# Nation, nationalism and globalization

## *An Interview with Paulo Nogueira Batista Jr.*


In an interview with *Estudos Avançados* on March 4, the economist Paulo Nogueira Batista Jr., Brazil's executive director at the IMF (International Monetary Fund), declared that we cannot "relinquish the National State" even in the face of globalization. "There are no supranational organizations capable of replacing it. And the markets can't function without the State".

Paulo Nogueira Batista Jr. is a professor and researcher on-leave from Fundação Getúlio Vargas in São Paulo. He was special secretary on economic issues to the Ministry of Planning between 1985 and 1986, during the administration of João Sayad, and advisor on matters related to foreign debt to the Minister of Finances, Dilson Funaro, during the period 1986-1987. He was head of the Center for Monetary Studies and the International Economy at Fundação Getúlio Vargas, Rio de Janeiro, from 1986 to 1989. He was a visiting researcher at the Universidade de São Paulo Instituto de Estudos Avançados between 1996 and 1998 and again from 2002 to 2004. He is currently an executive director at the IMF, where he represents a group of nine countries (Brazil, Colombia, Equador, Guiana, Haiti, Panama, The Dominican Republic, Suriname and Trinidad & Tobego).

The economist answered questions from the editorial staff at *Estudos Avançados* in writing via e-mail. The responses are reproduced in full below.

*Estudos Avançados – What kind of role can nationalism play today?*

*Paulo Nogueira Batista Jr.* – Nationalism is a very powerful historical force and it is far from exhausted. For countries on the world periphery, nationalism is a near indispensible tool for rallying to overcome delay and underdevelopment, as historical experience seems to indicate, whether recent or remote. I use the word "seems" because the so-called lessons of history are never clear-cut and are always open to divergent interpretations. "There are no facts, only interpretations", as Nietzsche observed. That said, in Latin America there have been cases of countries fervently embracing "globalitarian" doctrines with far from successful results. Argentina in the 1990s is the most dramatic and best-known example. As I see it, less developed countries have to distance themselves from anti-national, cosmopolitan or "globalizing" ideologies – and they have started to do just that. As Euclides da Cunha wrote at the end of the 19th Century, "cosmopolitanism is

the colonial regime of the spirit". This colonial regime is slow to die, but cannot last forever. The economic and political outlook for South America has changed substantially in the last ten years.

*Estudos Avançados – In the face of globalization, could we say that nationalism no longer makes sense, or can the power of some economically privileged nations still be discerned behind the multinationals?*

*P. N. B. Jr.* – I am still of the opinion that there is a lot of exaggeration when it comes to discussions of "globalization". In general, the internationalization of economies is not nearly as widespread, unprecedented or irreversible as the more vociferous interpretations would suggest. Even the term "globalization" seems a little forced, as I have tried to show in a piece published in this journal and in some chapters of my two most recent books (Batista Jr., 1998; 2002, p.37-71; 2005, p. 3-31). Perhaps the term "globalization" can only really be applied in the financial area without inducing errors and illusions. Skepticism as to the real reach of internationalization has been expressed by various authors. For example, in his last book, Dani Rodrik (2007, p.196-8) observes that international economic integration is still much more limited than commonly supposed.

In any case, whether or not we accept the term "globalization" as an adequate description of the international scene, the role of the National State remains crucial, in both developed and developing nations. Nobody can relinquish the National State. There are no supranational organizations capable of replacing it. And the markets can't function without the State.

There is a certain duplicity on the part of the developed nations. They are, as we all know, the source and origin of liberal economic theories. That's what they teach at their universities, that's what they propagate worldwide through multilateral entities under their control, particularly the International Monetary Fund (IMF) and the World Bank. And yet the practice of these countries clearly diverges from liberal theory. In all advanced nations, the State plays an important role in the economic and social areas, complementing and correcting the markets. The liberal reaction, championed by Ronald Reagan in the United States and Margareth Thatcher in the United Kingdom, did not entirely succeed in reverting the trend towards an expanded role for the State, which dates back to the beginning of the 20th Century and gained momentum after the Great Depression of the 1930s. As James Tobin (1996, p. 181) used to say , what won the cold war were not pure market economies, but mixed economies, with strong State participation.

The presence of the National State can be seen, for example, in the operations of "multinational" or "transnational" companies – in my view, another deceptive term. Most of the companies that operate internationally have a national base, a national and clearly identifiable gravitational center. They are usually national companies with strong presence abroad or with a global reach.

The exceptions are the large corporations from small developed countries, like Switzerland, Sweden or Finland. The National States of developed countries make no secret of this and often act in defense of their "multinationals". These companies are similarly Janus-faced: on one hand, they want to be seen as "global" so as not to rouse nationalist reactions in the countries where they invest, but at the same time they have no qualms whatsoever about running to the National State for help when it comes to disputing tenders and contracts abroad, opening markets, or removing barriers to their activities. The actions of the governments of the United States and other developed countries at the World Trade Organization (WTO) and in bilateral commercial negotiations are largely geared toward defending the interests of "multinational" corporations, as shown in recent books by Joseph Stiglitz (2006; Stiglitz & Charlton, 2005), for example.

*Estudos Avançados – Is there any positive or negative relationship between nationalist policies and democracy?*

*P. N. B. Jr.* – Nationalism and democracy do not always walk hand-in-glove, as we know, but they are perfectly compatible. I would even say they are complementary. A national project without a democratic foundation is unsustainable in the long term. And Nation without a people is an empty concept. The people must identify with the nation; feel represented by and considered in the actions of the National State. And this identification presupposes democracy. The existence of a democratic regime increases the chances that the policies of the National State will take the interests of the majority into account. The vote is a counterweight, albeit a precarious one, to the power of money. Besides, we can't lose sight of the fact that democracy, with all its defects and limitations, is only possible within the national sphere. There is no democracy on the international level. Multilateral organizations are, to a greater or lesser degree, oligarchic entities dominated by a small group of developed nations. We are fighting to increase the influence of the developing countries in international organs, but it's a slow and difficult process. This is something I have been able to see first-hand since joining the executive board of the International Monetary Fund, representing Brazil and eight other countries from our region. The inertia in institutions like the IMF is tremendous. Change is possible, and we will keep pressing for it, but it all happens so slowly.

*Estudos Avançados – Is the economic policy of the Lula administration nationalist?*

*P. N. B. Jr.* – The Lula administration is an ambiguous government, but it is closer to being nationalist than its predecessor – which is not saying much, I know. Under the administration of Fernando Henrique Cardoso, both the economic and foreign policies were of a, shall we say, cosmopolitan nature. From the very beginning, the foreign policy of the Lula government has been more

nationalist or national-developmentist. Of course I'm talking of Itamaraty here. The interruption of negotiations on the Free Trade Area of the Americas (FTAA) was a milestone in this political reorientation of foreign policy. Brazil, Argentina and other countries played a central role in blocking the FTAA. In terms of the Ministry of Finance and the Central Bank, change has been slower. During Lula's first mandate, Finance Ministry and Central Bank policy was basically continuist. It was only from 2006, with the resignation of Minister Antonio Palocci Filho, that changes started to take place at the Ministry of Finance. The Central Bank kept to its line, with a little recent flexibility, but still very modest.

That said, in the second Lula mandate there has been more emphasis on economic growth and on defending national autonomy. The country is more assertive. And it is no longer so vulnerable on the foreign front. This is fundamental. We have a stronger position in the balance of payments. The trade balance has shown high surpluses. For five consecutive years, 2003 to 2007, Brazil has been in the positive in its balance of payments on current transactions. International reserves have reached record levels.

*Estudos Avançados – Is there a current nationalist trend in some South American countries?*

*P. N. B. Jr.* – I believe so. Nationalism, so stigmatized during the 1990s, is being valued once again; in Argentina, Venezuela, Bolivia and Ecuador, for example. And in Brazil too. The difference is that Brazil has been more cautious – which is a good thing in the end. What's important is not to make noise, but to take concrete measures that boost the nation's autonomy and its clout in international negotiations.

*Estudos Avançados – Is the integration of South-American markets a superior form of nationalism among developing nations?*

*P. N. B. Jr.* – This is perhaps one of the biggest differences between the nationalism of today and that of previous decades in our region. There is greater emphasis on South-American integration, an understanding that the nations' joint action is an important platform under the current international conditions. Brazil could develop its national project on its own, because it's big enough. But in conjunction with its neighbors, or at least a good number of them, we have more firepower. Note that we are talking about South America now, not Latin America, as in the time of Raúl Prebisch, Celso Furtado and Cepal. The process of incorporating Mexico and Central America into the economic sphere of the United States has advanced a lot - as I see it, Latin America has ceased to be a politically workable concept.

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