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LATIN AMERICAN UPDATE: SOMETHING IS GOING ON IN LATIN AMERICA

*Mauricio Baquero Herrera**

THE time period spanning from 2005-2006 has been a decisive period in the modern history of Latin America. Determinant events in the politics of the region seem to have changed the approach of Latin American countries to unilateralism, regionalism, and multilateralism, in addition to economic and social policies. Certainly, there is something going on in the region that is difficult to grasp at first glance. The change has been gradual; it is politically oriented as well because it appears to be the region's reaction to decades of implementing questionable imported economic policies and failed models of development. The President of Venezuela has been influential in effecting these changes in the region. Such effect occurs, among other causes, as the political tendency in the region leans to the left. An increasing number of Latin American countries are electing left-wing parties that are gaining more presence in congresses or are actually getting access to the executive power.

At the same time, Latin America is more independent from the International Monetary Fund (IMF). Countries such as Argentina and Brazil have paid back their debts or, as in the Colombian case, have ended the use of IMF's facilities for the time being. This is one of the most important economic events in the last two decades for these countries. It means that their fiscal, macroeconomic, financial, and overall economic policies will not be influenced by the IMF staff or otherwise subjected to any kind of conditional prerequisites. In sum, Latin American countries are achieving independence from one of the most influential international financial institutions.

Does this mean that the region is growing up? The answer to this question is far from clear. What is evident, however, from the point of view of the external policies of the Latin American nations is the formation of two main blocks: the first one comprises a group of countries that have signed or are in the process of negotiating a Preferential Trade Agreement (PTA) with the United States and are looking to the Pacific as a long term project; the second comprises countries not aligned with the United States' policies. The formation of these two blocks is transforming the region's traditional approach to regionalism. For instance, Venezuela suddenly withdrew from the Andean Community, the oldest sub-

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regional economic integration scheme in South America.¹ The Andean Community was deeply affected by this sudden withdrawal. But this Andean group has become stronger and refreshed by the recent Chilean adhesion. In addition, MERCOSUR, the most promising sub-regional integration scheme of the 1990s, seems to be losing its internal cohesion because Uruguay is starting negotiations with the United States towards a PTA, and the group needs Venezuela as a new full member. The following sections summarize the most important aspects of these transformations.

I. THE INTERNATIONAL POLICY OF VENEZUELA AND ITS EFFECTS IN LATIN AMERICA: OIL, ECONOMIC POWER, AND POLITICAL INFLUENCE

Although there are no reliable estimates of world oil reserves available to the public,² president Hugo Chavez acts as if Venezuela has the largest oil reserves in the world.³ Most of the schemes set up by Chavez in Latin America during the last months involve oil. Venezuela made a pact with Cuba to expand subsidized shipments of oil to Cuba in return for the services of 17,000 Cuban doctors.⁴ Venezuela, together with Argentina and Brazil, created Petrosur,⁵ an agreement to develop a field in Venezuela's heavy-oil belt in the Orinoco, a refinery in Brazil's northeast, and an oil and gas venture in Argentina. At the same time, Chavez established Petrocaribe, a project that offers cheap credit for oil imports to Caribbean and Central American countries.⁶ It gave the signatories

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1. In short, the Andean Community is a group of four South American countries that have combined resources and efforts in order to foster autonomous industrial growth in the region. For more information on the Andean Community visit its homepage, <http://www.comunidadandina.org/INGLES/who.htm>.
 2. According to OPEC, the bulk of OPEC oil reserves are located in the Middle East, with Saudi Arabia, Iran, and Iraq contributing 57 percent to the OPEC total. Venezuela is an important part of the OPEC share of the World Crude Oil Reserves. See Organization of the Petroleum Exporting Countries, *Annual Statistical Bulletin* (2005), <http://www.opec.org/library/Annual%20Statistical%20Bulletin/pdf/ASB2005.pdf> (last visited Oct. 15, 2006).
 3. On April 3, 2006 Mr. Chavez told BBC Newsnight that "Venezuela has the largest oil reserves in the world. In the future Venezuela won't have any more oil - but that's in the 22nd Century." That program quoted an analysis by the U.S. Department of Energy, according to which "at today's prices Venezuela's oil reserves are bigger than those of the entire Middle East - including Saudi Arabia, the Gulf states, Iran and Iraq." See *BBC Newsnight: Chavez Rules Out Return to Cheap Oil* (BBC television broadcast Apr. 3, 2006), available at <http://news.bbc.co.uk/2/hi/americas/4871938.stm> (last visited Oct. 15, 2006).
 4. "A 2005 agreement sent 20% of Cuban doctors to serve in poor urban Venezuelan barrios, in exchange for a daily supply of 90,000 barrels of Venezuelan oil." See Council on Hemispheric Affairs, *Cuba Comes in from the Cold*, CUBA JOURNAL, July 31, 2006, available at http://cubajournal.blogspot.com/2006_07_01_cubajournal_archive.html (last visited Oct. 15, 2006).
 5. Richard Smith, *Venezuela's Geopolitical Chess*, VENEZUELANALYSIS.COM, July 12, 2004, <http://www.venezuelanalysis.com/articles.php?artno=1215> (last visited Oct. 19, 2006).
 6. Dilip Hiro, *The Power of Oil*, YALEGLOBAL ONLINE, Jan. 10, 2006, <http://yaleglobal.yale.edu/display.article?id=6761> (last visited Oct. 19, 2006).

up to 15 years to pay for Venezuelan oil with a nominal 2 percent interest at \$20 a barrel, one-third less than the prevalent price of \$30. The updated scheme enabled the signatories to pay only \$40 a barrel instead of the market rate that shot up to nearly \$70 in October.⁷

On July 22, 2006, at a meeting of Andean presidents, Mr. Chavez proposed Petroandina, under which these oil-producing countries would cooperate on pipelines and refining.⁸

Venezuela has already bought, in 2005, about \$3.1 billion in Argentine bonds.⁹ Venezuela has also bought external debt from Ecuador.¹⁰ Venezuela has plans with Colombia to build pipe lines capable of linking Maracaibo to the Pacific, making it more efficient to export Venezuelan oil to Asia.¹¹ Venezuela has even sent heating oil, “a ‘humanitarian’ gift from Venezuelan President Hugo Chavez” to the Bronx in the United States.¹² Another example of Chavez’s oil policy is Telesur, a new regional television channel that began pilot transmissions on July 24, 2006.¹³ This television channel is backed by the governments of Argentina, Cuba, Uruguay, and Venezuela. But 70 percent of the channel’s \$10 million start-up cost comes from Venezuela’s government.¹⁴ These initiatives have increased Chavez’s popularity. In a word, as *The Economist* suggests, “Mr. Chávez is using some of his country’s windfall oil revenues to procure friends and influence abroad, especially in Latin America.”¹⁵

II. THE LEFT-WING POLITICS AND THE RETURN TO THE SOCIAL CONCERNS IN LATIN AMERICA: MORE THAN WORDS?

Latin America’s political map has changed as twelve of the region’s

7. *Id.*

8. *Venezuela and Latin America: Using Oil to Spread Revolution*, THE ECONOMIST, July 28, 2005, available at http://www.economist.com/world/la/displayStory.cfm?story_id=4232330 (last visited Oct. 15, 2006).

9. *The Chávez Play*, THE ECONOMIST, Oct. 26, 2006, available at http://www.economist.com/displayStory.cfm?story_id=8086810 (last visited Nov. 15, 2006).

10. Venezuela agreed to buy up to \$300 million out of Ecuador’s planned \$500 million bond issue. See *Q&A with the Board of Advisers*, INTER-AMERICAN DIALOGUE: LATIN AMERICA ADVISOR, Aug. 1, 2005, <http://www.thedialogue.org/iac/eng/about/documents/LAA050801-pg3.pdf#search=%22Venezuela%20buys%20Ecuador%20external%20debt%22> (last visited Oct. 15, 2006).

11. See *Colombia, Vía de Crudo Venezolano a China*, EL TIEMPO.COM, Oct. 2, 2006, http://www.eltiempo.com/tiempoimpreso/edicionimpresa/economicas/2006-10-02/ARTICULO-WEB-NOTA_INTERIOR-3266566.html (last visited Oct. 15, 2006).

12. Michelle Garcia, *Politics or Not, Bronx Warmly Receives Venezuelan Heating Oil*, WASH. POST, Dec. 8, 2005, at A08, available at <http://www.washingtonpost.com/wp-dyn/content/article/2005/12/07/AR2005120702245.html> (last visited Oct. 15, 2006).

13. Mary Crane, *U.S.-Venezuelan Relations*, COUNCIL ON FOREIGN RELATIONS, Nov. 18, 2005, available at <http://www.cfr.org/publication/9253/> (last visited Sept. 12, 2006).

14. *Venezuela and Latin America: Using Oil to Spread Revolution*, *supra* note 8.

15. *Id.*

countries¹⁶ have held presidential elections between November 2005 and the end of 2006. At the time of writing, there are at least six left-wing governments ruling in important countries of the region: Argentina,¹⁷ Brazil,¹⁸ Bolivia,¹⁹ Chile,²⁰ Uruguay,²¹ and Venezuela.²² Recent elections held in Peru²³ and Mexico²⁴ also demonstrate the importance of left-wing movements in Latin America. The institutional uncertainty experienced in Mexico after the 2006 elections, exacerbated by the decision of the candidate of the left to create a parallel government,²⁵ is a worrying demonstration of the penetration and support given by the Mexican population to this political option. Ecuador²⁶ is another country where a left-wing party is increasing its chances of winning the forthcoming elections.

But it is important to bear in mind that the left in Latin America are not the same—there are important differences. For instance, Bachelet's government in Chile is closer to pro-free market than Morales's government in Bolivia. The external policies of Lula are more moderate than the aggressive approach of Chavez. Overall, these left-wing governments focus on social programs in education, land reform, and healthcare. Therefore, social issues are being emphasized by broadening state help to the poorest families through pooling public money for programs that alle-

16. These countries are Mexico, Costa Rica, Nicaragua, Honduras, Haiti, Colombia, Brazil, Bolivia, Ecuador, Chile, Peru, and Venezuela.

17. President Nestor Kirchner became the Argentinean Head of State in May 2003.

18. President Luiz Inacio Lula da Silva became Brazil's first left-wing president in four decades in October 2002. He was re-elected on October 1, 2006. But cash-for-votes scandals and the shadow of corruption in his government caused him to miss out on outright victory in the first round. The Brazilian election run-off will be on October 29, 2006. He is considered a moderate left-wing ruler.

19. President Evo Morales was elected on December 18, 2005 by an unprecedented 54 percent of the votes. He is the first indigenous president in Bolivia. Mr Morales is considered very close to Venezuelan President Hugo Chavez.

20. President Michelle Bachelet was elected in January 2006. She has continued the pro-free market policies of Chile's economy as well as the openness of Chile's economy to the world. Her latest move in terms of regionalism has been the decision to join the Andean Community again as an associated member.

21. President Tabare Vazquez became Uruguay's first left-wing head of state in March 2005.

22. President Chavez is likely to be re-elected on December 3, 2006. His *Revolucion Bolivariana* is intended to be a new form of socialism.

23. President Alan Garcia was elected on June 4, 2006. He is considered a centre-left candidate in comparison to the other candidate, nationalist Ollanta Humala.

24. President Felipe Calderon was elected on July 2, 2006. But the left-wing candidate Andres Manuel Lopez Obrador insisted he had evidence of irregularities and demanded a full recount. The Electoral Tribunal ruled on September 5, 2006 that Mr. Calderon had won the election. Mr. Lopez Obrador did not accept it and refused to recognize Mr. Calderon as the Constitutional President.

25. "Presidential runner-up Andrés Manuel López Obrador said he would create an 'alternate government,' calling Calderón an 'illegitimate president.'" See The Washington Post blog on Mexican elections, <http://blog.washingtonpost.com/mexicovotes/> (last visited Oct. 15, 2006).

26. The elections in Ecuador are going to be held on October 15, 2006. Candidates are Socialist Leon Roldos Aguilera (ahead in the polls), businessman Alvaro Noboa, Cynthia Viteri, from the Social Christian Party, and Rafael Correa, an economist.

viate extreme poverty.²⁷ Are such policies sustainable? Would they only mean a short-term solution to the poor as they leave aside important structural reforms? What are the macroeconomic and fiscal implications of these programs? These questions need to be addressed in order to make poverty mitigation more than mere words.

III. THE INCREASING INDEPENDENCE OF LATIN AMERICA FROM THE IMF: A GROWN UP REGION?

One of the most important pieces of economic news in the region is the increasing independence of relevant Latin American countries from the IMF. The IMF's presence in the region was used to coordinate and implement economic policies. But during the period of 2005-2006, two of the IMF's largest debtors proclaimed an early repayment: "Argentine president [sic] Néstor Kirchner announced 15 December that Argentina would repay the entire \$9.8 billion debt owed to the IMF through 2008. Two days earlier, Brazil had declared an early repayment of its outstanding obligations to the IMF amounting to \$15.5 billion."²⁸ In September 2006, Colombia ended its agreements with the IMF.²⁹

This means increasing independence of the region from international financial institutions in a time when the IMF is under scrutiny by the world financial community. If in the 1980s the Washington Consensus was formed, it seems that in 2000s a Latin American consensus is rising: It is time to look for other forms of financing the needs of the countries, it is time to try to be autonomous in economic decisions. There is nothing wrong with growing up. What concerns all involved is how. This independency from the IMF might be a mistake as a future economic crisis would prove or it might mean the most important economic decision in Latin America in the last decades. It is too soon to assess the overall result of such independency. But it is not naïve to suspect that Latin American governments and Central Banks are aware of the responsibilities of this move. It is time to show off what they have learned from the past.

27. In Brazil there is the "'Bolsa Familia' (family grant)" program. It guarantees to poor citizens \$45 a month from the federal government. In return, the families must ensure that their children stay in school and follow a prescribed course of vaccinations. See *Brazil Poor Feel Benefits of Lula's Policies*, BBC NEWS, Sept. 18, 2006, <http://news.bbc.co.uk/2/hi/americas/5301240.stm> (last visited Oct. 15, 2006).

28. See *Latin America Sends IMF Packing*, THE BRETTON WOODS PROJECT, Jan. 23, 2006, <http://www.brettonwoodsproject.org/art.shtml?x=507679> (last visited Oct. 15, 2006).

29. The plans for economic development of the last two Colombian governments were based on agreements reached by the Minister of Finance and the IMF staff. The IMF has strongly influenced Colombian macroeconomic and fiscal policies while the government has used the IMF excuse to implement unpopular reforms. See Carlos Caballero Argáez, *Se fue el FMI y... Nadie se dio Cuenta*, EL TIEMPO.COM, Sept. 15, 2006, http://www.eltiempo.com/opinion/columnistas/carloscaballeroargez/ARTICULO-WEB-NOTA_INTERIOR-3245333.html (last visited Oct. 15, 2006).

IV. THE EFFECT OF THE PTAS SIGNED OR IN PROCESS OF
NEGOTIATION BY UNITED STATES AND SOME LATIN
AMERICAN COUNTRIES: THE REGION DIVIDED
INTO TWO MAIN BLOCKS

In general, the main sub-regional agreements present in the region, such as the Andean Community or MERCOSUR, are of a South-South nature, joining mainly civil law based and Spanish speaking nations.³⁰ They are based on the Balassian model of PTAs.³¹ These agreements consider integration as an evolving process, starting as a Free Trade Area, which only takes into account trade in goods, followed by a Customs Union, whereby all member countries agree on setting up similar tariffs applicable to non-members. Finally, the process should reach a Common Market that becomes the highest phase of economic integration. It is characterised by the free circulation of goods, services, capital, and people. At the same time, differential treatment and the concession of preferences to less developed members is a principle that is an important feature of the Latin American approach to economic integration.

All South-South schemes (i.e., CACM, CARICOM, CAN, and MERCOSUR) adopted this approach. Due to different reasons, reaching the stage of a Customs Union has been difficult for all these sub-regional agreements. Equally important, the aim of reaching a Common Market has been set up only within the last decade. It explains why Latin American countries have recently been getting into the trend of negotiating formal liberalisation of the trade in services.

In contrast, the North American Free Trade Agreement (NAFTA) is a Free Trade Area that goes well beyond trade in goods. It does not establish a Common Market. It is not even a Customs Union with a common external tariff. It does not cede sovereignty to common economic or political institutions and it does not contemplate the free movement of labor. Furthermore, this agreement does not embrace any agricultural or social common policies, and it does not set up special funds to remedy the imbalances that may be present among its members.³² In addition, NAFTA uses an "all or nothing" method of negotiation.³³

From the day NAFTA entered into force,³⁴ it became a new paradigm of economic integration in Latin America, not only due to its North-South approach and the comprehensive scope of subjects being negotiated, but also because of the impetus given by the U.S. government to this bilateral approach to commercial liberalization. The age of the

30. Brazil is the only representative exemption.

31. Bela Balassa, *THE THEORY OF ECONOMIC INTEGRATION* (R.D. Irwin 1961).

32. See Miguel Otero-Lathrop, *MERCOSUR and NAFTA: The Need for Convergence*, 4 *L. & BUS. REV. AM.* 116, 118 (1998).

33. These differences illustrate why many of the Latin American countries are not familiar with the NAFTA-like approach and resent its equal treatment of the parties in the clauses of the treaty without taking into consideration the evident asymmetries that are present among the nations of the hemisphere.

34. NAFTA was signed on December 17, 1992 and went into effect on January 1, 1994.

NAFTA-like agreements started as all countries in the region embraced the policy of open regionalism.³⁵ Colombia, Mexico, and Venezuela signed as the Group of Three in 1994.³⁶ The free trade agreement between Chile and the United States was signed on June 6, 2003, and entered into force on January 1, 2004.³⁷ On August 5, 2005, CAFTA members signed a PTA with the United States.³⁸ It has been ratified by all CAFTA members.³⁹ On Tuesday, May 18, 2004, in Cartagena Colombia, three members of the Andean Community started negotiations with the United States for the establishment of a PTA.⁴⁰ Peru already signed a PTA with the United States on April 12, 2006.⁴¹ It is not yet in force. Negotiations among the United States and Colombia have finished;⁴² the PTA between these two countries is to be signed in November 2006. But not all countries have joined this process. Ecuador decided to stop the process. Bolivia initially acted as an observer, and when Evo Morales became President of Bolivia he declined to enter into these kinds of agreements.

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35. Open regionalism contains two antithetical propositions. On the one hand, it advocates regional integration as opposed to multilateral or global integration. Regionalism implies certain preferences among the members and a degree of protection against non-members. On the other hand, it proposes openness to other countries, blocs, and economies through different means, such as multilateralism. See Eduardo Mayobre, *The Rules of the World Game in Latin America's Foreign Policy*, 53 *CAPITULOS DEL SELA* 51, 60 (1998) (commenting on the concept of open regionalism). See also Mauricio Baquero-Herrera, *The Andean Community: Finding Her Feet Within Changing and Challenging Multidimensional Conditions*, 10 *L. & BUS. REV. AM.* 577, 577-612 (2004).
 36. The G-3 went into effect on January 1, 1995. But ten years later Venezuela announced its decision to withdraw.
 37. See Fact Sheet: Office of the United States Trade Representative, *The U.S.-Chile Free Trade Agreement: An Early Record of Success* (June 4, 2004), http://www.ustr.gov/Document_Library/Fact_Sheets/2004/The_US-Chile_Free_Trade_Agreement_An_Early_Record_of_Success.html.
 38. CAFTA was signed on August 5, 2004. See Dominican Republic-Central America-United States Free Trade Agreement, Aug. 5, 2004, available at http://www.sice.oas.org/Trade/CAFTA/CAFTADR_e/CAFTADRin_e.asp (last visited Oct. 20, 2006).
 39. El Salvador: December 17, 2004; Honduras: March 3, 2005; Guatemala: March 10, 2005; Nicaragua: October 11, 2005; United States: July 27, 2005.
 40. See Press Release, U.S.-Andean Free Trade Talks Progress in Atlanta, U.S. Dept. of State (June 18, 2004), <http://usinfo.state.gov/wh/Archive/2004/Sep/13-200589.html>. This process is the consequence of at least two circumstances. First, negotiating a preferential trade agreement with the United States is important for the Andean countries because the unilateral tariff preferences granted to certain products by the U.S. government, through the Andean Trade Preference Act and the Andean Trade Promotion and Drug Eradication Act will expire in 2006. There is an obvious need to preserve the advantages obtained and the positions already gained by some Andean products within U.S. markets. Second, the U.S. Trade Representative, Robert Zoellick, adopted a policy of one-on-one negotiation due to the difficulties in the negotiations of the FTAA and the WTO Doha Round.
 41. See Press Release, Peru, United States Sign Comprehensive Free Trade Agreement, U.S. Dept. of State (Apr. 12, 2006), <http://usinfo.state.gov/ei/Archive/2006/Apr/14-987834.html>.
 42. See Press Release, United States and Colombia Conclude Free Trade Agreement, U.S. Trade Rep. (Feb. 27, 2006), <http://lists.essential.org/pipermail/ip-health/2006-February/009168.html>.

The contrasts between the traditional Latin American pattern of integration and the NAFTA model being implemented through bilateral agreements have produced at least two main consequences. First, it has affected the old regionalism embodied in schemes such as the Andean Community, CARICOM, or CAFTA. The case of the Andean Community certainly is illustrative: it has been strongly troubled by the decision of three of its members to enter into negotiations with the United States. The internal cohesion of this scheme started to collapse when the Colombian, Ecuadorian, and Peruvian negotiators realized that some of the supranational rules already in force in the Andean sub-region were in contradiction with the main clauses of the PTA under negotiations with the United States.⁴³

Second, the Venezuelan government started to feel uncomfortable with the closeness of these three countries with U.S. economic policies. President Chavez began increasing his criticisms of the Bush administration as well as developing political and economic strategies to gain support for his anti-American ideas. In March 2005, the Venezuelan President, joined by other MERCOSUR leaders, declared the U.S.-sponsored Free Trade Agreement for the Americas (FTAA) as dead, proposing a new model instead: the ALBA initiative,⁴⁴ supported only by Cuba and Bolivia. From that day on, a chain of events started to happen. In October 2005, Venezuela announced its interest in becoming a MERCOSUR member. In the beginning, this move was seen as an important step to increasing integration in Latin America⁴⁵ as the Andean Community had already given enough flexibility to its members to join other sub-regional,

43. Intellectual Property rights have been a contentious aspect in this process. The original Decision 486 (2000) stipulated that Member Countries may take the necessary measures to guarantee the protection of test data. With Decision 632, the three member countries negotiated with the United States and pushed for a clarification of the second paragraph of Article 266 of Decision 486. Venezuela and Bolivia did not support such change. Because the Andean regulation requires unanimity to adopt Decisions, the chances for this modification to pass were minimal. But Decision 632 became a supranational regulation because Venezuela did not assist with that meeting of the Commission and Bolivia was not allowed to participate because it did not comply with the payments required by the Cartagena Agreement to maintain the Andean Integration System. This move was seen by Venezuela as inconvenient and triggered its final withdrawal from the Andean Community. See Decision 486, Common Intellectual Property Regime, Andean Community Commission (Sept. 14, 2000), available at <http://www.comunidadandina.org/INGLES/normativa/D486e.htm>; Decision 632, Clarification of the Second Paragraph of Article 266 of Decision 486, Andean Community Commission (Apr. 6, 2006), available at <http://www.comunidadandina.org/ingles/normativa/D632e.htm>.

44. ALBA is the Spanish acronym for the Bolivarian Alternative for the America (Alternativa Bolivariana para la América). More information on ALBA can be found at <http://www.alternativabolivariana.org/> (last visited Oct. 15, 2006).

45. See DARIO MONTERO, *South America: Mercosur Opens Doors to Worrying Fifth Element*, INTER PRESS SERVICE NEWS AGENCY, Dec. 8, 2005, <http://ipsnews.net/news.asp?idnews=31340> (last visited Oct. 15, 2006).

regional, or multilateral agreements.⁴⁶ But on April 22, 2006, the Bolivarian Republic of Venezuela communicated in writing to the Andean Commission its decision to denounce the Cartagena Agreement.⁴⁷ On July 4, 2006, Venezuela became a full member of MERCOSUR.⁴⁸ On August 9, 2006, through Decision 641, a Memorandum of Understanding signed by the Member Countries of the Andean Community and the Bolivarian Republic of Venezuela was approved.⁴⁹ In less than a year, Venezuela was out of the Andean Community and became a full member of MERCOSUR—this is an event that has changed the conventional balance of power in the region.

As a reaction to the Venezuelan movements and, when everyone expected a rapid decline or even the end of the Andean Community, a clever maneuver by the Andean leaders and the Chilean government produced an important effect. On August 7, 2006, the four Member Countries of the Andean Community formalized their invitation to Chile to join the group as an Associate Member.⁵⁰ After consultations and further contacts, Chile accepted the invitation and was granted the status of Associate Member Country of the Andean Community in September 2006 through Decision 645.⁵¹ Ironically, in the early days of the Andean scheme, when Chile retired from the Andean Pact, Venezuela decided to join the group. Almost thirty-five years later, when Venezuela denounced the Cartagena Agreement, Chile rejoined the Andean scheme.

46. See Decision 598, Trade Relations With Third Countries (July 16, 2004), available at <http://www.comunidadandina.org/ingles/normativa/D598e.htm> (last visited Oct 15, 2006).

47. According to article 135 of the Cartagena Agreement, from the moment the Commission is informed, the country denouncing the Agreement ceases to enjoy the rights and obligations deriving from its status as a Member, with the exception of the benefits received and granted in accordance with the sub-regional liberalization program. Such benefits remain effective for a period of five years after the date of the denouncement. See Cartagena Agreement, art. 135, 8 I.L.M. 910 (1969), available at http://www.comunidadandina.org/ingles/normativa/ande_trie1.htm (last visited Oct 15, 2006).

48. See Protocolo de Adhesión de la República Bolivariana de Venezuela al MERCOSUR, http://www.vtv.gov.ve/_Documentos/protocoloadhesionmercosur04julio06.pdf#search=%22Venezuela%20and%20Mercosur%22 (last visited Oct 15, 2006).

49. Decision 641 sets up a working group entrusted with the task of establishing the temporary provisions applicable to safeguards, dispute settlement, sanitary and phytosanitary measures, and technical obstacles to trade that are applicable to the liberalization program for trade in goods, in accordance with article 135 of the Cartagena Agreement. The group also defines the adjustments deemed necessary to the rules of origin that are in effect for trade between the Parties. See Decision 641, Approval of the Memorandum of Understanding Signed by the Member Countries of the Andean Community and the Bolivarian Republic of Venezuela, Andean Community Commission (Aug. 10, 2006), available at <http://www.comunidadandina.org/ingles/normativa/D641e.htm> (last visited Oct. 15, 2006).

50. See Andean Community's Letter of Invitation to Chile, http://www.comunidadandina.org/ingles/documentos/documentos/carta_chile.htm (last visited Oct. 15, 2006).

51. Decision 645, Granting of the Status of Associate Member Country of the Andean Community to the Republic of Chile, Andean Council of Foreign Ministers (Sept. 20, 2006), <http://www.comunidadandina.org/ingles/normativa/D645e.htm> (last visited Oct. 15, 2006).

Basically, the adjustments carried on during the last year in the region show the second effect of the external policies of the most influential countries in the region: Latin America is divided into two main blocks. The first block is more aligned to the U.S. economic policies and shares the common feature of having a NAFTA-like agreement with the United States. This group is looking to the North as well as to the Pacific. All countries in Central America, the remaining members of the Andean Community,⁵² and Chile, form a block of countries with access to the Pacific. With regard to these countries, the strategy takes into account their proximity to the United States as their actual main commercial partner, as well as the potential of Asia as a main future trade partner. The second block follows the Brazilian and Venezuelan lead⁵³ and shares a common attitude of independence from U.S. policies and closeness to Europe.

V. A FINAL COMMENT

All transformations referred to above are going on without affecting the U.S. policy in the region. The old backyard approach seems to remain in place even though President Bush came into office declaring that Latin America was a priority. After the attacks of 9/11, the fight against terrorism has focused the attention of U.S. policy makers on regions other than Latin America. Without any doubt Latin America is changing. What will be the final outcome of these changes? Would they mean an independent and mature region? Or would they create more political and economic uncertainty? How are they going to affect the Latin American citizenry? The implications these questions suggest that it is important to keep an eye on the region.

52. Except for Bolivia taking into consideration its land-locked condition and the closeness of its actual government to Chavez.

53. *Who Leads Latin America Lula v Chavez*, *THE ECONOMIST*, Sept. 30, 2006. The Venezuelan leader seems to be gaining more leadership in the region as Lula is sinking into more and more scandals related to corruption. He certainly is losing credibility.

Documentation

