

6-23-2006

Venezuela Leaves Andean Nations Bloc

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/notisur>

Recommended Citation

LADB Staff. "Venezuela Leaves Andean Nations Bloc." (2006). <https://digitalrepository.unm.edu/notisur/13498>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiSur by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Venezuela Leaves Andean Nations Bloc

by LADB Staff

Category/Department: South America

Published: 2006-06-23

Leaders from the four member states of the Comunidad Andina de Naciones (CAN) met at a June 13 summit in Quito, Ecuador. There they attempted to strengthen the trade bloc after Venezuela's decision to leave it threw the group into crisis (see NotiSur, 2006-05-05). The Andean countries Bolivia, Colombia, Ecuador, and Peru have formally requested the US to extend soon-to-expire trade preferences they now enjoy. The summit in Quito was the body's first since Venezuela announced its "irrevocable" exit from the CAN after Peru and Colombia each signed free-trade agreements (FTAs) with the US.

"The CAN is dead, the US killed it," said Venezuelan President Hugo Chavez, alluding to his disagreement with the trade pacts Colombia and Peru signed and are in the process of ratifying. Chavez and Bolivian President Evo Morales think the Peru and Colombia FTAs are detrimental to other members of the bloc (see NotiSur, 2006-04-07), which was formed in 1969 and had a total trade exchange of US\$9 billion in 2005. Morales had reportedly tried to convince his ally Chavez to reconsider leaving the bloc, but to no avail.

At the summit, Morales called for "unity to strengthen ourselves internally, nationally, and regionally, but unity fundamentally [directed toward] some external powers. Unity before the US to negotiate better or to dialogue better with our peoples, unity before the European Union (EU), unity before the world." Morales said it is "important to save the CAN to benefit our national majorities."

Outgoing Peruvian President Alejandro Toledo said that there was a "sense of solidarity, of cohesion" in the Andean bloc, and he backed the call for the US to extend trade preferences. "Every country of the subregion had a different vision and pace for a trade agreement" with the US, said Toledo. Bolivia was locked out of direct talks with the US during Andean Free Trade Agreement talks (see NotiSur, 2005-05-20), while the US suspended negotiations with Ecuador after the government made a judicial decision to expel US-based petroleum company Occidental (see NotiSur, 2006-06-02).

Nations ask US to extend Andean trade preferences

The four Andean countries have trade preferences under the Andean Trade Preference and Drug Enforcement Act (ATPDEA), set to expire in December of this year. It was designed in 2002 to provide alternative economic opportunities to farmers who might otherwise turn to the cultivation of illicit crops by giving trade preference to thousands of products. The Andean Free Trade Agreement (AFTA) had been set to include Colombia, Ecuador, and Peru in an effort to replace and enhance ATPDEA preferences, but the deal devolved into a set of bilateral treaties when Peru and then Colombia finished negotiations without their neighbors (see NotiSur, 2006-01-13 and 2006-03-10). US officials have said that an extension, in lieu of formal trade deals, is not likely.

Colombian Trade Minister Jorge Humberto Botero said President Alvaro Uribe Washington's staunchest ally in the region was expected to appeal to US President George W. Bush during a June 14 meeting at the White House to restart stalled trade talks with Ecuador. The four presidents signed a letter petitioning for an extension of preferences at the summit. Toledo commented that the extension would help the two countries that have not yet finished a deal with the US.

The government of Colombia is firmly allied with the US government, while the incoming administration of Peruvian President-elect and former President Alan Garcia (1985-1990) has made an effort to assure multilateral lending institutions like the International Monetary Fund (IMF) that he will implement austere and not-too-populist economic policies. The congresses of both countries have yet to ratify the FTAs, but Colombia's Congress, firmly in Uribe's corner, will likely offer little objection.

The story in Peru is less clear, since nationalist opposition leader Ollanta Humala has the largest (although not a majority) presence in Congress and fiercely opposes the elitist economic policies that led to the signing of the deal (see NotiSur, 2006-06-16). Bolivian President Morales sought to encourage the Ecuadoran government to join in the style of economic development he and Venezuela's Chavez have pursued. This may signal a coming tug-of-war regarding Ecuador's future between business-oriented President Uribe of Colombia and Bolivia's President Morales, a proponent of state-driven development. Ecuador's next president will be determined in elections this October.

Andean countries seek deal with European Union

Andean countries, especially Colombia, would also like to begin work on a trade agreement with the EU. Ecuadoran Ambassador to Italy Julio Pitchirilli said that there were good prospects for an EU-CAN agreement, although there were still obstacles. "The first step is to smooth the ground to open negotiations," said Pitchirilli to Quito newspaper El Comercio.

In May, during an EU-Latin America summit in Vienna (see NotiSur, 2006-06-02), the CAN and the EU agreed to begin "a process that will bring about negotiation of an Association Agreement that will include political dialogue, cooperation, and a trade agreement," according to a declaration approved by 60 leaders. "On this point, the CAN and the EU agree to hold all the necessary meetings before July 20, 2006, to clarify and define the bases of negotiation that will permit total participation on all parts," said the text.

Uribe says a trade agreement is necessary because trade preferences the EU unilaterally conceded will expire in ten years. But the likelihood of an EU-CAN deal is probably small, especially given the disagreements within the bloc and given market inequalities between the Andeans and the Europeans. Prospects for a trade deal between MERCOSUR and the EU have been moribund for months, with the EU's subsidies to its agricultural sector being a main sticking point (see NotiSur, 2004-10-15 and 2005-09-09).

The CAN is still in a difficult position without Venezuela's presence, despite its protestations of unity and solidarity on June 13. Venezuela is formally joining the Southern Cone Common Market

(MERCOSUR) as a full member, with work on that process scheduled for a July 4 presidential summit in Caracas and another on July 20-21 in Cordoba, Argentina.

A statement from the Argentine Foreign Ministry highlights the strength of MERCOSUR relative to CAN, saying, "The five countries [are consolidating] the integration of South America in the context of regional integration," and the bloc "will count on 75% of the GDP of the region and will include 250 million inhabitants who form" MERCOSUR's population.

-- End --