

Pink Tide: Neo-developmentalism in Brazil and Argentina

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Abstract: This study aims to trace the pink tide model with the neo-developmentalism state in Brazil and Argentina. The pink tide model in both countries seeks to unite the market and the state in the national economic development so that welfare and social equality can be achieved. However, in practice, pink tide with social equality discourse is not fully successful in the hands of the left leader, there is an increase in poverty and social inequality. To uncover the problem in applying the pink tide model run by leftist leaders, this study will use the concept of globalization by David Harvey and the term of class by Karl Marx qualitatively. This study has two results. Firstly, globalization has a significant impact on the integration of the pink tide model of development which based on the market and the state in Latin America. Secondly, class exploitation has collectively led to the economic crisis in Brazil and Argentina.

1 BACKGROUND

It has become an expression of globalization that has taken place in the last few decades is seen as having a wide influence on the chances of economic interdependence. The waning significance of territorial borders and the increasing awareness of the state as part of global economic development are a small part of some new developments brought about by globalization that have a positive effect on the political economy. Of course, globalization does not always bring good news and can mean impoverishment, human rights violations and environmental destruction for certain countries. But the *distanciation* and time compression made possible by, among other things, recent developments in communication and transportation technology make economic integration no longer a completely normative idea. That is, economic development across national borders is no longer limited to hopes and ideals but is almost an inevitable demand.

Economic globalization comes in two forms. First, through a process based on the pressure of the global economic system, with governance as the keywords, including the International Monetary Fund, World Trade Organization, and World Bank, in which countries try to create free markets. Second, through a process that is more domestic or regional, in which countries experiencing economic

crisis try to carry out economic development through alternative models other than the Washington Consensus free-market version. Economic globalization in Latin America comes through the application of neoliberalism.

Neoliberal is an economic model that limits the role of the state in economic activity. Neoliberal wants an economic system based on individual freedom without state interference in the market. The main actor in the economic process is the market, not the state. On this basis, it can be argued that neoliberalism discredit the collectivity in the way of production to get added value. This is reflected in the massive investment from Multinational Cooperation (MNC) in Latin America.

The application of neoliberalism did not bring prosperity and justice as promised. It resulted the economic and social crisis in Latin America. The failure of economic development led to Latin American regional social movements, namely the anti-neoliberalism movement or referred to as the Pink Tide (Loureiro, 2018). Pink Tide is a socialism movement which is considered to be phenomenal in Latin America. Pontoh said that the Latin American community movement has two fundamental reasons, namely the failure of left-wing communism socialism led by the Soviet Union and economic inequality because of the US neoliberal development model (Pontoh, 2007).

If neoliberalism offers social welfare and justice through free markets, then Pink Tide offers a more flexible model of mediating capitalist and labor class relations through economic and social policies based on negotiation procedures. Unfortunately, the Pink Tide development framework did not last long because its implementation could not address the problems of the Latin American people but instead created an economic crisis and social injustice. This reinforces the statement that the neoliberalism and Pink Tide are not perfect models.

The dynamics of the economic crisis in Latin America give interesting attention to the study of globalization. The destruction of space and time is inevitable, this is evidenced when a country experiences an economic crisis it will spread rapidly to other countries as well. Territorial boundaries are no longer a problem, the problem lies in capital accumulation which focuses on added value. From a capitalist point of view, added value can only be carried out by workers' activities, so that workers will be made as commodities that receive wages to produce added value.

Capitalism in Latin America is characterized by a combination of core capitalist sectors with unregulated small scale commodity production. This unregulated sector is called *the informal urban economy*, including self-employed workers engaged in subsystem activities and employees of microbusinesses (Elbert, 2018). Capitalism has a hope that the working class will be absorbed by the core capitalists. However, the structural dynamics of peripheral economics have instead produced *dual societies* in which a large portion of the population has never been fully incorporated into economic capitalists.

Thus, the economic crisis that hit Latin America including Brazil and Argentina is rooted in the capitalist mode of production both in the application of neoliberalism model and the Pink Tide model. The way it develops and functions normally, each branch of production does not directly receive the surplus value generated by the labor that it employs. It only accepts fractions of all values produced. Whereas the capitalist receives more value from the whole production to be redistributed. This is collective class exploitation in Brazil and Argentina.

2 ECONOMIC GLOBALIZATION IN LATIN AMERICA

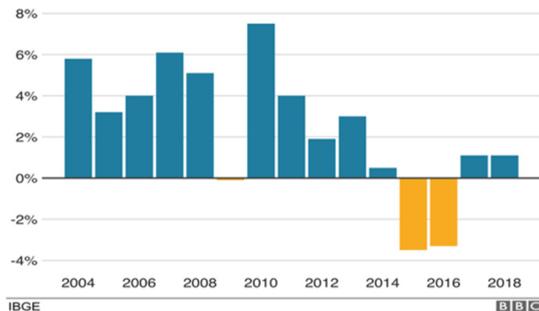
The process of globalization in Latin America began in the 1970s when Latin American regional societies

became conservative and nationalistic and did not readily accept the rapid social and economic changes that globalization requires (Theodore, 2015). This results in efforts to adopt economic neoliberalism to offset the economic globalization process that is sweeping Latin America. To quote Theodore, globalization is defined as the trend towards greater economic, cultural, political, and technological interdependence among national institutions and economics (Theodore, 2015). According to Harvey, globalization is the destruction of space and time, where there is no longer a distance that separates the interaction of global society. The development of information technology has damaged the order of time quickly. Harvey argues that capital is moving faster than before, because capital production, circulation, and exchange occur at an ever-increasing pace, especially with the help of sophisticated communication and transportation technology. He also stressed that economic activity is the main factor driving the globalization process (Harvey, 1989).

Harvey's concept is reinforced by Manuel Castells' opinion that globalization is a network of production, culture, and power that is constantly shaped by technological advances, which range from communication technology to genetic engineering. Unfortunately, globalization has become an instrument of global capitalism collaborating in shaping a capitalist economic system that encourages market expansion to gain large added value for countries that control the means of production, thus impacting on the exploitation of the working class in Latin America. Castells also stressed that power no longer comes from the state and companies, but through the flow of information and codes that connect companies and countries in a global system.

Since the globalization process, Latin America has entered a period of low and fluctuating growth with high inflation bursts. The recession in 2015 and 2016 has paralyzed the economic growth of Brazil so that the country must make an economic contract of 7%. Brazil's economic recovery seems very slow. In 2017 and 2018, Brazil's economic growth rate showed a very low by 1.1% per year (see Graph 1)(Gallas and Palumbo, 2019). In 2018, Argentina was hit hard by a series of external and internal factors including severe drought, global financial volatility in emerging markets after an interest rate adjustment by the Fed, and market perceptions about the pace of fiscal reform. The country announced a program with an International Monetary Fund (IMF) valued at US \$ 57 billion, intending to stabilize

public accounts to achieve primary fiscal balance by the end of 2019. Argentina is currently in a precarious economic balance. Significant devaluation of the peso occurred in 2019, annual inflation was more than 50% and GDP contracted 2.5% in 2018, and another 2.5% in the first half of 2019 (World Bank, 2019).



Graph 1: Brazil real GDP percentage growth (Gallas & Palumbo, 2019).

Economic globalization has had a significant impact on the regional economic integration of Latin America, but it is more indicative of a decline in economic growth, especially in Brazil and Argentina. This is closely related to the regional movement called the Pink Tide movement. This regional phenomenon responds to the economic globalization of neoliberalism in Latin America. Argentina's presidential elections in 2015 and Brazil in 2018, represent a change in populism toward more orthodox economic policies. This shift is not only in the economic structure, but also reflects other fundamental changes such as increasing population dissatisfaction with issues regarding weak security and increasing corruption in political institutions. Nevertheless, the market still plays an important role in the political economy in Brazil and Argentina.

Populism government in Brazil and Argentina is the impact of the Pink Tide movement on government dissatisfaction that adheres to the global capitalist system. Nevertheless, the success or failure of economic policy is closely related to political development. In this regard, Brazil and Argentina face macroeconomic challenges under the parliamentary minority; a situation that is common to many countries in the region today. As mentioned by the Center for Global Development (Calvo et al., 2018) that:

Economies highly integrated into the international capital markets, with macroeconomic imbalances inherited from populist governments, face a particularly difficult challenge. On the one hand,

the required fiscal tightening entails the execution of policies that may result in greater social unrest, thus encouraging a gradual approach. On the other hand, a gradual approach requires a greater funding stream of financial funds thus exposing the economy to higher financial risk. The dilemma of choosing between a shock adjustment and a gradual approach has been central to understanding what has happened in Argentina and is essential to assessing the options available to the next government in Brazil.

The above challenges are supported by global economic growth. Based on recent developments, external challenges in Latin America will increase in 2019 due to slowing global growth. Since 2018 global economic growth has declined, including in regions such as the United States, Europe, and China. Global economic growth is predicted to decline by 3.5% in 2019, compared to 3.8% in 2018 and 2017. This has an impact on declining global demand and oversupply. In 2018, oil prices fell by 35%. Economic globalization integrates the global economy so that the global economic downturn will affect the economic growth of Brazil and Argentina.

The Pink Tide development model with the character of developmentalism state in Brazil and Argentina does not contribute to social welfare and justice in both countries. This is similar to the situation in Venezuela and Bolivia. Thus, it can be argued that the Pink Tide model that gave birth to the character of developmentalism state distorts classic left to the contemporary left. Where the contemporary left spectrum in Latin America with the character of the Developmentalism state creates two concepts namely *the market left* and *the state left*. The characteristics of the state left are evident in populist governments in Venezuela and Bolivia including expanding the role of the state, expropriation of foreign investment, and distribution state power. While the character of the market left can be seen in the formulation of Pink Tide's populist government policies in Brazil and Argentina in which the market is still dominated by the global octopus such as IMF, WTO, and WB. It also prioritizes international trade oriented on MNC actors, and the control of energy resources by the private sector. As a result of the implementation of the neodevelopmentalism state with the character of the market left in Brazil and Argentina, the circulation of capital in the two countries provides more working class services to the capitalist central countries accessing the means of production, thereby creating class exploitation in Brazil and Argentina.

3 CLASS EXPLOITATION IN BRAZIL AND ARGENTINA

Karl Marx in *Das Kapital* Volume 2 writes that *all the production of commodities is at the same time the exploitation of labor-power; but only the production of capitalist commodities is a historic mode of exploitation, which in the process of historical development revolutionizes the entire economic structure of society by organizing its gigantic work processes and technical expansion, and soaring unmatched above all previous periods* (Marx, 2007a). Nevertheless, Economic globalization forced Brazil and Argentina to adopt a giant capitalist system which always had relations of exploitation of the working class.

Furthermore Marx also states that the expansion of the scale of production could be carried out in relatively small quantities if one part of surplus value was used for improvements that merely increased the productive forces of labor used or allowed it to simultaneously be exploited more intensively. Alternately, when the working day is not limited by law, an additional expenditure of circulating capital (in the materials of production and wages) allows an expansion of the scale of production without any increase in fixed capital, because the time spent is only extended, while the turnover period was shortened accordingly (Marx, 2007a).

In *Das Kapital* Volume 3, Marx writes that a capitalist mode of production that develops fully and functions normally, each branch of production does not directly receive the surplus value produced by labor. It only receives a fraction, of all the values produced, in proportion to the fraction it represents from all capital used. The surplus value of a

particular bourgeois society as a whole is *redistributed*. This results in an average rate of profit that is more or less valid for each branch of capital. Thus, each capital receives a share of all surplus value produced by productive labor which is proportional to its own share in all community capital. This is the material basis of the common interests of all capital owners in exploiting work - which thus takes the form of collective class exploitation (Marx, 2007b). The practice of collective exploitation of class is still attached to the policy of "market left" in Brazil and Argentina.

Out of Brazil's Top 20 multinational enterprises (MNEs), mining, oil and gas extraction, primary metal manufacturing, food manufacturing, paper, and industrial products together, more than 84% come from foreign assets (eleven companies). Four companies including Vale, JBS, Gerdau and Petrobras contributed more than 60% of the total foreign assets of 20 Brazilian MNEs in 2015. Top-ranking foreign investments from Brazilian MNEs are (1) United States - 17 out of 20 companies; (2) Argentina - 14 of the top 20 companies; (3) China - 11 of the top 20 companies. The foreign investment is engaged in production and manufacturing, as well as foreign sales and distribution centers (see Table 1) (Sheng and Junior, 2017). In the context of the overall economic and political crisis in Brazil since 2014, divestment has become a strategic topic on the agenda of many Brazilian companies during 2015. Petrobras, for example, announced a massive divestment plan. According to its annual report, the company divested US \$ 15.1 billion in 2015-2016 (in 2015 Petrobras divested US \$ 0.7 billion) and divested US \$ 19.5 billion in 2017-2018 (Sheng and Junior, 2017).

Table 1: Brazil: The top 20 non-financial multinationals, by foreign assets 2015 (USD Million) (Sheng and Junior, 2017).

Rank 2015	Rank 2014	Company	Core Industry	Status (% of state ownership)*	Foreign Assets 2015	% of Total Assets
1	1	Vale	Mining (except Oil and Gas)	Listed (38.7)	21,116	23.9 A
2	4	JBS	Food Manufacturing	Listed (27.3)	13,901	44.6 B
3	2	Gerdau	Primary Metal Manufacturing	Listed (Nil)	12,114	67.3 C
4	3	Petrobras	Oil and Gas Extraction	Listed (63.8)	11,182	4.8 A
5	-	CSN – Sid. Nacional	Primary Metal Manufacturing	Listed (Nil)	6,953	55.8 A
6	-	Fibria	Paper and Allied Products	Listed (29.1)	6,450	85.6 A
7	-	Braskem	Chemical Manufacturing	Listed (30)	5,595	36.4 A
8	9	Embraer	Transportation Equipment Manufacturing	Listed (5.4)	3,876	33.2 A
9	-	Suzano Papel	Paper and Allied Products	Listed (Nil)	3,063	42.3 A
10	5	BRF	Food Manufacturing	Listed (22.1)	2,694	26.0 A
11	7	Minerva	Food Manufacturing	Listed (2.7)	2,021	94.9 A
12	-	Gol	Transportation by Air	Listed (Nil)	1,506	56.7 D
13	10	Tupy	Transportation Equipment Manufacturing	Listed (61.2)	1,017	69.0 B
14	11	Iochpe-Maxion	Transportation Equipment Manufacturing	Listed (6.8)	997	48.7 B
15	-	Invepar	Support Activities for Transportation	Listed (75)	956	12.8 A
16	-	Klabin	Paper and Allied Products	Listed (2.3)	769	11.4 B
17	15	Marcopolo	Transportation Equipment Manufacturing	Listed (15.2)	638	49.4 D
18	14	Natura	Merchant Wholesalers, Nondurable Goods	Listed (Nil)	402	16.7 C
19	16	Alpargatas	Leather and Allied Product Manufacturing	Listed (Nil)	335	34.8 C
20	8	Magnesita	Mining (except Oil and Gas)	Listed (Nil)	317	19.0 A
TOTAL					95,901	41.7

* We have considered both direct and indirect state ownership through Brazilian National Development Bank (BNDES – Banco Nacional de Desenvolvimento Econômico e Social), pension funds of state-owned enterprises, state-owned banks, state-owned enterprises, state-owned funds, governmental agencies, and National Treasury.
A. Source: Estimated based on the companies' annual financial reports (DFP *Demonstrações Financeiras Padronizadas* - Standardized Financial Reports). Notes on investments in other enterprises.
B. Source: EMGP's Questionnaire.
C. Source: Bloomberg database.
D. Source: Ranking of Fundação Dom Cabral (FDC) 2016.

In 2015, the 20 Brazilian multinational companies above had a combined total of 174,448 employees, excluding outsourced, temporary and seasonal employees from abroad, representing a 13% reduction compared to 2014 of 201,343 employees from outside Brazil. According to the Brazilian Institute of Geography and Statistics (IBGE - Instituto Brasileiro de Geografia e Estatística), Brazil's domestic unemployment rate in 2015 was 8.5%, compared to 6.8% in 2014. IBGE also estimates that the number of unemployed

workers in 2015 was 8.6 million, representing a 27% increase from 2014. The unemployment rate is very prominent in the manufacturing sector (see Table 2).

Besides, the average index of transnational companies in 2015, the ratio of foreign assets to total assets, foreign employment to total employment, and foreign sales to total sales, measured from 20 Brazilian multinational companies is 38%. The Gerdauro company has the highest percentage of 63% (see Table 3).

Table 2: Top 20 Brazilian MNEs employment in 2015 (Sheng and Junior, 2017).

Rank by Foreign Assets – 2015	Company	Core Industry	Status (% of state ownership) [*]	Employment Growth (%)	Domestic Employment Growth (%)	Foreign Employment Growth (%)
1	Vale	Mining (except Oil and Gas)	Listed (38.7)	-3.2	-3.2	-3.1
2	JBS	Food Manufacturing	Listed (27.3)	9.0	8.6	9.4
3	Gerdauro	Primary Metal Manufacturing	Listed (Nil)	-12.3	-18.2	-6.2
4	Petrobras	Oil and Gas Extraction	Listed (63.8)	-3.0	-3.1	-2.0
5	CSN – Sid. Nacional	Primary Metal Manufacturing	Listed (Nil)	4.1	4.1	3.9
6	Fibria	Paper and Allied Products	Listed (29.1)	-1.9	-2.1	17.1
7	Braskem	Chemical Manufacturing	Listed (30)	-1.6	-4.0	9.5
8	Embraer	Transportation Equipment Manufacturing	Listed (5.4)	1.1	-0.5	14.1
9	Suzano Papel	Paper and Allied Products	Listed (Nil)	5.7	8.2	-40.1
10	BRF	Food Manufacturing	Listed (22.1)	-8.1	-9.6	29.4
11	Minerva	Food Manufacturing	Listed (2.7)	-8.6	-5.0	-26.4
12	Gol	Transportation by Air	Listed (Nil)	-1.6	-1.3	-13.0
13	Tupy	Transportation Equipment Manufacturing	Listed (61.2)	-5.5	-11.4	12.0
14	Iochpe-Maxion	Transportation Equipment Manufacturing	Listed (6.8)	-9.1	-19.5	1.6
15	Invepar	Support Activities for Transportation	Listed (75)	7.8	8.9	-4.5
16	Klabin	Paper and Allied Products	Listed (2.3)	12.0	12.1	6.6
17	Marcopolo	Transportation Equipment Manufacturing	Listed (15.2)	-32.6	-35.0	-11.8
18	Natura	Merchant Wholesalers, Nondurable Goods	Listed (Nil)	0.1	-1.4	6.0
19	Alpargatas	Leather and Allied Product Manufacturing	Listed (Nil)	12.5	16.0	0.2
20	Magnesita	Mining (except Oil and Gas)	Listed (Nil)	-4.7	-2.0	-14.2
	TOTAL			-0.5	-2.1	4.6

^{*} We have considered both direct and indirect state ownership through Brazilian National Development Bank (BNDES – Banco Nacional de Desenvolvimento Econômico e Social), pension funds of state-owned enterprises, state-owned banks, state-owned enterprises, state-owned funds, governmental agencies, and National Treasury.

^{**} This calculation does not include investments and redemptions on financial assets and securities, nor dividends received from subsidiaries and affiliates.

Table 3: Transnationality Index (TNI) of the top 20 non-financial multinationals 2015 (Sheng and Junior, 2017).

Rank by Foreign Assets – 2015	Company	Industry	FA/TA	FS/TS	FE/TE	TNI
1	Vale	Mining (except Oil and Gas)	23.9%	84.7%	21.9%	43.5%
2	JBS	Food Manufacturing	44.6%	87.5%	44.1%	58.7%
3	Gerdauro	Primary Metal Manufacturing	67.3%	69.0%	53.1%	63.1%
4	Petrobras	Oil and Gas Extraction	4.8%	9.0%	8.7%	7.5%
5	CSN – Sid. Nacional	Primary Metal Manufacturing	55.8%	49.4%	1.9%	35.7%
6	Fibria	Paper and Allied Products	85.6%	91.0%	1.2%	59.2%
7	Braskem	Chemical Manufacturing	36.4%	48.1%	19.9%	34.8%
8	Embraer	Transportation Equipment Manufacturing	33.2%	88.4%	12.2%	44.6%
9	Suzano Papel	Paper and Allied Products	42.3%	69.4%	3.0%	38.2%
10	BRF	Food Manufacturing	26.0%	50.2%	5.4%	27.2%
11	Minerva	Food Manufacturing	94.9%	73.4%	13.3%	60.5%
12	Gol	Transportation by Air	56.7%	11.3%	2.0%	23.3%
13	Tupy	Transportation Equipment Manufacturing	69.0%	81.9%	30.0%	60.3%
14	Iochpe-Maxion	Transportation Equipment Manufacturing	48.7%	80.3%	54.9%	61.3%
15	Invepar	Support Activities for Transportation	12.8%	5.0%	7.2%	8.3%
16	Klabin	Paper and Allied Products	11.4%	32.5%	1.0%	15.0%
17	Marcopolo	Transportation Equipment Manufacturing	49.4%	26.6%	13.4%	29.8%
18	Natura	Merchant Wholesalers, Nondurable Goods	16.7%	29.0%	21.8%	22.5%
19	Alpargatas	Leather and Allied Product Manufacturing	34.8%	41.0%	19.7%	31.8%
20	Magnesita	Mining (except Oil and Gas)	19.0%	69.0%	20.3%	36.1%
	AVERAGE		41.7%	54.8%	17.8%	38.1%

Source: Bloomberg and Economática database, firms' annual reports (*Formulários de Referência* and *DFPs Demonstrações Financeiras Padronizadas* – Standardized Financial Reports), Fundação Dom Cabral's Brazilian Multinationals Ranking 2016¹¹, and primary data through EMGP's questionnaires.

Brazil did impressive poverty reduction and inequality between 2004 and 2014 as a result of rapid formal employment growth, higher real wages, and redistributive social assistance programs such as Bolsa Família. With labor income as the main source of income for poor and vulnerable households, the current economic crisis poses a serious threat to the sustainability of results in poverty and reduction of inequality. As in the 2008-2009 financial crisis, Brazil's social assistance system and safety net have played an important role in maintaining the social benefits achieved so far by preventing more Brazilian citizens from falling into poverty. But budget expansion for the social safety net system is hampered by a challenging fiscal consolidation environment in Brazil. Furthermore, minimal labor costs and long working hours have led Brazil to collective exploitation and collective poverty.

In 2016 and 2017 there was an increase in poverty and inequality from the ongoing economic crisis in Brazil. The deteriorating macroeconomic conditions and the shrinking labor market in Brazil have an impact on poverty and inequality. There is an increase in *new poor* associated with the crisis. The crisis is inseparable from the uncontrolled circulation of capital in production and manufacturing by multinational companies. According to Marx, the production of surplus-value and the continual need of capitalists to increase production shows that capitalism only creates its own grave in the form of a modern proletariat and that the contradictions of society are intensified in the system. The Pink Tide movement is a resistance movement against the global capitalist system, but the emergence of leftist leaders in Brazil does not fully reflect socially based policies, but rather shows the policies of pro foreign companies so that the form of Pink Tide's populism in Brazil is *the market left*, where MNCs originating from the US still controls production and manufacturing.

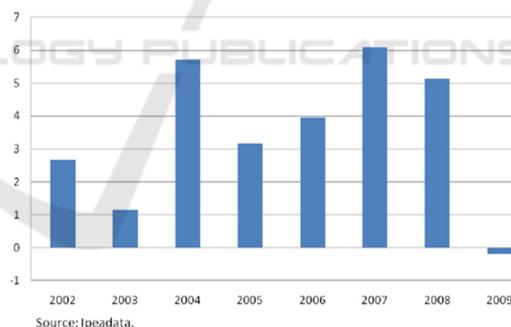
The consequence of the adoption of a policy of the market left is the collective exploitation of the working class of 174,448, excluding outsourcing, temporary and seasonal employees from abroad. Working-class activities that generate more value to MNCs owners from capitalist countries such as the US have an impact on the economic crisis of 2016 and 2017. The crisis is also caused by divestment in 2015.

The reduction of several types of assets in the form of financial or goods. Petrobras, for example, divested US \$ 15.1 billion in 2015-2016 (in 2015 Petrobras divested US \$ 0.7 billion) and divested US

\$ 19.5 billion in 2017-2018 (Sheng and Junior, 2017).

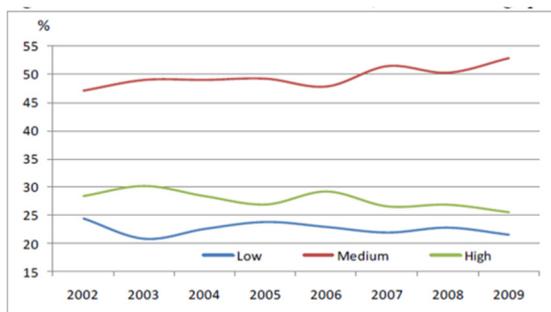
Apart from the divestment carried out by MNCs, aspects of productive and active consumers also played a role in the crisis in Brazil. Where labor wages are small because part of the *fraction* of capital affects purchasing power so that Brazilian economic growth measured by GDP continues to decline. The working class which has eight hours of work only receives fraction wages from the total value of multinational companies. Even though, the Lula government, continuing the Cardoso route, has tried to repair the damage to the production system in Brazil by focusing on increasing wages and reducing labor hours. However, a weak left parliament in Brazil resulted in the rise of neoliberalism as an alternative solution to the Brazilian crisis.

From 2002 to 2009 following the post of president Lula has restored the average economic circulation of GDP reached 3.5% compared to 1990 about 2.5%. Nevertheless, the highest annual GDP in the Lula period was seen in 2007 around 6.1%, and was seen to be low in 2009 around -0.2% (see Figure 1) (Fontes & Pero, 2010). This is the impact of the 2008 global crisis. The global crisis that began in the US had a significant impact on Brazil's economic growth in 2009.



Graph 2: Brazil Annual rates of GDP growth.

Another important thing to note is the low, medium and high labor costs. Low wage payments in Brazil will affect people's purchasing power on the production of goods and services. Workers' wages in Brazil are grouped into workers' wages according to wage groups and based on the character of the workers. Data in Figure 2 shows 21.5% of employees in the metropolitan area are considered low wages, in 2009. The low wages of 24.4% were seen also in 2002.



Source: PME/IBGE.

Graph 3: Evolution of the distribution of low, medium and high paid employees.

As seen in Table 4, there is no significant decrease. Even though there was no strong decrease in low-paying jobs, the group's low wages with a higher average increase and average hourly wages. For example, the proportion of low-paid employees decreased by 12.0% from 2002 to 2009, while medium hourly wages increased by 32.6% (Fontes and Pero, 2010).

Table 4: Real wages and distribution of employees by wage groups (Fontes and Pero, 2010).

Wage groups	Year								
	2002	2003	2004	2005	2006	2007	2008	2009	
Average wage									
Low	347.86	311.40	323.98	340.71	370.11	396.25	415.27	436.65	
Medium	683.24	594.43	608.01	635.54	649.24	681.69	705.78	732.86	
High	2,571.67	2,256.05	2,265.90	2,332.40	2,288.52	2,450.13	2,483.96	2,675.81	
Total	1,137.38	1,038.05	1,015.37	1,022.99	1,064.99	1,090.28	1,118.41	1,166.64	
Average hourly wage									
Low	7.64	6.89	7.21	7.72	8.34	8.91	9.44	9.93	
Medium	16.24	14.05	14.41	15.06	15.47	16.35	16.87	17.63	
High	66.53	56.96	56.64	58.08	57.04	60.97	61.95	66.91	
Total	28.42	25.53	24.79	24.91	26.00	26.61	27.32	28.59	
Median hourly wage									
Low	7.98	7.16	7.74	8.11	8.88	9.48	9.99	10.50	
Medium	15.65	13.64	13.74	14.68	14.80	15.70	16.21	16.85	
High	41.56	35.99	37.38	38.04	37.00	42.02	41.65	45.51	
Total	16.09	14.34	14.52	15.06	15.65	16.55	16.68	17.49	
Distribution of employees									
Low	24.44	20.76	22.55	23.80	22.90	21.89	22.77	21.50	
Medium	47.10	49.00	49.01	49.23	47.84	51.47	50.30	52.90	
High	28.46	30.23	28.43	26.97	29.26	26.64	26.93	25.60	
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	

Table 5 shows that low wages in Brazil can be measured by employee personal characteristics. Wage payments in Brazil still look discriminatory because they are based on gender. Male employees have higher salaries than female employees. In 2002 there were low wages for female employees of 28.95% and 26.64% in 2009, while male employee wages were 20.5% in 2002 and 16.69% in 2009.

The percentage of low wages in Brazil was also seen in personal character based on skin color, in wherein 2002, *non-white employees* were paid low

wages of 34.41% and 29.61% in 2009, while *white employees* were 16.39% in 2002 and 14.19% in 2009. Low wages were also imposed based on employee age, where there were 3 groups age given salary varies. There is a significant percentage in these three age groups.

Employees aged 15-24 years in 2002 received low wages of 34.74% and 30.18% in 2009. Employees in the 25-49 age category received low wages of 20.55% in 2002 and 18.79% in 2009. Employees aged over 50 years who received low salaries of 21.27% in 2002 and 19.65% in 2009.

Table 5: Incidence of low pay by personal characteristics (Fontes and Pero, 2010).

Personal characteristics	Year								
	2002	2003	2004	2005	2006	2007	2008	2009	
Gender									
Female	28.95	25.52	27.47	28.9	27.93	26.47	27.9	26.64	
Male	20.5	16.95	18.54	19.62	18.53	17.38	17.87	16.69	
Color									
Non-White	34.41	30.14	32.1	33.36	32.04	30.25	31.37	29.61	
White	16.39	13.82	15.2	16.01	15.46	14.45	15.06	14.19	
Household position									
Others	28.7	24.98	26.93	28.1	26.61	24.94	26.07	24.5	
Household head	18.58	15.39	16.88	18.09	17.58	16.82	17.53	16.96	
Age groups									
15 a 24	34.74	30.73	32.61	34.68	32.96	31.12	32.01	30.18	
25 a 49	20.55	17.28	19.12	20.35	19.6	18.75	19.71	18.79	
50 and more	21.27	18.99	20.69	21.5	20.69	19.03	20.12	19.65	
Schooling									
Up to 3 years of schooling	41.67	38.47	41.45	44.01	42.12	41.59	43.1	41.76	
4 to 7 years of schooling	35.13	30.72	32.91	35.46	34.98	33.47	35.43	33.94	
8 to 10 years of schooling	29.38	26.06	29.03	31.21	30.01	29.22	31.27	30.29	
More than 11 years of schooling	11.99	9.84	11.67	12.55	12.42	11.91	12.93	12.5	

The data reinforces the argument that although the Pink Tide movement produced leftist populist leaders, the collective exploitation of the working class by MNCs is still visible. So that the Pink Tide model is characterized by a neo-developmental state in Brazil that is still connected with neoliberalism. Evidenced by the existence of political economy activities that are dominated by non-state actors or individuals. Therefore, in this finding, Brazil is categorized as *the market left*. In which, the expansion of neoliberalism in global trade is dominated by capitalists even though Brazil has a left populist leader.

Besides Brazil, Argentina is also categorized as applying a contemporary left spectrum characterized by *the market left*. Where economic growth takes the form of an industrial cycle that the balance of a product arises from an imbalance that occurs continuously in the dialectics of capital. A periodic over-production crisis is inevitable. The crisis in Argentina is that the higher the level of productivity prevails and the higher the socially recognized average wage, the more difficult it is to increase the

level of surplus-value. A critical social and political crisis will create problems of over-production. Data shows that foreign expansion in Argentina grew by 26% in 2007 and 33% in 2008 to reach more than USD 21 billion. Total sales also increased during this period, although at a slightly slower rate than foreign sales (see Table 6).

Table 6: Ranking of 19 of the largest Argentine MNEs investing abroad, 2008 (USD millions) (Nofal, et al., 2009).

Rank	Name	Industry	Foreign assets
1	Techint Group ^a	Conglomerate	17,406
2	Arcor S.A.I.C.	Food products	491
3	IMPESA ^b	Machinery and equipment	300
4	Bagó Group ^c	Pharmaceuticals	192
5	Molinos Río de la Plata S.A.	Food products	190
6	Los Grobo Group	Crop and animal production	175
7	Cresud	Crop and animal production	68
8	Roemmers	Pharmaceuticals	58
9	TECNA	Specialized construction activities	50
10	Iecsa S.A.	Civil engineering	50
11	S.A. San Miguel A.G.I.C.I.	Food products	23
12	BGH	Computer and electronic products	15
13	CLISA ^d	Waste collection & disposal activities	8
14	Petroquímica Río Tercero S.A.	Chemicals	8
15	Assa Group	IT Services	7
16	Plastar Group	Rubber and plastics products	5
17	Sancor Coop. Unidas Ltda.	Food products	3
18	Havanna ^e	Food and beverage service activities	2
19	Bio Sidus ^f	Scientific research and development	1
Total			19,052

Source: ProsperAr - Vale Columbia Center survey of Argentine multinationals.

Based on the company data above, the main motive that drives their internationalization process is the search for new markets or the preservation of existing ones. Argentine companies also invest efficiency in seeking abroad to benefit from economies of scale and / or risk diversification. In some cases, the driver for investment is certain competitive advantages, such as favorable cost scenarios, highly qualified human resources, or the ability of companies to meet international quality standards. The first position in the table above represents 91 percent of the total foreign assets controlled by 19 companies held by the Techint Group. The conglomerate includes two companies with international status; Tenaris and Ternium. Both are global leaders in the steel manufacturing sector with a network of production centers throughout the world. Arcor, in second place, is one of the leading global candy exporters and owns most of its production facilities in Latin America, even though it has a global presence as the largest hard-candy producer in the world (Nofal, et al., 2009).

Techint is a group of companies circulating in more than 100 countries of the world with global revenues of around USD 26 billion. This figure is the overall capital accumulation from 4 companies, namely Tenaris, Ternium, Tecpetrol, and Techint Ingeniería & Construcción. They accounted for nearly 80% of the conglomerate's global income. The four companies are investing in Argentina and

are a component of the Group which has made much progress in the internationalization process. The main areas of business for MNCs are steel pipe manufacturing (Tenaris), flat and long steel products (Ternium), engineering and construction (Techint Ingeniería & Construcción), and energy (Tecpetrol). Ternium has the highest number of foreign affiliates, 53 in 16 countries, followed by Tenaris, 26 foreign affiliates in 14 countries, Tecpetrol has three foreign affiliates in three countries and Techint Ingeniería & Construcción has four foreign affiliates in four countries. It should also be underlined that Tenaris and Ternium are the main drivers behind Techint Group's strong global presence over the past two decades.

The level of worker exploitation, surplus work mastery, and surplus value can be increased by extending the workday and making labor workers more intensive. Many aspects of work intensification That involve growth in constant capital compared to variable capital, namely the fall in the rate of profit when a worker holds several production machines.

Table 7 shows that there is an investment in Techint Group's investment assets with a total investment of USD 20,651 million and employs 47,513 employees. This is a great deal of capital accumulation. If observed since September 2019, the national minimum wage (NMW) in Argentina is € 244.6 per month, which is 2,935 euros per year. If we pay close attention to this wage through the Argentine peso, the 2019 minimum wage is 15,625 Argentine pesos. Of course, the national minimum wage has been raised by 1,500 Argentine pesos per month from the previous year. This increase is less than the total cost of goods and services purchased by ordinary consumers or the Consumer Price Index (CPI) in 2019 so that despite an increase in the minimum wage, employees continue to lose purchasing power (Countryeconomy.com, 2019).

Table 7: Ranking of the 19 Argentine MNEs listed, key variables, 2008 (USD million and number of employees (Nofal, et al., 2009))

Ranking		Name	Industry	Assets ^h		Sales ⁱ		Employment		Multinationality Index (%)	N° of foreign affiliates	N° of host countries
By foreign assets	By multinationality index ^a			Foreign	Total	Foreign	Total	Foreign	Total			
1	1	Techint Group ^b	Conglomerate	17,406	20,651	17,148	21,302	27,192	47,513	74	86	27
2	6	Arcor S.A.I.C.	Food products	491	1,341	846	2,259	7,192	20,416	36	27	16
3	7	IMPESA ^c	Machinery and Equipment	300	919	138	483	2,167	5,619	33	11	11
4	5	Bagó Group ^d	Pharmaceuticals	192	555	329	713	2,776	6,106	42	26	20
5	8	Molinos Río de la Plata S.A.	Food products	190	1,075	2,038	2,534	60	4,593	33	15	8
6	4	Los Grobo Group	Crop and Animal Production	175	343	210	588	499	1,014	45	30	3
7	16	Cresud	Crop and Animal Production	68	1,582	13	167	1	391	4	5	5
8	10	Roemmers	Pharmaceuticals	58	367	33	388	728	2,758	17	3	3
9	2	TECNA	Specialized construction activities	50	57	65	92	313	827	66	9	8
10	14	Iecsa S.A.	Civil Engineering	50	439	22	285	18	2,128	7	10	6
11	11	S.A. San Miguel A.G.I.C.I.	Food products	23	187	17	198	249	1,215	14	9	2
12	9	BGH	Computer and Electronic products	15	232	160	421	269	1,377	21	5	4
13	17	CLISA ^e	Waste collection & Disposal activities	8	599	3	597	300	15,000	1	4	4
14	15	Petroquímica Río Tercero S.A.	Chemicals	8	91	11	153	6	336	6	1	1
15	3	Assa Group	IT Services	7	25	31	48	500	920	48	5	5
16	13	Plastar Group	Rubber and Plastics products	5	52	6	94	25	547	7	1	1
17	18	Sancor Coop. Unidas Ltda.	Food products	3	381	7	666	42	3,773	1	1	1
18	12	Havanna ^f	Food and beverage service activities	2	45	3	52	100	870	7	66	8
19	19	Bio Sidus ^g	Scientific research and development	1	38	0	38	0	228	1	1	1
Total				19,052	28,978	21,081	31,080	42,437	115,631		315	42

Source: ProsperAr – Vale Columbia Center Survey of Argentina multinacionais.

4 CONCLUSION

Globalization is a paradox. On the one hand, it creates global economic integration, but on the other hand, it creates a global crisis. It is closely related to the market-oriented economic development model or neoliberalism. The link between economic globalization and neoliberalism has implications for social crises due to the economic structure in Latin America, especially Brazil and Argentina. The principle of justice, equality, and welfare of neoliberalism is a nihilism. The enactment of neoliberalism-based on Washington Consensus principles in Latin America resulted in a regional economic crisis which at the same time affected social inequality. This gave rise to the resistance of anti-neoliberal society through the Pink Tide movement.

Pink Tide is a form of dissatisfaction with the development of neoliberalism. It is a regional Latin American social movement. Starting from the response to the failure of the Soviet Union and the collapse of the Berlin wall, coupled with the failure of neoliberalism in Latin America. Both factors have pushed Latin American society into a dilemma.

Where this social movement is not entirely nuanced *left* or *right*. However, it is a mixture of left and right models. The resulting character also varies. For example, the Pink Tide in Venezuela and Bolivia is characterized by a developmentalism state, while Brazil and Argentina are characterized by a neodevelopmentalism state.

The implementation of developmentalism state model does not show any different results from neoliberalism. The problem raised by this model is the economic crisis in Brazil and Argentina under the leftist populist leadership of Pink Tide. This gives rise to a contradictory understanding of Pink Tide. A people's movement nuanced equality and justice inverted the results of these expectations. Behind this, because Brazil and Argentina still treat the market as an important actor in development so that the tendency of exploitation and low wages colors the circulation of capital. Thus reducing consumer spending on overproduction in Brazil and Argentina.

The contemporary left spectrum in Brazil and Argentina is referred to as *the market left*, where Brazil and Argentina through left-populist leaders implement several policies, namely: *First*, the

market is still dominated by global octopus such as the IMF, WTO, and WB; *Second*, international trade is oriented towards MNCs and; *Third*, control of energy resources by the private sector. Of course there is an anomaly when analyzing the results of the Pink Tide social movement which recommends leftist populists to lead the two countries. The leftist leader who should have taken over all the activities of production, did not happen, but rather allowed the market to manage the circulation of capital as a whole.

The market left gave rise to various conditions in Brazil and Argentina. The collective exploitation of the working class of 20 MNCs in Brazil and 19 MNCs in Argentina by applying cheap wages that are not suitable for working hours. Even MNCs in Brazil group wages based on personal characteristics, such as gender, skin color, and age of employees. Besides, minimum wage increases in Argentina have no impact on people's purchasing power on production. Another thing is the overproduction that comes from MNCs assets from outside Brazilian and Argentinian companies dominating the capital market, which has an impact on overproduction.

These various conditions give rise to a paradoxical argument from the application of the Pink Tide model. On the one hand, the Pink Tide is that regional social movements carry the principles of equality and prosperity. On the other hand, the neoliberal principle still colors Pink Tide's leftist populist policies so that it impacts the economic crisis and social inequality. The neodevelopmentalist state is called a contradiction or the market left.

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