia is a resources rich country with no other significant economic assets on a global scale, China has a better economic profile. It is contended that some countries of the 'semi-periphery' have possibilities for development without being part of the 'core' states of the world system.

**Fabiano Santos** [[fsantos@iuperj.br](mailto:fsantos@iuperj.br)] is a professor of political Science at IUPERJ and coordinator of Research Network about Congress (NECON). His research interests are: political theory, legislative studies, electoral systems and government systems.

## **Informational Foundations of Executive's Agenda Powers in Brazil**

This paper offers an informational rationale for the Brazilian Congress' delegation of agenda powers to the presidency. We argue that, given the Executive's large informational advantage and the few incentives for the production of information by the legislative committees, it is rational for the median legislator to give priority to Executive initiatives and often to vote on them without consulting key institutional bodies inside the legislature. Because of this, the Executive initiates policies by decree (instead of by standard bills) and requests urgency with a high frequency and Congress only rarely rejects them. However, we show that the median's incentive to abbreviate the legislative process and, therefore, to bypass the committee decreases as his divergence with the Executive increases. In terms of legislative processes, this implies that the Executive makes more use of standard procedures, relatively to decrees, as its divergence with the median legislator increases. In support for this hypothesis, we provide evidence from statistical models and case analyzes of specific committees, using data from the 1989-2006 period, controlling also for several variables deemed relevant by the literature.

**Flavio Gaitán** [[fgaitan@iuperj.br](mailto:fgaitan@iuperj.br)] - is PhD candidate at IUPERJ and researcher at NEIC

## **Poverty and inequality in Latin America: the role of social and economic policies**

This paper tries to deepen the understanding of poverty dynamics and the nature, causes and alternatives of poverty situation, analysing the relationship between models of development and poverty, focusing, particularly, on the effects of the dissociation of social and economical policies. Poverty phenomenon is studied from multiple disciplines. Nevertheless, there remains scepticism about the possibility of the peripheral countries of achieving social integration. Poverty is a historical phenomenon in Latin America where even nowadays 35.1% is poor and 12.7 is dire poor. The main characteristic of poverty Latin America is its intergenerational reproduction over time. Social policy initiatives have historically had limited social impacts. The usual government's response, beyond their ideological orientation, has reserved the field of social policies to the creation of conditions to compensate the

(undesired) effects of economic policies.

The research questions addressed by this paper are: What historical and political factors explain the dissociation between social and economical policies in Latin America? What are the impacts of development models in this relationship? What are the effects of this disarticulation from social conditions? Considering these assumptions we set the following hypothesis: i) The main cause of the persistence of poverty in Latin America is the dissociation of the historical construction between social and economic interventions; ii) This dissociation can be explained because of the strong power of the legitimacy of the economic domain. The aspects of life that we label economic and social are intertwined. The policies we label economic and social each have ramifications on both the dimensions we label economic and those we label social. The impact of economic policy, shaped by different development options (growth dependency, ECLAC structuralism, neoliberalism, productive transformation with equity, neo-developmentalism) is undeniable: in principle, by the choice of macroeconomic environments that operate in public policy. Furthermore, improving certain attributes, such as education, health and employment are conditioned by economic policies. The bias ignored by this dissociation is studied in depth in a heterodox perspective, including comparative historical and quantitative analysis. The unit of analysis is national states. Cases included are: Argentina, Brazil and Chile, and the period of study is 1970-2007.

**György Lengyel** [[gyorgy.lengyel@uni-corvinus.hu](mailto:gyorgy.lengyel@uni-corvinus.hu)] is a professor at the Institute of Sociology and Social Policy, Corvinus University of Budapest, was co-editor of *Restructuring of the Economic Elite after State Socialism*. V. Stuttgart, 2007.

### **Political and Economic Elites on European Integration**

The paper investigates the explanatory power of political vs. business elite distinction – together with year of accession and regional location - in elites' attitude differences concerning Europe. While distinguishing between symbolic and pragmatic aspects, it intends to focus on the issues of European identity, supranational institutions and visions concerning the aim of integration. The presentation is based on the INTUNE elite research project. The fieldwork was carried out in February-May 2007 in 18 European countries. 80 MPs and 40 top business leaders were interviewed in each country according to a standardized questionnaire. The topics covered identity, scope of governance and representation. According to the first results visions about the future of EU is significantly influenced by the political versus business elite distinction. The choice between competitive and regulated capitalism is greatly influenced by regional location as well. There are great differences among blocks of countries in this respect: the Visegrad elites advocate, whilst the Mediterranean elites deny competitiveness as the major aim. Although regional cohesion of the New Member States' elites is visible, significant in-group differences can also be tested. The paper spells out the inter- and in-group differences with respect to attitudes toward the European integration and tries to understand their regularities.

Keywords: elite, European integration, varieties of capitalism

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### **What kind of Europe? The aftermath of eastward enlargement**

The eastward enlargement of the EU is generally seen as a single movement from West to East, but what the last four years have shown - as should have been evident - is that there has

actually been a reciprocal process, that the new accession countries have impacted on the EU and on the individual EU member states. This second process has tended to meet resistance, basically because the EU was conceived as an idea and a set of institutions based quintessentially on the cultural capital of the existing member states, France and Germany especially, and they have not welcomed the pressure for change. The paper will explore some of the implications of this two-way process, both at the theoretical level and as a participant observer. It will also assess critically the result of the new member states' expectations of entering Europe and the encounters with reality that actually ensued. "Europe" is to be understood in this context at a variety of different levels - as a symbol of successful modernity, as a mythic aspiration of recognition, as the articulation of the parity of esteem that are central features of late developing, peripheral states that are obliged to construct their models of modernity by reference both to an abstract model of modernity and their own domestic resources.

**Jan Drahokoupil** [[jan.drahokoupil@gmail.com](mailto:jan.drahokoupil@gmail.com)] is from Mannheim Centre for European Social Research (MZES) and Post-doctoral research fellow by the Max Planck Institute for the Study of Societies, Cologne. He holds a PhD in Sociology and Social Anthropology by the Central European University, Budapest.

### **The variety of peripheral statehood in Eastern Europe and Central Asia**

The paper analyzed the transformation of the economic role of the state in Eastern Europe and Central Asia. It argues that after a period of distinct national trajectories in Eastern Europe and state collapse elsewhere distinct clusters of various peripheral state strategies and consolidated state forms have crystallized in the region. Drawing on neo-Weberian as well as neo-Marxist theorization of the state and state-directed development, a typology characterizing the outcomes is constructed. The synchronic analysis attempts to give an analytical content to essentially descriptive and/or pre-theoretical concepts often employed to characterize post-transition political-economic outcomes. The diachronic analysis refutes the essentialist, elite-based explanation popular among many comparative economic and political accounts. Instead, it proposes a relational understanding based on interplay of structural and institutional legacies, strategies of transition, global political-economic developments, and domestic social forces they gave rise to. Along these lines, the variety of state forms and projects is related to a variety of economic development, with FDI- and natural-resources-dependence playing major roles.

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### **Perceptions of Democracy in Germany and Estonia**

The paper focuses on normative perceptions of democracy in Germany and Estonia. The topic is grounded on previous research on political culture issues done in Germany. One of the results there has been that people in the East of Germany often prefer a different normative model of democracy than the traditional liberal model of democracy which is preferred in the West of Germany. The model preferred in East Germany takes more emphasis on questions of social equality questions and participatory democracy elements. The socialisation in the former communist East German system is often seen as the most important reason for this result. The assumption of the German researchers is to find similar results as in East Germany in other Eastern European countries as well. In the light of the German results the researchers predicted political decision makers in Eastern Europe a

difficult balancing act: on the one hand they have to implement social and economic reforms in order to satisfy demands of international organizations like the EU or the World Bank. On the other hand they have to take into consideration ordinary citizen normative expectations on democracy. The aim of my own research now is first to test the assumption of congruence between normative democracy perceptions in former communist countries on the mass level by comparing attitudes of democracy among ordinary citizens in Germany and Estonia. The second aim is to compare the level of convergence/ divergence of mass and elite perceptions of democracy in both countries and examine the conditions under which convergence grows or remains the same. The aim is to test economic factors as one possible independent variable. But there may be others as well.

**José Maurício Domingues** [[jmdomingues@iuperj.br](mailto:jmdomingues@iuperj.br)] is Executive Director and a professor-researcher of sociology at IUPERJ. He has obtained his PhD from London School of Economics and Political Science (LSE) and is a member of International Editorial Council of European Journal of Social Theory. He works with sociological and political theory, focusing specially on the following topics: theory of collective subjectivity, modernity, Brazilian modernity, Latin America, contemporary society, social movements and citizenship.

### **Development and dependency, developmentalism and alternatives**

This paper will propose a reading of contemporary Latin America in terms of its global insertion within what it defines as the third phase of modernity. After a liberal restricted phase and a following one organized by the state (in Latin America's typical case a developmentalist one), we have entered globally a third phase in which high technology and networked firms (often with state sponsorship) lead the process of capitalist accumulation. In contrast to important parts of Asia, Latin America has been once again confined to the role of peripheral or semi-peripheral economies, stuck by and large in the position of often primary commodities exporter. This is true even in the case of Brazil, which has, relatively and in comparison with countries of the region, a more advanced economy. We can even speak of the re-entrenchment of (dependent) underdevelopment if we recover Cardoso and Faletto's classical statement of the issue. New ideas about how to overcome the present situation are timid, either harking back to the developmentalist model or proposing merely local and grassroots developmental projects, in a sort of postmodern spirit. None of these solutions seem fit to surpass present shortcomings.

**Joseph Love** [[j-love2@uiuc.edu](mailto:j-love2@uiuc.edu)] is Professor Emeritus of History at the University of Illinois, Urbana-Champaign and received his PhD from Columbia University. He specializes in Brazil, the history of Latin American economies and economic ideas. His current research focuses on the history of economic development and economic theory in Latin America. He has published *Crafting the Third World: Theorizing Underdevelopment in Rumania and Brazil* (Stanford University Press, 1996).

### **Late Agrarianism in Brazil: Kautsky and Chayanov in the 1970s**

One set of interesting continuities and contrasts between Eastern Europe and Latin America concerns the reception of the peasant economics of Alexander Chayanov. Although Chayanov's theories were widely debated in the former region in the 1920s and 1930s, they were unknown in Latin America virtually until the 1970s. At that time Chayanov was discovered in Spanish America and Brazil, owing to a translation of his major works into English in 1966 (and thence to Spanish). Both Chayanov and Kautsky were important in the

ideology of a land-reform movement backed by the Brazilian Catholic Church in the Amazon Valley in the 1970s. This "late peasantry," I believe, is worth further examination as an ideological movement and a method of analysis of Brazilian peasantry. The theorists and ideologues that articulated Chayanov's ideas in Brazil and elsewhere in Latin America were largely unaware of the "neo-populist" movement in Eastern Europe in the interwar years.

**Joseph N. Cohen** [[josephncohen@gmail.com](mailto:josephncohen@gmail.com)] is a professor of sociology and the incoming Director of the Sociology Masters Program at the City University of New York, Queens College. Holding a PhD in sociology from Princeton University (2007), Cohen's research interests include social order and breakdown, political instability, capitalism and the modern state, international finance, money, economic development and quantitative macrosociology.

### **Managing the Faustian Pact: monetary autonomy in the pursuit of development in Eastern Europe and Latin America**

International capital markets have grown to be a major force shaping today's world economy, presenting a range of opportunities and threats to developing countries. Capital market liberalization has created large pools of much-needed capital that developing countries can access, but accessing these funds may come at the cost of increasing economic vulnerability, lost policy-making autonomy and a range of structural distortions that could ultimately undermine development in the long-term. As the potential threats of integrating one's country into global capital markets has become apparent, countries have devised a range of strategies to buffer themselves from the strains of global capital markets. This article examines the pursuit of monetary autonomy in Latin America and Eastern Europe, examining the ways that the countries of these regions have grappled with financial market turbulence since the end of the Cold War. Monetary autonomy refers to a policy strategy in which governments attempt to open their markets to international capital, but simultaneously attempt to buffer themselves from the strains involved in integrating one's economy into these markets. Such autonomy can be purchased in a myriad of ways, including enhancing government liquidity, installing capital controls, cooperative defense with other non-core countries, and dependency-rooted defense (whereby governments surrender policy autonomy to other states for protection against private markets). The implications of these monetary autonomy strategies on countries' development prospects will be examined.

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### **Regional Parliaments and Parties in Europe and Latin America: EP, Parlacen and Parlandino**

The European Parliament (EP), like the European integration process as a whole, has served as a mirror for regional parliaments and political groups in Latin America. This paper will approach the differences between the EP, the Central American Parliament (Parlacen) and the Andean Parliament (Parlandino). It suggests that a comparison between these three parliaments could help explaining the different institutional developments resulting in different powers and different political divisions. Since the first attempts to translate Latin American integration impulses into institutional frameworks, the design of the European project has served as reference for regional institutional mimetism. However, the extreme difference between the real functioning and realizations of these different organizations is remarkable. By analysing theories of regional integration in Europe it is possible to select four

elements that can be seen as causes for the difference between regional parliaments: security threats faced by the member states at the beginning of the integration process; different types of regimes in the member states (parliamentarism x presidentialism); the creation and perception of a democratic deficit as a result of the integration process; and the quality of democracy in the national polities.

**Lawrence P. King** [[lk285@cam.ac.uk](mailto:lk285@cam.ac.uk)] holds a Ph.D. from the University of California, Los Angeles, 1997. Reader in Sociology at the University of Cambridge, is a comparativist who studies the intersection of political processes, social structure and economic institutions with comparative-historical, qualitative, quantitative, power-structure and industrial organization research methods.

### **Political, economic and health consequences of different methods of making private property**

The transition from state-socialism to capitalism was unique among all transitions to capitalism for two reasons. It was the first where there was no class of private proprietors, and it was the first where capital accumulation had already taken place on a huge scale. Crucially, in most cases this industrialization was obsolete and inefficient from a global perspective. In order for the transition to proceed, there had to be some strategy to transform the productive order into one recognizable as capitalist. This would be a massive exercise in social engineering, as large as any attempted, including the Stalinist period of industrialization and collectivization. Not surprisingly, different ways of transforming the property structure had different political, economic and public health consequences. This paper describes the different formal and informal methods of privatization, and traces out their political, economic and public health consequences.

**Rainer Kattel** [[kattel@staff.ttu.ee](mailto:kattel@staff.ttu.ee)] is a professor of Public Management and European Studies and Head of the Department of Humanities and Social Sciences at Tallinn University of Technology. He integrates research network with Annalisa Primi and Erik S Reinert on innovation policy in the periphery.

### **Innovation Policy in the Periphery: Latin America and Central and Eastern Europe Compared**

There are two contrasting trends in today's world economy that have not been explained satisfactorily: First, despite of growing exports and foreign direct investments (also in medium and high tech industries and services), many developing countries have severe difficulties in upgrading their economic structures and thus many experience stagnating real incomes and growing inequality. Second, increasing trade with the imports from developing countries and outsourcing of jobs to poorer regions has had similar impact in the developed countries: stagnating real wages and growing income inequality, prime examples are the US and Germany.

It seems quite obvious that these trends are different side of the same coin and it seems equally valid to assume that this coin is globalization in the form of increasingly liberalized (financial) markets and trade. Clearly, underlying liberalized markets are also sweeping technological changes, in particularly in ICT that have enabled enormous changes in ways value-chains, production and services are geographically located. However, we argue that it is the policy response in many developing countries to globalization and to ICT-led

technological change that does explain as importantly the abovementioned trends. The policy response has been generally twofold: first, emphasis on macroeconomic stability (low inflation, balanced public budgets etc), and, second, creation of innovation policies (R&D grants, technology parks etc). Macroeconomic stability should open the way for foreign direct investments, and it has; innovation policy should enable upgrading and diversification, and it has not. In fact, such policy responses end up subsidizing international R&D and innovation, but give little grounds for local diversification and upgrading. Innovation policies in the developing countries tend to mimic Western solutions, but not the economic structures of the rich nations. The developing countries policy response ends up solving problems that are not there and not dealing with upgrading and diversification issues. However, by now economists and policy makers are starting to realize that without the latter, trade and globalization remains race to the bottom for many countries, jobs and industrial sectors.

In this essay we show how Latin American and Central and Eastern European innovation policies, despite their remarkable differences in history and geography, are converging and exhibiting very similar features, and failing on very similar issues. Both LA and CEE innovation realities and policies are characterized by following trends: first, the actual industrial restructuring and upgrading are driven by integration into wealthier economic areas (NAFTA and the EU, respectively); second, Nokiafication of R&D policies that is based on linear understanding of innovation that assumes that the main goal for innovation policy is to find the one killer application a la Nokia for Finland; third, there seems to be notable success in ICT sector, but here the revolutionary changes in 1990s led the growth, not the actual policies; fourth, main problems that both LA and CEE fail to address are: very weak networking within and between economic sectors, higher education and research; deficient policy design and administrative capacity that leads to coordination problems; and lack of actual industrial policies. In sum, both CEE and LA have been unable to embed their economies.

**Raivo Vetik** [[vetik@iiss.ee](mailto:vetik@iiss.ee)] is a professor in Comparative Politics and also director of Tallinn University Institute of International and Social Studies. He holds a PhD (1989) from the Institute of Law and Philosophy of Riga and a PhD (1999) from Tampere University. His main interest areas are: Inter-ethnic relations and ethnopolitics, comparative nationalism and ethnic conflict, Estonia's EU accession, political trust, sustainable development, semiotics of culture and politics.

### **Path dependency in identity politics in Estonia**

One can observe two opposing trends in inter-ethnic relations in post-Soviet Estonia. First, becoming a member of the European Union, along with demographic and economic imperatives, has been pushing ethnic Estonians and non-Estonian minorities toward mutual accommodation. A number of studies confirm that this has been the dominant trend in inter-ethnic relations in Estonia since the second half of 1990s. However, strengthening of the ethnocentric identity among ethnic Estonians, as well as of the so called 'resistance identity' among the minorities in recent years, is evidence of a growing counter-trend, which reawakens the conflictual atmosphere of the inter-ethnic relations of the beginning of 1990s. In particular, diverging interpretations over the outcomes of World War II in different collective memories of ethnic Estonians and minorities have become the major issue, with the potential to escalate into large-scale confrontation, as exemplified by the large-scale ethnic riots in Tallinn in April 2007. Current consolidation of identities along ethnic lines has been reinforced both by electoral competition between political parties and by the actions taken by the Russian Federation to strengthen its influence over neighbouring states. Comparative

research indicates that the same reasons behind the ethnic issue in Estonia played a role also in the beginning of 1990s. The argument of the paper is that such path dependency in identity politics is a major threat to national security of Estonia and needs to be addressed both in the public debate and public policy.

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### **Politics, Institutions and Development: lessons from Latin America**

With Flavio Gaitán

The present article discusses the conditions for the adoption of development strategies in Latin America in the aftermath of the neoliberal reforms, focusing specifically on the role of political institutions as a component of the productive regimes in selected countries. Development is treated as an endogenous process, which is shaped over time in terms of trajectories that are continuously redefined according to specific political conjunctures. Having moved from restricted democracies or authoritarian regimes and autarchic economies to mass democracies operating in the context of open economies after the market-oriented reforms, persistent structural inequalities presently constitute the major axis framing the definition of development policies. More so than in advanced countries where the state is treated as epiphenomenon of their respective productive regimes, in the case of the Latin American semi-periphery the state is the crucial actor for the reversal of vicious circles and negative complementarities stemming from the extreme structural and social inequalities within and between countries in the region.

Following a brief discussion on development and economic growth in the definition of the post-neoliberal agenda, the article examines institutional indicators for economic performance of contemporary governmental coalitions in selected countries, focusing on state policies favouring development such as financing, technological innovation, training of labour and social policies. Next, we concentrate on the analysis of political institutions and the role of political elites capable of generating national projects for sustainable development strategies, showing some of the differences between these countries. We conclude with a brief discussion on the adequacy of contemporary political economy approaches to understand processes of capitalist transformation in the periphery, calling attention to the need for a redefined regional perspective on development issues.

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### **Corruption, Legitimacy and the Quality of Democracy in Central and Eastern Europe and Latin America**

This paper investigates the relationship between the overall perception of the level of corruption and that of the quality of the ruling regime. Two subsets of political regimes are analysed – the neo-democracies from Latin America (LA) and Central and Eastern Europe

(CEE). The principal thesis advanced here is that corruption affects negatively the quality of neo-democracy. However, the current research tries also to discover the specific mechanism by which this is achieved in practice. It is hypothesised that legitimacy, or, even, the particular way of legitimising the fledgling democracies, is the key. Legitimation is mainly about the support granted to a specific policy and the regime as a whole. It has been demonstrated that the entire process has an input and output side. It is presumed that, during transition to democracy and its eventual consolidation, on the input side, both the opportunity structures (political institutions, legal tools and different kinds of both formal and informal practices) for citizens' participation and control of the ruling elites are created, while, on the output side, legitimacy is achieved by producing concrete results regarding, for instance, the fight against corruption as well as the provision of a whole range of public goods, which enshrine the common aspirations of the majority of the population about democracy and human rights.

Keywords: Corruption, quality of democracy, legitimacy, transitional countries, Central and Eastern Europe, and Latin America.

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The purpose of this paper is to show how we could use a Bourdieusian framework in order to analyse the genesis of a global market for State expertise and more generally the hegemonic battles that contribute to the internationalisation of the national fields of State power. It focuses mainly on the competition between lawyers and economists and their respective role in State building or State restructuring, both at the national level and on the international arena. It compares the export of developmental economics as a cold war strategy to the new emphasis on markets and governance that has coincided with the promotion of the 'Rule of Law' since the 90s. Using Wallerstein World system perspective, the analysis studies the interaction between three main group of terrains: it suggests that what happens in peripheral areas, such as Asia or Latin America, contributes to shaping the issue of the transatlantic competition between core countries such as the US and Europe. Its problematic is built on three complementary sets of hypothesis drawn from Bourdieu's work: « International circulation of ideas (2002) », « Genesis of esprits d'Etats (1993) » and « Internationalisation of the reproduction of State elites (1992) ». When applied to the sociology of professional fields, such as law or economics, these hypotheses lead to findings that contradict the ideology of development through the international transfer of professional expertise. The market of import-export of expertise is rife with turf battles as well as double agent strategies...

For example: professional groups try to expand and protect their markets by investing in Nation States, but also by collaborating to the international (or imperialist) expansion of their respective national States. Even if it implied unholy alliances with military regime – as it was the case for the emergence of developmental economics. Or if it produced 'collateral damages' for other national forms of their own expertise... Thus the prosperity of US law has largely being built at the expense of Euro law, through cold war strategies that undermined legal institutions in the peripheral States shaped by European colonisation. Professional fields are shaped by these hegemonic battles for which they are unequally prepared and equipped, depending on their own structural and political history. These continuing battles contribute to the emergence of an international division of professional labour that combines centralised

networks for the reproduction of the dominant producers of 'global' expertise, with a relative autonomy of peripheral fields controlled by national elites that apply these universal norms to their own specific, political and social agenda.

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### **Indigenous movements and their proposals in Bolivia, Ecuador and Peru**

The paper summarizes the demographic relevance of indigenous peoples in these three countries, and the similarities and differences of their organizations, mobilizations and proposal to the State along time. In Bolivia and Ecuador they have succeeded even to have a significant share in Government and in the recent Constitutional Assemblies in both countries. In Peru, however, after the irruption of "Sendero Luminoso" [The "Lighting Path"] and afterwards an authoritarian regime, the movement is recovering much later and slowly. Its main motivation now is the presence of mining and oil enterprises in their territories, as a result of growing globalization. This topic and other political coincidences lead to a convergence of these movements in the three countries. This is an interesting example of "glocalisation", that is, of active interaction between local and global issues.