

# # 31 VALDAI PAPERS

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## ANOTHER HISTORY (STORY) OF LATIN AMERICA

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Latin America, the former laboratory for neoliberal experiments, has become in the last 15 years a fascinating territory of alternative policies that pursue a more inclusive and egalitarian society, based on a just wealth distribution and more social rights for vulnerable people. Although this process is one of the most important geopolitical changes in of this century, it has had very little exposure. In fact, to be more accurate, we must say that, in general, the Latin American history is mainly known through the imperialist avaricious eyes and their distorted news. First came Spain, centuries later the British Empire and then the United States since its famous Monroe Doctrine of 1823 and its obvious slogan “America for Americans”.

As is well known, the Second World War reshaped the global map. Europe’s most powerful countries declined and two new superpowers emerged: the United States and the Soviet Union. That is why, in order to fulfil the hegemonic blueprint for global domination, US strategists understood that it was necessary, in the first place, to keep Washington’s “sphere of influence”, that is to say, all the American countries, under strict control. After 1945, despite changes in the international strategic environment, USA decided to maintain its military presence around the world, including many military bases in Central America (such as in Cuba, Panamá, Puerto Rico, Honduras, and so on).

However the strategies pursued in South America were different. During the Cold War, Washington used a deliberate double standard. While in the name of the “Free World”, it claimed that the democratic system was so desirable that it should be established worldwide and therefore it declared itself the leader of that “crusade”, in Latin America, the USA has instigated every *coup d’état*, since the one against Jacobo Arbens in Guatemala in 1954, and supported every dictatorship, such as Augusto Pinochet’s in Chile and Jorge Videla’s in Argentina, which were the bloodiest in the history of the region.

Most of the Latin American dictators, many of whom were guilty of genocide and Human Rights abuses, were trained in the notorious School of the Americas, located in the US military base in the Panama Canal Zone, until 1984 (then moved to Fort Benning, Georgia). In 1996 the training manuals used in this school were declassified. According to a Pentagon memorandum the instructions included “payment of bounties (incentives) for enemy dead, beatings, imprisonment, executions, use of truth serum and neutralisation”, the last term is euphemism for illegal execution.

During those decades, the South American media, with the complicity of the local economic establishment and aligned with the US interests, implanted the idea that our politicians were too incompetent to fight against communism and it was necessary to leave this task to the military. Those policies became known as the National Security Doctrine.

This strategy, which persisted during almost the whole of the second half of the Twentieth Century, had a dual purpose. In the first place, to prevent any potential left wing government, which would probably propose a different economic plan from capitalism or that could get close to a “rival regime” such as Cuba or the Soviet Union, from coming to power. In that time, both countries were the victims of demonization by the US and the South American media.

The second and not so explicit purpose was to isolate South America, thereby maintaining it as a backward region, unindustrialized and economically dependent on Washington. This was of great benefit for the US multinational companies and, at the end of the day, it prevented the development of countries such as Brazil or Argentina that could be future competitors.

However, in the last decade of the Twentieth Century, after the collapse of the USSR, it was patently obvious that, although the “evil” was defeated, war, inequity, lack of freedom and other problems continued. In addition to that, although the “red soviet danger” had disappeared there were a lot of “New Threats”, such as terrorism, drug trafficking, natural disasters and transnational organized crime, which gave the Pentagon a bunch of new arguments to maintain an extraordinary oversized military power base to control world affairs.

## Imposing the model

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In the nineties, as the only remaining superpower, the US was convinced that a new era required new policies. Therefore, in our region, they decided to get rid of dictatorships and, instead, encouraged democracy. During the Clinton administrations, democracy was accompanied by globalisation and reforms of free-market capitalism. In 1994, in Miami, Clinton promoted the Free Trade Area of the Americas (FTAA), hailed as a natural extension of the North American Free Trade Agreement (NAFTA) with Mexico and Canada, which sought to create a large and single market from Alaska to Patagonia, eliminating trade barriers among all American countries except Cuba.

At the end of the century, globalisation and neoliberalism were successful theories, adopted in almost every country and studied in many universities as the only viable economic strategies. However, in practice, they produced neither growth nor development. On the contrary, instead of the promised benefits, Latin America was more dependent, had less sovereignty, more poverty, more illiteracy and even, in the health field, the crisis was so deep that old eradicated diseases such as tuberculosis reemerged among the poorer sectors of society.

Mr. Joseph Stiglitz, the Economic Nobel Prize winner, described this nineties environment in scathing terms. “Both through our own economic diplomacy, and through the influence of the US-dominated IMF, Uncle Sam became Dr. Sam, dispensing prescriptions to the rest of the world – cut that budget, lower that trade barrier, privatise that utility. The economists and development experts of the third world were sometimes treated like children”, wrote Stiglitz in his book “The roaring nineties: seeds of destruction”, published in 2003.

He knew very well about those prescriptions as he worked as an adviser of the economic team from 1995 to 1997, during the Clinton administration, and was the World

Bank Chief Economist from 1997 to 2000. At that time, “the heralded transition of ex-communist countries to a market economy, which was supposed to bring unprecedented prosperity, brought unprecedented poverty”, wrote Stiglitz. We can say the same for Latin America.

A World Bank study in 1982 estimated that “40 % of households in Latin America lived in poverty, meaning that they could not purchase the minimum basket of goods required for the satisfaction of their basic needs, and 20 % of all households lived in destitution, meaning that they lacked the means of buying even the food that would provide them with a minimally adequate diet.”

At that time, Brazil, a country with rich resources and potential, had extremely rich elite of around 5 % of the population and about 80 % sunk in deep misery. Around one-third of the Brazilians lived below the poverty line and didn’t have enough to eat. It was called *Belindia*: a few lived like Belgians and the rest like Indians. In the nineties these circumstances deteriorated and Brazil continued to regress as austerity measures were imposed according to the standard IMF formula.

The same was true in Argentina. By 1960, this country was close to full employment, working class was the highest-paid in the region and around 40 % of the population belonged to the middle-class, which was the largest in South America. After three decades of free-market reforms, the country sank into the most catastrophic crisis ever seen with 25% of unemployment, half of the population below the poverty line and 25 % in destitution.

According to official figures, in Bolivia, in 1992 more than 70 % of the population was poor (94 % in rural sector and 51 % in urban areas). In Ecuador, poverty leapt from 34% in 1995 to 71 % in 2000. Even the oil-rich Venezuela had 40 % of its inhabitants living in extreme poverty as the Chamber of Food Industries reported in 1989. With neoliberalism the gap between the rich and the poor grew dramatically in the whole region.

In addition, one of the effects of the IMF programs was the substantial expansion of the national debts which became impossible to pay under austerity conditions. To deal with this situation many South American nations were forced to cede democratic control of their economies, education and health programs to these international actors. In the last decades of the twentieth century the “US-dominated IMF and Dr. Sam” decided not only who must be the ministers of Economy, Defense, Central Bank, Education and Health but also which laws must be passed by the Legislative body. Our countries lost all capacity of self decision.

In that context, after more than a century of plundering carried out by the above-mentioned empires and more than twenty years of Washington Consensus, our region began a fascinating process with new policies and perspectives. I would like to analyze here, those changes in a particular space – South America- and time: from 1999 to the present day, understanding that the first signs of that new era emerged with the triumph of Hugo Chávez in Venezuela’s presidential election in December 1998. (Actually, he took office in February 1999).



## Counter-hegemonic policies

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As a consequence of this dramatic crisis, most South American voters decided to elect presidents who promised counter-hegemonic policies, inspired by a welfare model in which the state plays a key role, both in economic and political issues. For example, by paying attention to the protection of vulnerable people, the fairer distribution of wealth and the promotion of social rights based on the principles of inclusion.

Hugo Chavez was the first, in isolation, to question the supposed success of the neoliberal reforms, to oppose the FTAA agreement and to resuscitate words such as “socialism” or “anti-imperialism” which were condemned to exile after the USSR’s collapse. He took office in 1999. Then came Luiz Inacio Lula da Silva (Brazil) and Néstor Kirchner (Argentina), in 2003; Tabaré Vázquez (Uruguay) in 2005; Evo Morales (Bolivia) and Michelle Bachelet (Chile) in 2006; Rafael Correa (Ecuador) and Cristina Kirchner (Argentina) in 2007; Fernando Lugo (Paraguay), in 2008; José Mujica (Uruguay), in 2010; Dilma Rousseff (Brazil) in 2011 and Nicolás Maduro (Venezuela) in 2013. Despite the persistent criticism of local media of these presidents and Washington’s neoliberal “there is no alternative” propaganda, so far all these progressive governments have been re-elected in free and democratic elections.

Despite external and internal pressure, these presidents have introduced many important measures, such as reversing the privatisation process and promoting a new nationalisation of resources (e.g. oil and gas). However, there is no doubt that social policies and their highly positive effects have been the most outstanding. Some figures provided by the United Nations Economic Commission for Latin America and the Caribbean, known as ECLAC (CEPAL in Spanish) speak for themselves. In 1990, poverty and destitution affected 48,4 % of Latin American population while in 2014 it had fallen to 28 %. Regarding child health, the region reduced the under-five mortality rate by two-thirds, between 1990 and 2015.

In 2011, Belindia disappeared. The Brazilian newspapers, even those who opposed Lula and Rousseff’s governments, admitted: “The greatest expansion of the middle class (described as people earning at least four times the poverty line) has taken place in Brazil where 38 million have climbed to that status in the last ten years, totalling 61 million middle class Brazilians”.

Regarding the Gross Domestic Product, per capita in Latin American countries increased from 6.160 US dollars (1990) to 9.324 US dollars (2014). Meanwhile, the Gini index – which refers to income distribution and where zero is total equality – fell, between 2002 and 2013, approximately 10% from 0.542 to 0.486.

Bolivia is, by far, the country with the best results: over eight years under President Evo Morales the country has grown much faster than in any period over during the past 35 years.<sup>1</sup> In 2003 Bolivia’s international reserves were 12,1 % of GDP and now are more than 48% . In addition, while the business press consider nationalisations to be anathema to attracting international investment, in 2013 Bolivia actually had the highest level of direct foreign investment, as a percentage of GDP, in South America. This country, once the second poorest in the continent (after Haití), launched its first telecommunication satellite on December 2013 and in July 2014 the United Nations Educational, Scientific and Cultural Organization

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<sup>1</sup> <http://www.cepr.net/blogs/the-americas-blog/bolivias-economy-under-evo-in-10-graphs>.

(UNESCO) declared it a “territory free of illiteracy”. A country is declared free of illiteracy when it maintains a rate below 4%.

## Breaking the historical dominance

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In foreign affairs, the presidents of this significant process have designed a new strategic map in order to achieve an independent Latin America. This new model includes closer ties with other regions like Africa and Asia, encouraging heterodox alliances with China, Russia, Iran and India and a totally different model of international relations, regarding these nations to be on a par with the USA and Europe.

Of even greater importance, in this process, Latin America’s integration is considered to hold a key role in shaping the future of the continent, an experience never seen in our history since the Independence period in the nineteenth century. Chavez and his Bolivarian Revolution are, once again, an indispensable reference. Venezuela was the first country to promote institutional initiatives associated with regional integration, cooperation and solidarity. With this purpose in mind, a lot of noteworthy projects were initiated, however on occasion with different degrees of success. Here, there is an outline of the most important examples.

Chávez and the former Cuban president Fidel Castro promoted the Bolivarian Alternative for the People of Our America (Alternativa Bolivariana para los Pueblos de Nuestra América, ALBA in Spanish) an intergovernmental organization proposed as an alternative to the FTAA, the continental market which Washington attempted to impose. Currently, ALBA includes eleven countries of South America and the Caribbean. Its aim was firstly to present an anti-neoliberal model, based on the idea of cooperation instead of competition. Secondly, it proposed a new form of exchange not governed by market rules or rates, where each country gives according to what its resources and receives according to its needs. For example Venezuela and Cuba swap oil for the Cuban high level expertise in education and health. Thank to this, UNESCO declared Venezuela an “illiteracy-free territory”, the second one in Latin America after the island. The third was Bolivia.

ALBA was strongly resisted by the USA. When the elected president of Honduras, Manuel Zelaya, was dragged from his bed at 3 AM and flown out of the country in his pyjamas in June of 2009, it was no surprise to find that this classic *coup d’état* was led by a graduate of the School of Americas, general Romeo Vásquez. One of the causes of that *coup* was Zelaya’s decisión to join ALBA and Petrocaribe. Petrocaribe is another alternative model designed by Venezuela. In this case, Caracas sells energy supplies to the region based on a system of “deferred payment”. Its aim is to provide fuel to lesser developed countries of the Caribe.

As far as FTAA is concerned, it was finally rejected on November 5th of 2005, at the Summit of the Americas which took place in Mar del Plata (Argentina).

Among the most important post-neoliberal organizations are the Union of South American Nations, (Union de Naciones Suramericanas, UNASUR in Spanish) and more recently the Community of Latin American and Caribbean States, (Comunidad de Estados Latinoamericanos y del Caribe, CELAC in Spanish), both crucial initiatives to consolidate the integration process.

Unasur is composed of all the free, independent and democratic countries of South America, except the remaining French colony of Guyana, making twelve in all. The organization has a strong political character and is not only trade related. Thereby it has twelve councils, including defence, health, science, economy, anti drug trafficking, education and others, whose target is to unify policies in all these areas. Unasur has also a “Democratic Clause” which allows for the application of economic and political sanctions against a member-state whose democratic system is interrupted. The first time this clause was invoked was in June 2012 against Paraguay, when democratic president Fernando Lugo faced a sort of impeachment considered illegal by Unasur members. What’s more, the role of UNASUR was decisive in preventing both the *coup d’état* against Evo Morales in September 2008 and another against Rafael Correa two years later, in September 2010.

Regarding CELAC, it was the newest and most ambitious regional organization. Never before in our democratic history had American countries created a political body without the United States. CELAC consists of 32 countries of the Three Americas, including Cuba. Due to the focus of the organization on integration and independence, USA, Canada and the European colonies (territories of France, Netherlands, Denmark and United Kingdom) are excluded.

CELAC has adopted unthinkable measures. Firstly, Cuba, expelled from the Organization of American States in 1962 by Washington’s diktat, was not only invited as a full member but also his president, Raul Castro, was one of the first leaders to lead the organization. The fact that all members of CELAC condemned the US embargo against Cuba was, without doubt, the prologue of the Barack Obama’s later decision to change the US policy towards Cuba. Secondly, at every CELAC’s summit there has been a strong statement backing Argentina in its dispute with United Kingdom over the Malvinas islands (called Falklands Islands in UK). The dispute dates back to the nineteenth century and led to a war in 1829. Finally, CELAC and China held their first summit in Beijing in January 2015, which was reported as a success, showing that the USA has become increasingly less important as a trading partner for the region.

Other regional integration projects are: the Unified System for Regional Compensation (Sistema Unificado de Compensación Regional, SUCRE in Spanish) a regional currency proposed for commercial exchanges between members of ALBA to replace the US dollar as a medium of exchange. Bank of the South (Banco del Sur), a monetary fund and lending organization established in 2009 to lend money to South American countries for social programs and infrastructure. This bank, which is not fully operational, is not designed as a copy of the IMF or World Bank. On the contrary, it aims to provide an alternative source for development project lending. The Pipeline of the South (Oleoducto del Sur) is a gas pipeline which will connect Venezuela, Ecuador, Bolivia and Argentina’s rich gas areas to deliver the fuel, firstly, to continental countries or regions that need this resource and, secondly, to trade with the rest of the world market in better conditions, for the time being nothing has come of this project.



## Challenges

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During the first decade of the twenty-first century, Washington has confronted the dynamic changes and creative policies of the South American progressive governments with traditional strategies. That is to say, attempts to denigrate the progressive presidents through local and international media; to weaken the process by market strikes or political destabilization which could even include a *coup d'état* (Venezuela 2002, Honduras 2009); arbitrary measures and sanctions against our nations, e.g. the Executive Order of March 2015, declaring Venezuela a “threat to the national security and foreign policy” of the USA. Far from undermining Nicolás Maduro’s government, the E.O. has provoked strong and unanimous solidarity with him from both CELAC and UNASUR.

However, it is easy to perceive some changes in US foreign policy toward our region in the last five years. The most remarkable is the approach to Cuba, shown by Washington as a “turning point in hemispheric relations”. Another one are the peace talks between Colombian president, Juan Manuel Santos and the highest military commander “Timochenko” of the *guerrilla* Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia, FARC in Spanish) that are taking place in La Habana. The success of these talks could put an end to the oldest civil war in our region. It is relevant to be aware that Colombia is the most important US ally in the region and that in its territory the South Command of the Pentagon (USSOUTHCOM) has established at least seven military bases.<sup>2</sup>

After a number of defeats at regional summits where the US position became increasingly isolated, the White House has decided to add a diplomatic strategy to the traditional one mentioned above. That explains the dramatic change in US policy towards Cuba and just a few weeks later, the E.O’s. against the Bolivarian government.

In a nutshell, these are the future challenges for our region: to preserve the achievements and to continue along the path towards development with integration and independence, in full knowledge that the most powerful nation in the world is striving to reverse the process. A new multipolar world is emerging and a post-neoliberal Latin America has enough experience to play an important role in it.

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<sup>2</sup> Luzzani, Telma. “Territorios Vigilados. Cómo operan las bases militares norteamericanas en América del Sur”, Random House Mondarori, Septiembre 2012. (Territories under surveillance. How work the US military bases in South America).

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