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"CARI Think Tank Conversations" on CARIWebTV with Professor Francis Fukuyama and Secretary-General at CARI, Francisco de Santibañes.

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Full english transcription

By Mia MacMahon

0.35: Francisco de Santibañes (FdS):

Professor Fukuyama to start with, maybe, to have some initial comments about what is taking place now: There is a lot of discussions starting right now regarding how the world will look after Coronavirus. There are some analysts who predict that this will fundamentally change international systems, domestic politics, while there are others that are stating that this is going to accelerate some trends that we were already observing; among them, technological change and elimination of jobs related to this, growing nationalism, strategic competition between the United States and China. So, what are your initial views about what is going to happen?

1.36: Francis Fukuyama (FF):

I think you could see a lot of those things going on simultaneously and I suspect that there won't be a single outcome to this crisis. Most crisis are like that. If you think back to the great depression in the 1930's, on the one hand, it led to the rise of fascism in Germany and Italy, it led to the Second World War, to global catastrophe in many respects. But, on the other hand, it led to reform in the United States, it led to the emergence of the US as a global power and then to the post 1945 world, and so the impacts were very disparate, and I think they are likely to be the same here. I think that the crisis is basically a big stress test for governance in different countries, and it's a stress test that is hard to pass. It requires, really, a combination of characteristics, so you must have adequate state capacity. You must have the doctors and nurses and the public health infrastructure to deal with a major epidemic. You also need competent leadership; you need people who can make the right decisions and who are willing to defer to experts to take advice on how to handle an unprecedented situation. And I think it also takes a certain amount of social trust, because you want citizens to comply the difficult orders; to stay indoors, to observe social distancing and the like. And I think what we've seen is a very disparate response, and so there are some countries that have done quite well in this regard. I would say many of them are in Asia, so everybody is pointing to China, but I think that the democratic countries in that region have also done exceptionally well, Japan, South Korea, Taiwan. Several European countries have done relatively well, like Germany, at least parts of Scandinavia, and then others have done very poorly. And I would say right now that the US, given what you might have expected before the crisis, is probably one of the worst performing countries in the world. And so, I think, those differences in

performance are probably going to persist as we get into the economic crisis that will persist, I think, as long or for possibly even longer than the medical crisis persists.

4.25: FdS:

It seems to me that there are at least two narratives about what's happening; a more nationalistic one related to what we have seen in the world with Trump, Putin, Bolsonaro, and other more populist nationalist leaders. But there is also a literal view in the sense that you can explain the crisis we are living, because of the lack of competency and management that some of these leaders have provided to their societies in this matter of crisis. So, we may look back to the 90's and to the early 21st centuries, in terms of the importance of a liberal order, in a democratic society scape, to technocratic expertise in terms of international institutions. But my question is, if there is a return of a liberal view of international politics and domestic politics, there are some lessons that liberal institutions should learn from the past mistakes or not, and that explains why leaders like Trump, Bolsonaro and others have emerged in the last decade?

5.56: FF:

Well, that is a question that has much deeper roots than the current crisis. In the developed world we've been experiencing this populous upsurge that really came to everybody's attention with the election of Trump and the Brexit vote in 2016. And then, the turn that it happened in Hungary and Poland, the rise of populist parties in other European countries, and then the rise of Bolsonaro in Brazil. But I think that those had to do with much longer standing issues, really. And having to do, I think, with globalization. In many ways, I think that populist upsurge was a delayed reaction to globalization.

Now, there's a couple of distinctions I think you must make. I mean, one thing all populists hold in common with each other is an attack on elites and certain charismatic styles of leadership, but there's a big divergence between the right wing and left-wing populists. Latin America by and large has experienced left wing populism; that's Hugo Chávez, Maduro, and Evo Morales, and so forth. Andrés Manuel López Obrador, in Mexico is another variant of that. These people do not emphasize ethnicity or race particularly. They are not particularly discriminatory in who they regard as the people; they are more based on the poor and social class. But what you've seen among the right wing populous is an emphasis on national identity that is usually rooted in a certain ethnic group. So, for example in Hungary, Viktor Orban says that Hungarian national identity is based on Hungarian ethnicity, which is very problematic in a liberal society, because not everyone in Hungary is ethnic Hungarian. And similarly, there's a religious version of that in India under Prime Minister Moby, who is trying to shift the Indian Republic's national identity from a liberal multi-ethnic, multi-religious one, to one based on Hinduism.

Bolsonaro I think is a kind of unique phenomenon in Latin America, where you have one of these right wing populists who is using race the way that the populist right wing groups in Europe use it, which I find really peculiar given that the average person in Brazil has a brown skin. I mean, it's kind of a crazy platform to stand on, but it has a certain resonance for a certain part of the Brazilian population. And that right-wing populism I think is not just driven by economic inequality and globalization, or it's driven in a slightly different way, because for the right wing populous, the real issue is immigration or migration. That they're worried that massive migration is going to overwhelm the dominant ethnic group in the country; is going to change the nature in the country, and it's going to ultimately change the countries identity. And so, all of this happened way before COVID, and this was the basis on which the Brexit vote was taken, this was the reason that Donald Trump, this was the main selling point for Donald Trump. Now, I think COVID can easily reinforce that, because its induced everybody, including the Europeans, to close both their external and internal borders to foreign travel, and it's easy for countries to blame foreigners for the epidemic. This is certainly what the Trump administration has tried to do in the US.

But, in other respects, I think you're right, that it's also an opportunity for re-establishing liberalism on a different basis. But I do think that you need to learn certain lessons. First of all, I think that we simply went in for two extreme a version of globalization. Essentially, companies, businesses, were putting efficiency ahead of every other consideration, for example, in supply chains. And I think one of the things that the epidemic has demonstrated, is that in many areas, the world simply became overdependent on one country; China, which politically, is turning out to be not the most dependable partner. And so, this rethinking had begun before COVID. Actually, one of the, actually the only part of Trumps foreign policy agenda that I think received broad support in the United States was his trade war against China, trying to disengage from that kind of excessive dependence. This has come up all over the world, including in your country, in Argentina, in terms of the Belt and Road initiative, and the infrastructure projects that China has been sponsoring. Because, in many developing countries, there are too many of these projects. They were negotiated under not particularly favorable terms. And now, that everybody is facing a massive recession and downturn in the economy, the debts are not repayable and that's why there have been all these demands to renegotiate the terms and so forth. And so, I think that aspect, this free flow of capital around the world, that had been associated with the earlier liberal international order is probably one of the things that is going to be rethought very quickly.

12.23: FdS: I remember many years ago, when I was one of your students, that you once told us that maybe culture was the most important factor to understand the success of a country. But it is also the most difficult to change; so that's why we should focus more on policy making and institutions. And of course, you have done a lot of work about institutions. But something that was interesting for me,

that was written in your last article for Foreign Affairs, seems to give a lot of importance to political leadership, no? That maybe has something to do with the experience of the US in the last years, the Corona Virus Crisis? But I would like to hear what your views are about this point, political leadership?

13.31: FF: Well, I never thought leadership was unimportant. I think that there are many countries whose behavior you can only explain in terms of either good or bad leadership. And I think that the corona virus crisis is demonstrating that. There isn't much of a correlation between whether you're a democracy and whether you're doing well or poorly in the crisis, because you have some dictatorships that are doing well, and others that are doing poorly. And similarly, you have some democracies that are doing well, and others that are doing very poorly.

I think the one thing that actually does correlate with poor performance is populism. You just think of three countries, the United States, Brazil, and Mexico. The first two are led by right wing populists, the third one by a left-wing populist. But there's a big problem with populist leadership, because populists want to be popular. They have a personal connection with the people, and they don't want to be associated with bad news. And they basically don't want to defer to anybody other than themselves. They don't like deferring to experts. They trust their own judgement because the populist style of leadership is all about one person: it's about the leader. In Argentina, unfortunately, you've had a lot of experience with this kind of leadership. And so, I think that it's not an accident that these populist countries are doing very badly, because, in a crisis like this, it's not just a matter about person. When Trump was nominated in 2016 by the Republican Party, he said, 'I alone understand your problems, and I alone can fix them'. And, it turns out, that he alone could screw up a response of a really big powerful country, to an epidemic. And so, I think it does demonstrate that leadership still remains extremely important.

Maybe Francisco, I could make one further point. I don't know if you remember this from my lectures, but I really don't like Presidential systems. And I've come to dislike them more, the older I've gotten. It seems to me that the American Presidential system worked as a historical kind of accident. That power was very broadly dispersed, and that for most of its history, Presidents couldn't do that much damage. And then, we got lucky during the Civil War, during World War II. We had very good, competent Presidents elected. But I think what we've seen in the last few years is that a bad President can really do a lot of damage. If you have a Parliamentary system, and you have an incompetent President, there are ways of changing the leadership. You don't have to wait for the next election cycle. But unfortunately, you're locked into this rigid system when you have a Presidential system. And I think it amplifies the personalistic nature of leadership. That everybody is focused on

this one-person President, and depending on their character, whether their responsible, statesman like, or irresponsible and self-interested, you're going to get really different kinds of results.

17.14: FdS: Now, moving to Latin America, there is a lot of discussion about growing inequality within the states, that may be a consequence, both coronavirus crisis, and technological changes. But it seems to me, that maybe also, another major problem is that after decades of declining inequality between states, inequality among the states maybe start to grow again? I want to mention the case, the situation, which we are in Latin America - we were already experimenting with low growth rates, near left wing Governments like Lopez Obrador in Mexico, right wing Governments like Bolsonaro in Brazil, were finding the way to increase economic growth. Now, we are facing a major setback with the coronavirus crisis; Argentina, Brazil and Mexico's GDP will drop around 10% this year. This is what the International Monetary Fund states. And there are other issues. We may well be the region of the world where students will lose more days in school and University. So that's a lack of investment in human capital, that will have consequences, lack of trust in institutions will have since, we see that in polls, but also in the streets in Chile, Bolivia and many countries of the region. And we are also starting to lose political influence. Next year, South America won't have any representatives at the UN Security Council. The US is having, for the first time, its own candidate for the Inter-American Development Bank, Azevêdo, Brazil, who was in charge of the World Trade Organization, said he's leaving the post. These are some of the challenges we are facing. How should we look towards the future, considering our weakness, and, with the competition between the US and China, as we may be part of that major rivalry too?

20.00: FF: You keep asking pretty broad questions. I think, let's just begin with the inequality question. So, this has been Latin America's single biggest weakness, and this is not one that started recently. This is really an inheritance of the Spanish and Portuguese empires that started out as extractive enterprises meant to exploit colonies rather than to promote them. And there's a social cleavage that was created by this inheritance that persists up to the President moment. I think, unfortunately, there's been a polarized response to this where a lot of people on the right will say; well the only solution to this is economic growth, and people on the left will say; the only answer to this is re-distribution. And you're stuck with policies that are in many ways all set to undermine one another, if pursued exclusively. And I think that the only way to get out of the... and by the way, Latin America's inequality was actually decreasing up until a few years ago. You have a good decade in which the Gini coefficients, even in a country like Brazil, that really across the board were coming down. And so, it's not impossible to get a hold of this problem.

But I think that it requires both an attention to growth, and an attention to both a certain intelligent form of redistribution that would use the States power to provide certain social protections. One of the

big issues, for example, that I think someone like Santiago Levy, the former chief economist of the Inter-American Development Bank, pointed to, was the high degree of informality in most Latin American countries. He argues that this is the cause of low growth in Mexico. But to one extent or another, everybody suffers from this. One of the reasons that Peru is going through such a meltdown right now is that so many of its workers are informal. They don't have any social services, or Government safety nets to fall back on. And so, I think that when you talk about an intelligently designed social safety net, you need to design something that does not incentivize informality; that tries to bring as many workers as possible into a formal system of social protections, which obviously have a period of falling income, is something that will get expensive and be very hard to afford. But it needs to be part of the mix, as does the focus on growth. The nice thing about focusing on informality, is I think you'll actually deal with both of these problems at the same time, if you actually have a strategy to reduce levels of overall informality, because informality really takes away incentive to grow. The moment an informal business gets big, it's vulnerable to extortion, to taxation, to a lot of other things, and that's a bad set of incentives.

In terms of Latin America's role in the world, I think that it's probably the case, that until some of these internal issues are settled, I'm not sure that there's much, just in the foreign policy space, that the region can do about that. I think that it has become a bit of a pawn in this chess game between China and the United States. Although frankly, the United States under this administration hasn't been paying much attention to most other parts to the world. And by the way, I think that might not be the worst thing, because sometimes when Republican administrations pay too much attention to Latin America, it's for the wrong things. They're too worried about communism, or Cuban influence, or things of that sort. But I do think that there's a degree to which Latin America has become a pawn in this US, China struggle. And at a certain point, I do think the United States will start paying more attention to this. I do think that China is an attractive alternative because Western countries have not been offering a whole lot in the area of infrastructure, and therefore it's understandable why there's a strong temptation to take up these Chinese offers. But I do think that there could be an interesting rethinking of that in many places, because like I said, that excessive dependence on China in the long run has not been good for many countries.

24.43: FdS: Professor, thank you very much. I hope you can come to Argentina again.

25.48: FF: I hope so.

25.50: FdS: You have been here many times; you have studied our country. So, thank you very much.

25.57: FF: Okay, thank you Francisco.