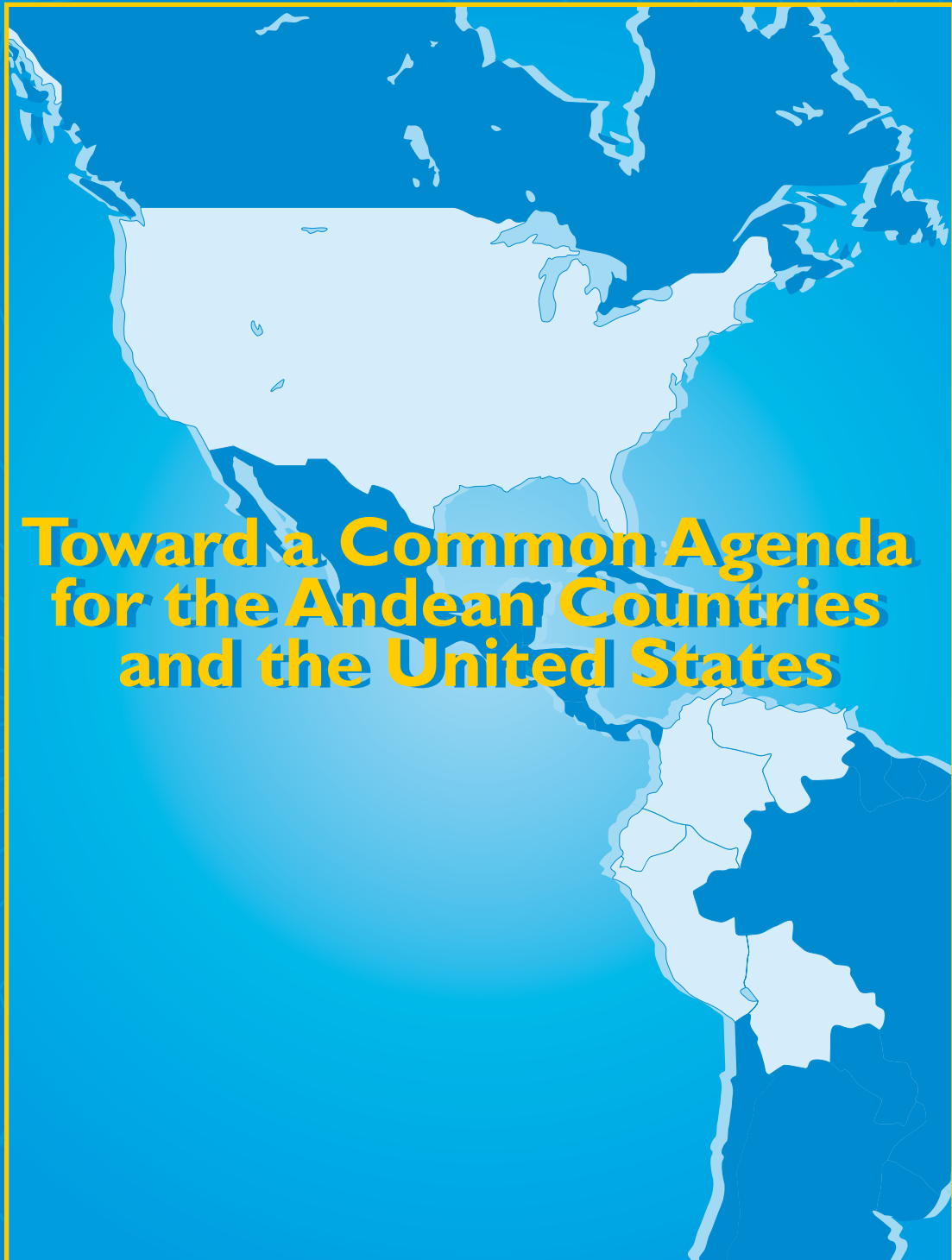


Andean-U.S. Dialogue Forum
February 2011



**Toward a Common Agenda
for the Andean Countries
and the United States**

THE
CARTER CENTER



TOWARD A COMMON AGENDA FOR THE ANDEAN COUNTRIES AND THE UNITED STATES

ANDEAN-U.S. DIALOGUE FORUM

FEBRUARY 2011

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Toward a Common Agenda for the Andean Countries and the United States. Andean-U.S. Dialogue Forum

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ISBN: 978-91-86565-09-1

First edition: February 2011

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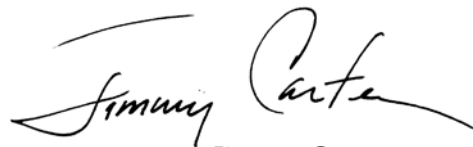
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FOREWORD

In my experience in public life, I have found that communication, empathy, and understanding have been the key to constructive and cooperative relationships. Absence of these elements has led to disputes, conflicts and even war. Among Andean countries and in their dealings with the United States, recent years have seen conflicts, broken diplomatic relations, and overheated rhetoric distorting reality and creating public misperception. The costs of these tensions are especially high for people living in vulnerable border zones or those already suffering from loss of trade or from having funds for social services converted to military spending. To promote better communication and understanding I supported the creation of the Andean-U.S. Dialogue Forum and participated in its first and third meeting, in Atlanta and Washington, D.C.

Our goal has been to create an informal place where influential citizens from Andean countries and the United States can exchange views, ask hard questions, and learn from one another. This report is the Forum's first product, including insights we have gleaned thus far. In preparing the report, we consulted with a wide number of people – both elites and broad public opinion – to learn of their priorities for addressing transnational challenges and to identify misperceptions that could be impeding cooperation. The report suggests where the common ground lies that can form the basis for a common agenda for cooperation among all six of our countries. Our hope is that this will contribute to improving relations and the well-being of citizens in all our societies.

A handwritten signature in black ink, reading "Jimmy Carter". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jimmy Carter
Former U.S. President
Founder, The Carter Center

International IDEA was honored to receive President Carter's invitation to partner in the Andean-US Dialogue Forum. We happily accepted as dialogue is at the heart of the values that sustain our work and the means through which we engage with partners and stakeholders. Whether in Ghana, Guatemala, Burkina Faso or Bolivia, IDEA has demonstrated its genuine commitment to inclusive democratic dialogue processes grounded in local realities.

Highlighting a particular need for innovation, Albert Einstein's well-known adage – "The significant problems we face cannot be solved at the same level of thinking we were at when we created them" – is keenly apt in the globalized and complex world of today. It is commonly accepted that governments alone cannot solve the world's thorniest problems. In this sense, the Andean-US Dialogue Forum supports the vital role of civil society in overcoming simplified stereotypes and generating creative and sustainable solutions to shared problems.

We envisage this publication as a first step toward a fruitful and concerted process of cross-border collaboration.



Vidar Helgesen
Secretary-General
International IDEA

PREFACE AND ACKNOWLEDGEMENTS

The Carter Center and International IDEA established a Dialogue Forum among the five Andean countries — Bolivia, Colombia, Ecuador, Peru, Venezuela — and the United States. Formed in January 2010, the Dialogue Forum strives to increase mutual understanding among societies and governments in the region; create collaborative initiatives around issues of mutual concern; and promote cooperation and exchange of information between individuals, organizations, and governments in the United States and the Andean nations. Members have formed working groups to explore issues of drugs and organized crime, environmental policy, polarized media, and inclusive trade and development.

Comprised of groups of influential citizens from various sectors within each country, Forum members share a common concern for human welfare and the welfare of the planet. Through their meetings, they have identified common ground and bases of hope that relations can improve and cooperation be enhanced to address shared transnational challenges. Members have also identified “success stories” -- specific policy innovations that can be fruitfully shared with the other countries, with lessons learned traveling not just North to South, but South to North, and South to South.

This report is the product of shared analyses among Dialogue participants and the realization that enhanced cooperation among our six countries first requires better understanding. The intent of the report is to contribute to that understanding through analyses of the interdependent ties among our countries, snapshots of the internal

dynamics of change inside each country, capsule case studies of some of the policy innovations that could be shared across countries, and analysis of new public opinion polling on the potential for cooperation. For this report, the Dialogue Forum conducted a series of “elite” questionnaires, identifying key informants from government and civil society in each country to answer a set of questions about policy priorities for international cooperation and sources of misperception. The Dialogue Forum also commissioned a series of public opinion questions conducted by Encuestas y Estudios of Bolivia (and its partners in each country) and by Datanalisis in Venezuela. The results of those efforts form the core of the proposed common agenda for cooperation among the Andean countries and the United States found at the end of this report.

The report itself is the result of the collaboration of a number of individuals. Carter Center interns Jordan Dansby, David Gilmore, and Bethany Davis contributed to the background research. The Andean national analyses were drafted by Alberto Adrianzén and Ignacio Basombrio, and the U.S. analysis by Marcela Sánchez. The report on perceptions and attitudes in the Andes and the United States was drafted by Ricardo Calla and Hernando Calla. Rafael Roncagliolo, Kristen Sample and María Inés Calle revised the Spanish version of the Report. Santiago Mariani was the project manager of the Andean-U.S. Dialogue Forum during the writing of the report. Karin Andersson oversaw the research and managed the production of the report. Jennifer McCoy edited the whole report.

The Andean – U.S. Dialogue Forum has been made possible by the generous support of The Carter Center, International IDEA, and the Andean Development Corporation (CAF).

The report was reviewed by Forum members from the six countries and discussed at a plenary meeting in Washington D.C. on October 1, 2010.

Comments from individual members have greatly benefitted the report. Forum members participate in their individual capacities; institutional affiliation is listed only for information purposes. The appearance of Forum member names does not imply agreement with every aspect of the report, nor does it represent endorsement by any individual's organization.

Jennifer McCoy

*Director, Americas Program
The Carter Center
Atlanta*

Kristen Sample

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EXECUTIVE SUMMARY

An opening product of the Andean-U.S. Dialogue Forum, this report is intended to spur conversations on more effective cooperation by identifying convergences and divergences in priorities among the countries and the citizens of Venezuela, Colombia, Ecuador, Peru, and Bolivia and the United States. It seeks to open the door to a better understanding of the internal dynamics in each country and to reduce stereotypes that impede cooperation to resolve mutual challenges. This report highlights the transnational issues of energy, climate change, trade, and illegal drugs, recognizing that beneficial progress will demand a collective response from all.

Why a Focus on Andean-U.S. Relations?

A dynamic subregion of 127 million people with a wealth of natural resources, the Andean countries have demonstrated impressive development progress. Boasting a gross national product (GDP) of \$1 trillion and \$100 billion in imports, the subregion has substantially matured over the past decade. The Andes weathered the financial crisis well, and poverty has been substantially reduced since the mid-1990s. The Andes' role as a major source of energy and as one of the principal origins of illegal drugs cannot be ignored, especially in light of continued high demand. The region is home to the United States' closest allies in South America—Colombia and Peru—and to some of the countries with whom the United States often experiences the tensest relations, including Venezuela and Bolivia. All Andean countries are proposing new ways of having better relations with the United States based on mutual respect and recognition of the interests from each party.

Common Ground for Cooperation

The report reveals that the top priority for a common agenda is the hope for greater respect and mutual understanding among countries. The report identifies the urgent need to “de-militarize” and “de-narcotize” relations. Through elite surveys and public opinion polls in all six countries, the Dialogue Forum shares the following findings:

Strong agreement exists on promoting a social agenda. Policies to promote social equality (fighting poverty and inequality) generate strong agreement in all countries. These are problems shared across all countries—including the United States. The Dialogue Forum recommends the following:

- Broaden the development agenda beyond traditional issues of trade and investment.

- Promote inclusive trade and investment to include vulnerable and marginalized populations and to comply with environmental and intercultural standards.

- Advance comprehensive immigration reform as a policy priority to mitigate the problems derived from illegal immigration.

General agreement exists on clean energy and environmental protection. This suggests that policies of this nature could be feasible and fruitful and should be pursued more fully. The Dialogue Forum recommends the following:

- Approach the climate-change debate as an opportunity to diversify agendas.

Promote environmental protection (e.g., shared forests and glaciers are a rich area for cooperation to reduce degradation and to improve food security).

Ambivalence and divergence prevail on issues pertaining to citizen security. While public opinion prioritizes citizen security, elite opinion is ambivalent about the issue. Therefore, the Dialogue Forum recommends the following:

Policy makers should attend to the high demand for citizen security, but broaden the cooperation agenda beyond drugs to transnational organized crime, including trafficking of arms, people, and contraband, and laundering of money.

Foster a debate about the exhaustion of existing counternarcotics policies and work through multilateral forums for a comprehensive review and consideration of alternatives, while taking into account the specificity of each country and its social, economic, and security environment.

Take advantage of the current opportunity in the Andean subregion and the United States to evaluate and advance new approaches and alternative policies in this area.

Ambivalence exists on the promotion of democracy. The traditional approach of the United States of promoting democracy was met with ambivalence by respondents, potentially reflecting strong political connotations of perceived intrusion into national affairs by the United States. Therefore, the Dialogue Forum recommends the following:

Promote the protection of human rights in its broader sense to include social, economic, and cultural rights in addition to political and civil rights. This could provide more common ground than the traditional democracy promotion approach.

Seek international cooperation mechanisms to better protect journalists, with a particular focus on those who work in environments influenced by organized crime.

Analyze the growing concentration of ownership in the media sector, the political role of the media, and the consequences this has for pluralism in the media.

Stereotypes Impeding Understanding

The report presents some of the stereotypes that key stakeholders from the six countries would like to change, including the following:

The United States' complex policy process is misunderstood in the Andes. Contradictory policies are interpreted as conspiracies, when in reality they are a result of compromises or lack of coordination among agencies. U.S. policy today is unfairly stigmatized for its past historical interventionism.

Bolivia's process of change, with unprecedented improvements in terms of social inclusion, national self-affirmation, constitutional reform, and intercultural democracy, is not understood or appreciated.

Peru's position in favor of consultation and coordination with the United States is misinterpreted by some Andean countries as economic and political subordination.

Ecuador is likened all too easily to the Chávez regime, which disregards the important differences between both political projects. Ecuador's efforts to intercept and control drug trafficking are not sufficiently acknowledged.

Venezuela's political, economic, and cultural changes have in general been stigmatized and demonized, resulting in simplistic characterizations that veil the real challenges. Less polarization could enable a relationship with others based on reality instead of stereotypes.

Colombia's progress in combating drug trafficking and guerrilla insurgency is not well understood by external actors who fail to appreciate the evolution of this complex issue.

LIST OF ABBREVIATIONS

ALADI:	Latin American Integration Association
ALBA:	Bolivarian Alliance for the Peoples of Our America
APRA:	American Popular Revolutionary Alliance, Peru
ATPDEA:	Andean Trade Promotion and Drug Eradication Act
BP:	British Petroleum
CACYT:	Andean Council on Science and Technology
CAF:	Andean Development Corporation
CAN:	Andean Community of Nations
CCT:	Conditional Cash Transfer
CIA:	Central Intelligence Agency
DEA:	U.S. Drug Enforcement Administration
ECLAC:	Economic Commission of Latin America and the Caribbean
EPI:	Environmental Performance Index
FARC:	Revolutionary Armed Forces of Colombia
FDI:	Foreign Direct Investment
FLACSO:	Latin American School of Social Sciences
FTA:	Free-Trade Agreement
FTAA:	Free Trade Area of the Americas
GDP:	Gross Domestic Product
GERD:	General Expenses on Research and Development
HDI:	Human Development Index

IBCE:	Bolivian Foreign Trade Institute
IDB:	Inter-American Development Bank
IHDI:	Inequality - adjusted Human Development Index
ILO:	International Labor Organization
IMF:	International Monetary Fund
MDG:	Millennium Development Goals
MERCOSUR:	Southern Common Market
NAFTA:	North American Free Trade Agreement
OAS:	Organization of American States
OLADE:	Latin American Energy Organization
PNP:	Peruvian Nationalist Party
PPC:	Christian People's Party of Peru
PPP:	Purchase Power Parity
PRIAN:	Institutional Renewal Party of National Action of Ecuador
SALW:	Small Arms and Light Weapons
SELA:	Latin American Economic System
SIPRI:	Stockholm International Peace Research Institute
TIV:	Trend Indicator Values
U.N.:	United Nations
U.S.:	United States
UNASUR:	Union of South American Nations
UNCTAD:	United Nations Conference on Trade and Development
UNESCO:	United Nations Educational, Scientific, and Cultural Organization
UNODC:	United Nations Office on Drugs and Crime
USAID:	U.S. Agency for International Development
USD:	United States dollars

I Overview

National interests of the United States and the Andean countries — Bolivia, Colombia, Ecuador, Peru, Venezuela — require cooperation to address shared challenges and opportunities. The challenges are clear: illegal armed actors, drug producers, and criminal elements do not respect national boundaries; environmental damage affects neighboring countries and Bolivia’s ice-capped mountains are threatened by global climate change; internal turmoil and conflict produce displaced peoples and refugees; broken diplomatic relations and ideological divides restrict trade. Strained relations impede cooperation to achieve greater security and economic well-being for the Andean people and limit progress on issues of interest to U.S. citizens, including curtailing drug trafficking, increasing energy supplies, and creating stable commercial and investment relationships.

But opportunities abound as well. Flows of people (tourists and migrants), goods (legal and illegal), and capital (investment and remittances) tie the United States with the Andean countries, and the Andean countries with each other. The United States is the largest trade partner for every Andean country except Bolivia. Venezuela has been the second-largest trade partner for Colombia, and Peru is an important trade partner for Bolivia. The Andean countries are the primary source of cocaine for the United States, but also 10% of its imported oil. Colombia is the source of a large number of migrants and refugees moving to Ecuador and Venezuela.

Despite the evident need for a shared agenda of creative collaboration between the United States and the Andean countries to address these chal-

lenges and opportunities, divergent approaches and priorities have prevented adequate cooperation to date. The Andean insistence on greater respect and consultation from the United States, in terms of its agendas of social justice, fairness in international relations, and economic development, has collided with the focus of the United States on its own interests centered on security, trade, and immigration. Likewise, policymakers in the United States often feel unfairly stigmatized by anti-imperialist and anti-American messages, at the same time that Andean countries ask the U.S. to make greater contributions and greater changes in policy. This lack of a common understanding and agenda impedes cooperation on mutual interests.

With this report, the Andean-U.S. Dialogue Forum hopes to contribute to improving mutual understanding as the basis to identify a common agenda for cooperation. Such an agenda requires agreeing on the issues of collective interest, prioritizing those issues, and identifying mechanisms and strategies to address them. We emphasize that the responsibility for action does not rest on any single country, but on all countries.

The report begins with a brief overview of U.S.-Andean relations, then provides basic information on a number of the thematic issues tying the six countries together: trade, investment, migration, tourism, environmental protection, and arms spending. It then provides short analyses of the processes of political and economic change that each country is currently undergoing. The bulk of the report analyzes the results of two surveys conducted by the Dialogue Forum, a key informant survey and a public opinion survey to identify pri-

orities for cooperation for each country, sources of misperception, and areas of convergence. The report concludes with recommendations for a common agenda for Cooperation among the Andean countries and the United States. Finally, in the Annex, we provide five case studies of diverse and

innovative policy experiences from the Andean countries in an attempt to show the potential for a “reverse learning” from best practices – from the South to the North and to other Southern countries.

Dynamism in Andean-U.S. Relations

The relationship between the countries in the Andean-U.S. Dialogue Forum has traditionally been defined by the Andean countries' strong economic ties to the United States, and, with important exceptions, close political alignment. The collapse of the Soviet Union in 1990 allowed U.S. policy to move from one of Cold War containment toward the promotion of trade and economic integration and democracy.

The terrorist attacks on Sept. 11, 2001, in the United States once again changed the U.S. policy dynamic. Under President George W. Bush, the United States renewed its emphasis on international security and led the invasions of Afghanistan and Iraq, decisions that were deeply unpopular in Latin America. This change in U.S. policy was paralleled by the rise of leftist governments in Latin America — including the elections of Hugo Chávez in Venezuela, Evo Morales in Bolivia, and Rafael Correa in Ecuador, among the Andean countries — which challenged the traditional dominance of the United States in the region.

Throughout the decade, misperceptions and misunderstandings among Andean countries and with the United States were inflamed by polarized and politicized media and microphone diplomacy. Tensions rose in response to the hard-power approach at diplomacy taken by the Bush administration and made worse by an ill-fated, U.S.-applauded coup attempt against President Chávez in 2002 and increased military cooperation with Colombia.

Following the election of U.S. President Barack Obama in 2008, many in Latin America envisioned improved, strengthened relations between the United States and other countries in the hemisphere. President Obama pledged during the Fifth Summit of the Americas in Trinidad and Tobago in April 2009 that his administration would initiate a new chapter of engagement in the Americas built on equal partnership, mutual respect, shared interests, and common values. Yet despite these promises, the United States has not made major policy changes toward the region, largely due to the global economic recession, the wars in Afghanistan and Iraq, an embattled plan for health care reform, and a tumultuous domestic political climate demanding the attention of the administration in its initial years. Specific policies during the first year of the Obama administration engendered disputes within Latin America and between individual countries and the United States. These included the response to the June 2009 Honduran coup and the signing of the October 2009 base-sharing agreement between the United States and Colombia, both of which raised fears among some in the region of renewed Cold War-style “Yankee imperialism” and interventionism.

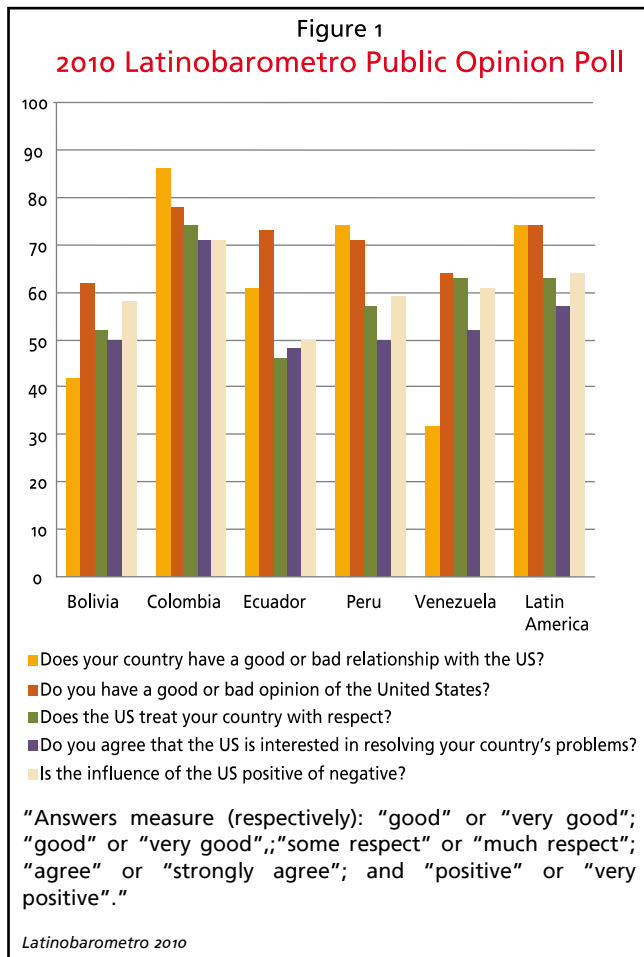
Nevertheless, even with the disappointment in the perceived lack of progress on President Obama's initial promises, the United States is thus far viewed more favorably under his tenure than that of President Bush. The United States continues to maintain — as was the case under President Bush — good relationships with Colombia and Peru, and Secretary of State Hillary Rodham Clinton's

June 2010 visit to Quito symbolized strengthened Ecuador-U.S. relations. Although the United States does not currently (as of January 2011) have ambassadors in either Bolivia or Venezuela, talks with Bolivia were initiated and the rhetorical disputes with Venezuela were toned down. A 2010 poll conducted by Latinobarómetro found that 69.6% of people surveyed in the Andean countries had a good or very good opinion about the United States, including a high of 78% in Colombia and

62% in Bolivia. Of those polled, 72.6% thought the U.S. influence in the region was positive or very positive, and 58.4% of people surveyed thought that the United States treated their country with respect (see Figure 1).¹

Importantly, despite some political tensions, the Andean countries are all still economically interdependent with the United States, as shown in the Fast Facts that follow later in this report. The United States is the largest import and export partner of every Andean country except Bolivia, whose largest import and export partner is Brazil.² The United States has signed and ratified a free-trade agreement with Peru; the free-trade agreement with Colombia is awaiting ratification by the U.S. Congress. Colombia is also the largest recipient of U.S. aid in Latin America, most of which has gone into the counternarcotics campaign Plan Colombia since 1999. In 2002, the United States enacted the Andean Trade Promotion and Drug Eradication Act (ATPDEA), which grants duty-free access for a wide range of exports from Bolivia, Colombia, Ecuador, and Peru to compensate for counternarcotics efforts. Nevertheless, Bolivia's suspension of cooperation with the U.S. Drug Enforcement Administration (DEA) in 2008 led the United States to exclude it from the ATPDEA thereafter. The Andean countries are also an important source of U.S. energy imports.

The following sections describe some of the linkages between the United States and the Andean countries in the areas of trade and investment, migration and remittances, environmental protection, illegal drugs, tourism, research and development and arms trade.



III Ties That Bind Us

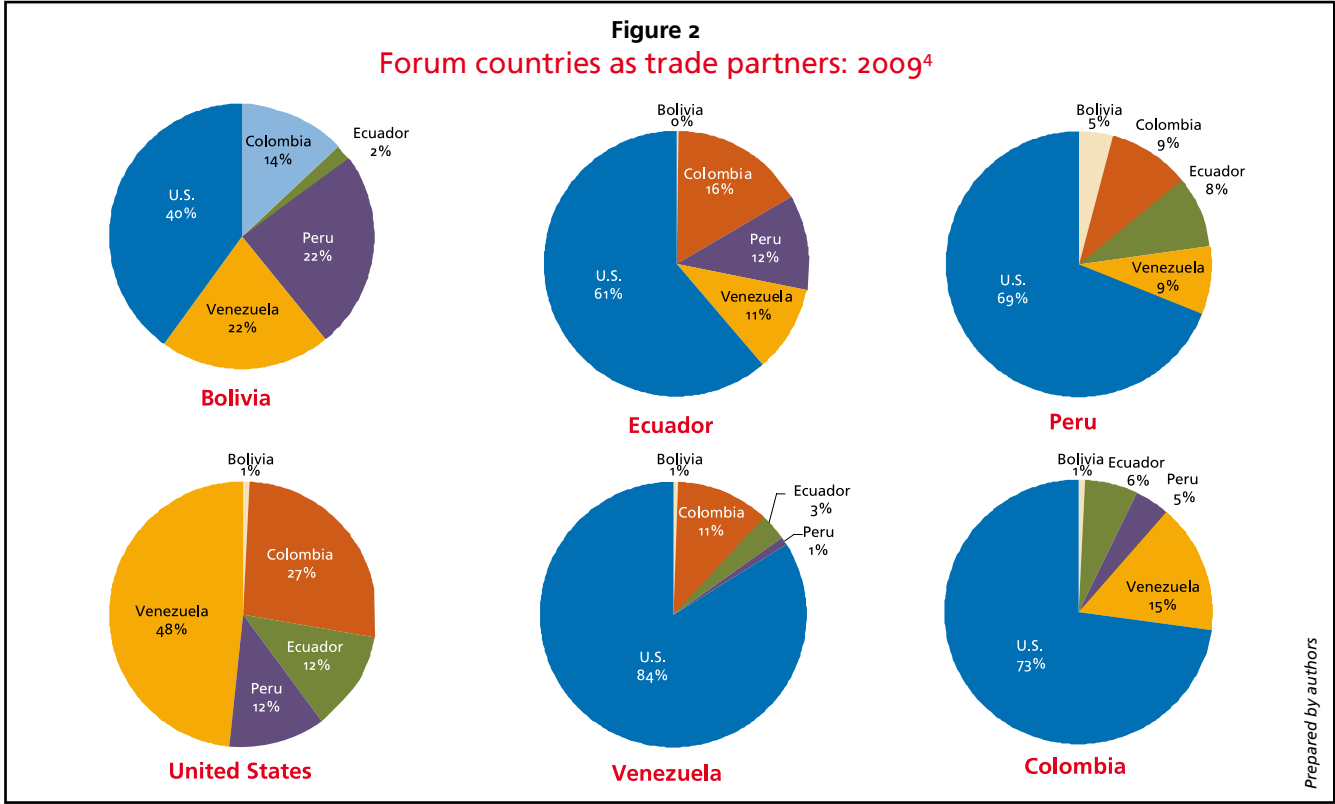
TRADE

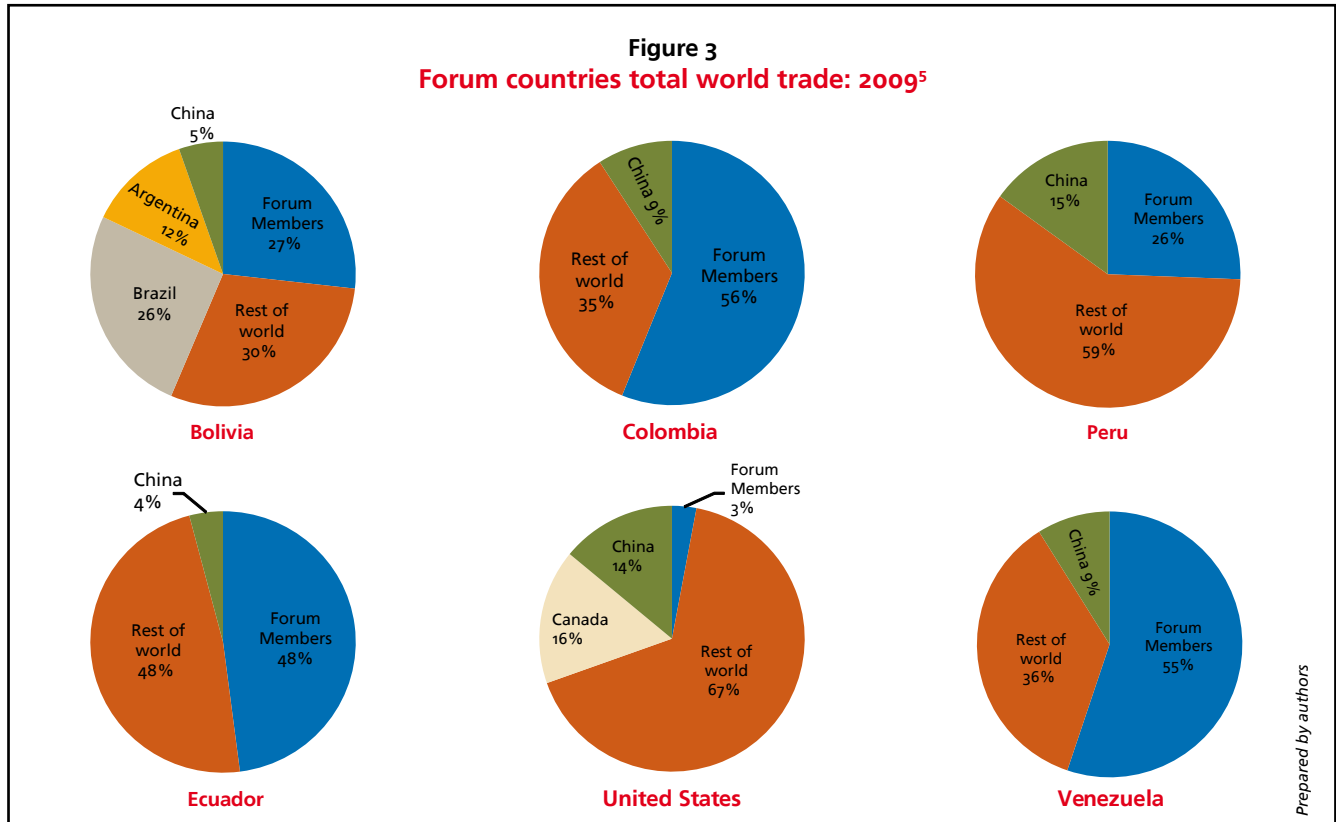
The graphs in Figure 2 represent bilateral trade (imports plus exports) among the five Andean countries and the United States in 2009. The figures presented here are a narrow snapshot of the complex and ever-changing trade relationships that exist between these six countries. Percentages shown are expressed as a fraction of each country's total trade with the other five nations. For example, Venezuelan exports and imports were responsible for 48% of the total U.S. trade with the Andean sub-region in 2009 (see United States graph).

As can be observed, supposed political and ideological alliances do not automatically carry over

into trade relationships. Venezuela and the United States, arguably the most polarized bilateral relationship of the group, have a robust trade relationship as compared with the other countries, due in large part to Venezuela's importance as a petroleum producer.³ Also, the relatively modest trade relationship between the three regional members of the Bolivarian Alliance for the Peoples of Our America (ALBA, in Spanish) — Venezuela, Ecuador, Bolivia — indicates that geographic proximity and historic business ties affect trade more than comparatively recent political alliances.

Bolivia presents the best example of this pragmatism when it comes to international business relationships. Despite its political kinship





with Venezuela, it does more trade with Peru, with which it shares a busy border. Bolivia's trade with the other ALBA member in the area, Ecuador, was almost nonexistent in 2009 and trade with the United States was almost double the next closest country (see Bolivia graph).

In comparison, figure 3 shows total worldwide trade (imports and exports) for each of the Forum countries. The data represented include Dialogue Forum member countries, the first and second largest trade partners (when those countries are not Dialogue Forum members), China, and the rest of the world.

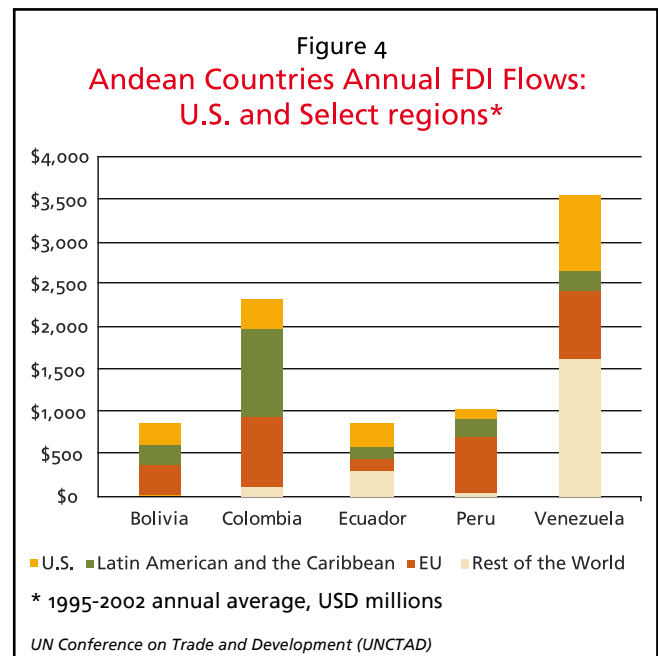
These graphs give perspective on the data presented in Figure 2 above by showing the relative importance of the other Dialogue Forum members in the overall trade mix of each country.

INVESTMENT

Figure 4 shows total foreign direct investment (FDI) flows — both inflow and outflow — for the Andean countries divided between the United States and selected regions. The figures repre-

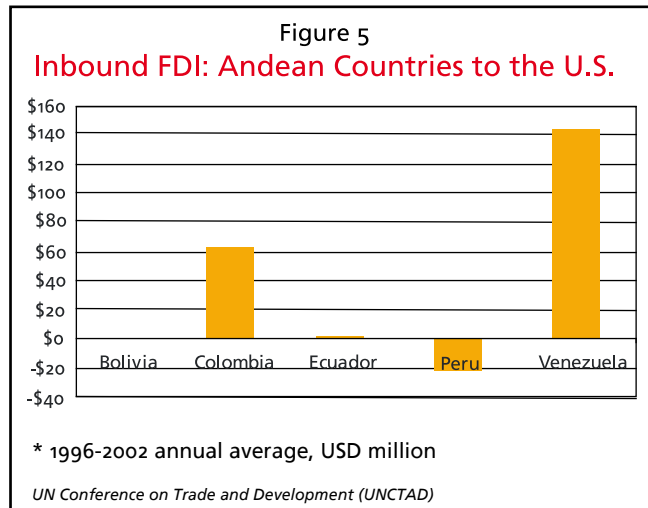
sent annual averages from 1996–2002 and are expressed in millions of U.S. dollars.⁶

Although the United States represents a significant portion of each country's flows of direct investment, it comprises less than half of FDI in each of the countries, demonstrating the Andean coun-



tries' success in courting numerous other partners around the globe.

Foreign direct investment between the United States and the Andean sub-region is not only one way. As shown in Figure 5, Venezuela was by far the largest investor in the United States from 1996-2002, averaging \$145 million per year. Colombia was a distant second place, investing approximately \$63 million annually.



INDUSTRIES AND COMPANIES

With one exception, the mining, quarrying, and petroleum sectors dominated FDI in the Andean countries from 1996-2002. Colombia was the only country where the extractive industries were exceeded — by finance — for the period studied. Since 2002, significant security gains have been made in Colombia, and in 2009 the extractive industries were again first place for FDI.⁷

Despite the heavy presence of mining, quarrying, and petroleum interests in the Andean FDI mix, the top U.S. companies investing in the Andean countries were not always from the extractive sector. In 2002, for example, a well-known pharmaceutical multinational was the top U.S. investor in Venezuela.⁸

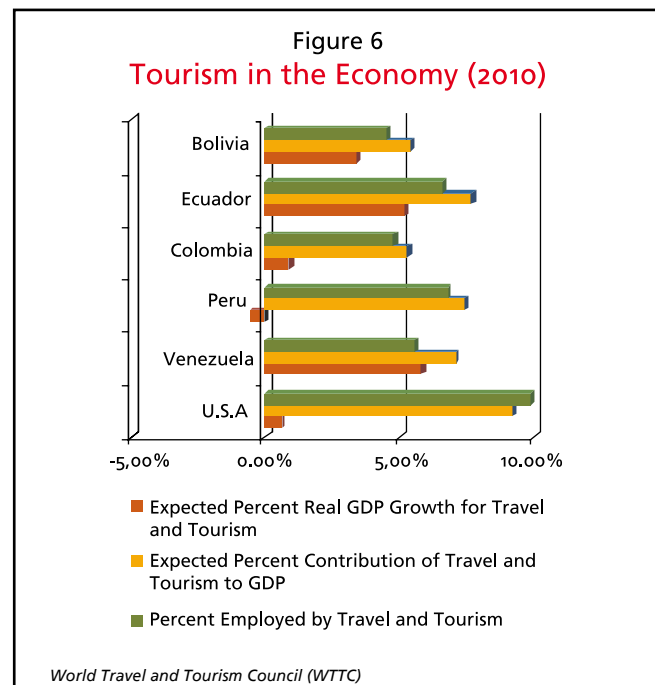
TOURISM

Although experts continue to debate the social, economic, and political impacts of tourism, each of

the Dialogue Forum countries continue to market themselves as premier travel destinations, and all derive an important part of their gross domestic product (GDP) from tourism.⁹ Nearly four million tourists visited the Andean countries in 2008, with many of those coming from the United States. Latin American tourism to the United States has also increased, with more than 2.5 million South Americans visiting the U.S. in 2009.¹⁰ Tourism continues to be an economic and social bond that brings the countries in the region together.

Because of its size and economy, the United States attracted far more tourists worldwide than the rest of the Andean countries combined, with 55,986,000 people visiting in 2007. Of the other Forum countries, Peru attracted the most visitors, with 1,916,000 visiting in the same year. Ecuador brought in 1,195,000 tourists, and just over 1,000,000 visited Colombia. Venezuela and Bolivia attracted fewer tourists, with 771,000 and 556,000 respectively.¹¹

Figure 6 indicates several of the contributions that tourism makes toward each country's economy. The World Travel and Tourism Council estimated that in each of the Dialogue Forum countries, tourism will contribute at least 5% to overall GDP. The industry as a whole is expected to grow



strongly in Bolivia, Ecuador, and Venezuela as each country seeks to attract more tourists.

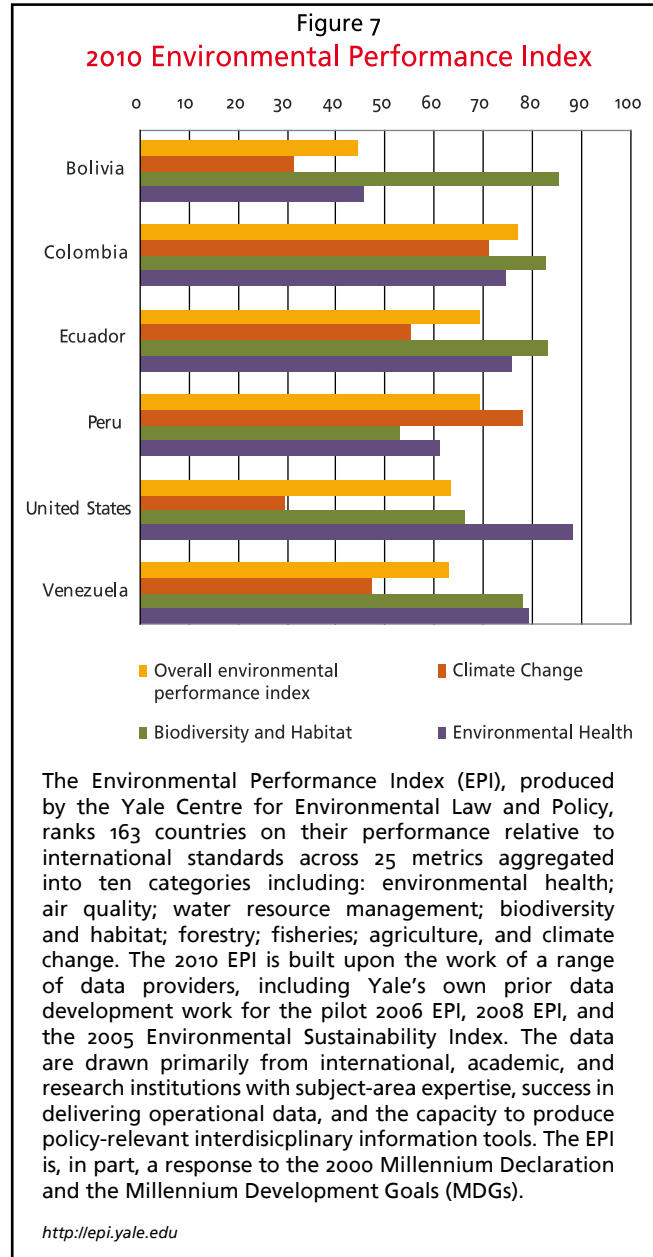
ENVIRONMENT

Environmental threats continue to pose enormous economic, developmental, and political challenges to both the Andean countries and the United States. Climate change continues to be the most pressing environmental issue in the high Andes, with receding glaciers threatening regional water supply, and intensified El Niño phenomena wreaking havoc on the continent's coasts and economy.¹² Response to climate change has caused tension within the Dialogue Forum countries. In response to the 2009 Copenhagen Climate Conference's inability to approve meaningful agreements addressing the issue, Bolivia hosted its own climate change summit in April 2010, which focused on finding solutions to the problem and produced several declarations including one on the rights of the Earth. Continuing to underscore the issue is the fact that while developed nations like the United States are the foremost contributors to global warming, poorer countries are most affected by its repercussions. See Figure 7 for the countries' performance on Yale University's Environmental Performance Index.

Other threats continue to harm the Dialogue Forum countries' environment. Deforestation and the introduction of invasive species threaten the Dialogue Forum countries' biodiversity, leading to habitat loss and endangered species. The British Petroleum (BP) oil spill in the Gulf of Mexico, the largest in U.S. history, severely damaged the U.S. southern coastline and resulted in billions of dollars of losses.

Natural events such as the meteorological phenomena El Niño and La Niña have harmed Colombian, Ecuadorian, and Peruvian fisheries, caused millions of dollars in structural damage, and hurt the area's economy.

Although there are numerous environmental challenges that continue to plague the Andean countries, cooperation in the area has begun. The Andean Community of Nations (CAN) has established the Andean Environmental Agenda¹³ with the support of the



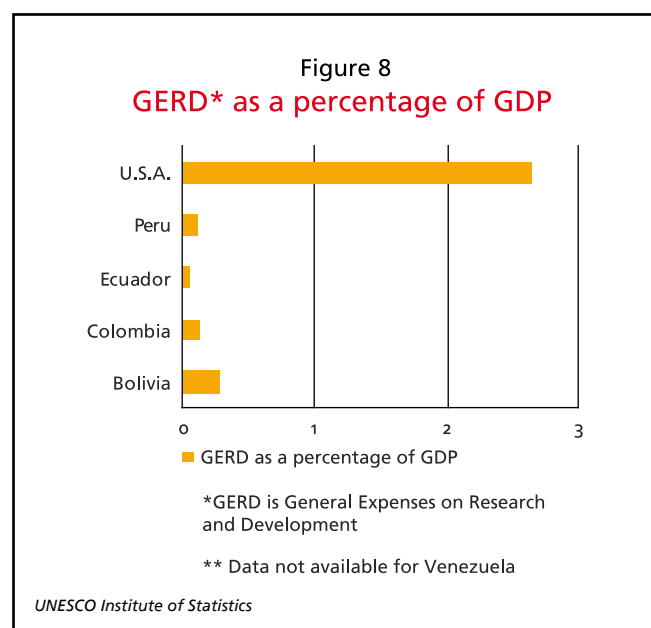
Andean Development Corporation (CAF) and the United Nations Conference on Trade and Development (UNCTAD), focusing on adapting to climate change and preserving the region's biodiversity, as well as protecting and managing water resources.

RESEARCH AND DEVELOPMENT

Although science and technology research is not as advanced in the Andean countries as in other parts of the world, promises made by several of the countries' leaders and a series of recent bilateral treaties have made research and development a priority in each Dialogue Forum country.

The field also holds much potential for cooperation. The Andean Community of Nations recently reactivated its Andean Council on Science and Technology to create a common regional policy in science and technology and to establish permanent avenues of collaboration between countries in the field.¹⁴ The six Dialogue Forum countries also participated in the Second Meeting of Ministers and High Authorities on Science and Technology of the Organization of American States (OAS) in October 2008, which approved an action plan emphasizing intraregional cooperation in scientific and technological development.

In addition to intraregional cooperation, several countries have also signed bilateral treaties pledging cooperation in the two fields. The United States and Colombia recently signed a treaty agreeing to an exchange of scientists and information as well as collaborative research initiatives.¹⁵ Venezuela has also signed agreements with Bolivia¹⁶ and Ecuador¹⁷ promising exchanges of science and research.



According to a 2009 UNESCO report (see Figure 8), 3.6% of the world's researchers live in Latin America, compared to the 20.3% who live in the United States and the 41.4% who live in Asia. While the United States has 4,707 researchers per million inhabitants, the Andean countries have fewer than 300 researchers per million. And despite some efforts by Latin American countries to

increase spending in the field, Colombia, Ecuador and Peru spent less than 0.25% of GDP and Bolivia less than 0.5% of GDP on research and development, compared to 2.7% of GDP by the United States and an average of 1.6% by Asian countries.¹⁸

MIGRATION

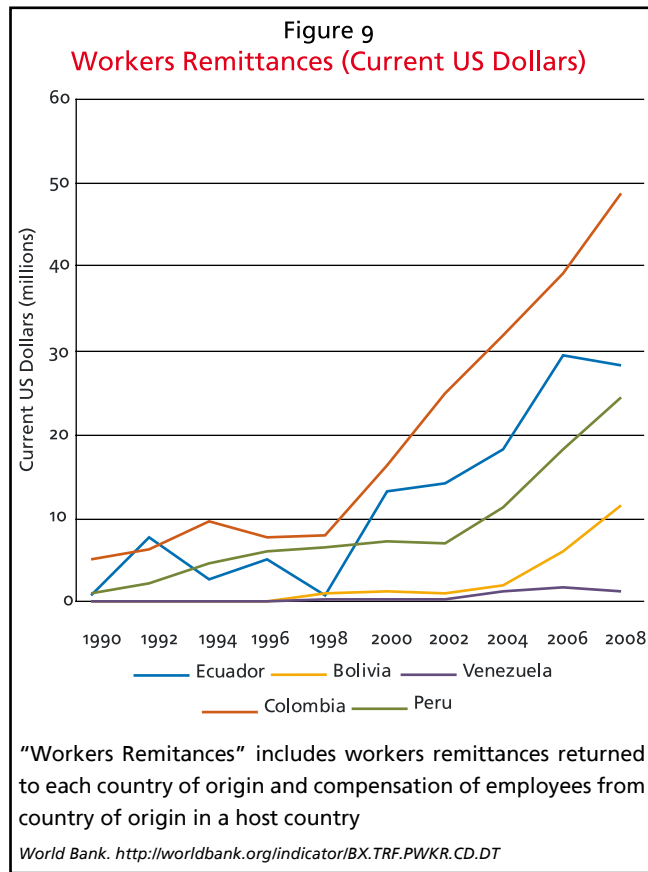
Migration has historically been one of the most difficult issues facing the Andean countries and the United States. This debate continues to shape relations between the Dialogue Forum countries today.

The Andean countries have long been a source of migrants. Although the United States is an important destination for immigrants, Peru is the only country with a majority of its migrants in the United States. Ecuadorian and Venezuelan migrants have tended to go to Spain. Meanwhile, Venezuela has been the destination for more than 600,000 Colombians, and many Bolivians have traditionally sought work in Argentina.¹⁹

Despite these general historical trends, immigration patterns are highly complex. Violence associated with Colombia's ongoing internal armed conflict and criminal bands involved in drug trafficking has forced some Colombians living in the south of the country into refugee camps in Ecuador; at the same time, Colombia's economic growth has attracted a growing number of Venezuelans into some of its urban areas. Peru's high rate of growth has brought back a number of its emigrants while simultaneously attracting some economic immigration from Bolivia.

In the United States, immigration is a politically contentious issue. An estimated 46 million Hispanics live in the United States, making it home to the second-largest Spanish-speaking population in the world. Despite attempts by both the George W. Bush and Obama administrations, the United States still has not passed comprehensive immigration reform. This has left U.S. states to pass their own laws, including Arizona's controversial S.B.1070, which requires police to check the legal status of suspected undocumented immigrants, among other provisions. The law has drawn inter-

national condemnation and caused several Latin American countries including Ecuador to join in legal battles against it.



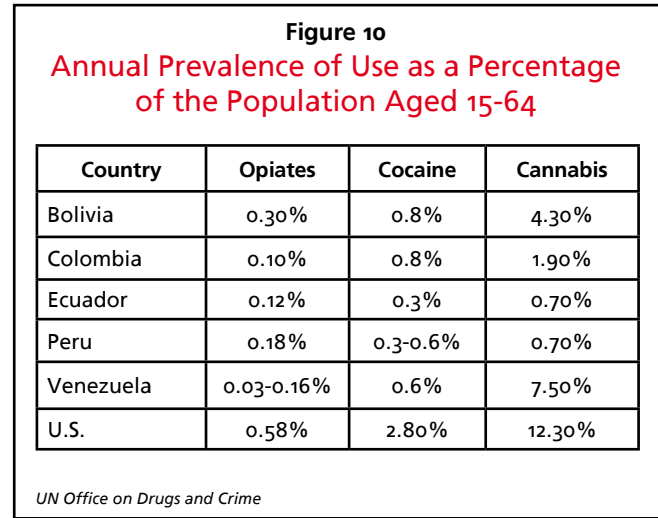
Migration has also contributed to the sub-region’s economic interconnectedness. Figure 9 shows the trend of increasing remittances over the last 20 years.²⁰ While the global economic recession has slowed migration patterns, migration continues to interconnect the Andean countries to each other and to the United States.

ILLEGAL DRUGS

Consumption and Demand

Figure 10 shows the rates of usage for opiates (heroin and derivatives), cocaine, and cannabis for the most recent year available from the United Nations for each Forum country. Rates of usage in the Andean countries, while not zero, are still far less than those of the United States. The United States has nearly double the consumption rate for opiates and cannabis and more than three times the

consumption rate for cocaine compared with the closest Andean country.²¹



The UN Office on Drugs and Crime (UNODC) maintains worldwide data on drug crop and drug production and the prevalence of illicit drug use. In recent years, UNODC has become considerably more sophisticated in its presentation of the data and more explicit in recognizing the significant limitations and uncertainties associated with measuring illicit activities such as the drug trade. However, there is still often a disconnect between UNODC’s more textured analysis and the continued policy emphasis on suppressing supply.²² For example, critics have pointed to the UN drug control regime’s support for punitive policies like crop eradication and the criminalization of drug use while ignoring demand side harm-reduction policies like needle exchanges and substitution treatment.²³ Nevertheless, a recent report²⁴ cited multiple occasions in which the UNODC was seen as modernizing its policy and approach in formerly contentious areas.

In the United States, the Obama administration has announced a new domestic drug policy that focuses more on prevention and treatment than did previous administrations. Gil Kerlikowske, Director of the White House Office of National Drug Control Policy, pointedly announced an end to the U.S. “war on drugs” in his first interview after being confirmed for the position.²⁵ The new policy, presented in May 2010, includes a small increase in aid to community-based antidrug programs, instructs

health care providers to look for pre-addiction drug problems, and expands treatment options to include mainstream health care facilities.

PRODUCTION

Figure 11 shows the estimated distribution of coca cultivation in the Andean countries, accordingly to the UNODC. The chart also details the eradication and seizure efforts of each country and the percentage change from 2008 for all categories.

Figure 11
Cultivation, Eradication and Seizure:
Andean Region, 2009

Country	Bolivia	Colombia	Ecuador	Peru	Venezuela
Coca Cultivation	30,900 ha	68,000 ha	<25 ha	59,900 ha	-
% Change	+1.3%	-16.0%	0.0%	+6.8%	-
Aerial Spraying	-	104,771 ha	-	-	-
% Change	-	-22.0%	-	-	-
Manual % Eradication Change	21,970 ha	60,544 ha	-	10,025 ha	-
% Change	+2.0%	-37.0%	-	-1.2%	-
Cocaine Seized	26,892 kg	203,416 kg	65,074 kg	20,658 kg	60,200 kg
% Change	-6.9%	+3.0%	+130.5%	-26.1%	+50.5%

UN office on Drugs and Crime

According to UNODC, Colombia has made strong progress in reducing the area under cultivation while simultaneously reducing its eradication efforts and slightly increasing its seizure rate of processed and semiprocessed cocaine. Peru has the largest decrease in seizure rates and the only statistically significant increase in area under cultivation since 2008. Ecuador, despite having an incipient level of coca cultivation, has nevertheless experienced a large (130%) increase in cocaine seizure rates. Determining whether such an increase is due to an increased flow of cocaine or greater

enforcement efforts is not possible with the available data.

The UNODC does not include Venezuela in its monitoring program and, according to the U.S. Department of State, the levels of coca cultivation in that country are “historically insignificant.”²⁶ Nevertheless, the same report points out that Venezuela has become a preferred route out of South America for illicit drugs bound for the United States, Europe, and West Africa. Venezuela, in an effort to counter this traffic, launched Operation Sentinel in 2009 to disable clandestine airstrips and destroy coca and poppy plants in the mountainous southwestern part of the country. The government of Venezuela reported disabling approximately 40 airstrips and seizing four aircrafts under Operation Sentinel.²⁷

Tensions in U.S.-Andean Drug Relations

Although all of the Dialogue Forum countries have committed to fighting the drug trade, some of the Andean countries have criticized the U.S. drug policy in the region. The signing of the U.S.-Colombia Defense Cooperation Agreement in October 2009, which allowed limited U.S. use of seven Colombian military bases for counternarcotics efforts, was widely controversial. Several governments voiced their concern, and Bolivia, Ecuador, and Venezuela said they felt threatened by a U.S. military presence in the region. (The Colombian constitutional court deemed the agreement unconstitutional in August 2010.) In addition, the annual certification process mandated by the U.S. Congress whereby the U.S. executive branch must certify cooperation of each country in counternarcotics effort in order to continue foreign aid is resented by many in the Andes who feel there is not a reciprocal monitoring of the efforts of the United States to reduce consumption and therefore demand.

ARMS AND DEFENSE

Figure 12 shows the percentage of total GDP spent on defense for each of the Dialogue Forum countries.

The data show a marked difference between the top two countries (United States and Colombia) and the other four nations (Peru, Bolivia, Venezuela, and Ecuador). The U.S. share of GDP spent on defense, for example, is greater than the combined shares of the bottom three Dialogue Forum countries. Due to the size of the U.S. budget, absolute figures in dollars spent would show a much greater disparity.

Figure 12
Percentage of GDP spent on Defense: U.S. and Andean Countries

Country	% of GDP
U.S. (2005)	4.1%
Colombia (2005)	3.4%
Peru (2006)	1.5%
Bolivia (2009)	1.3%
Venezuela (2005)	1.2%
Ecuador (2009)	0.9%

<http://miledxdata.sipri.org>

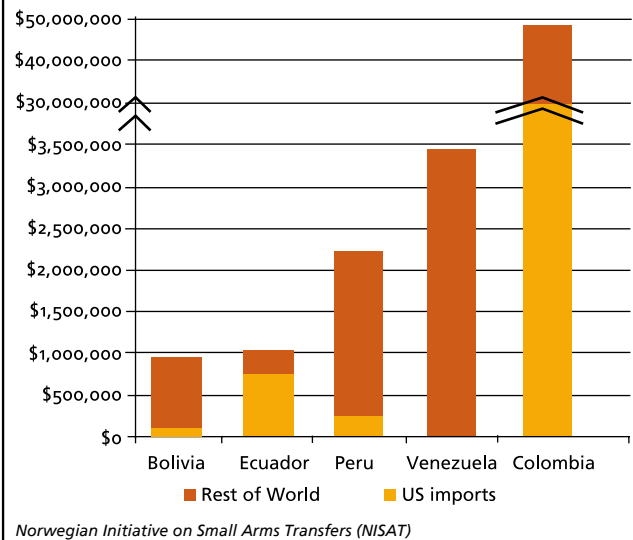
The Andean countries are part of the Union of South American Nations (UNASUR), a 12-member alliance with the goal of economic, immigration, and defense integration. In response to a proposal from Peru, in May 2010 UNASUR pledged to conduct defense purchases across the continent with greater transparency. A plan to carry out the initiative, aimed at increasing regional stability, was being formulated by Argentina and Chile.²⁸

Colombia was overwhelmingly the largest Andean importer of small arms and light weapons in 2008 (see Figure 13). In at least two countries, Colombia and Ecuador, the United States was responsible for more than half of that class of imported weaponry.

Major conventional weaponry, however, presents a different picture. Figure 14 shows arms transfers of aircraft, air defense systems, artillery, missiles, sensors, ships, armored vehicles, and engines for the six Dialogue Forum countries.

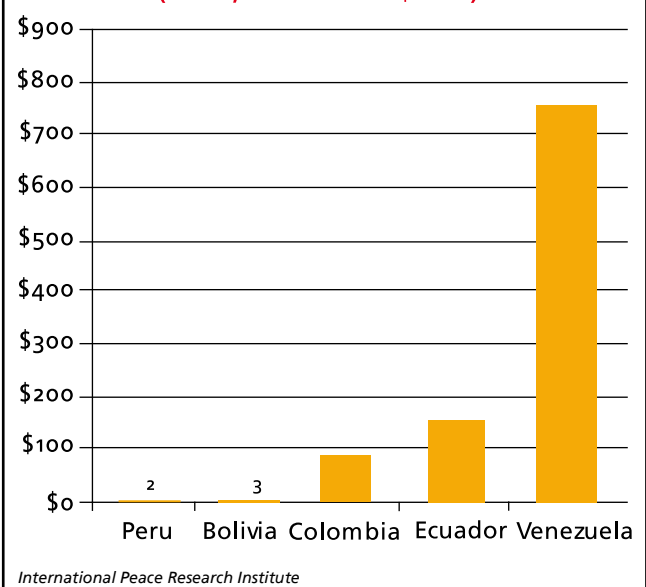
In a March 2010 report,³¹ the Stockholm International Peace Research Institute (SIPRI) noted that major conventional weapons transfers to all the South American countries during 2005–2009 was

Figure 13
Imported Small Arms and Light Weapons: Andean Countries From U.S. and Rest of World (2008, \$USD)



150% higher than in 2000–2004. According to SIPRI, in 2009 Venezuela received a multiyear \$2.2 billion in credit from Russia to purchase air defense equipment, artillery, armored vehicles, and tanks. The same SIPRI report also pointed out, however, that Chile is the top South American importer of this class of weaponry and 13th in the world overall.

Figure 14
Trend Indicator Values (TIVs) of Major Conventional Arms Transfers (2008, in millions \$USD)



IV

Andean Regional Overview

If the countries in Latin America were to be envisioned as a volcanic mountain range, the area with the highest level of “seismic activity” would be the Andean countries, in terms of political reform, instability, and economic change. In addition, significant indigenous movements emerged in Bolivia and Ecuador.

More political reforms have originated in the Andean region than in all other Latin American countries combined. In Venezuela and Peru, political decentralization processes began in 1989. In Colombia, a constituent assembly was established and a debate begun over participatory democracy in 1991. A constituent assembly was also established in Ecuador in 1998, following the fall of President Bucarám in 1997, and in 1999 in Venezuela after the election of Hugo Chávez. In Colombia a political reform was passed in 2003 to rectify the excesses of the 1991 constituent assembly.³² New constitutions were adopted in Bolivia and Ecuador in 2009, following complex procedures involving the establishment of constituent assemblies in both countries.

Since 2000, the Andean countries also have seen five presidents forced out of office before their terms were up. Ecuadorian President Jamil Mahuad was forced to abdicate the presidency and Peruvian President Alberto Fujimori resigned, following fraudulent elections to a questionable third presidential term and a major bribery scandal (2000). In the following years, Presidents Gonzalo Sánchez de Lozada (2003) and Carlos Mesa (2005)

of Bolivia, and Lucio Gutiérrez (2005) of Ecuador either resigned or were removed from office.

In the sphere of economics, two Andean countries, Bolivia (1985) and Peru (1990), implemented the most radical economic adjustment programs and neoliberal reforms in the region.³³ Ecuador became the only country in South America to dollarize its economy.

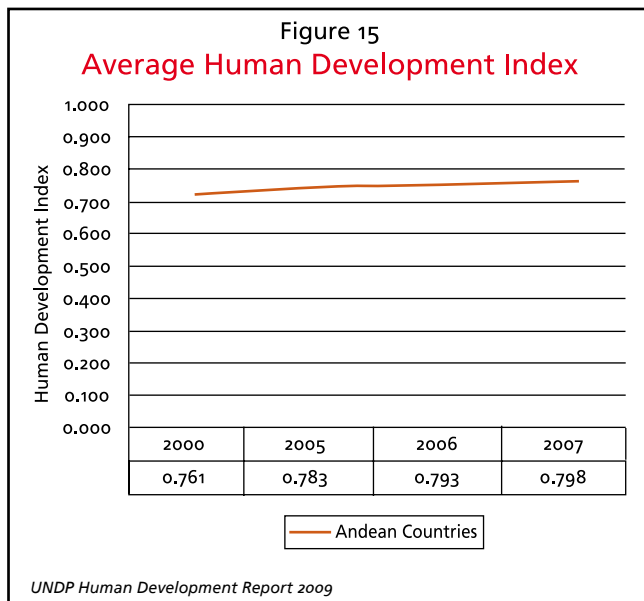
Nevertheless, the most important aspect of the political processes taking place in the Andean countries is the inclusion of sectors hitherto marginalized or excluded in a context of pervasive poverty and inequality. Social, cultural, political and economic inclusion is a sign of our times expressed in an expansion of Andean democracies. Consequently, the main problems of the Andean countries no longer stem from the absence of democracy (as was the case during the military and authoritarian regimes of the past), but rather from a series of shortcomings in democracy itself.

The deepening of democratization processes in Andean countries has involved a genuine redistribution of political and economic power, and the creation of new institutional frameworks. This process has generated political conflict and repeated crises, but also lawful constitutional solutions and negotiated agreements.

The challenge now is how to establish bridges between the complex heterogenous democratization processes underway in the subregion, the shared problems, and ties with the United States.

FAST FACTS: ANDEAN COUNTRIES³⁴**Population:** 126.8 million**Surface area:** 4,698,360 km²
(26.3% of total Surface Area for South America³⁵)**Total living languages:** 288³⁶**Total exports (2009):** \$137.8 billion**Total imports (2009):** \$108.8 billion**Net GDP (PPP [purchasing power parity]
\$US, 2009):** \$1,157.1 billion**Net GDP (Nominal \$US, 2009):** \$819 billion**AVERAGE HUMAN DEVELOPMENT INDEX³⁷**

Figure 15 demonstrates that the average Human Development Index (a comparative measurement of life expectancy, literacy, and standard of living produced by the United Nations) for the Andean countries combined rose from .761 to .798 between the years of 2000 and 2007.

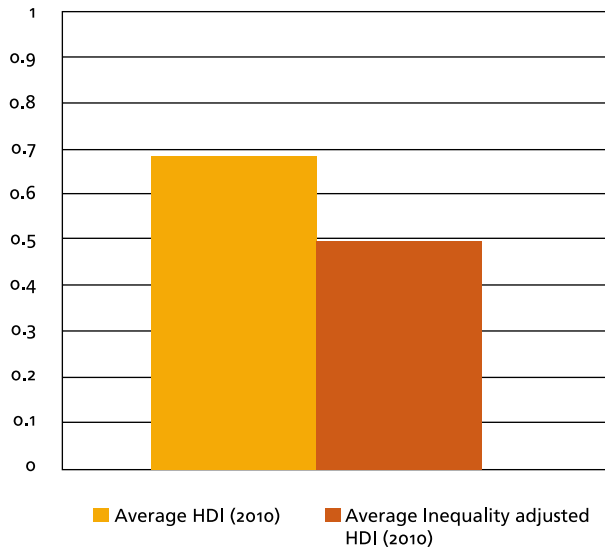
**INEQUALITY-ADJUSTED AVERAGE HUMAN DEVELOPMENT INDEX³⁸**

The 2010 UNDP Human Development Report introduces the Inequality-Adjusted HDI (IHDI), a measure of the level of human development of people in a society that accounts for inequality. Under perfect equality the HDI and the IHDI are equal. When there is inequality in the distribution of health, education, and income, the HDI of an average person in a society is less than the aggregate HDI; the lower the IHDI (and the greater the difference between it and the HDI), the greater the inequality. For the Andean countries, the average loss in the HDI due to inequality is about 27.8%—that is, adjusted for inequality, the average Andean HDI of 0.69 in 2010 would fall to 0.50, which represents a drop from the high to the medium HDI category. See Figure 16.

IV - Andean Regional Overview

Figure 16

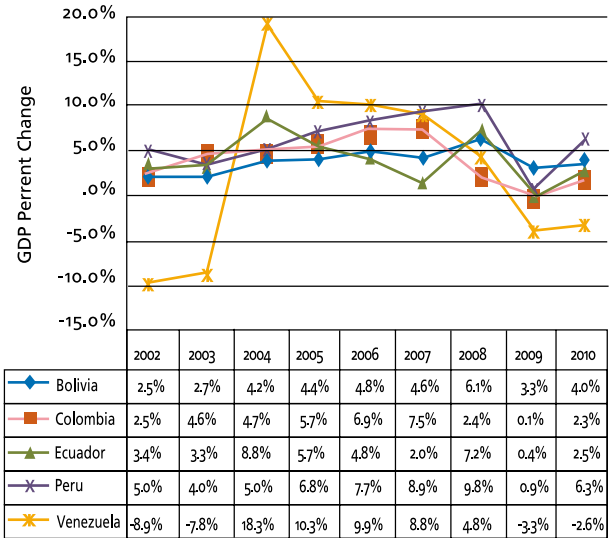
2010 Average HDI and Inequality Adjusted HDI for Andean Countries



UNDP Human Development Report 2009

Figure 18

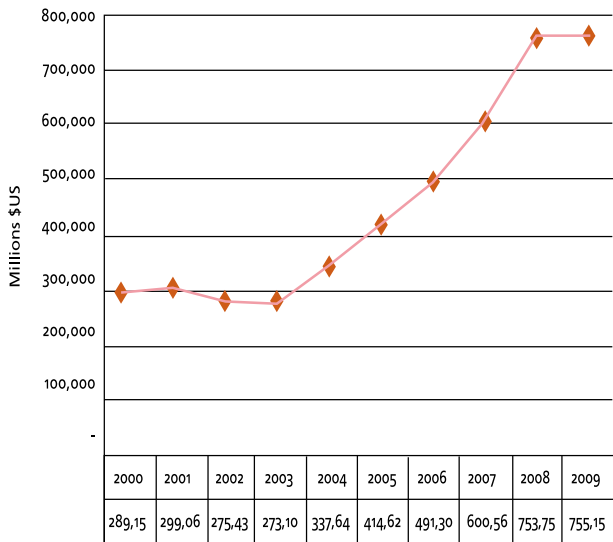
Percent Change in GDP Growth for Andean Countries



International Monetary Fund Outlook (April 2010)

Figure 17

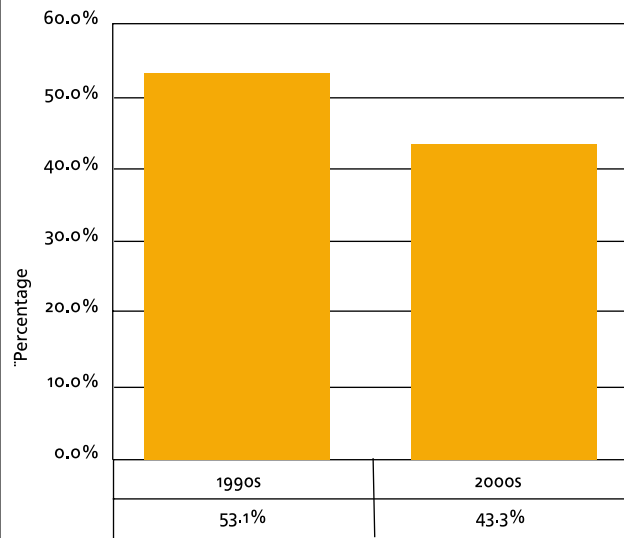
Net GDP for Andean Countries (2000-09)



Interamerican Development Bank. <http://www.iadb.org/res/lmw.cfm>

Figure 19

Percentage of Population in Poverty for Andean Countries



Statistical Yearbook for Latin America and the Caribbean 2008, ECLAC

**NET GDP FOR ANDEAN COUNTRIES
(2000–09)³⁹**

Figure 17 demonstrates that the net GDP for the Andean countries has risen by close to \$466 billion (\$US) between the years of 2000 and 2009.

PERCENT CHANGE IN GDP GROWTH FOR ANDEAN COUNTRIES⁴⁰

Figure 18 shows a breakdown of the percent change in GDP growth, constant prices, by country. It attests to the positive weathering of the 2008 global financial crisis through most of the Andes.

PERCENTAGE OF POPULATION IN POVERTY FOR ANDEAN COUNTRIES⁴¹

Figure 19 captures the fact that the percentage of the population living in poverty in the Andean countries has fallen by about 10% in the last 20 years. This graph uses national percentages

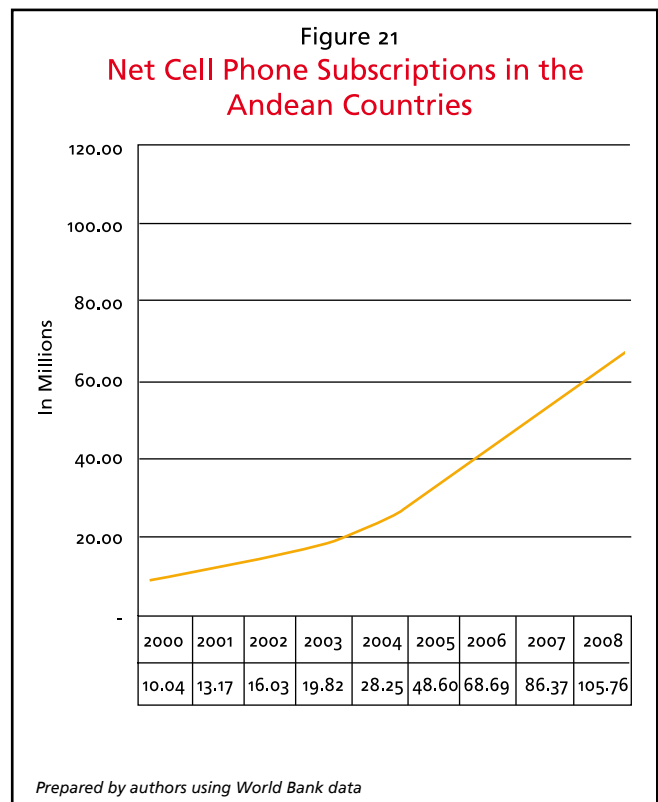
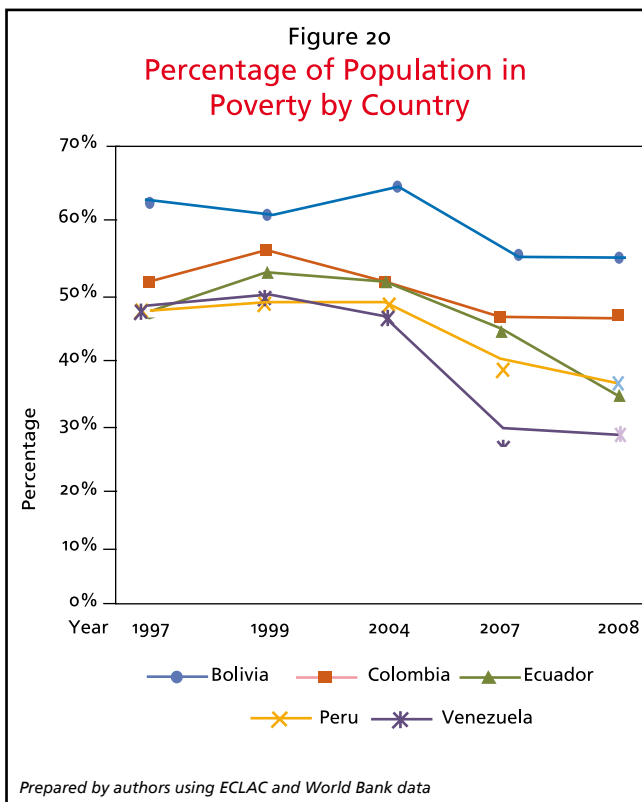
of those having incomes amounting to less than twice the cost of a basic food basket.

PERCENTAGE OF POPULATION IN POVERTY BY COUNTRY⁴²

Figure 20 portrays the falling percentage of the population living in poverty in the Andean countries, demonstrating the decrease, country by country⁴³. The graph uses national percentages of those having incomes amounting to less than twice the cost of a basic food basket.

NET CELL PHONE SUBSCRIPTIONS IN THE ANDEAN COUNTRIES⁴⁴

Figure 21 depicts the number of cell phone subscriptions in the Andean countries between the years of 2000 and 2008. As shown, the number of people possessing cell phone plans in the Andean countries increased tenfold in a span of eight years.



Toward Mutual Understanding: Snapshots of Political and Economic Change in Each Country

BOLIVIA: INDIGENOUS EMPOWERMENT

Although the process of political change in Bolivia shares certain similarities with Venezuela and Ecuador, Bolivia stands out for the complex process of political and social inclusion of its historically marginalized indigenous majority underway. Bolivia is unique among the Andean countries in that it now has an indigenous and labor leader, Evo Morales, as president, in contrast, for example, to the middle class and university origins of Ecuador's president or the military career of Venezuela's president. President Morales is a product of the political and social world of Bolivia — he was a leader of coca growers as well as a parliamentarian and politician before finally becoming president. Thus, he should not be considered as an outsider but rather as representing a complex indigenous political movement attempting to represent itself in its country's government.

Since Evo Morales took office in January 2006, Bolivia has gone through a series of complex and highly polarizing situations that have led some to question the very survival of the country's unity. The writing of the new constitution and the creation of Bolivia's autonomous regions were particularly riddled with conflict, with repeated crises, protests, and brinkmanship ultimately resolved through negotiation and electoral referenda.

Like most of the other Andean countries, the Bolivian economy has responded well to the international crisis. An International Monetary Fund

(IMF) report cited by the Bolivia Finance Ministry indicates that positive projections for growth in 2010 are based on the recovery of hydrocarbon exports and public investment as well as a moderate increase of inflation.⁴⁵ The report also estimates that Bolivia's current account balance will maintain a surplus, while the balance of the public sector will change to a deficit as a result of greater investments made by "a protagonist State participating in the productive sector." In summary, according to the IMF, the management of the Bolivian economy during 2009 "in spite of the global crisis, showed a good performance and its real growth is one of the most important in the region, the current account balance and the balance of the public sector continue to maintain a surplus, in spite of the international shocks. Net international reserves have reached historic levels, providing ample coverage to monetary aggregates and thereby reducing external and financial vulnerabilities. The financial sector remains strong with comfortable levels of liquidity and low delinquency rates." The report also highlights the impact of new social policies including transfers to low-income families financed by hydrocarbon revenues.⁴⁶

The greatest threat to the process of political change in Bolivia comes from politics itself. There is no doubt that dramatic political change like Bolivia's, invites polarization and radicalization that may lead to extreme measures affecting not only the rules, but also the political game itself.

Radicalization could drastically affect the creation of a new political and institutional framework as Bolivia implements its new constitution. Avoiding the temptation toward authoritarianism appears to be the principal challenge for both the current administration and the opposition.

Bolivia's democracy can be strengthened by providing support for the process of institutionalization, creating spaces and mechanisms for dialogue and promoting recognition of the fact that the country is undergoing a process of conflictive change. As the government implements the different levels of autonomy created in the 2009 constitution (i.e., departmental, municipal, indigenous, and regional), political instability may increase as different autonomies vie for economic benefits from the country's resources. The greatest threat lies in the possibility that radical wings of either the current administration or the opposition could eschew the democratic process and opt for a more authoritarian government.

In the area of foreign relations, Bolivia has suffered from fragile and often tense relations with the United States due to disagreements about Bolivia's drug policies as well as a conflict of political ideology. Bolivian and U.S. authorities have expressed a desire to establish a new framework on which to rebuild Bolivia-U.S. relations based on mutual respect and collaboration between the two states.

Despite common interests, Bolivia-U.S. relations hit critical lows in 2008 and 2009. In 2008 the Bolivian government expelled U.S. Ambassador Philip Goldberg based on alleged conspiracy charges. In addition, as a part of the redefinition of its drug policy, Bolivia suspended the operations of the U.S. Drug Enforcement Administration (DEA). More recently, Bolivian officials accused the U.S. Agency for International Development (USAID) of allegedly interfering in Bolivian internal matters by attempting to exert influence on the leaders of different social organizations. In turn, the U.S. government did not renew trade benefits with Bolivia through the Andean Trade Preferences and Drug Enforcement Act (ATPDEA) and issued a determination for three consecutive years between 2008 and 2010 that Bolivia failed to adhere to its obligations under international counternarcotics agreements.

Bolivian officials request that future U.S. cooperation contribute to the objectives laid out in the National Development Plan and that U.S. agencies work primarily through government channels. President Morales has emphasized his country's willingness to attract foreign investment and work with its source countries: Bolivians "are partners and not bosses." President Morales has proposed the establishment of new relations based on respect for national autonomy and imbued with a greater understanding toward the process of change that Bolivia is currently undergoing.

FAST FACTS: BOLIVIA⁴⁷

Population: 9.8 million (2009 estimate, 85th largest in world)

Surface area: 1,098,581 km² (28th largest in world)

Population density: 8.9 people/km

Urban population: 66%

UN Human Development Index (2010)⁴⁸: 0.643 (95th in world)

Income inequality: 0.565 Gini index (2007)⁴⁹ (Second most unequal among Forum countries)

Poverty: 54% (2007) / Poverty decreased from 62.1% in 1997⁵⁰

Official languages: 37 total

Gross domestic product (GDP): \$45.56 billion (PPP \$US); \$17.63 billion (Nominal \$US); Growth rate of 4% (2010 estimates.)⁵¹ Bolivia has the second-largest natural gas reserves in South America. Minerals and hydrocarbons and agriculture account for 14% and 10.4% of GDP, respectively.

Principal exports: Natural gas, soybeans and soy products, crude petroleum, zinc ore, tin. Bolivia's exports were approximately \$4.819 billion in 2009, down from \$6.448 billion in 2008. Imports in 2009 totaled \$4.079 billion.⁵²

Trade partners: Bolivia's main trade partners in 2009 were Brazil (41.4% of exports), the United States (13.9% of exports and 12.8% of imports), Argentina (15.7% of imports), and Chile (9.11% of imports). Bolivia's exports to the United States in 2009 equaled \$504.5 million.⁵³



Environment problems: Climate change resulting in lower precipitation and disappearing glaciers, soil erosion in the densely populated Altiplano due to poor cultivation methods and overgrazing.

President: Juan Evo Morales Ayma, elected to second five-year term, December 2009

Selected regional organization memberships:

- Andean Community of Nations (CAN)
- Andean Development Corporation (CAF)
- Bolivarian Alliance for Peoples of Our America (ALBA)
- Inter-American Development Bank (IDB)
- Latin American Economic System (SELA)
- Latin American Integration Association (ALADI)
- Associate member of Mercosur
- Organization of American States (OAS)
- Rio Group
- Union of South American Nations (UNASUR)

COLOMBIA: THE SECURITY CHALLENGE

Colombia's varied geographical landscape, composed of high mountains and vast expanses of jungle, has long posed a challenge of great magnitude for the Colombian government. Because it has such extensive territory and because much of that territory is difficult to access, the government has historically been unable to exert a strong presence, thus limiting the legitimacy of the state. For much of the past 50 years, the security challenge presented by the armed insurgency, paramilitary groups and drug trafficking has been the dominant issue on the public agenda. The popularity of former President Álvaro Uribe, whose success in controlling and reducing levels of violence won him high approval ratings throughout both his terms, revealed the demand for order and security within Colombian society. On the other hand, critics of the Uribe government argued that his security policies also led to reports of serious human rights violations by security forces.

With the arrival of Juan Manuel Santos to the presidency of Colombia in August 2010, the political dynamic changed to one of promoting a deeper democracy and a greater emphasis on the social agenda. Santos also started to address the three most acute problems faced by the Uribe administration: relations with some of its neighbors of Venezuela, Ecuador, and Brazil; the relation with the Colombian judicial branch; and social and land issues.

Colombia-Venezuela relations, already frozen in reaction to the U.S.-Colombia defense cooperation agreement of 2009, erupted in a new crisis just days before Santos assumed office when then-President Uribe made an accusation at the OAS that the government of Hugo Chavez was protecting the FARC on Venezuelan territory. Soon after his inauguration, however, President Santos met with President Chávez, and they announced the restoration of diplomatic relations, renewed trade, repayment of debt owed to Colombian companies, and new bilateral working commissions. Likewise, President Santos worked to reestablish diplomatic relations with Ecuador, broken after

Colombia's bombing of a FARC camp in Ecuadorian territory in March 2008, and the foreign ministers announced full restoration of relations in November 2010.

Domestically, Santos' first act in office was a visit to the courts. Tension between former President Uribe and the judicial system included the Constitutional Court's rejection of his bid to reform the constitution to allow for a third term in office. Santos' minister of the interior pointed out that controversies about judicial decisions belonged to the past, and a few days later he announced a new justice-reform process marked by consensus with the judicial branch.

Santos' domestic political agenda has placed emphasis on reducing poverty and inequality in Colombian society through three key policies: the Victims' Law to return usurped lands, new land-tenure laws, and a fairer redistribution of mining and energy royalties.

In several important aspects, then, President Santos has changed direction on a number of major policies relative to his predecessor. Nevertheless, Uribe's democratic security initiative was one of the factors that permitted the creation of Santos' new political dynamic. The problems that the new Santos administration will have to face, although similar to those of the previous administration (political violence, organized crime, and social demands), appear under a different context that will provide for new alliances and the potential for a new consensus.

The main challenges for the new administration are: a continued armed conflict, the need for a new human rights policy, new victims' and land laws that may generate violent reactions, a new strategy to face drug traffickers and organized crime, and, finally, a new foreign policy that takes into consideration Colombia's relationship with its neighbors as well as with the United States. Santos has made a major effort to reposition Colombia in the region: shortly after he won the election he visited Argentina, Chile, Peru, Mexico, and Costa Rica, and once in office, Brazil was his first official

visit. Significantly, Washington, D.C., was not on his initial agenda.

The economy is another major challenge for the Santos administration, and economic and social issues form an important part of the public agenda. Colombia has one of the highest levels of inequality in Latin America in addition to an unemployment rate greater than 11%. The informal economic sector has grown rapidly due to high levels of poverty and unemployment and the activities of organized crime. On the other hand, the Colombian economy grew in the middle of the global financial crisis by using a reduction in interest rates, fiscal stimulus, and increased social protection. Furthermore, Colombia has diversified its foreign trade following the temporary closure of the Venezuelan market for Colombian exports.

One of the greatest problems that the Santos administration will face is short term in nature and stem from his decision to establish a government of national unity — in essence, developing a government of political parties. President Santos has empowered the parties belonging to his coalition (The U, Conservatives, Liberals and Cambio Radical) as the privileged interlocutors

of his policies. Santos also announced a policy of consensus building prior to drafting laws and decided that the leaders of the parties should have direct communication with the president. With this, the Santos government also breaks with the policies of the previous administrations, which privileged personal relationships above that of political parties.

Santos has an ambitious legislative agenda that includes a fiscal responsibility rule, a reform in the distribution of mining and oil royalties that changes the economic equation between the central government and the producing regions, an organic law for territorial management that may reconfigure the political map of the country, an ambitious reform of the justice system, a reform of the bylaws of political parties and political financing, a law for public order, law for reparation of victims, land tenure law, and an anticorruption statute. The overall challenge is how to establish a new model of governance for Colombia, one based on an independent judiciary, strengthened political parties as the central stakeholders of the political system, and an administration that responds and delivers to the pressing social situations amid a trend of declining armed violence.

FAST FACTS: COLOMBIA⁵⁴

Population: 45.2 million (2010 estimate, 29th largest in world)

Surface area: 1,141,748 km² (26th largest in the world)

Population density: 40 people/km

Urban population: 74%

UN Human Development Index (2010⁵⁵): 0.689 (79th in world)

Income inequality: 0.585 Gini index (2008⁵⁶) (Most unequal among Forum countries)

Poverty: 46.8% (2008)⁵⁷; Poverty decreased from 56.1% in 1991⁵⁸

Official language: Spanish (plus indigenous languages in their territories)

Gross domestic product (GDP): \$402 billion⁵⁹ (PPP \$US); \$280 billion (Nominal \$US)⁶⁰; Growth rate of 2.6% (2010 estimates⁶¹)

Principal exports: Petroleum, coffee, coal, nickel, cut flowers, bananas, clothing and garment manufacturing, equipment, machinery. Colombia's exports in 2009 totaled \$34 billion. Imports totaled \$31 billion.

Trade partners: Colombia's main trade partners in 2009 were the United States (30.6% imports and 32.5% exports), Venezuela (17.2% ex-



ports), China (10% imports), and Mexico (8% imports)⁶².

Environmental problems: Soil erosion, deforestation, and the preservation of wildlife

President: Juan Manuel Santos, elected to first four-year term, June 2010

Selected regional organization memberships:

- Andean Community of Nations (CAN)
- Andean Development Corporation (CAF)
- Inter-American Development Bank (IDB)
- Latin American Economic System (SELA)
- Latin American Integration Association (ALADI)
- Associate member of Mercosur
- Organization of American States (OAS)
- Rio Group
- Union of South American Nations (UNASUR)

ECUADOR: MIDDLE-CLASS REVOLUTION

Ecuador's recent political experience has been marked by significant institutional instability, including the ouster of three presidents between 1997 and 2005 amid economic crisis and disputes among branches of government. These problems had structural roots stemming from a political system that had strayed radically from its core objectives, alienating the populace in the process. In a sense, democracy failed to achieve its promise, leading to a breakdown of the state.

Current Ecuadorian President Rafael Correa won the 2006 presidential election as the candidate of the Alianza País movement, without even running candidates for the Congress. The youngest president ever in the Andean subregion, President Correa was born in 1963 in Guayaquil, Ecuador's financial and economic hub, and reached the presidency after a brief, fast-paced political career. Until April 2005, when he became minister of economy and finance under President Palacio, he was practically unknown in political circles — an economics professor trained in the United States. During the campaign, he described himself as a Christian leftist. His runoff victory and his reelection in 2009, after a majority of voters approved a new constitution in a referendum, gave the country a significant level of political stability, which it had lacked in the prior decade. Nevertheless, a police uprising in September 2010 raised flags about the tentativeness of the sought-after institutional stability.

Although President Correa has followed the same political pattern as the leaders of Bolivia and Venezuela — winning the elections, convening a constituent assembly, approving a new constitution, and getting reelected— he is not ideologically close to Venezuela President Hugo Chávez. The process underway in Ecuador, known as the “Citizens’ Revolution,” is rooted in the middle class and enjoys broad popular support. President Correa's popularity never dropped below 60% during his first four years in office. The transformation underway in Ecuador has directly affected the quality of life of the most vulnerable sectors of society, tripling social investment in health and education.

Ecuador has a weak political opposition. The traditional political parties, such as Popular Democracy, Democratic Left and Christian Social parties, that dominated the political scene in the 1980s and 1990s are undergoing a severe crisis, reflected in low voter support in recent elections. New opposition groups, some with representatives in the National Assembly, have not achieved significant turnout either, and do not yet constitute a political and electoral alternative. With the decline of traditional parties, social movements (indigenous people, the environment, women), regional movements (Guayaquil), and the business sector have played the main role in voicing the demands of society and the opposition.

With its dollarized economy, Ecuador is among the countries most vulnerable to the international crisis, but is also among the most cautious. Although the country's main export continues to be oil, which gives Ecuador some flexibility in management on the domestic front, the impact of the international crisis has been severe. One of the country's most important revenue sources, remittances from abroad, has fallen, along with non-oil exports. Because the country has no monetary policy of its own, Ecuador was forced to raise tariffs, hindering its foreign trade even with Andean countries, and to decrease its foreign trade deficit. According to the Banco de la República, the economy was expected to grow by between 2% and 4% in 2010, and trends indicate that it will continue to improve in 2011. Nevertheless, the bank noted that forecasts are based on an unpredictable global economy.

After a complex phase early in the Correa administration, bilateral relations between the United States and Ecuador took a positive turn after a visit by U.S. Secretary of State Hillary Rodham Clinton in June 2010. The countries recognize they cannot let ideology delimit or distort dialogue. As a result, discrepancies, mainly over economic policy, are not divisive.

Ecuadorian policy typically reinforces principles of national sovereignty, and implementation of this policy has led to incidents that have affected

bilateral relations with the United States. While some U.S. businesses have complained that Ecuadorian government decisions have harmed them, the incident sparking the greatest U.S. concern was Ecuador's 2009 decision to close the military base occupied by the United States in the port city of Manta. The withdrawal was conducted in accordance with the agreement between the two countries, which authorized U.S. operation of the base for 10 years and allowed an extension if the two parties agreed. The government of Ecuador chose not to renew the authorization that had been granted during the Mahuad administration.

Within the Andes, the government maintains excellent relations with Peruvian President Alán García, an overt critic of President Chávez, even while it participates in the Bolivarian Alliance for the Peoples of Our America (ALBA), an integration initiative spearheaded by Venezuela. Relations with Colombia deteriorated after the neighboring country's incursion into Ecuadorian territory in March 2008, which resulted in the death of Raúl Reyes, one of the top FARC leaders, and other members of the armed group. This caused an immediate severing of diplomatic relations. Nevertheless, in November 2009, an important step for their normalization occurred with the

appointment of *chargés d'affaires*. The election of Colombia's new president, Juan Manuel Santos, in August 2010, and a few goodwill gestures toward Correa, such as the handing over of the computer files of Raúl Reyes and the closing of borders after the recent police revolt on Sept. 30, 2010, all contributed to the complete restoration of relations announced on Nov. 26, 2010.

Amid the current scenario, potential dangers include the following: (a) a deepening of the international crisis and poor management of the domestic economy, (b) a radicalization of both the government and the opposition, and (c) renewed crisis with Colombia. Nevertheless, cautious economic management and broad-based support for the government's plans from sectors that have benefited from the administration's health and education policies provide some basis for optimism. The new constitution establishes various mechanisms for citizen participation and monitoring of public officials' performance, responding to a long-standing complaint from citizens who have demanded oversight of the power of politicians and political parties. Whether these policies can be implemented in an effective and sustainable manner will determine whether this "middle-class revolution" succeeds.

FAST FACTS: ECUADOR⁶³

Population: 14.1 million (2010 estimate, 67th largest in world)

Surface area: 256,370 km² (73rd largest in the world)

Population density: 53.8 people/km

Urban population: 66%

UN Human Development Index (2010⁶⁴): 0.695 (77th in world)

Income inequality: 0.479 Gini index (2009⁶⁵) (3rd most unequal among Forum countries)

Poverty: 35.1% (2008). Poverty decreased from 62.1% in 1990⁶⁶

Official language: Spanish

Gross Domestic Product (GDP): \$108.8 billion (PPP \$USD) / \$57.3 billion (Nominal USD) / Growth rate of 2.5% (2010 estimates)⁶⁷

Principal exports: Petroleum, bananas, shrimp, flowers, cacao, coffee, hemp, wood, fish. Ecuador's exports in 2009 were \$14.34 billion, down from \$19.15 billion in 2008. Imports totaled \$14.27 billion in 2009.⁶⁸

Trade partners: Top five for 2009 include the United States (34.4% of exports and 26.7% of imports), Venezuela (10.2% of imports), Peru (10.1% of exports), Colombia (9.4% of imports), and China (8.0% of imports). In 2009, Ecuador exported about \$5.3 billion in products to the United States and imported \$3.9 billion.⁶⁹



Environmental problems: Erosion in the highland areas, deforestation (especially in the Oriente), water pollution, glacier loss due to climate change.

President: Rafael Vicente Correa, elected to office 2006 and re-elected under the new constitution in 2009 for a term due to end in 2013

Selected regional organization memberships:

- Andean Community of Nations (CAN)
- Andean Development Corporation (CAF)
- Bolivarian Alliance for the Peoples of Our America (ALBA)
- Inter-American Development Bank (IDB)
- Latin American Economic System (SELA)
- Latin American Energy Organization (OLADE)
- Latin American Integration Association (ALADI)
- Associate member of Mercosur
- Organization of American States (OAS)
- Union of South American Nations (UNASUR)

PERU: THE PARADOX OF GROWTH WITH LOW POPULAR APPROVAL

Although the country's economy has grown by an average of 6% annually over the last decade, and poverty has decreased significantly, only 52% of Peruvians prefer a democratic government to a dictatorship, according to Latinobarómetro. The current government's approval rating hovers between 30% and 35%, and 50% of Peruvians could not answer the question, "Do you know what a democracy is?"⁷⁰

Some analysts say the paradox of a government that shows solid economic indicators but that faces low public approval ratings is due to the unequal distribution of the economic bonanza, a result of a weak government's inability to distribute revenue. In fact, there is persistent inequality, combined with lack of social mobility and a political system that is unresponsive to social demands. It should come as no surprise, therefore, that citizens demand jobs and better income and generally disapprove of political parties.

These factors reflect a degree of instability of democracy that is due not only to the democratic regime's deficit of legitimacy, but also to the lack of permanent, recognized, consistent institutional structures that could help to resolve social conflicts.

Alan García Pérez, leader of Alianza Popular Revolucionaria Americana (APRA) party, was elected president for a second time in 2006, defeating Ollanta Humala. While García proposed "responsible change," Humala promoted "the great transformation." After his victory, García implemented economic policy that was radically different from that of his first presidency (1985–1990), which many considered populist. But also under the García administration, the judiciary was finally able to extradite, try, and convict ex-President Alberto Fujimori for crimes against humanity.

In Congress, the government usually wins a majority with votes from the (APRA), sometimes drawing on support from the pro-Fujimori bloc.

Nevertheless, opinion polls show that control of the executive and legislative branches and favorable macroeconomic conditions have not guaranteed public support. Repeating a pattern set by other Peruvian presidents, President García has one of the lowest presidential approval rates in the region, trailed only by the chief executive of Nicaragua, according to Latinobarómetro. Polls show that nearly 70% of Peruvians disapprove of the president's performance (65%, according to a national polling company's⁷¹ national poll in May, and 69% according to the Ipsos Apoyo national urban poll in June 2010).

The government faces a flagging and fragmented opposition that includes three or four important political forces with established leaders. The Partido Nacionalista Peruano (PNP), Ollanta Humala's party, has the second-largest bloc in Congress, and Humala declares himself a supporter of leftist nationalism. Across the spectrum, there are more ideologically centrist and right-leaning parties, such as the Partido Popular Cristiano (PPC), led by Lourdes Flores, and Perú Posible, headed by former President Alejandro Toledo.

The political opposition's weakness inside and outside Congress makes it easier for the García administration to win approval of legislation to implement its public policy. Figures from the most recent legislative session show that more laws come out of the executive branch than Congress. In the last legislative term (2009–2010), 82 of the 180 legislative measures approved by Congress originated in the executive branch, while 70 were proposed by members of Congress. The governing party has little trouble implementing the legal framework for its policies and dodging parliamentary obstacles.

Peru will hold presidential and congressional elections on April 11, 2011. Although voter preferences are not yet clear, there appear to be five main presidential candidates: Luis Castañeda, current mayor of Lima, who has led preliminary polls to date; Keiko Fujimori, daughter of imprisoned former President Alberto Fujimori and Castañeda's chief competitor; Ollanta Humala; Alejandro To-

ledo (Perú Possible), and Mercedes Aráoz, the ruling party candidate.

Peru's gross domestic product (GDP) has grown steadily because of several factors, including increased foreign and domestic investment and higher prices for Peru's main exports. The development of new and nontraditional export markets has had a notable impact on the increase in GDP. Between 2002 and 2009, Peru's economy grew by an average annual rate of 6.5%, one of the highest rates in the region, according to the Ministry of Economy and Finance. That growth came despite the complex worldwide economic situation, particularly the 2008 U.S. financial crisis.

While increased transfer of authority and funding to regional and local governments is also a key domestic issue, political and institutional reform and the fight against drug trafficking had not been among this government's priorities. A mounting problem of drug trafficking in Peru, nevertheless highlights the main challenge of strengthening democratic institutions and the rule of law.

Economic and political relations between Peru and the United States have been strengthened since the signing of the free trade agreement in 2007. Relations with other Andean countries have not fared as well. While relations with Ecuador and Colombia are good, relations with Bolivia often have been marked by bitter political disagreements between the governments. Natural resource ownership is important in most Andean countries; in Peru, natural gas is particularly important to prospects for internal development.

As the April 2011 general elections approach, Peru faces several challenges: (a) maintaining the levels of economic growth and investment achieved in recent years, (b) conflicts stemming from the exploitation of its natural resources, (c) reforming the states and their role in revenue distribution, and (d) combating organized crime, especially drug trafficking. Underlying each of these are the low levels of legitimacy, modernity, and efficiency of Peru's democratic institutions. In most national polls, approval ratings for all three branches of government are very low, demonstrating the urgent need to build confidence in the country's institutions.

FAST FACTS: PERU⁷²

Population: 29.1 million (2009 estimate, 41st largest in world)

Surface area: 1,285,216 km² (20th largest in the world)

Population density: 22 people/km

Urban population: 71%

UN Human Development Index (2010⁷³): 0.723 (63rd in world)

Income inequality: 0.476 Gini index (2008⁷⁴) (third least unequal among Forum countries)

Poverty: 36.2% (2008)/ Poverty decreased from 59.9% in 1986⁷⁵

Official language: Spanish (plus indigenous languages where they predominate)

Gross domestic product (GDP): \$251.4 billion (PPP \$US); \$126.8 billion (Nominal \$US); Growth rate of 6.3% (2010 estimates)⁷⁶

Principal exports: Copper, gold, zinc, crude petroleum and petroleum products, coffee, potatoes, asparagus, textiles, fishmeal, apparel, tin. Peru's exports reached \$27 billion in 2009, due in part to lower mineral prices. Imports totaled \$21 billion.⁷⁷

Trade Partners: Peru's main trade partners in 2009 were the United States (24% of imports and 17.9% of exports), China (16% of exports and 10.7% of imports), Canada (11.4% of exports), Ecuador (7.3% of imports), and Brazil (7.2% of imports). Peru exported \$4.22 billion to the United States in 2009.⁷⁸



Environmental problems: Air pollution, water pollution, soil erosion and pollution, deforestation.

President: Alan García Pérez, elected to a second five-year term, June 2006

Selected regional organization memberships:

- Latin American Integration Association (ALADI)
- Organization of American States (OAS)
- Andean Community of Nations (CAN)
- Union of South American Nations (UNASUR)
- Rio Group
- Inter-American Development Bank (IDB)
- Associate member of Mercosur
- Latin American Economic System (SELA)
- Andean Development Corporation (CAF)

UNITED STATES: OBAMA'S POLITICAL WHIRLWIND

Voters in the United States took an historic step when they elected the country's first biracial president in 2008, with the runner up a female candidate for the first time. Despite these dramatic signs of breakthroughs by population segments long excluded from the highest rungs of power, the country has also experienced a growing polarization and political volatility, not so different from that of some of its Latin neighbors.

When Obama took office in January 2009, 69% of voters said they approved of the president while a mere 13% said they disapproved. Ever since, Obama's popularity has seen various peaks and valleys on a path of general decline. By May of this year both approval and disapproval ratings fluctuated at around 45%.

Obama's ratings also display a growing difference of opinion among white and black Americans. According to recent Gallup polls, Obama averaged an 88% approval rating among blacks and 38% among whites. That racial gap was 24 percentage points narrower at the start of Obama's administration.

This imbalance hints at another factor at play during Obama's presidency, a growing sense of divisiveness in American politics. Despite repeated pledges to work with Republicans, Obama has failed to entice the Republican Party to support his initiatives until a last minute burst of legislation during the lameduck session in December 2010. Republicans have been pugnacious in their opposition to most of his efforts, and Democrats have similarly dug in their heels, creating a sense that Washington is simply too gridlocked to make any significant changes.

Despite the apparent morass, Obama managed to grind out two historic legislative achievements: health care and financial reform. Health care reform in particular seemed an improbable victory after Republicans appeared to kill the initiative. Meanwhile, other important initiatives failed to

move forward, including energy and immigration reform, largely due to their contentious nature.

Public frustration became evident during the mid-term election in November, when Republicans regained control of the House of Representatives and made important gains in the Senate, although the Democratic Party still retains a slim majority. Many, including Obama, interpreted the vote as a call to overcome differences and get things done, leading to a last minute burst of legislation during the lame duck session in December allowing gays to serve openly in the military, extending of Bush-era tax-cuts, and approving an arms control treaty with Russia.

The economy, devastated by the 2008 financial crisis, made barely discernible recovery in 2010, with few new jobs created, though millions of jobs were purportedly saved by the nearly \$1 trillion in stimulus spending approved by the Democratic Congress. The "bad but could be worse" sales pitch by the Obama administration also helped open the door for Republican gains in November. With the dramatic appearance of the grass-roots Tea Party movement among conservative Republican and independent voters, the Republican candidates pledged to reduce government intervention on the basis that it has made the economy worse and increased the suffering of taxpayers. This message helped breed a broad sense of distrust for government that made it particularly hard for incumbents. The U.S. thus faces a divided government and the prospect of a divisive fight over the 2011 budget.

The U.S. economy is still far from a full recovery. By late 2010, 15.1 million people were unemployed and nearly half of them had been out of work for more than six months,⁷⁹ a level not seen since the Depression, according to the New York Times. Meanwhile home prices were still falling, and foreclosures were only expected to grow. Testing the patience of voters and politicians alike was the fact that 16 months after Congress approved a \$787 billion stimulus plan, signs of recovery remained few and far between.

As a result, a new idea emerged that, as opposed to previous downturns, this one is here to stay for a long time and thus economic growth will not return to the levels necessary to generate jobs that have been lost. This potential new reality has led some policy experts and economists — including conservatives — to argue that more government spending is needed. One such proponent is Nobel laureate economist and columnist Paul Krugman who argues that the only way to avoid another Depression is for the United States and other rich nations to continue to borrow and spend their way to new growth.

On the other hand, a growing concern among voters, pushed by the Tea Party movement, about the size of the deficit, will require the administration and the Congress to look for ways to cut spending and increase revenues, opening the prospect of long, drawn-out struggles over how to rein in the deficit without squelching the fragile economic recovery. The June 2010 summit in Canada of the Group of 20 nations reflected this dilemma as well, as all leaders, including Obama, agreed to cut deficits and reduce debts while acknowledging that austerity plans needed to be carefully implemented to ensure they would not slow growth. “We must recognize that our fiscal health tomorrow will rest in no small measure on our ability to create jobs today,” Obama said.

The question now, of course, is how to create those jobs. In his 2009 State of the Union address, Obama pledged to double U.S. exports in five years in order to generate new jobs. The last time the United States accomplished such a feat, it took three times as long and an agreement the size of NAFTA. There is no such agreement pending today.

Obama’s arrival to the White House was largely welcomed around the world as a positive change. In Latin America in particular, expectations were raised when Obama promised just weeks after taking office a “new chapter of engagement” based on mutual respect and partnership at the Fifth Summit of the Americas. With wars in Iraq and Afghanistan, the possibility of a nuclear Iran, the border conflict between

North and South Korea, the Palestinian-Israeli conflict, and the worst economic recession in decades, such engagement, however, was not possible in the near term.

In the Andean countries, Obama’s reception was mixed. He represented a departure from President Bush’s security-first doctrine, brought about by the terrorist attacks of September 11, 2001, which had found wide affinity in Colombia and to some extent in Peru. In contrast, Bush had generated suspicions and rifts with other Andean nations, particularly with Venezuela

While relations warmed between Venezuela and the United States after Obama reached out to Chávez early in his term, any sense of rapprochement was put to rest by Chávez’s concerns over U.S. support to Colombia. By August 2010 a new spat emerged, and relations cooled further, this time over Obama’s choice for ambassador to Venezuela, Larry Palmer, who expressed concern over Chávez’s ties with the FARC guerrillas and opined about low morale in the Venezuelan military.

Some may argue that nothing has changed since the Bush years. Yet Obama has demonstrated a pragmatic approach to foreign policy and has backed away from the previous administration’s attempts to impose U.S. values abroad. Obama’s stated goal has been to serve U.S. national interests and leave the policing of the world to others.

Faced with the worst economic recession since the 1930s, Obama has moved from a security-first to a prosperity-first approach. As he put it during a speech at West Point in December: “The nation that I am most interested in building is our own.”

It is hard to think of a region that will benefit more from U.S. prosperity than Latin America. Even Venezuela, Bolivia, Nicaragua, and Ecuador — all members of the Bolivarian Alliance for the Peoples of Our America, which was designed as an alternative to the U.S.-touted Free Trade Area of the Americas — all count the United States as their number-one trading partner.

There have been of course events that have forced Obama to focus beyond his country. The 2009 coup in Honduras is one clear example of that. This unfortunate setback for democracy in the Americas became a reminder of the urgent need to strengthen democratic governance in the region.

Senior officials in the Obama administration have indicated a willingness to “create stronger and better mechanisms for the collective defense of democracy in the Western Hemisphere.” The U.S. mission to the Organization of American States is currently reviewing different options to strengthen the Inter-American Democratic Charter, an effort that is likely to create new tensions between Washington and several capitals in the Andes.

The challenges for U.S. in the near future, beyond the obvious need for economic recovery requiring some bipartisan cooperation, include the restoration of trust in public institutions. Americans tend to be optimistic about the future, and such

confidence has often been at the heart of U.S. success. While the current recession has tested this outlook, it has not been enough to turn Americans into pessimists. A poll by the Pew Research Center in June 2010 found that 62% believe their personal finances will improve in the coming year.

Nevertheless, while Americans’ trust in themselves may remain strong, the same cannot be said about their trust for government or other large institutions. The financial crisis and bitter political disagreements have clearly helped fuel their wariness. Another Pew survey completed in 2010 found that Americans have lost faith in banks, Congress, political parties and government in general.

Only 22% said they can trust the government all or most of the time, among the lowest measures in half a century. Meanwhile 30% viewed the federal government as a major threat to their personal freedom, much higher than the 18% who had similar fears back in 2003.

FAST FACTS: UNITED STATES⁸⁰

Population: 308,745,538 (2010 Census⁸¹, 3rd largest in world)

Surface area: 9,826,675 km² (3rd largest in the world)

Population density: 31 people/km²

Urban population: 82%

UN Human Development Index (HDI) (2010⁸²): 0.902 (4th in the world)

Inequality-adjusted HDI: 0.799 (2010)

Income inequality: 0.468 Gini index (2009⁸³) (second least unequal among Forum countries)

Poverty: 14.3 % / 43.6 million people (2009)⁸⁴
Poverty increased by 1.5 % from 1990

Official language: None. English spoken by 82.1% of the population; Spanish spoken by 10.7%

Gross domestic product (GDP): \$14.14 trillion (PPP \$US); \$14.26 trillion (Nominal \$US); Growth rate of 2.6% (2010 estimates)⁸⁵

Principal exports: Soybeans, fruit, corn, organic chemicals, transistors, aircraft, motor vehicle parts, computers, telecommunications equipment, medicines. Exports were \$994.7 billion in 2009; imports equaled \$1.445 trillion.⁸⁶

Trade partners: The United States' main trade partners in 2009 were Canada (19.4% of



exports and 14.24% of imports), China (19.3% of imports and 6.6% of exports), Mexico (12.2% of exports and 11.1% of imports), Japan (6.1% of imports and 4.8% of exports), and Germany (4.5% of imports and 4.1% of exports).⁸⁷

Environmental problems: Air pollution, marine dumping, desertification, climate change

President: Barack Obama, elected to first four-year term, 2008

Selected regional organization memberships:

- Organization of American States (OAS)
- North American Free Trade Agreement (NAFTA)
- Inter-American Development Bank (IADB)
- Free Trade Area of the Americas (FTAA)
- Economic Commission for Latin America and the Caribbean (ECLAC)

VENEZUELA: A RADICAL EXPERIMENT

Few would have imagined that the electoral victory of Hugo Chávez in 1998 would mark the beginning of one of the most interesting political cycles in South America. Notwithstanding the center-left coalition government in Chile, 1998 could be deemed the beginning of what some have called a “turn to the left” or progressivism in the region.

The demand for radical change materialized in Venezuela in the 1990s as a result of a doubling of poverty levels and the population’s resounding rejection of the traditional political parties and leaders. It was in this context that Hugo Chávez emerged as a political figure with a plan for a new and inclusive democracy that would be the product of constitutional reform and redistribution of the country’s petroleum resources to sectors of society previously excluded. In 2006, this project began to be called 21st Century Socialism.

Chávez’s leadership is based on a strong identification with popular sectors that also translates into a strategy of inclusion and support to them through various programs or “missions” — in health, education, nutrition, housing — financed by petroleum revenue. This process, which began when Chávez came to power in 1999, has resulted in the existence of two opposing political factions that have competed in 14 electoral processes. In addition, while the government has pursued its goals of radical change, opponents to the government’s political program have adopted more radical strategies, including the 2002 coup attempt, the 2002–2003 petroleum strike and the abstention from the 2005 Congressional elections. The resulting polarization makes any constructive dialogue between pro-government and opposition sectors exceedingly difficult.

On the economic front, the government is seeking to radically change the development model, starting with the redistribution of petroleum revenue and expanding into a new model of socialism with ever greater nationalizations of private companies and creation of state-run enterprises. The country continues its historic dependence on petroleum

exports, though these have now increased to 90% of its export revenues. Likewise, the importance of Venezuelan petroleum exports in the region, and the revenue it generates, continues to be an important political instrument both inside and outside the country.

Managing the Venezuelan economy has led to some difficulties that could impact the levels of support that “Chavismo” has enjoyed to date. High inflation levels (estimated 25–30%) coupled with monetary devaluation in 2010, shortages of goods in the internal market in recent years, fiscal deficits, and negative economic growth in 2009 and 2010 all pose challenges for Venezuela. One response of the government has been to enact profound changes in the channels of marketing for food and beverages. These channels, previously in the hands of the private sector, are now controlled through popular markets and individual networks of the public sector, who spearhead their distribution with the aim of guaranteeing the supply of food products.

Venezuela stands out in the region in terms of both its interdependence with the United States and the assertive pursuit by the Chávez government of increased autonomy and standing within the international political system with respect to the process of globalization. Venezuela’s foreign policy is based on a strong multipolar focus, leading to increased relations with regional organizations such as MERCOSUR and UNASUR, as well as other nations such as Iran, Russia, China, and Cuba. The Chávez government has further enacted initiatives like the Bolivarian Alliance for the Peoples of Our Americas (ALBA) and Petrocaribe, through which it has provided technical assistance and financing to other countries in the region.

Relations between Venezuela and the United States are very complex. For a number of years, the two countries maintained a diplomatic relationship without substantial disagreements, but the inauguration of the Chávez administration brought about a dramatic change. The principal goal of Chávez’s foreign policy is to create a multipolar world, a policy that has continued to

intensify since the attempted coup d'état in 2002 (applauded at the time by the U.S. government). As a result, throughout the last decade, there have been a variety of instances that demonstrate the important differences in strategy and on issues that are part of the global and hemispheric agenda. Despite these serious differences, the bilateral relations have strategic importance for both the U.S. and Venezuela, primarily in terms of energy, economic trade, and financial policy. There are distinct, but not incompatible, agendas on issues such as the fight against terrorism and drug trafficking. The challenge is to achieve inclusion of each of the respective agendas.

The arrival of President Obama to the presidency of the United States created many expectations in Venezuela that have not been fulfilled, although a change in style compared with the Bush administration is perceived. Improvement in the bilateral relations is thus still a challenge to be met.

Relations between Colombia and Venezuela have passed through different stages, some of which were fairly tense, but with the election of Juan Manuel Santos to the Colombian presidency, the confrontation between the countries diminished. This is reflected in Santos' preference to resolve his differences with Venezuela through the diplo-

matic process and the agreement of the two presidents to restore diplomatic and trade relations, ensure payment of Venezuelan debts to Colombian companies, create bilateral working commissions, and adopt direct dialogue mechanisms between both countries.

The near-term challenges for Venezuela include both the economic challenges noted previously and the new political scenario resulting from the September 2010 legislative elections. Those elections resulted in candidates opposing the government party winning 40% of the seats in the National Assembly, thus impeding the governing party's supermajorities needed for constitutional amendments, appointments to the Supreme Court and other public authorities, and delegation of decree powers to the president. After five years of no opposition representation in the National Assembly (due to the 2005 opposition boycott), the new scenario with representation of both those in favor of the government and the opposition provides the conditions for national debate and a new search for consensus in Venezuelan society. On the other hand, in December 2010, the lame-duck National Assembly approved legislation giving President Chavez eighteen months of broad decree power, effectively diminishing the power of the newly elected national assembly.

FAST FACTS: VENEZUELA⁸⁸

Population: 28.6 million (2010 estimate, 42nd largest in world)

Surface area: 916,445 km² (33rd largest in the world)

Population density: 30 people/km

Urban population: 93%

UN Human Development Index (2010⁸⁹): 0.696 (75th in the world)

Poverty: 27.6% (2008); Poverty decreased from 39.8% in 1990⁹⁰

Income inequality: 0.41 Gini index (2009) (least unequal among Dialogue Forum countries)

Official language: Spanish (and numerous un official indigenous languages)

Gross domestic product (GDP): \$349.3 billion (PPP \$US); \$337.3 billion (Nominal \$US); Growth rate of -2.6% (2010 estimates)⁹¹

Industry: Oil accounts for roughly 30% of GDP, 90% of export earnings, and more than half of the central government's ordinary revenues. Other exports include chemicals, agricultural products, and basic manufactures.

Principal exports: Petroleum, bauxite and aluminum, steel, chemicals, agricultural products, basic manufactures. Exports were \$57.6 billion in 2009, down from \$95.14 billion in 2008. Imports in 2009 totaled \$38.44 billion, down from \$49.48 billion in 2008.⁹²

Trade partners: Venezuela's main trade partners in 2009 were the United States (35.2% of exports and 23.7% of imports), Colombia (14.4% of imports), Brazil (9.1% of imports), Netherlands Antilles (8.6% of exports), and China (8.44%



of imports). Venezuelan exports to the United States were US\$28.1 billion in 2009.⁹³

Environmental problems: Sewage pollution of Lago de Valencia; oil and urban pollution of Lago de Maracaibo; deforestation; soil degradation; urban and industrial pollution, especially along the Caribbean coast; threat to the rainforest ecosystem from irresponsible mining operations.

President: Hugo Chávez Frías, elected to third term (six years), 2006

Selected regional organization memberships:

- Latin American Integration Association (ALADI)
- Organization of American States (OAS)
- Bolivarian Alliance for the Peoples of Our America (ALBA)
- Union of South American Nations (UNASUR)
- Inter-American Development Bank (IDB)
- Latin American Economic System (SELA)
- Andean Development Corporation (CAF)

Public Opinion Attitudes Toward Cooperation Between the United States and Andean Countries

The analysis presented here reports on results from 128 key informant surveys conducted by Dialogue Forum members with government, civil society, academic, media, and private sector representatives in each country between May–July 2010, as well as public opinion polling about the perceptions and expectations about relations between the Andean countries and the United States commissioned by the Dialogue Forum. These randomized public opinion polls were conducted in August 2010 in the six countries with a sample size of more than 5,000 surveyed people.⁹⁴

The surveys give us a picture of the issues considered of highest priority for international cooperation by the countries concerned, of public perceptions about which countries have more or less friendly relations with their own, and whether their country is well understood by the others. They also show some interesting contrasts between the priorities of elite key informants and mass public opinion in each country.

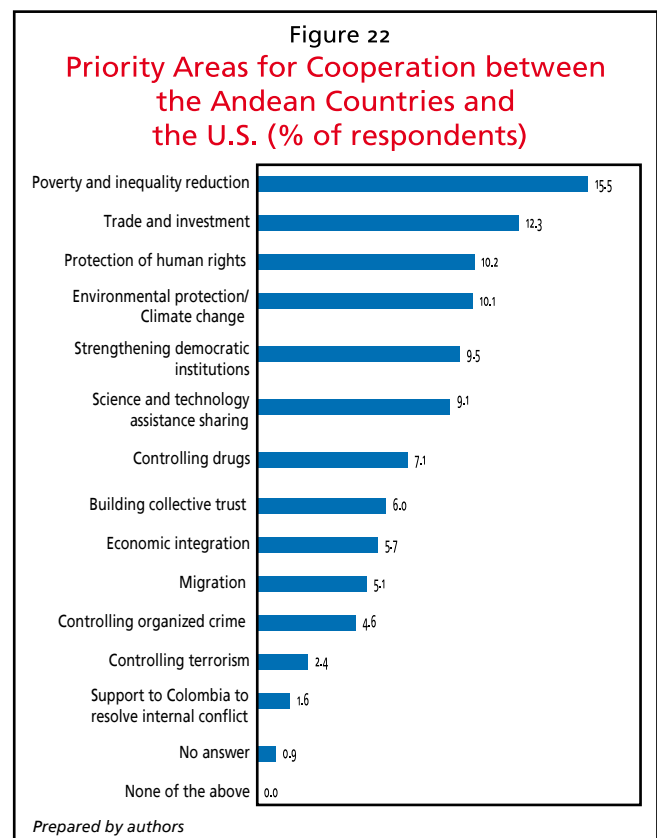
PRIORITY ISSUES FOR COOPERATION BETWEEN ANDEAN COUNTRIES AND THE UNITED STATES

Elite Perceptions

The elite survey of key informants included both open and closed questions developed by Forum members. From open-ended questions to the key stakeholders in the different countries, the top priority for a common agenda between the Andean countries and the United States was the hope for “respect and mutual understanding.” The respondents further believe that a change toward a greater understanding of the particular reality of each Andean country could help to reduce preju-

ices about the Andean countries and to lessen a tendency to stigmatize U.S. policies as interventionist. They contended that such improvements in mutual understanding are required to lead to deeper and more stable relations.

In closed-ended questions, the surveys asked respondents to rank a list of 13 issues in terms of their priority for greater or lesser cooperation between the Andean countries and the United States (see Figure 22). As can be seen in the figure below, respondents overall identified six issues (from the list of 13) as top priorities for cooperation between the Andean countries and the United States:



- 1) Reduction of poverty and inequality
- 2) Trade and investment
- 3) Protection of human rights
- 4) Environmental protection/climate change
- 5) Strengthen democratic institutions
- 6) Science and technology assistance sharing

Nevertheless, variations among key informants by country in priorities for international cooperation are also revealing:

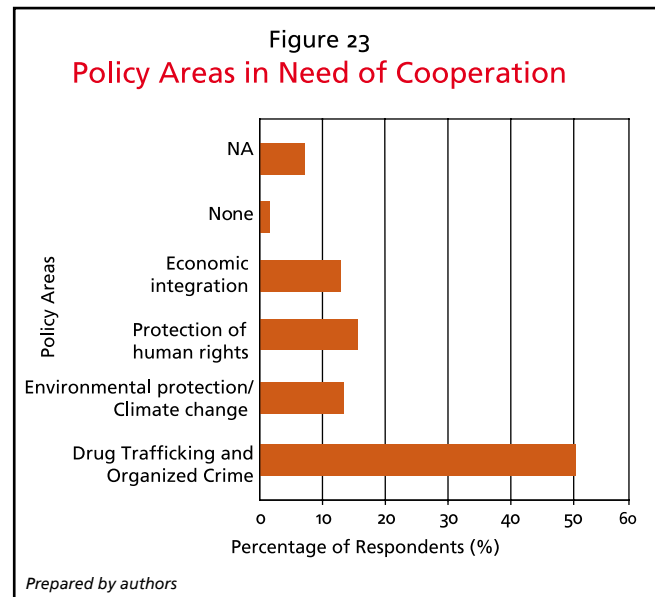
Bolivia	Reducing poverty and inequality, followed closely by democratic institutions and human rights, and environmental protection/climate change
Colombia	Protecting human rights and protecting the environment/climate change
Ecuador	Trade and investment, followed by sharing of science and technology
Peru	Controlling drugs, followed closely by reducing poverty and inequality, and trade and investment
United States	Reducing poverty and inequality
Venezuela	Reducing poverty and inequality

Mass Perceptions

Interestingly, the outcomes at the elite level do not always match those obtained by the public opinion surveys when it comes to the priority areas for cooperation among the Andean countries and the U.S. For the public opinion surveys, the option areas presented were reduced to four substantive policy areas, with a fifth option “None of the above” (see Figure 23).⁹⁵ At the level of mass public opinion, control of drug trafficking and organized crime is perceived overall as the issue in greatest need (51%) of international cooperation for a solution. At some distance, the surveyed

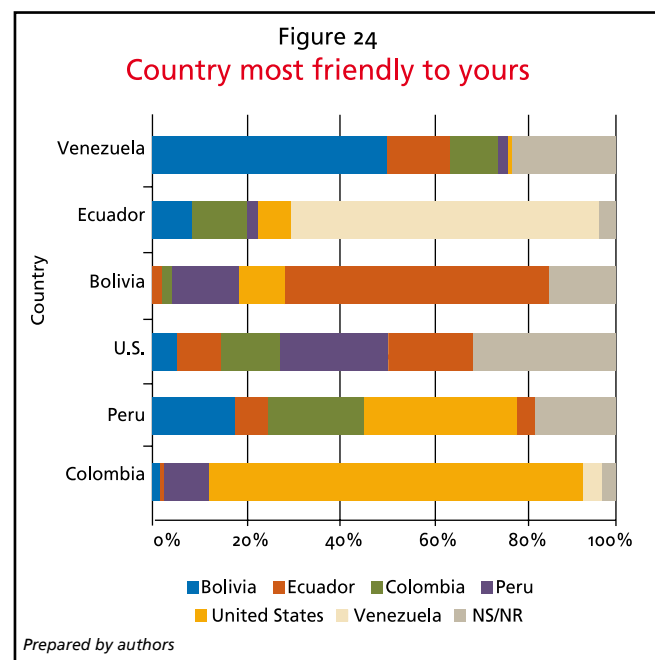
countries see the “protection of human rights and democracy” (16%) and “environmental contamination and climate change” (14%) as other areas of relative importance to international cooperation.

In contrast with elite opinion, only 12% of those surveyed consider “economic integration” an important area for cooperation.⁹⁶

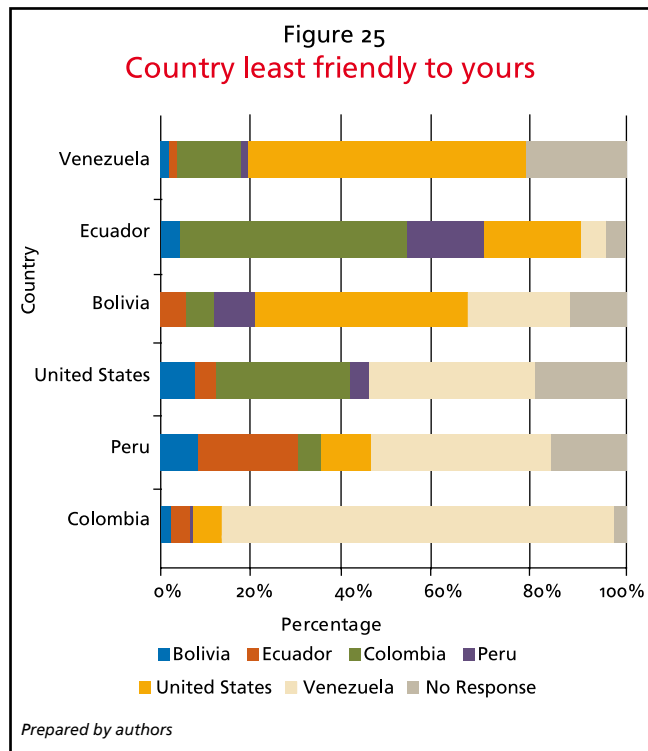


PERCEPTIONS OF FRIENDLIEST AND LEAST FRIENDLY COUNTRIES

The public opinion survey also asked which countries are perceived as friendliest and least friendly



to the respondent's country, and how each respondent perceived their country's relations with the United States (see Figure 24 and 25).



For U.S. respondents (excluding the 30% who were unsure or did not respond), the friendliest countries toward the United States, perhaps surprisingly, are Peru and Venezuela, followed by Colombia. These results may reflect the existing bilateral free trade agreement with Peru (although this is unlikely to be well-known among the mass public in the United States), the oil trade with Venezuela, and the strong cooperation with Colombia on the drug and security issue. At the same time, U.S. respondents show ambivalence in also ranking Venezuela and Colombia (in that order) as the least friendly, most likely reflecting the ideological conflicts with Venezuela and the negative impact of the drug trafficking on the United States

Colombians have the strongest opinions, overwhelmingly (79%) identifying the United States as the most friendly and Venezuela as the least friendly (85%), reflecting the break in diplomatic relations and cuts in trade in the months prior to the survey. In Peru — a country politically distant from Venezuela and physically distant from the United States — the outcomes are more diffuse. Peruvians

consider the United States the friendliest to Peru (32%), whereas they consider Venezuela (37%) and Ecuador (24%) the least friendly. This likely reflects the ideological and rhetorical conflicts between the Venezuelan and Peruvian presidents and the border war with Ecuador from 1995 to 1998.

Bilateral ties and conflicts also impact opinion in Ecuadorians, who identify Colombia as the least friendly (53%) after a 2008 military incursion and break in relations, followed by the United States and then Peru. This relatively positive result for Peru indicates that memory can fade, as more recent conflicts with Colombia and the U.S. have superceded by far any negative feelings toward Peru. Ecuadorians also perceive Venezuela as the most friendly (65%), perhaps reflecting the ties between the two governments in the ALBA alliance.

Likewise, Bolivians also perceive Venezuela as the most friendly (53%) and the United States as the least friendly (49%), reflecting the nature of official bilateral ties with each of those countries. Yet 20% of Bolivians also perceive the United States as the most friendly and Venezuela as the least friendly, reflecting a polarized opinion within Bolivia as to how to regard the roles of both the United States and Venezuela in Bolivia.

Finally, Venezuelans view Bolivia and Ecuador (the two other members of ALBA) as the most friendly. Interestingly, the majority view the United States as the least friendly (60%), but only 16% view Colombia as least friendly, despite the strong tensions of 2010 (and in contrast to the negative feelings of Colombians toward Venezuelan “friendliness”). Additional questions on the Venezuelan survey reveal interesting responses to be taken into account in bilateral relationships. Venezuelans overwhelmingly believed Venezuela should repair relations with Colombia (75%), and that broken relations negatively affect Venezuela (68%). A not insignificant number (18%) believe there exists a serious threat of invasion by the United States, and 14% believe there exists a serious threat of invasion by Colombia (though 47% and 51% reject those claims, respectively).⁹⁷

MISPERCEPTIONS OR MUTUAL UNDERSTANDING?

The elite survey asked respondents to identify one factor about their own country that is misunderstood by others and that may thus impede greater regional cooperation. Though several such factors were identified by each country, the responses below are illustrative of misperceptions that the Dialogue Forum is striving to clarify.

Ecuador

“The political regime in Ecuador is likened all too soon to the Chávez regime; that is not to say one must disregard the gaps in the [Ecuadorian government’s] exercise of democracy and lack of institutional permanence.”

Bolivia

“The process of change (social inclusion and national self-affirmation, constitutional reform, and intercultural democracy) is not understood by many Bolivians, let alone by other countries.”

Peru

“Peru’s position in favor of dialogue, consultation, coordination, and negotiation with the U.S. is misinterpreted by some Andean countries as economic and political subordination.”

Venezuela

“The political, economic, and cultural changes in Venezuela have been stigmatized and demonized, allowing for attacks against our sovereignty and, on top of everything, have veiled our real problems. Less polarization could make possible a more realistic relationship with others.”

Colombia

“The external view of the issue of violence (drug trafficking and guerrilla insurgency) in Colombia is outdated and fails to appreciate the evolution of this complex issue.”

United States

“The complex process of policy formulation in the U.S. is misunderstood; bad or just undesirable policies are perceived from a conspiracy view whereas, in actuality, they are the outcome of compromises

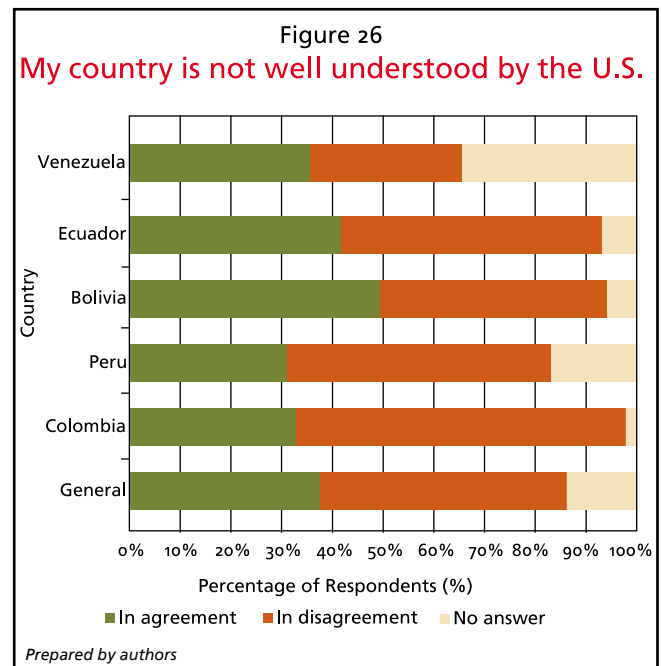
and lack of coordination among U.S. bureaucracies that are complicated and contradictory.”

In the cases of Venezuela and Bolivia, the societal polarization that these countries are living was evident in additional responses focusing on the lack of international recognition of the erosion of democratic rights and separation of powers:

Bolivia: “Internationally, Bolivia is not recognized as an electoral democracy with a government that does not tolerate the existence of a political opposition and who considers democracy as the imposition of majority mandate without necessarily respecting political minorities.”

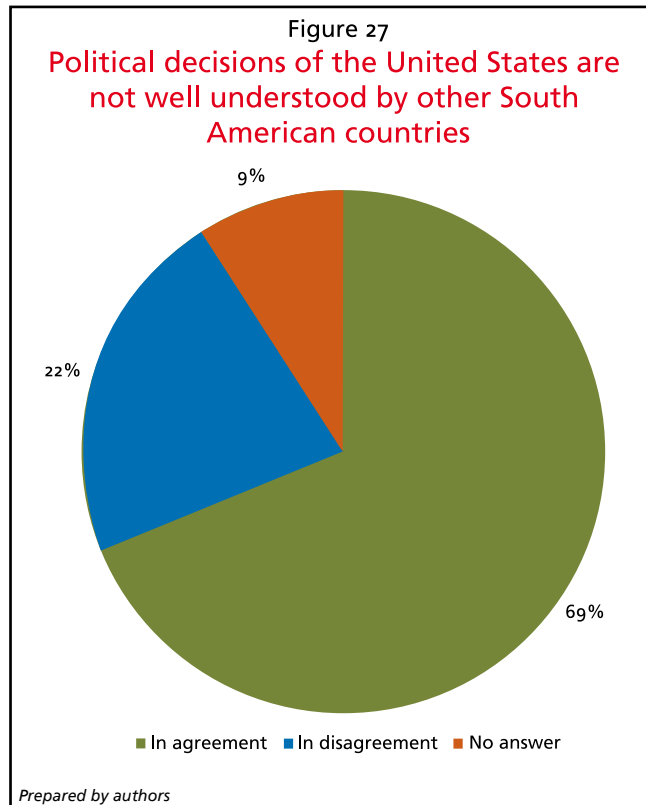
Venezuela: “Internationally the government is seen as democratic for having originally emerged from elections and legitimating itself repeatedly through elections, while there is no official recognition of the persistent violations to the constitution, human rights, freedom of expression, and other abuses.”

Mass perceptions about the level of understanding between the United States and their country also reflected obstacles in the way of effective cooperation, as illustrated in the following graphs. The general perceptions of whether their country was well understood by the United States followed roughly the nature of official bilateral relations. In



all but Venezuela and Bolivia, the two countries who lack a U.S. ambassador, more people believed the United States understood their country than disagreed with the assertion (see Figure 26).

On the other hand, a large majority of U.S. respondents believe the political process in the United States is not well understood by South Americans⁹⁸ (see Figure 27).



KEY INFORMANT PERCEPTIONS OF U.S. POLICY PRIORITIES TOWARD LATIN AMERICA

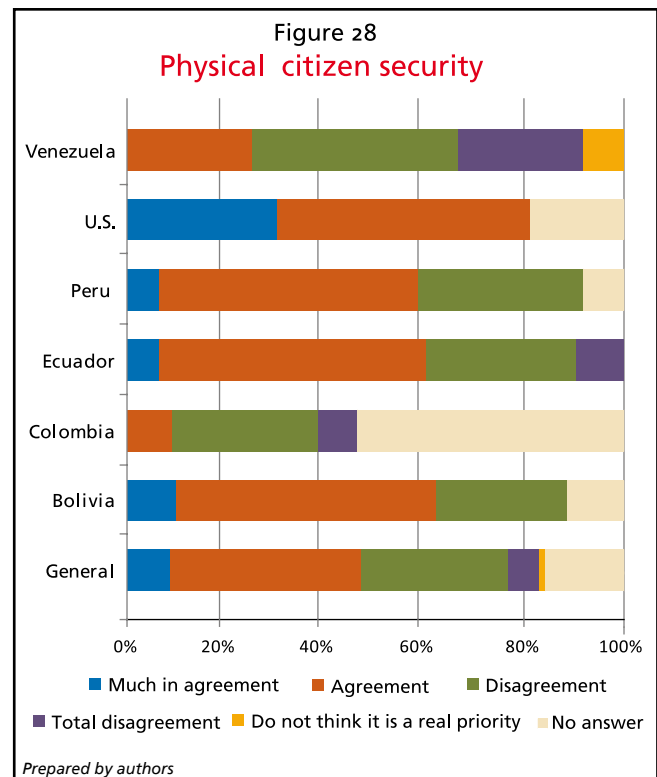
Our surveys next attempted to evaluate the perceptions of actual U.S. policies. The following graphs show the elite perceptions about current established policy priorities of the United States, as identified in a speech by Secretary of State Clinton in Quito, Ecuador, in June 2010.⁹⁹ The four U.S. policy priorities for Latin America are improving citizen security, enhancing democratic institutions, reducing poverty, and improving renewable and alternative energy sources (see Figures 28–31).

Agreement with the U.S. priorities is generally much greater than the disagreement (particularly if the options “strongly agree” and “agree” are combined).

On the issues of “social equality” and “renewable energy,” the level of agreement is greater than on “citizen security” and “democratic institutions.”

Physical Citizen Security

The differential response on citizen security (see Figure 28) is notable, and perhaps surprising, for Colombia and Venezuela. In Colombia,¹⁰⁰ the level of disagreement on citizen security as a policy priority for the United States is much greater than agreement and may reflect the perceptions of progress on this issue in recent years. In any case, this “elite” outcome contradicts those obtained from public opinion surveys among Colombians who *do agree* that the drug trafficking and organized crime issue (closely connected to the problem of citizen security) should be a priority for international cooperation (and so to the United States).

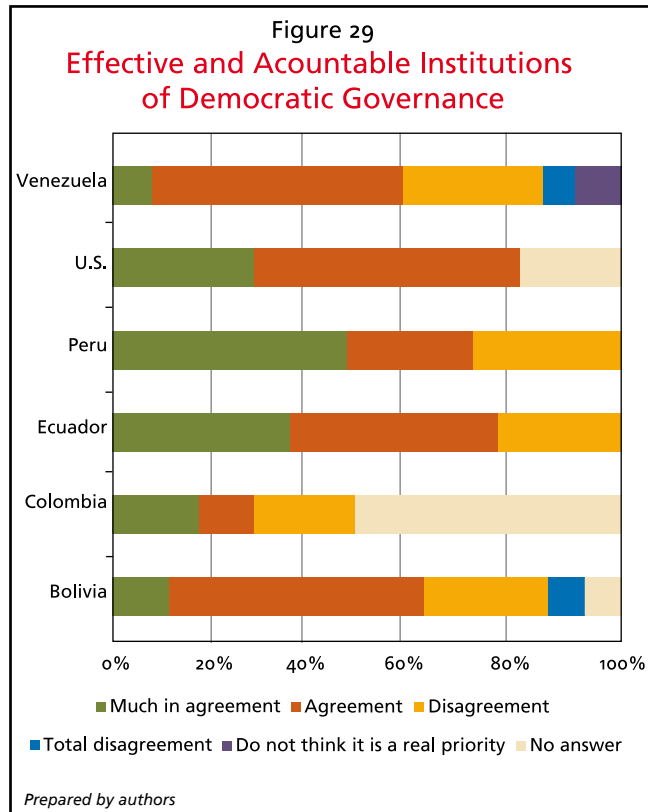


Something similar occurs with the outcomes from Venezuela where there is also a strong disagreement that “citizen security” should be a U.S. policy priority. Because U.S. policy has focused on security aid to Colombia, the Venezuelan responses may reflect fears about the potential repercussions these policies may have for their own country.

On the other hand, U.S. respondents strongly agree with this priority for U.S. policy toward the region.

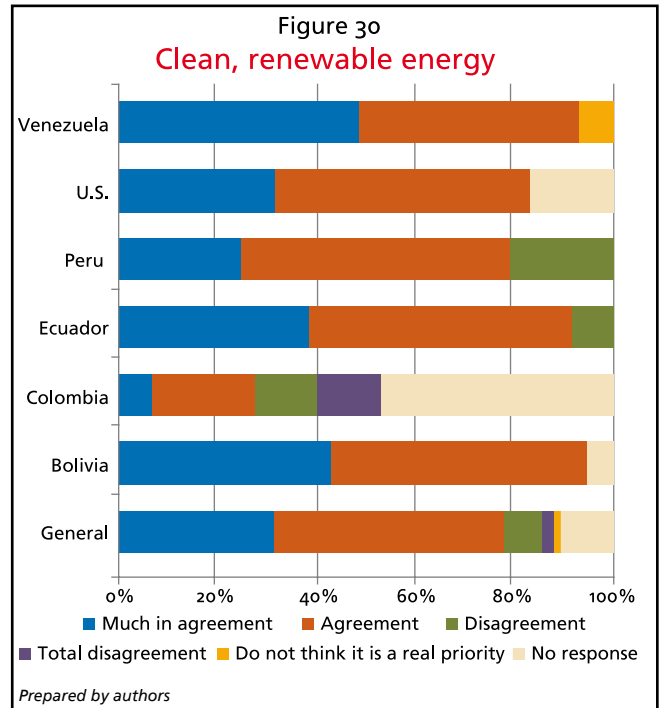
EFFECTIVE AND ACCOUNTABLE INSTITUTIONS OF DEMOCRATIC GOVERNANCE

On the issue of “effective and accountable institutions of democratic governance” there is also a certain measure of disagreement in all of the Andean countries, though in no country is it a majority (see Figure 29). This ambivalence may reflect strong political connotations and the possibility of perceived intrusion by the United States. Like in citizen security, the ambivalence toward this U.S. policy goal appears to be strongest in Venezuela and Colombia, while U.S. respondents showed strong support for this policy goal.



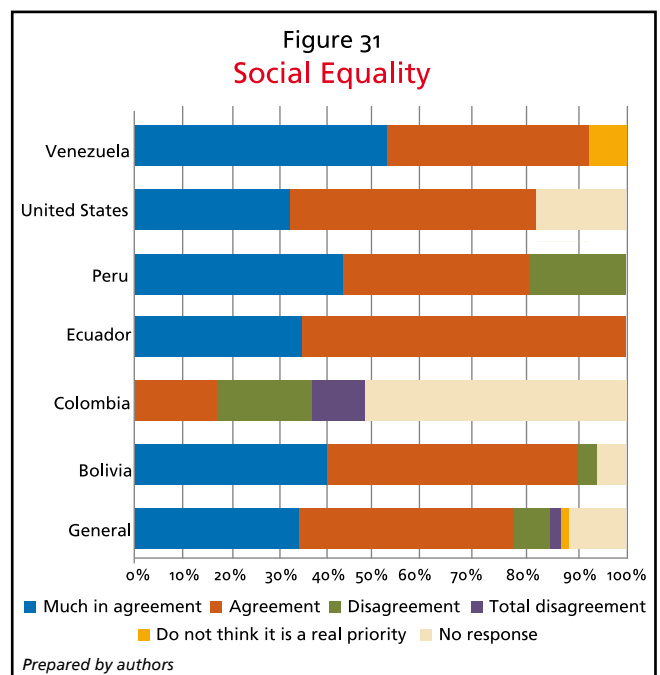
CLEAN AND RENEWABLE ENERGY

The policy priority of clean, renewable energy generates agreement across the board, with no disagreement at all among Americans, but some limited disagreement among Colombians and Peruvians (see Figure 30).



SOCIAL EQUALITY

Finally, the policy priority of promoting social equality (reducing poverty and inequality) generates strong agreement in every country but Colombia (reinforcing the notion above that Colombians did not perceive a need for international cooperation to reduce poverty and inequality, despite having the second highest level of income inequality among Dialogue Forum member countries) (see Figure 31).



VII

Toward a Common Agenda

The hope for “respect and mutual understanding” between the Andean countries and the United States is the top priority for a common agenda. The Andean-U.S. Dialogue Forum was founded on the principle that increased understanding will provide the conditions for more effective cooperation to resolve mutual challenges. The respondents in our survey of key informants reinforced this principle, pointing out that greater understanding of the dynamics of each country could reduce the prejudices and stereotypes about each country and lead to deeper and more stable relations between the countries.

In substantive terms, the key informant surveys emphasize the desire to “de-militarize” and “de-narcotize” the relations between the United States and the Andean countries. Instead, they propose a greater focus on fighting poverty and inequality, and on promoting trade and investment and sharing of technology, but with negotiated agreements that reflect unequal levels of development and that are based on fairer rules of exchange and more balanced negotiation processes. There is divergence among the Andean respondents about whether to pursue bilateral agreements with the United States or strengthen multilateral mechanisms within the Andean subregion. This divergence in fact has stymied multilateral trade negotiations within the Andean Community of Nations (CAN) with the United States and the European Union in the recent past.

At the mass level, in contrast, a continued concern with drug trafficking and organized crime far outweighs the other issue areas in terms of priorities for international cooperation. This may reflect high concern with personal security shown in many national-level public opinion surveys. The goal, then, should not be to ignore drugs, but to broaden the citizen security agenda, recognizing that not all crime is drug related. We also recognize that while pockets of extreme poverty can increase urban crime, *transnational* organized crime actually increases with national income. Productive cases of international cooperation to combat organized crime augur well for this broader approach.

In terms of U.S. policy under the Obama administration, respondents agree with two of the four stated policy goals — social equality and renewable energy, which reinforces the top priority independently identified by key informants — reducing poverty and inequality. This bodes well for policies to promote social equality, including through tailored trade agreements, as a basis for a common agenda. The split opinions on the other two U.S. policy priorities — promoting democratic institutions and citizen security — indicates that it will be more difficult to form consensus on a common agenda in these areas.

Nevertheless, the public demand for international cooperation to address the issues of drugs and organized crime, and to a lesser extent democracy

and human rights, and environmental protection and climate change, present a call to national leaders to search for innovative solutions and new bases of cooperation to these pressing issues. Toward that end, the Dialogue Forum offers to governments and civil society groups the following recommendations to form a common agenda of cooperation among the United States and Andean countries.

RECOMMENDATIONS FOR A COMMON AGENDA OF COOPERATION AMONG THE UNITED STATES AND ANDEAN COUNTRIES

Social Agenda: Address poverty and inequality—problems shared across all countries, including the United States— from an integral comprehensive development approach and respecting various paths.

- a) Broaden the development agenda of the United States and the Andean countries beyond the traditional issues of trade and investment.
- b) Promote inclusive trade and investment to include vulnerable and marginalized populations and to comply with environmental standards.
- c) Approach development through an intercultural perspective (Covenant 169 of the International Labor Organization (ILO); and the UN Declaration on the Rights of Indigenous Peoples).
- d) Promote investment in capacity building and human development.

Climate change:

- a) Approach climate change debate as an opportunity to diversify agendas.
- b) Promote environmental protection (e.g., shared forests and glaciers are a rich area for cooperation to reduce degradation, improve food security).

Transnational organized crime (trafficking of drugs, arms, people, contraband, and money laundering):

- a) Foster a debate about the exhaustion of existing counternarcotics policies and work through multilateral forums for a comprehensive review and consideration of alternatives, focusing on the broader agenda of transnational organized crime and taking into account the specificity of each country and its social, economic, and security environment.
- b) Take advantage of the current opportunity in the Andean sub-region and the United States to evaluate and advance new approaches and alternative policies (such as the ones formulated by the Latin American Commission on Drugs and Democracy).

Immigration:

- a) Recognize that migration is linked to economic development and human rights. Migrants move most often for employment opportunities, therefore creating jobs at home will reduce the pull. Illegal immigration provides conditions for abuses associated with human trafficking controlled by organized crime.
- b) Advance comprehensive immigration reform as a policy priority to mitigate the problems derived from illegal immigration.

Human rights and freedom of expression:

- a) Promote human rights in the broad sense, to include social, economic, and cultural rights in addition to political and civil rights.
- b) Seek international cooperation mechanisms to better protect journalists (particularly those who work in contexts with organized crime influence).

c) Analyze the growing concentration of ownership in the media sector, as well as the political role of the media and the consequences for pluralism in the media.

Communication: Better communication is vital for improved cooperation. Promote informed dialogue among citizens and policymakers through a vigorous and professional media and through transparent sharing of public information.

Annex I

Policy Innovations from Latin America

Members of the Andean-US Dialogue Forum believe strongly in the transformative power of shared learning. Traditionally, North America and Europe were relied on as the primary “source” of best practices. In recent years however policy makers around the world have shown greater appreciation for the diverse and innovative experiences of the so called “Global South.” Most famous perhaps is the case of US political leaders looking to Brazil and Mexico’s conditional cash transfers—programs outlined in the below case by Marcela Sanchez—for fresh ideas on educational attainment and poverty reduction.

While Forum members clearly recognize that programs cannot be “transplanted” from one country to another, they are committed to experience exchange as a means of enhancing the debate and generating creative solutions to shared problems. The below five cases were identified and documented by Forum members as experiences that present strong learning potential.

CONDITIONAL CASH TRANSFERS

Marcela Sánchez

Back in 1997, Mexico and Brazil were the only countries in the world providing small amounts of money to poor families in exchange for keeping children in school and receiving regular medical checkups. In the short term these programs lower poverty rates, while increasing human capital and helping to break the chain of poverty in the long

term. A mutual commitment is made between families and government. Families increase their consumption and demand of social services such as parent-teacher conferences, immunizations, bi-monthly prenatal checkups, etc.; government in turn boosts their support of social services through public investment, public-private partnerships and improved coordination amongst sectors. Today, this form of social protection known as Conditional Cash Transfers or CCTs can be found in most Latin American countries, benefitting a total of 93 million people in the region, and every continent. Cities in rich nations such as New York and Washington have adopted programs inspired by this Latin American invention.

All countries in the Andean region, except for Venezuela,¹⁰¹ have their own version of CCTs reaching now millions of poor families. World Bank evaluations have found these programs to be successful at reducing poverty, increasing per capita consumption and improving health and nutrition. As a result, child height has improved in Colombia, for instance, and in Ecuador there is evidence of improved memory, socio-emotional development, and motor and language skills among preschool children.

Initial evaluations of New York City’s program show equally positive results in developed nations. Surveys showed a decrease in participating families living under the poverty rate, reporting food insufficiency or experiencing the need to

forego medical care. Participants also reported increased savings and bank usage; improved school attendance and performance for children; and no significant reduction in work effort among adults.

After a first successful phase to ensure that the money reaches beneficiaries, CCTs face the challenge of integrating with other programs, such as efforts to improve educational quality or labor opportunities, and thus avoiding long-term dependence.

BANKING SUPERVISION

Felipe Ortiz de Zavallos

Peru's banking regulation and supervision exceeds international standards. The Superintendency of Banking, Insurance and Private Pension Funds (SBS), the banks' regulatory entity, was recognized by the World Bank and the IMF in 2005 with the highest banking supervision rating of all Latin American regulators because of its compliance with nearly 100% of the requirements for effective banking regulation. Currently, Peru's banking system widely meets more than the minimum capital requirements outlined in the new Basel III Accord (13% for the ratio of capital to assets), which enters into full effect worldwide in 2019.

These good regulatory practices helped moderate the impact of the recent financial crisis on the banking system. Unlike in the crisis of 1998, the lower exposure of banks to short-term foreign financing (in 1998, for example, 25% of the USD loans were dependent on short-term foreign loans, while in 2008, it was only 10%), higher capital requirements, provisions for portfolios in arrears (92% in 1998 and 259% in 2008) and at a lower level of leverage, collaborated to reduce the effects of the international crisis on the local banking system. Thus, while during the crisis of 1998 delinquency rose above 10% and 11 banks left the system, in 2009 the impact was minimal; delinquency remained low (one of the lowest in Latin America), the banks remained highly profitable (the highest in the entire region) and, additionally, new participants entered the system."

Banking system financial indicators (%)

	1997	2000	2008	2009	2010 ⁴
Delinquency ¹	5.8	10.1	1.3	1.6	1.7
Provisions / portfolio in arrears	80	90	259	233	226
Ratio of overall capital ²	10.2	12.4	12.1	12.9	14.2
ROE ³	15.5	2.9	31.1	24.7	24.5

¹Portfolio in arrears / Total loans

SBS¹⁰²

²Regulatory capital / Risk-weighted assets

³Annualized net profits / Average equity

⁴As at June 2010

Financial indicators for banking systems in the region¹ (%)

	Argentina	Chile	Colombia	Ecuador ²	Mexico	Peru ²
Portfolio quality						
Delinquency	3.7	1.2	4.4	3.5	3.8	1.6
Provisions coverage	118	198	121	187	144	224
Profitability	20.0	15.2	18.1	12.9	12.7	27.5
Net profit / Equity						

¹ As at June 2009

Central banks, superintendence

² As at July 2009

INTEGRATED REGIONAL DEVELOPMENT: THE STORY OF MIDDLE MAGDALENA

By Francisco de Roux

In a 30 thousand square kilometer territory the size of Belgium, made up of 30 municipalities in four of Colombia's departments near the Venezuelan border, a process called the *Middle Magdalena Development and Peace Program* has been in progress since 1996. This program, led by civil society organizations with the support of local and national governments, and financial assistance from abroad and the private sector, has achieved high levels of citizen confidence, social capital and peaceful coexistence. Its productive projects have created 13,000 direct rural agricultural jobs involving perennial tropical crops, that help provide food security; establish peasant farmers and

endangered populations within their own territory and protect them with social and economic networks. In this way, it has created 12,000 hectares of cacao plantations, 6,500 hectares of oil palm and hundreds of hectares of rubber, tropical fruits, microherds and harvestable timberland. The farms are always smaller than 10 hectares, so the soil is protected while high levels of productivity are ensured. At the same time the program has strongly stimulated microcredit and the rural economy by offering transformative alternatives for agricultural, construction and commercial products. These projects are sustainable and have connected seed capital from the European Union, the United Nations and the World Bank with credit from Colombian private banking. Meanwhile, the program has created primary schools and high schools, launched dance and theatrical cultural projects as well as the Middle Magdalena Symphony Orchestra, and strengthened these institutions. It has worked in great depth on gender relationships and protection of rivers, woods and native species. It has confronted the reality of coca plantations with substitute crops.

Currently, the program participates in the government's restitution program for land seized from the peasants by the paramilitary and the guerrillas. It has entered negotiations with large petroleum and agribusiness investors to seek people-centered development that produces the quality of life desired by the population, while generating exportable surpluses. The program has insisted on being led by civil society organizations and has entered into dialogue with various illegal armed actors to protect the life and integrity of individuals and groups and demand respect for the projects. The program has brought citizens into participation in the local government to contribute to a more transparent and democratic administration.

Because of its proximity to the Venezuelan border, and because it has proved its sustainability, we think that this program can inspire border projects in Andean countries where municipalities on both sides of national boundaries can unite in integrated and sustainable human developments. These would be a solution to power vacuums at

the national level and to the lack of protection from break-downs, violence and migrations.

GENDER PARITY IN POLITICS IN BOLIVIA AND ECUADOR

By Kristen Sample

Constitution building processes in Bolivia and Ecuador have resulted in significant advances in gender equality, particularly in the political sphere. With the approval of new magna cartas, the levels of women's political participation have increased and newly elected authorities are making progress in translating progressive constitutional mandates into gender-friendly public policy.

The Bolivian Constitution's call for parity-based participation in all State offices has already been developed into key legislation. The new electoral code establishes parity (50:50) inclusion and alternation ("zipper method") in candidate lists for the Senate and multi-member Lower Chamber districts and defines gender-based political harassment as an electoral crime. Additionally, the judicial power has adopted regulations that ensure gender equality in the Supreme and Constitutional Courts. The Autonomy Framework Law codifies gender equality in the regional governments and mandates inclusion of gender equality in public budgeting and planning.

The impact of the new legislation on the number of women elected has been impressive. Women now account for 25% of members of Bolivia's Lower Chamber, up from 16.9% in the previous period. The number of women senators has increased dramatically from 3.7% to 47.2%. This figure is unmatched in the Americas. Changes at the sub-national level have been nearly as significant with the percentage of women mayors increasing from 15% in 2004 to 22% in 2010 and the figure for women municipal council members jumping from 19% to 43% during the same period. Additionally, President Morales followed through on his campaign commitment of applying parity in cabinet-level positions for an increase from 20% women ministers to 50%.

Bolivian civil society groups have provided critical support (and pressure) to ensure achievement of the constitutional promise. Perhaps most notably, the NGO *Coordinadora de la Mujer* (Women's Coordinator) has established a gender observatory that monitors compliance with legislation and provides public information and analysis on gender rights.

Ecuador's Constitution included equally sweeping guarantees of gender equality, including principles that touch on political participation such as non-discrimination, prohibition against sexist advertising, a gender-sensitive approach to public policy and gender parity in politics.

Ecuador's ambitiously pro-equality Constitution has already translated into greater numbers of women elected to public office, with the number of women national legislators increasing from 25% to 32.3%. The principle of parity has also been applied to key State institutions including the Electoral Council, Electoral Tribunal and the Council for Citizen Participation.

Also noteworthy in Ecuador has been the political commitment shown by elected legislators to work across party-lines in support of the gender agenda. Ecuador's inter-party caucus, *Grupo Parlamentario para los Derechos de la Mujer* (Parliamentary Group for the Rights of Women) is unique in Latin America in that it is made up of women and men. The group includes 70 (55%) of Ecuador's total legislators and includes the highest leadership of the Ecuadoran Assembly.

PROSECUTING HUMAN RIGHTS VIOLATORS

By Coletta Youngers

Strengthening and promoting the rule of law and respect for human rights is one of the most important challenges facing the Andean region today. Crucial to these efforts is the ability to hold accountable those who have committed human rights violations. Peru made a significant step forward in confronting entrenched impunity with the successful prosecution of former president Alberto Fujimori for four notorious human rights cases: the 1991 Barrios Altos massacre, in which 15 people were killed; the 1992 disappearance and killing of nine students and a professor from the Cantuta University in Lima; and the kidnappings of journalist Gustavo Gorriti and businessman Samuel Dyer in the aftermath of the April 5, 1992 *autogolpe*, or self-coup. The two massacres were carried out by the Colina Group, a clandestine death squad that operated out of the Army Intelligence Service.

In April 2009, after 16 months of deliberations, the Special Criminal Court of Peru's Supreme Court ruled, in a unanimous decision, that Fujimori was guilty on all four counts. The Court argued that Fujimori's status as a former head of state and the gravity of the crimes committed warranted the imposition of the maximum penalty allowed by Peruvian law, a 25-year prison sentence (as well as monetary reparations). The tribunal specifically stated that the evidence pointed to a pattern of systematic human rights violations and that they considered these to be "crimes of state," as well as "crimes against humanity." The

Percentage of Women in Bolivian and Ecuadorian Parliaments

Country	Election	% Women in Lower Chamber	% Women in Senate	Election	% Women in Lower Chamber	% Women in Senate	Election (with new Constitution)	% Women in Lower Chamber	% Women in Senate
Bolivia	2002	19%	15%	2005	16.9	3.7%	2009	25.4	47.2
Ecuador	2002	17%	n/a	2006	26%	n/a	2009	32.3	n/a

latter is particularly important as crimes against humanity are not subject to statutes of limitation, and amnesties or pardons are inapplicable. The verdict was upheld on appeal in January 2010.

Historically, Peru's judiciary has been viewed as corrupt, inefficient and easily subject to political pressure; the trial of Fujimori, however, was an exemplary process and set a new standard for the Peruvian courts. It was widely hailed by international observers as a fair, independent, transparent and impartial trial, which provided full due process rights to the accused. The sentence itself was analytically sound and included a recommendation to prosecute several other key figures, including Vladimiro Montesinos, Fujimori's *de facto* head of the national intelligence service. On October 2, 2010 he was among those convicted for the Barrios Altos massacre (among other atrocities) and sentenced to 25 years in jail.

(Montesinos has already been convicted on numerous other charges).

Former Peruvian President Alberto Fujimori is the first former head of state worldwide to have been extradited and tried in his own country for crimes against humanity. However, there is another important precedent in the Andean region. In April 1993 the Bolivian Supreme Court convicted former dictator General Luís García Meza, in absentia, of genocide, among other crimes. (Bolivian law does not correspond to the international definition of genocide. In this case, he was convicted of "the destruction of a group of politicians and intellectuals," which was interpreted by the court as a crime against humanity according to national law.) He was sentenced to 30 years in prison. After 7 years in hiding, Garcia Meza was captured in Brazil in 1994 and extradited to his home country the following year. He remains incarcerated in Bolivia.

Annex II

List of members of Andean – U.S. Dialogue Forum

Bolivia

Ricardo Calla Ortega Germán Choque Condori	Researcher; Consultant; Former Minister of Indigenous Affairs Founder of Indigenous Tawantinsuyu University; Former Member of Congress from La Paz
José Luis Exeni	Coordinator for Communication and Information of the Specialized Judicial Unit for Constitutional Development, Former President of the National Electoral Court
Fernando Mayorga Ugarte	Director, Center for Higher Education, San Simón University
Lourdes Montero Justiniano	Professor in Development Studies, University of San Andres; Executive Director, Gregoria Apaza Center for the Advancement of Women

Colombia

Ricardo Ávila Pinto	Director, <i>Portafolio</i>
Francisco de Roux Rengifo	Head of Jesuit Community in Colombia; Recipient of the 2001 Colombian National Peace Prize
Eduardo Herrera Berbel	Retired General; Rector, Nueva Granada Military University
Rodrigo Pardo García-Peña	Journalist; Former Foreign Minister; Former Ambassador to Venezuela
Socorro Ramírez Vargas	Professor, National University of Colombia; Expert in International Relations
Luis Carlos Villegas Echeverri	President, National Association of Colombian Businessmen; President, National Business Council

Ecuador

Adrián Bonilla Soria	Director, Latin American School of the Social Sciences (FLACSO), Ecuador
Susana Cabeza de Vaca	Executive Director, Fulbright Commission in Ecuador; Former Minister of Coordination for Production
Manuel Chiriboga Vega	Director, Foreign Trade Observatory; Researcher, Latin American Center for Rural Development (RIMISP)
Eduardo Egas Peña	Executive Vice-President, Corporation for the Promotion of Exports and Investment (CORPEI)
Carlos Espinosa Fernández	Coordinator, Department of International Relations, San Francisco de Córdova Quito University
Patricia Estupiñán de Burbano	General Editor, <i>Vistazo</i> magazine
María Paula Romo Rodríguez	Member, National Assembly for <i>Acuerdo País</i>
Juan Fernando Vega Cuesta	Priest; Former Member of the Constitutional Assembly; Professor of Theology

Peru

Cecilia Blondet Montero	Executive Director, National Council for Public Ethics (<i>PROÉTICA</i>)
Jorge Ortiz-Sotelo	Executive Director, Peruvian Institute of Economics and Politics
Felipe Ortiz de Zevallos	Former Peruvian Ambassador to the U.S.; Founder and President, Grupo APOYO; Professor, Pacific University
Ricardo Vega Llona	Businessman; Former President of the National Confederation of Private Enterprises (CONFIEP); Former Senator
Antonio Zapata Velasco	Professor of History, San Marcos National University; Former Advisor to the Peruvian Congress

United States

Hattie Babbitt	Attorney; Former Deputy Administrator of USAID; Former U.S. Ambassador to the OAS during the Clinton Administration
Eric Farnsworth	Vice-President, Council of the Americas
Kristen Genovese	Senior Attorney, Center for International Environmental Law (CIEL)
Rex Lee Jim	Delegate, Navajo Nation Council; Member of UN expert group on the Declaration on the Rights of Indigenous Peoples; Member OAS Working Group to consider the draft American Declaration on the Rights of Indigenous Peoples
Stephen Johnson	Former Deputy Assistant Secretary of Defense for Western Hemisphere Affairs; Associate, <i>Visión Américas</i>
Jim Kolbe	Former U.S. Representative (R-AZ); Senior Fellow, German Marshall Fund of the United States
Marcela Sánchez-Bender	Columnist, <i>The New York Times Syndicate</i>
John Walsh	Senior Associate for the Andes and Drug Policy, Washington Office on Latin America (WOLA)
Coletta Youngers	Senior Fellow, Washington Office on Latin America (WOLA); Independent Consultant; Associate, International Drug Policy Consortium (IDPC)

Observers:

Peter Quilters	Professional Staff Member, House Foreign Affairs Committee, Democratic Minority Staff
Fulton Armstrong	Professional Staff Member, Senate Foreign Relations Committee, Democratic Majority Staff

Venezuela

René Arreaza Villalba	Former Coordinator for the Vice-President of Venezuela; Former Foreign Ministry Official
Eleazar Díaz Rangel	Journalist, Director of " <i>Últimas Noticias</i> "
Orlando Maniglia Ferreira	Former Minister of Defense; Retired Admiral
Ana María Sanjuan	International Consultant; Professor, Universidad Central de Venezuela
Maryclen Stelling de Macareño	Coordinator, Venezuelan Chapter of Global Media Watch

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- ⁹² *ibid.*
- ⁹³ *ibid.*
- ⁹⁴ The Bolivian polling firm *Encuestas y Estudios* managed the surveys in all of the countries except Venezuela, which was done by the Venezuelan polling firm *Datanalisis*.
- ⁹⁵ The options were reduced to make the question more manageable for the public opinion survey, and were based on early questionnaires conducted with the key informants who are members of the Dialogue Forum. The top answers were collapsed into these four categories.
- ⁹⁶ The public opinion survey incorporated trade and investment in a single category of economic integration, whereas the elite survey separated trade and investment from economic integration. When thus separated, trade and investment received a much higher priority than economic integration for international cooperation.
- ⁹⁷ Datanalisis Omnibus Survey, conducted from August 19-30, 2010, for The Carter Center.
- ⁹⁸ The question referred to South Americans on the assumption that the countries comprising the Andean sub-region would not be well known by the U.S. audience.
- ⁹⁹ The question was: "The U.S. has prioritized four areas for its policy towards Latin America and the Caribbean. Do you agree with these priorities? (Rank each one from Strongly Agree to Strongly Disagree)".
- ¹⁰⁰ The high No Response rate for Colombia reflects the fact that 20% of those interviewed did not receive the closed questions.
- ¹⁰¹ Venezuela began in 2004 implementing social missions that utilize payments, subsidies and services to provide for literacy classes, adult education, secondary and university education, healthcare, and food markets.
- ¹⁰² <http://www.sbs.gob.pe/0/home.aspx>

This report has been developed by The Carter Center and the International Institute for Democracy and Electoral Assistance (International IDEA) as part of the Andean-U.S. Dialogue Forum. It is intended to promote more effective cooperation by identifying convergences and divergences in priorities among the countries and the peoples of Venezuela, Colombia, Ecuador, Peru, Bolivia and the United States. Developed as a "Common Agenda", it seeks to enhance understanding of the internal dynamics in each country and reduce stereotypes that impede cooperation. The report highlights the transnational issues of energy, climate change, trade, and illegal drugs, recognizing that progress requires a collective response.

The Carter Center

The Carter Center was founded in 1982 by former U.S. President Jimmy Carter and his wife, Rosalynn, in partnership with Emory University, to advance peace and health worldwide. A not-for-profit, nongovernmental organization, the Center has helped to improve life for people in more than 70 countries by resolving conflicts; advancing democracy, human rights, and economic opportunity; preventing diseases; and improving mental health care.

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International IDEA is an intergovernmental organization with 25 member countries. The Institute supports democratic institutions and processes worldwide by providing resources to strengthen capacities, developing policy proposals and supporting democratic reforms. International IDEA's main areas of expertise are electoral processes, political party systems, constitutional processes, gender and democracy.