

5-5-2006

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Recommended Citation

LADB Staff. "Venezuela Threatens Withdrawal from Andean Community." (2006). <https://digitalrepository.unm.edu/notisur/13483>

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Venezuela Threatens Withdrawal from Andean Community

by LADB Staff

Category/Department: Venezuela

Published: 2006-05-05

In retaliation for Colombia's and Peru's decision to sign a free-trade agreement (FTA) with the US (see NotiSur, 2006-01-13 and 2006-03-10), Venezuelan President Hugo Chavez has announced that he will pull out of the Comunidad Andina de Naciones (CAN), a regional trade bloc that also includes Ecuador and Bolivia. Chavez's decision increased tensions between his government and those of Colombia and Peru, while Chavez ally Bolivian President Evo Morales initially called on him not to pull out of the bloc.

Response to approval of free trade agreements

Chavez said that the decision to pull out of the CAN was a response to the acquiescence of Presidents Alejandro Toledo of Peru and Alvaro Uribe of Colombia to US trade deals. Chavez also announced a set of protectionist measures to insulate his country from an "invasion" of US products through neighboring countries. Venezuela has been attempting to rebuild its suffering agricultural sector, which has declined since oil became the country's primary economic driver (see NotiSur, 2005-03-18).

Venezuela cannot compete against "subsidized products" from the US, said Chavez, who accused Colombia and Peru of killing the CAN by signing free-trade pacts with Washington. "It is a strategic decision to safeguard the national interests," Chavez said April 23 on his weekly radio and TV program. Chavez says FTAs with the US benefit big international companies at the expense of the region's poor.

Chavez announced the withdrawal from CAN the week before, calling it a "fatally wounded" group after Colombia and Peru finalized the trade pacts with the US. "We will have to take a series of measures to protect us from the invasion of products from the US through Colombia and other countries like Peru that have signed the free-trade agreements," he said. "The decision is irrevocable," Chavez said, adding that the US government "intends to impose an international dictatorship."

Venezuela notified the CAN on April 22 of its decision, but the pullout will be "a long process" of about five years, said Maria Cristina Iglesias, the government's minister of commerce and light industry. Still, Chavez said Venezuela could ask for "an acceleration of the process of disconnecting from the agreements." Iglesias said that the government would study each area of exchange with the bloc and that the country "would fulfill all its obligations."

Foreign Minister Ali Rodriguez said in a letter to the CAN that the US trade deals with Colombia and Peru go against the "original principles" of the community. Such trade deals, he said, put special interests "above the interests of the people," without respect for human rights. President

Morales of Bolivia also expressed concerns about how Uribe's adherence to US terms had damaged Bolivia's export producers and potentially undermined CAN principles (see NotiSur, 2006-04-07).

Chavez recently made moves to give his country full membership in the Southern Cone Common Market (MERCOSUR) and increase regional economic integration (see NotiSur, 2005-12-02). That decision joined Venezuela to other left-leaning governments in Argentina, Brazil, and Uruguay, as well as Paraguay. MERCOSUR had also moved to integrate further with the CAN in 2004 (see NotiSur, 2004-04-23). But the CAN's loss of Venezuela, an oil power that is growing with the global increase in petroleum prices, could be a serious if not fatal blow to the trade bloc. Iglesias said that, because of Colombia's trade pact with Washington, cheap US products would be shipped through Colombia into Venezuela and would work against the Venezuelan government's efforts to build up local industries.

The US and Colombia are Venezuela's top trading partners. Trade between Venezuela and Colombia last year stood at some US\$2.5 billion, according to official figures, although political tensions slowed cross-border dealings early in 2005 (see NotiSur, 2005-02-18 and 2005-01-28). Some business leaders have said Venezuela's pullout from the CAN will hurt its economy and take away jobs, though government officials deny that. Trade between member countries has risen on average by 13.5% a year since 1990 when the CAN began gradually lifting tariffs and liberalizing trade, according to its Web site.

Chavez in war of words with Colombia, Peru

There have been ongoing tensions between the governments of Peru and Venezuela regarding Chavez's supposed "interference" in Peru's internal affairs (see NotiSur, 2006-01-27). Peruvian President Toledo ordered his ambassador in Caracas home on April 29, citing "persistent and flagrant interference" in the country's upcoming presidential elections. Chavez has characterized one of Peru's presidential candidates as a thief and repeatedly endorsed a nationalist candidate.

"The government of Peru has decided to immediately remove its ambassador from the Bolivarian Republic of Venezuela for the persistent and flagrant interference in internal affairs of Peru, in clear violation of the principles and norms of international law," the Foreign Ministry said in a statement emailed to the Associated Press. The statement said that, besides Chavez's "repeated statements" about Peru's electoral process, the decision also was in response to comments he made aimed at Toledo. Tensions began when presidential candidate and former President Alan Garcia (1985-1990) earlier that week referred to Chavez and his close ally, Bolivian President Morales, as "historical losers" after they criticized Peru's signing of the FTA. Garcia has engaged Venezuela's government in further verbal warfare, calling Chavez a "bribe-taker" and "alcoholic," while comparing him to deposed Iraqi dictator Saddam Hussein. He apparently views the conflict as a good strategy for gaining votes in his presidential campaign.

Chavez responded by calling Garcia whose administration was marked by hyperinflation, food shortages, and guerrilla violence a "thief" and a "crook." Chavez threatened to withdraw Venezuela's ambassador if the former leader is elected in an upcoming presidential runoff against Ollanta Humala. "I hope that Ollanta Humala becomes president of Peru," Chavez also said.

"To Ollanta Humala, I say, go comrade! Long live Ollanta Humala! Long live Peru!" Humala has pledged greater state intervention in Peru's free-market economy and a radical redistribution of Peru's wealth in favor of the poor majority. Chavez said the complaints by Toledo's government showed that Garcia and the Peruvian leader are "crocodiles from the same waterhole."

On April 21, Toledo told reporters, "I will not permit President Chavez to once again inject himself [in Peru's affairs]...much less with blackmail and threats." Peru also recalled its ambassador from Venezuela for more than a week in January to protest when Chavez said Humala was the voice of Peru's downtrodden and described Peru's then front-running presidential candidate Lourdes Flores, a former congresswoman, as "the candidate of Peru's oligarchy." Flores conceded defeat in the first round of voting (see other story in this edition of NotiSur).

Chavez also attacked Colombia's President Uribe as a "bigamist" for courting both the US and the CAN. Uribe mocked the accusation by saying that it would be better to accuse him of being a "polygamist," since his country has trade relations with the CAN, MERCOSUR, China, the US, and Central America, among others. Nonetheless, Uribe said that he was ready to meet with Chavez to agree on necessary modifications in their trade relations and that he was ready to adopt measures to avoid "triangulation" wherein "gringo products" would invade the Venezuelan market. Morales, Castro, & Chavez sign People's Trade Treaty Chavez and Cuban President Fidel Castro have proposed the Alternativa Bolivariana de las Americas (ALBA) trade pact based on socialist ideals as an alternative to the US-backed Free Trade Area of the Americas (FTAA).

On April 29 the two joined Bolivia's Morales to sign a Tratado de Comercio de los Pueblos (TCP), promising a socialist version of regional commerce and cooperation under the ALBA framework. Cuban authorities did not release copies of the TCP, but local media reported that it had the same language as the declaration signed last year by Castro and Chavez, which contained much leftist rhetoric and few specifics, but was followed by closer economic ties between the two leaders. Venezuela-Cuba trade is expected to reach more than US\$3.5 billion this year about 40% higher than in 2005.

Among other measures, the deal signed by Chavez and Castro has Venezuela the world's fifth-largest oil exporter and a major supplier to the US selling 90,000 barrels a day of crude to the island at international market prices, but in exchange for services and agricultural products instead of cash. Later on April 29, the three presidents signed a second document with more concrete proposals. Cuba promised to send Bolivia doctors and teachers. Venezuela will send gasoline to the Andean nation and set up a US\$100 million fund for development programs and a US\$30 million fund for other social projects. Cuba and Venezuela also agreed to buy all of Bolivia's soybeans, recently left without a market after Colombia signed the FTA with the US.

ALBA comes in opposition to the FTAA hemispheric trade pact, which has stalled in years past, but Washington has since signed nine FTAs with Latin American countries. The Cuban, Venezuelan, and Bolivian presidents called the FTAA a US effort to "annex" Latin America. "Only an integration based on cooperation, solidarity, a common will to advance together, and united to the highest levels of cooperation could satisfy the aspirations and desires of Latin American and Caribbean countries," Cuba and Venezuela wrote in their ALBA deal last year.

"According to any reasonable definition of the term, this is not a trade agreement," Michael Shifter, a political analyst with the Inter-American Dialogue in Washington, said of last year's deal. "It's an attempt to pose a real counterweight to the US role and agenda in Latin America." Shifter said Chavez is likely eyeing Peru as a potential ALBA member if Humala prevails in the presidential runoff, though he doubts other Latin American nations would want to join. Humala was the front-runner in the April election. Morales' and Chavez's participation in the ALBA has rattled Bolivian and Venezuelan business leaders.

"The government should reach out more to the business sector and create a common agenda, figure out what markets interest us, where there are possibilities, and separate the ideological and political from trade and economy," said Gary Rodriguez, general manager of the Bolivian Foreign Trade Institute. Bolivia shipped just US\$5,291 in goods to Cuba last year, ranking Cuba number 88 in the Bolivian export market, according to the institute. Venezuela is Bolivia's fifth-largest market, accounting for US\$167 million of Bolivia's US\$2.7 billion in exports.

BBC News says closer integration between oil-rich Venezuela and gas-rich Bolivia will give the ALBA pact added weight.

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