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# SOUTH-SOUTH COLLABORATIVE PROGRAMME

## OCCASIONAL PAPER SERIES

**The Andean Region between American Hegemony and the Alternative Governments in the 21<sup>st</sup> Century: Challenges and Dilemmas for Development**

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## Introduction

The New World Order, having emerged from the finalization of the Cold War, has been determined by the consolidation of the United States hegemony, the generalization of market-oriented policies and the financial globalization throughout the world. Governments from diverse political orientation adopted so-called market-oriented policies, which in the countries of the South have centered on a curb on public expenditure, the elimination of social subsidies and the withdrawal of social safety nets, the privatization of state-owned companies, and the setting of appropriate conditions for foreign investment. The international development architecture, designed by the most powerful economies and the global economic institutions, namely the World Trade Organization (WTO), the International Monetary Fund (IMF) and the World Bank (WB), has concentrated its policies toward developing and under-developed countries on the fulfillment of such priorities.

For Latin America and the Andean Region, this new trend has represented an intensification of the economic and political domination of the United States. The implementation of the neo-liberal agenda in the region during the eighties and the nineties was instrumental in the consolidation of the political and military power and in the economic recovery of the US, as well as in its good performance during the nineties. However, starting from the year 2001, at the beginning of the Bush administration, the economy of the country was confronted again with signs of recession.

Against this international context, from the beginning of the new century a trend marked by the emergence of social and political movements, their electoral triumph, and their consolidation as alternative governments, is apparent in Latin America and more specifically in the Andean Region. Such a trend reflects the unrest of important sectors of the population due to the social and economic crisis experienced by most of the countries. Thus, in December, 1998, Hugo Chávez won the presidential elections in Venezuela, as the leader of the 5th Republic Movement, and a few years after he initiated the Bolivarian Revolution. After winning several elections, in January 2007, he announced the implementation of so-called Socialism for the 21<sup>st</sup> Century, a project which corresponds to the process of radicalization experienced by the Venezuelan regime within these years. More to the south, in Ecuador, in January 2003, colonel Lucio Gutiérrez initiated its government, after winning the presidential election with the support of the Conaie (Confederation of Indigenous Nationalities of Ecuador) and its political party, Pachakutik; however, by mid 2004, a strong social unrest forced the president to step down, due to the fact that he betrayed the compromises agreed upon with the social movement, and became a close collaborator of the American strategies in the region. Later on, in January 2007 in the same country, the inauguration of Rafael Correa took place, bringing new hope for social and political change. A year earlier, on January 22<sup>nd</sup>, 2006, Evo Morales, in front of an electoral alliance headed by the MAS (Movimiento al Socialismo), was inaugurated as the first indigenous president in Latin America.

In the mean time, in Colombia the political wave was moving in an opposite

direction. In May 2006 Álvaro Uribe Vélez was re-elected for his second presidential term, a fact that strengthened his role as the main ally of the United States in South America and as its stronghold for its strategies in a shaken Andean Region. From the beginning of his first term, the Colombian president has attempted to consolidate an extremely authoritarian project, strongly committed to neo-liberal policies. This project was legitimized by the rejection of most of the population to the widespread climate of violence of the country and to the abuses that the guerrillas inflicted on the civilian population. However, the links of the government with the paramilitary organizations and its strengthening from the top levels of the central state, have generated the questioning and opposition of diverse social and political organizations and institutions, from within the country and abroad. In spite of the obstacles posed by such a policy for the development of political alternatives, the emergence and consolidation of the Alternative Democratic Pole (PDA), as a coalition of all the democratic and civilian organizations from the left took place in Colombia in 2005. The gaining of strength that the PDA was to experience reflects the discontent of significant sectors of the population with the political and social project of the government. It was also influenced by the experiences of the alternative governments in the neighboring countries.

The present paper states that the operationalisation of American strategies in the Andean Region - centered in Colombia - has exacerbated the problems of the region, which has resulted in an acute social and political polarization. The extremes of such a contradiction are the governments of Venezuela, Bolivia, and Ecuador, on the one side; and the Colombian and Peruvian governments with the support of Washington, on the other side. Taking as a context the complex regional interplay presented here, this article is aimed at analyzing the effects of the current international order and of American hegemony in the Andean Region, as well as the bring to bear the perspective of development of these countries, with respect to two issues: 1) The struggle against drugs and terrorism, its social and economic effects, and its connection with the control over territories and strategic resources and, 2) the deepening of the neo-liberal model through the Andean Free Trade Agreement (AFTA) and the IMF programs imposed on the countries.

As has been stated, the Colombian case is important in this analysis because Colombia is at the core of the American anti-narcotics and anti-terrorist strategy for the entire region. The Venezuelan case is fundamental, given the stance of the country against the American initiatives in the region, its exploration of alternatives for economic and social development, and for regional integration, and the importance of its oil production.

The paper is divided into four parts. In the first one, some theoretical approaches that have developed regarding the Andean Region and its relationship with the United States are analyzed; the second part examines the main components of the National Security Strategy of the United States and its policies for the Andean Region; the third part is centered on the economic strategy of the US in the Andean Region. The search and control of oil and the trade bilateral agreements agreed upon with some Andean countries will also

be examined in this part. Finally, in the fourth part, some key strategies of the alternative governments of Venezuela and Bolivia, regarding regional integration, are presented.

### **I. The Andean Region and the United States: main theoretical approaches**

Academic studies developed in the aftermath of 9-11 about the relationship between the United States and the Andean Region, and particularly about American interests in the region, have emphasized “securitization” issues and the struggle against terrorism as priorities stemming from the Strategy of National Security of the United States. In this regard, an important body of literature has developed in recent years. However, other components of this strategy, such as economic and trade issues, including the deepening of neo-liberal policies, have not been examined in this regard. Most of the time, security and economic interests are considered as separate issues.

Scholars do not agree on the level of priority that the Andean Region holds for the US. In general terms, there is a trend to minimize the importance of the region and of the Latin American countries as a whole, regarding the interests of the United States after 9-11 (Monica Hirst, 2003; Francisco Leal, 2003). However, it is clear that, although the main focus of the security strategy of the US currently rests on the Middle East and Asia (Iraq, Iran, Afghanistan), the Andean Region is a decisive and conflictive zone for American interests, as will be explained later.

Regarding regional security in the Andes, academic and political approaches cover a wide spectrum - from the most conservative, linked to modernization-type theories, to more critical stances, derived from the Dependency School and other historical-structural approaches. The first have emphasized the failure of local elites and have claimed a key role for the United States; while the second have questioned the US’s interventionist policies in the region. Within the first group, Francisco Leal, a well-known Colombian analyst, states that the US has imposed its unilateral vision regarding security to the Andean countries partly because the region has no valid national or regional interlocutors, able to put forward viable alternatives. According to this author, atomization, provincialism and the national chauvinism of the political classes have prevailed, as well as a public opinion that is almost always manipulated. However, he thinks that the region can rely on the opportunity given by its instability, and, with the participation of the United States, develop a regional project of security that puts forward the national security projects of the military (Leal, 2003:154).

For her part, Martha Ardila states that, from the second half of the nineties, border security acquired a special connotation, becoming the axis of the relationship of the neighboring countries with Colombia. In this way, issues such as drug trafficking, terrorism, and weapon trafficking gained in security importance. These issues became a priority, particularly given the perception

and fear that held pertaining to Colombian instability - a fear that has deepened with the Plan Colombia, the aerial aspersions, and the increasing displaced population to both Ecuador and Venezuela (Ardila, 2002: 321).

Within the second perspective mentioned above, Noam Chomsky has insisted on the possibility that the next objective of the Bush doctrine of preventive war might be the Andean Region, given the fact that it is an important source of natural resources for the United States that is almost out of its control. As the region is surrounded by several American military bases and hosts an important military force of this country, Washington could possibly argue that the region itself represents a terrorist threat (Chomsky, 2003). According to Chomsky, this situation has aggravated due to the fact that the Colombian crisis has expanded significantly towards the other Andean countries, especially Venezuela and Ecuador. Thus, the expansion of this conflict and the border situation heightens the possibility of American intervention and of the deployment of military strategies developed in Colombia to increase the spectrum of action of the US in the entire region.

In this same regard, the Brazilian scholar Monica Hirst acknowledges that, in so far as the Andean countries represent the key centre of most of those issues perceived as threats in the hemisphere for the United States, and taking into account that the very concept of hemispheric security has been adjusted and reduced to the immediate strategic security objectives of the US –the struggle against terrorism- it is almost impossible to ignore the ramifications of its Strategy of National Security on the Andean countries and their foreign policies (Hirst, 2003:38).

For his part, the Ecuadorian analyst Alexis Ponce states that the Andean Regional Initiative is just a pretext, on the part of the Bush administration, to control the natural resources of the region. The objective of this strategy is to exercise 'territorial, military, economic, political and social control in the Andean-Amazon basin, due to its richness in natural resources: oil, gold, diverse minerals, precious stones, wood, plants and exotic animals, but, before everything, water, oxygen, genetic biodiversity and ancestral cultures' (Ponce, 2002:243).

The theoretical approach of this paper corresponds to the latter perspective. The author considers that the analysis of the policies derived from the Strategy of National Security of the US for the Andean Region must be undertaken within the specific context of the New World Order, marked by a strong economic and trade competition among the most industrialized countries and an increasing interventionist stance on the part of the US in the countries of the Andean Region. In this regard, an approach that takes into account the impact of international decisions and policies and their interaction with domestic conditions, is very much required to study the issues posed. The idea is not to put the blame on the international order and the US for the economic and social crisis of the countries studied, but to see how these international factors have increased historical constraints for national development in the region. As Barbara Stallings posits with regard to the

disregard by mainstream analysis for the dependency approach: 'Ironically, in the moment in which the international variables became more relevant, during the eighties, such statements (stemming from dependency approach) were no longer considered as key factors of development' (Stallings, 1992:61). No doubt, this consideration has been still more valid during the past lustrum.

The analytical approach followed in this paper stems from the Marxist tradition as embodied in the dependency approach. The processes will be compared as complex structures in which political, economic, and social issues are interconnected and interdependent, among each others. This approach allows for the analysis of the specific processes in the Andean Region as the result of the interaction between the international, the regional, and the national conditions in the period under consideration.

## **II. The National Security Strategy of the United States and the Andean Region**

### **A. The National Security Strategy and its priorities**

A year after 9-11, US president Bush presented and got the approval by Congress of the National Security Strategy of the United States. The announcement of this strategy, best known as the Bush Doctrine, was considered by various academic and political sectors as an open declaration of hegemony on the part of the United States.

Regarding the security of the nation and the struggle against terrorism, the document states that, 'as a matter of common sense and self defense, America will act against such emerging threats, before they are fully formed. (...) In the new world we have entered, the only path to peace and security is the path of action'. And also adds: 'In leading the campaign against terrorism, we are forging new, productive international relationships and redefining existing ones in ways that meet the challenges of the twenty-first century'. This justification of the so-called pre-emptive attack, which allows the United States to intervene anywhere in the world if its national interests seem to be at risk, appears to be the most known and questioned component of the American strategy.

However, the Bush Doctrine is also very specific regarding the priority of free-market policies and announces a comprehensive strategy to achieve free-trade agreements with all the countries of the world. In the same vein, the document reaffirms the U.S. commitment to work with the IMF in order to streamline the policy conditions for its lending and to focus its lending strategy on achieving economic growth through sound fiscal and monetary policy, exchange rate policy, and financial sector policy. The National Strategy also reflects the decision of the U.S. to strengthen its energy security by working with oil producers to 'expand the sources and types of global energy supplied, especially in the Western Hemisphere, Africa, Central Asia and the



Caspian region'. On this crucial issue, the Strategy confirms a priority already set in the report of the National Energy Policy Development Group (NEP), published on May 17, 2001, under the orientation of Richard Cheney, current Vice-president of the United States. Thus, the neo-liberal strategy and its ramifications are considered here as part and parcel of the Bush Doctrine.

According to the American analyst Michel Klare, in addition to the war against terrorism, Bush has dedicated much attention to two strategic priorities: the modernization and expansion of the military apparatus and access to new sources of oil abroad. Even though initially they were different, these two objectives were finally merged, 'giving way to a unique strategic design which today guides the foreign policy of the U.S.' (Klare, 2003:64). Thus, once the political, military and ideological confrontation of the Cold War disappeared, the economic dispute among industrialized countries acquired more relevance. In such a situation, the control over strategic natural resources turned fundamental, as Klare puts it:

The wars of resource during the post-Cold War are not isolated or aleatory events. On the contrary, they must be understood within a wider geopolitical framework (...) The wars of the future will be aimed at the possession and control of essential economic goods and particularly of the necessary resources for the functioning of modern industrial societies (Klare, 2001: 183).

In this regard, the United States is the most dependent on oil imports of all the industrialized countries. In 2002, the country was importing 60 percent of the oil it needed and it was calculated that this proportion would increase to 90 percent by the year 2020. According to Alberto Negri, the main problems to be solved by the superpower are the continuity and security in oil supplies, the control over the reserves, the diversification of sources, reducing the dependency on the Persian Gulf, and the maintenance of low costs in extraction (Negri, 2003:51). Besides the preservation of its global economic power, the US seeks to maintain the control of the main oil sources in the world, as a strategy to exercise its power over its main economic rivals, Europe, Japan and China.

In addition to the control over petroleum, the military industry and expenses are fundamental to the consolidation of the hegemonic power of the US, which is the most powerful country in human history, leads in weapon production, and is the country with the biggest military budget in the world. No doubt, the military expenditure has been decisive for the reactivation of the economy of the country after periods of recession.

## **B. The political and military strategies of the United States in the Andean Region**

Regarding the importance of the Andean countries as oil exporters for the US, the Italian analyst Guglielmo Ragozzino, basing his argument on official data from the American government, states that in the year 2000 the main providers of oil to the U.S. were Canada, Saudi Arabia, Mexico and

Venezuela. Within the ten main providers were also Nigeria, Iran and Colombia (Ragozzino, 2003:57). According to data from 2002 collected by Ivan Ivekovic, the American oil imports from Venezuela, Colombia and Ecuador were larger than those of the Persian Gulf as a whole. Venezuela was then the fifth oil producer of the world, is one of the founders of the OPEC and its oil reserves are about 77,7 thousand million barrels. The US market absorbs around 59 percent of the Venezuelan oil, which in turn accounts for between 13 and 17 per cent of the US needs. Colombia's proven reserves are about 1.7 thousand million barrels. In addition, potential sources, particularly those from the border with Venezuela and the department of Putumayo to the south (near the border with Ecuador) are very important. Ecuador has proven reserves of 2.1 thousand million barrels. Most of its oil production is located east of the Amazon region, in the province of Oriente (Ivekovic, 2003:49).

The National Security Strategy and the consolidation of the global U.S. hegemony have raised new challenges to the Andean Region pivoted around American strategic interests. With reference to Andean regional conflicts, the American National Strategy document states: 'We have developed an active strategy to help the Andean nations adjust their economies, enforce their laws, defeat terrorist organizations, and cut off the supply of drugs'. Such strategy is materialised in some initiatives, namely the Andean Free Trade Agreement (AFTA), and the severe fiscal adjustment programs derived from the accords established with the International Monetary Fund, on the one hand, and the Plan Colombia, the Andean Regional Initiative and the Plan Patriota, on the other.

Although the latter three strategies above (Plan Colombia, Andean Regional Initiative and Plan Patriota) are presented as political initiatives, all of them include a strong economic and social component, aimed at the deepening of the neo-liberal agenda, especially the one related to the promotion of a severe fiscal adjustment and the reduction of public and social investment. All of these strategies privilege the implementation of the U.S. sponsored Program to Eradicate Illicit Crops by Aerial Spraying of the Herbicide Glyphosate (PECIG), a highly controversial program for its negative health and environmental consequences, especially in the south of Colombia and on both sides of the border between Colombia and Ecuador. The destruction of either illicit and licit crops by this program and the increasing forced displacement of Colombian peasants to the neighboring countries, as a consequence of such policy, have had a deep social and economic impact on Colombia and the other countries involved.

In addition, the implementation of the three strategies above was based on military confrontation with the guerrillas and restricts the possibilities of public investment by the Colombian state, given the fact that, in order to meet the objectives of the counter-narcotics and counter-terrorist strategy, a strong military expenditure is mandatory. Moreover, it is clear that the military strategy, especially in the Amazon region and on the border with Venezuela, is very much connected with the search and control over strategic natural

resources, mainly petroleum and biodiversity. Although some of these strategies precede the promulgation of the National Security Strategy, they fit into the new strategic priorities established by the U.S.

The 'Plan Colombia' was conceived of and put in practice by the American administration in 1999, during the terms of William Clinton and Andrés Pastrana, in America and Colombia respectively, as the administration's main anti-narcotics strategy. From the beginning it aroused strong national and international controversy. The project became more aggressive and military-driven after the first inauguration of George Bush in America, and, later on, of Álvaro Uribe Vélez in Colombia, as Pastrana's successor. Although it was presented as a 'Plan for peace, prosperity and strengthening of the state', and as a panacea for all the perceived problems of the country, its implementation exacerbated internal conflict in Colombia, which conflict was to extend beyond the borders of the country.

It is important to make clear that this Plan was elaborated by a commission of the American government and was discussed and approved in the American Congress before it was even known in Colombia. It was written in English and only after its approval, the Spanish version was presented. Its approval was preceded by strong lobbying on the part of big American companies, particularly providers of military products and services, who were anxious to get a big share of the resources assigned to the country. It has to be taken into account that Colombia is the first receptor of military aid from the Western Hemisphere, which for some scholars explains the unconditional stance of the Colombian presidents to the American strategies in the region, especially during the past decade.

However, going beyond the military aspect, it is clear that the anti-narcotics strategy of Plan Colombia, which is centred in the aerial aspersion of toxic products such as glifosate or Round-Up, has generated strong opposition inside the country and abroad. Large zones from the south of the country have been affected, as well as other territories with coca and poppy crops. The impact of this strategy on the living conditions and health of the population and the destruction of the environment; of the survival of crops and/or the sources of water, not only in Colombia but also in the border territories of Ecuador, has been a continuous source of political and diplomatic problems within and between the two countries. The government of Correa has filed a law suit against the Colombian government in the Organization of American States, due to Colombia's insistence on continuing with the aerial eradication of illicit crops. Worth mentioning too is the strong impact on social conditions of the region, manifested in the increasing forced displacement of complete families to neighboring countries, but especially to Ecuador.

As a matter of fact, the Andean Regional Initiative, announced by Bush in April, 2001, was initially intended to extend the anti-narcotics strategy of the Plan Colombia to the country's neighbors, including Brazil and Panama. It was conceived of as the strategy of the three Ds: Democracy, Development and Drugs. However, after the launching of the anti-terrorist strategy, this project

has concentrated on the creation of a type of wall of contention at the borders and has increased - in a significant way - the military build-up of the countries that are more affected by the exacerbation of the Colombian conflict and its effects: Ecuador and Venezuela.

According to official documents from the United States government, the Andean Region is important due to the following reasons: First, its three main drug-producer countries, Colombia, Peru and Bolivia, account for the 100 per cent of the cocaine and the 60 per cent of the heroine entering the American market. Second, the region includes three important oil producers: Venezuela, Colombia and Ecuador. Third, the United States is the main trade partner of all the Andean countries, and, fourth, some of the most populated countries of Latin America are located in the region.

It is important to take into account that in the Strategy of National Security of the U.S. it is clearly stated that, although poverty does not convert its sufferers into terrorists and assassins, such a condition, in addition to weak institutions and corruption, can make weak states vulnerable to terrorist networks and drug cartels within their borders. In this sense, some of the Andean countries have been considered as weak or 'failed states', from an institutional, social and economic point of view.

Finally, the 'Plan Patriota' (Patriot Plan) was conceived of by the American and the Colombian administrations as the biggest military operation during the past four decades, against the FARC (Colombian Revolutionary Armed Forces), the main guerrilla organization of the country. This plan was developed starting in May 2004, in a territory of 260.000 km<sup>2</sup> in the south of the country. This region corresponds to 20 per cent of the national territory and is a strategic one, due to its natural resources, especially the biodiversity, water and oil, and for being the main scenario of the war for the territorial control among the state army, the paramilitary and the guerrilla.

The participation of American mercenaries and troops in the Plan Patriota has been significant. It was conducted as a secret operation by the two governments, and at the end of 2006, information to the effect that the Plan had concluded was proffered, but no additional information or explanation was given. The Plan anticipated a contribution of 110 million dollars in three years, on the part of the US, for training, weapon acquisition, and communication equipment for the elite brigades of the Army. For the country, the Plan represented an extraordinary economic lift of about 7 percent of the GDP.

Although there is official propaganda about the positive results of Plan Patriota, the Plan's results have in fact been very controversial, even within some sectors of the government. Alfredo Rangel, an important military analyst very close to the Uribe administration, stated that the military seemed to have gotten it wrong with respect to the place and the time for the operation, given that with the same resources they could have developed military operations in many regions of the country, in order to strike the guerrillas in more important

and populated places.

At this point, it is important to give some attention to two important documents which explain the perception of the risks posed by the Andean Region, and particularly Colombia, to the national security interests of the United States. The first one is a report issued by an Independent Commission sponsored by the Council on Foreign Relations of the United States, named *Andes 2020: A New Strategy for the Challenge of Colombia and the Region*. The second document to be considered here is the Testimony of General James T. Hill, the then United States Southern Commander, which represents the official stance of the Bush administration towards security issues in the Andean Region.

In the *Andes* report, which paradoxically has not generated any significant academic or political reactions in these countries, it is stated that the Andean Region, with more than 120 million people living in its five countries, is a peril and its security crisis 'is the most significant in the Western Hemisphere, one that exacts a direct toll on American lives and interests'. According to the report, democracy in the region is at risk as a consequence of various factors, which are the following: destabilizing levels of inequality and poverty; impunity regarding human rights violations; weak political institutions; outright corruption; elusive commitments to the rule of law; and lack of state control over parts of the territory. In addition, the region, the report states, experiences concentration of political and economic power; exclusion of rural populations; violent conflict; and transnational threat to security, nourished by drugs and other illegal industries, criminals, illegal armed groups and drug dealers.

In such a context, Colombia appears as the axis of the problem, given its location, economic influence, political system, illicit industries and domestic conflict. The Commission believes that the success or failure of the movements in this country towards peace achievement will bring consequences to the security of the entire region, but more specifically to Venezuela and Ecuador, its neighboring countries (*Andes*, 2004:4). It also considers that a major weakness of current American policy toward the region is to place too much emphasis on counter-narcotics and security issues, stemming from Plan Colombia and the Andean Regional Initiative, and too little emphasis on 'complementary, comprehensive, regional strategies'.

According to *Andes 20-20*, the countries in the region are either failing states or potentially failing ones. Therefore,

A qualitative change in policy toward the Andean Region is urgently needed. Indeed, it is in the fundamental national security interest of the United States to focus attention and action on the Andes, before a regional collapse triggers explosive security and humanitarian crises that demand a far deeper and more politically divisive commitment of U.S. military and financial resources than the U.S. public and Congress can tolerate (*Andes*, 15).

Among the recommendations formulated, the Report of the Commission states

that political and economic resources assigned to the region, adding up to almost 700 million dollars per year, should be redistributed in a more equitable way to meet other priorities such as sustainable rural and border development. Also, political reforms that strengthen the rule of law and help consolidate democratic institutions are recommended. Regarding the drug problem, it proposes the development of a 'multilateral multifaceted approach that combines financial incentives, broad international participation policy' that also addresses the problem of demand in consumer countries (Andes, 2004:7)

Finally, two more controversial recommendations included in the Report, given the current context of Colombia and the region are: 1) to amplify U.S. military training in Colombia and to increase the number of military personnel and of private military contractors permitted in Colombia, to struggle against terrorism, insurgency and drugs. This recommendation also proposes to update the Inter-American Treaty of Reciprocal Assistance, known as the Rio Treaty. 2) the negotiation of the Andean Free Trade Agreement (AFTA), first with Colombia and Peru, and then with Ecuador and Bolivia, towards the achievement of the Free Trade Agreement of the Americas, (FTAA, Andes, 2004:67).

In the second of the two documents being examined here, General James T. Hill, then Chief of the South Command of the U.S, describes the panorama of the region in the following terms:

The security picture in Latin America and the Caribbean has grown more complex over the past year. Colombia's considerable progress in the battle against narco-terrorism is offset by negative developments elsewhere in the region, particularly in Haiti, Bolivia, and Venezuela. These developments represent an increasing threat to U.S. interests (Hill, 2004).

Hill goes on to claim that his country was confronting two types of threats in the Western Hemisphere: the traditional threat of narco-terrorism, on the one part, and the emerging threat of so-called radical populism, on the other. In a clear reference to the Venezuelan leader Hugo Chávez, he states:

Populism in and of itself is not a threat. Rather, the threat emerges when it becomes radicalized by a leader who increasingly uses his position and support from a segment of the population to infringe gradually upon the rights of all citizens. This trend degrades democracy and promises to concentrate power in the hands of a few rather than guaranteeing the individual rights of the many. Anti-American sentiment has also been used to reinforce the positions of radical leaders who seek to distract the populace from their own shortcomings (...) The threats and trends in the region paint a negative picture in many regards and certainly bear close scrutiny in the coming year. We will maintain vigilance. We will also continue our work with partner nations and the interagency to shore up stability and promote

increasing security cooperation (Hill, 2004).

Within the same document, Hill draws up a very positive portrait of President Uribe of Colombia and what he represents in the Andean context. He is mentioned as a 'unique leader who has galvanized the will of the people and motivated his armed forces, [who] has personally demonstrated that one individual can change the course of events', due to his personal leadership, energy, dedication and charisma. That is why 'he is building the structures to sustain momentum and institutionalize success beyond that of his term and beyond that of Plan Colombia' (Hill, 2004).

General Hill concludes that the region, and especially Colombia, required increasing military attention in the following year. He presents a complete overview of the military involvement of the United States in Colombia, and of the importance of such an involvement for the region, in terms that merit reproducing at length:

We continue training the Counter Narcotics Brigade and its aviation units. The Plan Colombia helicopters have proven to be a major asset in the fight against narco-terrorism, and the procedures for coordinating their use have been optimized and institutionalized [...] We work on riverine techniques with the Colombian Marines and have assisted in the establishment of operationally-focused Riverine Combat Elements (RCE). We assisted in infrastructure security planning, and ensured that all systems were in place to resume the State Department-managed Air Bridge Denial (ABD) program. We are working closely with Colombian Military Intelligence to assist them in developing intelligence-driven operations. We sent Planning Assistance Teams to support Colombian units in numerous locations throughout Colombia. We helped develop Civil Affairs capabilities that have been well used as the government re-established its official presence in all municipalities. With funds made available from the original FY 2000 Plan Colombia emergency supplemental, we have helped the Colombian Ministry of Defense institute legal reforms through the creation of a Military Penal Justice Corps (MPJC), similar to our Judge Advocate General's Corps. To provide for the long-term institutional health of the Colombian Army, we assisted them in establishing a Command Sergeants Major Academy to develop a robust non-commissioned officer corps. Finally, drawing on lessons learned in our own operations, we are assisting in Colombian efforts to strengthen inter-agency cooperation (Hill, 2004).

### **III. The economic strategy of the US in the Andean Region**

#### **The trade agreements with the US**

The US Doctrine of National Security is very clear regarding the priority of free-market policies. In this regard, the US has elaborated a comprehensive

strategy geared at achieving free-trade agreements with all the countries of the world, and mentions specifically the creation of the Free Trade Area of the Americas (FTAA), which was supposed to start working by the year 2005. By the same token, the document reaffirms Washington's commitment to work with the IMF, in order to 'streamline the policy conditions for its lending and to focus its lending strategy on achieving economic growth through sound fiscal and monetary policy, exchange rate policy, and financial sector policy'.

According to the Office of the United States Trade Representative, trade has been critical for America's prosperity by 'fueling economic growth, supporting good jobs at home, raising living standards and helping Americans provide for their families with affordable goods and services'. During the last decade, trade has helped raise the Gross Domestic Product by nearly 40 percent. In the same document, it is stated that the two major trade agreements of the nineties, NAFTA and the Uruguay Round, have generated annual benefits between \$1300 and \$2000 for the average American family. It is also expected that if remaining global trade barriers are eliminated, the annual income of the US could improve by an additional \$500 billion.

Thus, regional and bilateral free-trade agreements are crucial for the United States. From 2001 on, the Bush administration has signed and put in place FTAs with Australia, Chile, Jordan, Morocco and Singapore. The US has also concluded negotiations in this regard with Bahrain, Central America and Dominican Republic (CAFTA-DR), Oman, Peru and Colombia. Negotiations have started or are about to begin with the Republic of Korea, Panama, the five countries of the Southern African Customs Union (SACU), Thailand, and the United Arab Emirates.

For Carsten Fink and Patrick Reichenmiller, the increasing number of bilateral and regional FTAs pursued by the United States in various regions of the world, represents a considerable shift in the international diplomacy of the United States. In the past, the country relied mainly on multinational trade institutions to advance its economic and commercial interests. According to these authors, the strong pressure on Intellectual Property Rights (IPRs) has to do with the importance of the exports of intangible assets, in which the US plays a leading role in the world. What follows is a synthesis of the main points the authors raise after comparing the IPRs disposition of some of these agreements:

a) Three of the agreements, US-Australia, US-Morocco and US-Bahrain, extend the scope of patentability in order to apply to new uses of known products;

b) All bilateral agreements go beyond TRIPS in enhancing patent protection for plants and animals. In this regard, the strongest agreement is the one signed with Morocco, which explicitly contemplates the provision of patent protection for live species. The approved texts of CAFTA-DR and AFTA with Colombia and Peru call for 'reasonable efforts' by the parts to provide for patentability of plants;



c) Although TRIPS claims for the use without limit of 'compulsory licenses' on the part of generic manufacturers, four of the bilateral agreements (Jordan, Vietnam, Singapore and Australia) limit the use of compulsory licensing to emergency situations, anti-trust remedies, and cases of public non-commercial use. This is also the case with CAFTA-DR and AFTA. Moreover, in order to make use of compulsory licenses, generic manufacturers need to obtain regulatory permission to enter the market, but, at the same time, some of the provisions approved in the bilateral agreements are an obstacle to this possibility. Most of these agreements prohibit the marketing approval for generics during the patent term without the consent of the patent holder. Additionally, obtaining marketing approval for generics requires the submission of test data regarding its safety and efficacy, which is restricted due to test data exclusivity;

d) Moreover, some of the agreements, such as the ones with Australia, Bahrain, DR-CAFTA and AFTA, go beyond this disposition, regarding data exclusivity. 'In other words, test data exclusivity applies automatically in all FTA jurisdictions, once a company submits test data to a drug regulator in one territory – even outside the FTA area'. In addition, the agreements with Australia, Morocco and Singapore allow patent holders to prevent parallel imports through contractual means.

Regarding the economic priorities contemplated in the National Security Strategy, two Andean countries, Colombia and Peru, have just agreed upon the signature of the AFTA with the United States. Amid social unrest, the Ecuadorian government has been delaying its signature. The negotiation of this agreement lasted less than two years (May 2004-February 2006), and started after the failure of the FTAA in 2003, when Brazil opposed the American project. During the negotiations of the AFTA, the two most controversial issues have been the agricultural subsidies and the intellectual property rights applied to the pharmaceutical sector, which have also been the most critical issues in the World Trade Organization since its beginning. Critics of the AFTA have emphasized that this accord is more an investment agreement than a trade one, insofar that it includes many key issues, such as intellectual property rights and oil-exploration and exploitation concessions, which go further trade matters. More over, the Andean agreement is stricter than the regulations of the World Trade Organization with regard to investment conditions and intellectual property rights protection. The AFTA is aimed at deepening the neoliberal strategy in the region, precisely in a moment in which the economies of the countries are devastated by such policies. The debt problem, an increasing social inequality, high levels of poverty and the political unrest are manifestations of such situation.

## **B. The Colombian and the Peruvian Trade Promotion Agreements (CTPA and PTPA) in the context of the Andean Free Trade Agreement (AFTA)**

According to the report of the Advisory Committee for Trade Policy and

Negotiations (ACTPN) of the US, The Colombian Trade Promotion Agreement:

Fully meets the negotiating principles and objectives laid out in the Trade Act of 2002, and is strongly in the interest of the United States. It will level the playing field for America's farmers and ranchers, manufacturers, and service establishments. It will provide increased market access for American goods and services.

It also states the following:

The Colombian agreement meets or exceeds the negotiating achievements of other recent agreements, including the Peru agreement and the Central America-Dominican Republic agreement. Very importantly, the agreement provides binding arbitration for investor-state disputes that covers existing as well as prospective investments.

The trade relationship between the US and the Andean countries is significant. The total trade with Colombia, Peru and Ecuador was approximately \$24 billion in 2004. Exports from the US to these countries accounted for \$8.3 billion the same year and included machinery, organic chemicals, plastic, and cereals. Exports of agricultural products accounted for \$1 billion. At the same time, goods imported from the three Andean countries totaled \$15.3 billion in 2004. These countries represent a market of over \$8 billion for US exports, and receive almost \$8 billion in US foreign direct investment.

Colombia is the second largest agricultural market for the United States in Latin America. According to Robert Portman, the United States Trade Representative, US goods exports to Colombia in 2005 were worth \$5.4 billion. Top export categories in 2005 were: machinery, organic chemicals, electrical machinery, and plastic. American exports of agricultural products to Colombia totaled \$667 million in 2005. The main products include: coarse grains, wheat, cotton and soybeans. US foreign direct investment in Colombia was \$3 billion in 2004, primarily concentrated in the manufacturing, mining and wholesale sectors.

The negotiation of the AFTA with Colombia, Peru and Ecuador started in May 2004 and came as a result of the failure of the FTAA and the deadlock in the Doha Development Round negotiations. The document presented by the United States from the first round held in May 2004 in the Colombian city of Cartagena, contemplated the extension of patent protection, over the terms approved in the WTO.

When the negotiations of the agreement started, the Colombian government had given important steps regarding intellectual property protection. In October 2002, through Decree 2085, the government of Álvaro Uribe Vélez accepted the test data protection, one of the key issues under discussion in the AFTA. In this regard, the 2005 'Special 301' Report states that Colombia still needs to make further improvements towards strengthening IP protection and therefore, the country was kept in the Watch List for 2005. However, it

recognizes that Colombia was the only Andean country to provide a full five years of data protection for pharmaceuticals.

No doubt, the IP table was one of the most conflictive of all. Given the intransigence and the arrogance of the American negotiation team, two members of the Colombian team resigned from the negotiation table in September 2005, stating that the IP provisions negotiated in the FTA were the result of a political rather than a technical decision. Shortly after, the technical team from the Peruvian Health Ministry also withdrew from the negotiation. During the negotiations, the US imposed veto to José María Correa, who was working as a consultant in the negotiations for the three Andean countries. The key thing is that the US never formally replied to any of the proposals and objections that the Andean countries presented at the negotiating table. Strong pressure from the representatives of the pharmaceutical multinationals, represented by AFIDRO, was apparent throughout the negotiations. They openly participated as members of the Colombian negotiating team.

According to figures provided by Oxfam, the AFTA was adopted in a context of extreme unequal economic relations between the countries. The United States is an important market for these countries and accounts for 42 per cent of exports and 26.6 per cent of imports. By contrast, the Andean countries together account for less than 1 per cent of total US trade volume.

Thus, the American negotiators were able to impose new, harsh protection measures regarding intellectual property rights. Some of these are the extension of the life of patents and exclusive use of test data. 'These measures would increase the monopoly rights of transnational pharmaceutical companies and limit competition and access to affordable generic medicines in the Andean countries'.

As an official document from the US government acknowledges, the FTAs with Colombia and Peru make a number of significant improvements regarding IPR protection. The agreement stipulates the restoration of patent terms, in order to compensate for delays in the granting of the original patent; limits the ground for revoking patents; clarifies that test data and trade secrets submitted to the government office for a product approval will be provided with protection against unfair commercial use for a period of five years for pharmaceuticals and 10 years for agricultural chemical products; and, requires a system to prevent the marketing of pharmaceutical products that infringe patents. In Oxfam's view, the provisions agreed upon in AFTA regarding intellectual property rights protection, are even more restrictive than those contained in CAFTA, 'despite the fact that Andean negotiators from each country's health ministry went to considerable lengths to oppose them'.

Throughout the negotiation process, the Colombian and the Peruvian governments insisted that the public-health interests were being properly protected. In public debates about the topic, government officials constantly refer to some commitments contemplated by the two parties in bilateral letters. However, these letters are not part and parcel of the agreement and,

therefore, are not mandatory. As a case in point, in one of those letters of one page (four paragraphs), the two governments state that

The obligations of Chapter Sixteen of the Agreement do not affect the Party's ability to take necessary measures to protect public health by promoting access to medicines for all, in particular concerning cases such as HIV/AIDS, tuberculosis, malaria, and other epidemics as well as circumstances of extreme urgency or national emergency.

In another side letter, referred to in the same Chapter, it is stated that Colombia and Peru will

Take the measures to expeditiously process patent applications that have been pending for a significant period of time...Colombia shall accomplish this by, among other measures, significantly increasing the number of patent examiners and enhancing examination training for patent examiners.

Critics to provisions on intellectual property protection and medical products contemplated in the Andean trade agreement have flowed from various organizations, well before the agreements were signed. Some reports from international organizations and NGOs have given alerts about the implications of the dispositions of the AFTA regarding the protection of the pharmaceutical multinationals. All of them coincide in the fact that the price of the products will severely increase and the access to medication by the people will be reduced, if the agreement with the US is signed.

The Pan American Health Organization, PAHO, sponsored a study on the potential impact of the TRIP-plus provisions contained in the AFTA. According to this study conducted by Ifarma, intellectual property rights give market exclusivity, which allows for higher prices than the ones resulting from competitive conditions. These higher prices will have a decisive impact on the access of the population to prescribed drugs and this is especially true for developing countries. The study states that the expense in these drugs by the homes is highly regressive in two aspects: first, disease tends to become more frequent and severe in low-income sectors, increasing their needs of medicines; and second, the population has to invest a higher portion of their income to buy medicines. The same document states that protection of test data in Colombia, resulting from Decree 2085 of 2002, would have an impact calculated to total 280 million dollars in year 2010, which accounts for non-access to medicines for almost 400,000 persons. The study concludes that by the year 2020 the Colombian health system would have to pay an additional \$940 million per year to cover the growing cost of medicines and that approximately 6 million people would have no access to medicines.

Following the same report, the incorporation of intellectual property principles in the CTPA, such as the increasing spectrum of patentability, will have an effect on the General System of Social Security in Health, equal to 6,6 percent in the year 2008, only to maintain the same provision of medicines. This could mean the exit from the system of approximately 300,000 persons.

This same provision will produce a negative impact on home expenses, and the increment in cost resulting from the agreement will be higher for the poorest people, who will have to assume up to 22,28 percent of the total increase, whereas the richest will have to pay for the 4,67 percent.

In the midst of the implementation of Decree 2085 and of the negotiation of the trade agreement with the US, the Colombian Government has insisted on the modification of Decision 486 which regulates the Common Industrial Property Regime of the Andean Community of Nations (CAN). This Decision was the result of a common approach, adopted by the Andean countries during the early nineties, in order to incorporate IP provisions and WTO commitments. Colombia and Peru, the two Andean countries that signed the AFTA, were forced to ratify or adopt the UPOV 91 Convention, which stipulates an extension of IP rights to 'discovering' plant varieties. This means the application of IP rights for no innovations.

Finally, the organization Médecins Sans Frontières/Doctors Without Borders submitted a letter to Robert Zoellick, in response to the Office of the United States Trade Representative (USTR) request for Public Comments on the United States-Andean Free Trade Agreement (FTA), dated March 24, 2004, which states the following:

We call upon USTR to abandon immediately "Trips-plus" negotiating objectives and to negotiate the US-Andean Agreement in keeping with the spirit and letter of the Doha Declaration, which the US adopted along with all other WTO members in November 2001. In order to ensure that countries, including the US, uphold that commitment in good faith, we must recommend that intellectual property provisions be excluded from the final US-Andean Agreement altogether.

According to the same organization, 'If the FTAA creates a system that blocks the use of equivalent but cheaper drugs, it will be a catastrophe for all people in the Americas, because the difference in price can be the difference between life and death' and concludes:

As a medical humanitarian organization, we cannot accept the subordination of the health needs of our patients and millions of others to US trade interests. In order to ensure the protection of public health and the promotion of access to medicines for all, we therefore must recommend that intellectual property provisions be excluded from the US-Andean Agreement altogether.

### **C. The myth of foreign investment**

In neo-liberal thought, foreign investment is conceived of as the only path to generate economic and social development and, thus, to create jobs. Therefore, in order to make countries more attractive to foreign investors, especially those related to labor conditions, reforms have to be undertaken.

Such argument is very well expressed in these trade agreements. Nevertheless, recent experiences of Latin American countries in this regard make it clear that this idea does not correspond to reality. From various perspectives, reports from international organizations, such as the International Development Bank (IDB), the World Bank, and ECLAC, have agreed on the acknowledgement of the increasing concentration of wealth, the increment of poverty and the deterioration of job quality and working conditions, from the nineties on in Latin America, precisely when the amounts of foreign investment increased. On the contrary, the historical experience of the most industrialized countries shows that the path followed by them to achieve development conditions was the adoption of precise state politics, in order to consolidate national sovereignty and the domestic market.

Foreign Direct Investment (FDI) by multinationals increased notoriously in Latin America, in the context of generalized privatization policies during the nineties. This type of investment was fundamental in the recovering of the US economy during the past decade. As a matter of fact, in only one year, 1997, the operations of the American companies in the region generated 20,000 billion dollars in net utilities, a figure that accounted for 19.9 percent of total net utilities obtained by overseas subsidiaries of the US companies, according to figures provided by the United States Trade Representative office.

Nevertheless, given that the privatization process is almost concluded in Colombia and elsewhere in Latin America, perspectives of foreign investment in the region are uncertain, to say the least. According to a report by OCDE (Organization for Cooperation and Economic Development), in 2003 there was a considerable increase in FDI of multinationals in the developing economies of faster development in the world, whereas it dropped for the second consecutive year in Latin America. Another report by ECLAC states that foreign investment in the region dropped 19 percent in 2003. The case of Colombia was more dramatic, with a drop of 34 percent and only 4 percent of the total amount of investment for the region. Thus, in Latin America as a whole, FDI shifted from 44,979 million dollars in 2002 to 36,500 in 2003. As it was stated above, the explanation given for this drop is the end of the boom of privatizations.

In the year 2005 there was again an increase of FDI in Latin America, reaching 68,000 million dollars, a figure 11 percent higher than the previous year. However, according to ECLAC, it is clear that the region is steadily losing participation in the world influxes and international competitiveness. What is more important, during the past two decades, a trend to invest in non productive sectors or to acquire state companies, has been apparent. This strategy on the part of foreign multinationals does not generate new jobs. On the contrary, the liquidation and privatization of state companies has been accompanied by the elimination of thousands of jobs, especially in the industrial sector. In the case of Colombia, official figures registered an increase of FDI of 227 percent for the year 2005. However, as the report states, this increase corresponds to the selling of the country's main brewery, Bavaria, to SABMiller, and other important companies that were sold to

international capital.

Finally, in a recent report by UNCTAD, it is stated that global flows of FDI reached \$1.2 trillion in 2006, directed mainly to developed countries, such as the US, the United Kingdom and France. 'The US recovered its position as the largest single host country for FDI in the world', and the European Union accounted for about 45 percent of the total FDI inflows in the same year. At the same time, inflows to Latin America and the Caribbean slowed down in 2006. Flows to Colombia fell by 52 percent. According to a report by the United States International Trade Commission, the US is the largest destination of FDI in the world, with \$1.5 trillion in 2004.

#### **IV. Overview of an alternative project for regional integration: ALBA- TCP**

During the past five years, Bolivarian Revolution has experienced a process of radicalization, not only in terms of the political discourse of its leader, Hugo Chávez, but also regarding its domestic social policies and its regional and international policy. As a case in point, as part and parcel of the project of Socialism for the 21st Century, the government announced its retirement from the IMF and the World Bank, stating that the country does not need those institutions. However, this paper will refer only to the main components of its policy for an alternative regional integration.

The project known as the Bolivarian Alternative for the People of Our Americas (ALBA is its acronym in Spanish), was initiated by Cuba and Venezuela in Havana on December 14, 2004. It is a number of social, economic and cultural agreements for fair trade and non exclusive relationships between Latin American and Caribbean nations. The project goes beyond trade, and includes ambitious developmental projects, such as: Latin American plans for free health care and an education scholarship programme; the creation of a Social Emergency Fund; a regional communication network system which includes 'TeleSUR' (Television from the south); a Development Bank of the South; and a regional petroleum company.

In May 2006, during a meeting with the president of Bolivia and the vice-president of Cuba, in Chapare, Bolivia, the Venezuelan leader presented its basis. On the same occasion, the Bolivian president, Evo Morales, summarised the main principles of the People's Trade Agreement (TCP is its acronym in Spanish). In his speech, Chávez characterized the situation of the Andean Region in the international context as follows:

The neoliberal imperialism, the superior phase of capitalism, has reached the phase of madness. Therefore, Latin American peoples have to do away with imperialism in this century, in order to save the world. Socialism is the path for the redemption of people, to true liberation, equality and justice.

Nicaragua joined ALBA in January 2007. And soon it was expected that

Ecuador' president elect Rafael Correa would become the 5th ALBA country with full membership.

But the only differentiation was not only with the bilateral and regional agreements imposed by the United States in the region. The ALBA project also distances itself from other regional agreements, such as CAN (Andean Community of Nations) and Mercosur (Common South American Market), given that the ALBA seeks to go beyond trade and to develop new principles and values for the relationship among nations, such as cooperation, solidarity and economic complementarity:

Martí used to say that the term 'radical' stems from root; we should be radicals, because we must return to our roots, to the profound roots of the indigenous, black, mixed America. That is the way we are radicals, and, therefore, today more than ever, more alive than ever, men and women who gave birth to the most important civilization that existed, the Incas.

However, to practical terms: Chávez has approximated Mercosur and retired from the CAN. On October 8<sup>th</sup>, 2005, the four governments of the founder-countries of this agreement approved the admission of Venezuela as a full member, after Chávez developed a process of *rapprochement* to their leaders, who are closer to his political project. However, more recently, in late June 2007, the Brazilian Congress did not ratify this admission. In April, 2006, when the governments of Colombia and Peru had already concluded their bilateral trade agreement negotiations with the United States, Venezuela announced its withdrawal from the CAN.

The creation of Petroamérica, conceived of as a project for energy integration of all the countries of the continent, based on the principles of solidarity and complementarity 'in the just and democratic use of resources towards the development of the countries', can be understood in the context of ALBA. Three regional initiatives of energy integration make up this project: Petrosur, Petrocaribe and the Andean Community of Nations. It is aimed at achieving the sovereign use of energy resources as an engine of endogenous development. In the same vein, the integration of energy companies from Latin America and the Caribbean, in order to make joint investments in exploration, exploitation and commercialization of oil and natural gas, is contemplated.

After referring to the main components of ALBA, a synthesis of the principles of the PTA, conceived of by the Bolivian government, will be presented. It reflects the demands made historically by the Bolivian social movements. The TCP openly questions the current trade regime, given the fact that all the developed countries became prosperous by protecting nascent industries behind trade barriers. The main concepts on which it is based are the following:

1) It is presented as a response to the exhaustion of the neoliberal model of development and to its central strategies;



2) trade and investment are not considered as ends but as means of development: It establishes a new foundation for trade based on the conviction that 'strong solidarity, mutual cooperation and aid between their peoples must prevail, free from any interest in business or market profits';

3) It promotes an integral model of integration among peoples, that limits and regulates foreign investors and multinationals;

4) The State has the right to subordinate trade agreements to the interests of national development and to use protectionist measures to achieve this project; Thus, it does not prohibit the use of mechanisms for supporting industrialization or for protecting the domestic market;

5) It recognizes the right of people to determine their own agricultural and alimentary policies;

6) It considers that vital services should be provided exclusively by public enterprises, regulated and managed by the state; access to water and basic services from the people are placed before the rights of multinational companies;

7) Trade agreements should be based on solidarity and complementarily rather than competition and overexploitation;

8) It proposes a different logic for the relationships among human beings, a different model of living together, not based on competitiveness and eagerness of accumulation; thus, trade agreements should protect small community-based enterprises; instead, the new project defends a logic based on 'a distinct model of co-existence', a principle stemming from a deeply-rooted idea of 'Pachamama' in the Andean cosmo-vision, which says that, as part of creation, people need to live in harmony with nature. Clearly, the PTA also questions the un-sustainability of 'economic growth' and the Western culture of waste which 'measures the development of a country based on the capacity of its population to consume.' It encourages the formation of joint companies which give priority to 'initiatives which strengthen the capacity for social inclusion, resource industrialization and food security, in a framework of respect and preservation of the environment.'

Shortly after the announcement of this project, Bolivia signed a People's Trade Agreement with Cuba and Venezuela as a 'means toward development with social justice in the framework of genuine fraternal Latin American and Caribbean integration.' The concretization of ALBA and TCP started with the subscription of various strategic agreements between the three countries, including Cuba, which refer to different sectors. It was stipulated that the development of such agreement will be under the control of the national states.

Venezuela offered both technical assistance and substantial investments in Bolivia's hydrocarbons sector, through four projects which represented 1.500 million dollars. They include the construction of petrochemical plant and one of GTL (Gas To Liquids). Pdvs, the Venezuela state oil company, was to

additionally invest 800 million dollars in exploration and exploitation of hydrocarbons. These agreements imply the constitution of mixed societies with YPFB, the Bolivian state company, in which the latter will have the 51 per cent and the Venezuelan company the 49 per cent. In the mining sector, the two countries co-formed the state mixed company Minera del Sur (Minsur).

In the agricultural sector, Venezuela plans to invest more than 23 million dollars in various projects in Oruro, Potosí, Ben, Pando and La Paz. One of these projects is a plant in Chapare to industrialise the leaf of coke and of other industries, such as quinoa, textiles, dairy products, tourism, honey and leather. Most significantly, Venezuela will buy Bolivian agricultural exports including all the soya-beans that will not be acquired by Colombia after its trade agreement with the US starts working.

It is expected that these cooperation agreements will produce a significant social impact. It is calculated that in the agricultural and textile sectors together more than 230 000 new jobs could be generated. Cuba offered its cooperation program in health and education. In the first sector, there are already 700 experts working in Bolivia. In addition, 20 hospitals provided with high technology were donated, as well as 6 ophthalmologic centers, which have the ability to operate on 100,000 people every year. At the same time, a literacy program was set in motion and 6 000 scholarships were available to study medicine in Cuba. According to Manuel Morales Olivera, advisor to YPFB, with these agreements, Bolivia initiated a new historical period, one in which it will no longer be a 'beggar state', counting on new possibilities for development.

The Venezuelan President Hugo Chávez stated that ALBA was a project against the FTAA pushed by the United States in the region, which was confronted by strong popular rejection. He also said that the TCP was against the FTA signed by this country with some Latin American countries. Thus, 'while the FTAA is a response to the interests of transnational capital and looks for the complete liberalization of trade in goods, services and investments, ALBA emphasizes the struggle against poverty and social exclusion, and, therefore represents the interests of the Latin American people'. For his part, Evo Morales stated the following in the above-mentioned meeting in Chapare:

This agreement represents a step forward in the aspirations of changing the neoliberal system that dominates the continent, as well as an impulse to the process of decolonization experienced by Bolivia...it represents, in addition, the encounter of three generations, three revolutions which seek to deepen still more, three people that work for improving their friendship.

As a concrete expression of this new policy of regional integration, the 1st South American Energy Summit was celebrated in Margarita Island, Venezuela, on April 16 and 17, 2007, with the participation of the Presidents or prime ministers of 12 countries of the region. According to Chavez, who promoted the meeting, its purpose was to unify efforts to overcome poverty

and the existent asymmetries in the region. It was stated that the creation of the Energy Union of South America consolidated the agreements in the areas of health, education, industry, agrarian and mining sectors, with the objective of advancing to a multi-polar world. 'Energy transforms itself in cooperation agreements in various areas, breaking with traditional schemes of commerce that only favor the oligarchies and the empire. Today, South American peoples are the ones who write their history, big and sovereign.'

Finally, from the review of the principles on which ALBA and TCP are based, as well as of the agreements that were signed and the declarations of the presidents of the two countries, it is clear that they represent alternatives to the principles of the trade agreements negotiated by the U.S. or the principles that rule the WTO. The above projects place emphasis on policies that go against the neo-liberal strategy: Strengthening of the economic and social role of the state, state control of natural resources and of strategic public services and companies, protection of the domestic market, control of foreign investment and its subordination to the priorities of national development, as well as strong social investment. Some of these principles represent a return to the CEPAL-ECLA ideas, while others, such as vindication of national sovereignty, point out to a more advanced project. Principles of regional integration, such as complementarity, solidarity and cooperation among countries go against current rules of international trade established by the most powerful countries.

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