

Latin America: In support of regional integration and partial delinking from the world capitalist market

We need to learn the lessons of the 20th Century in order to apply them at the beginning of the 21st Century

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Paper presented in Caracas on October 8, 2008 at the School of Planning for the international seminar titled “Responses from the South to the World Economic Crisis”. The other speakers on the panel were: Hugo Chavez, president of the Bolivarian Republic of Venezuela, Haiman El Troudi, Minister of Planning (Venezuela), Claudio Katz, Economist of the Left (Argentina) and Pedro Paez, Minister of Economic Coordination (Ecuador). The entire conference was broadcast live by Venezuelan state television.

The economic and financial crisis, whose epicentre is found in the United States, has to be utilised by Latin American countries to build an integration favourable to the peoples and at the same initiate a partial delinking.

We need to learn the lessons of the 20th century in order to apply them at the beginning of this century. During the decade of the 1930s, that followed the crisis that exploded on Wall Street in 1929, 12 countries in Latin America suspended for a prolonged time the repayment of their foreign debt, principally to North American and Western European bankers. Some of them, such as Brazil and Mexico, imposed on their creditors a reduction of between 50% and 90% of their debt some 10 years later. Mexico was the one that went the furthest with their economic and social reforms. During the government of Lazaro Cardenas, the petroleum industry was completely nationalised without any compensation for the North American monopolies. Moreover, 16 million hectares were also nationalised and in large part handed over to the indigenous population in the form of comunal goods (“el ejido”). During the thirties and up until the middle of the sixties, various Latin American governments carried out very active public policies with the aim of seeking a partially self-centred development, known later by the name of the model of industrialisation via substitution of importations (ISI). On the other hand, beginning in 1959, the Cuban revolution attempted to give a socialist content to the Bolivarian project of Latin American integration. This socialist content began to appear in the Bolivian revolution of 1952. Brutal US intervention, backed by the dominant classes and the local armed forces, was necessary to put an end to the ascending cycle of social emancipation during this period. The blockade of Cuba since 1962, military junta in Brazil from 1964, US intervention in Santo Domingo in 1965, the Banzer dictatorship in Bolivia in 1971, the Pinochet coup in Chile in 1973, installing of dictatorships in Uruguay and Argentina. The neoliberal model was put in practice first in Chile with Pinochet, and with the intellectual guidance of the Chicago Boys of Milton Friedman, and afterwards was imposed on all the continent, aided by the

debt crisis that exploded in 1982. With the fall of the dictatorships in the eighties, the neoliberal model continued in force, principally through the application of structural adjustments programs and the Washington Consensus. The governments of Latin America were incapable of forming a common front, and the majority applied the recipes dictated by the World Bank and the IMF in a docile manner. This ended up producing a large popular discontent and a recomposition of popular forces that led to a new cycle of elections of left or centre left governments, beginning with Chavez in 1998, who committed himself to installing a different model based on social justice.

There is a dispute between two projects of integration

At the beginning of this century, the Bolivarian [1] project of integration of the peoples of the region has gain new momentum. If we want this new ascending cycle to go further it is necessary to learn the lessons of the past. What was particularly missing in Latin America during the decades of the 1940s to the 1970s was an authentic project of integration of economies and peoples, combined with a real redistribution of wealth in favor of the working classes. We need to be conscious of the fact that in Latin America today there is a dispute between two projects of integration, that have an antagonist class content. The capitalist classes of Brazil and Argentina (the two principal economies of South America) are partisans of an integration based on their economic domination over the rest of the region. The interests of Brazilian companies, above all, as well as Argentine ones, are very important in all the region: oil and gas, large infrastructure works, mining, metallurgy, agrobusiness, food industries, etc. The European construction, based on a single market dominated by big capital is the model that they want to follow. The Brazilian and Argentine capitalist classes want the workers of the different countries in the region to compete amongst themselves in order to obtain maximum benefit and be competitive on the world market. From the point of view of the left, it would be a tragic error to fallback on a policy of stages: support a model of Latin American integration according to the European model, dominated by big capital, with the illusionary hope of giving it a socially emancipatory content later on. Such support implies putting oneself at the service of capitalist interests. We do not have to involve ourselves in the capitalist's games, trying to be more astute and letting them dictate the rules.

The other project of integration, that falls within Bolivarian framework, wants to given a social justice content to integration. This implies the recuperation of public control over natural resources in the region and over large means of production, credit and commercialisation. The levelling from above of the social conquests of the workers and small producers, at the same time as reducing the asymetries between the economies in the region. The substantial improval of paths of communication between countries of the region, rigourously respecting the environment (for example, developing railway lines and other means of collective transport before highways). Support for small private producers in numerous activities, agriculture, artisan, trade, services, etc. The process of social emancipation that the bolivarian project of the 21st century is pursuing aims to liberate society from capitalist domination supporting forms of property that have a social function: small private property, public property, cooperative property, comunal and collective property, etc. At the same time, Latin American integration implies equipping oneself with a common financial, judicial and political architecture.

Latin American is on the path to losing precious time

The current international conjuncture, favorable for developing countries that export primary products, needs to be utilised before the situation changes. The countries of Latin America have accumulated close to US\$400,000 million in reserves. This is no small figure, in the hands of Latin American Central Banks and which needs to be utilised at an opportune moment in order to help regional integration and shield the continent in the face of the effects of the economic and financial crisis that is unfolding in North America and Europe and that threatens the whole planet.

Unfortunately, we should not create illusions: Latin American is on the path to losing precious time, while the governments, beyond the rhetoric, pursue a traditional policy: signing of bilateral agreements on investment, acceptance or continuation of negotiations over certain free trade agreements, utilisation of reserves to buy bonds from the US Treasury (that is, lending capital to the dominant power) or credit default swaps whose markets have collapsed with Lehman Brothers, AIG etc, advance payments to the IMF, World Bank and the Paris Club, acceptance of the World Bank Tribunal (ICSID) as a way to resolve differences with transnationals, continuation of trade negotiations within the framework of the agenda of Doha, maintainance of the military occupation of Haiti. Following a loud and promising start in 2007, the initiatives announced in regards to Latin American integration seem to have come to a halt in 2008.

Bank of the South

In regards to the launching of the Bank of the South, this has already been delayed quite a bit. Discussions have not progressed. We have to get rid off any confusion and give a clearly progressive content to this new institution, whose creation was decided upon in December 2007 by seven countries in South America. The Bank of the South has to be a democratic institution (one country, one vote) and transparent (external auditing). Before using public money to finance large infrastructure project that don't respect the environment and which are carried out by private companies whose objectives are to obtain maximum benefit, we have to support the efforts of the public powers to promote policies such as food sovereignty, agrarian reform, the development of studies in the field of health and the establishment of a pharmaceutical industry that produces high quality generic medication, reinforce collective rail-based means of transport, utilize alternative energies to limit the impact on depleted natural resources, protect the environment, develop the integration of education systems....

Debt

Contrary to what many think, the problem of the public debt has not been resolved. It is true that the external public debt has been reduced, but it has been replaced by an internal public debt that, in certain countries, has acquired totally huge proportions (Brazil, Colombia, Argentina, Nicaragua, and Guatemala) to the point that it derails a considerable part of the state budget towards parasitically financial capital. It is very worthwhile following the example of Ecuador, which established an integral auditing commission to study the external and internal public debt, with the aim of determining the illegitimate, illicit and illegal parts of the debt. At a time when, following a series of adventurous operations, the large banks and other private financial institutions of the United States and Europe are wiping out dubious debts with an amount that by far surpasses the external public debt that Latin America owes them, we have to constitute a united front of indebted countries in order to obtain the cancellation of the debt.

Nationalisation of the banks without paying compensation and exercising the right of reparations

Private banks need to audited and strictly controlled, because they run the risk of being dragged down with the international financial crisis. We have to avoid a situation where the state ends up nationalising the losses of the banks, as has happened many times before (Chile under Pinochet, Mexico in 1995, Ecuador in 1999-2000, etc). If some banks on the brink of bankruptcy have to be nationalised, this should be done without paying compensation and exercising the right of reparations over the patrimony of their owners.

Moreover, numerous litigation cases have emerged in the last few years between the states of the region and multinationals, from the North and the South. Rather than taking them to the

International Centre for Settlement of Investment Disputes (ICSID), which is part of the World Bank, dominated by a handful of industrialised countries, the countries of the region should follow the example of Bolivia, which has pulled out of the organisation. They should create a regional organism for the resolution of litigation cases initiated by other countries or private companies. How can we continue to sign loan contracts or trade contracts that state that, in the case of litigation, the only jurisdictions that are valid are those of the US, United Kingdom or other countries of the North? We are dealing here with an inadmissible renouncement of the exercising of sovereignty.

It is worthwhile establishing a strict control over capital movements and exchange rates, with the goal of avoiding capital flight and speculative attacks against currencies in the region. For the states that want to make the Bolivarian project of Latin American integration for greater social justice a reality, it is necessary to advance towards a common currency.

Integration has a political dimension

Naturally, integration has to have a political dimension: a Latin American parliament elected by universal suffrage in each one of the member countries, equipped with a real legislative power. Within the framework of political construction, we have to avoid repeating the bad example of Europe, where the European Commission (that is, the European government) has exaggerated powers in regards to the parliament. We have to move towards a democratic constituent process with the goal of adopting a common political constitution. We also have to avoid reproducing the anti-democratic procedure followed by the European Commission that attempts to impose a constitutional treaty elaborated without the active participation of citizens and without submitting it to a referendum in each member country. On the contrary, we have to follow the example of the constituent assemblies of Venezuela (1999), Bolivia (2007) and Ecuador (2007-8). The important democratic advances achieved in the course of these three processes will have to be integrated into the Bolivarian constituent process.

Likewise, it is necessary to strengthen the powers of the Latin American Court of Justice, particularly in matters regarding the guaranteeing for the respect of inalienable human rights.

Until now, various processes of integration coexist: the Community of Andean Nations, Mercosur, Unasur, Caricom, Alba.... It is important to avoid dispersion and adopt a integration process with a social-political definition based on social justice. This Bolivarian process should bring together all the countries in Latin America (South America, Central America and the Caribbean) that adhere themselves to this orientation. It is preferable to commence this common construction with a reduced and coherent nucleus, rather than with a heterogeneous set of states whose governments follow contradictory, if not antagonistic, social policies.

Partial delinking from the world capitalist market

Bolivarian integration should be accompanied with a partial delinking from the world capitalist market. We are dealing with trying to progressively erase the borders that separate the states that participate in the project, reducing the asymmetries between the member countries especially thanks to a mechanism of transfer of wealth from the "richer" states to the "poorer". This will allow for the considerable expansion of the internal market and will favour the development of local producers under different forms of property. It will allow for the putting into action of a process of development (not only industrialisation) with substitution of importations. Of course, this implies the development, for example, of a policy of food sovereignty. At the same time, the Bolivarian project made up of various member countries will partially delink itself from the world capitalist market. This means in particular the repealing of bilateral treaties in areas of investment and trade. The member countries of the Bolivarian group should also pull out of institutions such as the World

Bank, the IMF and the WTO, at the same time as promoting the creation of new democratic global institutions that respect inalienable human rights.

As was mentioned before, the member state of the new Bolivarian group would equip itself with new regional institutions, such as the Bank of the South, which would develop collaborative relations with other similar institutions made up by states from other regions in the world.

The member states of the new Bolivarian group will act with the maximum number of third states in favour of a radical democratic reform of the United Nations, with the objective of ensuring compliance with the United Nations Charter and the numerous international instruments that defend human rights, such as the international pact on economic, social and cultural rights (1996), the charter on the rights and responsibilities of states (1974), the declaration on the right to development (1986), the resolution on the rights of indigenous people (2007). Equally, it would lend support to the activities of the International Criminal Court and the International Court of Justice in The Hague. It would act in favour of reaching understandings between states and the peoples with the goal of acting in order to limit climate change as much as possible, given that this represents a terrible danger for humanity.

P.S.

* Translated by Fred Fuentes.

Footnotes

[1] [Simón Bolívar](#) (1783-1830) was one of the first to try and unify the countris of Latin América with the aim of creating a single independent nation. He led the struggle to liberate Venezuela, Colombia, Ecuador, Peru and Bolivia from Spanish domination He is considered to be a real hero, and his name is well recognised across Latin America.