



The DEP Diplomacy, Strategy & Politics Review is a three-monthly periodical on South American affairs published in Portuguese, Spanish and English. It comprises the Raúl Prebisch Project and is sponsored by the Brazilian Ministry of Foreign Relations (MRE/Funag – Alexandre de Gusmão Foundation/Ipri – International Relations Research Institute), Construtora Norberto Odebrecht S. A., Andrade Gutierrez S. A. and Embraer – Empresa Brasileira de Aeronáutica S. A.

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International Cataloguing in Publication Data

DEP: Diplomacy, Strategy & Politics / Raúl Prebisch Project no. 6 (april/june 2007).
Brasília : Raúl Prebisch Project, 2007.

Three-monthly

Published in portuguese, spanish and english.

ISSN 1808-0499

1. South America. 2. Argentine, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, Venezuela. I. Raúl Prebisch Project.

CDU 327(05)

DEP

DIPLOMACIA
Number 6

ESTRATÉGIA POLÍTICA
April / June 2007

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Reality of Argentina and the region*

*Cristina Fernández de Kirchner**

This invitation by FLACSO is not only an honor but also a great moment in human and political terms. You mentioned my participation in numerous fora and academic and institutional spaces. Most of them were located in the self-named first world where the categories of thought often cannot decode the reality of such a complex and mistreated region as Latin America.

A moment ago I was speaking to the FLACSO director who, in between the small talk, complained of the fact that many of his professors have left because they are now part of the new government. I say he should not complain – this is good. This means FLACSO provides critical thought to the governments of the region that during so much time had thoughts removed and often contrary to the interests of their countries, products of other intellectual schools of thought that do not respond exactly to the interests of this region.

Thus, I believe that it is time that new winds blow in the Latin American region. And my presence here has to do with the double approach I intend to make this afternoon, here, in Quito, Ecuador. On the one hand, we have

* Conference in FLACSO-Quito, March 21, 2007.

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the Argentine experience, not as a sort of model to follow – I believe in the experience of each country, society, government – but simply because Argentina, just like the rest of Latin America, had similar processes in terms of institutional interruptions by *de facto* governments simultaneously, an perhaps, along with Ecuador, more than no other, in terms of experiments of intellectual developments that did not precisely have to do with the interests of the country and of the peoples. So, with this brief clarification, that we do not intend to become a Mr. Know-it-all, or to teach, although we are in a university, what we do want is to contribute with the Argentine experience after almost four years of President Kirchner's administration.

In a few days, on March 24, my country will have one more anniversary of the last military *coup d'état*, similar to so many others in the region, and that politically, economically, and socially had devastating effects. Just to mention some figures: at the moment of the *coup*, on March 24, 1976, the workers of my country had approximately a 48% participation in the GDP. It was almost the fifty-fifty proposed by Perón's *justicialismo*. The next elections were coming up in a few months, that is, when the people would once again decide. I am not going to delve into a process that caused cultural, moral, economic, and social devastation, along with the disappearance of 30 thousand Argentines, the imprisonment of others, torture, humiliation in exile, etc. – a situation that did not only occur in Argentina, but that can be observed in the past history of the entire region.

Democracy returned during the 1980s. Basically, this process was accentuated when the Berlin wall fell, which created a rupture in the bipolar world, and therefore, it was no longer necessary to have the national security doctrine in the region. The development and return of the democratic process must be analyzed critically to understand, also, that the first steps of this democracy were perhaps the agreement of what I will call corporate governance.

To accord with the different power sectors of the societies in order to make countries governable is, I believe, a true contradiction in the development of democracy. The development of democracy basically entails the development of citizenship, citizen participation, and basically, representation, by those who have institutional opportunity acquired through electoral processes, of the interests of the national majorities. In democracy,

often these processes did not occur, because of ideological changes in those who reached government representing ideas, projects and principles, and ended up executing projects, ideas, and management that were the opposite of what they had supported historically prior to their arrival in government, or because of weakness, incapacity, lack of managerial skills. The fact is that at a certain moment in time, democracy also begins to establish itself in Latin America as an efficient source for solving problems and improving the quality of life of the population.

There were a lot of crises and instability in the region. I am not going to tell you, Ecuadorians, the meaning of institutional instability as a result of the major economic and social crises.

2001 is an impressive year for my country, when it seemed to almost disintegrate itself. There was an intense representation crisis, and the Argentine society had placed its trust on a government from the alliance that spoke of a governmental program and executed, exactly, a continuity of what had been developed to that point. This institutional instability meant that no government could conclude its own constitutional term, which, for example, also happened here, in 1996. So we see that recurrent economic and social crises are factors of institutional rupture, institutional instability, and essentially of the lack of democratic development.

What is the diagnosis of President Kirchner and the political arena, of which he is a part, and of which I am obviously a part? Our term began on May 25, 2003. First, in the governments of the region there was a strong dissociation between institutional legality and political and social legitimacy. What does this mean? It means that electoral processes were won because of projects, platforms, political representations, and the exact opposite was done. There was even a president in my country who stated that if he said what he would do he would have lost the elections. This crisis between legality and legitimacy means efficacy, not only in complying with what was stated in an electoral platform during the electoral process, but also that what was stated and applied have the desired result. Because in fact, politics is all about result. We can have the best ideas, the best projects, but if they are not carried out effectively, with verifiable and quantifiable results in the quality of life of our people, our citizens... people can speak of a profound intellectual honesty, that these steps have been decided and complied with, but we are speaking

of the efficacy of the Government and the development of democratic administration.

Therefore, this was the first matter we decided to address, with respect to the fact that legality and legitimacy could not be dissociated and, therefore, governance was not corporate governance, with agreements with corporations, but fundamentally, we would follow through with the citizenship commitments demanded by the Argentine society economically and fundamentally in the role of the State, because, in fact, we, political militants who participate in democratic electoral processes that are plural and open, are demanding political initiative in the State to move forward with a project and an administration. This is what is at stake during an electoral process. A political group, on behalf of a system of ideas, a representation that is presented to the citizens, submitted to consideration with respect to its political and social projects and foreign policy, and then executes this project, this system of ideas.

This system of ideas that we presented was completely opposite to what had been presented to us during the 1990s in the entire Latin American region, which was the neoliberalism, or what became known as the Washington Consensus. Based on this, there were four or five main pillars, along with common matters, such as impunity or violation of human rights. It was stated, for example, that those who had caused the disappearance, torture, and the humiliation of 30 thousand Argentines and many others that had to seek out exile in the countryside or abroad could not be punished. It was said that this could not be done. And when it was done, they then said that in fact, now it could be done because the tougher moment had already passed and so it became easier. Events that moved us very recently, almost six months ago, with the disappearance of one of the key witnesses on the main lawsuits and raise questions in terms of human rights as a matter of the State, that do not belong to a political sector or a political idea. We must live with those responsible for such atrocities.

But there was a system of ideas that said that the adjustment policies were permanent. That we could not say no to the guidelines proposed by the International Monetary Fund with respect to renegotiation, sovereign debt or internal policies; that we had to restrict consumption because along with everything else, it caused inflation. It was funny, because this was said by the capitalist schools of thought. And then someone would say: what is this

capitalism that does not want consumers? Because if anything, this is what characterizes capitalism. Capitalism, as a system of ideas, before what existed, opposing what was on the other side of the curtain, did not vanquish only due to economic, military, technological, or scientific power. It was much simpler. Those on the other side wanted to live like the ones on this side. This, in fact, was what brought down the wall as a system of ideas and a functioning system. It was an emblematic place of the meaning of another system of ideas, another way of functioning. However, it was said that it was necessary to live with permanent adjustment, with internal consumption restriction, and that whoever dared to steer away from these policies, which in fact were the guidelines of the International Monetary Fund, would fall under Jupiter's lightning, or something similar to Jupiter, or someone who believed to be Jupiter.

We believed that a different path was possible. We believe that a different path is possible. It is possible to renegotiate, as was done by Argentina when it renegotiated its foreign debt. Currently, all our payments have been made, resulting in a 75% saving. We have explained this in many international fora when people told us: do you believe it is right to speak of this in the international fora linked to the major international financial centers? And I would answer: in the financial world, while the world put in money with 3% annually, Argentina did so with up to 15 or 20% annually, an authentic financial gamble. Anyone who puts in this money in the financial world with this interest rate knows the risk, because capitalism is also a risk. And, therefore, those who take the risk also take the risk of participating in this authentic casino economy, or financial gambles, as we call it because there is no other way of expressing this participation, and also, in the results of this policy.

The issue of the dollarization of the economy, which initially was an anti-inflationary instrument in an economy and society with a strong inflationary culture, became an objective of its own, emptying out and almost destroying national industry.

Another item in the governmental agenda was the need to recreate national industry, to once again develop the need for national entrepreneurship. This was not to oppose foreign investment, but rather, because every country, every economy needs the development of a national bourgeoisie that plays the role assigned to it by capitalism and that reproduces goods and services, and,

fundamentally, an economy that also deals with social responsibility. With all of this, public administration also conceived the new role of the State, which could no longer be a removed State proposing neoliberalism, or a corporate State, as in the beginning of *Peronismo*, but rather a regulating State, coordinating market and society, public and private, essentially, without abandoning the representation of national interests and the majorities. Basically, this was our proposal on March 25, 2003 when President Ernesto Kirchner took office with 22% of the votes and a 27% unemployment rate. As he recently mentioned during a trip to France, a President that had a greater unemployed population than votes, a suffocating foreign debt of one and a half times the GDP, with poverty levels of approximately 57 or 58%, inexistent industry, no competitiveness, the one for one exchange rate made production and tourism impossible: an unviable country.

This was the situation on May 25, 2003, when we initiated what I call a system of ideas. Along with it was the necessary renovation in another inflexion point in Argentine policy, the Supreme Court in the country, where for the first time in the history of my country, since the 1853 Constitution, a President renounces his constitutional right of unilaterally proposing, without being submitted to any consideration to be member of the Supreme Court, only the Senate, by the number of required votes, and introduces a system where proposals are submitted to public consideration. They can be impugned not only in the executive branch, but also in the legislative branch. Another action was to appoint people who not only had perfect judicial, academic, intellectual records, but who also did not know the President personally, with only one exception, Dr. Safaroni, who was President Kirchner's severe critic when he was Governor of the Santa Cruz province. This is the administration developed in the period beginning on May 25, 2003.

Many said we were crazy. Crazy was actually one of the softer adjectives used considering the criticism, which everyone has the right to make, coming from our party, the opposition, the media, anywhere. But once, with time, they noticed that the criticism and forecasts made of the results of policies and the administration did not occur, and quite the opposite, concrete results appeared in the exact direction of the original proposals, this required intellectual honesty on the part of the critics to acknowledge their mistake. They did not need to do so for the President, or a Congress member, or the political party I belong to, but simply to the citizens, to which we all owe, no matter what role we

received with the elections. Current administration or opposition, we all have a commitment of intellectual honesty, not with the government, the media, but before the citizens.

Today, four years into an administration that initiated with that situation in the management of the public debt, unemployment, poverty levels, we have an increase in exports, growing economic activity, industrial activity and a growing and ever more important presence of manufactured products exports, not just commodities, unemployment levels that reached in the last quarter a single digit after almost a decade and a half of double digits, and I believe that INDET also announced today single digit poverty rates. For the first time in a long period, Argentina has had a reduction in poverty rates to 27-28%, an unprecedented change in minimum wage compared to the last decade and a half. Not to mention the Argentine social security system with over 8 or 9 increases in the liabilities sector, an increase that had not occurred since 1990 or 1991. Unemployment improved in the last quarter, there was a growth in exports, a tourism boom with revenues that even surpassed grains, with diversified availability of tourism, a real estate boom, also very important for the country because it participated and was a fundamental pillar in the recreation of the Argentine reality, and which we supported during the campaign. This was also one of the neoliberalism myths – the idea that infrastructure and public construction could reactivate the economy.

I remember President Kirchner, when he was still candidate, insisting and pounding on this – and this is the adequate term. He pounded on the importance that we gave to public construction, infrastructure, as a movement that multiplies economic growth. This is the only way we see the dogmatic and theoretical levels. As Governor of Santa Cruz, some of this was experimented, but the rest was copied from the *New Deal*, basically following the example of United States' response to the 30s crisis. Precisely with Roosevelt, and public construction, there was a strong reactivation of the economy, a multiplying effect economically and socially: economically, as the mother industry – I do not need to speak of what it means and everything that surrounds construction, but also because it brings in basic infrastructure that is needed for economic activity and for entrepreneurs to be able to develop their activity through railways, means of communication, airports; and socially, through hospitals, schools, drinking water, housing – it is a virtuous cycle that also rebuilds the

trust the country has in itself. This was also a key aspect in the diagnosis we had of the situation in Argentina.

Legality, legitimacy, enough of impunity, but essentially, we knew that the intense processes we had lived since 1976 had touched on essential issues for society: trust in its own strength to move forward and the idea of no individual salvation, but rather the development of a collective project requiring individual and collective effort that could not be carried out by the same people who had been punished for over two decades – sectors with lower resources, those who could not access minimal services, or those who could access these services yet not pay for them. That is why we were so rigorously criticized. They said that this way we were scaring off the investors who would flee the country.

I still remember very unruly meetings in the beginning of the administration during some or other trip abroad to some or other first world country with considerable investments in our country. It was as if the world was falling apart and everyone was leaving. Today, they make investment proposals and acknowledge that they are profiting more than before. Some, for the first time in 5 or 7 years are sending funds back to their headquarters because, of course, when you have more users, more consumers, the economy grows for everyone.

What happened was that Argentina was more and more restricted to user and consumer sectors and the middle class, who could not remove itself from this, was drowning. And in great extent, the middle class was precisely the one that withstood the specific weight of the crisis along with the sectors excluded from the productive model who could not even hope for a tomorrow or a government that would change things. For that reason, it was necessary for the economy, culture, and credibility to advise that the serious business of every capitalist is that more users exist, more and more consumers with greater purchase power to sell more of whatever is produced: goods, services, etc. It took a long time for this to be understood, but I believe that many are starting to understand. That is why we have growing investment rates. Today, Argentina is seen as a business opportunity, and that is why this process exists in the Argentine experience. I repeat, there is no intention of stating a formula – by conviction and attitude, we do not believe in ready-made formulas without ending up in the same Latin American process. As I was saying earlier when I was speaking to Bonilla and other professors from this important study center that is FLACSO, new winds are blowing in the region.

I was recently in Paris meeting with the main political directors both from the government and opposition from Parliament and Executive Branch. Everyone kept asking me: What is going on in Latin America? After so many electoral processes we have Kirchner, Bachelet, Evo Morales, President Chávez, here in Ecuador, President Correa. And I say that for the first time in Latin America, the governors look like the governed. I believe that this is a very unique moment in America. I believe that in this historic moment, with these unique governments, it is impossible to interpret a leader such as Kirchner comparing him to any other or vice-versa – Correa with Kirchner, Chávez with Bachelet, Bachelet with Evo Morales, because each one of them responds to the realities, idiosyncrasies, and history of their own country. What for us, Latin Americans, is easy to understand, for the European schools of thought, it is often much more difficult.

But I honestly believe that we are living through a unique period in Latin American history where integration is a duty. It is the greatest challenge that all with institutional responsibility have. With different instruments – as you know, along with Brazil and now Venezuela, we are part of Mercosur. It is important to take into account that each of our countries, each of our economies, has a degree of complementarity that we must take advantage of and increase when facing a world in constant debate about foreign policy, confrontation, or subordination. We must propose an integration model, with complementarity and solidarity in Latin America, which must be an inflexion point. We must present this not just as a theoretical proposal, in the important research centers or in institutional spaces, but also in specific and concrete administration, in governmental administration.

Our presence here in Ecuador, with this mission formed by Argentine businesspeople, lead by my country's Minister of Finance, the Minister of Foreign Relations, and the Minister of Planning is not by chance. We, Latin Americans, have never before visited each other and known each other as we are doing now. We have never before spoken as much about our problems and how to solve them. We have never spoken before of a Southern Bank as an instrument to fund our own projects without seeking out funding sources filled with requirements that have little to do with growth and social development programs. Because of this, I believe that we, fellow Latin Americans, are going through a very special moment. Let us use it wisely. As I have said before on numerous occasions in institutional and academic events, we have the matter

of instability in the region. The main cause for instability in Latin America has been poverty and extreme poverty. Those are the main causes for instability. And I believe that all of us who wish to build a stable democratic society in which each citizen can exercise his or her rights must understand that the representation of interests that we currently carry out from this system of ideas is not a dogmatic or ideological matter. We have merely verified, in practice, that the other system of ideas that was proposed to us only caused hunger, misery, pain, and had a devastating effect. Therefore, it is time that this system of ideas, in which we can demonstrate specific and concrete results that have an impact over the quality of life of our fellow citizens have the historic opportunity in Latin America it deserves. **DEP**

Translation: Cynthia Garcia

Diplomacy for life

*Pablo Solón**

Every system is developed through processes tending towards balancing unbalances existent amongst its components and surroundings, and then reaching new balance, which generates new unbalances. Foreign policies are not removed from this logic. Their final objective is to overcome unbalances present in various levels (economic, social, environmental, territorial, cultural, etc.) obtaining new unstable balances that become the basis for new unbalances that need to be balanced through new approaches, instruments, and policies. With this in mind, there is nothing more harmful to international policies and especially to diplomacy than inertia and routine in a dynamic and permanently changing world.

Today, it is clear that the object of foreign policies does not merely include the relationship between States. Obviously we negotiate and sign agreements, treaties, policies, and actions between States, but the meaning of said agreements goes way beyond interstate relations. The concept that through diplomatic actions one only defends the interest of one's nation is reductionist and ahistorical. The advocacy or promotion of certain specific national interests has repercussions over unforeseen areas, and what at first glance might seem to be a merely "technical" measure might have very serious global consequences.

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The various levels of balances and unbalances in the world are multiple, interlaced, juxtaposed, and change through time. This report will reflect on four of them: the planet-mother earth, economy, relations between states, and social interaction.

Mother earth

Ten or twenty years ago, the perspective of indigenous peoples was considered a phenomenon of the past, something to preserve and showcase for experts to study. The general attitude towards indigenous peoples was paternalist, with commiseration and the idea of protecting pieces of history. The appreciation of their existence occurred mainly through dance, music, clothing, and the wrongly named “folklore”, and rarely, if at all, with the exception of highly specialized academic circles, was it an appreciation of their culture and vision.

However, after 500 years the indigenous peoples have regained a situation of power, the government of a Latin American country, and they did so not only as an expression of popular and social movements, but also as indigenous peoples that restate their own conceptions of life, nature, and the world.

This perspective is reflected in the letter sent by President Evo Morales on October 2, 2006, to his regional colleagues on the occasion of the II Summit of the South American Community of Nations: “Our integration is and must be an integration of and for the peoples. Trade, energetic integration, infrastructure, and funding must all exist to solve the larger problems of poverty and the destruction of our region’s nature. We cannot reduce the South American Community to a partnership that builds highways or develops credit projects than end up essentially favoring the sectors linked to the world market. Our goal must be to *develop a true integration to ‘live well’*. We say ‘live well’ because we do not aspire to live better than others. We do not believe in the line of progress and unlimited development at the cost of others and nature. We must complement each other and not compete against one another. We must share and not take advantage of our neighbors. To ‘live well’ does not mean to merely think in terms of per-capita income but rather to think of a cultural identity, a community, harmony amongst us and with our mother earth.”

From our perspective we are all part of a single unit; human beings, plants, animals, mountains, rivers, the sky, and the wind. We all interact with one another. We all relate to one another. We all communicate with each other. Sometimes we get angry and react. The rocks on our path are not lifeless beings; they also have a history, a function, a series of transformations. Human beings are one more; one more component of mother earth. Human beings are not above others and cannot mold nature at will. If anyone is above others it is “mother earth”, the system of which we are a part of and without which we cannot exist. We must respect the “*pachamama*” and everything we do must be to “please her” to maintain the balance with her. For that reason, before withdrawing minerals or preparing the earth to be seeded we must ask her for permission and show respect because her internal harmony is being altered.

Basically this perspective is: a) total, it sees the system globally, as a whole, b) presumes that all elements have life and react to one another, and c) acknowledges that human beings are a part of this.

A few decades ago, progress was measured exclusively by the amount of square meters of cement and steel in a country or region. The example of progress used to be, and still is in a certain way, the classic photos of large cities filled with rising chimneys. Those were, and still are the times in which men considered themselves capable of dominating nature, moving mountains, changing the course of rivers, inventing seeds, in other words, creating life... with no problem; with no reaction from mother earth, without nature getting angry and defending itself.

Luckily, climatic change has been a tough blow and now over 5,000 experts in the world are ringing warning bells. “Things cannot continue to be this way”. As time goes by there is more awareness that a very large unbalance with nature is being produced. But why did we reach this situation and what can we do to fix it? We are far from reaching consensus on this matter. The reason for that is that this diagnosis implies accountability and leads to formulas that will affect some more than others.

From our perspective, this problem will not truly be solved unless we change the consumer standards created by the capitalist system. While we live in a system that needs to stimulate and promote irresponsible consumption to solve its cyclic crises, we will have no solution. In other words, the law to respect nature must come before the market law. The law of selling more

and more, producing more and more, only to profit more and more, without taking into consideration that we only have one blue planet is leading us to the abyss. We firmly believe that the “free market” has reached certain limits in which its coexistence with nature is unsustainable.

Neoliberalism wants to do business with the tragedy it provokes. To limit its supposed misuse a price tag must be put on water, to compensate the “pollution” of major industries, carbon credit certificates must be purchased, to preserve fields subsidies must be given...to the farmers of rich countries. Neoliberalism can be summed up in the concept “a price tag must be put on the environment so that it is not destroyed because people take care of things that have a price”. But what happens to those who cannot pay the established price to access this piece of nature? In what way is this a feasible solution for all humankind? And this leads us to an even more painful question: is it possible to preserve a blue enclave in a planet destroyed by the exploitation of its resources?

The indigenous perspective does not mean going back to the Egyptian plow as the prophets of modernity vulgarly say. Science, technology, industry, market are all elements of a system that can be managed within certain parameters and balanced with nature. The problem is that some of them no longer exist for the common good but rather have started to seek out greater profitability. They then become insatiable for markets, consumers, energy, natural resources.

There is no easy solution. While we speak of precautions, the capitalist system’s dynamic pushes towards following China’s indicators and grow at a pace of 8%. What would be the future of our planet if we all (including China as a whole) grew at such a pace?

We are at the beginning of change in foreign policies surrounding the vast problem of balance with nature. We believe that a radical and profound change is necessary in the WTO and the free trade agreements because to this point the logic has been to subordinate environmental components to trade rules. With the exception of the United Nations Security Council, the WTO is the only multilateral organization that has a dispute settlement mechanism capable of sanctioning in compliance. The correct situation would be if environmental conventions such as the Kyoto protocol and others had more hierarchy and

regulating capacity than trade agreements. If we do not progress down this path no true modification will take place with regards to climatic changes.

The economy

Unbalances with and in nature are intimately linked to unbalances in wealth distribution. The 200¹ largest companies in the world control one fourth (26.3%) of global production and grow at a pace that is double the Gross Domestic Product of the 29 OECD countries. The added production of these 200 companies is greater than the production of the 100 developing countries ranked at the bottom.

According to Forbes magazine, 587 multimillionaires have a fortune that is double the wealth of an entire country such as Spain and about one fifth of the American economy.

At the other end, 2.8 billion poor people survive in this planet with less than two dollars per day according to the 2005 UN report. 840 million people do not have access to basic food stuffs and an average of 6 million children of less than 5 years of age die of malnutrition every month.

According to ECLAC, in Latin America we have about 220 million poor people (43.4% of the population) of which 95 million are under the poverty line (18.8% of the population).

In terms of social and environmental sustainability, it is impossible to find a balance unless measures are taken to correct the situation. For us, the future of humankind depends on the capacity that countries have to regulate and develop mechanisms to contribute to wealth redistribution. Private initiative, per se, is not bad. But when it reaches certain extremes it is transformed into a considerable factor for unbalance. It no longer matters what is good for the planet, my country, or the people, but rather what is good for my company, my private interests. Much is said about free competition; however, we are living a concentration of economic power. In other words: a competition

¹ Some of the largest non-financial transnational companies: Shell, General Motors, Ford, Exxon, IBM, AT&T, Mitsubishi, Mitsui, Merck, Toyota, Philip Morris, General Electric, Unilever, Fiat, British Petroleum, Mobil, Nestlé, Philips, Intel, DuPont, Standard, Bayer, Alcatel Alston, Volkswagen, Matsushita, Basf, Siemens, Sony, Brown Boveri, Bat, Elf, Coca-Cola... amongst the classic; Microsoft, Cisco, Oracle, amongst the new. Banks include: IBJ/DKB/Fuji, Deutsche, BNP/Paribas, UBS, Citigroup, Bank of America, Tokyo/Mitsubishi...

between monopolies where the majority of the population is not involved and yet suffers its impacts. A concentration of such levels is not only a danger for balance with nature but also for the livelihood of millions of people and for the true exercise of democracy. In the end, when foreign agreements are being approved the interests of these power sectors come first.

The consequences of this unbalance manifest themselves in different levels. One of great concern and resistance by the indigenous peoples is cultural homogenization. Evo Morales says in his letter: “The greatest wealth of humanity is cultural diversity. To uniform or commercialize for profit or domination is an assault against humanity. In education, communication, justice, the exercise of democracy, territorial ordainment, and the management of natural resources we must preserve and promote cultural diversity in our indigenous peoples, mestizos, and all other populations that migrated to our continent. We must also respect and promote economic diversity, which includes forms of private, public, and social-collective property.”

For the major companies we are no longer citizens and have become consumers, subjects that must be molded according to market. Within this context, needs are created, fashions are promoted, the family space is invaded by publicity, fictions of life are created by reality shows, consumer standards are created, children are used to promote new products, and leisure spaces such as sports and theater become market goods. Even schools are following this logic and the major transnational companies have gone from being sponsors of cultural events to “creators” of culture.

Resistance to this cultural alienation is extremely difficult because it takes place everyday through multiple channels. When a culture is lost, a piece of humanity that can never be recovered is lost. Advocacy and promotion of cultural diversity must be included in our foreign policies with as much importance as environmental preservation.

The indigenous perspective does not wish to make everything the same. In the abovementioned text, Evo Morales does not refer to the exclusion of private property, but rather the possibility of complementing it with public and social-collective property. It is not a matter of choosing one or the other but to acknowledge that there are more than two options, – social-collective property also exists –, and to seek a balance between the different forms of property.

The relation between States

Over 50% of the global trade and 75% of foreign capital investment is concentrated in United States, Japan, and the European Union. The Financial Times report of May 2002 states that 48% of the largest companies and banks in the world come from the United States, 30% come from the European Union, and only 10% from Japan. In other words, 90% of the transnational companies that dominate the economy are American, European or Japanese. Africa and Latin America are completely marginal to these groups of economic power.

No one questions the fact that the interests of these mega corporations are at stake in foreign policy through diplomatic relations between countries. In many cases “national” interests cover up or guard the interests of economic power groups before citizen needs or requests. Many of the conflicts between nations have more to do with the struggle between these interests than true conflicts between peoples. The relations between countries will be more constructive when the economic power of these mega corporations begins to decrease. To contribute to this process it is essential to have transparency and awareness as to the interests that are truly represented in an international negotiation.

During the past century we went from a bipolar world to a single poled world under crisis. None of these relations of power have been healthy for the world and humankind. The system developed in the United Nations is far from expressing a true balance between nations. The current situation is of a handful of countries with the power to define and legalize direct military intervention. A more balanced world is impossible without the development of a multi-polar world.

Sovereignty as a country’s right to define its own destiny is more and more relative in current times. The capability of a country that represents 0.07% of the global economy of influencing the world and having its rights and perspective respected is almost an impossible mission. Within this context, it is essential to progress towards the continuation of regional blocks that allow us to reach a multi-polar world, a more balanced world. Evo Morales states in his letter addressed to his South American colleagues: “The South American Community of Nations can be a great stand to defend and state our sovereignty in a globalized and single-poled world. Individually, as isolated countries, some might be more easily susceptible to external pressure and

conditions. Together we have greater possibilities to develop our own options in different international scenarios.”

The Andean indigenous perspective is not local. Perhaps this is due to the fact that it always remembers its long history of belonging to a larger civilization that transcended the five countries formed by breaking apart the Andean territory to preserve the interests of determined local oligarchies and certain reigning empires. The idea of overcoming borders and moving towards a larger nation is not an expression of an expansionist intent on the part of the indigenous peoples but rather a firm conviction that recomposing the territorial tissue is necessary. It is not about going back. The assumption is that the future is only possible with an overcoming integration.

The development of regional blocks as an affirmative mechanism to exercise sovereignty must be accompanied by a group of policies to overcome the major asymmetries existent within the integration processes. Unity is impossible with great inequalities between countries and regions. The idea of development in certain areas amidst a sea of poverty is not socially, economically, or environmentally sustainable.

Just like the environment, asymmetries are also being discussed in foreign relations and in the diplomatic discourse. However, we are still undergoing an embryonic stage of its effective implementation. This is understandable, though not justifiable, because a true treatment of asymmetries leads to redirecting part of the funds that used to benefit privileged regions. It is necessary to develop innovative mechanisms that can effectively overcome asymmetries such as percentages of the common customs income, of specific progressive taxes for determined areas, considerable structural funds, preferential and not reciprocal mechanisms and norms.

In this process for the integration and solution of asymmetries we must acknowledge our diversity and progress taking into account the necessary time frames for each country. For that reason, Evo Morales states: “I am aware of the fact that the South American nations have different processes and paces. For that reason I propose *an integration process of different speeds*. We should design an ambitious yet flexible path. In this way it will be possible for all to participate while each country commits itself to what it can allowing those who want to go faster to do so, all towards the formation of a true political, economic, social, and cultural block. Other integration processes in the world

have developed in this manner and the most adequate path is to progress in the adoption of supranational instruments respecting timeframes and the sovereignty of each country.”

Social interactions

The greatest social unbalance that currently exists is that democracy has emptied itself of content, or, perhaps, has not filled itself with content and expectations of the population when democratic liberties were conquered. The overthrow of dictatorships was followed by a broad process to recover democracy in our countries, but just like in other regions, democracy was transformed into a rhetoric space for the majority of the population that feels their participation only happens every 4 or 5 years during elections. After that, power relations between the various social players change and those that have most economic power also exercise more power.

Out of all the analyzed factors, this is the most determinant for us human beings because we can act directly on it and when we do so influence the other levels of balance between countries, economic sectors, and with nature.

Within this context we must be openly ask ourselves: how much of foreign diplomacy tends to the interests of nations, their populations, and democracies and how much is conditioned or guided towards promoting the interests of specific sectors of economic power? Should we not move into a phase in which to save life in this planet we must democratize the exercise of foreign relations?

In Bolivia, we use the phrase “diplomacy of the peoples”, which is a broad concept under construction that includes the fact that in foreign relations a country must give priority to all interests of our peoples, including the fact that we can often progress more substantially through a close relationship with our peoples, who do not feel or know borders, rather than by the mere work of the foreign relations departments often filled with a conservative nature.

Many mistakes would be avoided if we listened to what social, women’s, indigenous peoples’ movements say. For example: the *Via Campesina*, a network of field workers and indigenous organizations in the world, has said that we should not speak of “bio”fuels but rather of “agro”fuels. Life should not be compared to energy. Under certain parameters a portion of the energy we use

can come from agricultural products, but obviously with certain limitations otherwise, to produce the necessary energy we will end up destroying the environment, forests, using more water, and eroding land.

We do not wish to exclude business sectors from trade negotiations or negotiations of any other kind. We wish our departments of foreign relations to listen to each other especially those less heard.

Evo Morales says: “After years of being victimized by the incorrectly named ‘development’ policies, today our peoples must participate in the solutions for the serious problems in health, education, employment, unequal income distribution, discrimination, migration, exercise of democracy, preservation of the environment, and respect of cultural diversity.”

This search for diversity in all levels is what we have come to call “Diplomacy for life” in Bolivia.

Annex I – Proposal made by President Evo Morales*

Let us build with our peoples a true South American Community of Nations to “live well”

La Paz October 2, 2006

Brothers, Presidents and peoples of South America,

In December 2004, in Cuzco, the Presidents of South America committed themselves to “*develop a South American integration on political, social, economic and environmental aspects, and infrastructure*” and stated that “*the South American integration is and should be an integration of the peoples*”. In the Ayacucho Declaration *freedom, equality, solidarity, social justice, tolerance, and respect to the environment* were highlighted as fundamental pillars for this Community to obtain social and economic sustainable development “*that takes into consideration the urgent needs of the poorest as well as the special requirements of the small and vulnerable economies of South America*”.

In September 2005, during the First Meeting of the Heads of State of the South American Community of Nations, which took place in Brazil, a Priority Agenda was approved including, amongst others, the following topics: *political dialogue, asymmetries, physical integration, the environment, energetic integration, financial mechanisms, economic trade convergence, and the promotion of social integration and justice*.

In December of that same year during an Extraordinary Meeting in Montevideo, the Strategic Commission to reflect on the South American Integration Process was formed to draft “*proposals intended to drive forward the South American integration process in all its aspects (political, economic, commercial, social, cultural, energetic, and infrastructural, amongst others)*.”

Now, during the II Heads of State Summit, we must deepen this integration process from the top and from the bottom. We must do so with our peoples, social movements, productive businesspeople, ministers, technicians, and representatives. For that reason, during the next Presidential Summit that will take place in December in Bolivia, we are also pushing forward a Social Summit to carry out dialogues and jointly build a true integration with the social

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participation of our peoples. After years of being victimized by the policies of the incorrectly named “development”, today our peoples must participate in the solutions for the serious problems in health, education, employment, unequal income distribution, discrimination, migration, exercise of democracy, preservation of the environment, and respect for cultural diversity.

I am convinced that during our next meeting in Bolivia we must move from declarations onto actions. I believe we must progress towards *a treaty that transforms the South American Community of Nations into a true South American block at a political, economic, social, and cultural level*. I am sure that our peoples are closer to each other than our diplomacies. With all due respect, I believe that we, the Presidents, must shake off the dust of our Foreign Relations Departments so they might get rid of their routine and to tackle this great challenge.

I am aware of the fact that the South American nations have different processes and paces. For that reason I propose *an integration process of different speeds*. We should design an ambitious yet flexible path. In this way it will be possible for all to participate while each country commits itself to what it can allowing those who want to go faster to do so, all towards the formation of a true political, economic, social, and cultural block. Other integration processes in the world have developed in this manner and the most adequate path is to progress in the adoption of supranational instruments respecting timeframes and the sovereignty of each country.

Our integration is and must be an integration of and for the peoples. Trade, energetic integration, infrastructure, and funding must all exist to solve the larger problems of poverty and the destruction of our region’s nature. We cannot reduce the South American Community to a partnership that builds highways or develops credit projects than end up essentially favoring the sectors linked to the world market. Our goal must be to *develop a true integration to “live well”*. We say “live well” because we do not aspire to live better than others. We do not believe in the line of progress and unlimited development at the cost of others and nature. We must complement each other and not compete against one another. We must share and not take advantage of our neighbors. To “live well” does not mean to merely think in terms of per-capita income but rather to think of a cultural identity, a community, harmony amongst us and with our mother earth.

To progress in this path my proposals are:

Social and cultural aspects

- 1) *We must free South America of illiteracy, malnutrition, malaria, and other afflictions of extreme poverty.* We must establish clear goals and mechanisms for follow-up, support, and compliance of these objectives that are the basis to initiate the development of an integration at the service of human beings.
- 2) *We must build a South American public and social system to ensure access to education, health, and drinking water for the entire population.* By combining our resources, capabilities, and experiences we will be able to better guarantee these fundamental human rights.
- 3) *More employment in South America and less migration.* Our most valuable asset is our people and we are losing them because of lack of employment in our countries. Labor flexibilization and a smaller State have not brought more employment as was promised decades ago. Our governments must intervene in a coordinated manner with public policies to generate sustainable and productive jobs.
- 4) *Mechanisms to reduce social inequalities and iniquity.* While respecting the sovereignty of all countries we must commit ourselves to adopt measures and projects to reduce the gap between the rich and the poor. Wealth should and must be distributed in a more equitable manner in the region. To do so we must develop several fiscal, regulatory, and redistributive mechanisms.
- 5) *A continental struggle against corruption and mafias.* One of the most serious problems that our societies face is corruption and the establishment of mafias that penetrate the State and destroy the social tissue of our communities. We should develop a transparency mechanism at the South American level and a Committee to fight against corruption and impunity to follow-up the more serious cases of corruption and illicit enrichment without harming the jurisdictional sovereignty of the countries.
- 6) *South American coordination with social participation to defeat drug trafficking.* We will develop a South American system with the participation of our States and civil societies to support each other, coordinate with one another, and eliminate drug trafficking from our region.

The only way to beat this cancer is with the participation of our peoples and the adoption of transparent and coordinated measures amongst our countries to confront the distribution of drugs, money laundering, precursor ingredient trafficking, and the production and cultivation for these purposes. This system should certify the progress in the struggle against drug trafficking overcoming the evaluations and “recommendations” of those who have failed in the struggle against drugs.

- 7) *Advocacy and stimulation of cultural diversity.* The greatest wealth of humanity is cultural diversity. To uniform or commercialize for profit or domination is an assault against humanity. In education, communication, justice, the exercise of democracy, territorial ordainment, and the management of natural resources we must preserve and promote cultural diversity within our indigenous peoples, *mestizos*, and all other populations that migrated to our continent. We must also respect and promote economic diversity, which includes forms of private, public, and social-collective property.
- 8) *Depenalization of the coca leaf and its production in South America.* The struggle against alcoholism cannot lead us to penalize barley; therefore, the struggle against narcotics should not lead us to destroy the Amazon looking for psychotropic plants. We must stop persecuting the coca leaf, which is an essential cultural component of the Andean indigenous peoples and must promote its production for beneficial purposes.
- 9) *Let us advance towards a South American citizenship.* We should give greater speed to measures that facilitate migration between our countries, ensuring the full effectiveness of human and labor rights and tackling all types of trafficking until we are able to establish a South American citizenship.

Economy

- 10) *Our economies should complement each other and not compete disloyally.* We should steer away from the path of privatizations and support and complement each other to develop and potentialize our state-

owned companies. Together we can develop a South American state-owned airline, a public telecommunications service, a state-owned energy network, a South American industry for generic medication, a mining-metallurgic complex – in other words, a productive apparatus that can meet the fundamental needs of our population and strengthen our position in the global economy.

- 11) *Fair trade at the service of the South American peoples.* Fair trade should excel within the South American Community to benefit all sectors and specifically small-sized companies, communities, craftspeople, economic organizations for farmers, and producer associations. We must move towards the convergence of the CAN and Mercosur with new principals of solidarity and complementation that overcome the precepts of trade liberalization that have mostly benefited transnational companies and some exporting sectors.
- 12) *Effective measures to overcome asymmetries in the countries.* On one side of South America we have countries with a Gross Domestic Product of 4,000 to 7,000 dollars per inhabitant per year and on the other countries that barely reach 1,000 dollars per inhabitant. To face this serious problem we must effectively comply with all provisions approved within the CAN and Mercosur in favor of less developed countries and develop a group of new measures to promote industrialization processes in these countries stimulating added value exports to improve the terms of exchange and prices in favor of smaller economies.
- 13) *A Southern Bank for change.* If we create a Development Bank for the South American Community with 10% of the international reserves of South American countries we would have a starting fund of 16 billion dollars, which would allow us to effectively aid productive development and integration projects with financial recovery and social content. This Southern Bank could also be strengthened with a security mechanism based on the updated value of the raw materials present in our countries. Our “Southern Bank” must overcome the problems of other “development” banks that charge commercial interest rates, fund essentially “profitable” projects, condition credit access to a number of macroeconomic indicators or to hiring specific providing and executing companies.

- 14) *A fund for the compensation of social debt and asymmetries.* We must develop innovative funding mechanisms such as the creation of taxes on airline tickets, tobacco sales, weapons trade, and financial transactions of major transnational companies that operate in South America to create a compensation fund that might allow us to solve the serious problems in the region.
- 15) *Physical Integration for our peoples and not just of exports.* We must develop highway, waterway, and infrastructure corridors not only and not so much for exporting more to the world, but especially to connect the peoples of South America to one another respecting the environment and reducing asymmetries. Within this context, we must also review the Initiative for the Integration of Regional Infrastructure in South America (IIRSA) to take into consideration the concerns of those who wish to see roads in development areas and not highways through which export containers travel amidst sidelines of poverty and an increase in foreign debt.
- 16) *Energy integration between regional producers and consumers.* A South American Energy Commission should be formed to:
 - ensure supply to all countries giving priority to the consumption of existent resources in the region;
 - ensure, through joint funding, the development of necessary infrastructure so that energy resources of producing countries reach all of South America;
 - define fair prices that combine the international price parameters with solidarity criteria for the South American region and redistribution in favor of less developed economies;
 - certify our reserves and no longer depend on the manipulation of transnational companies, and
 - strengthen integration and complementation between our oil and natural gas state-owned companies.

The environment and nature

- 17) *Social participation in public policies to preserve the environment.* We are one of the most privileged regions in the world in terms of the

environment, water, and biodiversity. This forces us to be extremely responsible with these natural resources that cannot be treated as goods. We must not forget that life and the existence of the planet itself depends on them. We are obligated to develop an alternative sustainable management of natural resources recovering the harmony with nature of our indigenous peoples and ensuring social participation of the communities.

- 18) *South American Environmental organism to draft strict norms and impose sanctions upon large companies that do not respect said norms.* Political, local, and current interests cannot come before the need to ensure the respect for nature. For this reason I propose the creation of a supranational organism that is capable of dictating and enforcing environmental norms.
- 19) *South American Convention for the right of humans and all living beings to access water.* As a region that is blessed with 27% of the drinking water in the world, we must discuss and approve a South American Convention that ensures all living being the access to this vital resource. We must preserve water in all its different uses from privatization processes and the mercantile logic imposed by trade agreements. I am convinced that this South American treaty on water will be a decisive step towards a World Convention on Water.
- 20) *Protection of our biodiversity.* We cannot allow our plants, animals, and living material to be patented. The South American Community must apply a protection system that on the one hand avoids piracy of our biodiversity, and on the other, ensures our country's domain over these genetic resources and collective traditional knowledge.

Political institutional aspects

- 21) *Let us give greater depth to our democracies with more social participation.* The only way to guarantee that our South American Community of Nations will be able to progress down a good path is by being more open, transparent, and including the participation of our peoples in decision-making processes.

- 22) *Let us strengthen our sovereignty and our common voice.* The South American Community of Nations can be a great stand do defend and state our sovereignty in a globalized and single-poled world. Individually, as isolated countries, some might be more easily susceptible to external pressure and conditions. Together we have greater possibilities to develop our own options in different international scenarios.
- 23) *A Commission for Permanent Convergence to draft the South American Community of Nations treaty and guarantee the implementation of agreements.* We need an agile, transparent, non-bureaucratic organism with social participation that takes into consideration the existent asymmetries. To effectively move forward we must create a Commission for Permanent Convergence with representatives of the 12 countries so that by the III Presidential Summit they might draft the South American Community of Nations treaty taking into consideration the specificities and paces of the different countries. This Commission for Permanent Convergence, through groups and committees, should coordinate itself and work along with the CAN, Mercosur, ALADI, ACTO, and different sub regional initiatives to avoid doubling efforts and enforce the commitments made.

Hoping that this letter might strengthen the reflection and the development of proposals for an effective and positive II Summit of the Heads of State of the South American Community of Nations, I would like to finalize reiterating my invitation to our meeting on December 8 and 9, in Cochabamba, Bolivia.

Sincerely,

Evo Morales Ayma
President of the Republic of Bolivia

Annex II

Letter to the Presidents of the European Union

La Paz January 30, 2007

Esteemed Prime Minister,

During the conclusion of the initial phase to launch negotiations between the CAN and the EU, I wish to express the fundamental proposals made by Bolivia on numerous occasions so that these negotiations might move forward in a successful manner benefiting all parties involved.

First, it is necessary that the negotiations take into consideration the existence of the enormous differences in wealth and industrial development between the two blocks as well as within the CAN. Bolivia has repeatedly stated that it is essential to take into consideration said asymmetries and consider special and differentiated treatment for the CAN countries and specifically for Bolivia. We consider the Partnership Agreement between the CAN and the EU an excellent opportunity to develop a trade relation with solidarity between the two blocks giving the example of what should be a true special and differentiated treatment given to one of the least developed countries in the Andean region.

Second, it is extremely important to consider the ongoing process for change and revaluation of the State taking place in the Andean region and specifically in Bolivia, respecting these policies in the negotiation process between the CAN and the European Union. After three decades Bolivia has obtained a double fiscal and trade surplus thanks to the recovery of property and control over its natural gas resources, practicing greater regulating capacity, in accordance to the promise of nationalizing without expropriating, ensuring the legal safety of companies that are in compliance with our norms. This economic strengthening of the State is allowing us to go through a wealth distribution process that is reducing the huge gaps of inequality and injustice in our country. It is also reinforcing the sense of community of our population,

which was previously stifled by the logic of profit and competitiveness. For this reason, during the “joint valuation” process for the CAN – EU Partnership Agreement, Bolivia reiterated that it discarded the possibility of including topics into the negotiation that lead to a reduction in the role of State and public services or that hinder economic, social, environmental or cultural public policies.

Third, we hope that the environment will be treated in a true and integral manner. Usually the concern for our planet’s future tends to be reduced to an adornment in trade agreements. We want this Partnership Agreement with the European Union to give priority to the protection of our life conditions bringing awareness to the seriousness of environmental matters. These considerations are essential for “living well” as proposed by the indigenous peoples to all human beings. Productivity and profitability must be subordinated to these considerations. Consequently, we cannot consider agriculture, environmental services, biodiversity, and knowledge mere goods from a trade agreement.

We hope that a strategic alliance will emerge from these negotiations between the European Union and the Andean Community of Nations without reproducing neo-colonial exchanges, contributing to improve the development of our peoples in harmony with nature, taking advantage of the possibility to compliment our regions in a human, environmental, and energetic level that goes beyond mere trade exchanges based on a competitive logic.

We want to promote a new moment in the economic relations between the two blocks. We want to develop a partnership based on solidarity to compliment one another and that is not at the service of global liberalization. We hope that the reality of our country and indigenous peoples of the Andean region will be understood and reflected adequately in the negotiation guidelines adopted by the European Union.

Sincere greetings,

Evo Morales Ayma
President of the Republic of Bolivia

DEP

Translation: Cynthia Garcia

Brazil 2007: ready to grow again

*Guido Mantega**

Throughout the 20th century and especially from the 50s on, the Brazilian economy was one of the most expanding economies in the world. Just like China and India nowadays, or the so-called Asian Tigers a few years back, Brazil literally meant growth.

At a certain point even a “Brazilian miracle” was mentioned. With all due respect to the known religious faith of our people, it was not a miracle. We were living through a period of intense growth, of great investments in infrastructure, intense industrialization in various sectors, accelerated urbanization, that is, modernization.

Between 1930 and the end of the 70s, we ceased being an agricultural economy, known overall as an important coffee exporter, and transformed ourselves into an industrialized nation with a diversified and complex economy. Although agriculture is still one of our greatest strengths, the mainly rural country was substituted by a predominantly urban society.

In a short amount of time, if we consider the usual time periods of history, Brazil was elevated to one of the biggest economies in the world.

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Such a trajectory – and this observation will be especially useful to younger readers –, however, followed a different path to that adopted a short time later by other emerging nations. By our own decision, but also as a result of how the international economy was then structuring itself, we adopted a development model in which the state allied itself to national and foreign private investors not to transform the country into the world's barn or manufacturing plant, but rather, giving priority to the needs of our large domestic market and its expansion.

Our development model, generally denominated import substitutions, was perfectly compatible with the prevailing 'globalization' of mid 20th century. More than compatible, that model was the main driving force for the greater insertion of Brazil into the international economy, not through foreign trade; of course, since our growth mainly took place in the domestic market, but through the attraction of massive investments that helped transform our society.

At that time there was no contradiction between foreign investment and domestic market protection mechanisms. Quite the opposite, trade barriers were a requirement of the companies that established themselves here in the various sectors, and for a long time, Brazil was the favorite destination of foreign direct investment coming from more advanced economies. The rules for economic internationalization were different.

Therefore, unlike what many state, Brazil was never a closed economy. We went through centuries in which the main source of wealth was the export of natural products that succeeded each other in cycles, to an industrialization in which the so-called transnational companies played an essential role. I would like to highlight, as an example, the case of the implementation of the auto industry, which began in the 1950s and increased in the 1990s with the arrival of numerous Asian and European companies who were absent from our market at that point.

Brazil, especially because of its territorial and demographic dimensions, but also because of choices made in the last century, many, I insist, consequent of the international economic ordainment then present and the opportunities available for the development of a country such as ours, was a relatively introvert economy; that is, it had a natural tendency of growing over itself (even though when in this path it counted on considerable foreign investment). Such introvert characteristic is typical of countries of such monumental proportions, including the United States of America, for example.

At this point, however, the most important aspect to remember about the economic history of Brazil is that it was characterized during a large part of the 20th century by accelerated growth and modernization.

On the other hand, another point to consider is that from the 1980s on, Brazil's economy began having an insufficient growth average, not growing at all some years.

This phenomenon cannot be attributed merely to the exhaustion of a model or cycle, but rather, as usually happens in history, to multiple elements combined together that lead to a period that we only recently started to emerge from in which Brazil's economy stopped expanding at the necessary speed for its development.

Although there is no intention of listing all of these elements here, some can be given as examples: the inflation outbreaks that with greater or lesser intensity were present in our daily lives from at least the 1970s on; the lack of discipline in the administration of public accounts originated earlier; the two 'oil crises'(1973 and 1979); the successive expansions and contractions of international financial liquidity and its often devastating effect over the country's foreign accounts; fiscal impact on social security, for example, consequent of the reconstruction of our social-political order following the return of democracy in 1985; the pressures from the transformations to liberalize the world economy that imposed harsh adjustments for Brazilian companies especially in the industrial sector.

These are just a few factors associated to Brazil's insufficient economic growth. Two observations must be made for the sake of historical justice. First, many problems that arose from the 1970s, 1980s, and 1990s to stifle Brazil's growth were originated in more remote periods of our history. Although objectively arguable, it is common, for example, to associate the origin of Brazilian inflation to the construction of Brasilia, inaugurated in 1960. Second, many of the conditions that currently lead to the perspective of a new accelerated growth cycle began to be set long before. It is important to remember that the *Plano Real* (Real Currency Plan) was launched in 1994, initiating a process to overcome decades of macroeconomic instability in Brazil. Similarly, in 1986, over twenty years ago, the National Treasury Secretariat was created marking the beginning of the organization of public accounts in our country.

Therefore, if we are ready, as we effectively are, to initiate a new growing cycle for our economy, this is due not only to the efforts of the current administration, whose results will be summed in the following paragraphs, but also to the contribution of successive administrations, including the state and municipal levels, and, overall, the effort and talent of our business community and workers, who, each fulfilling their own role, have for a long time been trying to balance out Brazil's most important challenge.

The past four years

Although with not as an intense pace as we would like, Brazil's economy has been growing in a sustained and sustainable manner since 2003. Last year's growth was 3.7% and the average for 2003-2006 was 3.4%. These figures should increase from now on as the 2007 indicators demonstrate. This growth is based on three fundamental pillars: price stability, fiscal responsibility, and a reduction of foreign vulnerability.

For a country that reached inflation rates of 70% a month in the 1990s, it is noteworthy that in the last years we have decreasing rates compatible with the inflation goals determined for the monetary authority. These goals, for the first time in our recent economic history, are also meeting the market expectations.

Accordingly, Brazil's inflation, which was 3.14% in 2006, is low and under control, and economic agents trust that this environment will be maintained. This is extremely important because, as is known, one of the worse effects of macroeconomic instability is compromising the possibility of planning for the future and making sure investment decisions. There is no doubt, as was stated above, that the macroeconomic instability that Brazil went through for a long time is one of the main causes for the insufficient growth of the final years of the 20th century.

The public account results are also encouraging and contribute to a favorable environment for growth. The public sector net debt that reached 52% of the Gross Domestic Product (GDP) in 2003 has reversed its seven year growing trend and has been dropping significantly. It was 45% of the GDP in 2006. Relying on the continuity of the rigorous compliance of the primary surplus goals, as has been invariably occurring, the public debt/GDP ratio should maintain its declining trajectory.

The third pillar of the new cycle of growth is the reduction of the foreign vulnerability of Brazil's economy. This is an important data in stable and prosperous times such as the ones we are living especially because it tends to reduce costs and increase access to foreign funds, as well as attract more investments. This data becomes crucial in tormented times. The fact that Brazil was one of the emerging economies least affected by the international financial turbulent episodes that occurred this year and in 2006 was not left to chance.

Since 2003 Brazil has more than doubled its exports that went from US\$ 73 billion in 2003 to US\$ 137 billion in 2006. Although our imports have grown at an even greater speed, Brazil has obtained elevated trade balances, amounting to US\$ 46 billion last year. Thanks to this performance and the influx of foreign investment, we currently have exchange reserves of over US\$ 100 billion.

Also as a consequence of good results in short term transactions, the foreign debt and export ratio, a significant vulnerability indicator, is currently the lowest in 35 years. Accordingly, the National Treasury's foreign debt, for the first time since the adoption of the floating exchange rate in 1999, is currently lower than the international net reserves, an essential measure of Brazil's solvency.

The stability of Brazil's economy before the world is reflected in the immense drop, since 2003, of the additional risk rates charged by the international financial market. These rates reached about 2,500 base points at the end of 2002 moving on to 2003 and are currently lower than 200 base points. That is, the financial spread dropped from 25% to less than 2% in four years.

In this way, Brazil has been able to reduce the risk of being more harshly affected by adverse situations in the foreign environment not by closing its economy, with less presence of international economic flows, but quite the opposite, by a more vigorous and competitive performance both in trade and in the international financial markets.

In other words, we have known how to enjoy the moment of the world economy to increase our capacity of crossing less favorable international periods in the future, which will unfortunately occur. This way the growth that we are trying to accelerate will become more sustainable.

Amongst many of its obligations, societies must learn from the lessons taught by history, especially those lessons learned leading to setbacks,

frustration, and suffering. Brazil has learned from the adverse experiences it has been through. Domestically, for example, we realized that the belief we collectively nurtured for years that it was possible to contain and control the harmful effects of living with elevated inflation levels and with a lack of more rigorous control of public accounts, was wrong. Externally, we suffered the effects of improvidence with which, in certain moments of our remote and recent history, we sought out and contracted international funding for our development.

Yes, Brazil has learned these lessons. And these lessons were learned as a part of the maturity process of our vigorous democracy. Brazil has learned that even in a country in which the most urgent needs are way beyond the available resources, society, and its political leaderships, must be capable of defining priorities and limits, and to establish timeframes for the accomplishment of objectives.

Using automotive imagery, we have learned not to try to reach higher speed before having safer, more sustainable equipment that is solid enough to face the bumpier stretches of the road ahead. In the past, this logical order was inverted and did not produce good results. Consequently, we paid an elevated price for the combination, sometimes simultaneous, others successive, of imprudence and incompetence.

The economic policy of President Luiz Inácio Lula da Silva's administration is the best proof that Brazil is effectively not about to repeat past mistakes. During his first term, from 2003 to 2006, President Lula first dealt with reinforcing the structural stability of our economy and eliminating or reducing most of its weak points, while accentuating its domestic and foreign credibility making it more attractive for national and foreign investors.

However, this endeavor was successful following the abovementioned logic – equipment first, speed later – without repeating another past mistake founded in the notion that to share the benefits of growth it was necessary to first increase the amount to only later try to share it.

This incorrect idea was challenged and for the first time in our history we were able to overcome the false dilemma that has occupied so much of our economic debates. The dilemma of choosing between two supposed alternatives: growth or distribution? In fact, both are indispensable sides of the same coin in democratic societies that have chosen a free market economy.

Today, as was observed earlier, economy grows steadily, although not yet in the intense manner needed by the country, but already allowing the poorer segments of the population to gather the fruits of this progress, and at a greater pace than the GDP growth rate. In other words, we are truly distributing income and lowering inequalities.

The unemployment rate has been constantly dropping going from 12.3% in 2003 to 10% in 2006. This decrease, especially in 2006, was not greater because the speed in which better perspectives increased attracting more people to search for employment was higher than the growth of new jobs. In 2006, for example, the number of jobs increased 2.3%, while the economically active population increased little over 2.4%. The formalization of employments has been even more considerable. From 2003 to 2006 over 4.6 million formal jobs were created reflecting significantly over the financial balance of social security and the personal value of workers and safety made available by their incorporation into the benefits of the social protections network.

In addition to the number of jobs, there was an elevation of the real income due to a decrease of inflation rates. The combination of more jobs and greater income generated a significant increase in the real rate of population that receives wages, which, since 2005, has been increasing at rates higher than 5% yearly.

The increase in consumption capacity that comes from growth and price stability has been reinforced by the unfolding of a true credit revolution, one of the areas that most suffered with the corrosive effects of decades of high inflation.

The so-called consigned credit, in which loan payment installments are deducted from workers paychecks, is merely the most ostensive aspect of this revolution that has been driven by the government through several reforms and measures.

The figures speak for themselves: the total credit operations balance of the financial system went up 20.7% in 2006, repeating the same nominal growth rate of 2004. This expansion was even greater when observing the credit operations balance for individuals, which increased 24.8% in 2006 and has more than doubled in nominal terms since 2003.

Also worth mentioning is the development of the capital market where a growing number of companies release debentures and stock.

The increase in consumer income and easier and cheaper access to credit generate, amongst other results, an expansion of retail trade. In 2006, retail product sales grew 6.2%. Information and communication technology equipment sales alone grew 30%.

This increase in the demand was reflected in a vigorous expansion of family consumption, which grew 4.3% in 2006 and generated, consequently, greater demand for industry and service sector products, which increased their investments.

The gross formation of fixed capital increased 8.7% in 2006 compared to 2005 and drove forward the industries of capital goods, building trades, and, indirectly, employment in these sectors with a multiplying effect over the increase in production and income throughout the economy. The GDP growth reached 3.7% in 2006. 2006's last quarter registered a 4.8% increase compared to the same quarter in 2005. In other words, an increase in the speed of growth could already be identified.

This virtuous cycle, combining stability, growth, and income distribution, has benefited greatly from the government's social policies, since they improve the distribution of wealth and have helped increase the population's purchase power, stimulating the family consumption, especially in less developed regions.

Since 2004, federal government transfers to families have grown at yearly rates over 8% and have benefited tens of millions of needy Brazilians.

Since this publication is also destined to non-Brazilian readers, it seems useful to explain how "*Bolsa Família*", the largest and most well known income transfer program, works and what its impact is.

This program benefits over 11 million families in all 5,562 municipalities in Brazil. Families living under poverty or extreme poverty conditions receive cash benefits that vary according to the monthly *per capita* income of these families, the number of children, pregnant women, and women breastfeeding. As a condition for continuing in the program, families must in exchange commit themselves to: keep children and adolescents of 6 to 15 years of age in school; regularly take children of up to 7 years of age to get vaccines and be medically examined; and have pre-natal and maternal health care.

The fact is that as part of this new development cycle the dreams of economists and Brazilian citizens are coming true. We are effectively

incorporating millions of people that were previously excluded from the benefits of economic progress into our domestic market as true consumers.

This change is just barely identified in statistics so far, but can already be felt clearly in the streets of our largest and smallest cities; in the behavior of our consumers, especially those of more limited income; and in the daily life of our companies that are adjusting themselves to new challenges and opportunities consequent of this ‘revolution’ in the various sectors of the economy.

This transformation is also reflected in the country’s considerable political renewal and in the strengthening of our vigorous and dynamic democracy.

Finally, in a country with a population of over 180 million, with growing support of accurate data, we can speak more and more of mass consumption. We can be proud of the fact that we are consolidating and broadening a market economy that in this new growth cycle progresses to integrate our population as a whole into the national economic life.

The imperative of accelerating growth

Growing in a balanced manner, distributing income, and reducing inequalities are conditions that are necessary, but not sufficient, to respond to the legitimate expectations of the majority of Brazilians in our society. It is necessary to do so in a speedy fashion. We cannot comfort ourselves by arguing that longer timeframes in history exist. Quite the opposite, we must establish our actions according to the urgency that comes from the shorter period given for people to live. We must work for the future, but also for the present.

For that reason, President Lula chose as his first initiative of his second term for which he was reelected by the majority of the population, to launch the Acceleration of Growth Program – PAC. During a ceremony on January 22 of this year he summed up his inspiration in a few lines:

“During our first term we were able to implement a development model based on stability, growth in employment and wages, decrease in poverty, and in improving income distribution.

Our challenge now is to accelerate the growth of the economy while maintaining and increasing these and other conquests obtained in the past years. Above all, it is time to break barriers and overcome limitations. (...)

We want to continue growing properly, however, with greater acceleration. To grow properly is to grow decreasing inequalities between people and regions, distributing income, knowledge, and quality of life.

To grow in an accelerated fashion means to yank away the restraints and to drive the country into a pace more compatible to its capacity and strength. To grow correctly is to grow with fiscal balance and the reduction of debt and external vulnerability. To grow in an accelerated fashion means to generate more employment and produce greater wealth. To grow properly is to grow without inflation and price control. To grow in an accelerated fashion is to stimulate industry, agriculture, and the service sector in all its scales and configurations. To grow properly is to grow maintaining and increasing civil liberties and democratic rights. It is to implement a production and labor culture that reinforces the fundamental values of Brazilian society.”

Fortunately, there is no consensus amongst economists. If there were, soon the profession would no longer exist. However, there are broadly shared diagnoses. With regards to Brazil, and specifically to the explanation of our insufficient growth in the last decades, most tend to state low investment rate as one of the main causes for the problem.

This is not a new diagnosis. However, tackling the issue more directly was, in a manner of speaking, postponed throughout time. First, because of the priority given to the difficult search for and conquest of macroeconomic stability based on the assumption that in an environment of chronic elevated inflation, conditions for investment really did not exist. Later, and in this respect there are various lines of thought, as a result of the expectation that the investment levels would ‘naturally’ increase responding to the improvement in the domestic and also international economic situation.

The prophecy, as we now know, did not fulfill itself. And, although admittedly there is not much consensus on this point, this fact seems to indicate that more than merely seeking better macro and microeconomic conditions and business environment, essential but not sufficient requirements, it also seems to be necessary that the government produce more specific incentives along with pointing out priority areas for investment.

This was the idea that guided the development of the Acceleration of Growth Program (PAC): a) it is necessary to grow quicker; b) to do so, elevating the investment rate in our economy is indispensable; c) in this sense,

the government is responsible not only for consolidating and improving the macro and microeconomic environments and regulatory frameworks, but also for promoting, mobilizing, and inducing investments in key sectors of the national economy.

The PAC actions and goals are organized as a broad group of investments in infrastructure and private investment stimulating and facilitating measures. The program also includes an improvement in the quality of public expenditure by containing the growth of current expenditures and perfecting public administration, both in the fiscal budget and in social security.

The PAC establishes for four years investments in infrastructure of R\$ 504 billion, including transportation, energy, sanitation, housing, and water resources. This amount is subdivided in approximately R\$ 68 billion from the federal government budget and R\$ 437 billion from state-owned federal companies and private sector.

These investments include the following sectors: logistics – highways, railways, ports, airports, and waterways; energy – electric energy generation and transmission, oil and natural gas, renewable fuels; social infrastructure – sanitation, housing, urban transportation, broadening of access to energy (“Light for All” program), and water resources.

The Acceleration of Growth Program also includes amongst its objectives the maintenance of credit expansion, especially housing credit and long term credit for infrastructure investment. In this field the PAC includes measures destined to elevate long term funding with more favorable conditions, especially on the part of the *Caixa Econômica Federal* (the Federal Savings Bank) and the *Banco Nacional de Desenvolvimento Econômico e Social* (the National Bank for Economic and Social Development).

With the intention of favoring greater availability of funds for development, the PAC includes measures destined towards perfecting the business environment and regulatory frameworks by streamlining and facilitating investments in infrastructure. This includes regulation and the business environment, which in this case includes regulation to defend competition. In this respect, important bills of law drafted by the government are already going through National Congress. To complement these changes there are measures to stimulate regional development guided especially towards

the North and Northeast regions. It is worth mentioning that the PAC includes amongst its objectives not only the rectification of social inequalities, but also the unbalance between regions.

The Program also includes tax exemption measures, as well as actions to make tax administration more modern and dynamic. Tax exemption is intended to stimulate investment in building trades and the acquisition of capital goods, promote technological sectoral development of semiconductors and digital television, and, stimulate the formalization and growth of micro and small-sized companies. The changes on tax administration are intended to reduce bureaucracy, and modernize and rationalize tax collection.

Finally, the fiscal measures included in the PAC intend to contain the expansion of federal government expenditure with personnel, for which a maximum annual growth is established at 1.5% over the inflation. Along with that measure, the Program foresees the implementation of a long term policy for readjusting the minimum wage, which, as is known, directly impacts social security expenditures. With regards to the social security issue, the PAC establishes the creation of a forum, which has already been implemented, to carry out nationally wide debates.

Going back to President Lula's statement, it is important to emphasize that the decision of trying to grow in a more accelerated fashion in no way implies that we will stop growing properly.

Thus, all action and measures included in the PAC were defined in such a way as to make the investment of foreseen funds compatible to the maintenance of fiscal responsibility and the continuity of the gradual reduction in the next years of the public debt/Gross Domestic Product ratio.

The figures detailed in the fiscal consistency scenario in which the Program is based are being reviewed in light of the new methodology to calculate the GDP. The growth acceleration made possible by the increase of investments, however, combined to the reduction in the basic interest rate expected in the next years should allow the public debt/GDP ratio to reach 35% by 2010. The nominal deficit in the public sector should also continue dropping tending towards zero.

Basically, the more accelerated growth of Brazil's economy will not sacrifice, but rather, favor an even more solid and healthy fiscal consistency.

It will be healthier because growing in an intense pace is a vital necessity for Brazil. Taking into consideration the dimension of the challenges we work so actively to overcome, especially those related to poverty and inequalities that still define our profile as a society, we have no choice. It is the only way for us to generate the employment needed, to expand savings, investment and credit, to increase funds for health, education, infrastructure, public security, environmental preservation, research, science, technology and culture. In a nutshell, to improve the life conditions of our citizens and our development capacity.

Essentially, Brazil cannot merely grow at the speed considered as a healthy expansion for developed countries. We need to respond to our greatest needs and urgencies with more growth. An accelerated growth for our country is not just an economic necessity; it is a social, political, and moral imperative. **DEP**

Translation: Cynthia Garcia

Regional integration: factor of sustainable development

*Emílio Odebrecht**

The meeting of 2.500 scientists on the state of the world last February at the Intergovernmental Panel on Climate Change on the initiative of the United Nations and the World Meteorological Organization, made clear to countries, organizations and individuals, in all its bluntness, the urgent need for achieving sustainability in all human activities. South America has an historic opportunity to meet this challenge, shared globally according to the responsibilities of each nation: the largest biodiversity of the planet is concentrated in this region, as well as enormous reserves of minerals, potable water and arable land where the resources needed to provide a large part of the world's food and energy needs can be produced.

Governmental endeavors and the commitment of businesses and citizens should provide adequate answers to this challenge. However, we have known for a long time that isolated or sectorial action, often filled with the best intentions, almost always result in solutions either palliative or responding to

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ad hoc interests. We are facing a crisis of potential global proportions, for whose solution innovative strategies must be found and above all joint action is needed.

But while we all have to be on the alert, the world must follow its course. For the South American countries, the imperative of development is not only a way to solve their serious social problems, but also a requirement of the highly competitive global scenario. To harmonize badly needed growth with the protection of the environment is one of the tasks that must be faced in a spirit of solidarity by the ensemble of nations in the continent.

Human integration

Mercosur – the Southern Common Market – formally established on March 26 1991 in Asunción, Paraguay, provides the tools for that action. The program of commercial liberalization, with progressive tariff reductions and the elimination of non-tariff restrictions, has stimulated the economy of the region. Although in the recent past the full harmonization of macroeconomic policies has not been possible, including on account of the number of members of the regional bloc and its diversity, the member States have endeavored to discharge their common responsibilities.

But the building of a common market in South America must be based on optimistic, albeit realistic, premises. At 16, Mercosur is mature enough in order for its protagonists to shake off a number of illusions, such as the tenet “everything unites us and nothing separates us” and look instead for convergence in their differences. As in the natural environment, so in human relations diversity should be seen as wealth.

In this connection, Mercosur must become more than the timely conjunction of business interests. While the advantages of geographic proximity and economic complementariness cannot be discarded, we Latin Americans must include in the count of reciprocal gains the value represented by the cultural wealth of the region, the quality of the people that make up our populations, their ability to generate knowledge and the unique history of peaceful solution of controversies, as well as the emerging solutions for our common problems.

The challenge to create and share economic and social wealth by preserving natural wealth cannot be met without the broadening of business relations

through the search for the integration of our peoples. As organizations strive to exercise their share of responsibility in building development, communities must also be encouraged to strengthen their cultural values and improve the care for their basic needs, in order to be able to contribute wholly to the enrichment of the socio-cultural complex, which belongs to all.

Obviously, integration cannot happen in a straight line. Each country, each community, is at a specific stage of involvement in the process of adaptation to the business environment, in which national and individual interests must be harmonized within the largest picture of the common interests.

One of the reasons for this is that Mercosur today is much more than the free trade zone agreed by its founders in 1991. The establishment of the Common External Tariff, on January 1 1995, set forth the political will of its members, pointing to the path that national economic policies would consolidate. New participants joined recently, and the scope of the bloc, originally confined to the Southern Cone, was widened to encompass the whole continent, bringing about a new reality. We are now 312 million citizens, with a GDP of approximately 2 trillion US dollars.

The new configuration brings Mercosur to a new level of complexity and requires even greater determination from leaders and public agents, business organizations and public opinion. Eventual divergencies regarding the form or pace in the implementation of some measures, as well as misunderstandings that always creep up in complex systems, must be dealt with in a climate of openmindedness, in view of the higher objectives that up to now have guided all decisions.

Sustainable development

Just as the entry into force of Mercosur's Permanent Court of Review and Arbitration in 2004 increased legal security for the members and their trade partners worldwide, one must always be aware that we are not dealing only with production and trade, but rather with a choice based on democratic principles, keeping in mind what was agreed in the Ushuaya Protocol, so that the full validity of democratic institutions remains "the essential condition for the development of the integration processes of the States Parties."

In this connection, the institutional strengthening of Mercosur is essential, together with the consolidation of its organs and representative

instances. There must be a political effort to reduce bureaucratic restrictions still pending. Likewise, the communication process among the parties must be made swifter, taking advantage of the quick expansion of new information and telecommunication technologies in the continent.

Commercial integration, visible in agreements on agriculture, energy and transportation, and which recently is taking shape as a process of political convergence, is starting to facilitate the search for common ground in areas such as education, culture and justice. The validation of academic degrees, the protocols on cooperation in legal matters and the encouragement to the exchange of culture also serve the objective of social integration, without which Mercosur would become vulnerable.

Such a wide range of potential exchange mentioned finds its zenith in this endeavor. When culture, justice and education stemming from different nationalities are able to come together in a common environment, we can say that true integration is being realized. Initiatives limited to customs questions or to infrastructure investment would not have been enough for the consolidation of the common market.

The same can be said of the integration of the production chains of the participant countries; although this represents an essential step, it would not by itself ensure a sound future for Mercosur. Obviously, the integration of the processes of production enhances the competitiveness of member States in the global market, chiefly through the creation of swift financial instruments and encouragement of investments. But this is still not enough to ensure sustainability.

Such a future can only be secured through the integration of society and the reduction of inequalities.

While permanent observance of all protocols and constant tracking of day-to-day practices is useful, some of the remaining asymmetries must be evaluated in a deeper time frame, considering that an experiment of this scope will naturally exhibit a certain degree of cyclical behavior, and that the balance in regional trade and political alignment shall be reached in a longer perspective.

Together with business and political initiatives, educational projects based on new models must prosper, and these must embody the essential values for sustainable development.

These are the values that provide steadfastness and flexibility, values such as respect for cultural, ethnic and religious diversity, enjoyment of learning, tolerance for different world views developed by human beings according to their history and their physical and social environment.

Just as the protagonists of negotiations among organizations must be educated for a better performance, respecting their partner in a win-win process, so the integrated communities must have the chance to grow in the understanding of the possible intentions and benefits, valuing the cooperative spirit that is a condition for the existence of common markets.

Learning integration

Free of border problems, South American countries have for a long time nurtured the tradition of trade and exchange of knowledge. Many native ethnic groups live on both sides of a boundary, and each assumes its nationality. Likewise, mirror cities live side by side and complement each other in several points of the continent, occasionally showing language differences but developing common expressions that are specifically used for that exchange.

Medical services, schools, leisure equipment and festivals are also part of that convergence, without requiring that one community or the other relinquish its own culture, beliefs, customs and preferences. With or without the formalization of a free trade agreement between their governments, with or without business contracts between corporations, the continent's society is traditionally used to living together peacefully and profitably among neighbors.

Instead of exacerbating differences on account of temporal interests, the representatives of member States and managers of corporations must draw inspiration from the long history of harmonious relations, which has been responsible for the maintenance of a peaceful environment in the continent, so that they may take up the common effort to achieve prosperity on the foundation of that peace.

The amount of trade among the countries in the region increased from 3 to 30 billion dollars in the 16 years of the existence of Mercosur. Besides this obvious factor of growth, regional trade has helped many companies to develop the appropriate culture needed for their insertion in the global market. The

relationship among the South American partners provides worthwhile lessons on negotiation everyday, putting together an invaluable basis of knowledge for the expansion of worldwide business.

Up to the coming into being of the Asunción Treaty, which defined the creation of a free trade zone between Brazil, Argentina, Uruguay and Paraguay, companies in the region in general were concerned with their own internal markets. In this new scenery many of them – including Odebrecht Organization – developed the qualifications needed to participate in the international market. The relationship with suppliers and partners in the regional market provided a new way to expand that knowledge and develop competences for making business in different political and cultural environments.

Likewise, the makers of public policy could combine their national interests with the bloc's common interest, in order to stimulate the development of joint and complementary industrial policies. Obstacles and possible periods of difficulty must be seen as challenges in this learning process. A lesson to be learned is that the generation of knowledge should not be separated from the generation of wealth.

The quest for better qualification has contributed to shaking businesses out of the idleness engendered by the comfort of domestic markets. The need for development of new competences has instilled new life and inspired the search for the mastery of more advanced knowledge, not only in terms of technology, but mainly in the management processes. The challenge of insertion in the regional market is a powerful encouragement to constant improvement and innovation, and South American companies must understand this, by focusing on opportunities. In this connection, it is a legitimate endeavor for businessmen to enlist the vigor of their country and of the competent structures within their governments having in mind the objectives of their corporations, within the perspective of the common good represented by the generation of wealth to be shared by society and by the practice of socially responsible entrepreneurship.

Public security and education

There are still large obstacles to be overcome. One of them is the lack of security, perhaps the biggest threat that may disturb the conciliatory spirit that still is our distinctive mark. The existence of communities that

lack resources of their own and become hostage to organized groups of criminals cannot be ignored by the leaders who are building Mercosur. These populations must be rescued and brought into the environment of healthy companionship and deserve the chance of being integrated into the project of common development.

The highly sophisticated structures of organized crime that defy the most elaborate public security policies can only be dismantled through internal action, by severing the supply and labor lines that feed them.

Organized crime does not thrive on poverty itself, but rather on poverty without hope, poverty that does not know opportunity, a condition in which a whole generation – especially at the time when the individual awakens for independent life – cannot discern a glimmer of dignity in the horizon. Rescuing these citizens enslaved in the wrong side of the law must be effected through education and opportunities for personal development.

In this domain, education is the keyword

Obviously we do not mean only education as a task for the State, with its network of schools and its own choice of didactic policies. We are talking of the educative mission that is incumbent on every citizen and all institutions and organizations, public and private. The latter, being institutions that by definition cannot subsist without relying on educated and qualified professionals, without whom they would not have a chance to grow not even in the internal market, should assume the role of sources for quality education.

It is expected from the business organizations that they do not limit themselves to social investments whose objective is education and culture, but rather that they become, both institutionally and in the public face of each of their leaders, in centers of irradiation of knowledge. Each contact, each negotiation, each contract and each stage of a job must be seen as an opportunity for this exchange of knowledge that means educating and being educated.

Commerce has always been linked with this phenomenon, in which not only goods and services are exchanged, but mainly knowledge and world views. Culture, beliefs, science and language have crisscrossed the world through this subtle interchange that leaves its mark in expressions whose origin often can

be traced back to the other side of the planet and to an era lost in time. Once again, the building of a common market means much more than mere trade advantages and becomes a civilizing and humanizing mission of education.

Social responsibility

Just as in business organizations concerned with sustainability, the management of this process of integration must take into account the elements of knowledge that contribute to the success of any endeavor. In all Mercosur countries there are cutting edge, individually successful organizations, thanks to the development of appropriate strategies based on effective corporative technologies that respect the human being and the environment and are supported by sound principles.

This cutting edge entrepreneurial culture must be instilled in the structural system of Mercosur through the give and take among public managers and professionals of private organizations. The basis of such a relationship must be the premise that there are common objectives to be achieved, rather than the mere view that one side asks and the other decides.

Likewise, this entrepreneurial culture of sustainable development must be communicated to the communities through programs of social and environmental responsibility that take into consideration to a large extent the several existing cultural and ethnic features, inclinations, desires and qualifications that may be developed in each one of them. The field of knowledge, a discipline deeply enshrined in organizations that look for sustainability, must be stimulated in the inner core of communities, mainly among their younger populations, so that they may find the way toward better living conditions without having to turn their energies away to other centers, in search of opportunity.

Contact with these communities should be planned to prevent cultural values extraneous to them from overwhelming traditions. Tradition often keeps local societies wholesome and being thus strengthened it allows them to connect with the global environment without being engulfed by the mass culture that many times is dominant. Individuals from each community must be taken into account, since the ensemble of knowledge, beliefs and values of that society is realized and perpetuated in them.

The idea of a common market is linked to the potentiality of production in large scale, but this will not be satisfactorily realized if its construction and realization are not based on respect for the individual. Similarly, the search for each country's or each organization's competitiveness through the combination of powers, talents and competence joined together in a common market, finds its synthesis in the individual. The individual will be located, identified and valued in the process by means of the practice of an open and democratic relationship, in which the common objectives are clearly shown and opportunities are offered to each one's initiative.

We have thus come full circle back to the starting point. The state of the world, as described by the 2.500 scientists who have studied climate change, does not exhaust the list of bad news in the roster of environmental problems. The very same system of indiscriminate exploitation of natural resources that gave rise to the serious physical crisis of the planet, brought about another challenge, namely the social gulf that separates human beings. By neglecting the individual, we are paving his path towards social marginalization.

In this connection, special attention should be given to the treatment of indigenous communities present in almost all countries of the region. Being the keepers of timeless knowledge, chiefly regarding the relationship between man and nature, they do not share such knowledge with the rest of the society and are denied access to goods and services that – without harming their lifestyle – would ensure for them the benefits of human development and scientific and technological progress.

Common development project

Mercosur has been able to increase the flow of its trade. Similarly, the process of political integration is being consolidated, despite some divergencies and the natural differences of interpretation regarding issues related to development models. We have rivers and forests in common and our borders only experience instability where crime still rules. We have been able to produce agreements and national instruments to preserve this heritage, but for this we rely on the commitment of the communities to this mission.

Without the communities no State will be capable of defending and preserving its natural wealth. This is an additional argument in favor of the thesis that the main goal is social integration. The more our relationship is integrated

in our communities, the more productive and sustainable they will be. Thus, it is imperative to stimulate interpersonal relations among Latin Americans, bringing into civil life what has already been obtained in political and business relationships. By knowing each other better, we shall be able to identify the larger convergences that unite us and put the differences in proper context, mutually learning the worth of the diversity that enriches our continent.

Our students must be encouraged to engage in regional exchanges and community leaders must have the opportunity to exchange experiences, so that the best practices be quickly disseminated throughout all countries.

Regional tourism must grow, by publicizing destinations less sought in the regular itineraries, and this shall make us know each other better. To this end, infrastructure investment must increase. However, common roads should not be a means to carry poverty from one place to another. They must be recovered and rendered useful, together with projects of support to producers, so that the roads not only serve the needs of transportation of the production from one community to wider markets, but also more advanced knowledge circulates through them to every corner.

Examples of excellence, such as the results of high quality and useful research achieved by the Brazilian Agriculture and Livestock Research Company – EMBRAPA – should be made available to rural producers in the whole continent, so that the development of agriculture, livestock and industry promoted by such results is equitably spread. Supported by advanced technologies, traditional cultures may acquire competitiveness and generate wealth, this helping to reduce migrations compelled by poverty.

Similarly, projects of digital inclusion must march in tandem with bilingual education, so that what can be gained with the information technology can grow exponentially. In the case of our continent, the Portuguese and Spanish languages must find a common terrain, for familiarity with other languages encourages people to seek understanding of the cultural universe contained in each language.

This means learning citizenship, world citizenship that is not to be rejected; on the contrary, it must be proud of its origin, it must be central to an integration project within Mercosur. We must still struggle against brutal inequality, but we can count on our natural curiosity about the other human being, our passion for color and rhythm, the acceptance and enjoyment of

our musical and artistic wealth, our good nature and a healthy national pride. These are the elements of a sustainable equation.

Our choices must be guided by the premise that together we can broaden even more the commercial and political success hitherto achieved, and translate it into benefits for the widest spectrum of our populations. In this way we shall be able to enhance individual capabilities, making available to each one the opportunity to stamp his or her personal mark on the common development project.

Human beings are driven by their perception of well being. If we succeed in joining the recent gains of our economies in partnership and the fruits of the process of consolidation of our economies with a positive feeling of improvement of our societies, then we shall associate the communities to the struggle for the sustainable development of all of Latin America. Without renouncing our beliefs, the course each one of us may give to his or her own existence, the setting of common objectives and the wider sharing of its benefits may lead the whole continent, in a relatively short delay, to a prominent position in the world stage, thus relegating to History all the blemishes of underdevelopment. **DEP**

Translation: Sérgio Duarte

The quest for development with equity

*Ricardo Ffrench-Davis**

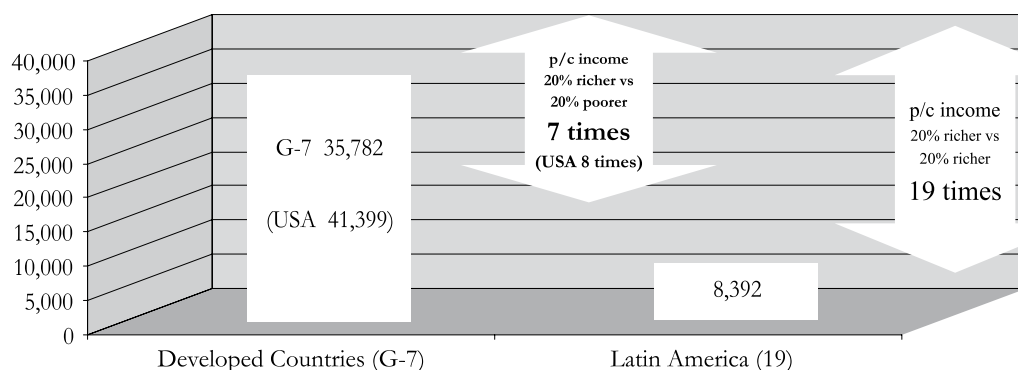
Over a decade and a half of reforms implemented under the so-called “Washington Consensus” has yielded mixed results in Latin America. On the one hand, notable progress in controlling inflation, better equilibrium in fiscal balances, and surge of exports. On the other hand, though, in respect of what is fundamental, namely, economic growth and equity, performance has been mediocre. During the 1990-2005 period, gross domestic product (GDP) grew only 2.7 percent a year, with a per capita increase of barely 1.0 percent during the same period, which is insufficient for narrowing the gap with the developed countries. As a matter of fact, the gap with the United States widened during this period. Current performance is also reflected in the fact that in 2005 the continent had about nine million more poor people than in 1990.

In brief, a twofold divergence occurred. Per capita GDP did not converge with the GDP of developed countries, while the regressive gap among high-

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income and low-income groups widened. Currently, Latin America's per capita GDP is only a fourth of the per capita GDP of the richest countries (G-7), while the equity gap is twice as wide as in those economies. The challenge is how to grow, but with much more equity (see Graph 1).

Graph 1
Latin America vs developed countries, per capita GDP
& income distribution, 2005 (PPP dollars)



Source: International Monetary Fund, World Economic Outlook Database (2006) and
 Source: International Monetary Fund, world Economic Outlook Database (2006) World Bank, World Development Indicators Database (2006.)

This article presents a summary overview of the reforms implemented since the nineties (Part 1), the achievements (Part 2), the failures (Part 3), and the challenges of this new decade and the need to undertake what we call *a reform of the reforms* (Part 4).

1. Economic reforms in Latin America

Are reforms necessary? Certainly! In 1990 Latin America was in need of profound reforms. Economies subjected to over-intervention, a restricted private sector, excessive interventionism, and rules that had little transparency. However, massive privatization and intense trade liberalization entailed changes that were too abrupt, leading to mistaken measures that were not adapted to each country's specificity and were fraught with serious flaws.

In general, these reforms have been linear. They have tended to move in the same direction, with each reform being seen as an *end* instead of the *means* it actually is. It is thus vitally important not to move toward reform in itself but to carry out functional reforms aimed at greater growth with more equity.

In the spirit of the Washington Consensus, the reforms pursued tended to lead to *right* prices that were *friendly* to the market. I fully concur with these two principles. The results went in the opposite direction, though. On the one hand, the key macroeconomic prices – the exchange rate and the interest rate – tended to misalignment, and became very instable after the reforms of the nineties. This was hardly *friendly* to the market, as it put strong pressure on the productive sector. On the other hand, demand or the population's purchasing capacity experienced marked highs and lows occasioned by volatile capital flows and highly fluctuating exports prices. This resulted in mediocre growth accompanied by much inequity.

As we will see, results have fallen quite short of the neoliberal reformers' expectations.

2. Achievements

Some of the major achievements were as follows:

a) Trade. Exports experienced a marked growth. This has been a generalized phenomenon in Latin America since the nineties. During the 1990-2005 period, Export volumes substantially increased at an average yearly rate of 7.9 percent in real terms. The average exporting impetus in Latin America significantly exceeded the rate of increase in world exports in the same period, which was 5.7 percent.

b) Fiscal balances. Latin America showed very high fiscal imbalances in the eighties, when some countries recorded deficits ranging from 10 percent to 17 percent of GDP. The nineties saw noticeable progress in budget balances in Latin America, when several countries maintained fiscal surpluses for many years. In the average, Latin America amply met the Maastrich criterion of 1.5 percent of GDP before the Asian crisis.

c) Inflation control: in this regard, Latin America experienced a remarkable improvement, as the hyperinflation episodes of the preceding decades ended.

In the eighties, some countries experienced inflation upwards of 1,000 percent a year, which had a highly damaging effect on both enterprises and people. This was the mortal enemy of investment, innovation, equity, and social harmony. Since the nineties, such levels of inflation receded, giving way to one-digit rates (a regional one-digit average rate since 1997 and 6.1 percent in 2005).

3. Failures

Reforms have also suffered from serious shortcomings, including the following:

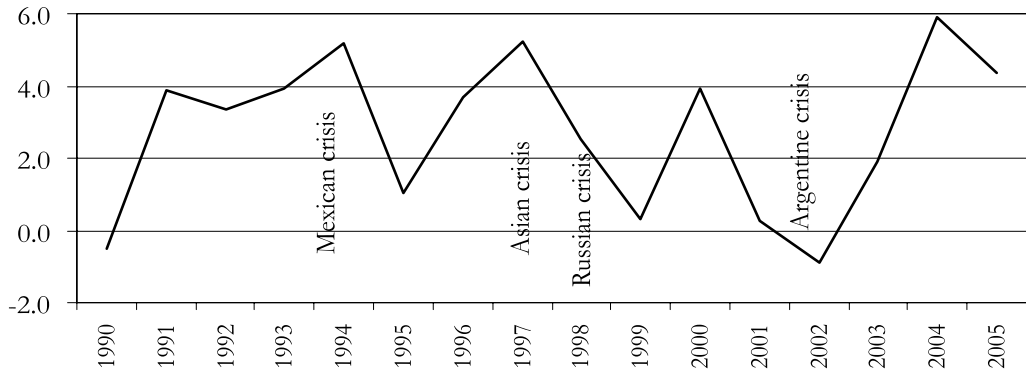
a) Financial and macroeconomic volatility

Volatility is one of the main problems of Latin American economies. Despite major efforts to achieve macroeconomic equilibrium, particularly in the areas of fiscal balance and inflation, there was a marked inability to foresee problems stemming from external financial imbalances and the effects of real disequilibria (both economic and social) caused by financial reforms based on ideology.

In effect, the external disequilibria of the nineties reflected an external capital supply tainted by periods of excessive optimism or excessive pessimism. The region's experience in the periods of peak external financing – between 1990 and 1994 and between mid-1995 and mid-1998 – point to a strong growth of external deficits and exchange lags spurred by massive capital inflows, which unquestionably engenders vulnerability. As a result, Latin America experienced the 1995 Mexican crisis and, beginning in 1998, the Asian crisis and its expansion into the Argentine crisis. During a *full six-year period (1998-2003)*, the region as a whole went through a recession stage, when per capita GDP declined, as it had during the debt crisis (the lost decade). These financial cycles have also determined productive cycles, giving rise to wide gaps between the economy's actual performance and its potential.

Graph 2 shows this *roller coaster* dynamics of alternating boom and crisis. As we shall see, these cycles had lasting adverse consequences for social development and productive investment. This was due to the disequilibria that resulted from the way macroeconomic, trade, and particularly financial policies are carried out (See Ffrench-Davis, 2005). A conflict, or trade-off, has arisen between excessive, short-term “*financialism*” and weak “*productivism*.”

Graph 2
Latin America (19): GDP instability, 1990-2005
 (annual variation percentages)



Source: CEPAL, based on official data.

It is amazing that the mistakes made in the financial and exchange reforms of Argentina and Chile in the seventies – for which they had to shoulder enormous economic and social costs when the *debt crisis* occurred – should have been replicated in other countries of the region since the mid-eighties and in Asian countries in the nineties. They have in common not only precarious prudential oversight but also boom scenarios in respect of short-term capital and domestic savings displacement, marked exchange lags, and financial crises that entailed high fiscal and social costs.

Owing to the course of globalization, financial intermediation experts – a microeconomic specialization – have become very important in respect of the macroeconomic disequilibria of emerging economies. In developing economies, which partially base their development strategy on exports diversification, an exchange rate determined by short-term capital movements shows a clear policy inconsistency. A good economic system accompanied by growth and equity requires, first of all, improved productivity rather than speculation, and long-term instead of short-term foresight.

Consequently, the integration of capital markets has major repercussions on the governability of domestic policies. Indeed, most leaders of emerging countries are experiencing a *two-constituency syndrome*. They are elected by the voters of their own countries but have to seek the backing of those that “vote” through their financial investments. The financial market cycles in the last third

of a century show a noticeable contradiction between these two constituencies, in a game with a negative score, with the countries caught in a financial trap. The recent, prolonged recession – 1998-2003 – bears witness to this.

b) Low aggregate value exports

Greater exports impetus – in itself a positive thing – has not translated into greater dynamism in the economy as a whole. In many cases, abrupt trade liberalization processes carried out in the context of a little competitive exchange rate weakened the efficient production of tradable goods, leading to a high increase in imports. As a result, notwithstanding the dynamism of the exports sector, disequilibria of great significance occurred in the external accounts.

In addition, Latin American countries have made little progress in diversifying their exports basket toward products with higher aggregate value. On the contrary, despite some progress, the region still exports mainly products based on natural resources, whose international demand has little dynamism, and at prices vulnerable to the seesawing of the world economy. Surges in the international prices of natural resources is a welcome palliative but do not solve the failure of the exports' performance, which provides very fragile chains and externalities for the rest of our economies.

Some obvious progress was made in the nineties in this respect, thanks to the strengthening of intraregional trade, which permitted a vigorous expansion of the exportation of manufactures with a higher aggregate value (CEPAL, 2002). Nevertheless, the macroeconomic volatility of the region's major economies since the 1998 Asian crisis has had a significant negative impact on regional trade, especially on Mercosur, although the latter is now recovering.

c) Fiscal balance that fails to give priority to productive and social modernization

In the fiscal area, although newly balanced budgets have been adopted, investment in human capital, infrastructure, and innovative production is still insufficient. There is great insufficiency of *public goods*. Resources should be invested in improving the quality of the educational systems with a view to future citizens. But it is also necessary to meet the requirements of increased human capital in the current labor force and the entrepreneurial sector. This is essential for ensuring greater possibilities of economic growth, while achieving greater equity in the distribution of opportunities and productivity.

As regards the budget's other face – that of fiscal revenue – major gaps in tax systems and too much tax evasion still prevail in comparison with developed economies. The prevailing systems have incorporated one of the vices of globalization, which stresses the tax burden of less mobile work and productive capital, and favors mobile, speculative capital.

d) Poor distribution of opportunities and productivities: the challenge of equity

According to CEPAL estimates, in 2005 there were 209 million poor in Latin America (about 40 percent of the population), 9 million more than in 1990 (see Table 1). This is partially explained by the 1999 recessive adjustment and by the Argentine 2001-2002 debacle. A conclusion to be drawn from the experience of the nineties is that crises affect our societies in a markedly recessive manner. There are very interesting works, including those by Rodrik (2001), Ocampo (2005) and Bourguignon and Walton (2006) that reinforce the conviction that each financial crisis intensifies poverty and distributive regression. Crises are not neutral in relation to sectors; in different ways, they affect numberless enterprises and individuals, consumers and producers, with a regressive bias, as they have a greater impact on the lower-income quintiles. Subsequent recovery is not automatic; it is slow, and imposes a significant loss of income and assets on the poorer groups, leaving a regressive trail on household assets and on the balance sheet of small and medium enterprises.

Table 1
Latin America: social indicators, 1980-2005

	Per capita GDP (PPP US\$)	Poverty		Real salary (1995=100)	Unemployment (% of labor force)	Population (millions)
		(millions)	(% of pop.)			
1980	7,633	136	40.5	102.7	7.7	343
1990	6,925	200	48.3	96.2	7.2	423
2005	8,392	209	39.8	96.8	9.3	540

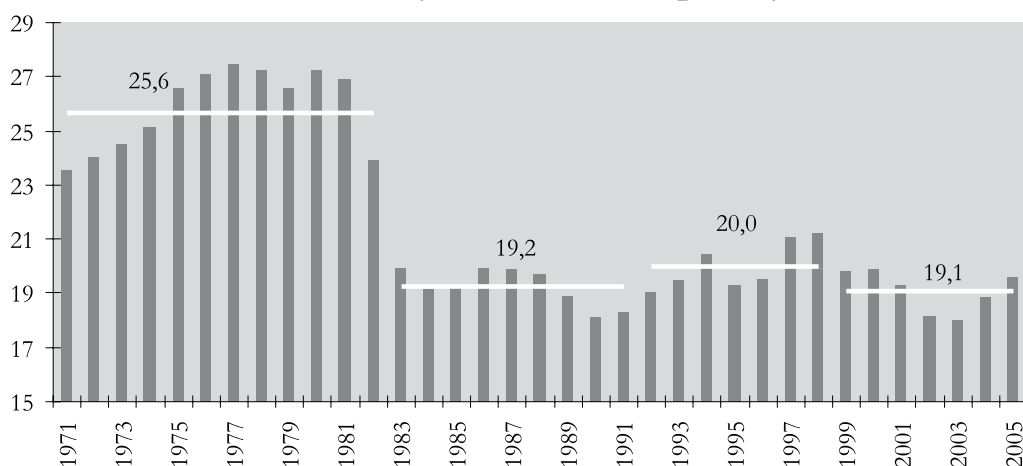
Source: Ffrench-Davis (2005, Chap. I) and CEPAL.

e) Insufficient productive investment

One aspect in which reforms show a more mediocre performance is insufficient productive investment and the attendant poor economic growth.

In the nineties, Latin America invested 5 percentage points of GDP, on the average less than in the seventies and only some decimal points more than in the last decade of the eighties (see Graph 3). As a consequence, GDP grew very little from the eighties on, peaking only at 2.7 percent since 1990 (see Table 32). This means that in 1990-2005, the region's per capita GDP (1.0 percent) grew less than the world's (1.2 percent) and the United States' (1.8 percent).

Graph 3
Latin America (19): gross fixed capital formation rate, 1971-2005 (GDP %, at 1995 prices)



Source: CEPAL, based on official data.

Table 2
Latin America: GDP growth, 1971-2005 (average annual rates, %)

	1971-1980	1981-1989	1990-1997	1998-2003	2004-2005	1990-2005
Argentina	2.8	-1.0	5.0	-1.3	8.8	3.0
Brazil	8.6	2.3	2.0	1.5	3.7	2.0
Chile	2.5	2.8	7.0	2.7	6.0	5.2
Colombia	5.4	3.7	3.9	1.1	4.1	2.9
Mexico	6.5	1.4	3.1	2.9	3.6	3.1
Peru	3.9	-0.7	3.9	2.0	5.4	3.4
Uruguay	2.7	0.4	3.9	-2.1	9.1	2.2
Latin America (19)						
Total	5.6	1.3	3.2	1.3	5.1	2.7
Per inhabitant	3.0	-0.8	1.4	-0.3	3.6	1.0
Per worker	1.7	-1.5	0.5	-1.1	2.7	0.2

Source: Ffrench-Davis (2005, Chap. I) and CEPAL.

Investing more and better is essential to sustainable growth. One is frequently deluded by high growth rates that are transitory, as they are often related to economic activity recovery processes rather than to a vigorous expansion of productive capacity (Chile, 1985-89; and Argentina, 1992-94 and 1997; most of Latin America, 2004-06, after the 1998-2003 recession). It is important to take advantage of recovery following a recession, but what is essential is to reactivate economic activity in such a manner that investment and improved productivity will ensure that high growth will be sustained after reactivation's completion.

Chile was an interesting exception in Latin America in the nineties. Between 1990 and 1998, Chile grew 7 percent (Ffrench-Davis, 2004). A decisive factor in this sustained growth was the democratic regime's reforms of the dictatorship's neoliberal reforms. Reference is often made to "applying the *Chilean model*." We have shown (see Ffrench-Davis, 2004) that with the resumption of democracy substantial changes took place, particularly in the early nineties. We have also documented how even under the dictatorship significant changes took place in the seventies (a more extremist neoliberal model) and in the eighties, with several interventions in the market, albeit with a regressive bias as well (a sort of regressive pragmatism).

Another highly relevant variable was the level of the productive investment rate. In the nineties, Chile invested 10 percentage points of GDP, more than under the Pinochet government (1974-89). As pointed out, Latin America invested 5 percentage points less than in the seventies (see Graph 3). This is a major reason why Chile (despite the decline of its growth after the Asian crisis beginning in 1998) grew and average 5.2 percent, while Latin America grew only 2.7 percent in 1990-2005.

f) Concentration of property and economic power

Concentration is a generalized phenomenon that is reflected in the deterioration of income distribution in Latin America. In general, privatizations had a regressive impact on economic power distribution.

Intense privatization processes took place in Argentina, Bolivia, Peru, and Mexico, among other countries. By 1994, the number of public enterprises in Mexico had dropped from 1,155 to less than 80 (see Morley, Machado and Pettinato, 1999).

Chile undertook massive privatization during the Pinochet regime, 1974-1980.¹ The sale of enterprises occurred to a large extent during periods of recession and very high interest rates on the domestic market. As a result, few actors had the capacity to buy, which was one of the causes of the intense property concentration observed in those years. The limited direct participation of transnational enterprises in this process was notorious. Nevertheless, a massive surge in external credits and their dominance over national banks accounted for a substantial share of the financing the economic groups needed to purchase the enterprises that were being privatized.

Although the privatization processes were one of the causes of power concentration, the other reforms – trade, finance, capital account, taxation, labor legislation – were responsible for a substantial regressive effect. To this were added the successive macroeconomic crises and their intense, regressive impact. Curiously enough, it is often said that the region learned to practice macroeconomics. What it did learn instead was to control inflation without learning to practice macroeconomics in a manner consistent with productive development and with combating inequity.

4. How to improve performance?

The need to reform the reforms

Given the heterogeneous results of the economic reforms with their positive and negative aspects, it is crucially necessary to make changes aimed at preserving their sound characteristics and at redressing their more serious mistakes. In essence, it is a question of *reforming the reforms*.

As democracy was reinstated in Chile in 1990, various *reforms of the reforms* occurred. They included a tax reform to offset an increase in social spending; a labor reform to reestablish (not eliminate) workers' rights; substantial macroeconomic reforms to ensure a more sustainable economy, which meant going against the trend to indiscriminately open the capital account. Prudential macroeconomic regulations were adopted to discourage the excessive entry of short-term financial capital; prudential supervision of the financial system was improved; a systematic application of a copper stabilization fund was

¹ See Ffrench-Davis (2004, Chap. II), which includes extensive bibliography.

adopted; an effort (feeble though it may have been) was made to develop the capital market's long-term segment; and active exchange and monetary policies were applied, together with a highly responsible fiscal policy: each new social expenditure was effectively financed (see Ffrench-Davis, 2004).

a) Sustainable real macroeconomy

There is broad consensus that “sound macroeconomic fundamentals” are a determinant variable. Yet, there is a significant lack of understanding about their definition and how to achieve and maintain them. A proper definition should include – in addition to low inflation, balanced fiscal accounts, and dynamic exports – sustainable external deficits and net debts; sustained investment in human capital; intense, efficient investment in physical capital; reduced net liquid external liabilities; aligned real exchange rate; and strict regulation and prudential supervision of the financial system. During recessive periods, the following would also be included: *(i)* implementation of structural fiscal balance (recognizing that during recession fiscal revenues are unusually low and that, under certain circumstances, public spending should not follow taxes in their downward trend and that, on the contrary, they should play an offsetting or countercyclical role); and *(ii)* a strong impetus of real demand, with decisive policy changes, if domestic activity is clearly below its productive capacity (see Ffrench-Davis, 2005, Chap. VI).

As I mentioned earlier, we need *friendly* reforms, with a friendly market and right prices, two factors that are obviously essential to growth. However, the current weak performance indicates that *friendliness* has not been reliable and that the macroeconomic prices have been often dislocated from the equilibrium. These disequilibria clearly hamper the evaluation of projects for recourse allocation, promote speculative investment instead of productive investment, and contribute to the deterioration of the financial institutions' portfolios, as well as impeding the access of small and medium enterprises to financing.

For this reason it is essential to ensure that these macroeconomic prices, which affect the ensemble of economic agents and the aggregate demand, remain relatively stable and are not excessively misaligned or imbalanced. This depends on economic policy variables and on how markets are organized. The choice of the exchange regime, for instance, is of utmost importance. The

exchange rate determines how competitive exports and the enterprises that compete with imports will be; thus, its level and volatility have a huge impact on the productive sector and on external accounts. Currently, the choices that are more *in fashion* are limited to two extremes: on the one hand, a fixed exchange rate or dollarization, which implies abandoning the national currency and implementing exchange and monetary policies; on the other hand, a totally free exchange rate, which is tremendously sensitive to *swallow capital* flows, which are quite volatile. The consequence is a notoriously unstable exchange rate.

One must look beyond the fashion for a pragmatic answer to the problem. In French-Davis (2004) we have shown that a better global performance is possible through recourse to an efficient system of *administered flexibility* of the exchange rate that would allow relative price adjustments, and to a monetary policy that would avoid extreme price-fixing and facilitate the transition between boom and scarcity periods of external financing. But a requirement for the success of such policy is the existence of a consistent set of fiscal, banking supervision, and capital account management policies endowed with countercyclical and prudential elements. Also required is equilibrium between objectives such as inflation control and jobs creation to overcome the current predominance of an anti-inflation concern at the expense of productive development. In this connection, one can see once again the importance of a comprehensive approach and of consistency of objectives with means.

b) Sustained development and social investment

To achieve sustained growth, new productive capacity must be created: capital and labor in greater quantity and of better quality, organization, and functioning institutions. This is necessary for taking advantage of globalization's opportunities and avoiding its dangers. In this respect, education and labor training have a major role. Labor training is fundamental for increasing productivity and is the "progressive" way to ensure market flexibility from the supply side. Workers that have quit the educational system and that have already been in the work force for forty years cannot return to elementary or secondary school; they must receive training during their working life. An issue with similar shadings is technological dissemination, particularly among small and medium enterprises. In respect of labor training and technology there are substantial externalities and market flaws that have not been corrected

with determination: this is one of the differences between development and underdevelopment.

As we have seen, during a crisis, individuals and enterprises with fewer economic resources are less able to protect themselves; as a result, poverty increases and income distribution tends to worsen. This imposes a heavy responsibility on macroeconomic management.

It is ethically and technically imperative to create better conditions for overcoming poverty and improving income distribution, so as to prevent the emergence of tensions and greater internal deterioration in our countries. It is necessary to participate in globalization, by integrating rather than disintegrating ourselves internally. We want to *make* our globalization. Latin American integration is one of the effective instruments to reach this goal.

c) Development's comprehensive nature

To achieve vigorous, sustainable development, a consistent set of far-reaching economic and social policies is required. The central objective of improving the welfare of the entire population cannot be achieved without significant progress in the consolidation of dynamic, competitive policies capable of meeting the challenges of a globalized world. Equity and economic development are elements of one and the same strategy (see CEPAL, 2002). Social development cannot rely solely on social policies, just as economic policies cannot by themselves, apart from the social policy design, ensure the achievement of socioeconomic objectives. Some of the elements that link economic and social development are: sustainable jobs creation and income generation; elimination of structural productive heterogeneities, inherited or recently created, so as to enable small and medium enterprises to develop; allocation of more resources for upgrading human capital; and comprehensive poverty combating programs that assign priority to distributing productivity, consistently with sound fiscal policy.

Economic development models are not “neutral” in social terms. Macroeconomic policies that generate sustainable equilibriums in the real economy and productive development policies that are consistent with better opportunities and productivity distribution throughout society are essential for achieving that elusive objective, namely, *economic development with equity*. At the same time, social development, the reduction of inequity, and the elimination

of various forms of discrimination create conditions conducive to economic development as a result of investment in human capital and in the construction of “social capital,” which favor the systemic competitiveness of the economies in a globalized world.

Equity is achieved not through mere *ex post facto* action but by being incorporated into the productive system. As people and small and medium enterprises learn to operate better each day, economic and social development – growth with equity – is achieved.

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Translation: João Coelho

Colombia: challenges until 2010

*Álvaro Uribe Vélez**

Pace, defense and security

1. Insist on useful dialogue with outlawed armed groups with national and international facilitation. Obtain political support and resources for the peace processes from international cooperation. Increase to 10 the number of regions benefiting from Programs of Development and Peace.
2. Strengthen the program of Re-incorporation into Civilian Life for those re-inserted in all phases; psychological assistance, academic or occupational training and employment.
3. Extend the presence of the Police to 236 *corregimientos*. Increase permanent police presence in the streets of the cities.
4. Implement a single telephone number for attention to the citizens.
5. Strengthen mechanisms of civic cooperation in the fight against crime, in the cities as well as in the countryside.
6. Reduce the number of murders and kidnappings.
7. Improve protection to property.

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8. Strengthen the production of strategic intelligence and counter-intelligence of the Nation and its institutions.
9. Create a specialized unit for decent and timely legal defense for servicemen and policemen accused of crimes committed on the performance of their operations and services.
10. Balance the increase of public forces with its own welfare, offering opportunities for housing, health and education.
11. Bring 25.000 displaced children to the Batuta musical program.
12. 1.000.000 children playing chess to improve analytical capacity, ability to solve conflicts and the work discipline of the population of vulnerable children.

Human rights, interior and justice

1. Deepen and extend to all civil servants the training programs in human rights and humanitarian international law for judges, prosecutors, servicemen and policemen.
2. Present an amnesty draft bill to benefit without cost Colombians over 25 years of age from I, II and III strata whose military situation is irregular.
3. Promote social security agreements with countries receiving Colombian immigrants in order to improve their standards of living.
4. Build a drug-free country, by developing an active campaign of prevention of drug addiction and penalizing consumption with sentences different from deprivation of freedom.
5. Reduce the number of hectares planted with coca crops, with special emphasis on illicit plantations in national parks.
6. Maintain and defend the institution of extradition as one of the main instruments of legal international cooperation in the fight against drug trafficking.
7. Strengthen the policy of urban and rural citizen security.
8. Strengthen legal international defense of Colombian interests.

9. Widen the national availability of penitentiary and penal space and the construction of new prisons. Reduce prison overcrowding.
10. Enhance the Creation of Justice Houses, Living Together Centers and Conciliation Houses in the different regions of the country.
11. Create new mechanisms of community justice, promote equanimity in judicial decisions.
12. Promote justice brigades that allow for the movement of judges to municipalities and sections of the cities.
13. Adopt a unified code of conduct to promote orality as a general rule, in all areas and jurisdictions.

Economy: trust for investments

1. Follow a macroeconomic policy that supports a 6% annual growth rate, keeps inflation and fiscal deficit at low levels and reduces net public debt.
2. Reform the Organic Budget Law to include notions such as evaluation of expenditures and result-base budgeting.
3. Promote a tax reform for growth, with a simple, fair and competitive system that encourages savings and investment.
4. Carry out the “Second Microcredit Revolution” ensuring wider financing for micro-entrepreneurs through the spending of Bancoldex resources and keep benefiting Micro, Small and Medium-sized companies with the Fund for Micro, Small and Medium-sized companies.
5. Create the “Bank of Opportunities” as the managing agency for mass popular credit.
6. Humanize credit information by changing *habeas data* legislation in order to balance reports on micro businesses to risk central offices.
7. Promote credit for projects of association among small and medium-sized companies to help acquisition and commercialization of imported inputs and goods.
8. Open the nation to foreign investment by encouraging bilateral agreements for the promotion and protection of investment and general agreements to avoid double taxation.

Industrial development and tourism

1. Encourage different forms of alliance or association for the formation of enterprises.
2. Eliminate obstacles to access to financing.
3. Increase the percentage of exporting enterprises by strengthening the national export capacity through Proexport.
4. Prioritize nationally produced goods and services in procurements by the institutions of the State.
5. Modernize the Statute of Consumer Protection.
6. Establish a long-term policy of intellectual property through a single authority.
7. Organize and regulate the use of beaches and recover ocean front areas in strategic cities for tourism, such as San Andrés and Santa Marta.
8. Double existing projects for tourist inns in different regions of the country.
9. Progress in certification programs for tourist ventures.
10. Consolidate the routes of Vive Colombia.
11. Strengthen tourist police (infrastructure, equipment).
12. Arrange special rates for students, people with disabilities and senior citizens to have access to tourist services.

Agriculture and rural development

1. Implement the “Agro, Ingreso Seguro” (Agriculture, Sure Income”) Program as an integral strategy of response to needs in the agrarian sector.
2. Push forward the Agroindustrial Revolution as a pillar of the nation’s productive development in products where Colombia has comparative advantages, with high technological knowledge content and of utilization of the biodiversity.
3. Consolidate the country of rural landlords not only by granting land ownership titles but also with productive projects under an associative management plan.

4. Design and promote a social entrepreneurial organization of the agricultural and livestock production.
5. Consolidate the financing for the sector by promoting granting of land title, microcredit and the ICR, keeping the incentives CIF for reforestation, increasing placements by Finagro and the cover of the “Fondo Agrupero de Garantías” (Agrarian and Livestock Guarantee Fund) and encouraging risk capital for the development of large scale production plans.
6. Encourage the incorporation of land fit for production in a framework of integrated rural development. Recover 593 thousand agricultural hectares and create 140 machinery banks.
7. Generalize the integral fulfillment of the national sanitary and phytosanitary program. Push forward to free Colombia from the foot and mouth disease.
8. Put focus on new projects of irrigation and draining infrastructure for the country in the light of the needs of the agricultural and husbandry sector, by stimulating the private sector to invest in the construction of irrigation facilities.
9. Increase the area given to goods submitted to extinction of domain by DNE, since their expropriation, to professional peasants and agricultural technicians.
10. Prioritize rural health, by encouraging municipalities to implement mobile health units and the EPS in order to have more alternatives available to render effective service.
11. Widen the education coverage and improve the quality of the education in rural areas.

International trade and integration

1. Promote the change in the objectives of CAN in order for it to function as a regional market with a true free trade zone.
2. Deepen trade and cooperation agreements with Mercosur.
3. Make free trade agreements (TLC) with Central American countries (Panama, El Salvador, Guatemala), Canada and the European Union.

4. Become a full fledged member of the Panama Plan Puebla instead of observer.
5. Promote economic cooperation with China and Japan. Stimulate commercial and cultural closeness with other Asian countries and markets.
6. Consolidate the Foreign Trade Single Counter.
7. Strengthen human resources as a competition tool through training in foreign trade, agricultural and industrial production.

Infrastructure: transportation

1. Progress in construction and maintenance of the great route corridors.
2. Promote associations among territorial entities to invest in tertiary routes.
3. Conclude 8 projects of Integrated Systems of Mass Transportation for 16 cities.
4. Realize the integral development of port infrastructure, especially those of Santa Marta and Buenaventura. Promote the development of a deep-water port on the Pacific coast.
5. Rescue strategic railway corridors to move production to the main ports.
6. Follow up the growth of river transportation on the Magdalena and Meta rivers.
7. Ensure modernization of the main airports in the country.
8. Construction of protection for La Mojana del Rio Cauca and the lower Magdalena.

Telecommunications and informatics

1. Strengthen the development of industries that lean on the informatics and telecommunications infrastructure and on the professional capabilities of human talent.
2. Establish the program Colombi@ Puerto de la Información (Colombi@ Information Port) in order for the country to become a leader in the attraction of companies devoted to the Spanish-speaking market through

the connection with the submarine cables of both oceans and the development of TIC industries.

3. Every Colombian shall have access to the Information Society either directly or through centers of community access:
 - Count on 10.000 centers with at least 200.000 computers connected to wide band Internet;
 - Carry out a massive informatics literacy and training plan, entrusted to Sena and the Ministry of Education, in primary, secondary and technical education, also for adults and teachers, and
 - Create a special line of credit of Icetex, buttressed by Findeter, in order to provide for every college student a private computer and the access to the internet.
4. Eliminate IVA for buyers of low cost computers.
5. Strengthen projects of Connectivity Agenda, especially those related to the development and effective use of Internet II.
6. Offer incentives for citizens to use the Internet to follow their dealings with the State.
7. Develop a normative and institutional plan to allow for the sustainability of the universal postal service.
8. Develop an institutional and normative system that allows the sustainability of public television, of the national operator and the regional operators.
9. Put together a National Plan of Telecommunications and Informatics built under the coordination of the Government with the active participation of the users, the productive sector, academia and territorial entities.

Energy and mines

1. Promote commercial strengthening in international market of the high value added mineral products, such as the industry of coal and the production of oil and its by-products.
2. Develop an aggressive petroleum policy to add 1.500 million barrels to the reserves before 2010 with high incentives and participation of private capital and Ecopetrol.

3. Establish an adequate framework to exploit all mineral fields.
4. Strengthen the development of the natural gas market by linking 300.000 new users.
5. Improve the interconnection of the natural gas infrastructure by seeking optimal regionalization, nationally and internationally. Stimulate the construction of the Colombian-Venezuelan gasoduct.
6. The expected coverage of electricity is expected to reach 95% by 2010. Recuperate electric plants so that there are proprietors who generate value with quality services and universal coverage.
7. Increase the energy transmission capacity to neighboring countries giving priority to future interconnection with Ecuador and Panama.
8. Implement 5 new projects of construction of hidro-electric plants in Guapi, Mitú, Araracuara, Juradó, Unguía, Niquí and La Chorrera.
9. Make use of the advantages of TLC (zero tariff) for mass production and export of biofuels in free trade zones.
10. To increase production from 550.000 liters of fuel alcohol daily to 3.500.000 liters daily in 2010.

Social and redistribution policy

1. Increase to 1.5 million the beneficiaries of the Familias en Acción (Families in Action) program.
2. Harden penal legislation dealing with crimes against family and children.
3. Establish a compulsory social service as a graduation requirement for some professions whose target are children under 5 years of age.
4. Widen nutrition programs to the whole child population under 5 years of age of Sisben I and II.
5. Increase to 180 per year the number of days of operation of the school restaurants.
6. Set in motion full health coverage for the families of community mothers.
7. Widen basic coverage to 900.000 vulnerable seniors.

8. Increase the percentage of working people covered by social security, in the formal, informal and independent sectors.
9. Guarantee universal health coverage for the populations of Sisben I, II and III.
10. Create special hospital zones with a view to strengthening the rendering of health services and stimulate medical tourism.
11. Improve the efficiency and transparency in the health sector:
 - by consolidating the Unified System of Social security Information;
 - by redesigning the Superintendency of Health;
 - by concentrating the auditing of all resources of social security in a Unified Entity of Social Security revenues;
 - by maintaining the policy of corruption-free public hospitals, without politicking and union excesses, so that they serve the community, and
 - by controlling the evasion and fraud in the payment of contributions to social security and similar entities.
12. Speeding up the processes of acknowledgement and transparency of the management of pension funds by merging public banks charged with their administration and creating an elite decongestion group.
13. Widen coverage increasing to 100.000 the number of enterprises affiliated to professional risk.
14. In the development of the Second Sena Revolution, promote efficient articulation between the offer and demand of labor:
 - by strengthening the system of employment information;
 - by making further efforts to make training pertinent;
 - by seeking to ensure access to credit for Sena graduates, and
 - by strengthening the National System of Labor Training in order to certify all technical and technological institutions to gain access to the resources of Sena for training.
15. Making a great social pact so that workers with permanent jobs receive open-ended contracts.

16. Promote Territorial and sectorial Employment Pacts.
17. Ensure positive real salaries.

Education

1. Strengthen the training process of human capital through the articulation of educational levels based on competence, training programs and preparation for basic education.
2. The Educational Revolution shall deepen scientific and technological knowledge and massive use of information and communication technologies for teaching, learning and development of creativity.
3. Support improvement of the competence of teachers and students as central actors in the construction of a society based on knowledge.
4. Universal coverage for basic education in the third year of government. Reduce the desertion rate in higher education to 40% by class and the inter-annual rate by 8.4%.
5. Increase the Icetex portfolio to a minimum of 2 billion to finance access to higher education, seeking to include besides registration also maintenance for the strata I and II.
6. Finance housing for professionals with doctor or master degrees through 30-year credits with FNA resources.
7. Organize the education system so that B.A. holders get basic knowledge of English as a second language.
8. Increase the offer of higher education programs in the regions of the country through virtual programs.
9. Generate more incentives for teachers:
 - by rewarding performance;
 - by ensuring fair work conditions for teachers hired by agencies that render services to the State;
 - by updating the lists of personnel to improve their income, and
 - by giving access to housing credit through the National Savings Fund.
10. Improve infrastructure and resources for public education.

11. Consolidate decentralization, granting more autonomy to educational institutions and strengthening institutionally the Education Secretariats.
12. Carrying out the “Second Sena Revolution” by promoting efficient articulation between offer and demand for training:
 - stimulate massively “technical training with diploma”;
 - allow flexibility between medium level technical, higher technological and professional levels;
 - Strengthen national training programs for labor with a view to certifying technical and technological institutions so that they may accede to Sena resources, and
 - Strengthen Sena training for reinserted people and people with disabilities.

Knowledge for development

1. Promote scientific and technological development as well as innovation as pillars for the insertion of Colombia in the knowledge society and allows the generation of sustainable, productive social development.
2. Reach a total investment of 1% of the GDP for 2010, at least half from private sources.
3. Push forward knowledge-intensive sectors that contribute to productive development.
4. Articulate science, technology and innovation policies with higher education policies.
5. Increase doctorates and masters degrees in research through repayable credit.
6. Stimulate Colombian brains abroad to start businesses in the country to support higher education and enterprises.
7. Keep the flag program of creation and consolidation of Centers of Research Excellence to end up by financing 12 centers in 2010.
8. Encourage scientific and technological parks as articulators of actors in scientific, technological and innovative development.

9. Promote professionals with doctorates to participate in the productive sector and push forward research and development projects.
10. Double resources from the credit line Bancoldex-Colciencias to stimulate entrepreneurial innovation.
11. Deepen Scientific Diplomacy to promote scientific and technological cooperation in the international cooperation agendas.

Housing, public utilities and the environment

1. Increase the lower end of the budget for social housing from \$150.000 to \$350.000 million.
2. Increase the mechanisms of the Banco de Materiales for improvement and construction of popular housing for the masses. The municipalities shall contribute by making available plots with public utilities and the Cajas de Compensación Familiar shall supervise the project.
3. To mothers who are heads of the household beneficiaries of the Banco de Materiales a minimum wage will be granted for 2 months in order to permit them to devote themselves to improving their home.
4. Consolidate the system of granting of subsidies through the Cajas de Compensación Familiar, which must follow up and intervene strictly in urban and rural housing.
5. Push forward the legalization of titles to benefit properties of poor and good faith people.
6. Grant title to housing of social interest built on property of the nation or the territorial entities.
7. Democratize property and stimulate community micro business in the water supply, sewer and sanitation services.
8. Promote a new water culture to reach an integrated management of hydro resources according to the different thermal levels, regions and ecosystems in Colombia.
9. Create a system of accreditation that ensures the quality of water supply, sewer and sanitation.

10. Manage efficiently solid and liquid waste by declaring of public utility areas that may become regional waste deposits.
11. Stimulate the fight against desertification and drought according to the lines of PAN (National Action Plan).
12. Defend the biological and ecological heritage of Colombia. This entails:
 - Strengthen the system of protected areas, especially regarding scientific, operational and institutional consolidation of the System of National Natural Parks;
 - Support the Network of Civil Society reserves and other similar organizations and encourage private efforts aimed at preserving natural vegetation;
 - Establish a national program of preservation of endangered species and support current projects;
 - Improve the control of natural wooded areas, and
 - Strengthen incentives for conservation of forests and the planting of new forests.
13. Exercise strict control over the illegal national and international trade on species of plants and animals native of Colombia and the introduction of exotic species in the country, especially those that are potentially invaders.

Culture and sports

1. See to the enactment of the Patrimonial Act and the Underwater Patrimonial Act.
2. Follow through with the National Library Plan with a view to creating or strengthening one public library in each Colombian municipality.
3. Push forward the National Music Plan to make musical instruments available to 260 municipal bands in the country.
4. Complete the recuperation of 38 historical centers. Consolidate the project of enlargement of the National Museum and restoration of the Cristobal Colón Theater.
5. Widen the program of scholarships and artistic residence abroad.

6. Affiliate 10.000 artists and culture workers to the social security system.
7. Consolidate *Señal Colombia* as an educational and cultural TV channel.
8. Build storage places for the preservation of the film patrimony.
9. See to the enactment of the Convention for the protection and promotion of the diversity of cultural expressions.
10. More people practicing sports, more people with access to recreation and physical education, more opportunities through the development of the public infrastructure.
11. More physically active people, a physically fit population and a Colombia with physical culture.
12. Better preparation and achievements for high performance sportsmen and women in events of the Olympic cycle with economic, social and cultural benefit.
13. Organize national and international events on sports and leisure with social, economic and cultural benefits.
14. Improve the sports infrastructure of San Andrés and Cali, which will house the next National Games.

Efficiency and transparency of the State

1. Promote the participation of the citizenry as a tool in the fight against corruption by stimulating tips through rewards, “visible contractors”, “visible auditors”, for privileges and the “Subsidy Window”.
2. Focus the fight against corruption on four key sectors: Health, Pensions, Privileges and Public Works.
3. Push forward a legislative agenda to implement the International Conventions of Fight Against Corruption.
4. Establish a system of internal follow-up (Control Agencies, Public Attorneys and Government) so that the territorial entities account for the resources granted to them.
5. Reform Law 80 and adoption of good governance practices to prevent arbitrary contracting, eliminate bureaucracy and promote hiring small and medium businesses.

6. Organize the priority entities in the plans of government which require deep institutional change.
7. Strengthen management aimed at results as a managerial instrument by promoting the evaluation of some national and territorial programs.
8. Sharpen the system of evaluation of performance and pay of public servants, revise wage curves and make possible variable compensation according to performance.
9. Progress in administrative careers for temporary employees, replacing examinations with experience and establishing a special career system for civil servants of the Ministry of Defense, its decentralized agencies, the Armed Forces and the Police who are not in uniform.
10. Adopt a system of transfers for full health and education coverage.
11. Deepen associative decentralization.
12. Push forward the enactment of a law to modernize territorial taxes. **DEP**

Translation: Sérgio Duarte

A plan for Ecuador

*Rafael Correa Delgado**

When one speaks in abstract terms about Peace, Justice and Equanimity, the discourse tends to become blurred by rhetoric or insubstantial lyricism. In order that thought, word and action become links in the chain of a conduct, of ethical behavior, there must be a humanist category, more than a consequence, since there are ideologies, policies, practices and doctrines that cannot be changed; but war and hatred can and must be eradicated from the face of the Earth.

History records postures like those of Jesus Christ, Ghandi, Mandela or Luther King to face the dark pyrotechnics of armed conflict. They placed their wagers on love, daring contemplation and utopia.

Our fatherland rises today rebellious and optimistic. One must stress its pacifist inclination throughout its history, for despite having suffered aggression in the past, it has never invoked war as a solution to conflicts. Accordingly, in presenting today (April 24, 2007) “Plan Ecuador” we bring forth our vision of present and future and not a catalogue of past resentments.

We have proclaimed the right of peoples to self determination, as stated in the Charter of the United Nations; we have placed in our hearts and in the horizon of America and the Universe our right and duty to defend our sovereignty; we have decided never to militarize our external policy and we have defended our right to peace.

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Because of all that, supported by justice and by our resolve and patriotism, we propose today “Plan Ecuador” before the world, a State policy for the Northern boundary that conceives human security as the result of peace and development; an equitable and solidary international relations policy and a defense policy based on the protection of the population and of the resources belonging to its patrimony together with an effective control of the national territory.

“Plan Ecuador” is guided by three principles:

- the universal principles of peace and cooperation as a system of coexistence among States;
- repudiation of aggression, non-intervention in internal affairs of other States and sovereign equality in its relationship with neighboring States, and
- cooperation and co-responsibility among the different institutions of the Ecuadorian States with wide participation by the citizenry.

The Plan envisages the strengthening of the economy of border regions, encouraging their social development and improving the standards of living of our countrymen and women.

The elementary principle of non-intervention prevents an academic, social or historical analysis of regional or universal conflicts, although a briefly reflection on the current suffering of the Colombian people is in order. We witness this situation because of our territorial and historic neighborhood.

Our memory is full of episodes through which we have known and admired the brotherhood between two peoples with a common origin: Ecuador and Colombia.

Eugenio Espejo and Antonio Nariño have shared their talent and republican ardor, and also, with Miranda, their role as precursors of independence.

Bolívar’s hand took us to freedom; we are heirs of Sucre’s temperament; the Colombian battalions that fought for our liberty left the imprint of their heroism on the Ecuadorian soul.

Almost forgotten by official history are the names of Colombian fighters who participated in the 1895 Revolution under general Eloy Alfaro: colonel Carlos de Janón Gutiérrez and major José Manuel López Arbeláez, among

other internationalists. And José María Vargas Vila, also a Colombian, was Alfaro's passionate defender after *Hoguera Bárbara*.

The reason for this brief summary of brotherhood is the fact that Ecuador has been a historic ally of Colombia in the conquest of independence and in the strengthening of both countries' respective sovereignties. Today, when the Colombian conflict reverberates beyond its borders, it is necessary to mention in the context of "Plan Ecuador – a project that transcends specific situations and circumstances – also certain effects deriving precisely from that conflict:

1. The risk that groups and organizations devoted to illegal activities enter the Ecuadorean territory, cause damages to persons or to public or private property, jeopardize internal stability and distort the bilateral relationship;

2. The permanent increase of displaced persons and refugees from Colombia into our three border provinces, Esmeraldas, Carchi and Sucumbius, and its obvious influence on others, such as Imbabura, Pichincha and Orellana. The exodus resulting from violence in Colombia causes humanitarian problems and their public expressions such as access to health, education, food and protection;

3. The increase in the movements of persons and the growth of poverty, which generate new forms of crime and violence, and

4. The harmful, unhealthy impact of aerial sprinklings of glifosate on the environment in border zones.

We have stated on several occasions that human rights can be interpreted in different ways according to one's political bias, and may have many ideological or geopolitical slants.

In April last year, the report of the Head of the Office of the United Nations High Commissioner for Human Rights (ACNUR) for America, Philippe Lavanchy, mentioned precisely a kind of categorization of conflicts, as well as of displaced persons and refugees, chiefly when the incidence or original populations is greater.

One of the problems is that donors of financial resources also act in accordance with geopolitical priorities, because our region is not located in the center of the concerns of the international community. The conflict is said to have lasted for over 40 years and its impact has waned, meaning that since people have become used to it, there is greater lack of sensitivity toward this problem.

But the question is not one of news, current events, scandal: we are speaking of suffering human beings whom certain war plans are determined to ignore.

This conflict, which we have never sought and in which we have not intervened, erupted for us in the Northern provinces, in the Amazon region, in Esmeraldas. Maybe this historic situation was scarcely noticed because of the indifference of rulers who chose to keep silent and submit to other plans instead of caring for our own people.

There is no reason, therefore, to forget the nature of this war that we did not deserve to inherit. It is not a self contained conflict, protected by borders and high walls: it is the agony of peoples that fill with anguish, uncertainty and violence their neighbors and brethren. In the urgent search for peace we must discover and expose those who benefit from the suffering of others.

Objectives of “Plan Ecuador”

The main objective of the Plan is to bring forward an integrated process of peace, development and security, focused on the human being, for which the participation of the citizens is indispensable in order to establish the peaceful coexistence of the population settled at the border region, generating communications networks that affirm the presence of the State and the social fabric capable of preventing conflicts, in absolute respect of human rights.

“Plan Ecuador” reconciles different State institutions. The conflict should not be exclusively centered on the ministries of Defense, Government or External Relations, so that actions may focus on gender equality, on the strengthening of the participation of citizens and finally on the consolidation of the bi-national relationship between Ecuador and Colombia.

Plan Ecuador counters war with peace, violence with justice. For this it is imperative that Parochial Boards, provincial and municipal governments, non-governmental organizations and obviously the institutions of the State work together to create networks of civic coordination.

The Plan shall provide a policy of employment and productive reactivation in activities like crafts, fisheries, farmers, sustainable tourism and transportation. To say “the Fatherland belongs to everyone” is not a slogan;

it is the symbol of a new Ecuador, where not only the wealth is shared, but also the decisions.

Micro-credit lines, qualification, support to small and medium-sized units that generate production chains, low interest credit, legal consolidation, improvement in the basic social infrastructure, sustainable management of natural resources, promotion of environmental projects, administration of justice and control of unlawful acts; this huge responsibility does not fall exclusively to a President, to a Cabinet or to a government, but to the people as a whole, who must be, as they have been until today, permanently vigilant in order not to permit that its achievements are taken away.

Obviously, “Plan Ecuador” intends to reach the international community, since Ecuador had turned its back, perhaps intending to live away from it.

In order to raise one’s head to contemplate the future it is necessary to clear one’s sight, and Plan Ecuador is the expression of our wager before the international community that is present today in the Diplomatic Corps and special guests: a new, self-reliant, sovereign and generous Ecuador.

Generous must we be, because in international politics to be generous is to be human. When we think of the Colombian refugees we also recall the Ecuadorians who left the country because of poverty, lack of employment and opportunities or faith in the future. Just like the refugees and displaced Colombians, these Ecuadorians have left everything behind: their memories, their flag, the winds of their people. They left behind their families, their loves, their children, their songs.

The displaced Colombians cannot turn back to look, not for fear of being changed into salt statues, but for knowing that if they do they shall forever become a forgotten tomb, a lost memory. For this reason, and not in search of rewards, Ecuador also protects the displaced Colombians. Because we see ourselves in their mirror of suffering, we cannot have the double standard of demanding fair treatment to our compatriots and at the same time forgetting refugees from other peoples. We believe that there are no illegal human beings, only illegal, unhealthy and violent practices.

For a long time we have argued in favor of free transit for persons, but we have routinely faced the immoral decision of neoliberals who only care for the free transit of capital and for free trade treaties, relegating the human being

to the last rung in the social scale; men and women to whom all is forbidden, especially when they are poor.

“Plan Ecuador” has 135 million dollars to finance these security projects in the border regions and we hope soon to double that amount with the support of the international community. The coordination of “Plan Ecuador” is entrusted to the Ministry for Coordination of Internal and External Security with the direct participation of the ministries of External Relations, Defense and Government, plus the Vice–Presidency of the Republic through the Northern Development Unit, UDENOR. This unit has participated permanently in the elaboration of the Plan. Such interdisciplinary endeavor is devoted to peace, not as a myth or utopia, but as our people’s greatest requirement. For this reason the Ecuadorian government, recalling its heroes and its legacy, has activated UNASUR, the desired Union of South American Nations with common origin and destiny.

Let us recall the images of war, of orphaned children, the photographs of human misery. “Plan Ecuador” stands against the vultures of war; against arms traffickers; against those who during their accursed wars speak of freedom; against mercenaries and tyrants.

“Plan Ecuador” supports peace and the right to equality and fraternity. It favors women and their right to their own life and that of their children; it favors education, wages, employment. It favors the fields cultivated by farmers in the border regions; it favors craftsmen and their fabrics made of stars.

“Plan Ecuador” wishes to proclaim that peace has exploded in El Chical, Maldonado, Tobar Donoso, El Carmelo, Tufiño; “Plan Ecuador” shall infuse new hope at Cascales, Cuyabueno, Shushufindi, Lago Agrio, Gonzalo Pizarro, Putumayo and Sucumbios; “Plan Ecuador” wants to hear *marimbas* and *cununos* at Esmeraldas, instead of bullets and hand grenades.

Ecuador puts up this beacon of hope in opposition to war; it makes an offer of peace in place of bones and plunder.

The Ecuadorian government shall follow the path of peace, solidarity and justice. **DEP**

Translation: Sérgio Duarte

Cultural identity & *creolization* in Guyana

*Prem Misir**

The world has become more ethnically diverse. And ethnic nationalism is in vogue for those countries with a traditional multiethnic framework. National unity, unquestionably, if only to rid society of ethnic dominance, has to be a strategic, mandatory, and premium goal for all developing multiethnic societies; a national unity eliciting inputs from minority cultures.

The notion of societies miniaturizing minority cultures, making them subordinate to a single dominant cultural identity really is not the way to go in search of national unity. A national and regional unity, a product of one dominant identity, where minority cultures have no inputs, is false; and absorption of minority cultures into a dominant culture would produce a cultural loss to each minority group.

In the grand design of slavery in the Caribbean, White planters separated African slaves of similar tribal and linguistic groups, a plot to guarantee the demise of African cultural traditions. And through total acculturation, Africans lost most of their African heritage to take on a creolised variant of European culture. This absorption process really is cultural assimilation at

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work where a minority group, either through force or voluntarily, surrenders its cultural tradition to become enveloped into a different and invariably dominant culture. Assimilation, especially forced, creates and strengthens ethnic dominance.

The Caribbean is a picture of ethnic diversity, ranging from the European variants – Hispanic, Anglo-Saxon, French, Dutch, Portuguese, Africans, the Indians from India, Amerindians, Chinese, Javanese, Syrian, Lebanese, Jews, Mestizos and Mulattoes. The Creole culture today, the dominant cultural force, is commonly presented as the source of Caribbean identity; ethnic diversity allocated minimum primacy in the search for a Caribbean identity.

Caribbean identity is difficult to understand and to develop a sociological imagination, past, present, or future, without applying race, ethnicity, class, and gender as major descriptive and analytical categories. These categories depicting the individual's social world provide a microcosmic sense of the society's institutions. Does a particular race, ethnicity, class, or gender dominate these institutions? Does a particular type of cultural identity impact the functioning of these institutions? Do some groups' perceptions indicate an exclusion of cultural identity in the shaping of these institutions? The book ("Cultural Identity and Creolization in National Unity: The Multiethnic Caribbean," 2006) here analysed, attempts to provide some response to these questions through examining the cultural dominance of Creolization, a creolised variant of European culture.

Professor Norman Girvan notes that "The reality is diversity, and surely this is to be welcomed, indeed celebrated. It would be a boring Caribbean indeed if we were all the same. For the same reason I believe it is mistaken to think of creating a specific Caribbean identity by means of something called "cultural integration." Indeed it might even be dangerous, for this lofty ideal begs the question of integration into what, on whose terms, and who will be the arbiter of what constitutes the integral Caribbean culture. Would it not be far more sensible to speak of cultural understanding, interaction and exchange; of mutual respect for, and tolerance of, cultural differences; and of the practice of cultural compromise and consensus?"¹ Girvan explains that there is a current conversation that sees Creolization as the source of

¹ Girvan, N. *Cooperation in the Greater Caribbean*. Jamaica: Ian Randle Publication, 2006.

Caribbean identity. Creolization, according to Girvan, is perceived as involving the melding of other ethnic identities into the Creole culture. Therein lies the problem with the Creole Caribbean identity, an identity with groundings in cultural integration and cultural loss. Indeed, cultural loss creates disadvantage for those who do not control the levers of political and economic power; those with little leverage have limited access to the society's rewards.

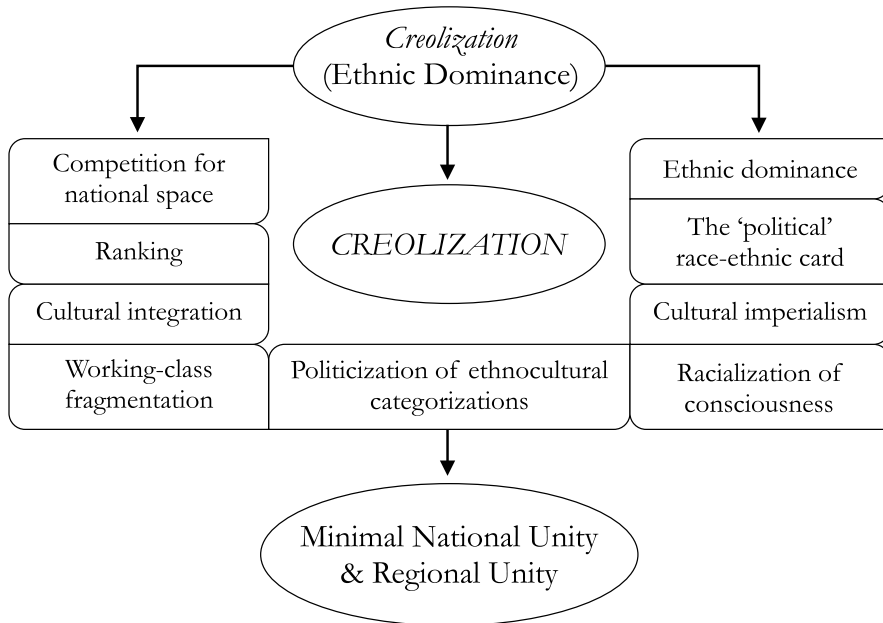
Clearly, the dominant Creolization framework endangers national unity, good governance, and political stability. In the Caribbean, Africans inhabit the Eurocentric-rooted Creolization and Indians the Indian culture; Indians are not located on the same cultural continuum as Africans and Whites. The dominance of Creolization, a colonial legacy ignores the Caribbean multiethnic mosaic; and Creolization is not the same in each Caribbean society. However, there is need to acknowledge the presence of other cultures in addition to Creolization, to create a framework for mutual cultural appreciation and institutionalization of all cultures in the pursuit of national unity.

According to Paulo Freire², minority ethnic groups are not living 'outside' the society. These groups have always been 'inside', that is, inside a dominant structure that may have made them 'beings for others'. Given a great mosaic of Caribbean cultures, the way forward is not to integrate minority cultures into a structure of domination, but to transform that structure, so that minorities will become 'beings for themselves'. The alternative is cultural integration, cultural loss, and ethnic dominance, inimical to national unity; indeed a 'coming together' lacking in the Caribbean today. Ethnic dominance ignores and manipulates minority identities to camouflage a fundamental unity of interests of both Indians and Africans in the Caribbean. Understanding this fundamental unity of interests will facilitate multicultural policies, programs, and projects in the pursuit of national unity.

Through a series of readings, this book makes the point that ethnic dominance applied through Creolization is antithetical and challenging to nation building; producing and reproducing itself through competition for national space, cultural integration, ranking, working-class fragmentation, politicization of ethno-cultural categorization, racialization of consciousness, cultural imperialism, the 'political' race card, and ethnic dominance.

² Freire, Paulo. *Pedagogy of the Oppressed*. NY: The Continuum Publishing Corporation, 1977.

Figure 1
Barriers to national and regional unity



The flow diagram in Figure 1 demonstrates how the readings are connected. The diagram tells the story of the multiethnic Caribbean where the barriers theoretically produce and reproduce Creolization to inhibit the growth of national and regional unity.

Creolization as a social practice is produced and reproduced; and the theory of structuration³ explains this process. Structuration determines the conditions impacting the continuity and dissolution of structures. Structuration has three components: structure, system, and the duality of structure, as propounded by Giddens⁴. Structure refers to rules and resources; system denotes reproduced relations between people or collectivities, organized as recurrent social practices; and the duality of structure means that people and/or collectivities create the structures and simultaneously these structures are the medium and outcome of this creation.

³ Giddens, A. *New Rules of Sociological Method*. London: Hutchinson & Co (Publishers) Ltd., 1976, 1977.

⁴ Ibid.

Table 1
Duality of structure in social interaction

	Meanings	Power	Norms
Interaction	Communication	Power	Sanction
(Modality)	Interpretative scheme	Facility	Norm
Structure	Signification	Domination	Legitimation

Source: Giddens, A. *New Rules of Sociological Method*. London: Hutchinson & Co (Publishers) Ltd., 1976, 1977.

In Table 1, the top row classifies interaction; the bottom row classifies structure; and the ‘modalities’ represent the middle ground between structure and interaction.

Table 1 shows how Creolization is produced and reproduced. In the second column, the communication of meaning involves the use of symbols through which people understand what each does and says; the use of these symbols depends and draws from the Creole culture; but while drawing from this Creole culture, the symbols recreate that culture; the symbols are the means through which Creole culture is reconstituted. Likewise, the power of Creolization to dominate involves some control over resources; the capacity to dominate depends and draws from institutions shaped by Creolization; but while drawing from these institutions, the control over resources recreates those institutions; control over resources is the means through which the Creole institutions are reproduced. Again, the ethical constitution of Creolization contains rules which emanate from some moral order; but while drawing from this moral order, the rules recreate that order; these rules are the means through which the Creole moral order is reproduced. Clearly, through the duality of structure, people apply Creole symbols, use Creole institutions, and Creole morality to produce and reproduce Creolization. In a macro sense, it is the European-African cultural continuum that creates and recreates Creolization; but not all Caribbean people subscribe to Creolization.

In Chapter 1, Brinsley Samaroo shows that Indian culture is part of Caribbean identity inasmuch as Creolization is. Samaroo demonstrates an enduring India-Indian Diaspora connection, the reality of Indian cultural persistence in the Caribbean. He notes that the consistent practice of Caribbean

Indians' sustained communication with India and Pakistan from the late 19th century to the current period. Persisting Diaspora links have transformed these initial contacts into political bonds between Diaspora Indians and the ancestral land. The persisting India-Indian Diaspora connection emerged, too, with strong roots through the indomitable spirit and work of the Indian National Congress; displaying considerable concerns for and relating to the disquiet of the Indian Diaspora, championing the land rights of Indians in South Africa and Kenya, and the Caribbean Indians' right to vote and for greater participation in the public service during indentureship. Samaroo notes, too, the possible benefits India stands to derive from fostering links with the Indian Diaspora in the post-Independence period; the substantial overseas Indian community can be both a source for investment and a ready-made market for India's products; overseas Indians, a good number in influential positions, can be unofficial ambassadors for India representing India's concerns at world fora. India is now in the Caribbean, with extended linkages to other parts of the Indian Diaspora.

Percy Hintzen in Chapter 2 reinforces the argument that the minority status of Indian and other cultures attributable to Creolization retards Caribbean unity. Hintzen argues that Caribbean identity is located along a continuum, 'pure' European at one end, and 'pure' African at the other end, that is Europe at one pole and Africa at the other. However, Caribbean 'oneness' is still elusive, notwithstanding the universality of Creole identity; Caribbean 'oneness' is fragile largely due to historical differences shaping different constructions of Creole culture in different territories; new diasporic communities, such as Indians, are outside of the European-African continuum; and White Creoles vary in number and significance across the Caribbean. The new diasporic communities with origins outside of Africa and Europe are outside of Creole society; specifically, a dialectic is created as the major Creole institutions impinge on the Indian social world; a dialectic manifestation where Indians comply with the Creole rule of law and simultaneously strive for cultural purity. Caribbean Indians aggressively compete for inclusion in the nationalist space through resisting Creolization; an attempt to legitimize their inclusion in a redemptive counter-discourse to Afro-Creole nationalism. Hintzen notes that representations of cultural purity particularly in the case of Indians have won through amid the presence of hybridity. But the consequences of this triumph have produced debilitating dilemmas: notions of White purity continue to bolster globalized dependency; Creolization continues

to conceal the prevalence of domestic racial capitalism. The answer to these dilemmas is to replace Créolité.

In Chapter 3, Verene Shepherd deliberates on the possibilities of integrating Indian culture via Coolitude into Creole culture. Shepherd presents Coolitude as an ethnic identity theory. And indeed to see whether Coolitude can make Creolization inclusionary, incorporating other ethnic identities, including Indian culture. Shepherd's paper exposes existing difficulties to insert Indian culture into a culture that is substantially Euro-African. She believes that cultural integration has begun, but not yet complete, even in those countries like Jamaica with a small Indian population. Shepherd concluded that no idealized fusion exists among Indian, African, and European cultures. Coolitude seeks cultural integration, not workable in developing a Caribbean identity from a differentiated whole; all cultures need a space of their own.

Patricia Mohammed in Chapter 4 dismisses cultural integration. Mohammed shows that Indians in Trinidad view Creolization as an indication of cultural loss. In the pre-Independence period, Indians saw Creolization as being similar to Afro-culture. She referred to this process as 'acculturation'. This is a process whereby one ethnic group adopts the cultural traits and practices of another's. However, in the post-Independence era, Indian discomfort with Creolization still is a factor in the psyche of Trinidadians, a rejection of cultural integration, a rejection of cultural loss.

Walter Rodney acknowledges the concept of cultural differentiation in Guyana (formerly British Guiana) in Chapter 5. Rodney shows that race in 19th century British Guiana was always a factor in the differentiation between Creoles and immigrants. Indians and Africans brought large cultural legacies from their respective countries of origin. The Creole culture eventually became a barrier to sustaining Indian culture. And Rodney noted that Indian and African culture also included their work environment where Creole culture was the dominant force. However, planters of the 19th century manipulated the work environment to control the masses, a strategy for fragmenting working-class unity and diluting both Indian and African cultural identities. Notwithstanding the planters' strategy of fragmentation and dilution, the case for racial division is exaggerated. Indian and African cultural legacies still are a precondition for national unity; a clear case against cultural integration, which is a manifestation of cultural loss.

Cheddi Jagan in Chapter 6 points to the utility value of cultural differentiation in the pursuit of national unity. Jagan notes that race was never a serious problem in Guyana. He believed that the problem was one of class. The early division of labor produced and reproduced racial antagonism and cultural loss to divide and exploit the working class. In fact, Indians as indentureds were perceived as outcasts, culturally different, and economically subservient. The 1928-53 period struck a blow to Guyanese unity through the British divide-and-rule techniques, with accompanying racial alignments and divisions. In the early 1920s, there was no Indian public servant higher than a Third Class Clerkship. In 1931, Indians only held 8 percent of the public service positions when they comprised 42 percent of the population. And in the 1960s, Burnham's defeat at successive elections produced a greater emphasis on African-raceconsciousness, a unified African front, with Indians as the common enemy. Clearly, these descriptions of the facts were acrimonious to promoting cultural identity, an acrimony not primordial to Indians and Africans but constructed and manipulated by politicians. Here, too, political institutionalization of each ethnic group's culture may dissipate the emotive language of race and race conflict and contribute to national unity. Jagan really advanced the case for apportioning political space to all cultures in the drive toward national unity.

Vidia Naipaul in Chapter 7 sees cultural imperialism as a serious barrier to national unity. Naipaul notes that a colonial administrator sees the local people as having no distinctive qualities, and that all of them can be compartmentalized into one cultural non-distinguishing brownish mass. Naipaul rejects this colonialist's assertion. The European colonialist's conception of national unity was the compartmentalization of all the locals into one cultural group, resocializing them to show deference to Anglo-culture and to subscribe to American and Anglo-conformity. This colonialist's thinking and action amounted to cultural imperialism; with Creolization a manifestation, sustaining the European-African continuum.

John La Guerre in Chapter 8 explains the changing connection and configuration between culture and politics in Jamaica, Trinidad & Tobago, and Guyana. La Guerre notes the salience of ethnic consciousness among the groups in these countries. His thesis is that there is a connection with primordial instincts, but that resort to ethnic appeal and weapons is integral to the political struggles in these nation states. The political struggles address questions of

identity, but only in the context of seeking political recognition and reward. La Guerre shows how political parties represent communal interests, creating the perception that the party occupying the seat of power will exclude those not affixed to its ethnic interests. But Indian critics argue that former T&T Prime Minister Basdeo Panday with a majority of Indian support, applied a policy of appeasement 'so as not to appear as a Caroni'. Prime Minister Patrick Manning, however, rejects any policy of appeasement for Indians. La Guerre concluded that the salience of ethnicity is a manifestation of the condition of politics in these Caribbean countries.

Prem Misir in Chapter 9 attempts to unravel the encumbrances in the pursuit of national unity through addressing salient questions: Is Guyana a deeply divided society? Is ethnic conflict primordial? Is class utilized to enhance an understanding of ethnic conflict? Is there ethnic dominance? Is there a prevalence of ethnic insecurity and mistrust? Do politicians push the race-ethnic card? Does the history of Guyana show a history of ethnic alliances? Misir notes that a subdivision of politicians and the private media plus hate literature power race-ethnic conflict and ethnic polarization in Guyana. And this ethnic conflict is dialectically shoved against an underlying fundamental unity of interests between the Indian and African working class.

Anton Allahar in Chapter 10 notes that a raging debate on how the Caribbean is defined focuses on the questions pertaining to racial, ethnic, cultural and national identity, and belonging. The colonizers' imprint of a racialization of consciousness persists today, as different groups create and recreate cultural space for themselves. The common experience of sugar, slavery, indentureship, exploitation, and dependent capitalism has failed to produce a common Caribbean identity. Two perspectives in studying the Caribbean include the plural notion of the Caribbean, and Creolization; both are limited; both perspectives tend to homogenize the Caribbean as if cultural differentiation were practically non-existent; the Caribbean is presented as having a single process, that of Creolization. The level and differentiation of Creolization varies from one Caribbean society to another. In the post-colonial era, the legacies of race and stratification have persisted, impacting Caribbean identity; and indeed, the racial politics of Afrocentrism and Hindutva further compound the problem of national and regional identity in the Caribbean.

Bhikhu Parekh in Chapter 11 argues for cultural pluralism. Parekh makes the case for multiculturalism, the confluence of a cultural mosaic, a rejection of ethnic dominance. He notes that many modern societies are multicultural; and shows that their cultural diversity emanates from several sources: globalization, the disintegration of traditional moral consensus, the liberal emphasis on individual choices, and immigration. Multicultural societies have to seek out ways of resolving their seemingly conflicting demands, as they cannot squelch diversity nor dispense with unity. Integration is a reciprocal process. It's hard for immigrants to integrate in a new society if the other people reject them. Both groups – immigrants and the host society – would need to extend a hand to each other and to accept their mutual obligations. New immigrants must demonstrate commitment to the new society and become culturally competent, a precondition for relating to the society's major institutions. The host society, in their turn, must accept the immigrants as equal and legitimate members of the society and develop a program of integration, involving eliminating discrimination and creating equal opportunity, inter-ethnic spaces, inter-cultural dialog, and multicultural education. Common interests and justice are necessary but not sufficient to hold a society together; developing emotional bonds also would assist the process of a national identity.

Prem Misir in Chapter 12 argues against ethnic dominance. Misir makes the case for institutionalizing multiple cultural identities in the quest for national unity, in the process an acceptance and inclusion of all cultures; and a rejection of Creolization as a form of cultural dominance. He notes that cultural dilution and cultural hegemony are twin evils for inciting ethnic tensions in any multiethnic society. But people will resist any attempt at weakening their culture. Misir points out that a dominant ethnic group generally conspires to reduce the significance of some cultures, in order to maintain its own dominance. As a response to this dominance, some ethnic enclaves defend and preserve their cultures through 'cleavage' type behaviors. Under those conditions, ethnic dominance retards national unity.

Caribbean Creolization or Creole nationalism has been fashioned and refashioned for political purposes from the colonizers to modern-day political power groups. Creolization has produced a cultural identity that is both pervasive and persuasive. In this sense, the omnipresence and influence of Creolization in each Caribbean territory express some form of militant

cultural nationalism, excluding and subordinating minority cultures; minorities whose dress, language, and general appearance were alien to the guardians and inhabitants of Creole culture; thus a creation of ‘us’ and ‘them’; xenophobia constructing this differentiation.

Edward Said, referenced through Sen⁵, notes that “In time, culture comes to be associated, often aggressively, with the nation or state; this differentiates “us” from “them” almost always with some degree of xenophobia. Culture in this sense is a source of identity, and a rather combative one at that, as we see in recent “returns” to culture and tradition. These “returns” accompany rigorous codes of intellectual and moral behavior that are opposed to the permissiveness associated with such relatively liberal philosophies as multiculturalism and hybridity.”

Modern Creole nationalism manufactures and sustains Said’s ‘us’ and ‘them’, presenting an insular culture posing as national and regional culture; not a national culture as should be practiced, but as it is perceived or imagined; books, pamphlets, newspapers, films, etc., articulate the Creole imaginings of the Caribbean; the sustained dominant Caribbean cultural identity. However, those excluded from the Creolization continuum generally present different imaginings to sustain their ‘pure’ identity; creation of a cultural dialectic between Creole and minority identities. Appadurai⁶ sees this changing notion of culture as: “The modern state in this view, grows less out of natural facts—such as language, blood, soil and race—but is a quintessential cultural product, a product of cultural imagination.” Pervasive Creole practices and imaginings, possibly bigoted at the core, have transformed Creolization into a monolithic culture; Creolization, the reproducer of dominant cultural norms securing political agendas and controlling the distribution of society’s rewards. **DEP**

⁵ Sen, Geeti. India: *A National Culture?* New Delhi, India: Sage Publications, 2003.

⁶ Appadurai, Arjun. Patriotism and its Futures, *Public Culture*, 5, No. 3:414, 1993.

Paraguay: State patronage and clientelism

*Milda Rivarola**

One of the ways Latin Americans define their own countries is by presenting them as unique. They are different in some specificity, whatever it is, but the fact is that their country cannot be compared to others. In Paraguay we have a good excuse to adopt this point of view: we survived a gruesome war against three neighboring countries in the 19th century, we had the longest dictatorship of the 20th century, and to top it off, at the beginning of a millennium defined by such rapid changes, we are the only country that has had six decades governed by the same political party, in a democratic transition with no change in power.

Other interesting phenomena have occurred such as a former general leader of the *coup d'état* that became candidate and currently having a former bishop as President. The sum of these unique aspects added to the general use of the *guaraní* language give us the image of *pays exotique* and we are considered unpredictable by diplomacy and international mass media. What was it that a

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French consul said in his mail from Asunción? “*In this country what was incredible yesterday is a certainty tomorrow*”.

I do not intend to continue repeating common knowledge. I would rather discuss a unique element of the Paraguayan political system that is arising in other Latin American countries due to growing inequalities and their own political traditions. I would not like to present you an exceptional country, but rather a country that shares processes with its region. Since Paraguayan political clientelism took paradigmatic shapes and extensions during the transition, its study can illustrate a phenomenon that threatens Latin American democratic order.

During a quick search through the Internet we will find studies about contemporary clientelism in Mexico, Central American countries (Nicaragua, Guatemala, Costa Rica), in many Andean countries (Venezuela, Colombia, Ecuador, Chile), and in Mercosur countries (Argentina, Brazil, Uruguay). Countries we would not expect to appear in such a list such as Spain and United States also present these relations in their political life.

Weber in Paraguay

Patron-client relationships with citizens cannot be established by any State. In fact, in the Welfare State, the active exercise of citizenship makes it impossible to distribute as favors the rights acknowledged and guaranteed by these systems, much less request as compensation political party or electoral loyalties. But a State to which this temptation is permitted still exists.

Max Weber develops the concept of patronage State:

“We speak of a State-patronage organization when those in power organize political power in the same way as domestic power (...) Mostly, the patronage power lacks the bureaucratic distinction between the ‘private’ and ‘official’ spheres, since political administration is considered personal for those in power (...) and, therefore, the way in which power is exercised depends entirely on their free will, as long as the sanctity of tradition does not impose limits, as often happens...”¹

¹ Max Weber. *Economía y Sociedad*. Mexico: Economic Culture Fund, 1994, pp. 759 and 774.

Historians specialized in 19th century² Paraguay define the State of Francia and López as patronage States, where the colonial structure was maintained with minimal republican innovations and the *legality* of the Spanish empire was replaced by the ‘revolutionary’ *free will* of a personal power, with no Constitution, Parliament or Judiciary. The property of land and industry in the country, the quasi monopoly of its trade, and the power of extracting servant labor from the population gave literal characteristic to this definition of a State that is patron, arbitrary, owner and master of lives and farms.

The liberal order in effect since the post war of the Triple Alliance (1870) until the Chaco (1936) brought severe limitations to the Paraguayan State patronage with a constitutional framework, the formation of independent judges, parliamentary development, and the acknowledgement of a certain amount of autonomy of society before State. But since the 1940s, with statism and the personalist nature of nationalist regimes (military and/or *colorado*), it returned with new shapes reaching its maximum expression during the *stronist* third of the century.

“Under Stroessner’s control, patronage was present in the State’s operation – undoing the borders between public and private property, presenting discretionary authority standards, serving as the main path towards wealth and as a fundamental source of clientelism for the *Colorado Party* that behaved as ‘owner’ of the State. Then, *as today*, the appointments and promotions in public office were based essentially on political loyalty and personal relations, more than merit”.³

Clientelism has greater chances of growing where those in power have effective control of the desired resources and are not constrained by bureaucratic norms to make personal use of them and when they wish to break apart (socially disarticulate) the voters.⁴ In Paraguay, as in the rest of Latin America, the State owns companies, has high levels of corruption, and is lacking in institutions, which favored the expansion of clientelism, with the distribution of public jobs in a State bureaucracy with low levels of training and wages.

² Work by Whigham, Jerry Cooney, Barbara Potthast-Jutkeit, etc.

³ WORLD BANK, *Paraguay, Social Development Topics to alleviate poverty, Social Analysis of the Country*, Gacitúa Marió, E., Silva-Leander, A. and Carter, M., January 2004. What is underlined is ours.

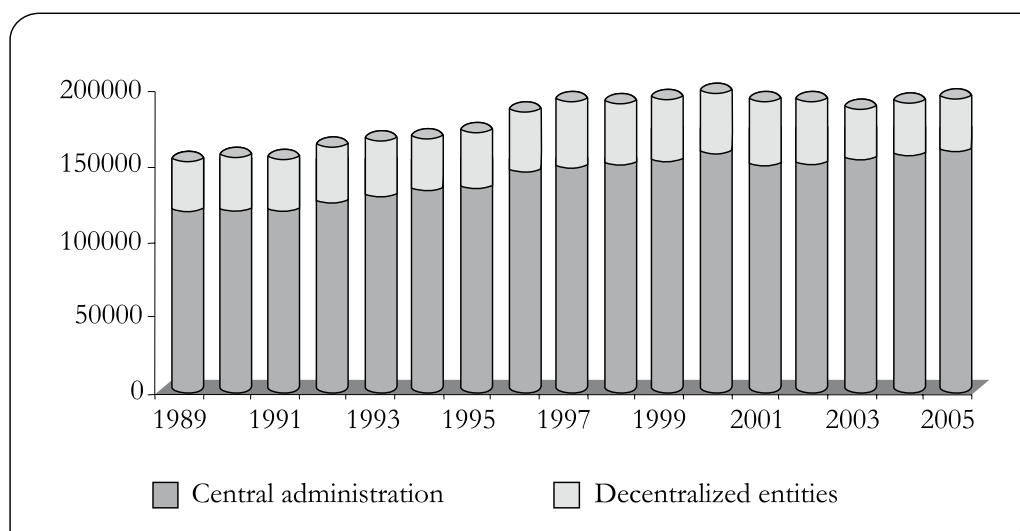
⁴ Clapham, Christopher (ed.): *Private Patronage and Public Power: Political Clientelism in the Modern State*. St. Martin’s Press, New York, 1982.

Many processes that occurred during the democratic transition – initiated when Stroessner was overthrown, in 1989 – allowed this system to survive. First, State reform was minimal and privatizations affected few public companies: airlines, an alcohol corporation, and a steel corporation. Public employment has had sustained growth in the past seventeen years. During a prolonged economic crisis (between 1995 and 2002 the GDP dropped an average of 2.3 annually) and the fiscal deficit, the Paraguayan State continued maintaining its patronage characteristic.

According to a World Bank report:

“the Paraguayan transition faced two basic challenges. On the one hand (...) one challenge was to democratize the regime creating the conditions to ensure adequate political discussion and citizen participation in the elections of the main governmental authorities. On the other, *due to its strong patronage legacy and the political party appropriation of State*, it was necessary to modernize the State and promote significant public sector reforms. In general terms, Paraguay has had modest success in the democratization of its regime, but the attempts of State level innovation have been relatively inefficient.”⁵

Public employment progression, 1989/2005



Source: HDO-UNDP, Paraguay, in Ministry of Finance database, 2006.

⁵ World Bank, Paraguay, *op. cit.*

On the other hand, the *Colorado* Party – the same that restructured patronage and established clientelist links with the population from mid 20th century on – continued governing throughout the entire transition with no internal pressure to drive it to transform its political practice. Simultaneously, the growing poverty (1.5 million poor in 1998, and over 2.2 million in 2005 – 38.2% of the population) favored the growth of a clientelist mass, ready to identify the electoral process with opportunities of obtaining part of the economic income and basic services urgently needed.

GDP growth rate per capita (in %)

	1980/90	1990/2000	2000/05
Paraguay	-1.7	0.0	-0.5
<i>Región</i> (Brazil, Argentina, Bolivia, Chile, Py, Uruguay)	-1.2	1.1	0.6

Sources: Fernández and Monge *Economic Growth in Paraguay*, IDB, Economic and Social Study Series, May 2004, and ECLAC 2000/5 Statistical Reports.

Some anthropologists explain this relationship between Paraguayan men and women with political power. Bartomeu Meliá states the “*ore mboriahú?*” (we are poor) as one of the nuclei of the Paraguayan identity: the community identifies itself in the need for an equitable distribution of resources. But in fact, what happened was a particular and discriminatory distribution (clientelist and guided by political parties) of the resources, partially extracting them from the State organization itself.

“Is it not a historic practice of hunting and gathering that has been systematically applied in Paraguay for centuries and with greater intensity in the last years? (...) The entire country has been transformed into a hunting and gathering ground and the State has the biggest and easiest hunting reserve to which citizens are forced to give their most necessary resources.”⁶

Governments (and consequently, the government’s political party) do not become legitimate because of their democratic origin or their administrative efficiency, but rather their predisposition in distributing “help” to the poor, public jobs to the unemployed, land to field workers, subsidies for industries,

⁶ Meliá, B., *El Paraguay inventado*, Cepag, Asunción, 1997

etc. According to Manuela Schmundt, field workers currently relate to the State, political parties, and even to NGOs with this “hunting-gathering” logic.

The State organization is the largest field for the collection of goods and services, and development projects and electoral processes are seen as hunting prey.⁷ One hunts the animals from a herd knowing that in the future, following a natural cycle, other animals will appear in the same place. Therefore, hunting and gathering survive as political logic in the 21st century with clearly predatory traits. According to Meliá:

“In much of its collective imagination, Paraguay has become a hunter-gatherer (...) it no longer is industrial and is ceasing to be agricultural (...) we are not even in the most civilized phase of savagery, but rather in a phase prior to hunting and gathering, precisely in the *sticklers*. They are terrible predators (...) destroy everything, and do not even eat all that has been hunted (...) this attitude has gone from [politics] to society (...) we are hunters and gatherers with no rituals or rules.”⁸

Did the military dictatorships give better response to this “redistributing” collective imagination? Economic interventionism, the accelerated growth of the State, and the economic peak during the 1970s seem to have fit better into the State’s “helping” function than transition governments, judging by the good assessment the dictatorship continues receiving from public opinion.

Government qualification by population percentage

Rating	Stroessner	Rodríguez	Wasmosy	Cubas Grau	González Macchi	Duarte Frutos
Terrible or bad	14	22	73	64	71	40
Regular	18	27	13	13	8	24
Good/excellent	64	39	10	11	5	34

Source: A. Vial, Political Opinion and citizen participation Survey, CIRD-USAID, 2005.

Some failures in the functioning of the State pointed out by local and international organisms – the absence of the power of law, inefficiency of civil service, systemic corruption, etc. – define the characteristics of patronage. In

⁷ Oral Source, M. Schmundt, Institut für Ethnologie der Universität Bern, 1995 The prey can easily be identified because it arrives at the community in the “entire field”.

⁸ Meliá, Conferencia ante el colectivo Visión Paraguay, UNDP Project -Fundación en Alianza, San Bernardino, September 2001.

fact, corruption is nothing else but the practical manifestation of the elements pointed out by Weber: the lack of distinction between public and private and the discretionary use of power. These are institutional terms that express the initiation of the predatory hunting logic mentioned by anthropologists.

Assessment of the effort made by your government to fight corruption by population percentage

Assessment	Very efficient or efficient	Inefficient or is not fighting against it	Stimulates corruption
Argentina	21	60	14
Bolivia	40	46	7
Chile	20	68	8
Paraguay	4	56	40

Source: Transparency International, *Global Barometer of Corruption*, 2006.

Do ut des

The patronage State maintains clientelist relations that legitimate it before society. Initially studied in its contemporary format in the southern Italy, Asian and Central American societies, clientelism is defined by a social exchange relation of instrumental characteristic where:

“an individual with higher socio-economic status (patron) uses their own influence and resources to provide protection or benefits or both to someone of lesser status (client), who in return offers the patron general support and assistance, including through personal services”.⁹

Brought from the old world of landowners and tenant farmers to contemporary politics, clientelism articulates itself over the hierarchical differences of the players involved, specificities, weak legal framework, and institutional instability. Loyalties are not born out of respect for the qualities of those in power nor trust in their governing capacity, but rather out of material incentives. The exchange flow follows the principal of reciprocity amongst the unequal: the “patron” (*caudillo* politicians) delivers goods and services requiring votes and loyalty as a counterpart from their clientele.

⁹ J. Scott, “Patron-Client politics and political change in Southeast Asia”, quoted by J. Auyero, *La doble vida del clientelismo político*, en *Sociedad* N° 8, Bs. As, April 1996.

It is a relation between individuals (taking place between two people or little more), which is quite different from the one maintained by the State bureaucracy with collective or social groups. Collective interests and citizen demands for rights (of a general, legal and stable nature) are disarticulated since this is the myriad of relations that supply employment, money or social services, informally, in the format of favors.

Clientelism is fed “from the top” by corruption, since funds, goods, and services shared during electoral campaigns come from private businesspeople (soon receiving privileges during tender bidding processes, tax exemptions, etc., by “their” elected politicians) through political party undisclosed accounting (traffic of influence, illegal collection from ministry and other entity employees) or with sinecurist jobs in the State organization.

These practices, an exception in democratic systems, are present in a proportion that includes three fifths of the poor voters in Paraguay (field workers or those living in urban outskirts) or one third of total voters. During a survey made amongst public service users, 27% of the people admitted to receiving material incentives in exchange for their vote¹⁰, and according to another study, 32.5% of the voters were taken to vote by political operators during municipal elections in 2001.¹¹

Regional comparative sources agree on this proportion of votes that are not autonomous or free.¹² The transportation to vote is the final act from a long clientelist chain; and Pedro Velazco, a church priest from a populous neighborhood in the capital city asked himself during the 1998 national elections:

“What kind of participation is this when voters were brought to attend the rallies after receiving construction material for their homes, food or medical care or the promise of employment? (...) it is sad to see taxis and all kinds of vehicles picking people up at their homes when the voting area is less than four blocks away”.¹³

¹⁰ Quoted by UNDP-IIG, *Diagnóstico Institucional de la República del Paraguay*, Asunción, UNDP-IIG, 2002, p. 86.

¹¹ Roberto L Céspedes R., Capacidades y libertades, Participación en las elecciones municipales de 2001 en Paraguay, in *Revista Latinoamericana de Desarrollo Humano* No. 22 y 23, June/July 2006.

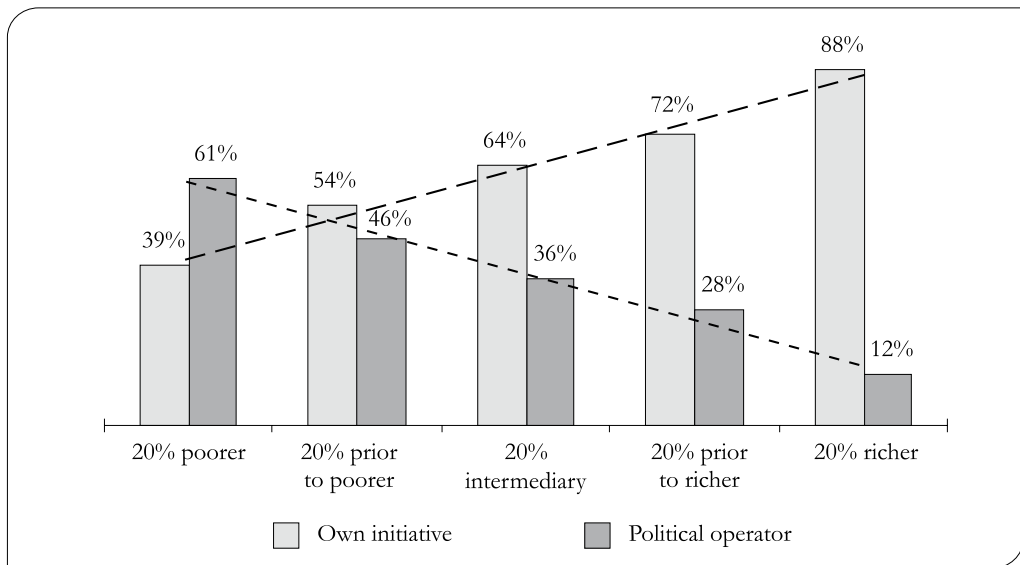
¹² 31% of the Paraguayans answered yes to the question: Do you know someone who in the last presidential elections was pressured or received anything to vote in a certain way? Only the Dominican Republic rated higher than Paraguay with 51%. See *Latinobarómetro* 2005-6, in www.latinobarometro.org.

¹³ During interview given to ABC Color, Asunción, 05.24.1998, quoted by M. Lacchi in *Recolección de fondos y gastos electorales en las elecciones municipales*, Informe de Investigación, Transparencia Paraguay-Alter Vida-Desarrollo En Alianza-USAID. Asunción, October 2005.

The first damaging consequence of clientelism to democracy is the return of a restricted electoral system of sorts. Through these relations, in practice the poorer population, which coincides with the populations of lower educational levels and those who speak *guaraní*, is denied their both passive (they cannot become candidates themselves because they do not have the necessary funds for campaigning) and active (lose electoral autonomy and freedom) rights.

At the other end of the spectrum, a reduced group of “major voters” is reinforced along with private campaign funders (businesspeople contracted by the State or beneficiaries of licenses and tax exemptions), public authorities, political directors or congress members positioned within the State in such a way as to be able to be candidate “godparents”, providing goods, services or public jobs.

Transportation to voting area according to income, 2001



Source: Céspedes, R., Capacidades y libertades, in *Revista Latinoamericana de Desarrollo Humano* No. 22 and 23, June/July 2006.

The high amounts invested in elections, which are barely monitored, make the magnitude of this clientele likely.¹⁴ In the 1992 *colorado* primaries, each presidential pre-candidate spent approximately 5 million dollars and in 2002, one of them admitted to investing 7 million. Every mayor’s office candidate

¹⁴ See M. Lacchi, op.cit. Radio and written press echo this data very naturally during electoral campaigns. During those years, the legal minimum wage was under US\$200.00 monthly.

must spend approximately 30,000 dollars of their own funds or of friends or “godfathers”, and in larger cities; the total investment for a political party (mayor plus council members) reaches 100,000 dollars. In the mayor’s office campaigns for Asunción, these amounts reach much higher levels.

Therefore, it is no wonder that only 20% of the Paraguayan population considers the elections to be clean. It is the lowest rate in Latin America: 83% in Uruguay; 69% in Chile, and 47% in Argentina trust the transparency of the rallies¹⁵, and 4 of every 5 Paraguayans suspect fraud.

Both in regional terms and with respect to the size of the Paraguayan economy, the exaggerated investment in electoral campaigns contradicts the low levels of Social Public Expenditure in Paraguay: last year it reached 9.3% of the GDP, less than half the rate invested in fellow Mercosur countries. This means US\$ 142 per capita annually, five times less than the average Latin American social expenditure, which is US\$ 696.¹⁶

The “privatization” or influence of political parties in social assistance, public health services, employment promotion, and basic services is another consequence of this system, built upon the insufficiencies and failures of the State. Far from ensuring, through electoral competition, greater coverage and quality of public services, clientelist practices reinforce its needs as a condition for its persistence and development.

Regional social indicators comparison

Indicators	Argentina	Brazil	Chile	Uruguay	Paraguay
% illiteracy, 15 years of age or more (2005)	2.8	11.1	3.5	2.0	5.6
% institutional births (2003)	100	88	100	100	71
% households with water (2004)	98.6	82.4	92	98.8	52.4

Source: Processed using ECLAC data: *Latin America and Caribbean Statistical Report*, Social Statistics in www.cepal.org

¹⁵ See *Latinobarómetro* Report 2006, in www.latinobarometro.org

¹⁶ Flora Rojas, *Los gastos de cohesión social en el Paraguay*, presentation during the International Seminar: the Legitimacy of Social Cohesion Public Expenditure, ECLAC-Santiago de Chile, 2007. This percentage has dropped slightly in the past years. It was 9.6% in 2002.

History and culture

Clientelism, however, cannot merely be seen in contractual terms, as an informal exchange of goods and services for political loyalties. Its strength and amplitude would not be understandable beyond the Paraguayan cultural and historical context. Its current format originated during the General Alfredo Stroessner (1954-1989) dictatorship when the *Colorado* Party allied to the Armed Forces, worked as a “single party” or “State-party” appealing to a totalitarian logic.

With its intention of controlling the entire Paraguayan society, the dictatorship repressed pre-existent social organizations. Since the mid 1950s, unions, business corporations, student or professional associations had to organize themselves under the protection of the *Colorado* Party and were co-opted by the State.

The disarticulation of civil society occurred along with the full presence of the political party in the State bureaucracy (including security forces, Army, and Police forces) by means of the National Republican Association, which left a strong and negative legacy for the democratic transition.

Since President Juan Carlos Wasmosy (1993-1998), the governance pacts allowed the Armed Forces to be separated from the political party, however a multitude of partisan systems (through political quotas) emerged in the State organization: in the Judiciary Branch, the Electoral Court, Foreign Relations, etc.

In the next elections, the opposing parties won some regional elections (governors and mayors) and during the González Macchi (1999-2003) administration with the National Unity Government, even integrated the Executive branch. The absence or instability of the parliamentary majority lead the government’s party to secure loyalties of opposing groups through public employment “quotas” for their members.

During the dictatorship the State-party model was imposed. In the democratic transition, on the other hand, the *spoils system*, a system that awards partisan services with public employment, was generalized throughout the political party spectrum. This contaminated the electoral race giving it the characteristic of struggling to obtain or maintain public employment and contracts with the State. In many ways, it also contributed to increasing political

clientelism. During the second decade of the 20th century, the liberal thinker Eligio Ayala stated that in Paraguay:

“Political and partisan objectives [...] were to reach (the most important public jobs). The Executive Branch is the distributive power of public jobs ensuring the possibility of obtaining and maintaining them. For that reason, this Branch is the final objective of political activity. In Paraguay, political parties struggle to acquire and maintain the power of the State. The effective engine of this power is the Executive Branch, considered the final objective, a source of distinction, social prestige, and a source of profit and funds.”¹⁷

The clientelist practices were and are accepted as natural by almost all parliamentary parties¹⁸, and only a few religious and civil society organizations question the right parties have of returning the favor of member electoral loyalty with public employment or the vote of poor with material goods or social services during electoral campaigns. This complex exchange of favors, sanction of power hierarchies, and corruption maintains itself stable and unpunished.

The other strength of Paraguayan clientelism is its profound cultural presence. According to the sociologist José N. Morínigo¹⁹, this system is based on values and lines of conduct present in traditional Paraguayan society. The field worker social structure was historically “centered in the *oré* relations system, a solidarity filled community perspective restricted to family, friendships, and neighbors, based on kinship and dealing with one another daily”.²⁰

This structure of belonging was taken to the political power arena as practices of the clientelist *oré* and the *orekueté*, a more closed and excluding relations system, where clientelism offers advantages, privileges, and immunities to the group members within a context of reciprocal obligations.

The candidates use the pre-existent relations networks in urban neighborhoods or rural regions to establish their *oré* loyalties community that

¹⁷ Eligio Ayala, *Migraciones*, Santiago de Chile, 1941. Eligio Ayala, who wrote this publication in 1915, was President of Paraguay between 1924 and 1928, and is remembered as one of the greatest statesmen.

¹⁸ With the exception of those recently formed, which after some years of political-parliamentarian practice accept the same logic.

¹⁹ Morínigo, José Nicolás, *Clientelismo y Padrinazgo en la práctica patrimonialista del gobierno en el Paraguay*, USAID, Asunción, 2004.

²⁰ *Ibid.* *Guarani* has two or three ways of using the first person plural: *ñandé* is ‘we’ including the other, whereas *oré* excludes the other. This can be emphasized meaning ‘we, without you, the listener’ in *orekueté* implying ‘only and exclusively us’.

will lead them to public office during the electoral campaign. To do so, they use the *brokers* or mediators: the *political operator* (*referente* or *puntero* depending on the amount of votes they secure), that act on behalf of the candidate through a network of promises, help and favors, satisfying the needs of the poorest voters. The clientele built in this manner integrates through the operator a network of reciprocal obligations with the solidarity, and even moral, load unique to the *oré*.

Brokers versus political party section members

The electoral legislation during the democratic transition made direct voting mandatory for all organizations (political or otherwise) in 1990, and had constitutional effect in 1992. This system, obligating all candidacies and offices to be filled by vote by all organization members far from “democratizing” the stifled political party directories, in fact exponentially added to the electoral clientelism²¹, generating greater lack of discipline and parliamentary weakness.

The power of political party authorities, regional *caudillos*, and section Presidents was gradually substituted by the power of these political operators that decide campaign results and deal only with the candidate they work for, without major loyalties to the partisan structure.²² Consequently, this “feeling of belonging to a political party that has always been a tradition in Paraguay...”²³ is disappearing.

Professionalization lead many operators to work indistinctively for candidates from any political party in the same way that a considerable portion of registered voters is affiliated to two or more political parties participating of more than one primary. The operators reinforce their candidate’s electoral promises with concrete and immediate actions that benefit their voters, to the point of even cosigning urgent loans.

They are local *caudillos* or neighborhood leaders known in their community, according to P. Bordieu, owners of “social capital” (with relation

²¹ USAID-Alter Vida-Desarrollo En Alianza, Clientelismo y Padrinazgo en la práctica patrimonialista del gobierno en el Paraguay, paper, 2007.

²² Ibid.

²³ M. Lacchi, *op. cit.*

networks, friends, acquaintances, godparents, etc.) who one can reach out to in situations of need and not only during campaigns. By daily helping their neighbors or members of their community, these operators can transfer their own credibility to the candidates they work for.

The operator of an opposing political party explains:

“...since politics in our country is social assistance and not politics, that is, due to the failure of the State, we sort of play the social role (...) we have to act as social assistants in all aspects, the social aspect of health, education, and all sorts of legal matters, criminal, civil, childhood rights, and especially economic and health”.²⁴

Clientelism has many levels and all types of exchange and retribution. The highest point in the chain (the *orekueté*), the candidate's *political godfathers* (members of Parliament, ministers, or State heads of departments) offer them packages of public jobs, State goods and services, and less often, money. Once elected, the candidates pay them back with the support from their electoral community (*oré*) for their godfathers future candidacies (or reelections).

The *business godfathers* make contributions in cash, sometimes raw material (for construction, for example), and vehicle fleets to transport voters. As counterpart, they ensure tender privileges or future public procurement, tax reduction and even protection (impunity) in the case of minor offences and fiscal irregularities.²⁵

The candidate gives retribution to the work made by the *operators* with promises of public employment (or with effective appointments from the package already established by the political godfathers), or security of maintaining their current public employment. If an opposing candidate wins, part of the existent employees will be fired and replaced by these operators.²⁶

The last point of this chain is when the operator makes “home” visits to possible voters, and tends to their most urgent needs, paying delayed bills for

²⁴ Quoted in Ibidem.

²⁵ In the case of uncertainty as to results, these godfathers fund many candidacies (rivals) ensuring posterior acknowledgement of the elected candidate, whomever it is.

²⁶ The Asunción mayor's office has had a change in its political party four times, each time adding 1000 to 2000 new employees.

basic services, obtaining medical care and medication or coffins for the dead, helping in matters pertaining to the State bureaucracy, etc. Simultaneously, the operator tells them of the promises of their candidates, commits their vote, and is in charge of making it effective (ensuring transportation and control of the voting sessions) during political rallies.²⁷

This complex exchange network requires the confusion between public and private, which is a characteristic of the patronage State. However, the clientelist relations anchored in history and the Paraguayan culture and largely expanded in the past years provoke a generalized rejection of politics, political parties, and the protagonists of the democratic system.

Affiliated and mistrusting

How is politics lived and understood in the current Paraguay? Formally, the population is one of the most politicized or “partisanized” in the world with four fifths of the voting population affiliated to a political party.²⁸ After the dictatorship, the political parties became in charge of standardizing their members (many of which did not even have an identity card). This function today is potentialized by the party primaries: each wing demonstrates its power by contributing with thousands of new affiliated members.

This new electoral mass comes from the poorest and most vulnerable regions, does not participate of partisan life, does not know its doctrines and principles, and naturally, does not contribute with maintenance quotas for the organization. Knows the operator that got them “involved”, and during each campaign, the candidate the operator works for, but knows little if anything about the rest of the parliamentary list elected with their vote.²⁹

If the universal exercise of political rights is central to the democratic system, the tendency of voting abstention expresses in Paraguay the failures generated by the conjunction of the patronage State and clientelism. Since 1993, when electoral standards were improved and more reliable statistics

²⁷ M. Lacchi, *op. cit.*

²⁸ See the distribution by political party of the 2.405.101 registered voters, in *Ultima Hora*, Asunción, 19/20 April 2003, p. 4.

²⁹ A survey carried out just after the national rallies of 2003 demonstrated that 81.5% of the voters did not know the number and identity of the parliamentary candidates they were voting for. See GEO, *Estudio sobre Abstencionismo Electoral*, survey carried out by STJE, Asunción, 2004.

emerged, participation grew until the 1998 national elections, when four fifths of the population could vote.

Type of election	Abstention
1991, Municipal	27 %
1993, General	31 %
1996, Municipal	17 %
1998, General	20 %
2001, Municipal	45 %
2003, General	36 %

Source: Data from the Higher Electoral Court, 2003; Flecha, V.J. and Martini, C., *Historia de la Transición*, Asunción, UUHH, 1994.

However, this trend was reversed later. In the 2001 municipal elections, participation dropped radically maintaining low rates for the 2003 national elections, when only 54% of the registered *colorado* voters participated, and 47% from the *liberal* party, that had a tradition of maintaining greater discipline. If hidden abstention (unregistered youth, who, therefore, do not have the right to vote) is added to these figures, voter abstention is even higher.

Sources detect other forms of political rejection, and especially, rejection of political party activity. This behavior has historical roots: at the end of Stroessner's dictatorship, political activity was what least interested the population (only 3.4% of those surveyed compared to 30% interested in labor, 25% in family, etc.), who considered it dangerous and removed from the population's needs.³⁰

Current opinion surveys demonstrate that only one tenth of the population is "very interested" in politics, compared to over half of the participants who said they have no interest in it at all. This rejection can be explained by inefficiency and lack of morality: politics would be considered unable to solve personal, communitarian, or national problems, or was "dirty".

³⁰ Morínigo, J.N.; Silvero, I. & Villagra, S., *Coyuntura electoral y liderazgos políticos en el Paraguay*. Asunción, UCA-Histórica-F.Naumann, 1988.

Would you say politics interests you?	2001	2002	2003	2004	2005
Not at all	54.1	50.9	38.5	46.8	55.3
A little	33.7	33.3	44.4	41.1	33.6
A lot	12.2	15.4	17.2	11.9	10.9

Source: A. Vial, Political Opinion and Citizen Participation Survey, CIRD-USAID, 2005.

As expected, Paraguayan political parties systematically receive the worst qualification in terms of reliability, although this perception currently also characterizes other Latin American societies. In 2005, 73.4% of the Paraguayans considered political parties the least reliable organization, followed far behind by another political organism, the “*Colorada Seccional*” (local representations of the political party), with 4.3%.³¹

Certain political phenomena typical of transition are in tune with this perception. The new political parties and movements adopt an anti-partisan discourse (at least in their origins), obtaining considerable acceptance with this. This repeats itself throughout the ideological spectrum from the left (*Asunción para Todos*, 1990 and *Tekojojá*, 2007, which currently supports Fernando Lugo) to the center (*Encuentro Nacional*, 1992, *Patria Querida*, 2001) and right (*Unace*, 1996).

The Paraguayan system is close to what A. O’Donnell calls Delegative Democracies, where voters are “mobilized by clientelist, populist, personal (more than programmatic) relations; and where political parties and interest groups, that is, organized civil society, are weak and fragmented”.³²

This gradual divorce between political parties and citizenship was pointed out by institutional diagnoses as a serious obstacle to governance. From transition to democracy, a Paraguay was developed where:

“the partisan and social spheres are more and more separated, institutions are farther away from the people, with a consequent lack of legitimacy and fragmentation with respect to politics, and within the same society to manage their own development”.³³

³¹ A. Vial, Survey on political culture and democratic governance 2005, Asunción, CIRD, 2005.

³² Transcript by the UNDP-IIG diagnosis, *op. cit.*

³³ *Ibidem.*

Democracy: what for?

This conjunction of indicators – doubts as to the cleanliness of the electoral game, rejection of the partisan system, weak political participation – gave way to a much more dangerous behavior: the rejection of democracy as a governing system and political life. Almost one third of the population prefers authoritarian regimes, and a similar proportion declares itself indifferent.

Options	2001	2005
Democracy is preferable to any other type of government	33	32
In some circumstances an authoritarian government can be preferable	43	33
For people like us, it makes no difference if it is a democratic government or not	19	31

Source, Alejandro Vial (Coord.), *Cultura Política y Gobernabilidad democrática*, Asunción, CIRID, 2006, p. 35-37.

This data requires a more complex analysis. When asked how democratic is your country, Paraguayans give their country the worst rating in the Latin American context (3.9 in a scale where 1 means *Is not democratic*, and 10, *Is completely democratic*). This appraisal goes from 5.9 (Brazil) to 7.2 (Uruguay) in the other Mercosur countries.³⁴

More than rejection, we are dealing with a growing dissatisfaction with respect to the system that during the transition established some of its formal elements, without structuring power or the true reality of political practices. If there is a growing trend to value the functioning of democracy in the region (with a rupture in 2000-2001), Paraguay is once again moving in the opposite direction.

Satisfaction with the functioning of democracy, percentage of the population (1996-2006)

Countries	1996	2006
Uruguay	51	66
Argentina	34	50
Brazil	20	36
Chile	28	42
Bolivia	25	39
Paraguay	21	12

Source: Based on data from the *Latinobarómetro* report 2006.

³⁴ *Latinobarómetro* report 2006.

How are governments with periodic electoral processes, democratic legal and constitutional framework, and a relative division of powers perceived? Today, how does society see the Paraguayan State? The first perception is of a completely distant State that governs for its own benefit (to benefit the President and those who support him, ministers and members of Parliament, the rich and the powerful) without belonging to collectiveness or representing the interests of the entire country.

Percentage of the population that believes the government governs for the good of everyone

Country	Percentage
Uruguay	43
Bolivia	38
Brazil	36
Chile	27
Argentina	22
Paraguay	16

Source: Based on data from the *Latinobarómetro* report 2006.

The State seems to be the manager of the interests of minorities, and more serious, growingly submitted to the power of criminal groups. Recent surveys determined the “mafia” to be the organization with most power in the country, having more power than the government, political parties, and Parliament. Three fourths of the people surveyed believe this hegemony has strengthened itself in the last years.³⁵

The relationship between governmental organisms and crime is possible through the clientelist system. The progressive restriction of the passive electoral right generated by the investment necessary to be positioned in electoral lists ends up making public jobs open to crime. One operator from the *Colorado* Party says:

“They will take the best spots. There is a pyramid (...) whomever contributed with 1 million dollars gets the most important job, 300 thousand dollars gets you a less important job, and 100 thousand dollars an even less important job”.

³⁵ 73% of the people believe that its power is increasing in Paraguay, see A. Vial, *op. cit.*, 2005.

This opinion is shared by a former opposing member of Parliament: “Today, it is impossible to launch a candidacy for congress in the primaries if you do not have 250 or 300 thousand dollars to spend...”³⁶

In the best of scenarios, if this investment comes from the candidates’ own funds (or loans made for this purpose) there still is the problem of paying it back or replacing it during the exercise of office for which the candidate was elected. And here is where the predatory logic comes into play:

“public employment is an important source in a patronage system that electorally helps the political class (...) Appointments (...) are often seen as spots to sell or buy access to influence before being considered professional career vocations”³⁷

According to the political specialist Alejandro Vial, “the meta-report of the universal aspects of democracy, when the payment of money or favors is decisive for the placement in the lists for elective jobs”, finds obstacles in regulating the Paraguayan political culture.³⁸ Some authors use the “predatory State” concept, a variant of patronage in which the State is a sort of agent for a group that uses public funds for its own benefit.

“The predatory States tend to create government systems that do not work well – systems that do not stimulate productive activities. (...) the predatory characteristic is based on interfering on market mechanisms instead of increasing their efficiency. Usually, property rights are not well defined and political decisions frequently take the place of those of a decentralized market. (...) The consequence of this is that on the one hand, resources are allocated inefficiently and there are low (or negative) growth rates. On the other hand, income is redistributed in favor of the dominant group [and] in detriment of the majority of the population.”³⁹

³⁶ Both in *Grupos Focales*, quoted by M. Lacchi, *op. cit.*

³⁷ Richards, Donald. ¿Es posible un Estado para el Desarrollo en el Paraguay in Abente, D. & Masi, F. (Eds.), *Estado, Economía y Sociedad. Una mirada internacional a la Democracia paraguaya*, CADEP, Asunción, 2005.

³⁸ Alejandro Vial, “La crisis de confianza en las instituciones democráticas” in CIRD-USAID, *Transición en Paraguay. Cultura Política y Valores democráticos*, Asunción, 1998, p. 124/5.

³⁹ Mat Lundahl, Inside the Predatory State: The rationale, methods, and economic consequences of kleptocratic regimes, in *Nordic Journal of Political Economy*, 1997, 24, quoted by Diego Abente in *Estatidad, Burocracias e Identidad*, consultancy for UNDP-HDI Paraguay 2007.

A governance variable analyzed by the World Bank⁴⁰ covers this concept partially: the “control of corruption”, defined as the measure in which public power is exercised to obtain private profit, including small and large forms of corruption, and where the State is ‘captured’ by elites and private interest. Paraguay’s position in a regional perspective is quite eloquent.

Control of corruption, comparison between selected countries (2005)

Country	Range (de 0 a 100)	Number of registries/surveys
Argentina	41.9	12
Brazil	48.3	11
Chile	89.7	12
<i>Paraguay</i>	7.4	10
Uruguay	74.4	10

Source: Kaufmann D., A. Kraay, and M. Mastruzzi 2006: Governance Matters V: Governance Indicators for 1996-2005.

The paths for the future

Some authors⁴¹ state that clientelism requires a certain amount of political development, in places where direct participation is limited, since it becomes possible to bring closer together “center” and “outskirt regions”, along with elites and excluded masses, increasing awareness and political participation of involved players. Clientelism would be a phase in the transition of pre-modern societies, submitted to patriarchal control with severe exclusions, into democratic regimes, that is, it would have a function in this process.

Within this perspective, Gino Germani thought that between the *oligarchic* State (patronage) and the *modern* State (democratic and social rule of law) an intermediary stage existed in which the excluded population was integrated to the political demand through specific mechanisms (clientelists, or the so-called ‘populism’). Only after going through a democratic learning process, this ‘populism’ (particular and arbitrary) would become more political and civil: the demand for rights would substitute the clientelist demand for favors.

⁴⁰ In http://info.worldbank.org/governance/kkz2005/mc_chart.asp

⁴¹ Boissevain, Powell, Weingrod, Silverman, citados por Auyero, Javier, *op. cit.*

Whichever the case, the end of patronage and the substitution of clientelist practices face complex challenges in Paraguay. The State, which has the necessary legal and institutional power to face this, is precisely the subject and agent of these phenomena. The impunity of these practices, their “dispersion” in the partisan political spectrum and the presence they maintain in the collective mentality make this task even harder.

However, if Paraguay went from a government based on *political force* to others partially based on the *exchange of loyalties for goods*, it is expected that while the force is not reestablished, society will learn from this experience to use its freedoms to build forms of *self-determination*, both personally and collectively. Somewhere between the utopian optimism and cynic pessimism lies a diversity of possible democratic paths. **DEP**

Coloniality of power, globalization and democracy

*Aníbal Quijano**

Introduction

My main purpose in this essay is to address some key questions that in my view have not yet been sufficiently explored in the debate about the process called “globalization” and its relationship to the current tendencies of the institutional forms of domination, and the *modern Nation-State in particular*. Though circumscribed as here, all discussion of these questions implies a theoretical and historical perspective on the question of power. It is thus appropriate to point out some major features of the perspective that informs this exploration.

Every form of social existence that reproduces itself in the long run presupposes five basic components without which it could not exist: sex, work, subjectivity, collective authority, and “nature.” The ongoing dispute for the control of these components gives rise to power relations. From

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this perspective, the power phenomenon is characterized as a type of social relationship consisting of the coexistence and permanent interactivity of three elements: domination/exploitation/conflict. This characteristic affects all the basic components of a social existence and it results from and expresses the dispute for their control: (1) sex, its resources and products; (2) work, its resources and products; (3) subjectivity/intersubjectivity, its resources, and products; (4) collective (or public) authority, its resources and products; (5) relation with the other forms of life and the rest of the universe (all that in conventional language is commonly called “nature”).

The forms of social existence in each component area do not issue from one another, but do not exist nor can they exist or operate separately or independently from one another, except occasionally and precariously. This is the very reason why the power relations originating in the dispute for the control of these areas or spheres of social existence are not born or derived from one another either. That is, they make up a structural complex that behaves as such, but in which relations among the different areas do not have, nor can they have, a systemic or organic¹ character, as each area of a given social existence has specific origins and conditions. Although they belong in a structural configuration common to the power model, power relations in each area also behave in accordance with different rhythms, manners, and degrees within the movement of the whole structure. The specific elements and the respective degrees to which they interconnect in each area and within the whole structure derive from people’s specific behaviors, i.e., they are always historical and specific in their origin, character, and movement. In other words, it is always a question of a given historical power model.² Thus, the conflict model is, of course, historical and specific, in respect of both the power model as such and each one of its constituent spheres and dimensions.

¹ On systemicism and organicism in the discussion of the question of the whole in knowledge production, see Quijano, Aníbal, particularly *Coloniality of Power and Social Classification*, originally published in *Festschrift for Immanuel Wallerstein*, *Journal of World-Systems Research*, VI, 2. Fall/Winter 2000, Colorado, pp. 342-388. Special Issue. Giovanni Arrighi and Walter Goldfrank, eds. Colorado, USA.

² On the power issue, I have suggested some proposals in “*Poder y Derechos Humanos*,” in Carmen Pimentel Sevilla, *Comp. Poder, Salud mental y Derechos Humanos*. Lima. CECOSAM, 2001, p. 9-26.

Coloniality of the today's power model

Today's world power model consists in the first place in the structural association of central axes:

- 1) A new system of social domination that consists, first of all, in universal, basic social classification of the planet's population around the idea of *race*, regarding which all previous forms of domination redefine themselves, particularly the sex, intersubjectivity, and authority control manner. This idea and the social (or "racist") classification based on it originated five hundred years ago with America, Europe, and capitalism. They are the most deep-rooted and lasting expression of colonial domination and were imposed on the planet's entire population during the expansion of European colonialism. Since then, under the current world model of power, they have pervaded every area of social existence and constituted the most profound and effective form of social, material, and intersubjective domination. For this very reason, they are the most universal intersubjective political domination base in the current power model.³
- 2) A new system of social exploitation or of labor control consists in the merging of all historically known forms of exploitation – slavery, serfdom, small, simple mercantile production, reciprocity, and capital – into a single structure to produce goods for the world market, based on the hegemony of capital, which accounts for the characterization of the whole as capitalist. From this angle, the *capitalism* category refers to the entirety of this structural merge. Capital is a specific form of work control, which consists in the mercantilization of the labor force to be exploited. Owing to capital's dominating position in this structural whole, it determines the latter's key feature, i.e., makes it capitalist. Historically, though, it does not exist, has never existed,

³ See Quijano, Aníbal, "Colonialidad del Poder, Eurocentrismo y América Latina" in Edgardo Lander, Comp. *Colonialidad del Saber, Eurocentrismo y Ciencias Sociales*. Buenos Aires: CLACSO-UNESCO, 2000, pp. 201-246. It is worth noting that the terms "coloniality" and "colonialism" refer to different phenomena and issues. "Colonialism" does not refer to the basic universal social classification and to the forms of social domination grounded on it, which has existed in the world for five hundred years, nor to the structural relation among all forms of exploitation and labor control under Capital's hegemony. Rather, it refers to the political and economic domination of some peoples over other peoples and precedes "coloniality" by thousands of years. The two terms are obviously related, as the coloniality of power would not have been historically possible without the specific colonialism imposed around the world since the late 15th century.

and will probably never exist independently from the other forms of exploitation.⁴ Control of collective authority, subjectivity, and sex is organized along these two axes. For the purposes of this essay, what is most important is to discuss the question of the control of collective authority and the subjective dimension of social relations.

Control of subjective authority is exerted primarily through the institution known as the State. This is a very old institution, although it has never been firmly established when and under which historical conditions it was imposed as the central, universal form of control of collective authority and political domination; and when, how, and where it became a Nation-State is even less known. On the other hand, we know quite well that the *Modern Nation-State* is relatively recent and that it has been consolidated only in few state domination spaces called *countries*. Its specific features are, in the first place, citizenship or formal presumption of juridical and political equality of those that dwell in its domination space, notwithstanding the inequality prevailing in the other areas of power; and in the second place, political representativeness, on which basis the State is assigned responsibility for the entire citizenry and not only, as in other variant forms of State, for a particular or sectoral social interest. The *Modern Nation-State* took form during the period known as Modernity, which began with America and in association with the process that led to capitalism's and modernity's Eurocentrism. It has acquired its current defining traits since the 18th century and was admitted in the 20th century as the worldwide hegemonic model, which does not mean that it has been adopted worldwide. In the current phase of colonial/modern/capitalist power, its "globalization," particularly since the mid-1970s, tends to diminish its original, specific traits and even to revert its processes, especially in respect of the institutionalization of the social conflict about the expansion of social equity, individual freedom, and social solidarity.⁵

The production and control of subjectivity, i.e., of social imagery, historical memory, and key knowledge perspectives finds expression and takes shape in Eurocentrism. This is what I call the mode of production and

⁴ See "Colonialidad, Eurocentrismo y América Latina", *article cited*.

⁵ This is discussed in Quijano, Aníbal, "Estado-Nación, Ciudadanía y Democracia, Cuestiones abiertas", in Schmidt, Heidulf and Gonzáles, Helena, Eds. *Democracia para una nueva sociedad*. Caracas: Ed. Nueva Sociedad, 1998, pp. 139-15. Also in "El Fantasma del Desarrollo", in *Revista Venezolana de Economía y Ciencias Sociales*, 2, 2000. Caracas, Universidad Central de Venezuela.

control of intersubjective relations that has been systematically established, i.e., worked into a theory in Europe since shortly before the mid-17th century, as an expression and part of the process whereby the colonial/modern/capitalist power model became Eurocentric. In other words, as an expression of the experiences of a given type of colonialism and of the coloniality of power, of the needs and experiences of capitalism, and of the conversion of the power model into an Eurocentric model. This expression was imposed and admitted worldwide in the following centuries as the only legitimate rational view, or in any case, as the hegemonic rational view, the dominating mode of knowledge production. For the purposes of this essay, some of the elements worth pointing out are principally the radical, Cartesian dualism in its original regional formulation, which makes a distinction between “reason” and “body,” as well as between “subject” and “object” in the production of knowledge. This radical dualism is associated with the reductionist, homogenizing tendency to define and identify phenomena or “objects”, particularly as regards the perception of social experience, whether in its atomistic and ahistorical version, which perceives phenomena or objects as isolated and separate and thus does not require an idea of the totality, or in the version that admits an idea of an evolutionist, organicist or systemizing totality and presupposes a historical macrosubject. This view of knowledge is currently facing one of its critical periods, as is the whole Eurocentric version of modernity.⁶

This power model began to take form with the conquest and colonization of what is today called America, the first id-entity of the colonial/modern period,⁷ and developed further, giving rise to Western Europe as a new, historical id-identity and central control hub of the new power model, i.e., an Eurocentric and colonial power model that has expanded worldwide since the 18th century, following the same course as the expansion of Western Europe’s colonial domination over the rest of the world. It was thus a product of the historical destruction of preexistent historical worlds during the Conquest of America, as well as of new forms of domination, exploitation, and conflict under the violence of colonization. All along the last five hundred years, this

⁶ See “Colonialidad del Poder, Eurocentrismo y América Latina”, *article cited*; also, by the same author, *Towards a Non-Eurocentric Rationality*, as yet unpublished document from the Symposium on Subalternity and Coloniality, Duke University, October 1998; and “Colonialidad del Poder y Clasificación Social”, in *Festschrift for Immanuel Wallerstein*, *op. cit.*

⁷ On the relation between coloniality and modernity, see Aníbal Quijano: *Colonialidad y Modernidad/Racionalidad*. Originally published in *Perí Indígena*, 13, 29, 1992: pp. 11-20.

model maintained the same basic fundamentals that originated it. In other words, it has not ceased – nor could it have ceased – to be grounded on colonially produced elements. In this particular sense, *coloniality* is the key, inherent feature of the current power model and the idea of *race, its original cornerstone*.⁸

Owing to its characteristics, this was the first power model with a global character and propensity in known history. What is now called “globalization” is without doubt a moment in the historical process of development of such a power model, marking perhaps its culmination and transition, as has been suggested by many.⁹

Of course, all these proposals and categories are open questions. Their systematic investigation and debate are just beginning. This does not mean that the proposals I formulate in this work are arbitrary. I shall return to them as investigation and debate develop further.

Globalization’s key issues

What is called “globalization” today in fact encompasses a cluster of questions about which there is much debate and a vast and growing literature. The most widespread idea associated with this term is possibly that of a steady, increasing economic, political, and cultural integration of the world. In practice, this means that there are phenomena and processes that affect the entire world immediately as well as simultaneously, that is... globally. And the “scientific and technological revolution” in the means and systems of communication and transport is seen as the main historical determinant of this process.

Originally, ‘globality’ referred to a drastic change in the relationship between space and time in subjectivity as a result of the velocity of the flow of information produced by the new scientific and technological resources, so that it became possible to learn about events anywhere in the world simultaneously

⁸ Domination and “gender” discrimination are perhaps the oldest manifestations in mankind’s history. In today’s world power model, they have been subordinated to the coloniality of power. While there has been prolonged discussion and an inexhaustible literature about the former exists, an emphasis on the issues of authority and subjectivity is appropriate here.

⁹ In a way, the Hegelian proposal, as developed by Kojève and resumed by Fukuyama (*The end of history*) implies this idea of culmination of this power model. See Quijano, Aníbal: “¿El Fin de Cuál Historia?”, in *Análisis Político*, Revista del Instituto de Estudios Políticos y Relaciones Internacionales, 32, Bogotá, Universidad Nacional de Colombia. Sept-Dec. 1997: pp. 27-32.

with their occurrence. In our subjectivity and intersubjective relations, we perceived not only that the world had shrunk but also that this happened because it had been integrated timewise, becoming simultaneous. The famous “global village” image was undoubtedly the original mental construction that successfully grasped this subjective relationship of time and space.¹⁰

For many people, these images are perhaps the ones most closely associated with “globalization.” It has to be admitted, though, that they are being submerged by more recent ones, which, for some, seem already to have the consistence of genuine conceptual categories, although they resist leaving their *media* habitat: “virtual reality,” “virtual society,” and the “new economy” (which could similarly be called “virtual economy”). “Virtual reality” has decisive implications for the discussion about knowledge production. It puts into relief particularly the fact that with current technology, not only are existing images and sounds in nature or in “reality” reproduced, combined, or used, but the new visual and sound elements are produced, manipulated, and disseminated, and that new images are produced with these new elements, which together constitute a “virtual” world. This “virtual” world superimposes itself on the “real” world, displacing and replacing it, to the point that in many areas it is not easy to distinguish between the two, with implications for the question of perception, knowledge, and knowledge production. “Virtual society” is an idea that prolongs this image and suggests that social relations occur increasingly within and closely linked to “virtual reality” and have somehow the same consistence. The “new economy,” the most recent, also has its origin in the media and points to the idea that the current world economy has become or is becoming a single network for trading goods and value. This might be the emblematic expression of the world economy’s global integration, based on and closely linked to “virtual reality” and “virtual society.”

This debate does not always succeed in eluding a tendency towards mystification. In the media jargon, “globalization” has *virtually* become synonymous with a vast and impersonal, systemic machinery that exists and operates independently from human decisions, in a somewhat natural and as

¹⁰ On the implications of the “scientific and technological revolution” it is enlightening to follow the course that goes from the studies of Radovan Richta’s collective in Praha before the invasion of the Russian tanks in 1969 to McLuhan’s visionary “global village.” See, for instance, Quijano, Aníbal, “Tecnología del Transporte y Desarrollo Urbano”, in the compilation *Aproximación crítica a la Tecnología en el Perú*. Lima: Mosca Azul Editores, 1982.

such inevitable way, and is capable of encompassing and explaining all human actions today.

But the “world” – if with this term one implies human social existence associated with a specific historical totality – whether “globalized” or not, cannot be understood apart from the fact that it is a specific power model that imbues it with its “world” character, without which any idea of “globalization” would be simply useless. Otherwise, the communication, information, and exchange networks would exist and operate in a historical vacuum. It is thus not only pertinent but also theoretically necessary to investigate each of the current areas of social existence control, for bringing into light the possible meanings “globalization” has or may have at the empirical level. Within the bounds of this work, I shall do no more than broach the issues I deem to be central to two main areas: work and public authority control.

Capitalism and globalization

A careful look at capitalism’s current trends – capitalism in light of the power coloniality concept – will show undeniably impressive data both on the political geography of the distribution of income, goods, and basic services as well as capital flows, and on relations among forms of capital or between capital and work. As such data are generally available, for the purposes of this inquiry suffice it to point out just some of the main trends:

1. In 1800, 74 percent of the world population (944 million) had access to 56 percent of world output (in 1980 US\$ = 229,095,000,000), while 26 percent of the population concentrated 44 percent of world output. In 1995, though, 80 percent of the world population (5,716,000,000) had access to only 20 percent of world product (in 1980 US\$ = 17,091,479,000,000), while 20 percent concentrated 80 percent of world product.
2. The 9-to-1 difference between the average income of rich countries and that of poor countries widened to 60 to 1 in two centuries. In the meantime, the rich countries’ population increased 50 percent, while the population of poor countries increased 250 percent.¹¹

¹¹ Nancy Birdsall, “Life is Unfair: Inequality in the World”, *Foreign Policy*, Summer 1998, pp. 76-93. Carnegie Endowment for International Peace. See also Robert Griffiths. Ed. *Developing World 99/00*. Guilford. CT. USA: Dushkin-McGraw Hill, 1999, pp. 25-34.

3. In respect of world output, in 1999, according to the World Bank's 2000 Report, the G-7 countries, with less than 12 percent of the world population and 16 percent of the earth's surface, accounted for 65 percent of world output, 3 percent more than in 1980.
4. In consonance with the same historical movement, the gap between rich and poor in each country has also widened. In 1970, the United States, the richest country on earth, had 24.7 million people living in extreme poverty (11.6 percent of the population); by 1997, this figure had jumped to 35.6 million (13.3 percent of the population – a 43-percent increase in less than 20 years. A recent study shows that between 1977 and 1989, 1.0 percent of families accounted for 70 percent of the total increase in family wealth and their income had risen by 100 percent. Since 1973, income differences in Latin America have widened: the average income of 20 percent of those earning an income is today 16 times higher than the remaining 80 percent. In Brazil, this difference is 25 to 1, as compared with 10 to 1 in Western Europe and 5 to 1 in the United States. A similar difference is noticed between the salary of “qualified” workers and the other countries. For instance, this difference increased by more than 30 percent in the nineties in Peru and by more than 20 percent in Colombia.¹²
5. Under these circumstances, the world's three richest individuals have a fortune larger than the GDP of the 48 poorer countries, or a fourth of the world's countries. As regards Latin America, for instance, in 1996 General Motors sales totaled 168 billion dollars, while the combined GDP of Guatemala, El Salvador, Honduras,

¹² See Krugman, Paul: “The Right, the Rich and the Facts: Deconstructing the Income Distribution Debate,” in *American Prospect*, Fall 1992; Bruno, Michel; Ravallion, Martin; and Squire, Lynn: *Equity and Growth in Developing Countries*, Washington: World Bank, 1996, cited in Nancy Birdsall, *op. cit.*, *Developing World 99/00*, *op. cit.*: 33. On Brazil, see more recent figures: “The Brazilian Geography and Statistics Institute-IBGE, a federal agency, has just released frightening indicators that serve as a statement of these last five years and four months of the FHC government: the wealth in the hands of 1.0 percent of the population exceeds 50 percent of the wealth of the other Brazilians. That is, about 1.6 million individuals possess a fortune larger than the sum of the goods of 83 million Brazilians. The monthly income of 19.6 percent of families is equivalent to a maximum of half a minimum salary.” Frei Beto: “Los rumbos de la oposición,” in ALAI: *América Latina en Movimiento*, 314, May 23, 2000: 2-3. And in Venezuela, according to a CEPAL report, the income of the 40 percent poorest urban segment fell from 16.8 percent in 1990 to 14.7 percent in 1997, while that of the 10 percent richest urban segment climbed from 28.4 percent to 32.8 percent in the same period. (CEPAL, *Panorama Social de América Latina*, 1998: 64).

- Costa Rica, Nicaragua, Panama, Ecuador, Peru, Bolivia, Paraguay, and Uruguay totaled only 159 billion dollars.
6. And yet, according to the 1998 UNDP Report, 4 percent of the 225 largest fortunes in the world would be sufficient to meet the basic needs of the entire world population. And to meet sanitation and nutrition needs (in 1998 four million people in the Third World had no access to potable water or electricity, while 50 percent of children suffered from malnourishment), 13 billion dollars, i.e., 13 percent of what the United States and Europe spend annually in perfume would be sufficient.
 7. If one observes the direction of capital flows, one notices that between 1990 and 1995, for instance, 65 percent of the total flow of direct investment (FDI) went to the “center” while the rest went to few of the so-called “emerging countries.” Between 1989 and 1993, only 10 of these countries received 72 percent of this FDI rest (China, Mexico, Malaysia, Argentina, Thailand, Indonesia, Brazil, Nigeria, Venezuela, and South Korea).¹³ A crucial problem with world capital flows is the fact that the Third World’s debt climbed from 615 billion dollars to 2500 billion dollars. As anyone knows, this is literally a never-ending story, as this debt can never be paid. It is, above all, a tragic story.¹⁴
 8. Moreover, of the 6 billion people that make up the world population as the new century begins, some 800 million do not have a salaried job. And this is a conservative estimate, as statistics refer only to those that look for employment; the figure should be multiplied by at least five, if one considers the number of family and household members that depend on nonexistent salaries. The unemployed and subemployed make up approximately half of the world population, as three billion people live with less than two dollars a day. Economists have adopted the concept of “structural unemployment” to refer to the tendency that leads to increasing unemployment worldwide.

¹³ *Developing World 99/00, op. cit.*, p. 46.

¹⁴ “This past year (1996.AQ) the government of Uganda spent only \$3 per person on health care, but spent \$17 per person on repaying its foreign debt. Meanwhile, one in five Ugandan children will not reach its fifth birthday as a result of diseases that could be prevented through investment in primary health care.” Marie Griesgraber, “Forgive our Debts: The Third World’s Financial Crisis,” in *The Christian Century*, January 22, 1997: 76-83.

Not few of them are now endorsing the idea of the “end of work” to account for the implications of this tendency.¹⁵

9. In addition, although specific research is not sufficiently advanced and data are thus provisional, the world population in a slavery situation is estimated at 200 million.¹⁶ Statistical data have not yet been established about serfdom and reciprocity.
10. All these tendencies in the distribution of capital, employment, production, income, goods, and services in today’s world are associated with the changed relations among the various forms of capitalist accumulation, which favor speculative accumulation’s absolute hegemony. Accordingly, world exchange transactions, which totaled more or less 20 billion dollars in 1970, had already reached 1.3 trillion dollars by 1999. In 1980, financial assets in the United States alone totaled 1.6 trillion dollars, including pension and common funds, and insurance and life insurance companies, equivalent to 60 percent of the country’s GDP. By 1990 these assets had climbed to 5.2 trillion dollars, equivalent to 95 percent of GDP, and by 1993 they totaled 8 trillion dollars, equivalent to 125 percent of GDP. The financial predominance is seen also in the so-called “financiarization” of corporations, as their productive investments steadily lose terrain to financial investments. The same thing can be noticed in the hypertrophy of financial gains on the “periphery” and in “emerging countries”

¹⁵ See, for example, Rifkin, Jeremy: *The End of Work*, New York: Jeremy Tarcher Inc., 1996. Also Meda, Dominique: *Le travail, une valeur en voie de disparition*. Paris: Champs, Flammarion, 1995. Studies about tendencies in relations between work and capital refer exclusively to salaried employment. Their findings have produced a numerous family of categories: “flexibilization,” “precarization,” “subcontracting,” the return of the “putting-out system,” and “informalization” are some of the main categories of an abundant literature. In respect of Latin America, see, for instance, V.E. Tokman y D. Martínez, eds.: *Flexibilización en el Margen: La reforma del contrato de trabajo*, ILO, 1999, and *Inseguridad Laboral y Competitividad de Contratación*, ILO, 1999. See also the studies of the *Primer Encuentro Latinoamericano de Estudios del Trabajo*. Carlos Santiago, Ed., Revista de Administración Pública, Universidad de Puerto Rico, 1996.

¹⁶ In 1991, ILO recognized the existence of some 6 million people living in a slavery condition in the world. The United Nations then appointed a Commission to study the problem. In 1993, the Commission indicated that 200 million people in the world were slaves. See the interview with José de Souza Martins in *Estudos Avançados*, Revista do Instituto de Estudos Avançados da Universidade de São Paulo-USP, 31, 1997. São Paulo, SP, Brazil. Since then the documentation on the expansion of the slave traffic and the associated social ethics has increased. Recent legislation prohibiting slave work has been enacted, as is the case in Brazil since 2004.

In 1983, stock exchange gains on the periphery totaled 100 billion dollars, as compared with 1500 billions in 1993.¹⁷

This mass of information allows some inferences that, although possibly provisional, are no less pertinent.

- I) There is an ongoing process of re-concentration of the control of resources, goods, and income in the hands of a reduced minority (no more than 20 percent currently).
- II) This means that there is an ongoing process of increasing social polarization of the world population into a rich minority – declining in proportion but increasingly richer – and the vast majority – declining in proportion but increasingly poorer.
- III) There is an ongoing process of overexploitation of the larger mass of workers in the world, as, in tandem with the re-concentration of income and wealth, there is a growing salary distance among salary earners and a rising proportion of unemployed, marginalized from the centers of the accumulation structure. This leads to a steady decline in average salaries.
- IV) There is an ongoing process of capital's diminishing interest and capacity to convert the work force into merchandise, particularly at the technologically more advanced levels of the accumulation world structure.¹⁸
- V) As a result, the non-salaried forms of work control are expanding. Also expanding are slavery; personal serfdom; small-scale, independent mercantile production; and reciprocity. The salaried segment is still the form of work control that most expands but, to use a familiar image, as a slow watch.

¹⁷ These data show that today's financial capital has a nearly opposite character of the one it had in the pre-crisis period. Formerly, it served to promote productive investment; now it is almost purely parasitic, or predatory.

¹⁸ The study and discussion of these tendencies began in Latin America in the mid-sixties with the discussion of marginalization. On this view, see particularly José Nun: "Sobrepoblación Relativa, Ejército Industrial de Reserva y Masa Marginal" in *Revista Latinoamericana de Sociología* V. 2, July 1969. See also Quijano, Aníbal in *Imperialismo y Marginalidad en América Latina*, Lima: Mosca Azul Editores, 1977; and from the same author, "Crisis Capitalista e Clase Obrera" in *Crisis Clase Obrera, comp.*, Mexico: ERA, 1975.

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- VI) There is an ongoing crisis in one of the basic dimensions – that of relations among specific forms of exploitation – incorporated into the capitalist work control model; there is a decline of the mechanisms that during the historical development of capitalist accumulation split the population into salaried and non-salaried, capital and no-capital; those mechanisms are being replaced by action mechanisms that possibly indicate, to an as yet unmeasured degree, the beginning of a reverse tendency.
 - VII) World capitalism's configuration, i.e., the structure of relations between capital and each one of the forms of work control and of relations among all these forms, is undergoing drastic changes that may imply that the system is in a process of transition.
 - VIII) In this specific sense and dimension, it seems that the work exploitation structure may be in the process of a global social re-classification of the world population.
 - IX) Be as it may, there is an ongoing, worldwide process of re-concentration and re-configuration of work control and of work's resources and products – in brief, of relations between capitalism and work.
 - X) These processes seem to be associated with drastic changes in the capitalist accumulation's world structure, and linked to the new position and predominance of speculative and financial accumulation in this structure, especially since the mid-1970s.¹⁹

Those tendencies were not new or unpredictable. Neither were they the last ones. They indicate a moment, a degree, or a level of maturity and development of tendencies that are inherent to capitalism's character as global pattern of work control and which have been the subject of much theorization

¹⁹ In Latin América, although the general debate about the capitalist crisis was already on since the mid-1970s, the Brazilian Celso Furtado was probably the first to call attention to the financial capital's hegemony and its implications. See Quijano, Aníbal, *Transnacionalización y Crisis de la Economía en América Latina*, in Cuadernos del Cerep, San Juan, Puerto Rico: 1984. On the recent debate from the standpoint of capitalism's dependent and peripheral areas, see Kalvajit Singh: *Globalization of Finance*, London/New York: Zed Books, 1999; and from the same author, *Taming Financial Crisis: Challenges and Alternatives in the Era of Financial Globalization*, London/New York: Zed Books, 2000.

since Karl Marx.²⁰ Thus, there is little sense in discussing these processes and the attendant problems as if they were quite new, or still worse, as if they were the consequence of a phenomenon called “globalization,” different or separate from capitalism, as if it resulted solely or mainly from technological innovation and its capacity to thoroughly change our relations with space/time, rather than from the capitalist character of the dominant work control structure and from the development of its tendencies.

There is no doubt, though, that these basic tendencies of capitalism have intensified and accelerated, and are accelerating even further. The question is thus the following: What gives impetus to the acceleration and intensification of these tendencies of capitalism? Or: Why has capitalist exploitation become deeper and somewhat easier?

No one can exploit anyone else if one does not dominate the other, and much less do it in a stable, lasting manner. It is thus necessary to broach here the question of the relationship between domination and exploitation in the current power model. Force and violence are requirements of domination; in modern society, though, these are not resorted to in an explicit, direct way – at least not continuously; they are covered by institutionalized structures of collective or public authority, legitimized by ideologies that make up intersubjective relations among the various sectors of the population’s interest and identity. As pointed out in this work’s beginning, we know these structures as the State. Accordingly, it is necessary to inquire about what has happened to relations between the capitalist exploitation model and the various levels of the domination model, the State, and power’s coloniality.

²⁰ In his *Capital* and in his now no less famous *Grundrisse*, Marx went remarkably far in his thinking, as far as it was possible without breaking away from a Eurocentric view of knowledge. He defined the debate’s bases and major issues. The tendency of the conversion of the labor force into merchandise to exhaust itself when a superior productive force might permit production’s automation has been the main open question since as early as 1858, when it was addressed in the chapter about the contradiction between the basic principle (measure of value) of bourgeois production and its development. See *Fondements de la Critique de l’Economie* (French translation of *Grundrisse*), vol. 1: 220-231. *Anthropos*, 1968, Paris. It is certainly not by chance that the bourgeoisie’s economists themselves and the functionaries of the main bodies of capital’s international administration were surprised to discover how closely did Marx’s theoretical previsions coincide with the “globalized” capital’s keenest tendencies, particularly as regards capital concentration and global social polarization, for so long simply denied by the bourgeoisie’s economists. See, for instance, John Cassidy’s note in “The Return of Karl Marx”, *The New Yorker*, October 20-27, 1997. Nancy Birdsall, Executive Vice-President, Inter-American Development Bank-IADB, does not hesitate in starting her statement by saying: “Exactly 150 years after the publication of the Communist Manifesto, inequality looms large on the global agenda,” *op. cit.*: 25. See also my “Crisis Capitalista y Clase Obrera” in Fernando Claudin, K.S. Karol, Quijano, Aníbal and Rosanda, Rossana: *Crisis Capitalista y Clases Sociales*. Mexico: ERA, 1974.

Capitalism and State

The relation between capitalism as a global work control structure and its organization into particular domination spaces, as well as the organization of specific collective authority structures in these spaces, remains an open question. In general, relations between domination and exploitation are not always clear, much less systemic or organic.

Although the way modern colonialism – born with America – shaped the context conducive to the formation of capitalism seems to have been better studied and theorized, a question that has not been broached or clearly studied is why this kind of capitalism associated itself, within the same movement and at the same time, with various types of state in various domination spaces. This happened with the *modern/ absolutist/ imperial state* (all the states of Western Europe, save for Switzerland, between 1500 and 1789; the *modern imperial/ colonial Nation-State* (France and England, for instance, from the late 8th century until after World War II); the *modern colonial state* (North America before 1776 and South America before 1824, as well as Southeast Asia and Africa until the mid-20th century); the *modern despotic/ bureaucratic state* (the former Soviet Union and the Eastern European states until the late eighties; their Nazi and Fascist rivals in Germany, Japan, and Italy between late 1939 and 1945; and China today); the *modern democratic Nation-State* (today's states of Western Europe, North America, Japan, Oceania); the *modern oligarchic/ dependent state* (those of Latin America before the late sixties, except for Mexico, Uruguay, and Chile since the late twenties); the *modern dependent-national state* (in various degrees, all states of Latin America, most of Asia, and some of Africa, especially South Africa); and the *modern neocolonial state* (many or perhaps most states of Africa).

Although this classification, with its illustration, is a working hypothesis, it should not be seen as arbitrary. It allows putting into question the Eurocentric historical and sociological perspective, whereby the type of State corresponding to capitalism is the modern Nation-State (Ralph Miliband), while all the other types would be “exceptions” (Poulantzas) or “pre-capitalist” or “in transition” (virtually all the “historical materialism” authors).²¹

²¹ Miliband, Ralph: *The State in Capitalist Society*, New York: Basic Books, 1969 was specifically suggested as a study of the state in the so-called “Western” countries. See also Poulantzas, Nicos: *Poder Político y Clases Sociales en el Estado Capitalista*, Mexico: Siglo XXI Editores, 1969. A valuable review of the literature prior to the eclipse of “historical materialism” for the worldwide debate is by Tilman Evers, *El Estado en la Periferia Capitalista*, Mexico: Siglo XXI Editores, 1979 and 1985.

In my view, we cannot have a historical theory that truly accounts for the relations between capitalism and state as long as the question of the coloniality of power is not integrated into appropriate historical and theoretical research. But this is neither the place nor the time to go deeper into this crucial issue.

Be as it may, the recent debate about the relationship between “globalization” and state, from the dominant (Eurocentric) perspective, is limited solely to the crisis of the Modern Nation-State under the impact of “globalization.”²²

Capitalism, globalization, and the modern Nation-State

What capitalism’s current tendencies and particularly the hegemony of financial capital and the predatory action of the speculative accumulation mechanisms have abruptly made visible is the fact that modern capitalism, as one of the main axes of the power model that predominates worldwide today, has been associated with the modern Nation-State only in some domination spaces, while most of the world has been associated with other forms of state and political authority in general.

It is thus more pertinent and productive to attempt to bring to light the more dynamic tendencies of the relationship between current changes in capitalism’s shape and the changes in collective authority and political domination structures.

In this respect, it is possible to distinguish the following main tendencies:

- 1) Formation of one Imperial World Bloc consisting of the modern Nation-States at the ‘center’ of the world system;
- 2) Fight for regional hegemony among the dependent-national states, associated or in conflict with the Imperial Bloc in the most conflict ridden areas, such as in the Middle East (Israel on one side, and Syria and Iraq on the other); in South America

²² This subject has not failed to produce a vast literature. For part of the debate in Latin America, see, for instance, Delgado, Daniel García: *Estado-Nación y Globalización*, Buenos Aires, ARIEL, 1998; Francisco Capuano Scarlato et al. *Globalização e Espaço Latino-Americano*, São Paulo: Hucitec-Anpur, 1993; and in relation to political processes associated with cultural ones, see Parga, José Sánchez: *Globalización, Gobernabilidad y Cultura*, Quito: Abya-Yala, 1997; Mato, Daniel, *Crítica de la Moderna Globalización y Construcción de identidades*, Caracas: Universidad Central de Venezuela, 1995; Néstor García Canclini, Coord., *Culturas en Globalización*, Caracas: Nueva Sociedad, 1996.

(Brazil, Chile, Argentina); in Asia (India, Pakistan at one extreme, and China South Korea at the other); and, albeit in a more fluid manner, in Africa, where differentiated regions similar to the ones mentioned do not seem to exist, except for South Africa.

- 3) Steady erosion of the democratic-national space, or the steady de-democratization and de-nationalization of all the dependent-national states where consolidation of the modern Nation-State has not occurred.
- 4) Gradual conversion of the less national and less democratic states into local centers of world financial capital's administration and control and of the Imperial World Bloc.

It is not my intention to undertake a systematic, exhaustive exploration of these tendencies individually or as a whole. For our purposes, we need to dwell above all, for the moment, on the formation of the Imperial World Bloc and on the de-democratization and de-nationalization of the dependent states and their progressive transformation into some sort of political-administrative agencies of the world financial capital and of the Imperial World Bloc, because these two tendencies, more clearly than the others, express the re-concentration of world control of public authority, the latter's re-privatization, and the virtual shadow of a global domination space.

The imperial world bloc and local states

There is no denying that few of the modern Nation-States (the Group of Seven, now Group of Eight with the late, subordinate admission of Russia), being stronger and, in some cases, headquarters of the modern colonial empires and, in all cases, headquarters of capitalist imperialism in the 20th century,²³ now constitute a genuine Imperial World Bloc. In the first place, because their decisions are imposed on the ensemble of the other countries and on the nerve centers of economic, political, and cultural relations in the world. Secondly, because they do so, although they have not been elected or even appointed by the other states, which they do not represent and thus do not have to consult before making their decisions. They are virtually a public world authority, although not an actual world state.

²³ In Hobson's and Lenin's sense.

This Imperial World Bloc does not consist only of globally hegemonic Nation-States. It is rather a sort of imperial institutional web made up of these Nation-States, the intergovernmental entities that control and exercise violence, such as NATO, the intergovernmental and private entities that control the global financial flow in particular (the main ones being the International Monetary Fund, the World Bank, the Club of Paris, and the Inter-American Development Bank), and the large global corporations. As a matter of fact, this institutional web does already constitute a sort of invisible world government.²⁴

In other words, this is a global re-concentration of public authority's control. *And this is, in my view, the most salient phenomenon of the so-called globalization of the current world power model.*

The emergence of the Imperial World Bloc – perhaps it would be better to call it Global – obviously implies that the other states are subject to a gradual reduction of their autonomy. This is particularly the case of those states or societies that have not yet completed or advanced the process of becoming modern Nation-States. If one observes what happens to society and to social, cultural, and political differences as a result of the worldwide imposition of neoliberalism as the economic policy matrix, both internally and among countries, one can easily notice that this ongoing erosion of the autonomy (or sovereignty) of these states consists above all in the de-democratization of society's political representation in the State. This makes absolutely clear the structural linkage of financial capital needs, speculative accumulation mechanisms, and the tendencies of world re-concentration of public authority's control, whose major expression today is the World Imperial Bloc.

Nevertheless, these paired, interdependent processes do not imply that the World Imperial Bloc's public authority is directly and explicitly exercised in all the other domination spaces or "countries" in these spaces (save exceptionally and transitorily, as was the case of the invasion of Panama and Noriega's arrest), although they clearly tend in this direction, as shown by

²⁴ Thomas M. Callaghy coined the concept of "transgovernance" to account for the fact that State institutions are indispensable for applying to or imposing on individual countries the standards and behaviors that serve the interests of capital and the market, as well as for the fact that these State institutions are intertwined with capital's specific ones. See "Globalization and Marginalization. Debt and International Underclass," in *Current History*, November 1997: 392-396 and in *Developing World 99/00*, *cit.*: 50-54.

recent actions in Kosovo, Chechnya, Africa, and now Colombia and potentially South America's entire Andean-Amazon region ("Colombian Plan").²⁵

At least for the moment, the World Imperial Bloc needs the local states to impose its policies in each country. Some of these states are thus being converted into institutional structures for the local administration of world interests, while others are making more visible the fact that they were already discharging such function. This process implies a local and global re-privatization of such states,²⁶ as they serve increasingly less the political representation of all social sectors of each country. They thus form part of this world web of public authority, state, and private institutions that together begin to form a sort of invisible world government.²⁷

Re-privatization of the control of collective authority

This re-concentration of world control of public authority on a global scale implies essentially a re-privatization of the control of a central area of social existence and its respective institutional sphere. The control of collective authority was recognized as being public in the modernity period, particularly from the 18th century on. The modern Nation-State emerged precisely as the embodiment of the public character of collective authority – public in the specific, explicit sense that it admitted equal participation by all "citizens" and was legitimized above all by this very reason.²⁸ However, although an increasingly secondary, basically symbolic part of this institutional universe is still admittedly public, the fact is that these institutions' dominant nuclei are private, such as the global corporations, or the administrative technocracy of the financial organizations and of the states' economic policies, even in the case

²⁵ Since this essay was completed, this global re-colonization tendency has been clearly illustrated by the imperial/colonial invasion of Iraq and Afghanistan by the United States and England, with the explicit or debated support of the whole Global Imperial Bloc.

²⁶ As regards relations between the public and the private sphere in the makeup and exercise of collective and particularly state authority, I have proposed some ideas in "Lo Público y lo Privado: Un enfoque Latinoamericano," in Quijano, Aníbal, *Modernidad, Identidad y Utopía in América Latina*, Lima: Ediciones Sociedad y Política, 1988.

²⁷ After delivering my lecture and finishing revise its text, I read *Empire*, by Michael Hardt and Antonio Negri, Cambridge, Mass/London, England: Harvard University Press, 2000. The author's main thesis is that we are already living in a Global Empire, with historical and structural characteristics similar to those of the Roman Empire, and that the era of Imperialism and the Nation-State, which they view as reciprocally corresponding institutions, has ended. This idea was already present in George Soros, *The Crisis of Global Capitalism*, New York, 1998. Readers will remark my disagreement with these proposals.

²⁸ See Quijano, Aníbal, "Lo Público y lo Privado, un enfoque Latinoamericano," *op. cit.*

of supposedly public organizations, such as the intergovernmental financial capital institutions – the IMF and what is known as the World Bank.

In the ongoing world debate about this tendency of continuous, increasing erosion of the weaker states and societies because their democratization/nationalization process was not completed and did not become sufficiently firm, the most widespread theoretical proposal presents said tendency as a trend to the actual decline of the modern Nation-State.²⁹

This is a clear demonstration of the dominance of the Eurocentric knowledge perspective. True, the modern Nation-State, together with the bourgeois family, the capitalist enterprise, and Eurocentrism,³⁰ is one of the fundamental institutions of each area of the world power model of the modernity period and begins with America. The modern Nation-State is also the worldwide hegemonic institution within the universe of institutions that operate in the world in conflict over the control of public authority and its resources, particularly violence. But it is certainly not true that the modern Nation-State really exists in all the domination spaces known as *countries*. It is equally not true that all the current states of all countries or spaces of domination have the character of modern Nation-States, although they may present themselves as such or be admitted as such in the imagery or symbolic universe of each country.

Coloniality of power and Nation-State

The defining difference between the processes that found completion and affirmation in modern Nation-States and those that did not lies in the type and extent of their respective relationship with the coloniality of power. In respect of the former, the coloniality of power did not make itself immediately present in the domination spaces in which the democratization of social relations occurred and which form and define the character of the processes of nationalization of society and its State. This is what occurred in Western Europe from the last third of the 18th century until the end of World War II.

²⁹ The literature on this subject is already extensive and grows with each day. See, for instance, the references in Delgado, Daniel García: *Estado-Nación y Globalización. Fortalezas y Debilidades en el umbral del Tercer Milenio*. Buenos Aires: Ariel, 1998.

³⁰ On this issue, see Quijano, Aníbal: *La Colonialidad del Poder y sus Instituciones Hegemónicas*, the first part of which was published under the title “Poder y Derechos Humanos” in Carmen Pimentel, comp., *op. cit.*

However, the coloniality of power has been and continues to be very active, as it forms part of the global context in which occur the processes that affect all the specific domination spaces. The concentration of the democratization and nationalization of Western Europe's modern states until the 20th century shows precisely the worldwide imposition of the coloniality of power. The Eurocentrism of the colonial/capitalist power model was not caused only by the dominant position of the world market's new geography, but above all by the basic social classification of the world population around the idea of *race*. The concentration of the process of formation and consolidation of the modern Nation-State in Western Europe could be neither explained nor understood outside this historical context.³¹

The other face of the process of constitution and consolidation of the modern Nation-State was the colonized world, such as Africa and Asia, or the dependent world,³² such as Latin America. In this part of the world, the coloniality of power not only was and still is present in the global context of the world power model, but directly and immediately operates within the respective domination space, hampering the processes aimed at the democratization of social relations and at their national expression in society and in the State.

Should anyone think that the difference lies in the fact that some spaces were colonized and others were not, suffice it to compare the processes in Western Europe and in Latin America, the two most representative scenarios of each side of the difference of these processes, which moreover occurred simultaneously between the end of the 19th century and the 20th century.³³ Differently from Europe – owing exactly to a different distribution of the coloniality of power in the two spaces – in Latin America, precisely at the end of the so-called Independence Wars, the most notorious historic paradox in the Latin American experience could be observed: the association between independent states and colonial societies in all of our countries. Although

³¹ See “Colonialidad del Poder, Eurocentrismo y América Latina”, *article cited*.

³² About the concept of “dependence” implied in this proposition, see “Colonialidad del Poder, Eurocentrismo y América Latina”, *article cited*. Also “Colonialidad del Poder, Cultura y Conocimiento en América Latina”, in *Anuario Mariateguiano*, IX, 9, 1997:113-122.

³³ I have discussed these questions before in various writings, particularly in “Colonialidad del Poder, Eurocentrismo y América Latina,” *cited article*; in *Estado-Nación, Ciudadanía y Democracia: Cuestiones Abiertas*; in Schmidt, Heidulf and Gonzáles, Helena, comps., *op. cit.*; in “El Fantasma del Desarrollo,” *Revista Venezolana de Ciencias Sociales*, 2, Universidad Central de Venezuela, 2000; in “Colonialidad, Ciudadanía y Democracia,” in *Amérique Latine: Démocratie et Exclusion*. Paris: L'Harmattan, 1994; in “América Latina en la Economía Mundial,” in *Problemas del Desarrollo*, Revista del Instituto de Investigaciones Económicas, UNAM, XXIV, 95, México, 1993.

fractured and permanently, if erratically, contested, this association presided over social and state relations in all Latin America.

Looking at Latin America, one cannot strictly see as fully formed and consolidated modern Nation-States the states/societies of the so-called “Andean” area or of Brazil, for instance, unless one admits them as national societies and states explicitly founded on coloniality of power relations. Uruguay and Chile have advanced further in constituting modern Nation-States, but at the cost of the genocidal extermination of the aborigine populations and of a relatively less concentrated appropriation of their territories.

This occurs within insurmountable limits, unless there is a radical decolonization of relations with the populations that descend from the surviving aborigines, something that, as everyone knows, is already stirring in both countries.

In Mexico, a social revolution between 1910 and 1930 started this process of decolonization of power relations; its radical tendencies, though, were soon defeated and the process could not become sufficiently profound and encompassing to permit the full affirmation of a national and democratic society and state. It did not take long for the consequences of this defeat to be felt in the gradual choking of society’s decolonization and in the current tendencies that guide the reconstitution of the association between capitalism and the coloniality of power. However, Mexico is the only place in Latin America where society and State have for a long period advanced in the process of power decolonization and of democratization and nationalization. In the other countries, the revolutions pursuing the same goals between 1925 and 1935 were all defeated. Since then, processes in all these parts have been erratic, partial, and ultimately precarious. The civil wars in Central America from the 1950s until fairly recently, which obviously were moved by the same conflicts and interests, showed the undeniable illegitimacy and conflictive nature of the coloniality of power in those countries and in all others, but the social decolonizing forces were also routed.

In realistic terms, only in the “center” countries first, and then in those where profound social revolutions triumphed, such as China, or where wars and defeats made possible relatively significant social democratization processes, such as in Japan, South Korea, Taiwan, Australia, and New Zealand, can one see processes of development of Nation-States, albeit in different degrees of

affirmation and maturation, toward becoming modern Nation-States. China, for instance, is today a central State that has become stronger after 1949. What is not yet absolutely sure is whether it has already fully become a national society, as it exists within the same space of a colonial empire and has by no means ceased to be a bureaucratic despotic regime.

Remarkably, it is not in those countries, particularly in “center” countries (United States, Western Europe, Japan) where one can observe the decline of the modern Nation-States’ institutionality. The process of political unification of the Western European countries does not signify an erosion of the modern Nation-State but rather the constitution of a new, broader space of domination. Or would anyone suggest that the size of the domination space is the factor that determines the nature of a state? Or that the European Union will become a new absolutist, despotic state only because of the expansion of its domination space?

It is only in all the countries where the process of democratization and nationalization of societies and states or of formation of modern Nation-States was not completed that one can observe the erosion of what had been accomplished in this direction.

The discussion here is about the processes of de-democratization of society and state and thus of their de-nationalization owing to a world tendency toward the re-concentration of world control of public authority institutions, i.e., of the state in the first place, and the gradual constitution of a world web of institutions, both state and private, of public authority, that would apparently function as an invisible but real world government.

Capitalist globalization: a global counterrevolution

Few times in the history of modernity has there been such a noticeable degree of re-concentration of power control, particularly in the area of work and public authority. This extreme is comparable to what occurred with European colonialism between the 16th and the 19th centuries.³⁴

The beginning of this process could be situated in the mid-1970s, when capitalism’s world crisis broke out, and its acceleration in the late-1980s, as of

³⁴ An overview of colonialism and anticolonialism in the last 500 years is provided in the monumental work by Stavrianos, L. S.: *Global Rift. The Third World Comes of Age*. New York: William Morrow and Co., Inc., 1981.

the famous “fall of the Berlin Wall” in 1989. Quite remarkably, this implies a truly dramatic change as compared with the previous period, which can be generally situated between the end of World War II and the mid-1970s.

A comparison between the two periods shows the decisive, historical significance of this drastic change. Briefly, as this history is common knowledge, I will limit myself to mentioning the more salient lineaments and facts of the period between 1945 and 1973:

- 1) Political decolonization of Southeast Asia (India, Indonesia, Indochina, Ceylon), Eastern Asia (China, Korea), most of Africa and the Middle East, as well as the Antilles and Australia and New Zealand.
- 2) Triumph of profound social revolutions in China, Vietnam, Bolivia, and Cuba, and expansion of revolutionary movements of a “socialist” or “national liberation” orientation, including “African socialisms.” In some cases, this meant the military defeat of the hegemonic States, as in Korea, Vietnam, and Algeria. And fall of authoritarian, colonialist regimes, as Portugal’s.
- 3) Expansion of the Welfare State regime in Europe and the United States.
- 4) Movements and regimes of a national-democratic tendency in Latin America, which produced social and political reforms aimed at the democratization of social and political relations, including statization of production factors (Peronism, Velasquism, and Allendeism).
- 5) Development of social movements that were radically democratic, anticapitalist, anti-authoritarian, and anti-bureaucratic in Europe, United States, and some areas of Asia and Latin America, which, particularly in the second half of the 1960s, produced revolutionary waves in France, Germany, United States, China, and Mexico.
- 6) Expansion of social movements of radical democratization, labeled “liberation,” in sexual, gender, “racial”, “ethnic”, and age relations.
- 7) Beginning of systematic criticism of Eurocentrism as a knowledge perspective, particularly in Latin America in the beginning, but soon extended to Europe, Asia, and Africa.

All these processes entailed: a) a marked *de-concentration of public authority control*, with part of this control being snatched from European colonialism and from European and United States imperialism; b) a relative but significant *redistribution of work control* between imperialist, capitalist groups and locals; and c) an equally relative but equally significant *redistribution of benefits and income* through Welfare State mechanisms in the “central” countries or through the provision of public employment and services (particularly education, health, and social security in Latin America, India, etc.); d) to a much lesser extent, a relative *redistribution of the control of work resources*, particularly through “agrarian reform” in various countries, including Japan, South Korea, and Latin America; and e) last but not least, expansion of anticapitalist criticism and political movements, as well as of other movements that radicalized anticapitalist struggles, so as to pose a virtual threat to the world power model as a whole.

These processes, movements, and conflicts created an unmistakably revolutionary scenario and, regardless of the different ways and degrees that varied according to regions or problems, it was the world power model in the guise of exploitation or domination, or both, that was in question and, at certain moments, such as in the late 1960s, truly at risk.

The defeat of this entire context through a combination of re-concentration of the control over work, which took place during capitalism’s worldwide crisis; the defeat of the movements called “anti-systemic” by some, owing at first to an alliance of rival regimes within the system; and the defeat and subsequent disintegration of the more influential rival regimes (the former Soviet Union and the European “socialist camp”) were the factors that allowed the more powerful Nation-States of the world power model to undertake, swiftly and with relative ease, the re-concentration of public authority control and, in many cases, a clear re-privatization of the State, as in Peru under Fujimore’s regime.³⁵

What is this “globalization” thing?

The preceding warrants some cogent conclusions: “*globalization*” consists above all in a reconfiguration of the institutional forms of *Coloniality of Power*, which has the following implications: 1) an ongoing, rapid re-concentration of world public

³⁵ My theoretical and political views about these processes were summarized in “¿El Fin de Cuál Historia,” *article cited*.

authority, or strictly speaking, a re-privatization of the control of collective authority; 2) this leads to the intensification and acceleration of the basic tendencies of the capitalist system of work exploitation and control; 3) the corresponding institutional manifestation in the “center” is the emergence of a World Imperial Bloc, consisting of the Nation-States that already enjoyed worldwide hegemony under the predominance of the principal one of them and of the bloc of financial capital world corporations; 4) the World Imperial Bloc is structurally intertwined with the control and administrative institutions of world financial capital, particularly with the International Monetary Fund, the World Bank, and the Club of Paris, and with the control and administrative entities of international, social, and political violence, such as the North Atlantic Treaty Organization and the Inter-American Regional Defense System; 5) the whole of this institutional, state, and para-state web tends to operate as an invisible world government; 6) on the “periphery,” the foremost institutional expression of the process is the de-nationalization and de-democratization of the states with a national tendency and, in this specific case, there occurs a steady erosion of their autonomy (or sovereignty) and of tendencies toward the formation or consolidation of a modern Nation-State in capitalism’s noncentral areas; 7) to the extent that the ensemble of these processes results from the worldwide defeat of regimes, organizations, and movements that were rivals of or antagonists of the Eurocentric, colonial/modern capitalist world power model, the current “globalization” of this power model has the character of a counterrevolutionary process on a global scale.

This basically political character of the so-called “globalization” shows that, contrary to its mythical image, this is not some sort of inevitable “natural” phenomenon with inescapable consequences. It is rather the outcome of a vast, prolonged conflict over power control, from which the forces that represent coloniality and capitalism came out victorious. “Globalization” is thus an unavoidable arena of conflict both between winners and losers and among the winners themselves, which means that other results are possible.

In passing, it is worth pointing out that the re-concentration of control over work and authority has not entailed a similar re-concentration of global control over all other power areas, especially in the area of intersubjective relations of social dominance, and in the areas of *race* and *gender* as well as in the way knowledge is produced. Racism and ethnic bias, the bourgeois family, and Eurocentrism continue to be undeniably hegemonic worldwide. But in these dimensions of the current power model and in its respective institutions, the crisis has become only more profound and explicit.

From a national to a global perspective?

In this field also there is something that albeit not exactly new may nevertheless seem a novelty for many students of the subject, namely, the changed perspective implicit in the idea and the image associated with the term “globalization.” After a long time, it is now possible, and this is almost a consensus, to face power and above all capitalism in their true, permanent global scale.

True, not only Marx but practically all those that dealt with these issues after him until just before World War I had in mind the idea of world capitalism. Afterwards, though, and until after the world crisis that began in the mid-1970s, capitalism’s global view as world model of work control shifted toward the so-called national view, linked to the concept of Nation-State.

This shifting of perspective necessarily implied also a shifting of problems or, in other words, of the most important questions to be asked from experience (or from “reality”) and of the meaning to be attributed to observations, discoveries, or verifications.

This shifting of perspectives and problems occurred with the hegemonic imprint of Eurocentrism as the basic view of knowledge. Otherwise, the privileged reference to the European-style Nation-State would make no sense, as it had not become – and has not yet become – the actual structure of the “periphery’s” public authority.

Although in different ways and degrees, this shifting affected all sides of the debate, i.e., not only the advocates of capitalism and its related forms but also those that criticized it from a theoretical and political standpoint or that were inclined to do so. While it became easier for the former to make the theoretical defense of their system, for the latter the result was theoretically and politically disastrous. In the first place, the ahistorical dualist/evolutionist view was perpetuated among those known as pre-capital and capital supporters. Secondly, lost from sight was the global character of the fundamental relations between domination and exploitation processes and social classification processes and their relations with the particular spaces of domination, with or without reason called national.

Under these conditions it was not possible to recognize – as they could not be seen then – capitalism’s tendencies that are now visible to all and that, for

this main reason, are assumed to be new. These tendencies included particularly the world population's global social polarization between a rich minority and a growing, vast majority that remains continually poor; the steady concentration of capital; the continuous revolution of the means of production; and the tendency, as yet barely studied systematically, toward the exhaustion of the interest in and necessity of converting the work force into merchandise.

This view took the Nation-State, real or presumed, not only as a study subject but also as a theoretical and methodological perspective to investigate capitalism's general tendencies and processes. This view of knowledge could not be but reductionist. Accordingly, it was not difficult to demonstrate that in the modern Nation-States of the "central" countries, the global tendencies that are now evident to everybody had no place or were not as visible as today. Thus, the difficulties faced by capitalist development in the other countries was a question of "modernization," i.e., of following the same path as the more "advanced" ones; or of the timing and correctness of economic policy measures for those that had already entered the path. Be as it may, it was not a problem of world power or of world capitalism.

Coloniality and Nation-State in Latin America

Latin American nationalism was conceived and exercised on the basis of the Eurocentric view of Nation-State and nationalism as loyalty to an identity established or assumed by the beneficiaries of the coloniality of power, apart from and often contrary to the interests of those under colonial and capitalist exploitation/domination. For this reason, first Latin American liberalism of the 19th century, then "developmentism" and "modernization" after World War II got bogged down in the chimera of modernity without social revolution. "Historical materialism" went under into another bog, of an equally Eurocentric nature: the idea that the dominators of these countries were by definition "national, progressive bourgeoisies." Victims became thus confused and their struggles for democratization/nationalization of their societies went astray, a situation in which social, material, and intersubjective decolonization, or strictly speaking, des-coloniality of power is the *sine qua non* of every possible democratization and nationalization process.

The des-coloniality of power is the necessary foundation of any profound social revolution. For a vigorous development of capitalism in these countries

this revolution/des/colonization was also necessary, as witness the fate of this region in the world economy and today's useless, innocuous projects and discourse related to markets "integration", whether under the Andean Pact or in Mercosur."³⁶

As long as these conditions prevail, national sovereignty cannot but consist in defending the interests of the owners of the state of a colonial society and of the control of work and its resources and products; former minor partners of imperial interests, today they are but their administrative agents in the domination space called national. This is contrary to the interests of the vast majority of workers. *Fujimorism* is the utmost expression of this perverse experience.³⁷

Under today's conditions of counterrevolutionary "globalization," the development of Nation-States after the European fashion is a dead end. The discourse whereby we are multiethnic, multicultural societies does not imply and can never imply actual decolonization, in the sense of des/coloniality of society and the State. In many cases, among which *Fujimorismo* in Peru is the prime illustration that serves to juggle the pressures for the re-legitimization of racism/ethnicism and to depreciate the social struggles against these forms of domination.³⁸

For the countries where coloniality of power is the real foundation of power relations, citizenship, democratization, and nationalization cannot really exist, save precariously, on the Eurocentric Nation-State model. We, the Latin American peoples, must find an alternative course. The community and the association of communities as public authority's institutional structure are already rising over the horizon and have the potential of being not only the most appropriate framework for democratic quotidian relations among people but also the strongest and most effective institutionalized structures available to the State for discussing, deciding about, planning, and executing

³⁶ See *América Latina en la Economía Mundial*, *op. cit.* See also *El Fantasma del Desarrollo en América Latina*, *op. cit.*

³⁷ I have discussed this in several writings, including *El Fujimorismo y el Perú*, Lima, 1995; "Fujimorismo y Populismo," in *El Fantasma del Populismo*, Burbano de Lara, Felipe, Caracas: Ed., Nueva Sociedad, 1998; "El Fujimorismo, la OEA y el Perú," in *América Latina en Movimiento*, July 25, 2000. Quito, Ecuador.

³⁸ The Supreme Court, controlled and manipulated by the National Intelligence Service and at the service of the country's speculators and corrupt businessmen, decided for the legality of this discrimination imposed by local night entertainment businesses in Lima. See my article "Qué Tal Raza," originally published in *Cambio Social y Familia*, CECOSAM, Lima: 1999, 186-204, reproduced in *Revista Venezolana de Ciencias Sociales*, 2000, 6, 1, January-April: 37-45; an in *Ecuador Debate*, 49, Quito: December 1999, 141-152.

[initiatives] in defense of the world population's interests, needs, jobs, and large-scale projects.

The democracy question³⁹

In today's world – in the world model of colonial/modern/capitalist/Eurocentric power – the meaning of the term *democracy* applies to a specific phenomenon: *a system of institutionalized discussion of the limits, the conditions, and the modalities of exploitation and domination, institutionally embodied in the modern Nation-State.*

This system's touchstone is the idea of juridical and political equality of unequals in other areas of social existence. It is not difficult to perceive a historical implication of this, namely, three converging, interwoven processes: a) bourgeois secularization and its new Eurocentric rationality; b) the confrontations between the new power model and the "old order" over the distribution of collective authority's control; and c) the confrontations over the distribution of control of work and its recourses and products in competitive capital's period, particularly among the bourgeois groups themselves, and thereafter, in the monopolist period, particularly between capital and labor.

Apart from this historical confluence it would not be possible to explain or understand the idea of social equality, individual freedom, and social solidarity as key elements in social relations and as the expression of rationality in the modernity period. The desacralization of authority in the genesis of subjectivity, which endowed the individual with inner autonomy, is part of the secularization of subjectivity, the new mode of imbuing people with subjectivity, and is the foundation of individual freedom. On the other hand, though, the needs of the capitalist market and the struggles for the control of work, its resources and products, forced the recognition of the social equality and solidarity of all participants. This confluence of the ideas of social equality, individual freedom, and social solidarity provides the very basis for admitting that in society all have the same possibility of participating in work control as well as in collective authority's control, which, for the first

³⁹ On my historical and theoretical proposals about these issues, see particularly the already cited "Colonialidad del Poder, Eurocentrismo y América Latina;" "Estado-Nación, Ciudadanía y Democracia: Cuestiones Abiertas"; and "El Fantasma del Desarrollo."

time, became public. Democracy was thus being established as an emblem and compendium of modernity.

However, two elements have a decisive role in these processes. First, the new power model had a modern but at the same a colonial and capitalist character. Thus, not only rationality and modernity but also social inequality [was] founded in both the new, racial and sexual domination system and in the new capitalist social exploitation system, i.e., in the coloniality of exploitation and domination. As a result, the market set both a threshold and a limit to equality, but only in those domination spaces or countries where the coloniality of racial and sexual domination was not immediately present or was only marginal. The market sets on the same formal equality footing agents from unequal social conditions. Likewise, inner autonomy could not be equally unlimited for all individuals in any area of social existence in which power is compromised, particularly in the area of sex, its resources and products. Accordingly, not even in “central” countries did women acquire inner autonomy; they could not participate in public but only in private life, the realm into which family, sexual activity and its products – pleasure and offspring receded. The same thing applies to work, its resources and products. The losers in the struggle for their respective control, who had nothing but their own working force to participate in the market, could not achieve equality except within the market’s limits, nor be individually free beyond the limits of their subaltern condition.

Be as it may, from then on social relations would have a new character: their intersubjectivity became marked by the dominance of this new rationality and their materiality became marked by the capitalist market. Further on, social conflict would consist above all in the struggle for the materialization of the idea of social equality, individual freedom, and social solidarity. While the first put exploitation into question, the other two questioned domination. Democracy thus became the central area of conflict of interest in the new power model. The whole historical process of this specific power model has consisted in the manifestation of this contradiction: on the one hand, the social interests fighting all the time for the continuing materialization and universalization of social equality, individual freedom, and social solidarity. On the other hand, the interests that fight to limit these and as far as possible to reduce or even eliminate them, except for the dominators. *So far the result has been the institutionalization of limits to the modality of domination, and citizenship is its precise expression. On the*

limits of citizenship depends the negotiation of exploitation's limits and modalities. This institutional universe that resulted from these negotiations is the so-called Modern Nation-State. Under the current power model, this is what is known as democracy.

The new power model was colonial and Eurocentric. That is, it rested on the coloniality of racial classification as the basic, universal social classification and for this very reason was Eurocentric. Owing to these characteristics, for nearly two centuries – from the late 18th century until the mid-20th century – this specific, foundational contradiction of democracy could not fully take hold in Western Europe. In the first place, this was because in those countries the coloniality of social classification was not as directly and immediately present as today, precisely because of the coloniality imposed on the “Europeans” and on the other members of the species. Secondly, mercantilization of the work force had been concentrated in Europe, so that capital was seen as the universal social relation. Thirdly, the modality of feudal domination no longer existed in them. However, elsewhere on the planet, as European colonialism expanded, coloniality was imposed as the basic classification, and thus the dominant form of exploitation tended to exclude salaries until the late 19th century, and the forms of authority control had to be of a state, colonial, and or seigneurial nature .

Be as it may, full institutionalization of the negotiation of the limits and modalities of domination and exploitation seemed consolidated in “European” societies (Western Europe, United States, Canada, Australia, and New Zealand), where “globalization” begins to be on the defensive, though. Its success has been late and clearly limited in societies that have not resulted from European colonialism and the coloniality of power, such as Japan, Taiwan, and South Korea. Most other societies still had a way to go or to finish, particularly in Latin America.

Globalization and democracy

An idea running through current political debate is that democracy is being fully affirmed all over the world. This idea is due to the fact that most governments today have been elected. The vote is thus assumed to be democracy's only defining institution.⁴⁰

⁴⁰ On this discussion, see the references in my “Estado-Nación, Ciudadanía y Democracia: Cuestiones Abiertas,” in Schmidt, Heidulf and Gonzáles, Helena, Comps., *op. cit.*

This idea of democracy is an expression of the increasingly technocratic character of bourgeois and Eurocentric rationality and masks two problems: first, the fact that all government, particularly that of states that are not democratic or national, or not fully national, is increasingly run by non-elected technobureaucracies totally disconnected from the voters' will, or worse, against it.⁴¹ This clear tendency is masked by grossest intellectual contraband, an argument that, although almost ridiculously absurd, has been imposed as virtual common sense: the management of economic affairs in particular and of State affairs in general is not a political but a technical problem! Secondly, this relation between state politics and votes could not be explained apart from "globalization, i.e., from the current process of re-concentration of the control of public authority, which reduces or seeks to reduce any citizen participation other than through the ballot, so as to allow the local, not always well-concealed working of a kind of technocratic world government or "transgovernance."

As vitally important as the vote is, without democratic conditions in basic social relations, it can not only lend itself to fraud, manipulation, and swindle but, even if exercised in perfect consonance with the law, it cannot ensure that voters will have the control of public authority's institutions, as these are separately controlled, and increasingly so, against the voters' explicit will.

Given these circumstances, it cannot be admitted that democracy in experiencing worldwide expansion and affirmation. Quite the opposite is true. Financial capital and unbridled speculative accumulation have taken over world capitalism, the entire world accumulation structure. They dominate it by means of the most advanced technological resources and put rationality and knowledge production at the service of their own purposes and interests. This is a current structural tendency of colonial/capitalist power in the world. Its development requires the reduction of democratic spaces in society, as these spaces necessarily imply an equally democratic distribution of access to and control of work and its resources and products, of sex and its resources and products, of subjectivity, and above all of knowledge. For all this, democratic distribution of public authority's control, i.e., of the state is essential. The

⁴¹ The most scandalous case in Latin America, of course, is that of Fujimori in Peru, whose victory in 1990 was due to massive opposition to neoliberal Vargas Llosa's economic program by the electorate, which immediately imposed the most extreme, perverse version of neoliberalism against their express will. Since then, Fujimori has stood in place, resorting to coups and to elections fraud condemned by the whole world. That is, once again, against the voters' will.

modern Nation-State's tendency is to be formed this way and on these foundations. Yet, the current needs of speculative accumulation also necessarily require the reduction of such spaces and, as far as possible, their elimination or depreciation of their institutions, such as citizenship and the ballot.

The capitalist character of the power now being "globalized" and the dominion of speculative capital in capitalism's current phase are contrary to society's democratization and, to a certain extent, to its nationalization, as every *modern* Nation-State is national only in so far as it is the political organization and representation of a democratic society. This "specific" form of "globalization" increasingly unmask the fact that it is contrary to nationalization/democratization processes in every society and state, ever more immediately and drastically contrary to the affirmation of "peripheral" Nation-States, particularly where the coloniality of power governs social relations, as is the case of Latin American countries.

But, despite its recognized distorting capacity, Eurocentric rationality had to admit criticism and debate of its distorting elements and, more recently, of its coloniality. It was thus one of the main fundaments of the worldwide legitimization of the ideas of social equality, individual freedom, and social solidarity, which in turn legitimized the fight of the exploited, the dominated, and the discriminated not only against their oppressors but also to change their placement in the sphere of power, as well as their fight against oppression itself and any embodiment of power. But since the worldwide crisis of the mid-1970s, exploitation's needs and interests have militated against this rationality.

Current capitalism's predatory tendencies and the re-concentration of world control of power by the Imperial World Bloc give room to all forms of fundamentalism, prejudice, and myth on which social hierarchies rest. They press for an exclusively technocratic use of knowledge, science, and technology for the specific, exclusive purpose of reinforcing exploitation and domination, which now include technological intervention in human biology to perpetuate racial/ethnic discrimination, in the service of privileges imposed by colonialism and imperialism on the majority of mankind.

There is worldwide pressure toward the de-modernization of people's life, not in the sense of criticism and elimination of the colonial character of the Eurocentric version of modernity but of the re-legitimization of the most oppressive forms of power. Power has been eliminated as an issue

of research, debate, and particularly criticism, save in a technocratic and administrative sense. This legitimizes a cynical attitude toward daily conduct, as power cannot be really excluded from social relations.⁴² Financial capital presses for the radical mercantilization of the control of all knowledge, while the Imperial World Bloc seeks the militarization of the control of scientific and technological research.⁴³ Speculative capitalism, which is the sign of this “globalization” phase, exacerbates all these tendencies.

In this sense, “globalization” entails risks that are more serious and decisive than at any other time in the last two hundred years. Now it is not only a question of authoritarian tendencies, such as Nazism, Fascism, or Stalinism, contrary to the strongest democratic tendencies that were still part of modernity’s historical context and that involved not only the exploited and dominated but also a major part of the world bourgeoisie. This was because capitalism’s tendencies had not yet reached their current extremes, owing to worldwide resistance, conflicts between rival powers, and worldwide struggles against the current power model. Such struggles, though, were lost, while the conflicts and rivalries over worldwide hegemony have been brought under control, giving way to the Imperial World Bloc. All this has unfortunately led to tendencies, which seem to be stirring inside this power model’s very society and culture, toward the formation and reproduction of a new universal common sense, according to which power, social hierarchies, the unequal control of work, its resources and products, the unequal, concentrated control of authority and violence, and the repressive, mercantile control of sex, subjectivity, and knowledge are admitted as legitimate and, especially, as being natural.

Capitalism’s latest processes require Eurocentric rationality’s full instrumentation. They thus lead to the re-legitimization of the inequality entailed by the extreme social polarization under way, the reduction of the democratic margins of access to the control of work, its resources and products as well as the control of the creation and management of public authority institutions and their resources, particularly violence.

As long as capitalism remains one of the basic elements of the central axis of the current world power model, with processes that will necessarily

⁴² On these aspects of the so-called postmodern debate, see, for instance, Steven Best and Douglas Kellner: *Postmodern Theory Critical Interrogations*. New York: Guilford Press, 1991.

⁴³ For a provocative discussion of these issues, see Virilio, Paul: *La bombe informatique*. Paris: Editions Galilée, 1998.

heighten its current needs or interests, its needs regarding particularly political and cultural domination will move in the same direction. Under way now are political and technological efforts of the world “transgovernment” to concentrate the control of communication and information – precisely what fascinates its intellectuals and propagandists as an indication of world “integration” and the world’s shrinking.

New prospects: conflict and violence

According to the mythical image of “globalization” disseminated by the publicists of capitalism and the Imperial World Bloc, we are immersed in a process that is impervious to people’s intentions and decisions. It is a natural phenomenon and thus any intentional intervention in it would be useless. The image floating around everywhere about “globalization” is that opposing it would be as the same as an individual trying to stop a speeding train by placing himself in front of it. As this is a question of the world’s economic, political, and cultural integration, one has to admit that it is a question of a systemic whole from which it is impossible to escape or to defend oneself.

In view of the preceding, though, it is pertinent to observe, first, that there is no such thing as globalization, as no power model can be totally homogeneous, systemic, mechanical or organic, or a historical whole. Given the historical and structural heterogeneity of every power model, the areas of social existence and respective forms of control inherent in them cannot have systemically or organically corresponding rhythms. What happens in regard to the “economy,” “politics,” and “culture” or to work, sex, subjectivity, and collective authority is a historically and structurally discontinuous relation – and this applies to any specific area. Today it is thus possible to verify if there are any gaps and contradictions in the “economy,” particularly between the “speculative bubble” and the production of new material value; or in “politics,” in the relations between the Imperial World Bloc and the processes linked to the current struggle for autonomous spaces and national, ethnic, or other national identities; and, obviously, between such “economies” and “politics,” or between the Eurocentric rationality’s crisis and the tendencies toward the re-colonization of intersubjectivity; or yet between the crisis of the social classification models and the tendencies toward a re-classification of the world population on a global scale. These considerations have led some

scholars to suggest that one should think rather in terms of “globalization” in each area and in different periods.⁴⁴

Secondly, the basically political character of what is called “globalization,” as has been shown, particularly in respect of the sequence of a period of changes and revolutionary risks, whose defeat allowed the Imperial World Bloc to impose itself, reflects the curious idea that “globalization” is a sort of natural phenomenon and not an avatar of power disputes and as such subject to people’s intentions and decisions, regardless of the conflicts’ duration and outcome.

Thirdly, one of the inherent problems of the structure of power that occurs in ‘globalization’, both in exploitation and in domination relations, is extreme conflict between capital and a more heterogeneous work universe of less controllable consequences; between financial capital and a working mass trapped between the lack of salaried jobs and income and the inescapable need to survive on the market; between the increasingly richer rich and the increasingly more numerous and poorer poor; between the Imperial World Bloc and the local states and their national and regional tendencies; and among states fighting for regional hegemony; between those that fight for reduced or simple democracy and those that fight for democracy’s political consolidation and its expansion in society; and, lastly, between the growing technocratic reductionist tendencies in the manner of producing knowledge and the world tendencies toward another, non-Eurocentric rationality.⁴⁵

Although the preceding is in no way an exhaustive listing, it throws light on the unstoppable, surfacing tendencies toward conflict that may become open fight. The current world power model’s inherent proneness to conflict signals the impossibility of stability. These conditions cannot have any other meaning than an equally inherent and extreme potential for violence, whose ferocity has been made all too clear in the Persian Gulf, the Horn of Africa, Rwanda-Burundi-Congo, the Balkans, the Middle East, the former Soviet

⁴⁴ Notwithstanding their focus on the cultural area, it is pertinent to check the ideas set forth by Göran Therborn in “The Atlantic Diagonal in the Labyrinths of Modernities and Globalizations” in his *Globalizations and Modernities*, Stockholm: FRN, 1999:11-40.

⁴⁵ There is an extensive literature on the capitalist economy’s globalization process. Some texts of greater interest are Alvater, Elmar and Mahnkopf, Birgit: *Grenzen der Globalisierung, Ökonomie und Politik der Weltgesellschaft*, Ed. Münster, Germany: Verlag Westfälisches Dampfboot, 1996; and Boyer, Robert and Drache, Daniel (dir.): *States against Markets. The Limits of Globalization*. London/New York: Routledge, 1996.

Union – such as in Chechnya – or Latin America, in Colombia and all the Andean-Amazonian region. Most likely, this violence is only beginning.

And we have not even touched upon the possible, more violent conflicts that seem to be brewing in the foreseeable future: the disputes between the Imperial World Bloc and China (and eventually China-India-Russia; within the Bloc, between the United States and the European Union, and between each one of these or both of them and Japan or Russia. Given these prospects, it is difficult to admit the mystified images running around in the communication and information universe controlled by global financial capital.

In sum, the “globalization” of the world power model threatens to carry to extremes social polarization, the re-concentration of world power control in the hands of a small minority, as a result of the re-colonization of the world under an imperial domination structure at the service of the worst forms of exploitation and domination, and concomitant de-democratization, or de-modernization of social, material, and intersubjective relations, as well as the extreme technocratization of knowledge. For the first time, this brings explicitly to light the old Eurocentric threat of a *technical barbarism*.

Alternative options

The first thing that can be clearly established is that the worldwide integration of communication, data processing, transport, and trade in goods and services, together with the changes in our relation to time and space, does not have to be necessarily linked to increased exploitation and domination in the world or with the intensification of the proneness to conflict and violence, as seen in globalized capitalism’s current trends. Thus, what is in question is not world integration but the capitalist, predatory, and counterrevolutionary character of the current world power that is being “globalized.”

The world’s democratic integration is one of mankind’s loftiest and most enduring dreams. What matters, thus, is not to hinder world integration but rather to allow its full development, to free it from the systematic proneness to conflict and the perverse violence that trigger capitalism’s current trends, so that the diversity of human beings cease to be a reason for social inequality, and that the planet’s population may become integrated into a world of relations among socially equal and individually free people with different identities.

Accordingly, our first concern should be to rid the world integration process of the tendencies of capitalism and the Imperial World Bloc. This necessarily implies a worldwide redistribution of power, i.e., of control of work, its resources and products; of control of sex, its resources and products; of control of collective authority, its resources and products; and of control of subjectivity and above all of the mode of producing knowledge. This redistribution means returning the control of each vital sphere of social existence to the daily life of men and women on this earth.

It is true that for more than two decades the disintegration of the European “socialist camp,” the worldwide defeat of the “antisystem movements,” the eclipse of “historical materialism” as the legitimating discourse of “socialism,” two of the main elements that came unraveled with the world crisis of the mid-1970s, allowed world integration to occur in the form of a *globalization* of imperialist domination. Political defeat was accompanied by the social and political disintegration of the work world and its associates. It gave origin to political demoralization and inactivity, if not downright political dissolution of the losers. Among the latter, it produced a profound, worldwide social identity crisis, the fragmentation and dispersion of their social and political groupings, the supplanting of the new social discourse of those dominated and exploited, as well as the reshaping their memory matrix. Meanwhile, financial capital succeeded in carrying out, practically with no resistance, its predatory action against dependent societies and states and against the overwhelming working majority. This period, though, seems to be coming to a close. Resistance is stirring the world over. For Latin Americans, suffice it to look around, as social struggles have already created crises and instability throughout all of Latin America.

Every defeat of the exploited and dominated allows time for those that have power control to make profound changes in social power relations and many of these changes are drastic and irreversible. Any attempt to fight for the mere restoration of that which has been destroyed or changed would be useless, or even worse, fated to be defeated. Nostalgia does not have the same face nor does it look in the same direction as hope. But in the absence of a sound, admitted proposal that recognizes reality and the actual options of change in favor of the victims of power in similar periods, resistance fights begin almost always with recalling what has been lost and the attempt to recover the few concessions wrenched from the exploiters and dominators.

What has been lost in these years is much and very weighty: stable employment, adequate income, public liberties, and, in most countries, the spaces of democratic participation in the formation and management of public authority. In other words, exploitation has become more intense and domination more direct. Resistance fights the world over aim precisely at recovering jobs, salaries, democratic spaces, and participation in State management. The problem, though, is that given capitalism's current tendencies, there are no conditions for the expansion of salaried jobs; on the contrary, these are being continuously reduced.⁴⁶ If this is correct, fragmentation, dispersion, the heterogeneity of social, ethnic, and cultural identities of the world's working population will but increase. Under these circumstances, the erosion of the spaces gained in the democratization and nationalization of "peripheral" local states is probably irreversible in most cases.⁴⁷

Capital's current needs, including in "central" countries, press for the reduction of democratic spaces for negotiation of the limits to exploitation and domination and to the depreciation of their purposes, by identifying democracy solely with the ballot. On the vast "periphery," the coloniality of power has blocked the full democratization and nationalization of societies and states, while today the pressures of the Imperial World Bloc are continuously reducing the spaces conquered and in many cases have managed to practically eliminate them. And without control of public authority or at least full, firm participation in its construction and management, it is not possible to control the limits to exploitation or to society's current polarization.

The struggle for democratization and nationalization of societies and states is certainly a task of worldwide significance in the defense of gained or regained rights. But it must be admitted that this will be a limited course if the Eurocentric view of the modern Nation-State is maintained. In any case, it is now evident that in the most modern, democratic and national states democracy has not ceased to be nor can it be other than a space for negotiated institutionalization of the conditions, limits, and modalities of exploitation and domination.

⁴⁶ See Quijano, Aníbal: *El Trabajo al Final del Siglo XX* – public lecture delivered as invited speaker on the occasion of the celebration of the First Centennial of the Foundation of the Puerto Rico Workers' Conference, Puerto Rico University, Rio Piedras, October 1998; published in Bernard Founou-Tchuigoua, Sams Dine Sy, and Amady A, Dieng, (comps.): *Pensée Sociale Critique pour le XXI Siècle*. Mélanges en l'honneur de Samir Amin. Forum du Tiers Monde, Paris: L'Harmattan, 2003:131-148.

⁴⁷ I have advanced some suggestions for discussion in "Globalización y Exclusión desde el Futuro" in *La República*, Lima, August 18, 1997.

On the other hand, given the tendency toward increasing limitation of the mercantilization of the work force and of the creation and expansion of salaried work, the heterogeneity, fragmentation, dispersion, and the multiplication of local interests and identities militate ever more decisively against the organization and mobilization of workers in the forms established in the 19th and 20th centuries. Under these circumstances, the struggle for control of the state is a limited course that may lead to a dead-end. That is, the more or less democratic control of the state and citizenship as a juridical equality of unequals in power has not led – nor could it have been otherwise – to a continuous expansion of social equality, individual freedom, and social solidarity – in brief, to democracy. The spaces gained are now in question in the “center” and are being ceaselessly eroded on the “periphery.” Under current social and political circumstances and in view of probable or certain development of the already addressed tendencies, the struggles of those dominated for control of the state can succeed only exceptionally and precariously.

Prolonged experience has abundantly shown that it is useless to attempt imposing on reality our desires and aspirations, no matter how attractive and plausible they may seem. Instead, it is essential to observe in today’s world scenario the actual and possible tendencies that could entail other forms of organization, workers’ identification, and society’s organization.

From this standpoint, it can be demonstrated that it is capitalism’s very processes and the imperial domination tendencies that are driving alternative tendencies. In the area of control of work, its resources and products, owing to limitations in the mercantilization of the work force and to the attendant crisis in the creation of salaried employment, the return of slavery, serfdom, and modest independent mercantile production is more ubiquitous than ever and is the heart of the so-called “informal economy.” As regards control of authority, the formation of the Imperial World Bloc and the erosion of the local Nation-State processes on the “periphery” are associated with the replication of local, pre-modern forms of authoritarianism, society’s hierarchization, and limits to individuation, as occurs with fundamentalist trends the world over. However, there is also an expansion of reciprocity in the organization of work and in the community as a public authority structure.

These tendencies must be studied and discussed in relation to their potential for expanding and consolidating social equality, individual freedom,

and social solidarity on a global scale. It is already known that under slavery or serfdom, any vestige of democracy is nil or exists only for a reduced minority. What salaried employment and capital permit in terms of democracy has been extensively proven, just as have their growing limitations and likely dead-ends will be in a not very distant future. On the other hand, reciprocity consists precisely in the socialized interaction of work and the work force, its resources and products. And the community as authority's structure is undoubtedly the form of full socialization or democratization of the control of the creation and management of public authority. Both tendencies are current in the new urban world, in the central scenario of capitalism's and modernity's society and culture, consisting of free relations among free individuals.⁴⁸

The Eurocentric theory of democracy sees the authority arrangements among the slave masters of the Athenian polis in the 5th century B.C. as the source of the Western European lineage of democracy; and it views the institutionalization of power arrangements among the feudal lords and the English Crown in the 13th century under the famous Magna Carta and later under the Parliament as the new beginning of its history. This is no mere accident; rather, this permits the perpetuation of the myth of the isolated individual, concentrated in himself, and apart from society, as well as of the myth on which the Eurocentric version of modernity is founded, i.e., the myth of the state of nature as the starting point of the civilizing trajectory, whose culmination, of course, is the "West."

This theory, though, hinders the perception of another historical lineage of democracy, undoubtedly more universal and profound: the community as an authority structure, i.e., the direct, immediate control of collective authority by all the occupants of a given social space. This lineage is not missing from Central Europe's own history. In the 13th century, the peasant communities of the Helvetian area got together and agreed to associate into the Helvetian Confederation to defend themselves from both feudal and imperial despotism. Today's Swiss Republic is the adaptation of this trajectory to the conditions of capitalism and the modern Nation-State, while maintaining two key institutions of direct democracy: the referendum, i.e., consultation of the citizenry on

⁴⁸ For an initial discussion of these issues, see Quijano, Aníbal: *La "Economía Popular" en América Latina*. Lima: Mosca Azul Editores, 1998; and *Modernidad, Identidad y Utopía en América Latina*. Lima: Ediciones Sociedad y Política, 1988.

any decision that may significantly affect collective life, and the absence of professional armed forces, separate from the citizenry's control. Foreign defense and internal security are carried out in a direct, institutionalized manner by the community. It is not without reason that Switzerland has been recognized as a particular model of advanced democracy under capitalist conditions.

These are of course suggestions for investigation and discussion. They are not arbitrary, though, as the tendencies pointed out are alive and vigorous in today's world. With the formation of communities and regional associations of communities as genuinely democratic structures of public authority and forms of popular self-government in many urban and semi-urban areas, particularly on the "periphery," and with reciprocity as a form of organization of work and democratic distribution of its resources and products, partially associated today with the so-called "informal economy" the world over, a new horizon is emerging for the struggle for a new society, in which democracy will not be just the institutionalized negotiation of conflict between winners and losers but the quotidian way of reciprocity and solidarity among different but socially equal and individually free people.

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Translation: João Coelho

Drug traffic combat in Suriname

*Subhaas Punwasi**

1. The combating of drug related organized crime in Suriname:

Combating drug-related organized crime in Suriname cannot be seen as separate from the drugs problems in the world. Suriname is itself not a producer of hard drugs, but the Surinamese territory is used by national and international criminal organisations to ship drugs from drug-producing countries, sometimes through other countries, into our country. These drugs are then transshipped to their final destinations, including Europe. Drugs-trafficking is for that reason seen as a form of transnational organized crime.

As a result of the involvement of violent rebel groups like FARC in drugs production and providing protection for that, the trafficking of drugs and trafficking of fire arms and ammunition for the rebels are closely knit. Different criminal investigations have shown that Suriname is not just used as a transshipment country for drugs, but also for transshipment of fire arms and ammunition, where fire arms are traded for drugs. In this manner, weapons that

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were stolen from ammunition depots of the National Army and Police found their way to the rebel groups mentioned. That these transnational criminal organisations are a threat to our States is no longer at issue. The threat comes in many forms, including a threat to the economy of the State, as the primary goal of these international criminal organisations is to gather capital outside legal and acceptable structures.

They are well organized on a national and international level, have advanced communications and other means available and are capable of infiltrating legal government and private institutions. They try to maintain and strengthen their power and influence through financial support of political and social organisations. They do not shrink from using violence, intimidation and bribery. Suriname is not an exception when it comes to that.

Thus, the transnational and national criminal organisations form a threat to our national security: socially, politically and economically. Transnational criminal organisations benefit from free global trade and the fading away of borders in the world. Within the CARICOM context, with its free movement of people, we will have to take this sufficiently into account.

The international criminal organisations benefit from the weak, ineffective organisation of our government institutions, of the poorly developed democratic traditions, the political instability and the relative poverty in our countries. They succeed in establishing a strong infrastructure in specific parts of the country and under certain layers of society so that they can operate freely. The local population benefits from their activities and is not eager to collaborate in the investigation of illegal activities. Recently one of the local newspapers in Suriname blamed the economic deterioration on the Government's drastic measures to combat drugs criminality and money laundering.

Drugs and drug-related organized crimes are a global threat and they merit a global response, for that reason I congratulate the Minister of Justice and the Government of Suriname with the initiative to organize this international Anti-Narcotics Conference.

The production, transshipment and destination or consumption countries have in this global response a joint and shared responsibility. I hope that this thought will be a guiding principle during this conference.

2. National and international cooperation to fight transnational organized crime:

The awareness has sunken in that because of the global character of the drugs issues, international cooperation is necessary to effectively deal with it. For a good international cooperation it is therefore necessary, that we are informed of each other's institutions that are responsible for dealing with the drugs issue.

According to our Constitution (Article 133) the Judiciary is formed by the Court of Justice and the Public Prosecutions Department.

The Judiciary (the High Court of Justice and the Public Prosecutions Department) is organisationally housed in the Ministry of Justice and Police. That means that the Minister of Justice and Police bears political responsibility for the Judiciary. The Government determines according to (Article 148 of) the Constitution the *general* prosecution policy and in concrete cases the government can order the Attorney General in respect of prosecution in the interest of State Security.

The Public Prosecutions Department, excluding any other body, is charged with the responsibility for the investigation and prosecution of all punishable acts pursuant to the Constitution (Article 145), and is headed by the Attorney General appointed for life. The Constitution thus emphasizes the independent position of the Public Prosecutions Department and its investigative and prosecutions tasks.

The Attorney General is also charged with the Investigation Department of the Police Force and he gives instructions to this Investigation Department in relation to the investigation of offences. The Constitution prohibits any interference in the investigation and prosecution and in matters pending in court.

The Suriname Police Corps has an Investigation Department, the so-called judicial police that is charged with special and specialized investigations. The Investigation Department has a number of specialized units that are charged with the combating of the more serious forms of crime, including drugs crime, money laundering, trafficking of persons and corruption. The Investigation Department is charged with the investigation of crimes having

a national as well as a transnational character, whether or not this involves organized crime.

The Investigation Department of the Suriname Police Corps was headed by Mr. Santokhi from 1989 until his appointment as Minister of Justice and Police. Under his competent leadership the Investigation Department developed into a vital link in the fight against drugs and drug-related crimes. The success can be attributed, amongst other things, to the establishment and strengthening of small specialized units, the strengthening of international cooperation and the investment in intelligence.

The units that are specifically charged with combating drugs and drug-related organized crime are: the Anti Narcotics Squad (Anti Narcotica Brigade), the Special Investigation Team (Bijzondere Opsporings Team (B.O.T.)), the Narcotics Intelligence Unit (N.I.U.), the Judicial Intelligence Service (de Justitiële Inlichtingen Dienst (J.I.D.)) and the Arrest Squad, our A-Team (Arrestatie Team (A.T.)).

In the fight against transnational organized drugs crime, it is also important that a country is equipped with effective legal instruments that enable it to inflict serious blows to drugs organisations.

In 1992 Suriname became party to the Vienna Convention of 1988. On the 12th of February, 1998 our new Narcotics Act was enacted, which was completely based on the Vienna Convention of 1988. The prison sentences and the penalties were significantly increased and it is even possible in some cases to impose a life sentence.

It is also important that preparatory actions and conspiracy have now also been penalized, and the law is also applicable to anyone who outside Suriname in international waters is guilty of certain drugs crimes on board of a vessel.

With the penalization of money laundering, the introduction of criminal dispossession legislation and the Reporting Desk for Unusual Transactions, Suriname has almost completely met its international obligations under the Vienna Convention, which are further elaborated in the recommendations of the FATF and the CFATF. The legislation on the control of precursors and the penalization of terrorism and its financing is not yet enacted in Suriname.

Our dispossession legislation is based on criminal forfeiture, for which a convicting criminal sentence is required before anything can be dispossessed. In practice we often encounter the phenomenon of fictitious constructions

in which the illegally obtained moveable and immoveable property are kept out of the hands of justice and police by placing them under foundations or persons. The dispossession act needs to be amended so that this phenomenon can be adequately addressed.

In 2002 legislation was also passed to protect threatened witnesses (witness protection). We do not have a “witness protection program” as in America. Suriname is in the process now to join the CARICOM “Agreement on Regional Justice Protection”. We have chosen for the conception that not only witnesses should enjoy protection, but all actors involved in law enforcement who are threatened, such as police officers, public prosecutors and judges.

A Treaty for Mutual Legal Assistance in Criminal Cases and Extradition exists with the Netherlands since 1976. There is an intensive cooperation in the field of the fight against drugs between Surinamese and Dutch law enforcers.

A conscious effort is made for a successful approach of the drugs issue to expand and intensify the international cooperation; in most cases initiated by the Investigation Department of the Suriname Police Corps. Most of the drugs (cocaine) transhipped through Suriname finds its way to Europe through the Netherlands.

The presence of almost 300,000 persons of Surinamese origin in the Netherlands and the intensive movement of persons between the Netherlands and Suriname is a good basis for organized drugs trafficking between Suriname and the Netherlands. Drugs are transported in freight, by plane and boat, as well as the human body from Suriname to the Netherlands and other European nations.

From the Netherlands XTC is transported to Suriname, and is then transhipped to other countries, including the United States of America.

3. Problems, successes and constraint in eliminating the drugs related crimes

In the past years we have succeeded in arresting hundreds of people, who are involved in this trade and to seize large quantities of drugs. In some cases, in which we were not able to intercept the drugs transports to the Netherlands, the Dutch police authorities were informed of an alleged drugs transport. On the other hand, information from the Netherlands on intercepted drugs transports from Suriname to Europe led to parallel criminal investigations

in Suriname. This intensive cooperation was successful, not only in the fight against drugs trafficking, but also for the mutual trust that is necessary for international cooperation.

As a result the cooperation between the Netherlands and Suriname has in the past few years gone beyond information exchange and support of each other's investigations.

For example, several years ago the so-called FICUS agreement was signed between the Surinamese Investigation Department and the Public Prosecutions Department and the Dutch Public Prosecutions Department and the National Investigation Department to engage in a joint investigation into the involvement of the so-called Yokohama group in large-scale organized drugs crime and money laundering.

This involved an international criminal organisation, of which the key figures were located in the Netherlands and Suriname. Their field of operation covered several countries, in the region, Europe and the Far East. In the investigation of the people directly involved, the judicial and police authorities of Suriname and the Netherlands worked together intensively. This resulted in the arrest of dozens of persons in the Netherlands and Suriname, for which Suriname extradited a number of main suspects to the Netherlands. They have been convicted in the meantime.

The leaders of this organisation in Suriname are directly involved in the foreign exchange and casino business. In the Netherlands they ran a border exchange office and they were in the process of setting up a bank. There are indications that they have financial influence in one or more political organisations in Suriname.

In this case there was also fear for a physical threat against Surinamese law enforcers.

The success of this method favoured our decision to conclude a second agreement so that we could jointly investigate a criminal organisation consisting of persons in Suriname and the Netherlands with contacts in Colombia, who are trafficking huge quantities of drugs from Colombia to Suriname for transshipment to the Netherlands. This investigation is ongoing.

Several years ago we obtained information that a criminal organisation consisting of Dutch and Surinamese persons had established an XTC lab

in Suriname with equipment, means and raw materials originating in the Netherlands. In terms of production capacity this XTC lab would be capable of supplying the complete Caribbean market and even beyond with XTC.

The organisation was dismantled in close collaboration between the Dutch and Surinamese police and the persons involved were given long prison sentences. We need to stay alert, because there are signals that new attempts are made to set up an XTC lab in Suriname.

The cooperation between Suriname and the Netherlands in the fight against organized drugs crime between Suriname and the Netherlands is successful.

The strict inspections at our international airport Johan Adolf Pengel and at Schiphol in the Netherlands resulted in a significant drop in drugs exports and imports through the respective airports.

Following the example of the HATO Team of the Netherlands Antilles, Suriname is now establishing a so-called JAP Team at our airport, in which the different services operating at Johan Adolf Pengel will participate in the fight against drugs exports through our international airport. The so-called JAP Team will establish a cooperation between the Investigation Department of the Suriname Police Corps, the Military Police, Customs and the Airport Security Services under the direction of the Public Prosecutions Department. The Netherlands has committed to support this integrated drugs fighting unit at our airport. The goal is to put a halt to the drugs exports through our airport with this team or to minimize these considerably.

The Netherlands and Suriname several years ago established a joint Steering Group and a joint Working Group to Fight Drugs. The Steering Group and the Working Group meet annually, alternately in the Netherlands and Suriname. The Steering Group and Working Group consist of representatives of the Public Prosecutions Department, the Investigation Department, the Customs Service, the Military Police and the Ministry of Justice.

The Surinamese section of the Steering Group is headed by the Attorney General, while the Working Group is presided by the Solicitor General.

Except by air, cocaine is also transported to Europe on board vessels that call in at the port of Suriname.

The thugs are hidden in rice, logs, ballast tanks of the ship, in objects welded to the exterior of the ship, etc.

In different countries in Europe drugs from Suriname have been intercepted. Except for the Netherlands, we can mention Belgium, England, Portugal and Norway.

The need to expand the cooperation to other drugs destination countries in Europe for combating drugs trafficking is evidenced by this.

It is after all necessary to search, arrest and prosecute the persons responsible in Suriname after drugs have been intercepted abroad. There is a suspicion that Dutch and Surinamese organisations are mainly responsible for these drugs transports that are intercepted also in other destination countries. Suriname often has to fall back on Dutch support, which is also obtained.

In many cases we succeeded in tracking down, prosecuting and sentencing the organisations and persons in Suriname, which were responsible for the drugs transport, to long prison sentences, either after obtaining legal assistance or a few times by means of a rogatory commission.

The drugs are sometimes already aboard a ship that calls in at the Surinamese port, for example to load rice for export to Europe. Currently, a case has been brought before the court, in which ballast tanks of a ship belonging to a Surinamer, that had transported cement from Venezuela to Suriname and left Suriname with rice for Europe, contained a large amount of cocaine. This case was investigated in close consultation between Suriname and the Netherlands, and the investigation shows that the cocaine was probably placed on board in Venezuela.

There are indications that drugs are also placed on board vessels that anchor in our coastal waters. The chances of being caught are almost non-existent, because there are hardly any patrols; however, the sharing of intelligence has resulted in interceptions.

As I stated earlier, Suriname does not produce any hard drugs.

Suriname is used as a transshipment country for cocaine, mainly from Colombia and XTC from the Netherlands. The cocaine arrives through different routes in Suriname.

The first large cocaine capture in Suriname was in 1984, known as the Tibiti case. An airplane had transported 200 kg of cocaine from Colombia. The police were able to arrest the pilot of the plane, as well as all persons in Suriname who were involved, including the former head of our Anti-Narcotics

Squad and a number of business people. They were all prosecuted and were given prison sentences that were significant at the time. It was the first time that a drugs plane was seized in Suriname.

The Mungo Case, in which almost one thousand (1000) kg of cocaine was seized in 1990, also attracted a lot of attention. Then there was the Redi Doti Case where in 1996 almost 1200 kg of cocaine was brought into Suriname by plane.

Formerly, it was mainly the interior of Suriname that was used as landing place for drugs planes and the organisation of the landing of the plane and the transport of cocaine was a completely Surinamese matter. That has changed over the years and we see that these days the foreigners not only take care of the transport of cocaine, but also set up their organisations in Suriname. The foreigners that are involved in these imports and have been arrested are Brazilians, Colombians, Argentineans, Venezuelans and Guyanese.

In the meantime, the international organisations that bring drugs into Suriname have expanded their field of operation. Except for the interior they now also use the populated coastal zone and the unpopulated parts of our coastal zone for drugs planes landings.

They use illegally constructed airstrips and airstrips that are built on agricultural fields for airplanes that are used for agricultural purposes. Sometimes a road is used as airstrip. There are also droppings from planes in the sea along the coast and in our inland rivers. Cocaine is also brought into Suriname by boat.

By systematically mapping the organisations that are involved in drugs trafficking and their leaders, the continuous strengthening of the specialized drugs fighting units of the Investigation Department of the Suriname Police Corps, and the strengthening of the Arrest Team, investments in intelligence and an intensive cooperation with the D.E.A., we have been able to show successes in the past years in the fight against drug imports to Suriname.

Dozens of persons, including foreigners, have been arrested and thousands of kilos of cocaine and several airplanes have been seized. With the arrests we succeeded in dismantling 8 criminal organisations and sent their leaders to jail for many years. The contribution of the D.E.A. in these successes has been invaluable.

We were on the verge of dismantling the ninth large criminal organisation that is involved in drugs trafficking. After we received information from the

D.E.A. that drugs were to be brought in by plane and we had been able to track down the landing place, the A-Team turned out to intercept the plane and its load and to arrest the persons involved.

This operation failed, because the leader of the organisation received a tip from within the A-Team and the airstrip where the landing was to take place, was blocked at the last moment.

The A-Team that was on location in hiding saw the drugs plane circle the airstrip and then leave.

The plane finally landed in the Maratacca area, in the concession of an entrepreneur. An airstrip had been constructed and there were clear indications that more landings had taken place. The persons that were arrested had different nationalities: Surinamers, Guyanese, one Brazilian, an Argentinean and a Colombian.

Two airplanes and a big catch of drugs were seized. The persons apprehended were given long prison sentences up to 15 years.

A beautiful, successful operation by the Investigation Department of the Suriname Police Corps with information provided by the D.E.A. was the 2004 Commewijne drugs case, in which 25 suspects were arrested, including one of the biggest drugs barons, who liked people to call him Pablo Escobar.

The cocaine was trafficked by means of airplanes and landed on illegally constructed airstrips on Wia Wia bank on the sea coast, after which the cocaine was transported further by boats to the District of Commewijne. The D.E.A. provided us information on the supply of drugs by airplanes in that area. In this case, the whole chain of foreign and Surinamese organizers and persons involved in the transshipment and storage of the drugs, as well as the financiers and buyers were arrested and the local organisation was completely dismantled.

These are only a few of dozens of successful operations that were executed in Suriname. As a result of these successes, in which important leaders of the drugs trade were arrested and given long prison sentences, and big amounts of cocaine were seized, we have seen a shift of the supply of drugs to Guyana and we now see an enormous supply of drugs from Guyana to our country. The number of seizures of drugs transports from Guyana by land, where the Corantijn river, marking our border, is crossed, speaks volumes.

We recently rounded up a large drugs organisation in the border district with Guyana that was involved in a lively trade between Suriname and Guyana in weapons, ammunition and cocaine.

The case of Roger Khan made the world headlines. Seizures of large amounts of cocaine in Paramaribo and the arrest of several persons from whom the drugs were seized, led to the arrest of two Surinamese entrepreneurs, Roger Khan and several other Guyanese.

The investigation indicated that the cocaine originated likely from Guyana and that Roger Khan was responsible for the import of the drugs to Suriname. Roger Khan was being monitored by the judicial and police authorities because of his criminal background and his contacts with the underworld in Suriname. He was also seen as a threat to Surinamese law enforcers, because of alleged support to Surinamers with violent plans against law enforcers.

Because of the threat he posed to the public order and the fact that his involvement in the drugs seized could not be adequately proven, he was deported from our country as an illegal alien through Trinidad.

As is known, he ended up from Trinidad in the United States of America, where he will be prosecuted for the organisation of drugs transports from Guyana to America. The arrest and deportation of Roger Khan must have been a hard blow to Surinamese criminal organisations and their defenders, considering the fact that they resorted to providing false information to the public and the National Assembly that Roger Khan would have been drugged by Americans and kidnapped to the United States of America with the cooperation of the judicial and police authorities. The deportation of Roger Khan is a clear signal to international criminal organisations.

Years ago, Carlos Bolas, a person linked to FARC, was also deported from Suriname because of his illegal status. Finally, he was prosecuted in the United States of America for drugs trafficking and other criminal activities.

4. Some perspectives in combating international drug trafficking:

Suriname has undeniably achieved great results in its fight against drugs trafficking. These successes are on the one hand the result of the own well organized fight against drugs and the emphasis that has been given to

systematically mapping and dismantling the national and international criminal organisations that are active here. On the other hand, the international cooperation with other countries, such as the Netherlands and the support of the D.E.A. enabled us to achieve these successes. We will have to fight the drugs organisations on different fronts. We must deal a blow to the power of the drugs organisations and the responsible persons through criminal financial investigations and the dispossession of what they obtained illegally. Suriname has in this respect a capacity problem. We do not have sufficient skilled staff. We are not only talking about lawyers, but also financial experts, such as bookkeepers and accountants.

The basic legislation is available, but we simply do not have the capacity to conduct criminal financial investigations on a large scale to dispossess the illegally acquired wealth.

The D.E.A. assisted us in mapping the illegal airstrips in Suriname. What now needs to happen is that these airstrips are made useless. Means and possibilities to achieve that are lacking.

The international drugs organisations are in the meantime not dormant, and they are inventing new methods to bring the drugs into Suriname and transship these to the destination countries, mainly in Europe. The wide expanse of our interior, our rivers, and the unpopulated coastal zone, the coastal waters, our uncontrolled borders with Guyana, French Guiana and Brazil are ideal to bring drugs into Suriname unnoticed, in addition, Suriname has limited means and possibilities.

We are not capable of protecting our airspace from illegal drugs planes. We do not have helicopters to quickly go to the inaccessible areas (sites) the cocaine is transported to. We are insufficiently equipped to monitor the inland rivers and maritime zone. We also do not have a well-equipped maritime unit in the Investigation Department of the Surinamese Police Corps that can be quickly on location in case of a dropping in the maritime zone. With the scarce means and the support of our foreign partners we almost perform miracles in our fight against drugs.

The successful fight against drug-related crime depends on the extent in which the chain of production countries, transit countries and destination or consumption countries are willing to work together on the policy and

operational level, while continuously exchanging information and initiating joint investigations, if necessary.

Against this background I applaud the recent establishment of Dutch and D.E.A. police attaches in Suriname and I understand that the arrival of a French police attaché will also be forthcoming. Currently, discussions are being held about stationing a Brazilian police attaché as well.

In this manner the anti-narcotics services will be able to communicate, exchange information and initiate parallel investigations and provide support through short communications lines.

With the signing of an M.O.U on Judicial and Police cooperation between Suriname, Aruba and the Netherlands Antilles in January 2006 a good foundation was laid for a more intensive cooperation between the anti-narcotics units of these countries. This will be implemented in the short term.

The agreement concluded between Suriname and Colombia in 1993 concerning the Prevention of the consumption, controlling and fighting of the illegal production and trafficking of Narcotics and Psychotropic Substances offers sufficient room to cooperate on a policy and execution level against transnational organized drug-related crime.

It is also necessary that the CARICOM countries, including Suriname, accede to the Caribbean Mutual Legal Assistance Treaty in Serious criminal matters. This Treaty provides a good basis for cooperation in the fight against drugs and for support of each other's investigations.

Agreements alone are not sufficient. They should form the basis for further cooperation and support on policy and operational levels.

Bilateral talks were held in 2002 in mixed working groups by judicial and police authorities from Suriname and Venezuela and from Suriname and Brazil. It is desirable that we pick up where we left off, and create structures for consultation and information exchange concerning the international fight against drugs. **DEP**

Translation: Sérgio Duarte

Mercosur: project and perspectives

*Luis Alberto Lacalle de Herrera**

1. Previous developments

As President of Uruguay during the period 1990-1995 I was linked, together with other members of that administration, to the process that gave birth to Mercosur. It is in this capacity and in that of member of the board of the National Party that I develop the present reflections. They stem from a geopolitical conception of the Plata River and of the interests of my homeland which has been held for over 170 years by the main actors belonging to that political orientation. They were expounded and defended during the years of my government by two illustrious diplomats, such as doctors Hector Gros Espiell and Sergio Abreu, who, together with other representatives of the interests of Uruguay, participated in the negotiations that resulted in the birth of the regional organization under examination here.

It is worth noting that in my country the entry into Mercosur was preceded by internal political agreements that encompassed all political forces represented in the Congress and which unanimously supported the government's decisions. For this reason, in the case of Uruguay, one may state that it was an authentic national decision.

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The fact that I no longer hold any official government position makes clear that the opinions developed here are entirely my responsibility.

2. The circumstances of the inception of Mercosur

In July 1990 the Uruguayan Foreign Ministry learned that Brazil and Argentina were prepared to sign a treaty establishing a common market between both countries. As will be easily understood, for Uruguay this was tremendously important news in the political and commercial fields, affecting the most important relationship of our external policy, to which we could not afford to remain indifferent.

In these circumstances we decided that our representatives should come before the negotiators meeting in Brasília in order to formalize our wish to participate in that future organization.

Faithful to a global conception of the Plata basin and persuaded that its balance is a desirable and healthy goal for all parties, we proposed that the government of Paraguay be invited to participate in the new entity. A pair of small countries was seen as a way to complement the presence of two big nations, to better articulate the countries involved and to strengthen the Paraguayan sense of belonging to a commercial mechanism that might improve its landlocked condition and contribute to its greater progress and prosperity.

3. The aims of Mercosur

Both from the documents that were signed and from the will of the Uruguayan government it is clear that the exclusive objective of the new organization was to promote trade among the partners. It is worth to recall this today, when one of the most notorious and harmful deviations of Mercosur is to intend to give it a political content.

The essential programmatic document for our purposes is the Treaty of Asunción, a true “road map” of the newborn organization. The preamble of that international instrument is especially clear and must be taken very much into account when interpreting the will of the parties.

We shall avoid a long and tedious textual reproduction of said pages, to which we make reference. In any case, we must recall a few concepts which show the exclusive objective we have mentioned.

From the start, the goal is very clearly set: “...the broadening of the present dimensions of their national markets through integration, is a fundamental condition to accelerate their processes of economic development with social justice”. Some of the mechanisms for that are immediately established: “a more efficient use of resources”; “preservation of the environment”; “improvement of the physical links”; coordination of macroeconomic policies”; “complementation of the different sectors of the economy”. The meaning is complemented by stating that in view of “the consolidation of large economic spaces” Mercosur is a way to achieve “an appropriate response to such developments”.

As can be seen, the objectives were – and are – clear. Even more when in Article 1 it is explained what the Treaty “implies”: free circulation of goods, services and factors of production with the elimination of customs duties and non-tariff restrictions; establishment of a common external tariff and a common trade policy toward third parties; coordination of macroeconomic policies; and harmonization of legislation in pertinent areas.

It remains clear and is undoubted that the countries concerned agreed to form an exclusively economic and commercial organization and the agencies and institutions created at that moment as well as those established in subsequent stages were instrumental to the original objectives.

On the other hand and from a political standpoint, for our part we would never have supported or carried out a negotiation that would result in disregarding the political independence of our country.

This is then the Mercosur that we have founded. Any other interpretation is alien to the letter and spirit of what was agreed.

4. The functioning of Mercosur

After a period of transition the new organization started to function fully on January 1, 1995.

The difficulties of broadening markets and open the economies are well known. When commercial, industrial or agricultural interests of any country are affected, the sectors involved exert maximum pressure on the authorities, seeking to defend their positions. This is natural and legitimate, just as it is legitimate and necessary for governments to be able to see beyond what is

adjective and particular in order to promote the general interest and above all comply with international commitments entered into. This is not an easy path as witnessed by the constant emergence of trade conflicts within NAFTA and even the European Union. The task of those regional organizations is precisely to solve such conflicts and gradually achieve the harmonization of interests and the effective compliance with the original aims of each of them.

It is not true that Mercosur is a commercial failure. The increase in reciprocal trade and the entrepreneurial integration achieved are a proof of this assessment. Individual conflicts that have occurred and will continue to occur should be attended to by governments and must be solved by complying with the agreements in good faith. For this end a jurisdictional instance has been established, whose decisions must be translated in reality.

Neither is it true that all is working well. We will not mention specific problems that are well known. But we shall say that it is much more important that Uruguayan bicycles can be sold in Argentina or that the entry of our rice in Brazil is not periodically disturbed than are compensations for asymmetries which were well known beforehand.

More than concessions, Uruguay and Paraguay need that the commercial precepts in force are complied with, that what is written on paper becomes true. If there are countries that must ask themselves about the future of Mercosur, these are the two larger partners, who have legitimate global interests – which we smaller parties also have – and it is necessary that they indicate with concrete deeds what priority they assign to the regional organization.

5. The deviation

In our view our trade organization faces a dual predicament. On the one hand the weakening of the regional institutions due to the bilateral Brazilian-Argentinean relationship; on the other the introduction of political integration factors alien to the nature of what was previously agreed.

The magnitudes of all kinds that differentiate the smaller parties from the larger ones are a matter of reality. Before signing the treaties we knew that our neighbors were large and powerful. For this very reason rules such as that of unanimity for the decisions of the Council were agreed. To take away from Mercosur institutions decisions that are adopted bilaterally is an infirmity of

the treaty. Smaller countries have a significant responsibility for this situation because they consented in a distorted functioning of the common agencies.

The introduction of political elements in the agreed commercial relation is an even more serious development. This deviation has several faces. One of them, apparently the least harmful, is the corporative adoption of international political decisions. By this we mean episodes such as voting for or against decisions at the United Nations. Nothing forces that a “block” opinion be automatically expressed, beyond what could freely coincide with the autonomous will of each nation. The same can be said of attempts – fortunately thwarted – at military coordination, which our country considers inadmissible.

At this level of analysis the establishment of the so-called “parliament” of Mercosur is particularly worrisome. The Ouro Preto protocol established the Joint Parliamentary Committee as a reasonable instance of legislative coordination charged with complying with the provision of Article 1 of the Treaty of Asunción which indicates that States party should “harmonize their legislation in the *pertinent* areas to achieve the strengthening of the integration process” (our emphasis). Signatories clearly understood the parliamentary scope of what they agreed to. Parliaments should follow the process of integration within their competences seeking to harmonize legal norms relating to trade and the economy. Nothing more and nothing less. Being a project independent from the original Mercosur, the establishment of the so-called “parliament” is alien to the original treaties and – we daresay – shall only generate more problems instead of contributing to their solution. It is obviously harmful for the smaller countries to belong to this “parliament” where they will always be in minority. But a similar reasoning can be applied to participation in this organization by countries like Brazil, which possesses a very strong national and nationalist personality and a peculiar, characteristic external policy as well as the will to act in the highest international levels. What would happen the day a decision by the “parliament” of Mercosur goes against the interests of Itamaraty? Well, as all of us believe and know, Brazil will ignore that decision.

A similar error is to create the category of “political partner” of Mercosur, an opinion that we voice regardless of whether it today deals with the incorporation of Venezuela. We would hold the same opinion if the question were raised in relation to Colombia or Peru. Moreover, we do not consider that there is a full “political” link among the founding members of the organization; there are only commitments of this kind regarding the commercial matters that

are the object of existing agreements. We do not conceive of a total political association among nations for the simple reason that the interests of each one are not – and could not be – identical. Ontologically, no country can be like any other. Not even the long lasting alliance between the United Kingdom and the United States, one of the soundest in history, leads to a confusion of national interests. We can hardly find any political tie between ourselves and Venezuela. In the commercial field anything would be convenient once the pertinent negotiations, which were omitted in this specific case, are completed. This is the biggest problem of Mercosur, its lack of agreement about its essential nature, the lack of compliance with its norms when adjective and circumstantial considerations apply. The main flaw is the hemiplegic view of the organization. It does not work to allow Uruguayan products to enter Argentina or Brazil, even in violation for lack of compliance with regional jurisdictional decisions; but it does work to prevent dealings between our country and the United States.

The present conflict between Argentina and Uruguay provides another example of performance or non performance. The blockades carried out in the approaches and bridges over the Uruguay River violate the right of free transit of persons and goods, and consequently also violate the Treaty of Asunción. Nevertheless, the Brazilian Foreign Ministry did not hesitate to argue that this is a bilateral issue with which Mercosur is not concerned. The strength of the bilateral relationship of the two biggest countries has prevailed over international commitments.

Either Mercosur works fully or it does not work, and in this case it is empty, only exists on paper.

6. The historic eagerness

Among the worst historic defects of our society one can list the tendency to make progress on paper, forgetting reality. We also pay tribute to abstract political theories, to the realm of voluntarism. We believe that in order for something to exist it is enough to wish for it, to write it on a piece of legislation or on a treaty. The history of our republican nations of Spanish extraction is the permanent clash between “what one wants and what is possible”, between wish and reality. Brazil seemed to have escaped this temptation through a wiser national process. Today we are alike in sowing illusions. Mercosur has not yet performed correctly in the commercial field and already we want

it “political”; more that this, we want a Confederation of South American Nations when many of our countries are not yet capable of a sustainable and just self government that integrates its social layers and has institutions that are alive in the day to day reality.

Haughtiness lies constantly in waiting. It is especially prone to striking those who wield power. Any President who is aware of the time limits of the mandate, that he or she will inexorably – and it is fit to be so! – be again converted into a mere citizen, feels entitled to change the world with the time of the mandate. No! what each one may finish is what the previous one started, to watch over what is already working or to start a task that the next incumbents will complete. We must avoid the historic eagerness.

We must mention some proposals that cause concern not only for their content but also for the intellectual and political importance of their proponents. I mean Helio Jaguaribe and Carlos Alvarez. The former is one of the most powerful contemporary thinkers of Brazil, the latter is the Chairman of the Council of Representatives of Mercosur.

Each of them has published essays in *Convivencia y buen gobierno* (Editorial Edhasa, Buenos Aires, 2006) containing positions that cause alarm, beyond views already well known and repealed by those like us who defend the sovereignty of our country and that of all others.

Jaguaribe assigns to the Brazil-Argentina axis tutelage over South American nations, adding today the incorporation of Venezuela to the group he calls ABV which would be charged with leading not only Mercosur but all of South America. This is a dangerous position, only endorsed by the patriotic enthusiasm of the distinguished thinker. With all due respect, the countries mentioned have still a lot to do internally before offering themselves, with no bidding from anyone, as ready to take charge of our destiny. In several areas of their internal activities, Argentina and Venezuela show too large a deficit in political, institutional and democratic matters, in the validity of the State of Law and capacity to represent their own entire society to still be able to use their energy in other endeavors.

Mr. Alvarez mentions the circumstance that at present the Presidents of some nations in our continent “belong to a common family of ideas” and this, in his view, would facilitate the political integration adventures we have commented upon. This is serious and very mistaken concept. Governments

go and national interests remain. It would be a serious matter for our countries to embark in supranational political unions on account of the mere existence of ideological similarities among Messrs. Kirchner, Lula da Silva, Chávez and Tabaré Vazquez. Such similarities still remain to be proven, at least in their practical results.

7. A path

Much of what is good in Mercosur should be rescued and can be rescued. For that it is necessary to bring illusions back to reality and to be capable of feeling big by doing only what is possible, which is a measure of greatness for statesmen. The possible Mercosur, good and positive for the peoples, is one that brings prosperity, and this comes with investment and employment.

Obviously this implies that the absence of hindrances to trade is a verifiable truth. That an investor can establish himself in Uruguay and be sure that his products can be sold in Brazil and Argentina. That if regional courts decide in favor of a company from one country this decision will be complied within another. That one can travel from one country to another over bridges without the risk of gangs cutting traffic under the passive behavior of the authorities. That in spite of whatever affinities may exist among the governments of the big countries they will not be enough to exclude the rest of the partners.

All this is not true today. As long as it is not true there will not be a complete Mercosur, fully in force and alive. Likewise, there will not be grounds on which to think of other and more elaborate and complex forms of association.

To find a solution for the problem of natural gas would be a way to exercise the statesmenlike quality of our present rulers, more useful for all, a more modest but no less important goal for economic integration.

There is a sea of gas in neighboring Bolivia. Nevertheless, Chile contemplates bringing it in liquid form from Indonesia, and Brazil from Dubai. Here is an appropriate task to prove the integrationist spirit with something concrete, more concrete than presidential declarations and much more useful for the development of our countries. In this way we may see, in domain of reality, how true is the spirit of integration.

Whither Mercosur? We do not know. We must know. **DEP**

Translation: Cynthia Garcia

About the utmost importance of a party*

Hugo Chávez**

Conception of a new paradigm

“**W**ood that grows crooked will hardly be straightened.” Let us keep in mind, my brothers and sisters, that a tree is aborning and that we are its fathers, mothers as well as midwives. Let us take care of it, lest it grow crooked. Let it be born fully developed. Let our Party be a truly new party that makes a break with all the schemes of political partisanship, which has prevailed both in Venezuela and elsewhere in previous decades.

The old party and partisanship paradigm has exhausted itself. We have to invent a new paradigm. Referring to Simón Rodríguez, someone said: “We either invent or fail.” *We have to invent this new Party of ours – which is tremendously necessary from a political, social, strategic, and tactical standpoint. We must create a powerful instrument, a novel, powerful organization that is at the same time flexible, dynamic, unified, and united.*

* Unified Socialist Party’s Foundational Address, March 24, 2007.

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Speaking of the body, Antonia¹ asked: “How does a nail resemble an ear? And yet, the two are *necessary*. Body parts display a great diversity, a formula that produces one result. I say this because, unfortunately, there are some, not necessarily from the opposition, who are saying that they do not agree to just one mode of thinking. But who has spoken of just one mode of thinking? No one. Diverse modes of thinking, flexibility, comprehensiveness, a holistic, integral, and systemic vision – this is a new concept. Moreover, I have not come here to push a primer produced by a small group or by myself as a Party manual. No. The invitation I have extended to you and which still holds – those who have doubts, which we respect, should reflect and do so while it is time, lest they may have regrets later on – is *for constructing the great Socialist, Revolutionary, and Bolivarian 21st Century Party of Venezuela*. I invite you to become constructors on a parity basis, to join together and to contribute your views to all this we have initiated – the Five Engines, the Seven Major Lineaments, the *Simón Bolívar* Project, the new phase, the beginning of the new government, and all that is provided for under the enabling legislation, the constitutional reform, the new power, morals, and enlightenment geometry, and the surge of communal power.

This task of coordinating movements and parties at the time of defining the slates for the election of deputies, regional deputies, and governors is a huge task – what with the Fourth Republic still alive and kicking, party exclusivism, sectarianism, and ‘how much do I get out of it..’

This has to end, my fellow Venezuelans... the *‘how much do I get out of it.’* We are all equal, we are all honest people. I am not into pointing fingers at the time of discussions among parties and making decisions about selecting gubernatorial candidates: Listen, shall we reelect this one or look for another? I myself have had to say: listen, hold your horses... Look at all the many regional conflicts, the regional factors to be taken into account, the inside enemy sabotaging the government, raising I don’t know how many accusations from within its own ranks, only to bring down the *other* so that his own party may clinch the election for Governor or mayor.

Attacks against ministers – good ministers, at that, both male and female – have often been directed from inside the government itself, one party

¹ Antonia Muñoz, Governor of the State of Portuguesa.

inveighing against another party to bring down someone and raise someone else instead. *Can we make a revolution thus?*

Just look at the damage done to Salvador Allende, the martyr President, by the sectarianism of the popular unity parties. Such sectarianism has done us much damage also. It may happen that someone assumes a ministry and begins to replace everybody so as to bring in almost his entire party to take over the ministry. This must not be so. No party can claim a territory as its own. We must throw all this in the trash bin. How can we do it? *By forming a truly unified Grand Bolivarian and Revolutionary Socialist Party.*

In some cases, internal opposing factions go out seeking signatures of supposed allies to bring down a Governor, without any grounds or debate.

In a not very distant future, when we shall have our Great Party – so I believe – a party should evaluate a Governor, but not to apply to him for a commission, or seek from him a contract for a brother's or a friend's business, so as to pocket a commission. This must not happen.

And you know better than I that there is still much of this going on.

Now, in a not very far future, if a party has objections against a Governor, we will discuss the matter, and produce evidence, but all in an organized, disciplined manner.

Should someone, such as a minister, a Governor, a mayor, or anybody else be subjected to a political judgment, a political investigation shall be done and a political sanction shall be applied.

But not as a result of personal, party, or sectarian rivalries. These are vices inherited from the Fourth Republic, which still persist. But I do believe that with the Unified Party we will blow out all these little candles, as Antonia Muñoz says.

We must thus be careful and start well, taking the first steps in the right direction. This is why among these 2,398 male and female promoters we are swearing in today and the other 15,000 to be sworn in on April 19 to spread out countrywide to perform their task, there should be, according to Antonia, no hypocrite, self-seeker, or sectarian: war to sectarianism, war to self-importance, war to self-seeking and to ambition.

We must have here the best revolutionaries, both men and women, *new men and new women*, so let us prove it. I have great faith in you and know that

you will not disappoint me; nor will we disappoint our people and betray our history. I know that all of you are aware of the great task we are undertaking.

This is why at the beginning I mentioned the important work done by the Promoting Commission, social leaders, and the various social movements during these first weeks of recruitment of promoting battalions with a view to establishing socialist battalions and socialist districts and to holding the Unified Socialist Party of Venezuela's founding conference. By working together we shall have established the Party by end-2007. This is a must, given the moment we are experiencing internally in Venezuela.

Let each one of us be a living flame to illuminate and a sharp sword so that no one will be mistaken, should we have to unsheathe it to defend the interests of our people, of the Revolution, and the supreme interests of the Bolivarian Republic.

Before February 27, we who were engaged, experienced anguish and, despite our many efforts, were never able to unite the elements with which we were in contact. It proved impossible to arrive at a Unified Platform around the plans, not as a *putsch*, a *coup d'état*. It was not a civilian-military rebellion. Where did the students show up? Only in Valencia. We met with student movements and what did we hear? We are not so many students – 3,000 students and workers on the West Coast, oil workers. We lived an illusion, we thought that we represented a civilian-military rebellion, but on February 4, 1992 only the Valencia students and other civilian fellowmen followed us.

The same thing happened to people from other parties and groups, who alleged they had former trained guerrilla combatants. We felt that we had support, as we had soldiers, young men aged 19-20, who were not trained for this type of war and had no political training either; peasants, and the children of peasants and workers, many of whom gave up their lives that early morning. They did not hesitate, no one retreated, and no soldier withdrew – all of them forged ahead.

The political movements, however, did not put in a presence, not a single one. And nearly all of them knew. Many were the contacts we had with the old Movement towards Socialism-MAS. We sent direct and indirect messages through students of Venezuela's Central University in La Morita. We sent messages to the State of Bolívar, where commitments had been made to bring

out the steelworkers, the Guayana union workers, the working mass. They claimed to have thousands of workers ready to come out in support of the insurrection. We remained alone, save for the heroic exception of the Carabobo University students that joined the soldiers in Carabobo, in Valencia.

Four of them died heroically, including a woman, Columba, who remains with us and whose memory we carry with us day and night as a life commitment. And the soldiers who died there! Now, what was the reason for that? It was the fact that we could never agree to a meeting and also because we tired of proposing it. We met someone here and someone there in the Air Force. The meetings had to be on a one-to-one basis, do you remember? But we were going to have a meeting. We did not, because some came with old hatreds left over from the armed struggle, while others just said no, because our Party is new and does not want to be contaminated by the old. Any type of excuse was used.

“Bochinche, bochinche, esta gente sólo sirve para el bochinche” [*Noise, noise, these people are good for nothing but making noise*]

Need for a political consciousness

I remember that I had brought a truck laden with rifles and parked it at a place where we had been told to wait for some combatants. As I was being led as a prisoner, I passed by the truck. Not one soul had come, not one. The rifles were there, untouched. “There is the truck,” I said.

And the soldiers, my soldiers, the truck driver and two soldier guards had already been arrested. In fulfillment of their mission, they had stopped there to wait for people who never showed up. This filled us with deep pain.

One of the reasons for that, or rather the main reason, was the profound division. Do you remember, Francisco? That difficult December 2001, under the famous San Antonio agreement, Bandera Roja and other groups infiltrated a group of officers, who were manipulated, naive, and without political experience. These, in good faith and behind their commanders back, signed the San Antonio agreement and arrived in Maracay with the signed agreement, which I tore to pieces and threw into the trash can. *I do not recognize agreements*

that are not the outcome of debate, discussion, or command. This is anarchy. I recalled then Miranda's words: "Noise, noise, these people are good for nothing but noise," whereas what is at stake is making a revolution.

An anti-imperialist, socialist Revolution. The night of February 4 an order ran through the ranks, in the dark, in the shadows: Chávez must be killed. That December they had failed to kill me by a hair. The plan to kill me was hatched by infiltrated political groups, as we found out later, after we had been arrested, when things that happened behind our backs began to come to light.

In Yare, I cast thousand invectives against such infamy and stupidity on the part of some people who call themselves revolutionaries or leftists. Noise, nothing but noise. Lies, nothing but lies.

This is why I thought that the small parties would be the ones to be more in favor of this proposal for a Unified Party. But I have realized that some people see the Party as an end, whereas it should be an instrument.

A revolutionary unity

What a villainous attitude! This is the old party sectarianism. This is why from this podium I once again invite all – particularly the parties, including the Venezuelan Communist Party, the Patria para Todos Party, and the Podemos Party – *to give a demonstration of unselfishness toward the Revolution.* Let all of us join in constructing a true revolutionary Party, a true socialist Party.

The attitude expressed by some leaders in their speeches has caused me great frustration. Nevertheless, I keep urging them to reflect. I have read that the Patria Para Todos Party will not dissolve itself. It is not a question of dissolving or not dissolving, it is not a question of the Patria Para Todos Party, the Podemos Party, or the Fifth Republic Movement. *It is the Revolution, my fellow Venezuelans.*

This is why the people... I do not want the political leaders to stand there as heads of an empty shell, but this is what is going to happen to them, I warn them. They will remain as heads of an empty shell. They should go out on the streets and listen to what the people are saying, I insist.

The Fifth Republic Movement is a party born in response to a given situation and I think it lasted for a rather long period. It came into being because our organization, the former Bolivarian Revolutionary Movement, was not

allowed to be registered with the Electoral Council under the legislation, the bourgeois electoral legislation of a bourgeois State, whereas we had a large number of people willing to support the presidential candidate. Thus, after much debate, we decided... It should be recalled how the Fifth Republic Movement was born and how it grew to achieve a degree of consciousness. Our Party could have many flaws. But listen, as soon as the decision about the Unified Socialist Party was announced, it was accepted. No one anywhere in the country came out to express disagreement, because I had been discussing this for more than ten years, since I was released from prison, to the point that I got tired of so many meetings, of *meetingnitis*.

Endless meetings and each one with a different discourse. We often spent a whole day discussing and then someone would ask: "All right! What about the plan of action?" "We will continue tomorrow," was the answer. Until one day I said: "If we really want to do something, let us skip these meetings, let these people go on with their meetings while we go out on the streets and to the neighborhoods to talk with the people, to organize, to listen." And this is what we have done.

The world is filled with the ambition to take possession of a movement, of a process, and to impose a leadership.

Had we waited for the leftist parties to unite before February 4, we would still be waiting and February 4 would never have happened. And the worst thing is that many of these parties have accused us of staging a coup. And I thought: "How far can these people go, as until a month ago we were meeting and now they accuse us of staging a coup and condemn us, just as what happened on November 27." What a terrible thing! The hour has struck and I will no longer look back nor retreat a single step. *Let us move forward with the establishment of the Party!*

Some people have difficulty in acknowledging leadership – my leadership, which is circumstantial. I am not here because I planned to be. I am the product of a circumstance and will remain so as long as the situation allows it. Chávez was not Chávez, was not me. Chávez was a hope born that early morning. *Long live February 4! Long live the February 4 martyrs! Long live November 27! Long live the November 27 martyrs!*

Karl Marx said that men and women make history, but only as long as history allows it. So, I am not responsible for my being here, nor am I here

because I wanted to be. This is due to an objective situation and to subjective conditions, and to a large extent this is due to chance, which also plays a role.

I seek to do my job, to play the role assigned me, but no one, no man is indispensable. If Bolívar had not been born, would there have been a Revolution in 1810 and 1811? Of course! If Lenin had died as a child or had been a bourgeois intellectual, would the Russian Revolution have happened? Of course, it would have happened, perhaps with variations and with tactics, speed, and intensity appropriate to the moment. But sooner or later it would have happened.

This is why I want to point out and recall that this was how the Fifth Republic Movement was born. We, the military, gave birth to the Bolivarian Revolutionary Movement, with the help of some civilians, who, for the most part, lacked political experience. A second phase followed, marked by an avalanche and the adhesion of notable leaders and trends of every kind.

Let us aim at integration as we fight destabilization

Revolutionary and socialist

If we look at the other leftist parties and at how they were born, we see that the PPT resulted from a schism of Causa R, which in turn resulted from a previous schism – divisions resulting from divisions that resulted from other divisions, and so on and so forth. Hopefully they will not split again, with some going in one direction and others in another direction, as all kinds of things result from divisions. The same thing applies to MAS, which also resulted from previous divisions and whose further division gave origin to the Podemos Party. The People's Electoral Movement also originated from a split, an offshoot of which was the Socialist League, also a result from division, founded by Jorge Rodríguez, our Vice-President's martyr father and our companion.

These parties, which were born this way, have left us their martyrs, their banners, and their history.

Despite my criticism, I recognize the contribution by all these parties to the popular battles fought in Venezuela in the sixties, seventies, and eighties.

The labor unions' and peasants' battles, the marches, the women's fight – all this must be recognized. Both I and the people ascribe the highest value

to all this. Who could forget Argelia Laya, the leader of the Movement toward Socialism when it was a party?

Or José Vicente Rangel, chosen as presidential candidate three times by that party and a party coalition. He could tell about his frustrated efforts to unite the left; he was never a MAS militant, but was nominated by the left as its candidate. All this must be looked into. Some of our companions from other parties may have wavered, allowing themselves to be drawn by two tendencies expressed in some speeches. One of these tendencies was reformism, characterized by a distancing. *When someone says homeland, democratic socialism, and life, he is certainly establishing a distance – a word to the wise is enough. Beware of reformist trends that are afraid of a true revolution.*

Let's cast off any fears; let us not be blackmailed by the enemy, the empire, the oligarchy and their media. I couldn't care less about what they say.

You, the promoters, be careful. *One of the conditions to become a Socialist Party's militant, combatant member and a comrade is to be a revolutionary and a socialist.* Those in doubt please do not join us. You must be very careful, as *we need true revolutionaries, honest people to help construct [our Party]*, as I have said a hundred times, on a parity basis, as equals. I do not come here in my capacity as President, but as another companion and comrade.

Reformism becomes counter-revolution

Simply put, there are two tendencies under way. Beware of these tendencies. Reformism may go along with revolution for a while, but there is a point at which reformism becomes counter-revolution, and this is what is happening here. Reformists don't like the participation of country folks; this is a peasant's revolution, but some people do have connections with or commitments to landowners, the regional or national elite. This makes them afraid to be called this or that by the papers or the radio, as whoever has skirts of straw needs fear the fire.

Reading Lenin, who called upon the Russian people to fight against the meat and bread monopoly, we observe that after one hundred years the same situation occurs. It is the old capitalist State still alive here, although I do not mean the State as such, but the capitalist order of things, the system, particularly as regards the economy. This is part of the issue; socialism has

to encompass the economic sphere, otherwise what we are doing is neither socialism nor revolution.

A revolution within Revolution

The weapon we use is very similar. Centuries go by and in Russia or Nicaragua or Venezuela the same thing occurs. The capitalists still own a considerable portion of industries and production factors, beginning with land and cattle; they still own the means of transportation and have taken over the slaughterhouses, which by law should belong to the municipalities. I urge all mayors to repossess the slaughterhouses and place them under the responsibility of the communal councils and the people and not to leave them in the hands of the capitalists [Applause], who have a hold on the packing houses and the supermarkets. Thus empowered, they subject the people to a scarcity policy in an attempt to destabilize the government and undermine support for it, and then launch their attack. This is part of the moment we are living. *This makes the adoption of a series of measures crucially necessary. One of such measures is the formation of our Unified, Socialist, Bolivarian, and revolutionary party.* This is necessary because the situation will become more acute in the coming months, more contradictions will emerge, simply because we have no intention of stopping the Revolution's advance. Quite the opposite, its advance will proceed in great strides as the Revolution becomes more thorough and extensive. Some as yet hidden contradictions will surface, become sharper and more intense because they involve the economy, and there is no doubt that nothing hurts a capitalist more than his wallet. Be as it may, we must tackle this subject; we cannot escape it. We are making progress through the Robinson, the Ribas, and the Vuelvan Caras Missions. All this is socialism, but we shall not have full socialism unless we begin to transform the capitalist economic model that still holds in Venezuela.

This will mean a revolution within the Revolution. This is why the empire and the affluent classes are fearful and are beginning to resort once again to the theory of a coup d'état and to destabilization, so as to give rise to an intervention by the United States through international organizations, as has occurred in Haiti and in many other countries, which are kept under their tutelage. It is the empire in action. Plans in this direction are regaining force, both here and abroad.

The people's unified force is the Bolivarian Revolution's "life insurance"

One great party: one great people

One of the best "life insurances" in this case is the people's united force. Why? *Simply because the oligarchy fears a people that roars in unison. For this reason, it seeks to divide us, to minimize our popular support with campaigns that distort our discourse and endeavor to demonize me.* If they had succeeded in debilitating us, in dividing the people, confusing the country, and weakening the revolutionary force, you may rest assured that they would come back to attack us with all their might. But if we are able to increase our united force, they will think twice. Why was Cuba never invaded? Because the Cubans *united into one great Party and one great people* and stand firm today defending their leader and their revolution. Some analysts say that a change of government is not possible in Cuba but the proof to the contrary is that although Fidel was hospitalized in a very critical condition for weeks on end, Cuba did not budge one inch under any hurricane, which means that *there is leadership, one party, and political and moral discipline.*

This is why, in our internal situation, the Revolution must be deepened in the political area, as can be done through the communal councils, self-government, and popular, communal government. When I announce certain things, there are alleged allies who begin to hold meetings but do not dare to talk to me face to face, and start seeking other contacts.

One of the instructions I have given the Minister of Health, for instance, is that the National Government must reclaim the management and control of all the country's major hospitals.

I know that some governors – not from the Fifth Republic Movement but from another party – have said no, this is madness; great democratic progress was achieved under Caldera. But what they did was to make a shambles of what little remained of the Venezuelan health system.

Formation of genuine revolutionary cadres

Who would now come out and defend the Fourth Republic's so-called decentralization? Anyone who would do this would be defending reformism and opposing the revolution. These are vices and tumors that jeopardize our

Revolution as contact networks are being established, often with Government funds. They often manage to have Revolution decisions neutralized by a judge or court, or even by the Superior Court of Justice-TSJ, behind the back of the leader of the Revolution and acting against the Revolution from within. *This, I repeat, is a betrayal of the people and of the Revolution.*

This is one of the greatest threats we face, which comes from within. It is like cholesterol, the silent assassin, as some call it. *It is the counter-revolutionary reformism within our own ranks.* The Party must be able to detect it and get rid of it, giving rise to genuine revolutionary cadres from among the people, the working class, the peasantry, the students, the youth groups, and women as part of the popular mass and the multitudes, thereby giving impetus to the revolutionary process. This should be one of the most important tasks to be performed by our Party, which we must create, build up, and nourish. We must begin to nourish our Party, to shape it, worship it, and to prepare it for the delivery to come.

Now, think of this question of scarce meat supply and price regulation. Not one of the existing parties addresses this issue because they lack the will and the capacity to do it and are always depending on something else. As a result, the Government goes one way and the parties go another way in cahoots with other puny governments that are set up. Often local authorities are also involved, as instead of following a leader, they follow parallel commands in the parties. Mayors also follow their puny parallel governments.

We must get rid of all this and forge a great national, revolutionary unity.

The goal: deepening the Revolution

The people guided by the party and the party guided by the people

Before these divisive, reformist, and counter-revolutionary factors put us into disarray, stop us, or distort the movement and thus gradually put an end to it, we must deepen the Revolution, and do it now, as tomorrow may be too late. Let us act now, with determination, intelligence, and willpower, undaunted by internal or external obstacles or resistance. We need the Party; the

Party must guide the people and be in turn guided by it. We must be together in this; and the peasants must be properly organized and informed.

I often make decisions about which the people remain uninformed because there is no one to relay them to the people. I myself have to do it of a Sunday for five or six hours, because there is no party to serve as an intermediary to pass on information and to direct the policies set by the President or by the Government. Not a single party to do this. Parties devote themselves to other things, some of which are good, but the Government goes its way and the parties act as if this did not concern them.

I myself have to attend to government institutions, trying to keep up with, paying continuous attention lest partisanship and sectarianism will hamper the transformation of the State. As I have said, many parties begin to split up a ministry among themselves; but we keep going deeper and creating a new State, new institutions. Much as it costs, we keep moving forward.

We are sending a group as a civilian-military commando to each one of these buildings and because some of their occupants are brazen-faced, we are sending in the National Guard together with Government technical staff and peasants.

Project development according to a development plan

At each ministry we must design agriculture and livestock projects and implement them in accordance with a development plan. The Party must participate in this task, not to cut the pie into slices or to see how many cows will be my share and how many will be someone else's share, and to sell a cow and buy a little house for the party somewhere and hoist the party's banner on it. No! *One must dispossess oneself from everything in the interests of the Revolution, which are the interests of the people.*

In brief, we are going to deepen the Revolution in every sense and this is why I say that the creation of our Party and unity is indispensable.

On the international front, people may think that the United States President's trip was a casual junket. No, it was part of a plan. The current U.S. administration has two years left and we know that it is capable of anything. It is run by true assassin mafias with a criminal record. Not everybody may be such, but those who make fundamental decisions are. In two years, having

recognized that they have been defeated by us, they will be capable of anything. On his trip, the United States President passed through here on his way to Brazil and stopped in Colombia on the way back – reaching Venezuela’s two extremes. The trip was part of a plan, under which Venezuela ranks first as the empire’s target.

At the same time, we notice the increasing support for Venezuela and for our project on the part of other countries of South America, Central America, and the Caribbean. This reinforces our conviction about the utmost importance of a party.

You have no idea of how many leaders in the world have asked me: “What about the Party? Where are the parties? With whom can we talk over there?”

China bets on us and we are entering China at full tilt with a set of projects that will undoubtedly sharpen contradictions at the international level. Why? Because we have proposed to supply oil to China. It used to be said that this was impossible because China is too far away and that all our oil should go to the United States. We are showing that this was a great fallacy by shipping oil to China. We ended last year with the daily shipment of 300,000 barrels. Joint-venture enterprises are being planned here in the Orinoco Strip. China is even proposing the establishment of a joint-venture enterprise here to produce up to one million oil barrels.

China has also proposed that Venezuela Petroleum-PDVSA and China’s National Petroleum Corporation-CNPC join together in building three major refineries. Naturally, we immediately agreed. We want to go to China to build these three refineries with China’s national corporation.

China has also presented another proposal for the establishment of a joint-venture enterprise on a parity basis – 50 percent Venezuelan and 50 percent Chinese – as a shipping company whose supertanks will be made in China *to cross the seven seas carrying Venezuelan oil* to China and other countries. Marketing is to be done jointly.

Of course, this project will sharpen divergences with the United States Empire, which does not lose hope of regaining Venezuela and making it again into what it was until 1998 and even later. Even in our first years, when the old PDVSA ran a parallel government. Venezuela was a United States colony. In respect of oil, whatever Washington decided was done here. Thus, the United

States – both the government and the elite – view these developments with deep concern.

The Revolution's foreign policy must remain in the hands of the Revolution

Thus, the attacks against the Bolivarian Government and the Bolivarian Revolution from within and from without will certainly intensify. The emergence of allied, popular, and sympathetic governments – as those of Ecuador, Argentina, and more recently Nicaragua, to cite only three – requires that the Party open its arms to Latin America. Here, however, each party goes its own way. At times, when I go to Argentina, they tell me: “Listen, some leaders of such and such a party were here. Did you know that?” No, I knew nothing. How should I know? They are playing their own game.

Here, one of the parties allied to the Government announced an international seminar and invited I don't know how many people. I had to ask the organizers to cancel it because the timing was not appropriate from the standpoint of the Government's and the State's foreign policy.

The Revolution's foreign policy must remain in the hands of the Revolution. It is absurd that there are parties here engaging in foreign policy behind the back of the leaders of the Revolution and the Revolutionary Government, placing alliances at risk, giving opportunity to the enemy even to attack me on the personal and the political levels. This is sheer absurd, don't you think?

Once, in Moscow, I ran into a party leader. Of course, I was glad to see him there. But then I asked him: “What are you doing here?” And he said: “Making some contacts.” I asked him how they could be making contacts there without the government's knowledge and demanded to learn about it, as the foreign minister knew nothing about that. Engaging in foreign policy! How do we appear before the world? As nothing but noise makers, to use Miranda's expression.

If one asks them for information, they often get annoyed. Not because their party has its own policy. Just imagine that! Then, it is better for them to go their way, to set up their own shop in a transparent way, so that we can know it for sure.

Shaping ideology and consciousness

Our great revolutionary party

I have to demand respect for the Revolutionary Government and for the decision made by the people. *Any internal or external analysis shows the urgent, imperative need to form our Great revolutionary party, a Party that flies socialism's banner, a Party with a clear ideology.* If a party is allied to the government, it cannot give precedence to its own ideas over the Government's. This cannot be so, out of loyalty. The socialist banner must come first. However, we are not propounding here the dogmatic scheme that prevailed in Russia in the twenties and thirties. So, this is not a Stalinist or a Marxist-Leninist project. Should Marx and Vladimir Ilyich Lenin come back to life, I am sure that the theses they would conceive would be not totally but somewhat different from the ones they conceived nearly a century and a half ago. But there are people here who grasp a little book and say: "This is a catechism and we don't deviate from it." This, I say in all respect, was written by those ideologues and great revolutionaries around 1800, 1900. But the world has changed, as you know.

Counter-revolutionary dogmatism

This is the second trend to which I want to refer. The first is reformism, which ends up by being counter-revolutionary. The second is dogmatism, which also ends up by being counter-revolutionary.

I have great respect for all communist parties in the world, but it should be recalled that many Latin American communist parties withdrew their support from Revolutionary Cuba in the sixties and seventies. In some quarters they betrayed Che Guevara, refused to support him. Even here. You know that I have a great respect for the Venezuelan Communist Party-PCV but I was one of those that had the foresight to demand that the Fifth Republic Movement-MVR allow room for the Communist Party. Whenever I was consulted on this, I consistently said yes, such as in the matter of filling a position, because I know that they have cadres of great value. I have great respect for them. Pedro Ortega Díaz is my witness – may God keep him in the revolutionaries' Heaven, an example of constancy, humility, and wisdom.

Who would deny the Communist Party's contribution to the struggles in Venezuela? Yet I remember that when I was released from prison, there

was a strong faction in the Communist Party that said that I was a messiah, a caudillo, and that my presence on the streets was harmful.

Dogmatism becomes counter-revolutionary. These two tendencies – dogmatism and reformism – both end up by being counter-revolutionary. Beware, some of our companions may be allowing themselves to be swayed by these two tendencies and may be straying from course and losing their compass.

I know that in both camps there are good people, good companions that may be feeling confused at the moment, and who have followers that are good and act in good faith, giving them credence. I urge them to think carefully, to cast away their doubts, and to join us.

Freedom of debate: a multifront party

Here we have full freedom of debate and free debate should be a marked characteristic of our Party, beginning at the grassroots, as debate is not restricted to an elite, a summit, or the top leaders. Consultation, participation, engagement, debate. After a decision is arrived at, comes discipline. If a decision is made, although I may have a different opinion, I have to submit to it, as this is a Revolution. *What is at stake is the life of the homeland, the future of Venezuela.*

This Party must be conscientious. As to the endless discussion about whether it should be a mass party or a party of cadres, Antonio Gramsci used to say: “In my humble opinion, it should be a mass party that is able to form extraordinary cadres.”

This is the Gramscian view of the Party. And I think that this should be our direction. This should not be a party to control the people; on the contrary, it should be a party controlled by the people. It should not be a conglomerate of acronyms. We do not want a parties’ front, but rather a Party with many fronts – we should have workers’, peasants’, women’s, students’, and youth’s fronts. Oswaldo Vera² pointed to these expressions or to this view in *Beyond Capital*, Itsvan Mezsáros’s extraordinary book.

Listen, this is part of the capitalist, bourgeois State’s trap. For many years I have heard labor leaders say that a union cannot be dependent on the party. *The party is one thing and the union is another thing.*

² Deputy and union leader.

On this subject we should read Rosa Luxemburg, for instance, or Lenin. Mezsaros raises this issue again for our discussion. He says that a body needs both an industrial and a political arm – the Party and the unions –, but not two arms going in different directions. No. Unions are autonomous, and so are the parties. Every party wants to have its own command and administration and to make its decisions with autonomy, as this is democracy. Moreover, unions act as parties, have their own administration, make their own decisions but establish no direction or strategic lineaments. This must not be so. This is noise, but we are not here to make noise. We are here to make a Revolution. This is what we are doing and what we must accomplish.

So, this Party needs an industrial arm. Some unions wish to continue being themselves. OK. Nearly all of them have been taken the same poison, union autonomy, as they represent the working class. And where is the working class? It is totally disoriented, totally divided, and not even their internal factions can agree with each other.

It has been a long time since I met with union leaders. Why? Because I know that they are quarreling among themselves and that if you meet with one you must also meet with this one and that one, and so on and so forth. *Unity is what we want and what we need.*

Now, if each labor leader wants to preserve his little party – as unions have become little parties – let them be, while we will go directly to the factories to talk to workers about unity, about becoming a powerful arm – the workers' front.

They don't know the harm they do to the Revolution, the Government, and the Venezuelan people by their attitudes. So, pay attention to the women, who have launched their Unity Platform, which I hope will be the socialist women's front of the Great Party. They should be seen as an example.

Let the Party have many arms, but only one head, said the Negro Antonia. Only one head, which must be directed. Obviously, I have to play a role in its direction for a while – I don't know for how long. One seeks to give, to divest oneself from nearly everything, and give oneself wholly to the Party. *So, what is my comfort? My comfort is the people.* Any bad feeling leaves me when I go out on the streets and throw myself in the arms of the people.

This is the truth and God bears me witness. But how much envy and vitriol one must also endure, as I am not a rock beaten by the waves. I am

flesh and bones, just like you, and blood runs in my veins. I appeal to the union leaders to join us in unity – or to get out of the way. And appeal to the working class, that it may ensure the working class's unity.

Because the same pattern of party sectarianism occurs in this area also. The students often fall into this trap also. Not because there is a command, as Ali Primera said. Here are the most radical, there are the reformists, and over there are the Maoists, and farther away is I don't know who else. It sounds like an Ali Primera song. What a terrible thing! This victory has to be ascribed to the Empire and to the oligarchy that have divided us. This is why the effort must be enormous. I am not inclined to beat in retreat, quite on the contrary. *And with your help we shall achieve unity.*

A word to the Revolution promoters: unity and more unity

Revolution heralds

Unity is indispensable, as Bolívar used to say, and our unity draws much inspiration from Bolívar and his thinking, which is for me a spiritual bridge to the people. *Unity is what we certainly lack to complete our regeneration's work. Yet, this unity will not come through divine miracles but through sensible effects and well-oriented efforts.*

This applies to me now as well as to you, promoters, who will go out on the streets to enlist the socialist battalions and create the socialist districts. These will be the major tasks you will perform in your communities. You will set up a register and organize the socialist districts. You must be the heralds of these ideas and convince those that may be confused about the need for this unity project. Bolívar's thinking is very helpful to those that are in doubt, who could adopt it as a guide and compass. I have irrefutable proof of the people's good sense for important resolutions. This is why I have always preferred to listen to the people rather than to the scholars. If one has doubts, just listen to the people, for the people know. Should we ask the Venezuelan people today what they want: to preserve the A, B, C, X, Y, Z political parties as a patriotic fulcrum, or I know not what, or to create a single great socialist, revolutionary party, I know what the people would want. There is no need to ask them. *The people want unity because they know that from such unity depend their future and their fate.*

Now, this unity should not be bureaucratic. It must be real, organic, and profound. It should deepen revolutionary democracy, as Bolívar said in Jamaica in 1815, fifteen years after being expelled from Venezuela, having suffered an assassination attempt in Bogotá and resigned from Government, after which he left for the Cartagena area. What was the great cause? He was not mistaken when he said:

“Only union is lacking us to complete our regeneration’s work.” On another occasion, he said that unless we fuse the national soul into a whole, the national body into a whole, and the national spirit into a whole, society will become a body-to-body, man-to-man fight for survival, and our legacy to posterity will be a new colonialism.

On yet another occasion, he said: *“Unity, unity, unity. Let us unite, lest we become our Homeland’s executioners.”* In Santa María, where he died, he said: *“...Should my death contribute to putting an end to parties and to consolidating union, I would peacefully go into my grave.”* Bolívar did not manage to achieve unity and Venezuela fell into chaos. Instead of a great victory, our peoples sustained twenty defeats and all of them ended up defeated, divided, and dominated.

A two-centuries old Revolution

We are approaching a bicentennial. In three years, we will be observing the two-hundredth anniversary of April 19 and July 5. What better way of celebrating those events than, in the height of revolution, bringing in the best offering we can bring those that gave us the Homeland – the martyrs, their bones and memory, their tears and blood.

Let us remember the *Cosíata* separatist movement and the reaction led by Páez and Santander against Bolívar. We must prevent the repetition of that tragedy, when Bolívar’s and his people’s history moved from greatness to tragedy. Are we going to allow the same thing to happen to the second Bolivarian epopee and let it become another Bolivarian tragedy? If we want to prevent this, we must heed Bolívar’s word, according to which *we would bequeath to our children and grandchildren a new colonialism, should we fail to fuse the national soul, the national body, and the national spirit into a whole.* Let us, from this moment on, prevent this from happening. I believe that we are in a better position than Bolívar, although the enemies we face are much more powerful than those faced by him, as the Spanish Empire wasn’t even a pale reflection of what the United States Empire is today, although what Navarro said is quite

true.³ But we should not be too optimistic because for over one hundred years there has been talk of capitalism's terminal phase and the final crisis never comes. Although there may be signs of a capitalist crisis, of the way capital and capitalism operate, imperialism and capitalism still remain very strong. This has to do with the form of capital reproduction, an inner process, which Mezsaros refers to as metabolism. We have not achieved this metabolism here: some Venezuelans to whom we have given a tractor and a parcel of land for them to implement a socialist project have ended up by occupying the house with their family and tying the tractor to a post, so that nobody else can use it. Old customs, corruption, greed to reap economic gain for oneself – these are terrible enemies. These last few years I have seen people who were believed to be fantastic revolutionaries, but whose revolutionary spirit unfortunately did not resist their stint in power, because of a check of I don't know how many millions. Great many of our companions and I have been put to this test, but each individual holds to its own values. Be strong, as the enemy stalks our camp – not only the declared enemy, but the enemy hidden inside ourselves and in old customs. Through a character in *Les Misérables*, Victor Hugo speaks of the French Revolution, which despite all its heroic feats came down and was replaced by the restoration, the Empire, and counter-revolution, in the following terms: "We thought we had changed the world, but we forgot something – to change customs". One of the fiercest enemies of any revolutionary attempt can be illustrated by what happened in the Soviet Union: the high-sounding "power to the Soviets" motto ceased to echo after a few years. Lenin finally realized it, but he was very sick and died a few years later. Instead of power to the Soviets, what prevailed was power to the Party's elite and to the new political class. Our new Party must avoid this tendency to replace old structures with a reborn, elitist, privilege-seeking one. Zero privilege for us. *Let us rid ourselves of selfishness and set an example of unselfishness and revolutionary humility.*

Now, the old Leninist model is not good for us. We have to create our own model. In his work on Karl Marx and Marxism, whose Spanish translation was published in Caracas in 1974, Iring Fletscher says that *it is neither necessary nor possible that this mistake have a place in the revolutionary consciousness*. He means that this mistaken conception must not prevail in a great industrial proletariat.

³ Reference to Héctor Navarro, a member of the Unified Socialist Party's Promoting Commission, who said that capitalism has entered a terminal phase.

According to him, the existence of a new species of this type in the political elite and in the party is sufficient for the class's political conscience to disconnect itself from its political substratum and to become the exclusive property of a minority that covets the leadership. We ought not to fall into this error. María León⁴ is right when she says that *"All of us here are workers, we are all equal and have the same duties and the same rights."* This is why I say that none of the companions – to whom I am very grateful for having assumed this far from easy task as members of the Promoting Commission – has the pretension of leadership, and they all know this. We are only promoters and drivers. The leadership must be elected by the grassroots segments, with which it must remain in permanent contact and from which it should never dissociate itself. Ours must be a mass Party, a grassroots Party with the best cadres. But these cadres ought not to transform themselves into a new political elite or into new summits. *One must break the representative model and for this one must fight with greater vigor than usual.* One must create new customs, new realities, new ideas, new scenarios, and a new, moral Party. As Antonia was saying, there is no place for hypocrites here. For instance, *a man who beats a woman does not belong here; he cannot be a revolutionary.* There is much of this in our society, but *a chauvinist cannot be a revolutionary or a socialist. A latifundium owner does not belong here and a corrupt individual should never be allowed in the Party and neither should an influence peddler.*

Thus, think of the awesome commitment you promoters are undertaking to orient the bases. I am quite confident that just as the communities and communal assemblies are electing the Communal Councils, the best spokesmen for the bases will be elected to form part of the Socialist Party's structures.

A party of morals and enlightenment

The only way I could be a Party leader at any level would be if I were elected by the bases. Otherwise, I should hold no leadership position. This is how the Party should be, a Party of morals and enlightenment, a Party of students, as all of us must study, invent, research, propose ideas, discuss and debate. A Party of morals and enlightenment. As Christ said, we should be the light of the world and salt of the earth. How do they call those who scatter or sprinkle salt on things? They are called salters. We have to be a

⁴ Leader of the Unified Socialist Party of Venezuela.

moral party fighting corruption. Morals are the salt that prevents rotting. Ours must be a Party of morals and enlightenment as well as a multifront Party that encompasses indigenous peoples, workers, Blacks, Afro-descendants, students, young people, peasants... It must have many arms, solid arms. The Party's foremost trait, according to Alfredo Maneiro,⁵ should be *political efficiency and revolutionary quality*. A party or a political movement must meet these two requirements. It must be politically efficient. It must be efficient in organizing itself and in working to win elections when elections must be won.

Revolutionary quality. Ours must be a Party that establishes cadres and that, according to Antonio Gramsci's view, penetrates the masses, the multitudes. Like dissolving sugar, the Party should be able to dissolve itself in the superior mass, i.e., the people. Instead of imposing itself on the people, it submits itself to it. As Simón Rodríguez said, material force lies in the mass, the popular mass. Moral force lies in the mass movement, but to move a mass must be impelled and this is the promoters' role. It must also have leadership; otherwise it tends to lose itself and to disperse. This is Negri's mass, according to his theory of the multitude. There is a difference between *mass* and *multitude*, between open mass and closed mass, as shown by extensive mass psychology studies. A mass grows but carries within itself its own end. It may disappear from one moment to the next. Not so, the multitude. *A mass organized into multitudes should have orientation, impetus, leadership, and moral force to move it forward*. This is why Master Robinson said that the mass has material force, to which he adds the moral force shown in movement, organization, consciousness, strategy, and tactics.

The revolutionary party has to concern itself with all these things – ideological conception, strategy, tactics, impetus, mass and multitude orientation; it has to be able to open up, to close doors, to attack and defend, and always to triumph and win. *Still more, it has to be a Party for peace but, if necessary, it will be an army ready and able to go to war*, together with our soldiers, peasants, and workers to defend the sacred Venezuelan Homeland from imperialist attacks and the impetus of our Revolution. *A Party for peace, capable in any scenario of being flexible, broad-minded, dynamic, and characterized by morals and enlightenment. Revolution's sharp sword and living flame – this is what our Party must be*.

⁵ Alfredo Maneiro (1937-1982), a Venezuelan revolutionary militant.

Establishment of socialist battalions

I know that you promoters, both men and women, have been meeting by region and sector, carrying out a sound debate. I also know that you have come here on the basis of merit. I'm sure that you will not deceive our people and miss the unique opportunity we now have to build that to which we aspire.

You have to participate in and encourage the establishment of the socialist battalions and the socialist districts in your respective geographical areas. Part of the work of the Promoting Commission as well as of yours is to prepare your group's own plan in line with this strategy. You will be elected in each socialist district and a socialist battalion must be established and operate in each territory. In these districts spokespersons, both men and women, will be elected by popular assemblies according to a process similar to what occurs in the Communal Councils. The spokespersons elected by the popular assemblies will choose across the country the delegates and spokespersons to represent each region and each state at the Party's Foundational Congress.

Spokespersons and delegates must be elected by popular assemblies in their respective socialist districts. I thus ask to be registered in the socialist district where I live. Then you will tell me how many of us you have there, how and where the meeting will be held, and where I have to appear and elect our spokespersons for the district, who in turn will participate in a second election to elect the spokespersons for the region, parish, municipality, state, and then on to the foundational congress. This process will last the next few years.

Two major tasks

a) Formation of socialist battalions and establishment of their jurisdictions

Today, you are the first 2,398 promoters from all the country's basic sectors to be sworn in. I congratulate you. You should know that a great responsibility is laid upon you, as you will contribute to the training and induction of the 14,000 promoters to be sworn in next April 19. You will induct and give impetus to other promoters.

The Commission has fully to devote itself to providing detailed information and answering questions. This must be done in full detail and an explanatory pamphlet should become available.

Keep up your work to help the training and induction of new promoters. Next April 19, we will swear in 14,000 promoters, who, with you, will bring the total to 16,500. We have a lot of work to do, as we should arrive at 70,000 promoters in three months to accomplish two main missions.

You shoulder this primary responsibility toward the popular bases. Starting on April 19, this army of 70,000 promoters shall accomplish many things, particularly two essential tasks or main missions. One of them is the establishment of socialist battalions in their respective socialist districts. This is similar to, although not quite the same as we have done at the Santa Inés battle. Do you remember the patrols? Each battalion or battle unit was responsible for one district. This model was successful in that battle and there is no reason why it shouldn't be in the current one. We already have experience, so let us stand firm on the community's territory. Obviously, the latter must encompass the factories and the workers, not only the quarter or neighborhood. This group of young people is an army. High school students, particularly from the fourth and fifth grades, as well as from the UBV, Unefa, and UCV universities should not be left out. The ideological battle should be waged under the Ribas, the Sucre, the Robinson II, the Vuelvan Caras, and the Madres del Barrio Missions. This means occupying not only physical spaces but also social sectors that are operating where we work or study and within the neighborhoods.

b) Electoral census-taking

These are two central, fundamental tasks: the establishment of these socialist battalions in each district and the voters' census taking for the electoral process, beginning from the base. These voters will be the Party's future militants. From their ranks will rise the militants of a thoroughly dynamic, agile, and novel Party in respect of its conception, banner, and program, strategy, and different battle tactics – a very flexible, quite different Party. One should reach to the Venezuelan middle class; there is no reason it should be counter-revolutionary. By targeting it, we will reach many people, as the middle class is everywhere, encompassing technicians, liberal professionals, and intellectuals, particularly organic intellectuals, as Antonio Gramsci called them, committed to the popular cause and to the Revolution.

Now, census taking is already a means of establishing battalions. As you proceed with this territorial and social survey or fabrics' survey, do go to the

smallest public and private enterprises. Talk to the workers, including those of Pdvsa, Pequiven, CVG, Venalum, Alcasa, Sidor, etc, as well of nascent enterprises, such as Inveval.

There are workers at the new enterprises and endogenous nuclei, such as the Fabricio Ojeda Endogenous Development Nucleus. Everywhere you must, in the barracks language, explore the terrain and comb it, yes, comb it. This is a beautiful task; I wish I had time to do it.

Integrating committees

The promoting Commission has a set of working teams, including the Ideas, Logistics, and Technical Committees. The latter, which is to receive information from the promoters, must be well organized, as it will make the necessary adjustments and ensure the dynamics of the process. One must beware of infiltrators because the enemy may dispatch infiltrators. There is no one better than you to prevent this. *The best vaccine against this threat is the people.* The people know the actual residents, those that work for the community, are honest, and work hard.

The Technical Committee must review the information, make adjustments, and relay it back to you. It should clarify any doubt in relation to any socialist district or jurisdiction, the establishment or registration of battalions, or the militants' census.

Foundational Congress

In three months the battalions should have been definitively established and the spokespersons should have been chosen by the bases. The election of base spokespersons and of the delegates to the Party's foundational Congress is scheduled for July 29, subject to these stages' completion. That is, spokespersons and delegates should have been elected starting from the bottom. We expect to install the Congress on August 15, a memorable date recalling the Monte Sacro Oath and the Great Victory at the Santa Inés Battle, as well as that historic referendum on the same date.

Between August 15 and mid-November, one must actively work and discuss the Party's bylaws and program, the form it should take, its name, and its colors.

On Sunday, December 2, we wish to convene the millions of militants already registered at their bases for a national consultation. This congress will make decisions regarding the Party's name, bylaws, and program. These decisions will be submitted to the Party bases, which will ratify them or not. Once ratification is achieved, on December 2, the national consultation will formally install the Party and the foundational congress may designate from within its ranks or outside them a provisional board that must be approved by the bases, and another meeting will be held still in 2008 for the national election of permanent authorities.

This is the scheme we have designed. *You are responsible for impelling it forward with us*; hence, the name of promoters and the socialist battalions and socialist districts in the neighborhoods, communities, and factories. All will depend on our Party's being born as it should – strong, solid, well-oriented, so as to become one of the great promoters, alongside the people, of the Bolivarian Revolution in the coming years and decades. **DEP**

Child's Head (1975)
Oil on canvas, 61 x 61cm



Guayasamín by himself

“**I** have always painted as if I were desperately shouting, and my cry joins all the cries that express the humiliation and anguish of the times in which we have to live. I paint with the hope of being able to build a world in which the cultures shaped by the peoples – as the potter makes his jug – receive the same care that the peasant lovingly gives to the earth and his seeds”.

“I am aware that we come from an ancient culture around which a civilization that reached magnificent moments was formed.

When we know that they had a different idea about time, life and death; when we think of Quitumbe who, three thousand years ago, founded Quito as the Divine City of the Sun, exactly in the middle of the world; when we learn that they knew that the Earth is round; when we see their buildings, their pottery, their stones wonderfully carved; their amphorae that give out magic sounds, their jars that stay up straight when they are full of liquid and quietly fall asleep as they are emptied; when we are aware that they knew physics, astronomy and medicine, all that within the frame of an original, humanistic socialism, in which silos were built to keep the harvests that were then shared according to the needs of each family and each village;

When we finally come to grips with this universe, how can we not feel pride and admiration in thinking that our present possesses such transcendental roots”.

“I remain at the same point but always deeper. Always knocking from the inside. Searching. Latin America has its own roots that must be found and stirred so that we can express ourselves with our own voice that comes from the depths of the earth and then blossoms.

The nightmare of widespread hunger, fear of a nuclear war, terror and death sown by military dictatorships, social injustice that hurts deeper and deeper, racial discrimination that kills; all that erodes slowly and hard the spirit of men on Earth.

The hope of peace, ancient and far away, remains our only support in anguish.

If we do not have the strength to hold all the hands, if we do not have the tenderness to take in our arms all children in the world, if we do not have the will to cleanse the Earth of all armies, this little planet will be a dry, dark body floating in the dark space”.

“An artist absolutely cannot run away from his time. There is no other option. No creator can be a mere onlooker. If he does not take part in the drama, he is not a creator.

To paint is a form of prayer, but it is also a cry. It is almost a psychological attitude and the highest consequence of love and solitude. This is why I want everything to be net, clear, that the message be simple and direct. I do not want to leave anything to chance. I want each figure, each symbol to be essential because a work of art is a constant search to try to be like everyone else without looking like anyone”.

“My grandfather was a man full of colors. He wore green ponchos, red ponchos. The clearest souvenir I have from him is to have seen him one day standing on a mound of clay, barefoot and with his trousers pulled up, making crude bricks to close off his plot, I believe.

He played the organ, had a harmonium at home and every Saturday, every Sunday I sat respectfully by his side to listen. He was the organist at the Sangolqui church.

I also remember him coming home on horseback from an arduous journey and bringing me a very loud and bright green hat that I was not brave enough to wear.

Such was my grandfather: an Indian able to read music with fantastic prowess, to bake his own bricks, to knead the clay under his own feet and to offer me such a violent color in a very small hat.

My paternal grandmother’s name was Zoila Corredores. She was a healer. I can see again clearly in my childhood my busy grandmother caring for many sick people who came from everywhere to be healed with herbs, wise advice, imposition of hands and prayers. It was at the same time a bit of witchcraft and a kind of medicine. Today, we know that all that was part of an essential medicine in the ancient world of America that still is, in our own time, first class medicine.

My father was a hard, resolute man. In the last few years of his life we have been very close, but in silence. I believe we never understood each other.

My mother was made of poetry. She was always pregnant. She played the guitar and sang admirably. She taught me the first chords, the first voices.

I recall that as a child I tried to reproduce a reddish, tormented sky. Obviously I could not make it shine, and my mother, understanding my anxiety, squeezed a bit of milk from her breast into an earthenware cup and gave it to me, to see whether I could get the right light by mixing it to my paints. My mother was like bread just out of the oven. She gave me the two lives I have. She was, she still is and always will be a tender poem.

As long as I live, I shall remember you.
I will always come back, keep a light on”.

Source: Velasco, Alejandro and Madriñan, Eduardo (orgs). *Guayasamín. L'époque où il m'a fallu vivre*. Quito: Fundación Guayasamín, Instituto de Cooperación Ibero-americana. Poligrafica Division Editorial, 1988. **DEP**

Oswaldo was born in Quito, capital city of Ecuador, on July 6th, 1919. He graduated as painter and sculptor in the Fine Arts School of Quito. He held his first exhibition in 1942, at the age of 23. In his youth Oswaldo was awarded with all the National Prizes and in 1952, at the age of 33, with the Great Prize of the Biennial of Spain and later with the Great Prize of the Biennial of São Paulo. He died on March 10th, 1999, aged 79.

Guayasamín held more than 180 individual exhibitions and had a copious production ranging from paintings and murals to sculptures and monuments. His murals can be found in Quito (Legislative and Government Palaces, Central University, Provincial Council); Madrid (Barajas Airport); Paris (UNESCO Headquarters).

Source: www.guayasamin.com



Guayasamín – Self-portrait

Translation: Sérgio Duarte

Construtora Norberto Odebrecht

Economic and social implications of
infrastructure projects in Ecuador



Project Santa Elena (Ecuador)

www.odebrecht.com.br

Twenty years ago, Construtora Norberto Odebrecht started its first project in Ecuador. It can now chalk up a total of ten large-scale projects in the country in the areas of transport, irrigation, energy, and sanitation, already completed or under implementation. The first project under this partnership was executed in the Santa Elena region, a peninsula north of Guayaquil, Ecuador's largest city. It was designed by the Study Commission for the Development of the Rio Guayas Basin (Cedegé) to bring into production the lands on the Santa Elena Peninsula through the irrigation of 42,000 hectares. In addition, it made possible the supplying of various cities and localities of the region with drinking water and sewerage systems. The project, of great socioeconomic impact, allowed significant progress in the partial realization of the country's vast development potential. That initiative was the first step toward a lasting relationship between Odebrecht and Ecuador, as well as making an equally significant contribution to the intensification of the Ecuador-Brazil partnership.

This example is a clear demonstration of how physical infrastructure plays a leading role in both bilateral and regional integration, while bringing numerous benefits to all those involved. One of the consequences of this kind of investment is the incorporation and valorization of communities that directly or indirectly benefit from the projects. Moreover, such initiatives illustrate the connection between investment by regional partners and the marked improvement in the conditions of local and national production.

The great potential of these undertakings is recognized by international organizations such as the Andean Development Corporation-CAF. By end-2006, CAF had invested no less than US\$4 billion in physical infrastructure projects in South America. CAF's motivation for investing is the same that prompts the steady approximation among South American countries: the determination to improve the continent's infrastructure network. There is consensus that by bringing about the integration of regional productive chains we may create economies of scale, thereby improving the competitiveness of South American products.



Project Santa Elena (Ecuador)

Ultimately, it is a question of recognizing the need to work continuously to reduce regional vulnerabilities. Both in the area of economy and in the field of energy we are faced with two issues that impose strategic imperatives on all South American countries, including Ecuador, of course.

Currently, Ecuador's main source of energy is thermoelectric plants. These plants, though, are insufficient to meet local needs, forcing the country to import electricity from Colombia. Thus, the San Francisco Hydroelectric Project in the Baños region, in the Tungurahua Province, stands out as a strategic undertaking to offset Ecuador's electricity deficit. It is estimated that this project will save the Government over US\$30 million a year. This figure equals that of the oil used in the thermoelectric plants, which may be exported when the hydroelectric plant is operating at full capacity of 212 MW.



San Francisco power plant (Ecuador)

The consortium in charge of executing the work – which includes making underground tunnels, galleries, and caverns – is formed by Odebrecht, Alstom, and Vatech. The project, considered to be of high complexity, demands much from the workers, who, in their majority, are residents in the area and had no previous experience of working on major projects. Training courses were offered to help them develop new skills and to orient and guide them in the performance of their tasks, while keeping in mind the top-priority of workplace safety.

The ongoing training programs, which form part of other community support projects, create many opportunities for the residents both during the execution phase and after Odebrecht has left the region. One example of this ongoing activity is the tourism and environmental conservation project implemented in Baños. The town is famous for its waterfalls and the Tungurahua volcano, at 5,016 meters above sea level. The two attractions draw in tourists. Under the projects implemented, residents have received training for working on the ecotourism market and can now welcome visitors that come to enjoy the beauty of the region's natural resources. This parallel work with the community, aimed at a synergic interaction with the infrastructure works carried out by the consortium, has significantly improved the residents' overall living conditions.

This active involvement stems from the enterprise's traditional commitment to the community where its projects are executed. More than a socially responsible stand, this involvement is guided by the notion that effective integration depends on the capacity of those involved to fully enjoy the benefits of the infrastructure provided for them.

The concept of providing infrastructure, coupled with the spirit of interaction with the community, can also be observed in the other Odebrecht projects in Ecuador. An example worthy mentioning is the project implemented in Manabí in the Ecuadorian West. The region – Ecuador's province with the third largest population – suffered from lack of water in the dry periods and from flooding in the winter. The problem was solved by the work done in the Carrizal-Chone System. Part of the Manabí Canals Integrated System, this project consisted in the construction of irrigation channels that benefit 120,000 people. The objective was achieved not only with the project's completion but also with the execution of social responsibility programs. The initiatives aimed at training young people for job opportunities to be open. Even more important, the ultimate objective was to contribute toward the thorough eradication of poverty and hunger in the area affected. As an immediate result of these activities, local farmers were able to increase their earnings and this has allowed them to diversify their products and subsequently sell them to both national and international customers. The overall socioeconomic conditions of the region has thus improved, so that the province, formerly known for high emigration incidence, can now offer better work opportunities to its residents, thereby encouraging them to remain in place.



Carrizal-Chone system (Ecuador)

This highlights infrastructure investment's crucial importance for the South American community as a whole, as continental integration is the final goal. To sustain our joint efforts and achieve positive shared results, each part must have its own strength. To ensure the success of such a complex initiative as South America's integration, the importance of each project must be stressed and its economic and social implications must be properly analyzed. Only when all of us are aware of this, can we work toward bringing all South American nations and communities, effectively and on an equal basis, into the continental integration project.

Translation: João Coelho

Grupo Andrade Gutierrez

Latin America: opportunities, challenges, and progress

*Ricardo Castanheira**



Catapata (Bolivia)

* Ricardo Castanheira is the Director of Latin America Coordination of Andrade Gutierrez.

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Brazilian engineering is up to international quality standards. And, Andrade Gutierrez is proud to be one of the companies responsible for this achievement. This was probably the main reason that a 100 per cent Brazilian company managed to open doors in neighboring countries. The first step, taken in 1984, was getting to Bolivia. Today, Latin America plays a key role in the expansion strategy laid out by Construtora Andrade Gutierrez, and is part of the company DNA. The experience acquired in building large works, on technological innovation and in overcoming challenges is part of the essence of Andrade Gutierrez, and gave rise to the values cherished by company employees and the quality of AG's projects.

Created in 1948 with the foundation of Construtora Andrade Gutierrez, the Andrade Gutierrez Group established itself among the most important in the country. Internationalization came in 1983, in the form of a great challenge: to build a road in Congo, 130 kilometers long, going deep into the African jungle.

After conquering its space in Brazil, spreading its brand over a myriad of works throughout the country on various segments, and with the successful enterprise in Congo, the company decided to look to Latin America and signed its first contract in the region: building the Chimoré–Yapacani road in Bolivia.

The Latin American dimension

The search for new business, together with a macroeconomic scenario that was favoring the consistent growth of Latin American countries, formed the basis for the region's attractiveness. The company therefore embraced the new challenge and began increasing investments in this market. With a host of 55 projects executed in the American continent, the Construction Company currently has seven offices operating in 15 countries, and with 12 contracts underway in Latin America alone. Our expansion project foresees US\$ 1 billion in sales to be reached in 2016, representing a yearly growth in excess of 15 per cent in Latin America.

During these long decades operating in Latin countries, the Construction Company faced difficulties that were important factors in building a significant portfolio. Natural challenges – from intense cold to extreme heat – are an



Aqueduct (Dominican Republic)

integral part of the projects developed over the Andean region, in deserts and in dense jungles as it is the case in the Peruvian Amazon. In this outreaching work, Andrade Gutierrez became face to face with cultural differences. Although these are neighboring countries, each has its own peculiarities and differences, whether political, economic, or social, especially regarding corporate culture and legislation. The adaptation to local habits was another important step to establish the company in the region. The adaptable and flexible nature of our company, as well as the understanding and concern for the society and culture of the countries in which we operate were great facilitators of the integration into different panoramas and to deliver successful projects.

Our profile of a really strong solution engineering company shattered economic and logistical barriers. Andrade Gutierrez has always worked harmoniously with clients, communities and governments. Partnerships with local businessmen established the Construction Company's brand not as a rival but as a key partner in fostering business. This proximity with local companies,

in addition to the strong investment in local labor, was decisive in allowing Andrade Gutierrez to become a regional player – not a foreign company.

Operating in Argentina, Bolivia, Chile, Colombia, Ecuador, Mexico, Panama, Peru, the Dominican Republic, Venezuela, El Salvador and Honduras, Andrade Gutierrez conserves an important infrastructure, as well as strong relationships, that enable its long-term and continued growth in the region. Our office staff includes regional labor, directors, and management. Currently the company employs 5,000 local personnel – some of them for over 15 years now. Our business expansion also results in around 100 Brazilians living and working in other Latin American countries where the Construction Company has projects underway. Our investments in the region include continuous professional empowerment programs, and social and environmental sustainability programs.

Successful cases

Andrade Gutierrez has a clear understanding of its role in the building of Latin American infrastructure, in executing works that reach beyond time and space. These are constructions made to last generations, having a fundamental impact in the lives of populations. Infrastructure, urbanization, sanitation, transportation, and energy projects. We help create environments that make the difference in the day-to-day of people: airports, ports, roads, bridges, hydropower plants, aqueducts, subways, refineries, thermal power plants.

Each of these projects has a history, represents an obstacle that was overcome. Soil adversities, tidal cycles, structural complexities, were all factors in the construction of the Guayaquil Bridge, an emblematic work in Ecuador that today connects the cities of Guayaquil, Samborondon and Duran to the rest of the country.

Ecuador is also the setting of another landmark project. Considered one of the most strategic projects due to its large scale and importance in the region, and representing the largest international investment – US\$ 600 million – the construction of the Quito Airport began in 2006 and includes a concession to operate the airport for 35 years granted to AG Concessões, associated to Canadian construction company AECON. A total of 3.6 million passengers are expected to go through the airport every year.



Quito airport

Peru, an important country in the expansion of Andrade Gutierrez through Latin America, presents great opportunities. The Construction Company came to the region 15 years ago, and today operates mainly in transportation, such as in the North Interocean and South Axis roads, the latter expected to connect Brazil with the Pacific Ocean. Still under construction under an uninhabited region, the consortium is facing many logistical challenges to haul equipment and materials over long distances. Another factor is the high altitude: a large portion of the work takes place at altitudes over 3,500 meters above the sea level.

Andrade Gutierrez will bid for the enlargement works of the Panama Canal, which is considered one of the largest projects underway in the world. This will be a unique experience, an integrated effort that includes Brazilian, French, and Chinese engineering, which are parties in the consortium. The worldwide experience of the Construction Company in water works was a key factor that led to its inclusion in the project. Our relationship with Panama dates back from the duplication of the Bridge of the Americas, which leads us to believe in the success of this enterprise.

Other very significant countries included in the Andrade Gutierrez portfolio are the Dominican Republic, Argentina, and Venezuela. In the first



Panamerican roadway (Peru)

one, the Construction Company is executing one of the largest infrastructure works in the country, the Las Placetas hydropower plant. In Venezuela and in Argentina, we are developing important plans in the oil sector.

Brazilian know-how: global reach

In specific segments, Brazilian engineering, in addition to being highly qualified, is a true leader. Therefore, there are some business areas in which Andrade Gutierrez has greater weight: hydropower plants, aqueducts, large roads, refineries, thermal power plants, sanitation, ports, subways, airports. These are niches in which the company can add value to the client's business.

The current infrastructure buildup model requires that the support or solution begins in the financial structuring of the project, and Andrade Gutierrez becomes a strategic partner of its clients. Our experience in concessions, infrastructure operation, project finance, as well as our relationship with various multilateral and aid organizations in Latin America allow Andrade Gutierrez to find structural solutions that join our capability and credibility in delivering works on time and with the necessary quality to fulfill their operational goals.

In almost 60 years, the Andrade Gutierrez Group has renewed itself, evolved, conquered new markets and achieved values that today make it a national and international reference. The Group is a brand of excellence, not only in the Heavy Construction market, but also in Concessions, Telecommunications, Transportation, and, most recently, Energy, with the acquisition of Light, the energy company in the State of Rio de Janeiro. Experience and excellence are indeed the door to conquering new worlds.

Translation: JR Maramaldo

Embraer – Empresa Brasileira de Aeronáutica S.A.

Embraer goes international

Introduction

Airspace industry, of which Aeronautics is the most significant segment, has a wide range of highly demanding characteristics that make it special and differentiated.

Few industries in the world are faced with such an array of awesome challenges as aeronautics – from the simultaneous employment of multiple advanced technologies to highly qualified manpower to the requirements of a global industry by definition to the requisite flexibility to respond to abrupt scenario changes to the enormous amounts of capital required for its operations.

Based on the experience amassed in over three decades of activity in this competitive, aggressive, and sophisticated market, we at Embraer like to say that the aeronautics business rests on five major pillars, which in turn rest

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on a single foundation – our clients’ satisfaction, the source of the results that will ensure our stakeholders’ gains and the enterprise’s continuity over time. These pillars are as follows:

- *Advanced technologies:* in view of the highly demanding operational requirements pertaining to safety, drastic environmental changes, and weight and volume restrictions, the aeronautics industry employs a wide range of point technologies and serves as a lab for their fine-tuning before they are passed on to other productive segments and activities. Complex, sophisticated technologies are involved not only in the product but also in the development and manufacturing methods and processes, in addition to the use of the best practices available in financial and human resources management.
- *Highly qualified manpower:* to ensure the efficient, productive, and consistent use of these advanced technologies, it is essential that qualified personnel be available at all levels of the industry’s operations: computer-supported projects, relations with suppliers and clients around the world, manufacturing using sophisticated numerical control machines, and the devising of elaborate financial solutions with international institutions.
- *Flexibility:* abrupt scenario changes that affect the world economy and the geopolitical order, the most recent example of which were the terrorist attacks of September 11, 2001, have immediate impact on the air transport industry and thus on aircraft manufacturers. Flexibility in adapting to such changes with a minimum loss in terms of efficiency and costs is of crucial importance for ensuring survival and preservation.
- *Capital intensity:* owing to the massive investment required for developing new products and raising quality and productivity, coupled with long development and maturation cycles, capital intensity is another major feature of this business sector. For example: the development of the Embraer 170/190 aircraft line required an investment of US\$1 billion and the new A350 Airbus plane should require no less than US\$15 billion!



Legacy 600

- *Global industry:* low output and the high cost of production makes the aeronautic industry an exporting and global concern by nature, as regards both its client and supplier base and the financial institutions that back it. The same Embraer 170 aircraft that operates under the flag of Finnair, Finland's airline, in the severe Scandinavian winter must also stand the high humidity and temperature levels of southern United States, where it operates under United Express's flag. In both cases, Embraer must be permanently available to its clients, providing local technical support and immediate access to parts and components, thereby honoring its commitment to the success of their business and aiming always at their full satisfaction, which will in turn ensure additional orders in the future. At the same time, Embraer must experience the different environments in which it operates, so as to detect positive or negative tendencies and changes in the scenarios and to be able to provide a speedy response.

All these characteristics make the aeronautic industry into a fascinating as well as a high-risk business. Failure of a new product may make the enterprise that developed it unviable and force it out of the market. The disappearance of traditional enterprises, such as the Dutch Fokker's and the Swedish Saab's exit from the civil aeronautic market are two examples of this harsh reality.

Notwithstanding the major risks involved, developing an autochthonous, strong, and autonomous aeronautic industry has been part of the strategic agenda of many nations, which invest heavily in its development over the years, recurrently supporting it by various schemes – celebrating major Defense systems and products contracts, financing new aircraft development programs under favorable terms, and providing all sorts of tax incentives.

Embraer goes international

Aware that winning new markets, which are essential for its growth and consolidation will become effective only if backed by its physical presence in these markets, through industrial plants or units for rendering post-sale services and support to clients, Embraer has, since its privatization in 1994, gradually extended its operations internationally as a strategic objective.

Far from losing its Brazilian identity and distancing itself from its origins, Embraer will, through internationalization, ensure new business deals, the strengthening of its trademark, and the generation of higher-qualification jobs in Brazil, in proportionately higher numbers than in its subsidiaries and controlling enterprises abroad.

In 1997, as it regained strength after introducing in the market its ERJ 145 commuter jet, Embraer launched its internationalization strategy by adopting measures that included (1) expanding or opening sales and marketing offices and replacement parts distribution centers; (2) participating in joint ventures; and acquiring traditional, renowned enterprises specializing in aeronautic services.

United States and Europe: consolidated presence

Embraer has long been active in the United States and in Europe – since 1978 and 1983, respectively – through sales and marketing offices and client support units (parts and services).



Phenom 100 and Phenom 300

The two units have had and continue to have a vital role in the expansion of its operations in those two main commercial aviation markets in the world. Including Brazil, 950 commercial jets, in addition to 800 turboprop planes as well as military planes made by Embraer are now flying. The U.S. and the European markets account for 95 percent of its total exports.

Facilities at the U.S. unit, located in Fort Lauderdale, FLA have been expanded to keep up with Embraer's operation since it delivered the first ERJ 145 commuter jet in December 1996 in that market. In November 2006 it had 234 employees and a spare parts stock of over 50,000 items.

With the increase of its business and client base in Europe, Embraer decided to concentrate into one place, located in Villepinte, near the Paris Roissy-Charles de Gaulle airport, its sales and marketing and client support units, including a major spare parts warehouse, one of which was already located in Villepinte while the other was previously located at the Le Bourget airport. The new integrated facilities should enhance the operational efficiency of a body of 194 employees charged with managing assets totaling 172 million euros and providing services to 37 clients.

China and Pacific-Asia: strategic markets

Given the importance of its economy, which has steadily grown at high rates for the last two decades, as well the strategic significance of air transport as an integrating factor and a development engine on a continental-size territory, China has been selected by Embraer as a strategic goal, which requires specific, differentiated treatment in view of its cultural characteristics, far removed from the Western world.

Embraer's presence in China started in May 2000, with the opening of a sales and marketing office in Beijing, followed soon after by the opening of a spare parts distribution center in the same city.

In 2001 and 2002, it negotiated an agreement with Chinese authorities under which it would be allowed to install an industrial plant to make ERJ 145 family aircraft for the Chinese market.

Finally, in December 2002, an agreement was signed with Aviation Industry of China II (AVIC II), establishing the Harbin Embraer Aircraft Industry (HEAI), a joint venture controlled by Embraer, which holds 51 percent of voting shares.

In February 2004, Embraer announced its first sale in China through HEAI: six ERJ 145 jets sold to China Southern. Other significant sales followed: the same number of the same model sold to China Eastern Jiangsu in March 2005 and to China Eastern Wuhan in January 2006.

In August 2006, Embraer announced the sale of 50 WRJ 145 planes and 50 EMBRAER 190 jets to the HNA Group, China's fourth largest air company. This deal was the first sales contract of an E-Jet on mainland China, with a list price of US\$2.7 billion. ERJ 145 delivery will start in September 2007. The 50-seat jet will be made by HEAI in Harbin, in the Heilongjiang Province.

By end-2006, HEAI will have delivered 13 ERJ 145 planes, which, together with the five sold in 2000 to Szechuan before the establishment of the joint venture, will bring to 18 the total number of these jets currently operated by Chinese airlines.

As regards the Pacific Asian region, in December 2000 Embraer opened a sales and marketing office in Singapore, entrusted with implementing the enterprise's trade strategy for the region's markets, including the Indian subcontinent.



Embraer's Headquarters. São José dos Campos

The Indian aeronautic market is undergoing a deregulation process and shows bright growth prospects. In this context, Paramount, a recently established company, has announced the start of its operations, based on the operational leasing of two jets: Embraer 170 and Embraer 175.

Also in India, Embraer has signed a major contract with the government for the sale of five Legacy 500 jets, particularly adapted to meet the comfort and safety requirements of that country's authorities.

Expansion of Embraer's client services and support base

Embraer plans to continue expanding its client services sector not only to ensure that its clients will achieve excellent dispatchability rates for their aircraft fleet but also to provide them with other services, such as aircraft maintenance and repair, to their full satisfaction, which is essential for the achievement of our goals and the growth of our operations.

Thus, in addition to consolidating its client services in Brazil through the transfer of its Services Center to the Gavião Peixoto Unit, it has expanded its services operations in the United States, with the addition of the new facilities of the Embraer Aircraft Maintenance Services-EAMS, in Nashville, Tennessee, and in Europe, with the acquisition of OGMA-Indústria Aeronáutica de Portugal S.A., in Alverca, Portugal, announced in December 2004, at the completion of its privatization process.

Early in 2005, EAMS expanded its facilities at the Nashville International Airport to raise its services capacity, in view of the growing fleet of Embraer aircraft in the United States. This major decision led to the progressive hiring, as of 2005, of additional EAMS employees, bringing their total to 277 by November 2006.

Since its establishment in 1918, OGMA has devoted itself to aircraft maintenance and is today a major representative of the European aeronautic industry, providing maintenance and repair services for civil and military aircraft, engines and components, and modification and assembling of structural components, as well as engineering support.

Its main clients are the Portuguese, the French, and the U.S. Air Forces and the U.S. Navy, Nato's Maintenance and Supply Agency, and the Dutch and Norwegian Navies, among others. In the trade area, OGMA also provides services to airlines such as TAP, Portugalia, British Midland, and Luxair, and to enterprises, including Embraer and Rolls-Royce.

In addition to doing maintenance work, OGMA also manufactures structural components and composite materials for Boeing, Airbus, Lockheed Martin, Dassault, and Pilatus. By November 2006, its work force totaled 1,606 employees, which makes it Embraer's largest unit and subsidiary.

Preserving culture, values, and attitudes – an enduring challenge

The velocity of Embraer's expansion since 1996, when its ERJ 145 aircraft went into operation, has brought with it formidable challenges in respect of the preservation of culture, values, and attitudes, a concern that continues to guide the enterprise's actions.



EMBRAER 170/190 family

To illustrate the magnitude of such a challenge, suffice it to mention that in April 1997, Embraer had only 3,200 employees scattered through five operational units – three in Brazil and two abroad. Today, nine years later, it has 18,670 employees, scattered through thirteen operational units – five in Brazil and eight abroad. In just one of its units, located in France, 26 nationalities and 19 languages are represented in a work force of 194.

One of the managers' top priorities is to recognize the worker's ethnic and cultural diversity and their different working environments, including specific labor legislations, while developing their maximum potential by directing their energy toward the business's objective, in perfect consonance with the enterprise's ethical and moral values.

The main element for the achievement of this intent is the so-called Management Methodology through Action Plan. Each year Embraer prepares an Action Plan based on a five-year perspective and follows a strategic planning model that takes into consideration markets, competitors, the enterprise's capabilities, opportunities, and risks, priorities, and results, among other factors.

The Enterprise's Action Plan is based on the equivalent internal plans for each corporate, functional, and business area, reaching down all the way to the plant floor, all in accordance with the general guidelines issued by the enterprise's top management. The enterprise's variable pay policy, encompassing all employees, takes into account the targets agreed by the leaders and the led along the entire chain of command. The Action Plan is thus the key instrument for the management of the business, and for all the employees' alignment with and commitment to the agreed targets and results.

In addition to the Action Plan Methodology, Embraer maintains a strong Internal Communication culture aimed at integration with its employees and their families and at disseminating Embraer's central values and concepts.

Internal Communication works in a global, integrated manner, through the use of tools that are both modern of highly attractive to the employees:

- Embraer's Director and President has his own tool for communicating with employees, called *Em Tempo*, issued simultaneously in Portuguese and in English. More recently, *Em Tempo* has been issued in special editions on video;
- Embraer Intranet is a tool of corporate reach and our employees' main source of information, which is accessed an average of 24,500 times a day;
- Some 600 internal communiqués are issued annually and made available to employees through Intranet and bulletin boards; 25 percent of these communiqués are of corporate reach;
- The *Embraer Notícias* [Embraer News] is devoted to issues that are essential to Embraer's culture: the Management Methodology through the Action Plan, the importance of cost discernment and contention, combating waste, team rallying around Embraer's broad entrepreneurial objectives, etc.;
- Interviews with Embraer's top executives are translated and sent to the units located abroad. As they consistently address market evaluation and the enterprise's strategies and objectives, they are well heeded by employees;

- Articles published in the national and international media on themes of interest to Embraer's business are translated and made available to employees.

Armed with this vision and determination, grounded on ethical and moral values, and having integrity as the spring of its actions, Embraer embarks upon an extremely challenging and competitive entrepreneurial activity. And in so doing it brings to the markets the image of an efficient, agile Brazilian enterprise known for its quality products and technological state-of-the-art.

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