

## **His 303: Post-colonial Latin America.**

### **Latin America**

#### Topics

##### 1. Introduction

2. The Early 19<sup>th</sup> century Period 1810 — 1870 Period of Dictators and revolutions and Economic Stagnation. Case study of Mexico

##### 3. The Triumph of Neo-Colonialism 1870 — 1900

- Period of Expansion of Hacienda
- Foreign Control of Resources
- Politics of Acquisition

##### 4. Latin America Since 1900

Case study of Argentina: The Failure of Democracy

- The Cuba Revolution

##### 5. Revolution and Counter Revolution in Central America

- Case study of Guatemala 1944 - 2003

6. The Two Americas: United States - Latin American Relations 1810 – 2003

7. Latin American Society in Transition Contemporary period.

- Economic Problems

- The Foreign Debt

- Integration or Disintegration

- Social Problems, etc.

# INTRODUCTION

This course covers essentially the Post — Colonial Latin America from 1810 to date. Since most Latin American countries achieved independence they have been: struggling to achieve development without any success. They have continued to experience several challenges which have contributed to their political and economic underdevelopment. These have been attributed largely to Dependency and Neo — Colonialism according to radical scholars like Gunder Frank The Neo — Liberal mainly from the U.S.A. have however, blamed the situation on their failure to adopt Liberal political and economic systems and instructions. The purpose of this course is therefore to examine the causes and results of the political instability and economic underdevelopment of post-colonial Latin America. To do this the method will include both general approach and specific case studies of some countries. It will also combine both chronological and theoretic approaches.

## Reading List.

1. Main text: Benjamin Keen and Keith Haynes (eds.) History of Latin America Vol. I I, 7<sup>th</sup> Edition, 2004.
2. Gunder Frank, The Development of Underdevelopment of Latin America



# INDEPENDENCE AND CHALLENGES IN 1820

After independence, Latin America struggled for economic and political developments but faced seriously obstacles;

1. No redistribution of land and income to poor

2. Large estates worked by slaves continued. Influence of landed aristocracy increased due to military role it had played.

Economic life stagnated — no foreign investment as expected and demand for Latin American staples was low.

4. Free trade brought prosperity to coastal areas but imports affected local crafts.

5. Periods 1820 - 1870 was an age of violence, and alternate dictatorship and revolution by caudillo (strongman) Using force no matter the Constitution.

It allowed political parties with different ideologies — conservatives, liberals, Unitarians and federalists to compete for power.

1. Conservative had support of land owners and urban allies. They retained legacies of colonial era.

2. Liberals attracted provincial land owners, professionals, and groups that had not enjoyed much power and were inspired by examples of U.S and advocated federal system of government, guarantee individual rights, control of resources.

- None showed interest in problems of the native peasantry and lower groups
- By the 1870s - tempo of industrial Revolution in Europe stimulated rapid change in

L/America.

➤ Europe capital flow to expand modernize production and trade.

➤ Pace of development of various countries was uneven.

- One or two products became basis of each countries prosperity — making them vulnerable too fluctuation. Other sectors stagnated.

Two other characteristics were hacienda system of land tenure and labor accompanied by growth of foreign control over the natural and human resources of Latin America.

- By 1900 — new structure of dependency or colonialism — neo- colonialism — had arisen with. Great Britain, and USA replacing Spain and Portugal as dominant powers.

- New economic. order demanded peace and stability in government and after 1870 political conditions were more stable.

- New types of progressive Caudillo — Porfirio Diaz in Mexico, etc. emerged in various countries — which symbolized politics of acquisition.

- Cycle of dictatorship and revolution continued.

- Development of powerful literature didn't bring freedom and prosperity that liberators had fought for.

- In most countries there were decades of civil strife after Portuguese and Spain had left

- Boliver wrote (p180

- Contrast between •Latin America and USA is very clear. US achieved political stabi

lity and economic development but Latin America did not.



# RESULT OF INDEPENDENCE

a. Frustration followed. Colonial powers left but their colonial economic and social structures remained e.g. Hacienda, fazenda, using archaic technical and labor force or slaves continued in agriculture.

b. No class of small farmers arose to challenge the economic and political might of great landed aristocracy.

c. Wars of independence strengthened classes

d. Added was prestige of military — because revolutionaries had emerged from their rank.

- Militarization of society during wars of independence assured the military a role in society.

- Standing army consumed half of the budget.

- Military became involved in politics supporting conservative landowners and urban elites.

- Wars of independence had ruined some economies while some countries recovered others were ruined.

- Several factors responsible for economic stagnation;

1. Independence was not accompanied by redistribution of land and income

2. Anticipated influx of large foreign capital didn't flow in.

3. Exports remained low while imported goods from Europe increased. Local industries were damaged, chronic balance-of-trade problem was created.

4. Problems retarded the development of native capitalism and capitalist relations and reinforced dominant role of hacienda in economic and political life.

- Was worsened by lack of infrastructure which increased regionalism and control by caudillo local landowners — caudillo raised, game of politics and revolution on a national level.
- Politics and revolution became an economic activity — victors controlled sources and revenue
- Led to rise of bloated military and bureaucratic establishment that diverted resources from economic development.
- Secondly there was stress on foreign trade which moved tendency towards dependency.

## **MEXICO - POST INDEPENDENCE ERA**

The nationalist who fought for Mexican independence were Hidalgo, Morelos and Augustin de Iturbide, who completed it. He formed a coalition of creoles and peninsular conservatives to fight against Spanish constitution of 1812. Independence achieved under such a conservative group did not create any radical change in the socio-economic and political development of Mexico. The rich land owners became rich while the peasants got poorer.

The Church also continued to wield economic and spiritual powers. Independence was only

in name.

**1. THE ECONOMY:** Wars of independence had destroyed the economy. End of Spanish monopoly saw growth of foreign trade. But imports were higher than exports. Government experienced bankruptcy as a result of drain on gold and silver reserves. Government was forced to support bloated bureaucracy as no worker would accept pay cut. Worst was the insecurity of post-war era. Foreign trade was the only option. 1824-1825 British bankers loaned Mexico

amounting to 32 million pesos. Mexico received only 12 million as the bankers went back. By 1843 unpaid interest reached 54 million pesos. Foreign debt only increased financial burden. It also threatened Mexican independence. Foreign investment from Britain partially helped.

Effort was made in 1830 to modernize the industry when Banco de Avio provided government assistance to industry. Manufacturing made limited progress after independence. By 1843 the Banco de Avio closed its doors due to lack of funds. Mining and agriculture remained foundation of the economy.

## **2. THE POLITICS: LIBERALS VS CONSERVATIVES**

The conflict between Liberals and Conservatives dominated Mexican political life after independence. The conflict came into open when the "liberator" Iturbide arrived into Mexico City on Sept. 27, 1821 flanked by two war generals from Republicans and Liberals.

Fall of Iturbide in 1823 cleared way for Republicans, who were soon divided into liberals and conservatives, federalists and centralists. The constitution of 1824 represented a compromise by creating 19 states that possessed taxing power, by legislators voting, to choose the president or vice for 4 years tenure.

Hero of war of independence — Liberal — Gen. Guadalupe Victoria was elected President

To bring unity he brought conservative Lucas Alaman into his cabinet, but was short-lived.

Differences between liberals and conservatives followed Anglo - American rivalry with one side following (liberals) US model or British model (Conservatives). None of these classes could consolidate its power on the nation. But 1833 was high water mark of liberal achievement. President Valentín Gómez

Farfán pushed into the congress some radical reforms e.g. abolition of special rights for church and army.

Liberal programme provoked resistance from conservatives. Army officers organization revolts, priest called it a "cholera epidemic and sign of displeasure from God"

### **General Antonio López de Santa Anna.**

Was a classic caudillo supporter of liberal movement, placed himself at the head of conservative opposition, and sent Gómez Farías and Mora into exile. In power he summoned conservative congress that repealed reform Law of 1833, suspended constitution of 1824 and introduced conservative constitution of 1836 — states were reduced to departments by central government and upper class dominated. Santa Anna and conservatives ruled from 1834 — 1854. Under him conservatives subordinated interest of region and country to wealthy, densely regulated central core of Mexico City, Puebla and Veracruz. Mexico lost Texas to USA and almost Yucatán. North American invasion or Mexican war of 1846 — 1848 was another disaster war over Texas, but also determination of Polk government to annex California and New Mexico as well. War ended in catastrophic Mexican defeat. While the peasants were ready to fight the wealthy class favored peace. By treaty of Guadalupe of 1848 Mexico gave up Texas, California and New Mexico and in return Mexico received \$15 million.

Even after treaty Mexico congress opposed its ratification because of its negative impact, which came to be true when there was American gold rush in California. Many Mexicans continued to oppose the treaty for many years.



## LA REFORMA, CIVIL WAR & THE FRENCH INTERVENTION

The disaster suffered under the conservative rule created widespread protest against them.

This led to revival of puro liberalism. During war of 1848 liberals came to power in some

states. One of the governors was a scholar and scientific influenced by Rousseau and French

Utopian socialist thought. Was an honest, efficient and democratic simplicity. He ushered

the era of La Reforma — which tried to destroy feudal vestiges and implant capitalism. Reve

l liberal movement attracted protests from reactionary forces led by Santa Anna, who

proclaimed himself perpetual dictator with the title of His Most Supreme Highness. But his

rule attracted opposition from moderates and conservatives in 1854 called for end of

dictatorship and election of a convention to draft a constitution. Santa Anna's rule

disintegrated after a year-and he went into exile finally.

75 years old Juan Avaroz was named Provisional President and he named other liberals

Ministers. On porethey issued official decree — on right call.' the state, to limit clerical and

military to matters of internal discipline. Dealt blow on the landed property of the church

and banned them from holding land not used for religious purposes and forced their sale.

The law aimed at creating a moral middle class but a land passed into hands of great land

owners, merchants and capitalists. In fact locals were banned from owning land (herdo law).

This affected the poor. Drew reaction and intervention of French 1857 — 1867 to slow down implementation

While this was going on the constitutional convention finished its constitution of 1857.

Proclaimed freedom of speech, press and assembly, restored Federal Structure of 1824, etc.

Few voices raised against land monopoly "How can

a Hungary, naked, miserable people practice popular government? How can we condemn slavery in words while a lot of most our fellow citizens are more grievous than that of the black slaves of Cuba or United States of America?

The church reacted by excommunicating all public officials who took, to required law of loyalty and counter — revolution led to 3 three years' war of 1857.

## 2<sup>nd</sup> PERIOD

### **THE TRIUMPH OF NEO-COLONIALISM (1870-1914)**

From 1870 — industrial revolution in Europe stimulated more rapid change in Latin American economy and politics.

- There was demand for raw materials and food stuffs
- Latin America increased output of these raw materials.
- Growing trade with Europe stabilized political conditions in Latin American new economic system which demanded-peace and continuity in government.
- European, capital flood into Latin America — creating railroads, docks, processing plants etc.
- Latin America became integrated into an international economic system, exchanged

raw materials and food stuffs for factory made goods of Europe and North- America.

- Adoption of free trade led to abandonment of efforts to create native factory capitali

sm — leading to integration into international division of labor. The new economic system

tied a new dependency on Latin America, with Great Britain and later U.S. — replacing

Spain and Portugal in dominant role.

- Hence the term "neo Colonial" — lasted till 1914.

- World War I, 1914 -- 1919 — disrupted the system and marked the beginning of general crisis for years.

- Period 1870 - 1914 saw rapid growth of Latin America economy — pace and degree was uneven.

- Paraguay and Bolivia joined the advanced later than others.

- Main feature was Neo — Colonialism — one sidedness (mono culture).

- Few products became basis of prosperity for each country — making them vulnerable to fluctuations in world demand for prices of products.

- Argentina and Uruguay depended on wheat and meat.

- Brazil produced— coffee, sugar and rubber.

- Chile produced— copper and nitrates

- Honduras produced — bananas

- Cuba produced— sugar

### 3<sup>rd</sup> PERIOD

LATIN AMERICA SINCE 1900 (20<sup>TH</sup> CENTURY)

Our main theme is that both internal and external factors have influenced and affected Latin American development in the 20<sup>th</sup> century. These include domestic class conflicts, gender, racial, and ethnic struggles; strategic rivalries among U.S and European powers and shifting demands of international markets.

Internally, the struggle of Latin America to eliminate neo-colonialism and latifundios, which were main obstacles to development, directed Latin American history. This varied from one country to another but it provided a common factor in the understanding of their history.

Externally - the most important factor in the 20<sup>th</sup> century was the emergence of the U.S. both as a hemispheric and global hegemonic power. Its frequent military, economic and diplomatic interventions in the area provided an international context which affected local changes.

Global economic changes also affected Latin America. These can be discussed in three phases;

#### 1900 — 1930

Period was marked by competition among developed capitalist countries for overseas markets which led to frequent imperialist intervention by the US. US. and European statesmen and corporate businessmen competed for access to Latin American markets and for raw materials, cheap labor and direct investment. This required alliance with conservative Latifundistas and Oligarchic or dictatorial governments to Protect their.

interests. This development exploited the poor masses especially women, rural dwellers, provincial areas, which forced migrant workers to urban slums in search of employment and then to new lands. These class joined protest movements against traditional oligarchs. By the end of the century they demanded for a creation of a modern nation state to regulate private sector: to promote greater economic independence, solid justice and political stability.



World War I, disrupted markets for Latin American goods and made importation difficult.

Hence local labor and capital were diverted to local manufacturing to supply goods. But manufacturing was still limited to high consumer good industries.

The U.S.A, emerged from world War I as the world's principal industrial and financial power -- replacing Britain in Latin America. U.S both Democrats and Republicans continued with "big stick" and "dollar diplomacy" policies using armed intervention and pressure to expand U.S. control over the Caribbean areas. But resentment by Latin America forced the U.S.A. to change its policy.

## **LATIN AMERICA**

### **1930'S — 1970.**

- The world was dominated by two major events, the great depression of the 1930s and World War II, 1939 — 1945

- Led to changes in international politics and economic relations.

- Most significant was rise of U.S as hegemonic power involved in reconstruction of Europe and Japan.

- Less attention was paid to Latin America.

1. Political development: This period saw the rise of popular movements and the establishments of populist states and military dictators in Latin America

2. Economic Changes: They pursued limited agricultural reform, social welfare, import substitution and export industrialization.

- Government raised salaries but imposed heavy taxes.
- Government expanded working class but consolidated powers of Nationalistic

bourgeoisies, i.e. strengthened exploitation and dependence on external markets

3. Effects of the depression: It exposed vulnerability of neo-colonialism and mono-cultural economy

- Prices of raw materials fell but prices of manufactured goods increased.
- Latin America adopted protective tariffs for its survival. This led to industrialization in Latin America.

## **World War II (1939 — 1945)**

- Disrupted imports of manufactured goods and stimulated industrialization in Latin America.

- Led to Nationalization and establishment of state enterprises in oil exploitation and foreign companies.

- Seizure of foreign oil properties in Mexico.

- Concession was granted to workers.

- Price of raw materials and food stuffs fell sharply than those import manufactures goods - unfavorable balance of trade.

- 1945 Latin America industrialization was successful.

- Consumer goods industries emerged.

- Laid foundation for heavy industrialization.

Industrialization suffered from lack of capital, advanced technology and low purchasing power.

- Backwardness blamed on latifundios, diseases, illiteracy, lack of agrarian reforms.

## **REACTION OF U.S.A.**

- U.S adopted Good Neighborhood policy: non-interference in internal affairs, of

Latin America but the change was in form not content of policy

- U.S. allied with tyrannical rulers to sustain its policies.
- U.S ensured acceptance of her policies.
- Latin American industrialization slowed down due to competition among industriali

zed nations after post-World War II. rG

- U.S shifted from agriculture and mining to heavy manufacturing to avoid tariffs.
- Superiority of foreign goods, destroyed small and medium scale businesses
- Foreign: companies adopted mixed economy-controlled by foreign companies yin

partnership with local businessmen as junior partners. Huge profits were accumulated and expropriated abroad.

- Lack of agrarian reforms and income distribution slowed down developments.
- Populist state was abandoned in the 1950's and 60's.
- Policies favorable to foreign companies were pursued but peasants were neglected.
- Hopes of escaping dependency failed.

## **RISE OF REVOLUTION AND RISING EXPECTATIONS**

- Discontent led to riots
- In Guatemala, it led to the establishment of Democratic and social justice
- In Bolivia, peasants demanded change
- Bishops conference announced Liberation Theology to help the poor
- Most successful revolution was by Fidel Castro in Cuba which overthrew the Batista

government in 1959.

- Success of revolution marked a turning point in Cuba.

- Agrarian reform and nationalization of foreign companies raised standard of living of the people and offered alternative strategy to development along capitalist line.

## **REACTION OF WASHINGTON TO CUBAN REVOLUTION**

Fidel Castro came to Cuba in 1959. U.S. recognized him. Hoping that Cuba would be friendly. He adopted communism and opposed U.S influence..

- He nationalized the economy and distributed land to the peasants
- President Eisenhower plotted the overthrow of Cuba
- Castro nationalized oil companies like shell, Texaco and this worsened the relationship with the USA.

- Castro seized many US properties.
- In 1961 New Year Day parade Cuba's communist government exhibited Soviet tank and weapons.

- Cuba suppressed many dissents and sent enemies to concentration camps. Cuba

Supported African countries (Angola, Ethiopia, Mozambique and Guinea Bissau )

### **RISE OF FIDEL CASTRO TO POWER IN CUBA 1959**

He was born in 1927 to a wealthy family — Spanish farmer in North West Cuba. He attended famous Jesuit School of Belen in Havana and was a fine athlete. In 1945 he



attended the famous University of Havana where he became involved in violent politics.

- In 1947 he participated in a failed invasion of Dominican Republic.

- On July 26, 1953 Castro led July Movement and attacked Moncada Barrack in order to overthrow Batista government but failed.

- He was captured in a government repression and had to face trial where he delivered his speech "**History Will Absolve Me**" which made him a national hero

- Spent 19 months in prison during which the women provided leadership for 26 July Movement. He was freed in 1955 and he fled to Mexico where he organized an invasion supported by his brother Raul Castro and Argentinian Revolutionary — Ernest (Che) Guevara.

- He and his group invaded Cuba in 1956 but also failed and they fled to Sierra Maestra Mountains. From there they continued to launch guerrilla attacks, causing much disruption.

- In May 1958 Batista launched a major attack on the rebels but they inflicted heavy losses on him. Undermined by corruption and led by incompetent commanders they couldn't match guerillas.

- On January 1<sup>st</sup>, 1959 abandoned by U.S. allies, Batista and his aides fled to Miami,

USA. Rebels numbering 300 won great victory.

### **Changes Introduced by Castro Government**

1. Purging of political opponents

- loyalty to Castro was criterion for appointment
- All labor unions and newspapers against him were closed down.
- Radio/Television stations were controlled, by government.
- Teachers and professors were purged system of neighborhood watch was establishe

d.

2. Militant Anti — Castro group funded by CIA and Government of Dominican Representati  
ves set up basis on Cuba mountains were defeated by Cuban

3. Declaration of Socialist Party — 26<sup>th</sup> July movement and Roca's Popular Socialist Party  
became Socialist Party with Castro as first Secretary. His party became a communist party  
following National Referendum ratification.

4. He nationalized the economy and distributed land to the peasants. Land reform, income  
distribution, agricultural diversification and income independence from the USA were  
carried out.

- Radicalization of economic program and concentration of power alienated middle  
class supporters who resigned.

- USSR became an ally to diversity nation's economic dependence and project revolu

tion from the USA.

- Russia agreed to purchase 405,000 tons of Cuban sugar in 19<sup>4</sup>60 and 100,000 tons i  
n 1961

- Character of Cuba's rural population made process of socialist land reform easier  
than in Russia.

5. Bay of Pigs Invasion — This was planned by U.S.A. Government Authority in April 1961  
when Cuban exiles invaded Cuba with 1,400 militants but were defeated by Castro. Many  
were killed and purged popularly of Cuban government increased.

6. Missile Crisis of 1962

U.S. had nuclear bombs in Turkey while Russia had in Eastern Europe. Cuba permitted Russia to place her bombs on her territory in 1962. U.S. found out and Cuba blocked Russia from placing more in Cuba. Russia was forced by President J.F. Kennedy to remove the bombs while U.S removed hers from Turkey.

#### 7. Military Built —Up.

In 1961 New Year's Day Parade Cuba's communist government exhibited Soviet tanks and weapons. By 1982 Cuba was 2<sup>nd</sup> after Brazil with the largest armed forces in Latin America.

#### 8. Suppression of Dissents

Military units to aid production led to the establishment of labor concentration camps to eliminate enemies of the Revolution '. Yearly over 200, 000 dissidents were held and tortured under inhuman conditions. 15000 — 17,000 people were executed.

9. Emigration — Establishment of Socialist got forced many middle and upper class Cubans to flee to the USA. Between 1959 and 1993, some 1.4 million left Cuba. Between 30, 000 to 40, 000 died on the sea. 10,000 Jews left for Israel

#### 10. Involvement in third World Conflicts

From inception Cuban revolution declared itself as an internationalist - meant to spread its ideals abroad. Cuba supported African, Asian and Latin American countries in the field of military, health and education. This angered the U.S.A and sometimes caused conflict with R

ussia. In Africa, Cuba supported 17 Liberation Movement in Angola, Equatorial Guinea, Ethiopia, Guinea Bissau, and Mozambique. Cuba sent military and medical personnel's to those countries 30,000 health workers by 2007.

## **Problems**

- Inexperience accounted for many mistakes.
- Socialist orientation of the economy disrupted its progress and U.S embargo crippled the economy.

- First goal was to redistribute income to rural and urban workers. Program succeeded by rising wages 40 percent and purchasing power 20 percent.

- Unemployment was virtually wiped out. Castro decreed the first Land of Agriculture Reform in May 1959 and restricted size of landholdings. Government had right to take over private holdings in excess of its limit.

- Estates of Batista were seized. Followed by Seizure of great cattle estates when owners resisted.

- Government distributed land in small plots or established corporative administered by institute of Agrarian Reform.

- Redistribution of income to workers and peasants resulted in long range problems.

- With more money Cubans demanded more meat — food consumption rose 100 percent but government couldn't provide due to disruption.

- Government lowered rents and utility rates and supplied free service — income increased.

Shortages rose because of lack of importation.

Government began rationing in 1962

Revolution poured money into housing, roads but poor planning wasted resources.

Agricultural diversification and industrialization also faced challenges. Achievements

I. Lowest rate of joblessness workers could only be retrenched of crisis. They received 60% of their wages.



II. Rents were controlled to 10 percent income

III. 80% of Cubans owned their houses

IV. Agricultural workers got government furnished houses with television and recreational.

V. Cuban Streets virtually no beggars.

VI. Education and health care were free and accessible to all

VII. Equality and social justice were established.

VIII. Literacy crusade reduced illiteracy from 24 to 4%.

IX. National childcare system freed women to pursue career.

X. Ended racial discrimination and Afro Cubans received better treatment.

**1970 - 2003**

## **NEO LIBERAL POLICIES AND DEBT TRAP**

By the 1970s the global marketplace had changed radically. International capitalist system couldn't tolerate nationalist barriers imposed on foreign companies in Latin America. The Japanese, European allies and the U.S.A. had fully reconstructed their economies which were destroyed during World War7Hence they looked to overseas markets to acquire strategically valuable raw materials, sell their surplus products, invest surplus capital and exploit cheap labor. U.S. had experienced a serious economic decline and international competitive crisis due to huge investment in the military establishment to police the post war new Order.

Peaceful solution to another international capitalist rivalries required that the care capitalist nations had freer access to the world's resources. Hence trans national organizations sought to promote a neoliberal strategy of economic development which emphasized free trade, open door foreign Investment, state deregulation of business, privatization, etc.

These "reforms" affected the foundation of the old populist political alliance.

- Latin America's industrial, Commercial and financial elites who had profited from t
- he nationalistic policies of the populist found them squeezed. Not being sure of the goals of

such popular movements, these elites were attracted to low cost loans that transnational corporations and core capitalist government promise.

- Hence government policies came to rely on foreign loans. Under President Donald

Reagan, the federal Reserve Board raised the prime rate from 9

percent in 1979 to 21.5 percent in January 1981, "the highest interest rates since the birth of Jesus Christ according to West German Chancellor Helmut Schmidt.

- Trapped by these high floating interest rates in just three years (1981 — 1983) Latin America had to pay out \$94.4 Billion interest payments.

- Despite this, Latin Americans quickly became champions of foreign inspired neo liberal policies.

- These appeared in Brazil in 1964 and reached their peak in 1973.

- Most Latin Americans rulers reversed the progressive policies of their predecessors.

These, included use of torture and assassination against political opponents.. All these did not solve the economic deep rooted problem.

The most successful example — the 'Brazilian miracle' was achieved by reducing wages to, the subsistence level, annual inflation rate of about 20 percent and massive foreign investments which hastened foreign conquest of Brazilian industry. By mid 1970s, Brazilian Miracle was declining, by 1980 Brazil was in a deep recession — factories closing, unemployment rising, etc. This crisis affected most Latin American countries.

At the heart of the debt crisis was the problem of unequal exchange between advanced countries (such as the U.S.A.) and Latin America. Reason for Latin America imbalance was low

prices of export commodities and the high prices of manufactured goods and oil that most countries in the region must buy. This unfavorable term of trade help to explain Latin America's increasing debt.

The gap between exports and imports can also be explained in term of some changes in Latin America industrialization programmes. Countries like Mexico and Brazil since 1955 had stressed production of consumer durables and capital goods which needed importation of expensive machinery, and technical licenses