

NORTH-WESTERN SOUTH AMERICA: A REGION IN CRISIS

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Executive Summary

This paper diagnoses the existence of multiple and interlocking crises in five states in north-western South America: Colombia, Venezuela, Panama, Ecuador and Peru. The main reasons for these overlapping phenomena are identified as social and economic factors. Each country is experiencing its own national version of a greater, encompassing regional crisis. Starting out from a human security approach, where people are put at the centre of considerations, the emphasis of this paper is on actual and potential risk factors. These cross-cutting issues are persistent socio-economic problems, understood as slow economic growth or stagnation with no distributive effect. Unequal development is embodied in growing inequality, impoverished majorities and the few existing gains being eaten up by population increase.

This situation, constant for the last 30 years, is breeding escalating frustration and discontent. An absolutely crucial further risk factor is the bankruptcy of traditional politics, understood as the complete loss of authority and legitimacy of the established political leadership, which is seen as corrupt and inefficient. Political parties have lost all credibility and new social movements of popular interest representation are on the rise, especially those based on indigenous communities. Acceptance of “politics as usual” has reached a historical low point, with possibly far reaching consequences for regime stability. Recent regime crises are seen as a logical consequence of these two factors coming together and being energized by dynamic new social movements.

Concerning the regional security situation, the effects of Colombia’s armed conflict, crime and drugs trafficking, environmental conflicts, and the undefined role of the armed forces are identified as the most important regional threats. These very clearly are interacting among and reinforcing each other in a detrimental way. The armed conflict in Colombia is fed by the interaction of institutional failure with social and economic grievances, financed by illicit drugs, further fanned by organized crime and easy availability of arms, and is spreading regional ripples of insecurity. Domestic troubles are exacerbated by imported ones and the only policy which has been implemented so far in response to these developments has been a military build-up and the unrealistic promise that the armed forces will eradicate threats and re-establish law and order. Results so far have on the contrary been mixed. While creating some numerical improvements in a few security indicators, the exclusively military focus of security policy already contains the seed of its own destruction. Without strengthening the civilian aspect of sState presence, military gains on the ground are not sustainable.

These forces and trends are present in all five countries analysed, most strongly in Venezuela and Colombia, where the pent-up frustrations have reached the point where they have already swept away the old order. Both countries are now experiencing a restructuring of their political system under populist and increasingly authoritarian auspices. These experiments, while observed warily from the outside, have so far proven popular with the majority of citizens in the countries themselves. If this trend continues, both presidents Uribe and Chávez have good chances of being re-elected. Ecuador and Peru, in the meanwhile, are much less advanced, their leadership has not been able to develop a clear vision of where they want to take the country and popular frustrations are still very volatile. Panama is a case apart and faces different kinds of challenges, but the country is also experiencing rising levels of popular mobilization against economic and social policies that are rejected by its people.

1 Introduction

In the last couple of years, it has become common to diagnose a “crisis in the Andes”.¹ For some commentators, the Andean countries Bolivia, Colombia (and its neighbour Panama), Ecuador, Peru and Venezuela “epitomize the dark side of global politics”, standing for “economic decay, social unrest, massive poverty, a growing drug business, gross violations of human rights, rising organized crime, environmental exhaustion, rampant corruption and collapsing states”.² There is no doubt that the countries of north-western South America are experiencing similar profound difficulties and challenges, which set them apart from other regions of Latin America. Among the multi-faceted problems they face, adjustment to the pressures of economic globalization and consolidation of democratic politics stand out. These tasks are made more difficult by high – although varying – levels of corruption, drug trafficking, violence and human rights abuse.³ All of the countries concerned are under-institutionalized, in the sense that state institutions are precarious and lack sufficient territorial presence, representativeness and cohesion, making them unresponsive to citizens’ aspirations. Some periods of democratic stability notwithstanding, this defect has existed in all the countries throughout their history as independent states. Periodic backlashes and breakdowns serve as a reminder that democratic values and rules of the game have not been firmly established in society or among the political elites. Strong sub-regional identities prevail over a weak national identity. Political party systems are inchoate or have broken down, while clientelism and other parallel forms of exercising political power undermine existing institutions. As a consequence, the armed forces have always maintained a strong presence and role in the domestic politics of these nations, with the partial exception of Panama, which abolished its military in 1994.

Another constant in the region at least since the early 1980s is economic turbulence, which is seemingly unaffected by change in administrations or economic policies. All nations, even the bigger ones like Venezuela and Colombia, have done badly partly at least due to their small domestic markets and a lack of economic diversity. Growing unemployment and under-employment, stagnant indices of human development and the widening gap between rich and poor are among the most important indicators. Lack of economic development not only deepens the already considerable social malaise, but is also a root cause for a host of secondary problems, such as widespread corruption, high crime rates, violence and internal as well as external migration.⁴ The surge in the international trafficking of illicit drugs has also influenced the whole region in a very negative way. The social, political and economic systems of the producer countries, Bolivia, Colombia and Peru, are especially affected, but

¹ See, among many others, Arnson, C.J. (ed.), *The Crisis of Democratic Governance in the Andes*, Washington: Woodrow Wilson Center, 2001; Gentleman, J.A., *The Regional Security Crisis in the Andes: Patterns of State Response*, Carlisle: Strategic Studies Institute, July 2001; Christman, D.W., Heimann, J.G., Sweig, J.E., *Andes 2020: A New Strategy for the Challenges of Colombia and the Region*, New York: Council on Foreign Relations, 2004

² Tokatlian, J.G., Disintegration in the Andes, *Global Beat Syndicate*, 8 May 2000, <http://www.nyu.edu/globalbeat/syndicate/Toka050800.html> [accessed July 2005]

³ Burt, J.-M. and Mauceri, P. (eds.), *Politics in the Andes: Identity, Conflict, Reform*, Pittsburgh: University of Pittsburgh Press, 2004

⁴ Pacheco, K., Los países andinos: una visión conjunta, in Freres, C. and Pacheco, K. (eds.), *Nuevos horizontes andinos: Escenarios regionales y políticas de la Unión Europea*, Caracas: Nueva Sociedad, 2002, pp. 135-46

the transit nations, Venezuela, Ecuador and Panama, are also under considerable stress.⁵ Events such as the recent ouster of elected presidents in Ecuador, Peru and Bolivia, Venezuela's ongoing political polarization between supporters and opponents of President Hugo Chávez and Colombia's intensifying internal armed conflict all convey the impression that the countries of the region are on the verge of breakdown.⁶

The current report begins with an overview of cross-cutting, regional issues, and then presents a concise, yet comprehensive conflict risk assessment for the four northern Andean nations (Colombia, Peru, Venezuela and Ecuador) as well as Panama. The emphasis is on actual and potential risk factors; current events will be used mainly to make a specific point or give an example.

2 Cross-Cutting Issues

The nations of the region share a common geographical space, but are very heterogeneous, not only in comparison with each other, but also internally. It is therefore important to bear in mind that the tendencies identified below constitute generalizations which must be seen in relative terms, i.e. all countries are affected by these developments and problems, but they are not necessarily affected in like manner or intensity. Each country is experiencing its own national version of a greater, encompassing regional crisis. In other words, the immediate causes of the multiple crises are local and the forms they take may be different, yet they express the same persistent political deficiencies and social tensions, making their simultaneous occurrence an indication of region-wide problems rather than simply a coincidence.⁷

2.1 Economic Crisis and Social Turbulence

During the "lost decade" of the 1980s, most countries of the Andean region along with the rest of Latin America suffered a severe economic recession and rising social tensions. Gross domestic product (GDP) per capita, the most basic measure of how economic development affects people, fell from 1980 to 1989 and has only slowly recuperated since. In the 1990s, Panama and Peru have shown modest growth in GDP per capita terms, while Colombia stagnated and Venezuela and Ecuador continued to slide backwards. With the exception of Panama (and up to a point Colombia), the best years already lie far in the past.

⁵ Thoumi, F.E., *Illegal Drugs, Economy and Society in the Andes*, Washington: Woodrow Wilson Center, 2003

⁶ Shifter, M., Breakdown in the Andes, *Foreign Affairs*, Vol. 83, No. 5, September/October, 2004

⁷ Weinstein, M.A., Cycle of Instability in the Andes: Bolivia, Ecuador and Peru, *Power and Interest News Report*, 31 January 2005, http://www.pinr.com/report.php?ac=view_report&report_id=262&language_id=1 [accessed July 2005]

Table 1: GDP Per Capita Growth Rate⁸

Country	HDI* Rank 2004	Average GDP per capita growth rate 1975-2002	Average GDP per capita growth rate 1990-2002	Highest value in US\$ (PPP) 1975-2002	Year of Highest Value
COLOMBIA	73	1.5	0.4	6,720	1997
ECUADOR	100	0.1	-0.3 **	3,690	1988
PANAMA	61	1.0	2.5	6,510	2000
PERU	85	-0.6	2.2	5,740	1981
VENEZUELA	68	-1.0	-1.0	7,810	1977

* Human Development Index

** value for 1990-2000

For the last decade, average growth for the Andean economies lies even below overall Latin American growth rates.⁹ Under these circumstances, sustainable development and progress in improving the lives of average citizens have proved unattainable. All countries of the region remain at the “medium” human development level, where they have been for the last 30 years.¹⁰ In fact, there has scarcely been any improvement in social indicators such as youth unemployment, access to education or health services and food security.¹¹ Poverty figures have remained disturbingly high and the very significant social inequality has even worsened over the last couple of years.

Table 2: Income Inequality¹²

Country	Income Share Poorest 10%	Income Share Richest 10%	Ratio Richest 10% to Poorest 10%	Gini Index*	Year of Survey
COLOMBIA	0.8	46.5	57.8	57.6	1999
ECUADOR	0.9	41.6	44.9	43.7	1998
PANAMA	0.7	43.3	62.3	56.4	2000
PERU	0.7	37.2	49.9	49.8	2000
VENEZUELA	0.6	36.3	62.9	49.1	1998

* Measure of income distribution from total equality (0) to total inequality (100); in reality the values calculated for the world's countries range from 24.4 to 70.7

The Andean region depends on primary resources to generate 86% of its export earnings, while the terms of trade for such goods continue to deteriorate and market access to industrialized countries remains elusive.¹³ In their efforts to maintain certain public services fiscally afloat, all countries concerned have built up an increasingly crushing debt burden, which now consumes a substantial part of national income. The debt service drains scarce

⁸ United Nations Development Programme, *Human Development Report 2004*, New York, 2004, pp. 184-86

⁹ Solimano, A., *Governance Crisis and the Andean Region: A Political Economy Analysis*, Santiago de Chile: ECLAC, February 2003, <http://www.eclac.cl/publicaciones/DesarrolloEconomico/0/LCL1860PI/lcl1860i.pdf> [accessed July 2005]

¹⁰ United Nations Development Programme, *Human Development Report 2004...*

¹¹ United Nations Economic Commission for Latin America and the Caribbean, *Social Panorama of Latin America 2004*, ECLAC LC/L.2220-P/I, November 2004

¹² United Nations Development Programme, *Human Development Report 2004...*, pp. 189-90

¹³ Vial, J. and Sachs, J., *Andean Competitiveness at a Glance: Summary and Introduction*, Cambridge: Harvard University Center for International Development, 2000, <http://www.cid.harvard.edu/andes/> [accessed July 2005]

resources and further constrains the state's ability to implement any socially beneficial policies. The hope in some quarters that international donors would reduce this fiscal pressure by way of debt relief or more extensive support has likewise not proven well-founded. Official development aid (ODA) to the countries in the region has actually been decreasing significantly, even for highly indebted countries, with the exception of Colombia (mostly consisting of security-related aid), and is negligible in per capita terms.

Table 3: Debt Service and ODA¹⁴

Country	Debt Service as % of total annual exports		Debt Service in % of GDP		ODA as % of GDP		ODA per capita (in US\$)
	1990	2002	1990	2002	1990	2002	
COLOMBIA	40.9	40.2	9.7	8.6	0.2	0.5	10.1
ECUADOR	32.5	28.7	10.5	9.0	1.6	0.9	16.9
PANAMA	6.2	19.7	6.5	13.6	1.9	0.3	11.5
PERU	10.8	32.8	1.8	5.9	1.5	0.9	18.4
VENEZUELA	23.3	25.6	10.3	7.9	0.2	0.1	2.3

Following established market economy precepts, embodied in the “Washington consensus”, national governments implemented sweeping economic reforms which included fiscal austerity, privatization of public assets and reduction of state services, deregulation, liberalization of trade, financial and capital accounts.¹⁵ While initially bringing higher foreign capital inflows, these policies also increased vulnerability to external economic shocks and involved considerable sacrifices for large segments of the population. The result is that opinion polls now show high levels of dissatisfaction with the market economy, ranging from 63% in Venezuela to 87% in Peru.¹⁶

After roughly two decades, it is becoming increasingly clear that these policies are maybe “not to blame for the region’s woes, but do not appear to be the solution either”.¹⁷ Although 2004 saw a turnaround in terms of macro-economic growth (regional GDP grew by 7.3% on average) as high petroleum prices benefited major oil-exporters like Ecuador and Venezuela,¹⁸ popular discontent has not abated, but risen to new levels. Given the structural problems outlined above, the danger of another “lost decade” of development remains real.¹⁹ People have grown tired of waiting for the benefits of adjustment to “trickle down” and a

¹⁴ United Nations Development Programme, *Human Development Report 2004*..., pp. 198-99

¹⁵ Williamson, J., *A Short History of the Washington Consensus*, Washington: Institute for International Economics, September 2004, <http://www.iie.com/publications/papers/williamson0904-2.pdf> [accessed July 2005]

¹⁶ Latinobarómetro, *Informe resumen Latinobarómetro2004: Una década de mediciones*, Santiago, 2004, pp. 38-40, <http://www.latinobarometro.org/Upload/Informe%20LB%202004%20Final.pdf> [accessed July 2005]

¹⁷ Vos, R., Ganuza, E. and Morley, S., Rising Exports, Slower Growth and Greater Inequality: Is Trade Liberalization to Blame?, in Ganuza, E. et.al.(eds), *Is Free Trade Good for the Poor?*, New York: UNDP, 2004

¹⁸ International Monetary Fund, *World Economic Outlook 2005: Globalization and External Imbalances*, Washington, April 2005, pp. 36-8, <http://www.imf.org/external/pubs/ft/weo/2005/01/index.htm> [accessed July 2005]

¹⁹ Weisbrot, M. and Rosnick, D., *Another Lost Decade? Latin America's Growth Failure Continues into the 21st Century*, Washington: Center for Economic and Policy Research, November 2003, http://www.cepr.net/publications/another_lost_decade.htm [accessed July 2005]

growing segment of discontents, which potentially includes up to two thirds of the population, demands a radical departure from current economic practices.²⁰

2.2 The Bankruptcy of Traditional Politics

Induced by economic stress and social stagnation, representative democracy is suffering a massive crisis all over the Andean region. Starting in the late 1980s, democracies that had appeared consolidated for a long time, came under extremely strong pressure which threatened (Colombia) or destroyed (Venezuela) their established institutions.²¹ Ecuador and Peru, both historically characterized by swings between military and civilian regimes, seem unable to break definitively with the pattern of coups and other undemocratic interruptions of the political process. Only Panama, which was a latecomer in terms of democratization, has been relatively successful in stabilizing its domestic political system, although it remains plagued by endemic corruption.²²

The perhaps clearest expression of the political malaise afflicting these countries are the very low approval rates for political leaders and parties. Even in countries like Venezuela and Colombia, which have a long history of civilian governments, more than half of the respondents are convinced that the country is in the hands of a corrupt clique working for its own advantage, a percentage which rises to 67% for Panama, 77% for Ecuador and 85% in the case of Peru.²³ Loyalty to traditional political parties has decayed, parliaments are almost universally regarded as vehicles for personal enrichment, and political corruption is seen as pervasive.

Ecuador has been ranked as the second most corrupt country in South America, closely followed by Venezuela. A government report published in 2000 said that corruption costs Ecuador more than US\$ 2 billion a year.²⁴ Former presidents like Ecuador's Abdalá Bucaram and Gustavo Noboa, or Alberto Fujimori of Peru, among many other politicians, have opted for exile rather than face corruption charges at home. The rupture between the people and their political leaders, who are not seen as responsive to popular aspirations, has produced a crisis of representation. As one observer has noted, Peruvian congressmen "live totally isolated from reality; they believe themselves to be kings".²⁵ This holds equally true for the public perception of other legislators in the region, with all the countries under consideration,

²⁰ Peeler, J.A., Popular Mobilizations, Elections and Democratic Instability in the Andes, *Brown Journal of World Affairs*, Vol. 11, No. 1, Summer 2004, pp. 81-9

²¹ Roberts, K.M., Social Correlates of Party System Demise and Populist Resurgence in Venezuela, *Latin American Politics and Society*, Vol. 45, No. 3, Fall 2003, pp. 35-57

²² Arias Calderón, R., Panama: Disaster or Democracy, *Foreign Affairs*, Vol. 66, No. 2, Winter 1987/1988; Sanchez, P.M., Panamanian Democracy One Hundred Years after Independence: Prospects and Problems, *South Eastern Latin Americanist*, Vol. 47, No. 1, Summer/Fall 2003

²³ Latinobarómetro, *Informe resumen...* p. 17

²⁴ Report cited in Freedom House, *Freedom in the World 2004: The Annual Survey of Political Rights and Civil Liberties*, New York, 2004

²⁵ "Esta gente es increíble, porque vive totalmente desligada de la realidad. ¡Se creen reyes!", Bayly Letts, A., En Perú: En este gobierno nunca existió inteligencia: Entrevista a Fernando Rospigliosi, *Centropolitico Digital*, March 2005, http://www.centropolitico.org/centro_digital/articulos/2005/marzo/peru_estegobierno.html [accessed July 2005]

though in particular Peru and Venezuela, perceived as “very corrupt” by respondents to Transparency International’s opinion surveys from 1995 to 2003.²⁶

Disaffection with the political and economic elites is so strong that it is no longer confined to the rejection of specific governments or leaders, but also damages citizens’ views of democracy itself. Although annual opinion polls since 1996 show considerable variations from year to year within each country, a majority always expresses dissatisfaction with the operation of democracy in their country. In 2004 the dissatisfied majority rose to 93% in Peru and 86% in Ecuador, with levels in Colombia, Panama and Venezuela around 60%. Such levels of disenchantment with “politics as usual” could have far reaching consequences for regime stability.²⁷

Having lost their trust in established channels of interest articulation, citizens increasingly take to the streets to protest against corrupt and inefficient government. In all countries under survey, this has given rise to new forms of non-institutionalized mass mobilization and collective action of a confrontational nature. In places as different as Caracas, Highland Peru, Colombian Cali or the streets of Quito, millions of people stage demonstrations or go on strike every year, expressing their political grievances.²⁸ These protests have a potential for violent escalation, as was dramatically seen in the lynching of a mayor in the southern Peruvian town of Ilave in the autumn of 2003.²⁹

Indigenous and other social issue movements have become important vehicles for activism, to which governments have no clear response.³⁰ While this activism could be seen as an encouraging sign of democratic empowerment, which breaks the centuries-old tradition of passivity of the Andean “silent majority”, it also carries substantial risk to representative democracy.³¹ The “downside of people power” may lead to constitutional rules of decision-making and power sharing being bypassed and eventually rendered irrelevant, as recent events in Ecuador and – to a lesser extent – Venezuela have shown.³² Equally troubling, popular movements are often divided along geographical, social or cultural lines and rally around the lowest common denominators, effectively blocking official policy initiatives without coming up with any alternative proposals. While showing considerable potential for disruption, popular movements in the region have yet to coalesce into a viable alternative for government.

²⁶ Transparency International, *Corruption Perception Index 2004*, London, October 2004, <http://www.transparency.org/surveys/index.html#cpi> [accessed July 2005]

²⁷ Latinobarómetro, *Informe resumen...*, p. 23

²⁸ López Maya, M., Venezuela after the Caracazo: Forms of Protest in a De-Institutionalized Context, *Bulletin of Latin American Research*, Vol. 21, No. 2, April 2002, pp.199-218

²⁹ Weig, B., Die vergessenen Völker Lateinamerikas: Indigene Bevölkerung zwischen Neo-Romantizismus und politischem Extremismus, *KAS-Auslandsinformationen*, No. 1, 2005, pp. 4-12

³⁰ Yashar, D. J., *Contesting Citizenship in Latin America: The Rise of Indigenous Movements and the Postliberal Challenge*, Cambridge: Cambridge University Press, 2005

³¹ Wolff, J., *Demokratisierung als Risiko der Demokratie? Die Krise der Politik in Bolivien und Ecuador und die Rolle der indigenen Bewegungen*, Frankfurt: Hessische Stiftung Friedens- und Konfliktforschung, 2004

³² Smith, G., Latin America: The Downside of People Power, *Business Week Online*, 9 May 2005, http://www.businessweek.com/magazine/content/05_19/b3932101_mz058.htm [accessed July 2005]; McCoy, J.L. and Myers, D.J. (eds), *The Unraveling of Representative Democracy in Venezuela*, Baltimore: Johns Hopkins University Press, 2004

In the face of a persistent leadership vacuum, people's expectations turn to leaders from outside established circles of power who promise honesty, hard work and results.³³ However, although majorities in all five countries are looking for strong leaders, at the same time majorities (though smaller) in all countries value individual freedom above authoritarian enforcement of public order.³⁴ Self-appointed saviours and neo-populists try to respond to this popular mood. It is no coincidence that most current presidents correspond to this model. Ecuador's recently deposed Lucio Gutiérrez and Venezuela's Hugo Chávez are both former military officers who had led previous coup attempts against the "ancien régime", which established their populist credentials. Alejandro Toledo is not only Peru's first indigenous president, but also spent most of his adult life abroad, which enabled him to present himself as untainted by previous politics.³⁵ While Alvaro Uribe in Colombia and Martín Torrijos of Panama cannot really claim outsider status, they have at least succeeded in convincing people that they are dissidents or rebels against the corrupt establishment. Populist strategies of anti-politics have a short life span, however. Credibility could soon evaporate when the public perceives no substantive change in applied policies, as presidents Gutiérrez and Toledo had to find out to their discomfort.

A further dilemma facing populist leaders is having to govern without stable institutions or legislative majorities. This creates considerable potential for conflict and deadlock, which leaders try to break with repeated appeals to the people, via referendums and other forms of popular consultation. These in turn give rise to further mobilization and heighten pressure from the street on representative institutions. Uribe's referendum on constitutional reform on 23 October 2003 was narrowly defeated, while Chávez was able to secure popular approval both of Venezuela's new constitution in 1999 and of his continuation in office during the recall referendum in August 2004.³⁶ Ecuador's new president, Alfredo Palacio, recently announced that a referendum will be scheduled within the next six months, which is expected to include such questions as whether the current presidential system should be replaced by a parliamentary government.³⁷ If protesters can extract a concession from the government they feel empowered and have an incentive for resorting to the same tactics during the next confrontation. By bringing conflict into the streets existing political cleavages, as in Venezuela or Peru, may be exacerbated.

2.3 Security Challenges

Internationally there is increasing consensus that the focus must broaden from state security to the security of people.³⁸ Individuals must be protected from both violent and non-violent threats. In Andean countries, like most of Latin America, security has traditionally been

³³ Shifter, M., Latin America's New Political Leaders: Walking on a Wire, *Current History*, February 2003, pp. 51-6

³⁴ Latinobarómetro, *Informe resumen...*, p. 15

³⁵ Alejandro Toledo, la fuerza opositora, *BBC Mundo*, 22 November 2000, <http://www.bbc.co.uk/spanish/news/news000924peru3.shtml> [accessed July 2005]

³⁶ Zovatto, D., Las instituciones de la democracia directa a nivel nacional en América Latina: un balance comparado, 1978 - 2004, in Zovatto, D. et al., *Democracia directa y referéndum en América Latina*, La Paz: Corte Nacional Electoral, 2004, http://www.cne.org.bo/centro_doc/cuadernos_dia/cuaderno_dia1_democracia.pdf [accessed July 2005]

³⁷ Reuters, Ecuador Proposes Referendum to Restore Political Stability, 5 May 2005

³⁸ United Nations, Commission on Human Security, *Human Security Now: Final Report of the Commission on Human Security*, New York, 1 May 2003

conceived of in terms of the state, to be protected by the armed forces against domestic and foreign enemies (national security doctrine). Concerns about people's security were rarely an issue. This is changing only slowly, but increasing attention is being paid to positive and non-military aspects of security policy, including political, environmental and economic security. Starting out from such a framework, the effects of Colombia's armed conflict, of crime, drugs trafficking, environmental conflicts, and the undefined role of the armed forces can be identified as the most important regional threats.

2.3.1 Colombian Spill-over

Colombia is currently facing a dramatic human security crisis.³⁹ Far more than half a million Colombians have abandoned their country, some 270,000 to Venezuela, 250,000 to Ecuador and 100,000 to Panama.⁴⁰ A further 2.5 million are internally displaced, 48% to 55% of them under the age of 18. Infant mortality lies at 25 per 1,000, at least 100,000 land mines are distributed all over the country and annually between 3,500 and 4,000 people are killed as a consequence of the conflict.⁴¹ The decade-long war saw realistic hopes for peace with the negotiations and subsequent demobilization of several armed groups in 1990-1991, but talks with the largest guerrilla groups FARC (Fuerzas Armadas Revolucionarias de Colombia – Revolutionary Armed Forces of Colombia) and ELN (Ejército de Liberación Nacional – National Liberation Army) broke down in 1992.⁴² What followed was a significant escalation of the conflict, which began to affect neighbouring countries. Illegal armed actors started operating across the borders, formed strategic alliances with drug traffickers and displaced growing numbers of civilians to neighbouring countries. International observers began identifying Colombia as the heart of the “turbulence in the Andes”.⁴³

The practice of large scale application of weedkiller to eradicate illicit crops also had some very negative consequences, especially in northern Ecuador. Repeated clashes between national security forces and Colombian illegal armed actors took place in Ecuador and Venezuela, and paramilitaries from Colombia massacred Panamanian villagers in 2003. Kidnapping and extortion in border areas increased and the paramilitary AUC (Autodefensas Unidas de Colombia – United Selfdefence Forces of Colombia) and guerrilla groups were reported to have founded their own sister organizations on Venezuelan soil. Concern over the possible spill-over of Colombia's armed conflict led to military build-ups, and frontier regions of Venezuela, Peru, Ecuador and even Panama were increasingly militarized.

The international US-led “war on terror” has provided a new lens through which to analyze the conflict, and insurgents and paramilitaries were labelled terrorists, although this has not prevented negotiations with them from time to time. The US has intensified its military training, hardware exports and intelligence support to the region. This “securitization” of relations with Washington has found its expression in billion-dollar aid packages like Plan

³⁹ Isacson, A., Colombia's Human Security Crisis, *Disarmament Forum*, No. 2, 2002, pp. 25-40

⁴⁰ United Nations High Commissioner for Refugees, *Global Report 2004*, Geneva, 2004, p. 471

⁴¹ Centro de Investigación y Educación Popular and Justicia y Paz, Los derechos humanos en 2003, *Noche y Niebla*, No. 28, 2004

⁴² García Durán, M., *Procesos de Paz: De la Uribe a Tlaxcala*, Bogotá: CINEP, 1992; Chernick, M., Negotiating Peace amid Multiple Forms of Violence: The Protracted Search for a Settlement to the Armed Conflicts in Colombia, in Arnson, C.J. (ed.), *Comparative Peace Processes in Latin America*, Stanford: Stanford University Press, 1999, pp. 159-96

⁴³ Christman, Heimann, Sweig; see also International Crisis Group, *Colombia and Its Neighbours. The Tentacles of Instability*, Brussels, 8 April 2003

Colombia, which have been criticized as ignoring the economic and social roots of regional instability.⁴⁴ The emphasis has been on national security, building up the army, and military crackdowns, while human security has received less attention.⁴⁵

2.3.2 Crime

The 1990s saw a dramatic rise in common crime, as homicide rates more than doubled in the region during the 1984-1994 period, reaching a level of 51.9 murders per 100,000 inhabitants.⁴⁶ Violence and crime produce insecurity, which in turn is harmful to social capital, human capital and public confidence. Opinion polls have shown that typically in the countries under review not more than 20% of respondents agreed with the statement “you can trust most people”.⁴⁷ This low level of trust has to be seen in connection with the fact that increasing feelings of insecurity among large sectors are also attributable to the actions of the very law enforcement agencies responsible for upholding security.⁴⁸ In a telling image for all Andean countries, one observer described the Bolivian police as “fifty percent armed labour union and fifty percent organized crime”.⁴⁹ Distrust against the police is as widespread as fear of crime and it seems only logical that the private security business is a billion dollar industry in the region. State failure in this vital area leads to the privatization of security for those who can afford it and leaves the less fortunate at the mercy of criminals or rogue policemen.

Public security and lack of security became an increasingly important topic in all the countries concerned,⁵⁰ and politicians under pressure from national public opinion were only too ready to turn responsibility for crime fighting over to the armed forces. One example is Peru, where generals on active duty serve as ministers of Defence and of the Interior, and a recent law makes it possible to use the armed forces in domestic law and order enforcement missions for up to 30 days.⁵¹ Neither an underdeveloped and weak judiciary nor a corrupt or powerless police were obstacles for the military in taking on this assignment, which has militarized law enforcement and exacerbated the problem of impunity for official abuses.⁵² Human security would best be guaranteed by reforming and strengthening precisely those institutions whose task it is to uphold the rule of law and not by further subverting their already low prestige by calling in the army, which incidentally has a proven track record of abuse and corruption in dealing with crime anyway.

⁴⁴ Isacson, A., Closing the ‘Seams’: U.S. Security Policy in the Americas, *NACLA Report on the Americas*, Vol. 38, No. 6, May/June 2005

⁴⁵ Sweig, J.E., What Kind of War for Colombia? *Foreign Affairs*, Vol. 81, September/October 2002

⁴⁶ Morrison, A., Buvinic, M., Shifter, M., The Violent Americas: Risk Factors, Consequences, and Policy Implications of Social and Domestic Violence, in Frühling, H. and Tulchin, J.S. (eds), *Crime and Violence in Latin America*, Baltimore: Johns Hopkins University Press, 2003, pp. 93-122

⁴⁷ Latinobarómetro, *Informe resumen...*, p. 32

⁴⁸ Smulowitz, C., Insecurity and Fear in Argentina in Frühling, H. and Tulchin, J.S. (eds), *Crime and Violence in Latin America*, Baltimore: Johns Hopkins University Press, 2003, pp. 124-52

⁴⁹ Cited in Gamarra, E.A., *State, Drug Policy, and Democracy in the Andes*, Washington: Inter-American Dialogue, June 2005

⁵⁰ Baily, G. (ed.), *Public Security in the Americas: New Challenges in the South-North Dialog*, Washington: Georgetown University, 2003

⁵¹ See, Tamayo, A.M. and Robles, J., La Fuerza Armada para el orden interno: ¿No aprendemos de errores del pasado?, Lima: Instituto de Defensa Legal, *Idéale Mail*, No 359, 19 May 2004, <http://www.seguridadidl.org.pe/idlmail/idlmail359.doc> [accessed July 2005]

⁵² Kruijt, D., Low Intensity Democracies: Latin America in the Post-Dictatorial Era, *Bulletin of Latin American Research*, Vol. 20, No. 4, October 2001, pp 409-30

2.3.3 Trade in Illicit Drugs

The US government has defined international narcotics trafficking as a threat to its national security and relentlessly pursues a “source country” strategy of combating drugs production in the Andean nations. The governments concerned, essentially Colombia, Peru and Bolivia, execute this policy without much resistance, since the potential hostility of the United States which would follow the adoption of an alternative strategy is considered too costly in political and economic terms to be viable.⁵³ Two decades of an escalating “war on drugs” have increased US military and civilian contractor presence in Colombia and Ecuador, and led to large-scale military operations, massive aerial spraying, extradition of major drug exporters and aggressive interdiction efforts. In spite of very large-scale efforts (132,817 hectares of coca were sprayed with glyphosate weedkillers in 2003 alone), sustainable success has so far proved elusive, as drug supply and prices in Europe and the US have remained stable.⁵⁴

The drug war in the Andean countries carries with it many negative consequences: corruption infiltrating the security forces, severe destruction of the environment, escalating costs and, not least through the failure to produce viable crop substitution programmes, the alienation of growing segments of the rural population. These began to organize into increasingly militant coca growers’ associations or went looking for protection to irregular armed actors like the Colombian guerrilla.⁵⁵ Nevertheless, the current US administration has followed up on Plan Colombia with an Andean Regional Initiative, through which Colombia’s neighbours have started to receive substantially more aid than in previous periods. Although the aim was to soften the spillover of Washington’s Colombian strategy, the policy has had the effect of drawing all the region’s states and societies into a regional drug war dynamic.⁵⁶

2.3.4 Growing Military Autonomy

The redemocratization of almost all Latin American countries, followed by the end of the Cold War, ushered in a period of significantly reduced military threats, which gave reason to believe that newly elected leaders would use the opportunity to firmly assert civilian control over the armed forces by reducing their institutional prerogatives, circumscribing their power and cutting down military expenditures. This hope for a “peace dividend” proved unfounded, however. By design or out of inertia, civilians confined themselves to confirming the military’s national security mission.⁵⁷ With hindsight, it is difficult to comprehend why civilian leaders let the opportunity for effective demilitarization of the political system slip. The state’s persistent institutional weaknesses and the lack of a liberal tradition, as well as the fear of provoking a backlash that could undermine the newborn democracies, probably motivated decisions to leave the armed forces and their traditional way of operations largely untouched. This gave the military substantial countervailing power against civilian authority, and permitted them to continue their accustomed role as power arbiters.

⁵³ Bonilla, A., *Seguridad Humana en la región Andina*, in Rojas, F. and Goucha, M. (eds), *Seguridad Humana, prevención de conflictos y paz*, Santiago: UNESCO, 2002

⁵⁴ Transnational Institute, *Colombia: On the Problems of Confusing Drug Policy and Security Policy*, Amsterdam, January 2005

⁵⁵ International Crisis Group, *War and Drugs in Colombia*, Brussels, 27 January 2005

⁵⁶ Tickner, A.B., and Mason, A.C., *Transregional Security in the Andean Region*, Washington: Center for Hemispheric Defense Studies, October 2003

⁵⁷ Loveman, B., *For La Patria: Politics and the Armed Forces in Latin America*, Wilmington: Scholarly Resources Books, 1999

The principle of legitimate elected government accountable to the people was compromised by leaving military enclaves intact. Colombia's new Constitution of 1991, for instance, did not abolish the special military jurisdiction for "criminal acts committed during service".⁵⁸ The Ecuadorian Army Industry Department owns steelworks, a luxury hotel and tourism chain, a mining company, the local dealership for General Motors, a bank, a fishing company and various factories producing military equipment, all generating tax-free income for the generals.⁵⁹ The political reluctance to redefine civil-military relations enabled the armed forces of the region to reassert themselves as important domestic actors. This is reflected in constant or even increased manpower levels (Table 4), although military expenditures - with the important exception of Colombia - have been shrinking (Table 5).

Table 4: Armed Forces Personnel⁶⁰

Country	1993	1995	1997	1998	1999	2000	2001	2002	2003 *	Numbers 2003
COLOMBIA	70	73	73	73	72	76	79	79	100	300,000
ECUADOR	96	95	96	96	96	97	100	100	100	60,000
PANAMA**	0	0	0	0	0	0	0	0	0	0
PERU	112	115	125	125	115	115	100	110	100	100,000
VENEZUELA	91	96	96	96	96	96	100	100	100	82,000

* Base year 2003 = 100

**Panama abolished its army in 1994

Table 5: Military Expenditure⁶¹

Country	1993	1995	1997	1998	1999	2000	2001	2002	2003 *	million US\$ 2003
COLOMBIA	56	64	71	73	80	81	92	100	100	4,140
ECUADOR	144	144	153	133	116	115	105	94	100	380
PANAMA**	0	0	0	0	0	0	0	0	0	0
PERU	91	122	124	124	120	126	106	100	100	840
VENEZUELA	177	122	96	103	107	121	138	114	100	1,390

* Base year 2003 = 100

** Panama abolished its army in 1994

In the authoritarian past, political elite survival depended on arrangements with the armed forces. In spite of democratization, the civilian leadership continued to be mainly concerned with maintaining their power and not with defining a viable state security strategy. In the extreme case of Peru's Fujimori, an elected leader created an authoritarian regime with military backing, systematically politicizing, manipulating and corrupting the armed forces to convert them into a personal praetorian guard.⁶² The 1999 election of former paratrooper Lieutenant Colonel Hugo Chávez to the presidency in Venezuela after an unsuccessful coup

⁵⁸ Ladrón de Guevara, A.D., *El juego del poder: Historia, armas y votos*, Bogota: CEREC, 1998

⁵⁹ Diamint, R., Civilians and the Military in Latin American Democracies, *Disarmament Forum*, No. 2, 2002, pp. 15-24

⁶⁰ Bonn International Center for Conversion, *Conversion Survey 2005: Global Disarmament, Demilitarization and Demobilization*, Baden-Baden: Nomos, 2005, pp. 162-5

⁶¹ *Ibid.*, pp. 152-5

⁶² Rospigliosi, F., *Montesinos y las fuerzas armadas: Como controló durante una década las instituciones militares*, Lima: Instituto de Estudios Peruanos, 2001

attempt, as well as the 2002 military insurrection which briefly deposed him, show that militarized politics remain a serious threat in the region.⁶³ To the extent that the personalistic Chávez relies on any branch of the state in the deeply polarized country it is the military. Key posts in his administration are occupied by military officers, and as a further indication of their influence the president recently announced a substantial pay rise for cadets, enlisted men, and officers.⁶⁴

The increasing internal political turmoil fed by social and economic discontent constitutes a powerful motivation behind the “creeping militarization” of the Andean region.⁶⁵ Political leaders faced with popular protest frequently resort to armed repression, e.g. in Arequipa, Peru, where the army killed several protesters in June 2002.⁶⁶ This criminalization of social protest spells ill for the future of human security and democratic stability, because through violence the existing conflicts are only further exacerbated. Their role in fighting perceived internal threats has strengthened the armed forces in Colombia, Peru, Bolivia and Ecuador, increasing their already significant domestic leverage and tilting the balance of civilian-military relations further in their favour.⁶⁷ Repeatedly, the military has also acted as “arbiter” in constitutional crises, e.g. in Ecuador during the repeated presidential succession crises.⁶⁸

Democratic governments have so far not only failed to establish their authority over security issues, but have effectively invited further military interference by demonstrating lack of interest or political incompetence.⁶⁹ The military involvement in maintaining domestic law and order carries a serious risk for society and the political system, in fact to a greater extent than the actual “new threats”, which could in all likelihood be controlled by effective law enforcement and judicial cooperation. Judging from their past record, many in the armed forces tend to view socio-economic discontent as an expression of subversion which needs to be violently suppressed, resulting in human rights violations and massive abuses against the civilian population.

2.3.5 Environmental Threats

The Amazon Basin is the largest reservoir of biodiversity in the world, and all countries of the Andean region have a share in it. The allocation of these abundant resources creates the potential for conflict, with disputes relating to issues such as large-scale logging projects, gold mining, super-highways cutting through the rainforest, and hydroelectric power generation like Venezuela’s mammoth Caroní Watershed Management scheme currently

⁶³ Fernández, J.A., Venezuela: El fallido golpe contra Chávez, *Política Exterior*, No. 87, May/June 2002, pp. 7-20

⁶⁴ Terra News Agency, Chávez anuncia para Julio aumentos salariales del 60 y 50 por ciento para miembros de Fuerza Armada, 25 June 2005

⁶⁵ Isacson, A., Haugaard, L. and Olson, J., Creeping Militarization in the Americas, *NACLA Report on the Americas*, Vol. 38, No. 3, November/December 2004

⁶⁶ Arce, M., The Politics of Provincial Grievance in Peru. Paper prepared for delivery at the Meeting of the American Political Science Association, Philadelphia, 2003

⁶⁷ García-Peña Jaramillo, D.G., The US Foments Colombia’s War, *Crimes of War Magazine*, August 2001, <http://www.crimesofwar.org/colombia-mag/foments01.html> [accessed July 2005]

⁶⁸ Gerlach, A., *Indians, Oil and Politics: A Recent History of Ecuador*, Wilmington: Scholarly Resources Books, 2003

⁶⁹ Diamint, R., Security Challenges in Latin America, *Bulletin of Latin American Research*, vol. 23, no. 1, January 2004, pp. 43-62

under construction. The three dams already completed at Gurí, Macagua and Caruachi supplied about 70% of Venezuela's electricity by December 2003. The whole project includes five major plants with an estimated total output of 16,300 megawatts.⁷⁰ Projects such as these have been criticized by indigenous groups and other local communities as unsustainable and as causing intolerable disruption of their lives and irreversible destruction of habitats and species.⁷¹

Venezuela, Colombia and Ecuador also have considerable petroleum and natural gas reserves, which are increasingly exploited by transnational and local companies (Table 6). This energy policy is meeting with increasing resistance at the local level. Not only affected indigenous communities, assisted by other civil society actors, but also citizens in general are starting to question the subsidized sale of national assets to big foreign corporations. In Bolivia's "gas war", this issue has acquired special salience.⁷² An early example of this kind of conflict concerned the Colombian U'wa indigenous community who has fought for a decade to block Occidental/Shell from drilling in their ancestral territories in the eastern Andes.⁷³

Table 6: Total Oil Supply*

Country	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
COLOMBIA	462.4	600.4	640.1	670.0	751.6	837.4	712.4	647.2	598.3	562.1
ECUADOR	376.0	401.9	402.7	391.3	376.7	374.0	396.3	418.7	399.2	417.7
PERU	127.5	129.8	120.5	119.3	115.8	107.2	99.6	96.0	96.4	90.9
VENEZUELA	2,796.3	2,982.2	3,175.4	3,517.6	3,408.8	3,460.8	3,109.2	3,334.0	2,924.2	2,582.3

* in thousands of barrels per day (crude oil, natural gas plant liquids and refinery processing gain)⁷⁴

The environmental impact of resource extraction often combines with political, social and cultural tensions and can lead to the proliferation of violence. Colombia is a case in point here, where control over natural resources, particularly oil and hydroelectric infrastructure, has become an integral part of the dynamics of the armed conflict. The 780 km pipeline, which can transport approximately 130,000 barrels a day from Caño Limon oil field to the Caribbean port of Coveñas was attacked a record 170 times in 2001, causing almost US\$ 450 million dollars worth of damage, and rendering the pipeline inoperable for a large portion of the year. The relentless sabotage has been extremely detrimental to the environment, with an estimated 2.5 million barrels of crude oil leaked into the soil and rivers.⁷⁵ Environmental

⁷⁰ See, Inter-American Development Bank, *Background Sheet Venezuela: Caroni Watershed Management Plan*, Washington, 2004

⁷¹ Association for International Water and Forest Studies (FIVAS – Foreningen for Internasjonale Vann- og Skogstudier), *Power Conflicts: Norwegian Hydropower Developers in the Third World*, Oslo, January 1996, http://www.fivas.org/publikasjoner/power_c/index.htm [accessed July 2005]

⁷² See Springer, N., Bolivia: A Situation Analysis, Writenet for UNHCR, April 2005, <http://www.unhcr.ch/cgi-bin/texis/vtx/rsd/rsddocview.pdf?CATEGORY=RSDCOI&id=428b2a9d4> [accessed July 2005]

⁷³ Carlsen, L., *Indigenous Communities in Latin America: Fighting for Control of Natural Resources in a Globalized Age*, Silver City: Interhemispheric Resource Center, July 2002, <http://americas.irc-online.org/pdf/focus/0207indigenous.pdf> [accessed July 2005]

⁷⁴ United States, Energy Information Administration, *International Energy Annual 2003*, Washington, 2005, <http://www.eia.doe.gov/iea/iea2003.html> [accessed July 2005]

⁷⁵ American Friends Service Committee, *The Costs of Doing Business: How Oil, U.S. Militarization and Corporate Activity Intersect in Colombia*, Philadelphia, 2003, <http://www.afsc.org/colombiaoil/CostsofDoingBusiness.pdf> [accessed July 2005]

damage related to such attacks as well as the aerial eradication of illicit drug plantations with toxic chemicals has also become an issue of conflict in relation to neighbouring Ecuador and Venezuela.

2.3.6 Interdependence of Threats

As we have already seen when discussing these threat factors individually, it is hard not to notice their interdependence. The armed conflict in Colombia is fed by the interaction of institutional failure with social and economic grievances, financed by illicit drugs, further fanned by organized crime and easy availability of arms, and spreads regional ripples of insecurity. Domestic troubles are exacerbated by imported ones and the only policy which has been implemented so far in response to these developments has been a military build-up and the promise that the armed forces will eradicate the threats and re-establish law and order, as the Uribe election campaign slogan put it, “with a big heart and a strong hand”.

The results of these policies, which have militarized society and created a climate of intolerance have been mixed so far. While it is generally acknowledged that President Uribe’s public security strategy has reduced the number of crimes, such as homicides and kidnappings, and military and police forces have established a presence in many areas of the country which had been abandoned, it is still too early to claim success.⁷⁶ Against an enemy with 40 years of combat experience, any security strategy must have an extended time perspective and not look merely until the next elections.

Such progress as there was has also come at a price. The mission of fighting perceived internal threats has given the military an almost complete control over security matters, and it is using this latitude to expand its own power and privileges. There is no institutional check to balance this power, nor any guarantee that it will not be abused. Finally, there is no noticeable effort in the region, with the partial exception of Venezuela,⁷⁷ to counterbalance militarization with other, more benign forms of state activity. For many citizens, the military is the only tangible presence of an absent state in their lives. Guaranteeing human security calls for the state to be “more friendly, not the cruel enemy it too often is”.⁷⁸ This is where the current security policies are furthest off the mark.

3 Medium Term Forecast

As is well known, most Andean countries have been classified as candidates for state failure. Dire warnings about imminent breakdown of their political systems and collapse of their economic development have been pronounced. A good example is the recently published Failed States Index, which contains a full four of the five countries under review.⁷⁹ The numbers and rankings are reproduced in Table 7. According to this analysis of twelve risk indicators, whose methodology will not be discussed here, Colombia is ranked as “critical”, Venezuela and Peru are “in danger”, whereas Ecuador is presented as a “borderline case” of possible state collapse. Panama, however, is not included in the 60-state sample.

⁷⁶ Ortiz, R.D., The Uribe Administration’s Security Strategy: Balancing Opportunities and Challenges, *Análisis del Real Instituto Elcano*, No. 46, 5 May 2005, <http://www.realinstitutoelcano.org/analisis/732.asp> [accessed July 2005]

⁷⁷ Hugo Chavez’s Venezuela: Oil, Missions and a Chat Show, *The Economist*, 12 May 2005

⁷⁸ O’Donnell, G., Reflections on Contemporary South American Democracies, *Journal of Latin American Studies*, Vol. 33, 2001, pp. 599-610

⁷⁹ Fund for Peace and *Foreign Policy*, The Failed States Index, *Foreign Policy*, July/August 2005

Table 7: Ranking According to Instability

FACTORS	COLOMBIA	VENEZUELA	PERU	ECUADOR
Demographic Pressures	9.0	8.0	6.0	9.0
Refugees/IDPs	8.0	8.0	7.0	6.0
Group Grievance	6.9	6.8	6.6	5.6
Human Flight	9.2	7.6	9.0	6.9
Uneven Development	9.0	9.0	8.5	9.0
Economic Decline	7.1	4.5	5.0	5.0
State Delegitimization	9.8	9.8	9.6	9.5
Public Services	4.2	8.2	4.4	7.5
Human Rights	8.2	9.1	7.1	7.9
Security Apparatus	5.4	7.8	9.0	8.0
Factionalised Elites	9.2	7.2	8.9	8.6
External Intervention	9.0	7.5	7.0	4.0
Overall Instability	95.0	93.5	88.1	87.0
Rank (No=60)	14	21	40	46

Scores range from 1 (=very low) to 10 (=very high); values 9 or over **highlighted** by present author

While not necessarily agreeing with each of the values assigned to the individual indicators – for instance, it is not immediately clear why Peru has been ranked slightly higher on “uneven development” than the other three countries – it is important for our purposes to note that all four states have extremely high scores on two key parameters: uneven development and delegitimization of the state. This finding supports the central argument of this paper, namely that current crises are a consequence of warped economic development, which has prioritized fiscal discipline and growth, and of collapsing political legitimacy.

In spite of the growing popular disaffection with the current liberal institutional setup of democracy and market, it would be premature to conclude that the Andean nations are ready for collapse. There is no doubt that indicators show a real crisis which has daily negative implications for the human security of millions of people. Nevertheless, the present author believes that there is reason for cautious optimism, not only given the remarkable resilience liberal institutions have shown over the last two decades, even under great stress, but also because an increasing number of public and private actors are clearly aware of the challenges their countries face and there is no lack of action plans and reform proposals.⁸⁰ In order to avoid catastrophic scenarios and attain measurable improvements, it is crucially important to muster the political will to implement reforms, deal with the expected resistance on the part of some affected sectors and classes, and motivate citizens to take part in the design of their own future.⁸¹

This will be easier or more difficult not only according to objective differences between the countries in the region, but also with reference to differences in what might be termed “the national mood”. While over 90% of Ecuadorians and Peruvians, and 75% of Panamanians, agree with the statement that “the country is getting worse”, only about 50% of Colombians and Venezuelans are of this opinion, according to poll responses.⁸² Interestingly, while Colombia and Venezuela, which outwardly appear much more unstable, seem convinced that

⁸⁰ A good example would be the “Agenda: Peru” initiative, which developed detailed proposals for the Peruvian case. See *Agenda: Peru, Perú: Agenda y estrategia para el Siglo 21*, Lima, 2000, <http://www.agendaperu.org.pe/03inf/03inf.htm> [accessed July 2005]

⁸¹ Pacheco

⁸² *Latinobarómetro, Informe resumen...*, p. 37

they, being larger and economically more developed than their neighbours, will eventually move out of the danger zone, the majority of people in the other three countries appear doubtful whether their nations are actually on their way to recovery.

3.1 Colombia

Colombia shares with Venezuela a long tradition of fairly institutionalized civilian government based on elite accommodation and the politics of pacts. Nevertheless, the escalating civil war has not only eroded the bases of civilian politics in Colombia, but has also provoked the demise of the traditional bipartisan system. The Liberal and Conservative parties are very much weakened, while armed actors are taking over electoral politics through intimidation and violence. A recent assertion that the paramilitaries control a third of Members of Congress has gone unchallenged so far.⁸³ The military is gaining in political importance and “independent” candidates vie for electoral support by the way of populist appeals. President Alvaro Uribe, who is a right-wing populist, can be seen as the embodiment of these trends. His hard line approach against illegal armed actors and defence of a communitarian idea of public security has brought him domestic popularity, but remains problematic from the point of view of democratic governance and respect for human rights. Because of these concerns, the international community, with the exception of the United States, has so far been reluctant to embrace Uribe’s policies wholeheartedly.

Several important factors appear to cloud Colombia’s future. The economy is not doing very well, due to weak domestic and foreign demand, declining oil production and depressed prices for other major export commodities. Public austerity coupled with high unemployment and a pension system which is badly in need of reform are further worries. As recent guerrilla attacks have shown, the war against the insurgency is apparently going nowhere and negotiations are not in sight. Counter-narcotics operations, which are bound to continue at their current pace, have not shown any tangible results. Presidential elections are scheduled for April 2006, and the president is dedicating a major effort to securing his re-election. Currently Uribe is the strongest contender, but also the most controversial. The constitutional amendments required to permit his own re-election and the recently approved Justice and Peace Law, aimed at demobilizing the extreme right-wing paramilitary AUC are strongly questionable.⁸⁴ Some obstacles remain for Uribe, since the constitutional amendment still has to pass the Constitutional Court, and his consistently high approval rates may still suffer a reversal, but he has undoubtedly reached some important results which will make him hard to beat in the election.⁸⁵

It is impossible to be optimistic about the outlook for the humanitarian situation in Colombia. The ongoing multi-layered war has not yet evolved beyond a mutually hurting stalemate, and many argue that the conflict cannot be won in military terms given the complicated geography and sheer size of the country. All advances secured so far against the guerrilla by numerous armed forces operations are still completely reversible, and actions by the main insurgents, FARC, have in fact increased during the first half of 2005. It is also worrying that the government does not appear to have a clear political plan to follow up on the military

⁸³ Vivanco, J.M. and McFarland Sánchez-Moreno, M., A Bad Plan in Colombia, *International Herald Tribune*, 16 May 2005

⁸⁴ The *New York Times* has argued that the Justice and Peace law should rather be called “Impunity for Mass Murderers, Terrorists and Major Cocaine Traffickers Law”. See, Colombia’s Capitulation, *New York Times*, 4 July 2005

⁸⁵ International Crisis Group, *Colombia: Presidential Politics and Peace Prospects*, Quito, 16 June 2005

gains. The lower figures for displacement and political violence, which the government cites as evidence for the success of its “democratic security strategy”, are certainly an improvement given previous levels in Colombia, but are still unacceptably high, and civilian casualties are still a daily occurrence in the war.⁸⁶ Massive refugee and IDP flows will continue, creating friction with neighbouring countries and misery within.

3.2 Venezuela

Venezuela, another country which had long been counted as a consolidated democracy, experienced a breakdown of its bipartisan order in the late 1990s, brought about by the self-induced implosion of inefficient, corrupt and untrustworthy institutions. The election of president Hugo Chávez was the answer to this widespread and complete disaffection with traditional party politics. Under the name of “Bolivarism”, Chávez is attempting to put new life into the Argentinian Juan Perón’s leftist-nationalist tradition of populist militarism, complete with anti-Americanism and crusades against the oligarchy. Chávez has weathered numerous challenges from strong international and domestic opposition, and his populist programmes (doctors on loan from Cuba delivering free health service, literacy classes, subsidized supermarkets for the poor, etc.) have built him a strong constituency among the less privileged members of society.⁸⁷

Chavez’ hyper-presidential, personalistic understanding of political power, coupled with strong dislike for Congress and other independent institutions of democracy have certainly not strengthened democracy and accountability in Venezuela.⁸⁸ His government is characterized by a military outlook on social problems, tending to look to the armed forces for solutions. Chávez has announced the formation of a new civilian reserve defence force which aims to reach an eventual strength of two million and has recently concluded major arms deals with Russia, Brazil and Spain.⁸⁹ Given the current circumstances, it is probable that the president will secure his re-election in November of 2006.

In the short term Venezuela may alleviate some social grievances, but the question of sustainability remains. 18,000 Cuban doctors plus thousands of literacy and basic education teachers will not be available forever, and the regime can ill afford to lose all middle class professionals who are now abandoning the country in large numbers. Venezuela will also continue to receive a substantial share of Colombia’s refugee population, especially if the Ecuadorian authorities do impose tighter restrictions. The Venezuelan government, preoccupied with maintaining itself in office, has given a very low priority to Colombian refugees up to now, and official recognition has been painstakingly slow. No social benefits or health programmes are made available for them, since they are not entitled to vote in Venezuela.⁹⁰ This is unlikely to change for as long as the populist Hugo Chávez is in power,.

⁸⁶ *Ibid.*

⁸⁷ Briscoe, I., All Change in Venezuela’s Revolution?, *Open Democracy*, 25 January 2005, <http://opendemocracy.net/content/articles/PDF/2319.pdf> [accessed July 2005]

⁸⁸ Ramos Rollón, M. (ed.), *Venezuela: Rupturas y Continuidades del Sistema político (1999-2001)*, Salamanca: Universidad de Salamanca, 2002

⁸⁹ Ceaser, M., Chavez’s ‘Citizen Militias’ on the March”, *BBC World News*, 1 July 2005, <http://news.bbc.co.uk/1/hi/world/americas/4635187.stm> [accessed July 2005]

⁹⁰ Menendez, J., Colombia’s Stranded Refugees. *BBC World News*, 14 October 2003, <http://news.bbc.co.uk/2/hi/americas/3185368.stm> [accessed July 2005]

3.3 Ecuador and Peru

Ecuador and Peru, although different in size and composition, share a number of important characteristics. Both have seen large periods of political instability and coups and military intervention in politics have been a constant in their independent history.⁹¹ Indigenous people make up the majority of their populations and have historically been excluded, discriminated against and exploited by the white and mestizo elites.⁹² This has in both countries generated similar high levels of public disaffection, mistrust and pessimism, which are a heavy legacy for any kind of political activity or initiative. Many people are so alienated from a political and societal system that never made any effort to reach out to them, that they feel themselves to be strangers in their own country.⁹³ There are also crucial differences between Ecuador, a country where guerrillas were never able to establish a foothold – with the exception of Colombia's FARC in the border areas, and Peru, which was devastated by armed insurgency and state repression in response.

3.3.1 Ecuador

In Ecuador a new indigenous ideology emerged in the early 1980s, which began unifying the different communities in the Amazon as well as in the highlands. A Confederation of Ecuadorian Indigenous Nationalities (CONAIE – Confederación de Nacionalidades Indígenas de Ecuador) came together and began advancing indigenous demands in the political system, participating in elections but also exercising direct pressure through the mobilization of indigenous groups.⁹⁴ These mass protests have been a decisive factor in the downfall of several Ecuadorian presidents over the last few years,⁹⁵ the most recent being Lucio Gutiérrez (April 2005), who had originally been elected in no small amount because of CONAIE's endorsement. Gutiérrez, the outsider turned head of state, had presided over one of the most stable macroeconomic growth periods in recent history, but his strict adherence to fiscal orthodoxy and support for US security policies broke his electoral coalition with the indigenous sector and provoked escalating mass mobilization.

Gutiérrez' desperate attempts to rally congressional support persuaded him to enter into an amnesty deal with Ecuador's most despised and corrupt ex-president, the exiled Abdalá Bucaram, who returned to Quito in triumph, only to see Gutiérrez himself disappearing into exile in Brazil. The popular uprising which deposed the president was not only born of economic desperation, but also motivated by the need for a defence against the abuse of power and corruption that has been plaguing Ecuadorian politics for so long.⁹⁶ The current president, Alfredo Palacio, has replaced the deposed Gutiérrez only to serve out the rest of his term, and new elections will take place in the autumn of 2006. Nevertheless, the new president appears to be planning to change many of the country's institutions and policies.⁹⁷

⁹¹ For a general overview, see, Alcántara, M., *Sistemas políticos de América Latina*, 3 ed., Madrid: Tecnos, 2003

⁹² Larson, B., *Trials of Nation Making: Liberalism, Race, and Ethnicity in the Andes, 1810-1910*, New York: Cambridge University Press, 2004

⁹³ Stokes, S., *Cultures in Conflict: Social Movements and the State in Peru*, Berkeley: University of California Press, 1995

⁹⁴ Selverston-Smith, M., *Ethnopolitics in Ecuador*, Miami: North South Center Press, 2001

⁹⁵ Lucero, J.A., Crisis and Contention in Ecuador, *Journal of Democracy*, Vol. 12, No. 2, April 2001, pp. 59-73

⁹⁶ Hedgecoe, G., Losing Ecuador, *Open Democracy*, 26 April 2005, http://www.opendemocracy.net/globalization-protest/article_2453.jsp [accessed July 2005]

⁹⁷ Ecuador: A Caretaker with Ambition, *The Economist*, 2 July 2005

It is still too early to speculate on the outcome of the elections, but maybe CONAIE will field a candidate capable of representing the political aspirations of Ecuador's indigenous majority.

Ecuador and Peru have had frequent border disputes in the Amazon basin, and fought two brief wars in 1980 and 1995 over the territory. For the most part, however, security concerns have now shifted to Ecuador's borders with Colombia. It appears likely that relations with the Colombian government under the new Palacio administration will become more distant than under his predecessor. The new government has recently announced that it is withdrawing its official support for Plan Colombia and the Patriot Plan against the FARC.⁹⁸ Ecuador's foreign minister, Antonio Parra, has also criticized Colombia over environmental damage caused across the border through coca eradication spraying and over the failure to provide any support to relieve Ecuador of the costly burden of hosting thousands of Colombian refugees. The government in Quito is apparently now planning to introduce a visa requirement for all Colombian travellers.⁹⁹ Previously, however, the country has been quite accessible for Colombian refugees, who now number an estimated 300,000. Between January 2000 and September 2004 27,851 Colombians presented asylum petitions, although it is estimated that this number represents only a minority of total cross-border movement.¹⁰⁰ With the increase in refugees, other problems stemming from the Colombian conflict like crime, violence and narco-trafficking are also on the rise.¹⁰¹ Colombians in Ecuador and other neighbouring countries have tenuous legal status and are vulnerable to discrimination and forced returns.¹⁰²

Due to its double crisis of economic and political systems, Ecuador is also a large exporter of population. According to some estimates, up to 20% of the population have left the country, among them more than 300,000 who emigrated to Spain over the last couple of years.¹⁰³

3.3.2 *Peru*

The Maoist group Sendero Luminoso (Shining Path), founded by university professor Abimael Guzmán, started a campaign of rural terrorism in Peru, which was countered with a high degree of brutality by the armed forces.¹⁰⁴ The recently presented report of the official Truth and Reconciliation Commission indicates that about 69,000 were killed by the political violence, 75% of whom were Quechua-speaking highland peasants.¹⁰⁵ The guerrilla only began to fall apart with the capture of its supreme leader Guzmán in 1992.¹⁰⁶ Partly as a result

⁹⁸ Strategic Forecasting Inc., Ecuador: Neutrality in Colombia's War Against the FARC, 5 July 2005

⁹⁹ Colombia: Tan cerca y tan lejos, *El Espectador* [Bogotá], 27 June 2005

¹⁰⁰ Centro de Documentación en Derechos Humanos Segundo Montes Mozo S.J., *Refugiado/as colombiano/as en Ecuador: Tendencias y respuestas del Estado y la sociedad civil*, Quito, December 2004

¹⁰¹ Bonilla

¹⁰² Observatorio Internacional por la Paz, *Testimonios de frontera: Segundo informe*, Quito, 2004

¹⁰³ Edwards, S., *Colombian Conflict Impacts Ecuador*, Washington: Washington Office on Latin America, June 2002

¹⁰⁴ Stern, S.J., (ed.), *Shining and Other Paths: War and Society in Peru, 1980-1995*, Durham NC: Duke University Press, 1999

¹⁰⁵ Comisión de la Verdad y Reconciliación, *Informe final*, Lima, 2002, <http://www.cverdad.org.pe/ifinal/index.php> [accessed July 2005]

¹⁰⁶ Degregori, C.I., After the Fall of Abimael Guzmán: The Limits of Sendero Luminoso, in Cameron, M.A. and Mauceri, Ph. (eds), *The Peruvian Labyrinth: Politics, Society, Economy*, University Park: Penn State University Press, 1997, pp. 179-91

of this brutal internal conflict, Peru's indigenous people have never formed a collective identity or movement, as happened in Ecuador.

After the Sendero Luminoso conflict Peru suffered a turbulent decade of large scale corruption, authoritarian politics, spy scandals, flawed elections and gross human rights violations, for which President Alberto Fujimori (1990-2000) and his intelligence chief Vladimiro Montesinos must share responsibility.¹⁰⁷ Not surprisingly the election of opposition leader Alejandro Toledo in July 2001, the first Amerindian to hold the presidency, was widely greeted with relief. Toledo soon disappointed Peruvian voters, however. The president's "politics of self-destruction" created a series of damaging incidents which left Toledo with virtually no credibility or public approval.¹⁰⁸ It is small wonder that commentators are already speculating that the Peruvian president might be the "next Andean domino" to fall after his colleagues in Bolivia and Ecuador.¹⁰⁹ Given the specific structure of Peru's public sphere, where popular movements are less well organized and weaker than in Ecuador, the possibility of this scenario becoming a reality is remote, but cannot be excluded totally.

Compared with his predecessors, President Toledo's government has been able to carry out some improvements, though, especially in the human rights field. Fujimori's antiterrorist laws are no longer applied, and some people detained under their rules have been retried. However, drug trafficking as well as ordinary and organized crime levels remain alarming, and the government has had to face a cycle of damaging political and social protests against some of its key policies, such as protest marches by coca workers demanding major changes to the government's coca eradication strategy. Nevertheless the opposition seems to be more interested in preparing for elections next April than in plotting Toledo's downfall.¹¹⁰ At present the most likely winner would be the populist Alan García, a previous president during the late 1980s, generally regarded as having left office in disgrace.

Peru is less affected by refugees from Colombia than is Ecuador, as the common land border between the two countries is short and very isolated. However, the country faces significant problems of poverty and unemployment (official rates are above 10%, not counting the informal sector), which continue in spite of recent economic growth. With internationally recognized poverty levels of 66%, and poor education provision, some analysts have doubted whether Peru can move to becoming a functioning market economy at all.¹¹¹ In any case, an impoverished and excluded majority of citizens, who have never seen any tangible state assistance in their lives, constitutes not only a risk factor for social unrest and political instability, but also a reservoir of potential emigrants. Studies have in fact shown that Peruvians have been abandoning their home country in increasing numbers over the last couple of years, usually following the ups and downs of political and economic crises. As of

¹⁰⁷ García Calderón, E., Peru's Decade of Living Dangerously, *Journal of Democracy*, Vol. 12, No 2, April 2001, pp. 46-58

¹⁰⁸ Páez, A., The Politics of Self-Destruction in Peru, *Project Syndicate*, April 2004, <http://www.project-syndicate.org/commentary/paez1/English> [accessed July 2005]

¹⁰⁹ Crabtree, J., Peru: The Next Andean Domino?, *Open Democracy*, 21 April 2005, http://www.opendemocracy.net/democracy-protest/peru_2625.jsp [accessed July 2005]

¹¹⁰ Peru: Survivor Toledo: Why Peru's President Has Avoided his Neighbours' Fate, *The Economist*, 11 June 2005, http://www.economist.com/world/la/displayStory.cfm?story_id=4064642 [accessed July 2005]

¹¹¹ Rivero, O. de, Perú: Supervivencia o inviabilidad en el siglo XXI, Montevideo: UNESCO, 2004, <http://www.unesco.org.uy/shs/derivado.doc> [accessed July 2005]

July 2003 it was estimated that around 2.3 million Peruvians were residents abroad, up from around 1 million in 1992. This amounts to about 9% of total population.¹¹²

3.4 Panama

In most respects, Panama appears a case apart from the other countries under survey. It is smaller and to a considerable degree less problematic than the others and prospects for Panama look fairly good. It has no military, which was abolished through constitutional amendment in October 1994. It is geographically removed from the Andean region and only connected to Colombia through a narrow land bridge.

However, as a small, open economy Panama is very vulnerable to global economic trends. After showing a fairly steady downward trend beginning in 1998, the Panamanian economy is slowly recuperating, but public debt is increasing rapidly and debt service has more than doubled as a percentage of GDP over the last decade. An operating deficit in the Social Security Fund occurred for the first time in 2004 and led to calls for an overhaul of the system. Real GDP growth is forecast at only 3.5% for 2005 and 4% for 2006.¹¹³ While Panama will not be a member of the proposed Central American Free Trade Agreement (CAFTA) with the United States, which is currently under discussion, such an agreement could nevertheless attract foreign direct investment and bring some benefits to export-oriented sectors of the Panamanian economy. However, it can also reasonably be expected that CAFTA will provide little benefit to the rural and urban poor in Panama and that it will leave the glaring inequality and poverty levels in the country untouched.

President Martín Torrijos, now in office for a little over one year, has yet to show that he can deliver real improvements to the disadvantaged sectors of the population and especially that he can tackle corruption and improve the citizens' increasingly cynical image of politics and democracy. While some recent announcements are more rhetorical than real (e.g. declaring 2006 as the Year of Fighting Against Corruption), others convey the impression that the administration is serious in its efforts to create a more professional and efficient bureaucracy, a crucial requirement for fighting corruption. All state employees who want to enter formal public service will now be carefully examined to see if they meet the minimum requirements (only 7,441 civil servants have undergone this legally mandated vetting process since 1996, although there are more than 60,540 on the public payrolls).¹¹⁴

A huge issue, which clearly showed simmering social discontent over economic policies also in Panama, was the reform of the Social Security system. This had already been subject to controversy during the government of the previous president, Mireya Moscoso, when radical students and labour unions blocked the proposed privatization of the public pension system in September 2003. When the Torrijos government introduced a new bill to reform Panama's underfunded pension and health care system in late May 2005, hundreds of protesters fought with police and hurled rocks at the National Assembly. When the government refused to back down, a National Front for the Defense of Social Security constituted itself and began an open-ended strike on 27 May, supported by the National Federation of Public Employees. On

¹¹² Altamirano, T., El Perú y el Ecuador: Nuevos países de emigración, *Revista Aportes Andinos*, October 2003, <http://www.uasb.edu.ec/padh/revista7/articulos/teofilo%20altamirano.htm> [accessed July 2005]

¹¹³ International Monetary Fund, *World Economic Outlook 2005...*, Statistical Appendix, Table 6

¹¹⁴ Panamá, Presidencia, Secretaría de Comunicación del Estado, Más de 53 mil servidores públicos ingresarán en Carrera Administrativa, 20 June 2005 (press release)

1 June, some 100,000 Panamanian workers, students and pensioners from all over the country marched in Panama City to protest against the reforms, which would have raised the pension age and increased contributions.¹¹⁵ Nevertheless, the government and the ruling party coalition in Congress passed the law. Throughout June, mass mobilization and road blocks continued, the protesters clashed with the police, suffering several wounded and more than 400 arrests. To defuse the crisis, President Torrijos has recently signalled the possibility of renegotiating some parts of the law, which has been officially suspended.¹¹⁶

Through his handling of the crisis, Torrijos' popularity has fallen sharply. According to opinion polls, only 26% still have a favourable opinion of him.¹¹⁷ The whole episode serves as an illustration of the high degree of discontent with prevalent socio-economic policy prescriptions, which are seen as damaging to the living standards of the majority. The potential for popular protest is clearly present in Panama, and in future policy decisions the government will ignore this at its peril. A specific flash point could come from the substantial indigenous minority (estimates go up to about 10%) which is systematically discriminated against and denied opportunities, often on racial grounds,¹¹⁸ though until now these minorities have not formed a pressure group comparable to those in other countries in the region.

So far Panama, which is connected to Colombian territory by a small strip of land covered by the largely impenetrable Darien jungle, has not seen big refugee movements from its southern neighbour. For those Colombians who did go to Panama, however, a major problem lies in the fact that since 1998 the Panamanian government only grants the status of "temporary protection" to most arrivals, arguing that they do not fall into the category of "direct victims" but merely flee out of fear that something may happen to them in Colombia.¹¹⁹ This interpretation, which is in clear violation of the Geneva Convention on Refugees, has been widely criticized by human rights activists and NGOs. As of early 2004, there were only 1,515 officially registered Colombian refugees in Panama. A substantial number appears to be living in the country illegally. UNHCR has facilitated talks on bringing the country's refugee legislation into line with international standards, but these have stalled due to concerns about the security situation in the border areas. There have also been occasional forced removals of Colombian refugees.¹²⁰ It is unlikely that Panama's consistent policy of distancing itself from the issue of Colombian refugees and the Colombian conflict in general will change in the foreseeable future. More trouble is thus to be expected.

¹¹⁵ Strike over Social Security, *Weekly News Update on the Americas*, No 801, 3 June 2005, http://americas.org/item_19748 [accessed July 2005]

¹¹⁶ Panamá, Presidencia, Secretaría de Comunicación del Estado, Consejo de Gabinete aprueba suspensión de Ley 17 de la CSS, 27 June 2005 (press release)

¹¹⁷ Panamá: Torrijos promulga polémica ley, *BBC Mundo*, 1 June 2005

¹¹⁸ Tapia Arango, N., Incidencia del racismo en el desarrollo de los pueblos Indios de Panamá, in *La problemática del racismo en los umbrales del siglo XXI*, México: UNAM, 1997

¹¹⁹ Reuters, Power, M., Refugiados colombianos se quedan en Panamá, pese a oferta de paz, 19 June 2005

¹²⁰ Panamanian Government Promotes the Return of Colombian Refugees, *Jesuit Refugee Service Dispatches*, No. 144, 12 January 2004, <http://www.jrs.net/dispatch/disp.php?lang=en&dispId=dp0401144en#07> [accessed July 2005]

4 Conclusions

This report has tried to assess the political, social and economic outlook of five northern Andean nations. We have seen that four of the five countries are beset by a host of problems, which include domestic political turmoil, foreign interference, economic stagnation or unstable growth, inequality in the distribution of national income, and lack of able political leadership. In general, the last decade has not been a good one, in spite of modest economic growth in most nations. The undeniable fact that no measurable effect on social welfare or human security could be attained has fed into widespread public discontent and created an easily activated potential for mass mobilization against the economic and political status quo.

The problem besetting these newly formed movements and forms of street activism is that many of its participants are driven by unrealistic expectations of change or have no clear idea of what they want to replace the old and delegitimized structures. Nevertheless it is clear that once roused to action, the people will not easily resign themselves to more of the same, but will keep coming back to the streets to demand radical change, if they feel that their hopes have been deceived. The slogan of Argentine mass protests which brought the government of Fernando de la Rúa down was “Que se vayan todos!” (Everybody out!). Under the impact of successive governments’ failure to deliver what the citizens demand, this motto may well become the battle flag of radicalized opposition forces in Ecuador, Peru and Panama. Colombia and Venezuela have in the meanwhile produced their own specific types of leaders who respond to this crisis by adopting quick-fix populist solutions that rely to an important and growing degree on the military for their implementation.

In terms of human security, this means that while democracy itself may not be in immediate danger, more intensive political and economic confrontations, unrest and also the resort to violence as a political instrument are all increasingly likely. Governments remain vulnerable and strikes and blockades will be employed more frequently as tools in a conflict to force concessions from the state. The likely consequence is that credit ratings and international investments will fall, negatively affecting economic growth. Proposals based on the idea of economic self-sufficiency in an increasingly globalized economy are unrealistic and may only exacerbate inequality and social tensions. A possible way out could be intensified intra-regional cooperation and trade.

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