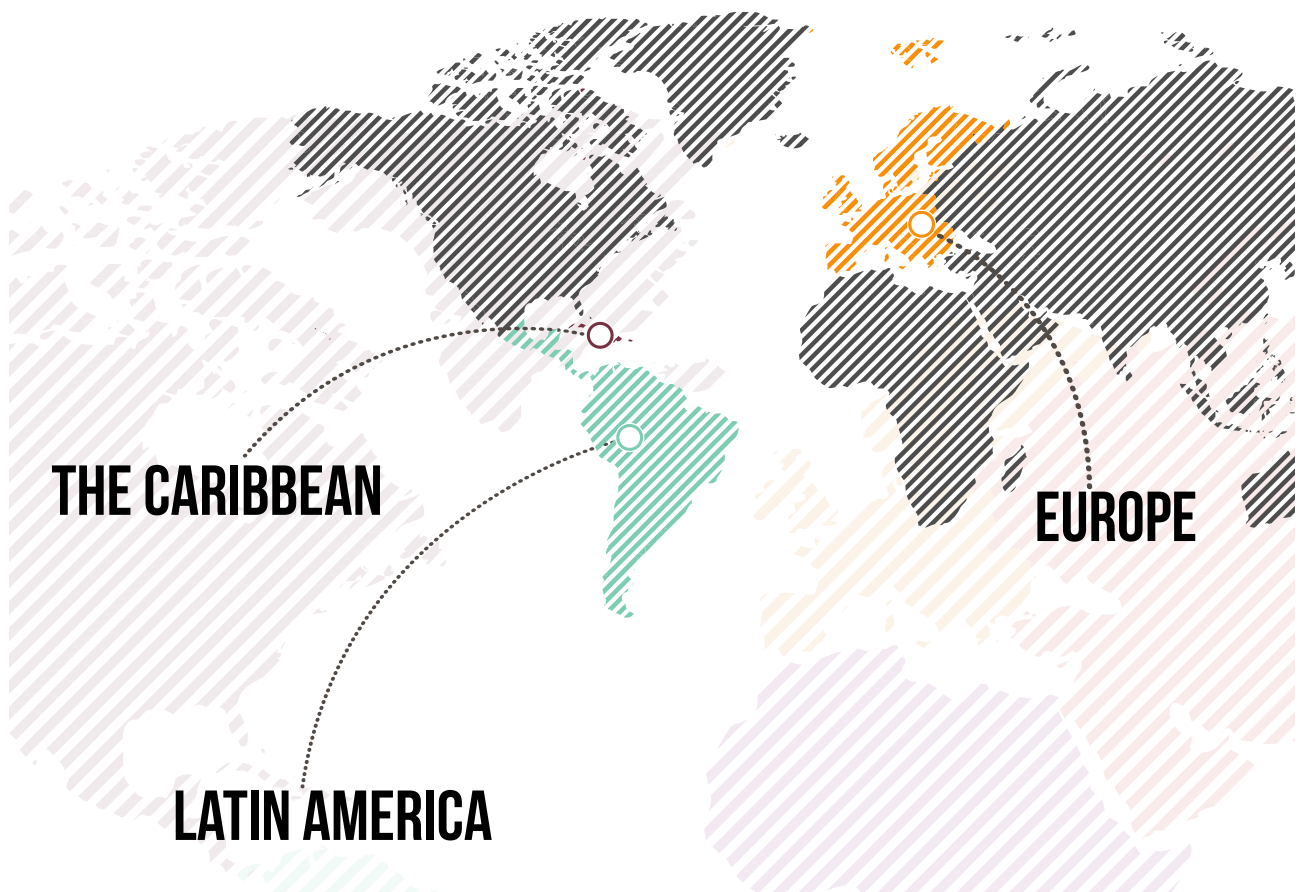




**IFAIR**  
Young Initiative on Foreign Affairs  
and International Relations e.V.

# EU-LAC COOPERATION IN THE 21ST CENTURY: COMBINING EFFORTS IN A GLOBALISED WORLD

IFAIR Impact Group 'LACalytics' Policy Paper Series, vol.1



EDITORS : T. Lieb, L. Fried, J. Klein, J. Klever, F. Scheifele

ENGLISH

IN COOPERATION WITH:



EU-LAC Foundation  
Fundación EU-LAC



Federal Foreign Office



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Editors

T. Lieb, L. Fried, J. Klein, J. Klever, F. Scheifele

ENGLISH

Berlin, 2016

**Published by**

Young Initiative on Foreign Affairs and International Relations (IFAIR) e.V.

District Court Berlin Charlottenburg | Register of Associations: VR 30447 B | [www.ifair.eu](http://www.ifair.eu)

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**Print**

Scharlau GmbH | Hühnerposten 14, 20097 Hamburg

**Special Acknowledgements**

IFAIR expresses its gratitude to the EU-LAC Foundation for funding this publication and supporting the technical revision process of its contents.

IFAIR also thanks the Federal Foreign Office of the Federal Republic of Germany for assuming the patronage of LACalytics.

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The layout and printing of this study was financed by the EU-LAC Foundation. The EU-LAC Foundation is funded by its member states and the European Union. The contents of this publication are the sole responsibility of the authors and cannot be considered as the point of view of the EU-LAC Foundation, its member states or the European Union.

This book was published in 2016.

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**Cite as:**

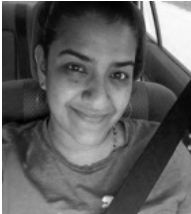
Lieb, Theresa, Leo Fried, Johannes Klein, Joanna Klever and Fabian Scheifele, eds. EU-LAC Cooperation in the 21st Century: Combining Efforts in a Globalised World. IFAIR Impact Group 'LACalytics' Policy Paper Series, vol 1. Berlin: Young Initiative on Foreign Affairs and International Relations e.V., 2016



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### **Stefanie Beßler | Germany**

Stefanie is a Master's student in Latin American Studies at the University of Vienna. She holds a Bachelor's degree in International Business from the ESB Business School. Having studied abroad in Buenos Aires and having gained country-specific insights during several stays in Central and South America, she is passionate about this region. Alongside various internships in the private sector, she also participated in the development politics program ASA which allowed her to gain work experience in Bolivia in a governmental institute.



### **María Camila Cuellar | Colombia**

María Camila is sub-director of Crime Responsibility at the International Foundation Baltasar Garzon (ICBF), where she previously worked as director. Maria Camila concluded her Master's degree in International Law and International Legal Studies at the University of Los Andes. She worked for over six years for the Colombian verification processes, providing guidance and support for the demobilisation of paramilitary groups. She has experience in disarmament, demobilization and reintegration processes (DDR), transitional justice, land restitution, human rights and support to victims of violence.



### **Morna Cannon | Great Britain**

Morna is a Master's student of International Economic Policy at SciencesPo in Paris. She pursued her undergraduate degree in Land Economy at Cambridge University, concentrating on environmental law and economics. Following graduation in 2007, she worked for almost a decade in the renewable energy industry in the UK, initially as a lobbyist and then as a project manager for an offshore wind developer. Her research focuses on the economic aspects of climate change and renewables, with a special regional interest in Latin America.



### **Collin Constantine | Guyana**

Collin is a PhD student in Economics at Kingston University and a member of the Political Economy Research Group (PERG). His dissertation investigates the determinants of the current account imbalances of the Eurozone and his research interests extend to institutions, inequality, development economics and new political economy. He holds a Master of Science in Development Economics from SOAS, University of London, and has been a recipient of a PhD studentship from Kingston University in 2015.



### **Renato Constantino | Peru**

Renato is currently finishing his Master in Human Rights at the Pontifical Catholic University of Peru (PUCP), where he also graduated as a lawyer. He is part of the Interdisciplinary Research Group on Disability (GRIDIS - PUCP) and collaborates with the Disability Rights Legal Clinic. He is also working at Society and Disability-SODIS, a NGO specialised in working for disability rights. During the last four years, he has advocated for disability rights and litigated cases in this matter. Moreover, he teaches International Humanitarian Law at the National University of San Marcos.



### **Emilie D'Amico | France - Italy**

Emilie follows a Double Master's degree in Economics and Management of Public Administration and International Organisations at Bocconi University. She holds another Master in International Affairs as well as a Bachelor in Economics, Law and Politics from SciencesPo Paris. She spent a year living in the USA and has gained professional experience in Costa Rica, where she worked on migration and development issues. Her research interests include sustainable development, climate change finance and EU-LAC development cooperation.



### **Danielle Edwards | Dominica**

Danielle is a lawyer and co-founder of the Caribbean Centre for Sustainable Development Law. She holds a Master of Laws (LL.M.) in International Legal Studies from the American University Washington with a specialisation in environmental law, energy policy and human rights. Danielle also holds a Certificate of International Law from the Hague Academy of International Law and a Bachelor of Laws from the University of the West Indies Cave Hill Campus. Moreover, Danielle has worked for the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) as a legal specialist.



### **Marina Diefenbach Goulart | Brazil**

Marina Goulart has recently obtained a Master's degree in Global Political Economy from the University of Kassel. Marina concluded undergraduate degrees in History at the Federal University of Rio Grande do Sul as well as in Journalism at the Pontifical Catholic University of Rio Grande do Sul. Additionally, she worked as a reporter and editor for the main media outlets in Southern Brazil. Her research interests are regional integration, international political economy, inequality and development issues in Latin America.



### **Lilla Hajdu | Hungary - Colombia**

Lilla works for a Colombian research center, where she is in charge of International Relations. She holds Master's and Bachelor's degree in International Relations from the Corvinus University of Budapest. She wrote her undergraduate thesis on the Colombian armed conflict and her Master's thesis on the lessons of the Argentinian sovereign debt crisis. She has worked for the Hungarian Ministry of Foreign Affairs and at the Embassy of Hungary in Argentina. Moreover, Lilla has several years of experience as a journalist and has also been working for an Argentinian think tank.



### **Manuel Jung | Germany**

Manuel is a student of Philosophy and Economics in Würzburg. Moreover, he works in Life Cycle Assessment in the automotive industry and as a free lancer in youth education seminars focused on Global Learning and Critical Race Theory. In 2014, he finished his Bachelor of Science in Energy Technology at the University of Erlangen-Nuremberg with a thesis about the effect of governmental support of renewable energy on electricity prices in Germany. Afterwards, he acquired practical experience in the area of renewable energy at the University FAREM Estelí in Nicaragua.



### **Christian Lyngsø Alvarez | Denmark**

Christian works as a consular officer at the Royal Danish Embassy in Buenos Aires where he previously conducted an internship in the political department. He is a Master's student in Development and International Relations at the University of Aalborg and writes his thesis on energy governance in Latin America. Christian also holds a Bachelor's degree in Law from Aarhus University. Furthermore, he authored research papers on topics concerning political accountability and development in Latin America and the EU.



### **Agnes Medinaceli Baldivieso | Bolivia**

Agnes is a Master's student in Latin American Development at King's College London. Previously, she completed a Bachelor in Economics at the University of St Andrews. Complementing her academic studies, Agnes has gained work experience as an intern at the Central Bank of Bolivia and at the Institute for Advanced Development Studies (INESAD) in Bolivia. Starting in November 2016, she will support INESAD as a junior researcher.



### **Katharina Moers | Germany**

Katharina is a project manager at the German Chamber of Commerce. Katharina studied Economics and Languages in the Netherlands, Chile, Spain and England and holds a Master in Brazil in Global Perspective from King's College London. She gained work experience in international development and government relations, for example at the German Academic Exchange Service. Katharina's research interests include social policy-making in emerging countries, political multipolarity, social inequality and stratification as well as South-South cooperation.



### **Juliana de Moraes Pinheiro | Brazil**

Juliana currently works as a consultant at the Inter-American Development Bank (IADB) in Washington, D.C. She holds a Bachelor's degree in International Relations from the American University in Washington, DC. Moreover, Juliana has interned with the Inter-American Commission on Human Rights (IACHR) and is a volunteer at the School of the Americas Watch. Juliana has written a number of articles on human rights, politics, corruption, illegal logging, and socio-economic development in Latin America.



### **Alice Pease | Great Britain**

Alice is co-authoring a book on the political dynamics of the international criminal justice system and is a trainee at the European Commission in Brussels. She holds a Master's degree in Latin American-European relations from the University of Bologna, and an undergraduate degree from the University of Edinburgh. She has worked for several think tanks in both Europe and Latin America, including the Argentine Council for International Relations (CARI) and the Italian Research Council (CNR-IRPPS).



### **Johanna Renz | Germany**

Johanna is currently pursuing her Master's degree (MPhil) in Evidence-Based Social Intervention and Policy Evaluation at the University of Oxford. Johanna holds a Bachelor's degree in Liberal Arts and Sciences: Global Challenges from Leiden University College, The Hague. In her undergraduate studies, she focussed on issues of international development, governance and economics. Before starting her studies, Johanna spent six months volunteering in the Ecuadorian Andes. Further, she has interned at the German Embassy in Santo Domingo, Dominican Republic.



### **Lily Schim van der Loeff | The Netherlands**

Lily pursues a Master in International Relations at the University of Leiden focusing on international drug policy. She also holds a Master's degree in Latin America Studies from the Centre for Latin American Research and Documentation and a Bachelor of Arts in Philosophy from the University of Amsterdam. Lily has interned with the Dutch Ministry of Foreign Affairs and at De Balie, a debate platform in Amsterdam. The past year she has been actively involved in the creation of a youth think-tank for the Western Hemisphere Department at the Dutch Ministry of Foreign Affairs.



### **Bérengère Sim | France**

Bérengère is a research assistant for a journalist in Paris. She completed her Master's degree in International Development and Migration Studies at Sciences Po Paris in 2016 and holds a Bachelor's degree in International Relations from the University of St Andrews. Bérengère interned with the UN in Mexico City as well as at the French Agency for Development and The New York Times News Service in Paris. An enthusiastic photographer and writer, she is determined to mould a career as a foreign correspondent based in Latin America.



### **Juliana Tappe | Colombia - Germany**

Juliana is finishing her Bachelor's degree in International Relations and Romanesque Studies at the University of Erfurt. Her interest in Latin American Affairs led her to pursue a semester abroad at the Pontifical Catholic University in Rio de Janeiro. Additionally, she worked as a researcher in university think tanks in Santiago de Chile, Medellín, Hamburg and Rio de Janeiro. Juliana's research focuses on regional integration as well as peace and conflict studies in Latin America with a special emphasis on the peace negotiations in Colombia due to her dual Colombian-German citizenship.



### **Karelía Tercero | Nicaragua**

Karelía works as a solar technician for Grid Alternatives in Nicaragua, an international NGO. She studied Engineering and Renewable Energies at the National Autonomous University of Nicaragua-UNAN. Before graduating, she was selected to participate in a cultural exchange with students from Germany designing a project to provide solar energy as energy solution to a nature reserve in the north of the country. She also wrote her thesis about this topic and decided to keeping the project of running a micro grid of photovoltaic energy alive after the six-month cultural exchange had ended.





### **Ana Martha Trueba de Buen | Mexico**

Ana recently concluded her Master in International Relations at Leiden University. She also holds a Bachelor's degree in Political Science from the University of San Diego. She worked as a political analyst at the Mexican Foreign Ministry. Ana is also one of the co-founders of the Pax Initiative, fostering the engagement of young people for reaching the UN's 2030 Sustainable Development Goals. Her research interests include cybersecurity policy, migrant and refugee issues, women's sexual health and reproductive rights as well as sustainable urban development.



### **Cristina Vargas | Colombia**

Cristina works for a Colombian NGO called "Manos Visibles" (Visible Hands), which aims at social improvement through educational, political, cultural and leadership programmes, mainly for the afro-colombian people at the Colombian Pacific Coast. Cristina holds an undergraduate degree in Environmental Engineering as well as a Master in Social Anthropology from the University of Los Andes. Her research has been focusing on the social and cultural impacts due to the coal extractivism in Colombia's La Guajira region.



### **Claudia Wiese | Germany**

Claudia works for DESCO, a research centre for development issues based in Lima. She holds a Master's degree in International Economic Policy from SciencesPo Paris, specialising in Latin American Affairs. Her Bachelor at the French-German Campus of SciencesPo Paris focused on European Affairs. Moreover, she has completed an internship at CMA-CGM, an international trade company. Her main research interests lay within international trade policy, the promotion of economic agreements and development cooperation.

## EDITORS



### **Leo Fried**

Leo follows a Master's degree in EU International Relations and Diplomacy Studies at the College of Europe in Bruges. He also holds a Master in Conflict Studies from the London School of Economics and a Bachelor in European Studies from Maastricht University. His main academic focus lies on EU external relations, post-conflict peace building, as well as Disarmament, Demobilisation and Reintegration (DDR), particularly in the Colombian context. He gained work experience through a yearlong voluntary engagement in Argentina as well as internships in Sao Paulo and Brussels.



### **Johannes Klein**

Johannes studies EU International Relations and Diplomacy at the College of Europe in Bruges. He previously focused on European Affairs and International Relations at the Humboldt-University, Free University and Technical University in Berlin and graduated with a BA in International Relations from the University of Groningen. His regional interest in Latin America results from a semester abroad at the University of Sao Paulo and a volunteer service in Ecuador. Johannes is IFAIR's Regional Director for Global Affairs. He interned with the German Federal Foreign Office, the Bundestag and the European Union.



### **Joanna Klever**

Joanna works at the German Federal Foreign Office's Training for International Diplomats. She also currently pursues a Master's degree in European Studies at the Free, Humboldt and Technical University of Berlin. Joanna holds a BSc in Policy Science and International Development from Leiden University College in The Hague. Her academic focus lies on development aid effectiveness, good governance and democratisation. Moreover, Joanna spent a year working in the Dominican Republic and conducted fieldwork in Ecuador, thus her strong interest in Latin American issues.

**Theresa Lieb**

Theresa is an MPhil candidate in Environmental Change and Management at the University of Oxford. She also holds a BSc in Liberal Arts and Sciences: Global Challenges from Leiden University, with a major in international development and a minor in policy science. Theresa is IFAIR's Regional Director for Latin America and the Caribbean and coordinator of the LACalytics Programme. She has spent almost three years in Latin America, engaging in projects regarding marine and tropical forest conservation, urban agriculture and food security as well as renewable energies.

**Fabian Scheifele**

Fabian is pursuing a Master in International Economic Policy, a double-degree between SciencesPo Paris and the London School of Economics. He also holds a Bachelor's degree in International Business Administration from the Rotterdam School of Management and has built considerable regional expertise on Latin America through various stays in Ecuador and Brazil. Within his studies, he focuses on Emerging Markets and is particularly interested in the effect of trade policy on poverty and inequality. Besides being part of the LACalytics team at IFAIR, he works at Advans International, a French micro finance network.



# THE IDEA BEHIND LACALYTICS

*By Theresa Lieb*

*IFAIR Executive Board Member  
Regional Director for Latin America  
and the Caribbean*



Dear Readers,  
Respected Friends and  
Partners of IFAIR,

After almost one year of preparation, selection and reviewal, the IFAIR-LACalytics Team publishes “EU-LAC Cooperation in the 21st Century: Combining efforts in a globalised world”. Before you immerse yourself into our analyses, I would like to familiarise you with the idea behind the LACalytics Programme.

LACalytics etymologically originates from merging LAC- the abbreviation for Latin America and the Caribbean- with analytics. This stresses the programme’s two most important features: Analysing the LAC-region. However, this does not suffice for justifying the existence of a new initiative, as Latin America and the Caribbean is currently and has always been analysed very thoroughly

from a wide range of thinkers. Consequently, what really makes LACalytics stand out is its young and interregional approach. The latter, although not evident by its name, means that LACalytics acts as a bridge between Latin America and Europe.

The first particularity of LACalytics is its interregionalism. Our authors not only take a look at one region, but find valuable comparisons between similar cases in the EU and LAC. New proposals for improving political, environmental, economical and civil society matters are derived thereof. The results include re-thinking the use of renewable energies in the Caribbean due to the experiences made by remote Scottish Island communities as well as the way Mexico

and the EU handle refugee movements. This way, LACalytics revalues the benefit of the historically close partnership between the two regions which, in times of globalisation and manifold current challenges, has recently not been at the forefront of international relations.

Furthermore, the interregional character of LACalytics is not only created by its policy recommendations from both regions, but also through our bi-regional author teams. For each article, a Latin American and a European author combined their efforts allowing them to make use from doubled resources in terms of regional knowledge, intercultural competence, thinking patterns, perspectives and languages. A total of 46 authors from 23 countries participated in the programme. Their work has been extensively published online over the past months. The twelve best contributions are now featured in this publication, which manifests the programme's interregional approach through its trilingual content. Thus, the idea of combining efforts is not only found in the recommendations given by our authors, but also in the structure of LACalytics bringing together the intellectual efforts from people of both regions.

In accordance with IFAIR's work and objectives, LACalytics is an initiative directed at young professionals and scholars, representing the second particularity of the programme. Our focus lies in providing a platform for new thoughts from the young generation concerned with designing a liveable and sustainable 21st Century for all of us. For these proposals to be noticed and to influence policy making, we cooperate

with senior politicians, entrepreneurs and civil society representatives both via the dialogue in this publication as well as during the LACalytics Conference, taking place from the 22nd to the 25th of October 2016 in Hamburg, Germany.

It is against this background that we express our gratitude to all individuals and organisations who cooperate with the programme, may it be by distributing our call for application, publishing and sharing the analyses online or by contributing to this publication and the conference. We are especially thanking our cooperation partners, the EU-LAC Foundation and the German Federal Foreign Office, as well as the Free and Hanseatic City of Hamburg. Lastly, we kindly invite anyone who finds inspiration in our work to get in touch for future cooperations with LACalytics.

Yours sincerely,  
Theresa Lieb



# BUILDING BRIDGES BETWEEN THE EU AND LAC

*By Paola Amadei*

*Executive Director  
of the EU-LAC Foundation*



Dear Readers,

In my function as the Executive Director of the EU-LAC Foundation, funded in 2010 by the Heads of Member States and Government of the European Union, Latin America and the Caribbean, it gives me great satisfaction to see the results of the exemplary cooperation between young researchers and university students from the two regions reflected in this publication. This publication constitutes an important part of the project LACalytics and it could not represent better the core mandate of the Foundation: to promote mutual knowledge and understanding between and within the EU and CELAC regions and to extend bridges between their civil societies. Fostering dialogue among young people of both regions is an integral part of our mission; for the vitality of the EU and CELAC strategic partnership it is crucial to

listen to the voices of youth and to shape with them a bi-regional future that reflects their aspirations and of which they feel part. It is in this perspective that last year the Foundation organised the first ever EU-CELAC Youth Forum in Quito, Ecuador and helped transmitting its conclusions to the Heads of State and Government. It is in the same spirit that the Foundation supports this year the LACalytics project.

The young researchers, coming from 16 different countries of the EU and CELAC, analysed and worked cooperatively on political, economic and environmental issues, as well as the role of civil society.

The value added of their research for all of us is based on their fresh, shared bi-regional perspective; for them the



experience gained in this project will be an asset for all their future endeavours. They should also be proud of their work, as the articles published here have been selected out of 211 proposals.

During a week in October 2016 in Hamburg - the generous host city of the Foundation since its establishment - the papers will be discussed among a group of experts from both governmental and non-governmental institutions. Bringing together discussants from different countries, sectors and generations is also in line with the Foundation's objective to allow exchanges across boundaries and to challenge one's own perspective.

I praise the sense of purpose and stamina of the organisers from IFAIR e.V. who

have selflessly worked on this bottom-up project and managed to bring it to successful conclusions despite the competing priorities of their own study and work.

Finally I wish to thank the German Federal Foreign Office, whose contribution has allowed us to support this promising initiative.

Yours sincerely,  
Paola Amadei



# THE LACALYTICS PATRONAGE

*By H.E. Dieter Lamlé*

*Regional Representative for Latin America and the Caribbean of the German Federal Foreign Office, Patron of the LACalytics Programme*



Dear Readers,

It is with great enthusiasm and frequency that the close ties between Latin America and Europe are lauded. In fact, Europeans and people from Latin America and the Caribbean usually find it very easy to get on with one another. This is why there is such a wide range of intensive relations in the cultural, political and economic spheres. Yet a new initiative such as IFAIR LACalytics is, of course, more than welcome. Promoting intercultural dialogue between Latin America and the Caribbean and Europe by letting young people work together creates a new outlook on the political realities on both sides of the Atlantic.

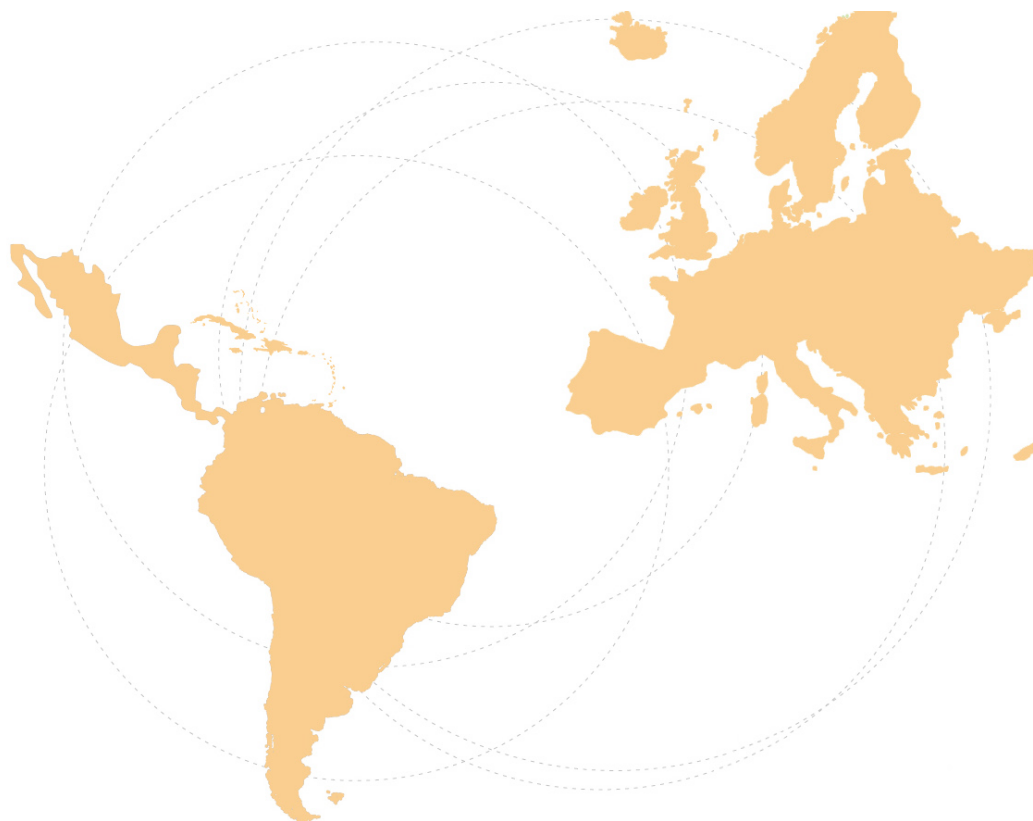
Young people from Latin America, the Caribbean and the European Union have come together and drawn up sound analyses of topical issues in the fields of Latin American

politics, business, society, the environment as well as on relations between Latin America and the EU. They have thus gained a greater insight into their own continent and that of their partners.

As I myself spent many years living in Latin America and feel a close bond with the region, I was delighted to assume the patronage of IFAIR LACalytics. I am really pleased that the project has developed so positively and enables so many young people to look in detail at the two regions. It is making a creative contribution to further intensifying the bi-regional relations between Europe and Latin America.

There are three aspects peculiar to this programme that I would like to emphasise:





Creating bi-regional author teams promotes intercultural exchange and gives the participants valuable insights into the outlook of their partners. The work that has been produced has gained significantly from this intensive exchange.

The analyses deal with a broad spectrum of questions and problems which concern us all. Global climate change, social shifts in Latin America but also the impact of agreements such as CARIFORUM-EU or EU-Mercosur on society are subjects preying on people's minds. I am sure that publishing the results will make them accessible to a wider public and help raise people's awareness in our two regions for the shared challenges we face.

Last but not least, this project has focused the attention of committed young people on bi-regional relations between Latin America and the Caribbean and Europe. We all stand to gain if young people resolve to rethink relations between our two continents with fresh eyes and creative ideas.

Yours sincerely,  
Dieter Lamlé



# 01 POLITICS



# LATIN AMERICA IN TRANSITION - BUT THE CHALLENGES REMAIN

*By Detlef Nolte*

*Director of the GIGA Institute of Latin American Studies*



Dear Readers,

Latin America once again experiences a transition. Whether this is a transition with a positive ending still has to be revealed. Governing parties are being punished (as in Argentina), a president is being impeached (Brazil) and a liberal economist wins a presidential election in a second round with the votes of the left against the daughter of an authoritarian Ex-President (Peru). In Uruguay, a left-wing president is being elected for the third time in a row and in Nicaragua President Ortega follows Somoza and builds a new family dynasty within the frame of fake democracy. It is difficult to derive a general trend from these diverse developments, such as a shift to the right or nostalgia of the citizens for neoliberal economic policies. The regional situation is simply too diverse for

such an assumption. The peace process in Colombia creates hope even though the way to peace will remain difficult and sustainable containment of violence is long of being guaranteed. In this respect the topic of collective remembrance and coming to terms with the past is very important.

In general it can be stated that the period of fair-weather democracy under favourable economic conditions has ended in Latin America. During these times the demands and the expectations of citizens towards politics have increased and it will now be difficult to meet these expectations in a phase of economic stagnation combined with a necessary fiscal consolidation. Redistributive conflicts will increase and

put many democracies into challenging situations. This is particularly relevant as traditional political institutions like political parties have shown functional deficits recently, which contributed to their very low trust-levels among citizens. Political elites are frequently being mistrusted, which is also justifiable in most cases. Latin American presidents, recently being elected by large majorities, often use up their trust rapidly and fall deeply in their approval ratings. Thus, at the moment there seems to be more shadow than light in Latin America.

However, there could be a slight economic recovery in the region in 2017 depending on improved conditions of the world economy as a whole. It remains to be hoped that the right conclusions will be drawn from past crises and that previous errors in crisis management will not be repeated.

The ideological contrasts between several left-wing governments and more conservative administrations have increased in recent years. MERCOSUR goes through a deep crisis at the moment and UNASUR is also experiencing a difficult phase. Particularly the question of how to deal with the increasingly authoritarian Venezuelan government strains the relationships within the Latin American region. On the contrary, the Pacific Alliance of Mexico, Colombia, Chile and Peru has taken a positive development. The respective countries have agreed on a vast liberalisation of trade and are now trying rather pragmatically to expand their cooperation into further areas. Their success puts pressure onto other Latin American states and could lead to further trade liberalisation within Latin America.

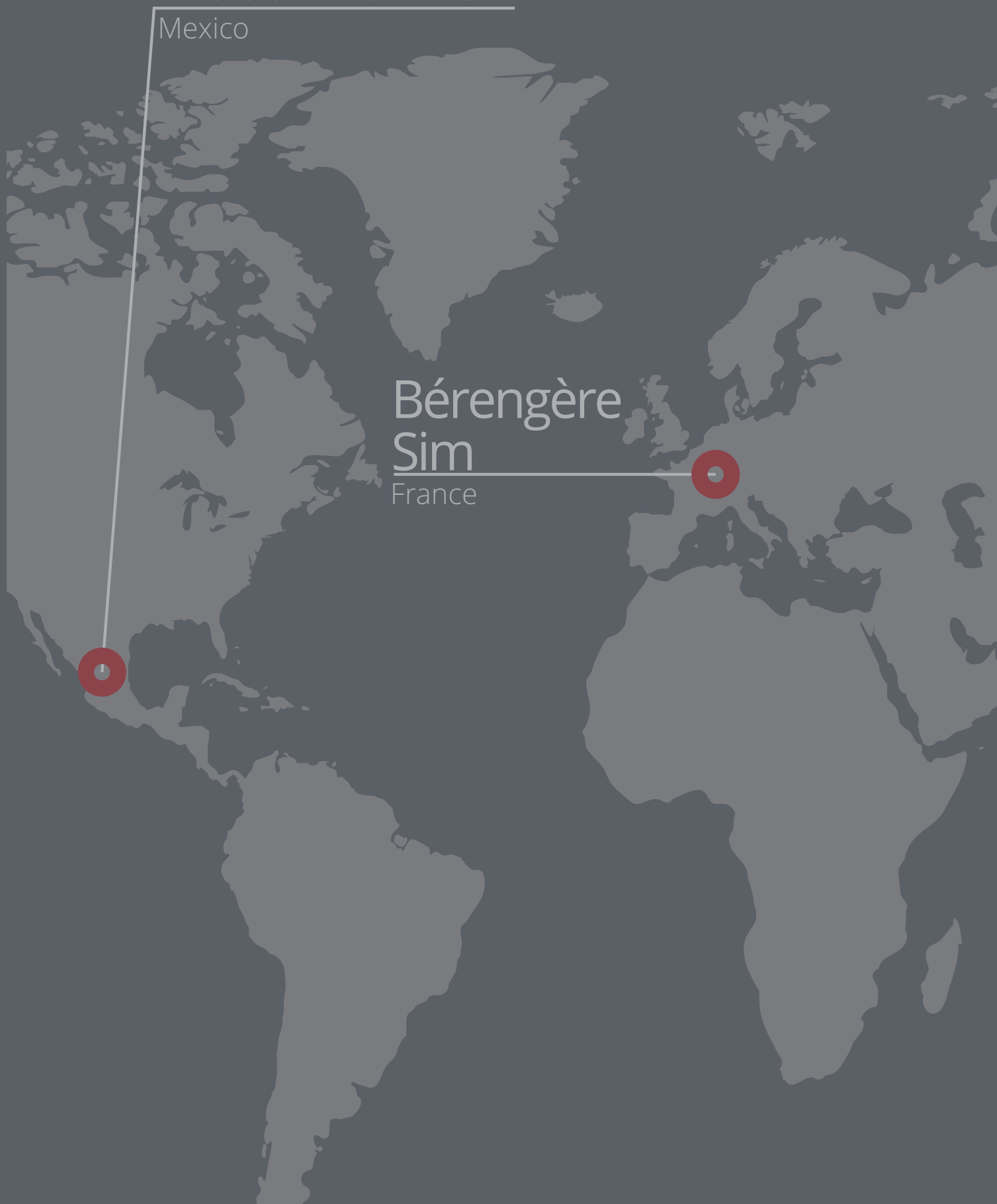
The Latin American governments have to act in an increasingly difficult international context. The demand for natural resources has slowed down significantly due to the slower economic growth of China and the United States are in phase of transition, meaning that no big initiatives should be expected before the presidential elections this November. Furthermore, Latin America will also not be a primary focus of US foreign policy after the elections, even though President Obama has removed one important disturbing factor of inter-American relations by initiating the normalisation of US-Cuban relations. The EU faces a refugee crisis and has to deal with its inner conflict among member states and with the consequences of the Brexit. As the United Kingdom was one of the advocates of free trade with Latin America it remains to be seen how the Brexit affects the negotiations between MERCOSUR and the EU.

Yours sincerely,  
Detlef Nolte

Ana Martha  
Trueba de Buen

Mexico

Bérengère  
Sim  
France





“

*The involved governments have approached the issue by favouring the adoption of short-term securitisation policies, particularly through the strengthening of borders and outsourcing of responsibility to transit countries, over long-term solutions such as the necessary recognition of rights of the refugees and migrants.”*

*Ana Martha  
Trueba de Buen &  
Bérengère Sim*

P1



# THE INVISIBLE MIGRATION

*By Ana Martha Trueba de Buen (Mexico) & Bérengère Sim (France)*

*This article compares the migration of Syrians and Central Americans in order to highlight the similarities between the two, to steer discussion towards a less mediatised image of refugees and to offer new policy recommendations.*

When thinking of a migrant or a refugee, what image comes to mind? For most Westerners, the most prevalent image in 2016 might be that of a Syrian refugee. The drawn-out conflict has sparked global outrage, intensifying attention on the subsequent refugee crisis, largely to the detriment of other important migrations happening simultaneously. The flow of Central Americans fleeing El Salvador, Honduras and Guatemala, three countries often referred to as the Northern Triangle, towards the United States is one of the eclipsed crises, yet it shares many of the same characteristics as the Syrian refugee movement to Europe.

In both, large numbers of people are willing to make a dangerous journey for a better life, using unreliable and dangerous

forms of transportation and therefore, becoming easy prey for smugglers with little or no concern for human life. The involved governments have approached the issue by favouring the adoption of short-term securitisation policies, particularly through the strengthening of borders and outsourcing of responsibility to transit countries, over long-term solutions such as the necessary recognition of rights of the refugees and migrants.

## **The Syrian migration to Europe: where it all began**

In 2011, the Arab Spring brought optimism to Syria as peaceful protests emerged against the al-Assad regime. However, circumstances changed when the government responded with violence, escalating into a civil war.<sup>1</sup> Since then, the situation has deteriorated into a massive humanitarian crisis, during which 250,000

1 Council on Foreign Relations, ed. "Civil War in Syria." Global Conflict Tracker. Last modified March 23, 2016, accessed March 23, 2016, <http://www.cfr.org/global/global-conflict-tracker/p32137#1/conflict/civil-war-in-syria>.



Syrians have been killed.<sup>2</sup> This desperate situation has led many to flee the country and many of them attempt to make the journey to Europe. In 2015, there was a dramatic increase in the number of Syrians living in refugee camps, often under dire conditions.<sup>3</sup> It is estimated that, by the end of 2016, there will be 4.7 million Syrian refugees throughout the Middle East.<sup>4</sup> The Office of the United Nations High Commissioner for Refugees (UNHCR) estimates that – despite the dangerous journey in which many have drowned – just over a million refugees, mostly Syrians, have arrived on European shores in 2015.<sup>5</sup> This mass migration has intensified pressure on the European Union (EU) to respond, as some member states, such as Hungary, Austria and Germany have been overwhelmed by the recent arrivals.

An important challenge is the lack of a legal route to Europe.<sup>6</sup> This has generated a dangerous and unsustainable situation in which refugees “are left with no option but to take extraordinarily dangerous illegal journeys by sea to Greece and Italy.”<sup>7</sup> Therefore, many refugees turn to smugglers<sup>8</sup> whose boats are filled beyond capacity, lacking the adequate supplies and navigation

equipment needed to safely perform the perilous journey.<sup>9</sup> While there have been limited attempts to detain smugglers and rescue refugees, the lack of safe, legal passage to Europe has intensified reliance on illegal forms of transportation, dramatically increasing the number of deaths.<sup>10</sup> In 2015, an estimated 2,850 people died in crossings.<sup>11</sup>

### Europe’s “dirty work”: the EU-Turkey Deal

The recent deal between the EU and Turkey, signed on 20th March 2016, impacts refugees at a key juncture of the journey, as Turkey is often the departure point of those traveling by sea. With the aim of decreasing the number of people who cross the Mediterranean illegally, the deal includes provisions for a refugee exchange in which for every refugee who is returned to Turkey, the EU will accept a refugee who will be transported directly from Turkey to the EU.<sup>12</sup> Critics of this controversial agreement have highlighted that it violates both European and international law.<sup>13</sup> As Dr. François Gemenne, expert on environmental geopolitics and migrations, argues: “[...] basically the EU is asking Turkey to do the job it is unwilling to do and [...] is outsourcing its dirty work to

2 British Broadcasting Corporation (BBC). “Syria: The story of the conflict.” BBC news. Last modified March 11, 2016, accessed March 23, 2016, <http://www.bbc.com/news/world-middle-east-26116868>.

3 Refugee and Resilience Plan (3RP) for the Syria crisis. Regional Strategic Overview. N.p.: Regional Refugee and Resilience Plan (3RP) for the Syria crisis, 2016.

4 Ibid.

5 UNHCR. “Over one million sea arrivals reach Europe in 2015.” [www.unhcr.org](http://www.unhcr.org). Last modified December 30, 2015, accessed March 25, 2016, <http://www.unhcr.org/5683d0b56.html>.

6 François Gemenne, “The Syrian Refugee Crisis”, interview by Bérengère Sim, (Paris, 2016).

7 International Rescue Committee (IRC). Europe’s Refugee Crisis. Policy Brief. (London: International Rescue Committee, 2015).

8 Gemenne, 2016.

9 European Union European Commission. Syria Crisis. Factsheet. (Brussels: European Commission, 2016).

10 Gemenne, 2016.

11 European Commission, 2016.

12 Human Rights Watch. “EU: Turkey Mass-Return Deal Threatens Rights.” Human Rights Watch. Last modified March 15, 2016, accessed March 24, 2016, <https://www.hrw.org/news/2016/03/15/eu-turkey-mass-return-deal-threatens-rights>.

13 Al Jazeera. “UN says EU-Turkey refugee deal would violate law.” Politics - Al Jazeera. Last modified March 9, 2016, accessed March 24, 2016, <http://www.aljazeera.com/news/2016/03/eu-turkey-refugee-deal-contravene-law-unhcr-160308160629966.html>.



Turkey.”<sup>14</sup> Moreover, the agreement fails to provide a long-term solution to the problem. Instead, it has become a way in which the EU can avoid the politically difficult task of fulfilling its obligations, by delegating the problem to Ankara. The deal reflects the securitisation of migration since its primary focus is on strengthening border security and preventing new arrivals instead of a more humanitarian approach. Unfortunately, the securitisation of migration is a response, which has been echoed in other migrant and refugee crises across the world, especially in Central America.

and heading to the U.S.<sup>15</sup> Several decades and precarious peace agreements later, the region remains fragile under the growing influence of the Maras<sup>16</sup> who viciously fight for control of territory, and large criminal organisations.<sup>17</sup> The latter have diversified their portfolio from drug trafficking to human trafficking, increasing the levels of violence permeating most levels of society. The three countries have some of the highest murder rates outside of a warzone in the world, with an average of 53 intentional homicides per 100,000 people, further incentivising people to seek asylum abroad.<sup>18 19</sup>



*John Moore/Getty Images News/Getty Images*

## The (Central) American dream: the Northern Triangle's Crisis

From the 1970s to the 1990s, whilst Guatemala and El Salvador buckled under civil wars and Honduras suffered political instability and unrest, thousands of their citizens were displaced, fleeing for their lives

The combination of violence, rampant inequality and poverty in their home countries makes fleeing the only available option for many.<sup>20</sup> Civil society organisations (CSOs) estimate that around 400,000 migrants transit Mexico every year, most of them from the Northern Triangle.<sup>21</sup>

15 Manuel Angel Castillo, “The Central American Refugee Crisis”, interview by Bérengère Sim, by Skype (Mexico City, 2016).

16 Maras are gangs that emerged in the 90s, a product of wartime and post-war adjustments in both the country of origin and the adopted nations as well as being an indirect cause of the U.S.’s toughened anti-immigration deportation policies in the 1990s, during which many ex-convicted gang members were deported back to their home country after their sentences ended.

17 Steven S. Dudley, “Central America Besieged: Cartels And Maras Country Threat Analysis”, *Small Wars & Insurgencies*, 22, no. 5 (2011): 890-913.

18 Nina Lakhani, “Violent Deaths In El Salvador Spiked 70% In 2015, Figures Reveal”, *The Guardian*, 2016, accessed March 19, 2016, <http://www.theguardian.com/world/2016/jan/04/el-salvador-violence-deaths-murder-2015>;

19 “Intentional Homicides (Per 100,000 People),” *The World Bank*, 2016, accessed May 3, 2016, <http://data.worldbank.org/indicator/VC.IHR.PSRC.P5>.

20 Castillo, 2016; OIM, “Hechos y Cifras: México (2014)”, *Organización Internacional para la Migración*, last modified 2014, accessed March 15, 2016, <http://oim.org.mx/hechos-y-cifras-2>.

21 Comisión Interamericana de Derechos Humanos, *Derechos Humanos de los Migrantes y Otras Personas en el Contexto de la Movilidad Humana en México*, OEA/Ser.L/V/II. Doc. 48/13 (Mexico City: Organización de los Estados Americanos, 2013), accessed March 16, 2016, <http://www.oas.org/es/cidh/migrantes/docs/pdf/informe-migrantes-mexico-2013.pdf>.

14 Gemenne, 2016.

In 2014, the flow of Central Americans peaked as the number of unaccompanied minors travelling to the U.S. increased by 90% between 2013 and 2014,<sup>22 23</sup> and related apprehensions at the border augmented: Salvadorans from 5,990 to 16,404; Guatemalans from 8,068 to 17,057; and Hondurans from 6,747 to 18,244.<sup>24</sup> This sharp increase generated a highly mediated crisis in the American press, drawing attention to the migration flows from this region and putting pressure on the U.S. government to take action.

### **Plan Frontera Sur: the Crisis Moves South of the U.S. border**

The response, mirroring Europe's reaction, came in the form of outsourcing the job to Mexico: Plan Frontera Sur (Southern Border Plan) focuses on the porous southern border shared with Guatemala and Belize. Under pressure from the U.S. government, Mexico's President Enrique Peña Nieto launched this strategy in July 2014.

It has two main objectives: firstly, to protect migrants who enter Mexico, and secondly, to manage the border in a way that promotes security and prosperity in the region.<sup>25</sup> It has several components, one

of them echoing the EU's response to the Syrian crisis by revamping border security infrastructure, meaning more technology for border and immigration agents as well as improvements made to mobile checkpoints. The U.S. has provided \$6.6 million in technology to facilitate the inspection of vehicles, luggage and parcels, some \$3.5 million in mobile kiosks, to be used by the Mexico's National Migration Institute (known as INM in Spanish), while also providing training for troops patrolling the border.<sup>26</sup>

Plan Frontera Sur (referred to as the Plan), with its focus on the securitisation of the border, has resulted in a 46% increase in the number of arrests of migrants from 86,929 in 2013 to 127,149 in 2014.<sup>27</sup> The Inter-American Commission on Human Rights expressed its concern as reports have emerged of kidnappings, homicides, disappearances, sexual violence, forced labour, sexual exploitation, human trafficking and people smuggling of migrants and refugees.<sup>28</sup> While these criminal acts have, for the most part, been committed by criminal organisations, which often demand payment for 'safe passage', INM agents have also been accused of perpetrating such crimes.<sup>29</sup> Increased police patrols have heightened the migrants' vulnerability as they have forced Central Americans to take alternative routes and they find themselves rerouted into the territories of gangs and criminal organisations.

22 Migration Policy Institute, "Rising Child Migration To The United States", Migration Policy Institute, last modified 2014, accessed March 19, 2016, <http://www.migrationpolicy.org/programs/us-immigration-policy-program/rising-child-migration-united-states>.

23 U.S. Department of Homeland Security, "Southwest Border Unaccompanied Alien Children FY 2014", U.S. Customs and Border Protection, last modified 2016, accessed March 19, 2016, <http://www.cbp.gov/newsroom/stats/southwest-border-unaccompanied-children/fy-2014>.

24 Ibid.

25 Christopher Wilson and Pedro Valenzuela, "Mexico's Southern Border Strategy: Programa Frontera Sur", Wilson Center: Mexico Institute, last modified 2014, accessed March 15, 2016, <https://www.wilsoncenter.org/publication/mexicos-southern-border-strategy-programa-frontera-sur>.

26 Ibid.

27 Ibid.

27 Organización de Estados Americanos, CIDH Expresa Preocupación ante el Plan Frontera Sur de México, 2015, accessed March 18, 2016, <http://www.oas.org/es/cidh/prensa/comunicados/2015/065.asp>.

28 Comisión Interamericana de Derechos Humanos, 2013.

29 Ibid.

As Dr. Manuel Ángel Castillo, a specialist in Central American migration explains, both the UNHCR and Mexican CSOs have been vocal in highlighting these human rights violations and placing pressure on the government to recognise Central American migrants as refugees. As a result of this increased pressure, Dr. Castillo highlighted that he is hopeful this will bring about change, despite the politics behind the Plan.<sup>30</sup> Indeed, the security of the state – in both cases – seems to be more important than the security of an individual.

## Where do we go from here?

While these crises are different, shaped by factors unique to their respective regions, in both circumstances, the issue of migration has been highly politicised. As such, the response has focused on reinforcing borders, thus creating a harmful ‘us’ versus ‘them’ narrative. This has led to a series of inefficient strategies, driving much of the movement further underground and forcing migrants and refugees to seek out increasingly dangerous and illegal routes to the global ‘North’. Thus, it is crucial that both regions re-evaluate the emphasis on the securitisation of borders, adopting the following recommendations.

First, there is a need to recognise the significance of transit countries, in these cases Turkey and Mexico, as important actors in the transit of refugees. Therefore, these countries need to be included in the discussion regarding how to ensure that the

rights of migrants and refugees are protected while in transit. The international community should therefore work towards establishing legal, humanitarian routes through the use of worldwide humanitarian visas directly from countries of origin or from neighbouring countries. This would alleviate the mounting pressure on transit countries, which often bear the brunt of the work, and could be coordinated by international organisations like the International Organisation for Migration or the UNHCR.

Furthermore, at EU level, there is a need to devise a consistent refugee and asylum policy that will adequately deal with this and any future emerging crises, consistent with the European Human Rights Convention.<sup>31</sup> Finally, governments and the media in countries involved in refugee or migrant crises should implement campaigns to better educate the public on the vulnerability of the refugees and migrants and the necessity to ensure safe passage.

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<sup>30</sup> Castillo, 2016.

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<sup>31</sup> Gemenne, 2016.





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*Past experiences have shown that the building of a collective narrative is slow and painful, and at times politically inconvenient, but the sooner the Colombian government engages different sectors of society in the reconstruction of its violent past, the greater the chances of success it will have.”*

*Juliana Tappe & Alice Pease*

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# THE COLOMBIAN PEACE TALKS AND COLLECTIVE MEMORY - PEACE HURTS

*By Juliana Tappe (Colombia) & Alice Pease (Great Britain)*

*Peace always seems to be positive. We dream of living in a world absent of conflict and violence, and where different communities exist in a state of peaceful cohabitation. But peace in reality is very different to peace on paper. What if peace is not easy at all? What if it "hurts"?*

This is a crucial issue that the Colombian society confronts today as the peace negotiations between the Colombian government and the Fuerzas Armadas Revolucionarias de Colombia (FARC) reach their final stage. Ireland, with its history of negotiated peace after decades of violence known as 'The Troubles', is only too conscious that peace comes at a price of sacrifice and suffering.

For over half a century, Colombia has been entangled in a bitter civil war that has left more than 220,000 dead. At last, however, the end of the conflict seems within sight. The Havana peace talks between

the Colombian government and the FARC group, three years in the making, have led to comprehensive negotiations and a final deal was signed on September 26, 2016. But it is the Colombian people, through a popular referendum, rather than the negotiating parties, who will have the final say by voting if they want to adopt the agreements or not.

From an outside and international perspective, the ending of a bloody and seemingly interminable civil war is a historic step. Not only is the longest-standing conflict in the Western hemisphere likely to be brought to a close, but it will be the afflicted society that is going to pass its seal of approval over such an agreement. But whilst lauded abroad, the peace negotiations have encountered strong resistance at home. A recent Gallup poll, the first of 2016, showed that 57% of Colombians believe that the peace negotiations are headed down the wrong path.<sup>1</sup> In contrast, only 36% are

<sup>1</sup> Noticias Caracol, "Optimismo en el proceso de paz bajó 16 puntos", last modified March 2, 2016, accessed September 20, 2016, <http://>



optimistic about the progress of the talks. So why is there such popular resistance to the current negotiations?

Several factors may help to explain the situation: Colombians could be tired of on-going peace talks; of having their hopes raised only to be dashed at the last moment. History reveals that efforts at reaching peace have been frustrated on numerous occasions: promises made by a number of presidents including General Gustavo Pinilla in 1950s, Belisario Betancur in the 1980s and Andrés Pastrana in the 1990s all failed to materialise. The longer the peace negotiations drag on without a final agreement, the more Colombians can see these prophecies coming true.

Another mitigating factor that has contributed to Colombians' mistrust of the peace negotiations is ex-President Álvaro Uribe's vocal and intransigent campaign against the talks. Along with the support of his centre-right party, Democratic Centre (Centro Democrático), he has mobilised swathes of the population against the deal, arguing that it represents a "capitulation to the FARC."

More deep reaching opposition may stem from the simple and ineludible fact that peace is a painful and difficult process. In Colombia, peace means recognising that there will be no winner and accepting partial amnesty. This is going to hurt, and not everyone is prepared to accept such a momentous leap into forgiveness. Perhaps the recent drop in enthusiasm towards the

peace negotiations by Colombians is not so much the abandonment of peace itself; after all, 61% of the population still believes that the government should negotiate with the FARC.<sup>2</sup> Perhaps now the red tinted glasses have been shed, it is more a creeping realisation by Colombians that peace requires compromise and concessions. Faced with the scenario, the need to create a space and dialogue that takes into account not just the negotiating parties, but also the victims and society at large, becomes even more pertinent.

Experts in transitional justice have long argued for the need to combine retributive and restorative justice; past examples from South Africa, Ireland, Chile and Spain have shown that non-judicial mechanisms such as truth commissions are indispensable to achieving durable peace. These countries have all had considerable success in addressing the needs of victims in fractured societies, although each still grapples with questions regarding its past.

Ireland's peace negotiations, which concluded in the Good Friday Agreement in April 1998, provide a number of interesting parallels to the Colombian case. Both countries faced decades of armed civil conflict between paramilitary groups and the government. Both countries have chosen the path of negotiation to terminate a seemingly interminable conflict. And in both countries, important concessions have been granted to perpetrators of violence. It is therefore no coincidence that Eamon Gilmore, a former Deputy Prime Minister who personally participated in brokering Northern Ireland's

[www.noticiascaracol.com/colombia/optimismo-en-el-proceso-de-paz-bajo-13-puntos-segun-encuesta-gallup](http://www.noticiascaracol.com/colombia/optimismo-en-el-proceso-de-paz-bajo-13-puntos-segun-encuesta-gallup).

<sup>2</sup> Ibid.



peace process, was appointed as the EU Envoy for the Peace Process in Colombia in late 2015.

The rounds of negotiations in Ireland were concluded by a popular referendum in both Northern Ireland and the Republic of Ireland, just as Colombia plans to do after signing the peace agreement. With 81% supporting the deal, the Irish populations voted overwhelmingly in favour of bringing violence to an end. According to experts of the Irish conflict, civil society groups were a decisive factor in ensuring the peace deal's success. Peace is not just a top-down process; it needs to be built from the ground. Political leaders need to negotiate, but also prepare their people for the possibility of compromise.

The experience of Ireland has also shown that whilst peace was successfully achieved through political compromise, the search for truth and reconciliation has been slower to materialise. A number of programmes, including the Healing through Remembering programme in 2006, which produced a report "All Truth is Bitter", have been designed to address the fractures still present in society, but these have been piecemeal and have reaped mixed results. Ultimately, the truth is uncomfortable, and the search for it is often placed on the back burner by governments, making reconciliation harder to achieve.

The peace talks in La Havana have already contemplated a broad array of initiatives that involve civil society. In June 2015, for example, all negotiating parties agreed to the establishment of a truth commission to provide the opportunity

for Colombian society to gain knowledge about the conflict and to create a broad historical record. But as the director of the Colombia office of the International Center for Transitional Justice (ICTJ) points out, it is not enough to simply create a truth finding mechanism; rather for the commission to succeed, the whole of Colombian society needs to participate, including victims, civil society and the media.<sup>3</sup>

Other efforts are underway to address the past, for example, the creation of a Museo de la Memoria (Museum for Remembrance) in Medellín. The museum offers the Colombian society a space for dialogue and reflection to take place, particularly for victims of the conflict. The museum was opened at the end of 2015 as a result of victims demanding a place for remembrance. Some emotional victims' testimonies underline exactly the importance of memory and rolling back the past in order to look forward. A woman who lost her family explains the right step towards healing:

*"Truth heals us all and I came here for the truth about everything that has been behind the extinction of my family. Punishment can be negotiated, reparation can be negotiated, but the truth cannot be negotiated."*<sup>4</sup>

Dealing with the past is a process and not an event simply dependent on the

3 Maria Camila Moreno, ICTJ Welcomes Historic Agreement to Create Truth Commission in Colombia. (New York: International Center for Transitional Justice), June 11, 2015, accessed September 20, 2016, <https://www.ictj.org/news-colombia-ictj-welcomes-truth-commission>.

4 Marisol Gómez Giraldo, "Esperó 19 años para preguntar a las Farc por qué mataron a su familia", El Tiempo, August 16, 2014, accessed September 20, 2016, <http://www.eltiempo.com/multimedia/especiales/victimas-del-conflicto-armado-en-colombia-la-historia-de-constanza-turbay/14392396>.

approval of the peace deal between the two negotiating parts in La Havana. Many countries, from Ireland to South Africa, are still grappling with the legacies of internal strife, but thanks to non-judicial mechanisms and the construction of a collective memory, which incorporates different sides of the narrative of the conflict, sustainable peace has become more likely. Because a peace process concerns society at large, it is essential that the affected communities partake in discussions about the past from an early stage, so that a broad and inclusive reflection is achieved. Past experiences have shown that the building of a collective narrative is slow and painful, and at times politically inconvenient, but the sooner the Colombian government engages different sectors of society in the reconstruction of its violent past, the greater its chances of success.

P2



Christian  
Alvarez  
Denmark

Marina  
Diefenbach  
Goulart  
Brazil



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*The struggle between having a political or an economic union poses the opportunity to build a hybrid model, where political, democratic and institutional integration and aspirations of economic growth are combined at its core.”*

*Marina Diefenbach Goulart &  
Christian Alvarez*

P3



# TURN LEFT, TURN RIGHT OR GO FORWARD?

## THE CHALLENGES AND OPPORTUNITIES FOR MERCOSUR IN POST-PINK TIDE LATIN AMERICA

*By Marina Diefenbach Goulart (Brazil) & Christian Alvarez (Denmark)*

*Latin America is undergoing political and economic crises as well as a paradigm shift to the right moving away from the “pink tide” of the 2000s. Along with the challenges, new opportunities arise for the MERCOSUR to establish itself as a successful project of regional integration.*

### **Political changes Require Adaptations**

After more than a decade of leftist-oriented governments, Latin America is in a phase of change, as economic and political crises threaten the continuity of a political project. The Common Market of South America (MERCOSUR), with Argentina, Brazil, Paraguay, Uruguay and Venezuela as full members, which throughout its history has suffered from the effects of ideological shifts in its member countries, is once again at a crossroads. Created under the liberal paradigm of the 1990s to develop a strong

internal market, the group's character reflected the ideology of the left in the 2000s to become a political and strategic alliance. With the current decline of left-wing governments, MERCOSUR is bound to confront another shift.

By analysing the challenges and opportunities for MERCOSUR that arise from this changing political context, it becomes evident that to strengthen the member states' influence in the global order, improve economic development and create political unity, MERCOSUR should aim at improving its institutional structures and practices to increase its members' ability to find adequate responses for the upcoming national, regional and global challenges. Strong economic systems, including strong internal markets and customs union require political cooperation and institutions that ensure institutional capacity, regional stability and democratic decision-making.

## Short History of the Problem

MERCOSUR emerged in the early 1990s under a model of open regionalism in a landscape marked by globalisation and free trade doctrines<sup>1</sup>. Its model of regional integration was connected with economic principles such as competitiveness, economies of scale, increases in foreign direct investment and macroeconomic growth.

The 2000s saw a turn to the left in politics and a shift in the paradigm of regional integration in Latin America. MERCOSUR was re-launched in 2003, at the Asunción Summit, with commitments aligned to a post-liberal paradigm. Its main claim is that the liberalisation of trade and investments is not capable of generating development and can restrict the power of local governments to introduce development policies. This idea was reinforced during the 4th Summit of the Americas in 2005, which rejected the creation of a Free Trade Area of the Americas, establishing a reconfiguration of alliances that distanced themselves from open regionalism and introduced political elements at the core of the integration process.<sup>2</sup>

The main interlocutors of that phase were Brazil and Venezuela. The latter joined the group in 2012, signalling that the discourses of the Bolivarian Alliance for the Peoples of Our America (ALBA) and MERCOSUR somewhat approached each other. The declaration after the 44th MERCOSUR Summit criticised fiscal adjustments and measures

taken by developed countries to tackle the global economic crisis, and pointed towards solidarity and South-South cooperation. However, the left turn of governments of that period has been losing steam recently and this again has consequences for the overall orientation of MERCOSUR.

## The Collapse of the Latin American Left

The left turn was characterised by the election of governments that rejected the principles of the Washington Consensus: Lulism (Brazil), Kirchnerism (Argentina) and Chavism (Venezuela) shared tendencies of economic unorthodoxy, focus on extreme poverty eradication financed by rents, attempts to boost domestic consumption and a model based on primary commodities exports. Indeed, Brazil and Argentina were some of the most successful countries in extreme poverty reduction in the past decade.<sup>3</sup> However, the social policies were criticised as unsustainable for favouring direct cash transfers instead of promoting land reform or diversification of the industrial base.<sup>4</sup>

The dependency on commodity prices, particularly those of oil, has left many governments in a fragile position. The drop in prices has affected the economies of Venezuela, Brazil and Argentina. The economic crises cut in social programmes

1 Luise Fawcett and Mónica Serrano, *Regionalism and Governance in the Americas: Continental Drift* (London: Palgrave Macmillan UK, 2005), 1.

2 Jean Grugel and Pia Riggirozzi, *Governance After Neoliberalism in Latin America* (New York: Palgrave Macmillan US, 2009), 1.

3 FAO, IFAD, and WFP, *The State of Food Insecurity in the World 2014. Strengthening the Enabling Environment for Food Security and Nutrition*. (Rome: FAO, 2014), accessed September 13, 2016, <http://www.fao.org/3/a-i4030e.pdf>.

4 Henry Veltmeyer and James Petras, *The New Extractivism: A Post-Neoliberal Development Model or Imperialism of the Twenty-First Century?* (Chicago: Zed Books, 2014), 1.

and subsidies and corruption scandals have caused political crises weakening the left in all three countries. Such factors have contributed to a change of paradigm in a turn to more conservative policies and could become major forces in the development of MERCOSUR.

## **MERCOSUR after the Crisis of the Left Turn**

Since the turn to the left has shown signs of dismantling, alternative directions for MERCOSUR have been developed. The group, which has gone from an essentially economic union in the 1990s to a political one in the 2000s, seeks a new balance.

The issue of democracy has been a concern since 1998, when the Ushuaia Protocol introduced a mechanism that allows sanctions and suspension in case of rupture in the democratic order. Due to alleged human rights breaches in Venezuela and the impeachment process against Brazilian President Rousseff, Argentina has raised the subject of revisiting the MERCOSUR's democratic clause, used once against Paraguay. So far, it has been an ineffective instrument. Considering recurrent episodes of instability, democracy returns to a central position in MERCOSUR's agenda.

In turn, it is likely that an economic agenda based on liberal conceptions will return. This was indicated by the visit of Argentina's vice-president Gabriela Michetti,<sup>5</sup> in February 2016, to Brazil's vice-president

Michel Temer. During the visit, the vice-presidents discussed the development of free trade agreements on the automobile sector, the conclusion of a MERCOSUR-EU free trade agreement, the integration of production chains, joint efforts for more security at the border and the creation of a Latin American Criminal Court. Michetti spoke of a stronger internal market with relaxed protectionist measures to boost growth. It is a discourse that resembles the first phase of MERCOSUR.

According to Argentina's foreign minister Susana Malcorra,<sup>6</sup> it is vital that MERCOSUR gets reinforced and multilateral relations with the EU improve as the government now regards MERCOSUR as a higher priority than bilateral relations with the EU. During a recent visit by High Representative of the EU for Foreign Affairs and Security Policy Federica Mogherini to Argentina (March 2016), it was agreed to reopen talks between the EU and the MERCOSUR.<sup>7</sup> It seems that from both the Brazilian and Argentinian side there is willingness to move past the obstacles that have prevented the multilateral FTA.

## **Challenges and Opportunities**

The new political scenario offers both challenges and opportunities for MERCOSUR. The first challenge relates to the political crisis and fragile democratic institutions that

6 Martín Dinatale, "Aceleran un Acuerdo Clave con EE.UU. y una Alianza Con la UE," *La Nación*, February 29, 2016, accessed September 13, 2016, <http://www.lanacion.com.ar/1875283-aceleran-un-acuerdo-clave-con-eeuu-y-una-alianza-con-la-ue>.

7 "Mogherini Apuesta En Argentina Por Avance Firme Hacia Acuerdo Ue-Mercosur," *Agencia EFE*, March 9, 2016, accessed September 21, 2016, <http://www.efe.com/efe/america/economia/mogherini-apuesta-en-argentina-por-avance-firme-hacia-acuerdo-ue-mercosur/20000011-2863188>.

5 Brazilian Ministry of Foreign Relations, Declaration, 2016, accessed September 13, 2016, <https://www.youtube.com/watch?v=0xxz4tcvthi>.



threaten regional stability. The problem is not a mere manifestation of the situation in each member country, but a result of poorly-built supranational mechanisms within MERCOSUR, as its members have been reluctant to relinquish national sovereignty for a stronger regional framework.

The crises in the political systems of Venezuela and Brazil illustrate the need for further democratisation in the union to generate stability and good governance to enable economic inter-dependence. The MERCOSUR needs democratic legitimacy in order to sustainably create supra- or international institutions. In that sense, it could be argued that the region could look towards the EU, since it is widely hailed as the most successful regional integration project. Nonetheless, the EU has recently faced the consequences of its democratic deficit. Euroscepticism<sup>8</sup> is soaring across Europe due to its difficulties in coordinating central issues such as a common migration, foreign or financial policy. To resolve the recurrent lack of enforcement in areas of its common legal framework, a strong and independent judicial branch in MERCOSUR member states would be crucial in securing the accountability and good governance on which a regional union depends.

A strong and independent judicial system could also reduce the severity of political and institutional crises in MERCOSUR countries, by enforcing rules that do not vary according to the political orientation

of elected governments. Judiciary systems that either back up or systematically clash against certain political positions has been a feature of all of Latin America's unstable democracies. On a regional level, the current Argentinian-Venezuelan human rights dispute<sup>9</sup> and the inclusion of Venezuela in 2012, when Paraguay was suspended from the Union, are further revealing the judicial and political weakness of the MERCOSUR.

Another challenge is avoiding the failed economic prescription of the past. During the 1990s, the desired free trade zone did not emerge due to both the asymmetric scale of the economies within the group and the lack of diversification of their export-led commodity models. Lifting protectionist measures would not automatically boost trade in the MERCOSUR if the lack of economic complementarity remains. In addition, there is doubt whether the discourse of removing trade barriers is going to be applied to the most relevant sectors, since Argentina and Brazil have a historically high level of protectionism.<sup>10</sup>

The disappearance of ideological alignment between the new Argentinian and the Venezuelan government could pose obstacles in decision-making and economic integration, since President Maduro is currently still able to craft policy by decree despite losing majority in Congress. However,

8 A Democratic Nightmare Seeking to Confront the Rise of Eurosceptics and Fill the Democratic Deficit," *Economist*, October 26, 2013, accessed September 13, 2016, <http://www.economist.com/news/europe/21588381-seeking-confront-rise-eurosceptics-and-fill-democratic-deficit-democratic>.

9 Jonathan Watts and Uki Goni, "Argentina President-Elect Pledges Radical Policy Changes in Shift to Right," *Guardian*, November 23, 2015, accessed September 13, 2016, <https://www.theguardian.com/world/2015/nov/23/argentina-president-elect-mauricio-macri-iran-venezuela>.

10 India, Argentina and Brazil are the G20 countries with the least open markets according to a ranking elaborated by the International Chamber of Commerce, 2015.

the high level of indebtedness<sup>11</sup> and urgency to attract dollars<sup>12</sup> might push Venezuela to reduce trade barriers and seek an alignment despite ideological differences.

Further opportunities in the ruptures are evident. The crisis generated by low commodity prices creates the need to diversify the economy and strengthen the industry in MERCOSUR, which can be made in a coordinated fashion to address the lack of diversification. The lift of protectionist measures might create a stronger internal market within the MERCOSUR that would decrease the dependency on China and strengthen it vis-à-vis other regional groups. In addition, the new phase of the MERCOSUR brings a rapprochement with the EU that could expand potential markets.

At last, being put at a crossroads between having a union based on economic principles (1990s) or political principles (2000s) must not necessarily mean choosing one over the other. If the political and economic crises have taught a lesson, it is the impossibility of separating both spheres. The challenges that emerged in the new Latin American context provide opportunities to combine economic and political ambitions that have emerged in 25 years of the MERCOSUR.

## Conclusion

MERCOSUR has shown resilience and an adaptive character to the turbulent history of its members. It emerged as a liberal economic union, impaired by asymmetries and lack of economic complementarity. As the continent turned left, it changed to a political union. On its 25th anniversary, it sees itself once again confronted with a change in paradigm and a set of challenges, such as political instability, poor institutional enforcement, historic protectionism and persistent economic asymmetries.

However, crises also present opportunities. The need to strengthen democracy has gained a sense of urgency that could favour the creation of supranational institutions. The economic crisis pushes for a renewed effort to find partners within and outside the MERCOSUR, to bring down trade barriers and promote a MERCOSUR-EU trade area. Finally, the struggle between having a political or an economic union poses the opportunity to build a hybrid model, where political, democratic and institutional integration and aspirations of economic growth are combined at its core.

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<sup>11</sup> Venezuela Government Debt to GDP - Forecast," IECONOMICS, accessed March 28, 2016, <http://ieconomics.com/venezuela-government-debt-to-gdp-forecast>.

<sup>12</sup> Political Risk Analysis - Mercosur Will Shift Away from Protectionism," BMI Research, January, 2016, accessed September 13, 2016, <http://www.latinamericamonitor.com/political-risk-analysis-mercocur-will-shift-away-protectionism-jan-2016>.





02

**ENVIRONMENT**



# ENVIRONMENTAL CHALLENGES IN LATIN AMERICA

*By Leo Heileman*

*Director and Regional Representative  
for Latin America and the Caribbean  
of the United Nations Environment Programme*



Dear Readers,

Latin America and the Caribbean, like the rest of the world, is located at the juncture of providing a rapid and compelling answer to steadily progress towards its sustainable development. Environmental degradation, climate change and social inequality are some of the central challenges that can reverse the gains made so far in economic growth.

The countries in the region have made significant progress and contributions that can be capitalised and deepened when implementing the Agenda 2030 and comply with the Sustainable Development Goals. Among these are efforts for strategies towards low carbon, resource-efficient and socially inclusive development, which strengthen the resilience of ecosystems and communities to climate and economic risks. Governments in the region have also collectively decided on the main environmental issues that require

urgent action and greater cooperation. These include: the conservation and sustainable use of ecosystems and biodiversity, the mitigation of and adaptation to climate change, reducing the impacts of increasing urbanisation, promoting sustainable lifestyles and production and clean technologies, and that decision-making at the political level shall increasingly take scientific information into account.

To advance these issues, committed, active and responsible participation of the various governmental levels - national, provincial and local - is required, as well as from all actors of civil society, the private sector, academia, the scientific community, indigenous peoples and local communities, women, the youth, children and workers.

Additionally, to achieve the future

we want with sustainable development, collective and individual action is needed. We need to change the way we consume and produce, and, above all, the way we understand progress. This is essential to resolutely achieve the transformational change we need and that we have committed ourselves to in the Agenda 2030. Continuing to foster lifestyles that promote the intensive use of natural resources and waste is not viable. Otherwise, we are compromising our future and the future of generations to come. In this process of change, you, the young people play a central role.



*Image courtesy of alex\_ugalek at FreeDigitalPhotos.net*

That is why this exercise of analysis of environmental issues among young people from different regions gives us a vision of the future. Not only does it allow for the exchange of experiences and perspectives, but it also identifies possible solutions to the challenges we face. At the same time it is a clear sign that the awareness and commitment to action are common among young people of the world regardless of their origin.

Quoting the Secretary General of the United Nations, Ban Ki Moon: “The youth of the world, which now comprises the largest generation of youth in history, can lead the global momentum to break with past patterns and put the world on the path to a more sustainable future. ... Young people can provide solutions to these problems, which occupy a central place in the 2030 Agenda for Sustainable Development.”

That is why this publication is so important, because it unites the voices of those who care to contribute to the fight against environmental degradation and climate change from academia and from the youth. The collaboration between continents is another central point, because overcoming the global challenges we are facing must unite more than ever the citizens and countries.

Yours sincerely,  
Leo Heileman



Morna  
Cannon

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Great Britain

Danielle  
Edwards

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Dominica





*Success in clean energy promises to cut reliance on fossil fuels and power up domestic manufacturing. These benefits are likely to spill over to low-income communities through employment gains, thereby reducing poverty."*

*Danielle Edwards &  
Morna Cannon*

# EN1



# WINDWARD ISLANDS: COMMUNITY ENERGY FOR RURAL GROWTH IN THE CARIBBEAN

*By Danielle Edwards (Dominica) & Morna Cannon (Great Britain)*

*Can a tiny island off the rain-soaked coast of Scotland provide the key to unlocking a more sustainable future for the Caribbean economy? Discover how the green energy revolution could lead the region's rural communities forward, onward and upward together.*



*Energy resources, including solar and wind energy are abundant in the Caribbean. Photo: a beach in the Dominican Republic, credit :Danielle Edwards*

## **Small Islands, Diminishing Resources and the Promise of Clean Energy**

Illegal logging in the Dominican Republic is a big business.<sup>1</sup> It is an illicit industry worth over €13 million a year, and one that is increasingly being turned to by farmers displaced by rising waters in the Republic's Lake Enriquillo, the largest lake in the Caribbean. No one is quite sure of the cause of the rising waters, but research suggests links to climate change. And this is only an example of the most complex environmental challenges that Caribbean communities, just like the Dominican farmers face.

There is no simple solution for any of the Caribbean's challenges, where economic growth is continuously under threat from a

<sup>1</sup> Jacob Kushner, "The Relentless Rise of Two Caribbean Lakes Baffles Scientists," a National Geographic, 03.03.2016, 1, accessed August 30, 2016, <http://news.nationalgeographic.com/2016/03/160303-haiti-dominican-republic-lakes/>.

diminishing, fragile natural resource base. But of all the sustainable development challenges, the goal of expanding access to clean energy deserves primary attention. Success in clean energy promises to cut reliance on fossil fuels and power up domestic manufacturing. These benefits are likely to spill over to low-income communities through employment gains, thereby reducing poverty.

Presently, more than half of the rural population of the Caribbean lives below the poverty line.<sup>2</sup> For now, the region is highly specialised in the trade of agricultural products, which make up a fifth of its exports.<sup>3</sup> However, due to the slowdown in developed and emerging economies, alongside interruptions to production caused by increasingly extreme weather events, economic diversification of the rural economy remains a key public policy consideration.

## Renewable Energy and Economic Growth

The idea of using renewable energy as a catalyst for rural development is based on the range of economic benefits associated with clean energy. Renewable energy development can strengthen rural electrical capacity to generate electricity and improve farm productivity. For example,

wind turbines may be installed to support agricultural processing amid cropland without interfering with production. Renewables make it possible to electrify old agricultural activities – like coffee-grain drying – and to use new electric agricultural technologies.

Renewables also promise direct job creation through industrial expansion, particularly manufacturing, installation and maintenance of equipment. Wind energy creates 30% more jobs than a coal plant and 66% more than a nuclear power plant per unit of energy generated.<sup>4</sup> Brazil has taken advantage of the job-intensity of the renewables sector. Since 2004, it has developed a new wind turbine manufacturing industry, while the Caribbean has led regional manufacturing for solar water heaters.

Currently, most Caribbean states consume 90% of their energy from imported fossil fuels,<sup>5</sup> which are relatively expensive, due to high transportation costs. Conversely, given their abundance, operating costs for renewables can be relatively low once the initial costs of investment are overcome. Simply put, in the long term, renewables can provide more affordable energy for the Caribbean.

The prospect of affordable energy is particularly promising for poor rural Caribbean households, which spend up to

<sup>2</sup> Latin America and the Caribbean Division – Programme Management Department, Regional Strategy Paper: IFAD Strategy for Rural Poverty Reduction in Latin America and the Caribbean (Rome: International Fund for Agricultural Development, 2002), accessed August 30, 2016, <https://www.ifad.org/documents/10180/d32da815-5f90-4708-a2b4-ba0233a81e73>.

<sup>3</sup> Hugo Chavarría, *Perspectivas de La Agricultura y Del Desarrollo Rural En Las Américas: Una Mirada Hacia América Latina y El Caribe* (San José, Costa Rica: CEPAL, FAO, IICA, 2013), accessed August 30, 2016, <http://www.fao.org/docrep/019/i3702s/i3702s.pdf>.

<sup>4</sup> U.S. Department of Energy, *Wind Energy for Rural Economic Development* (Washington, DC: U.S. Department of Energy, 2004), accessed August 30, 2016, <http://www.nrel.gov/docs/fy04osti/33590.pdf>.

<sup>5</sup> The World Bank, “There’s Tremendous Interest in Adopting Renewables Across the Caribbean”, The World Bank, January 27, 2015, accessed August 30, 2016, <http://www.worldbank.org/en/news/feature/2015/01/27/renewables-caribbean>.

11% of their income on electricity,<sup>6</sup> and tend to be poorer than their urban counterparts. For example, the World Bank estimates that only 28% of people in Haiti have access to electricity.<sup>7</sup>

## Putting Theory into Practice

A short journey across the Atlantic Ocean to a Scottish island shows that renewables can be successfully developed in a rural island community. The Isle of Eigg off the west coast of Scotland is 9 kilometres long by 5 kilometres wide. In 1997, a community of just over 60 inhabitants bought the island from its previous private landowner. They spent the next 10 years shaping a project, a local underground high-voltage electrical network. It was first switched on in 2008, and for the first time in the island's history, 24-hour power was generated.

Today, the Isle of Eigg is powered by a diverse mix: 119 kW of hydroelectric generators, 24kW of wind generators and 30 kW of solar photovoltaic cells. These renewable resources cater to 95% of the island's electrical demand, with two 80 kW diesel generators providing emergency backup. Eigg's renewable energy industry was financed by community money, and capital grant funding from the public sector. Projects of this variety are supported by the Scottish Government through its Community and Renewable Energy Scheme (CARES),

which provides loans to community groups for innovative sustainable energy projects.

The most revolutionary aspect of Eigg's energy industry is community ownership. The system is run for the community by Eigg Electric Ltd, a subsidiary of the Isle of Eigg Heritage Trust. Four out of the six directors of the charitable Trust are elected by the community. With no electrical connection to mainland Scotland, the island sets self-imposed limits for domestic and business electrical consumption - and the strategy is working well.

Eigg's reliable electrical supply has allowed the start-up of several new businesses including restaurants, shops and guest houses, and has led to the creation of many permanent jobs in the energy and hospitality sectors. At the same time, the island's population has grown to over 80 inhabitants.

## Three Golden Lessons from Eigg

What can be taken from this innovative model and applied in the Caribbean? The Caribbean islands are highly differentiated within themselves, featuring a range of geographies, languages and economic influences. Compared to Eigg, the most striking difference concerns population scale. The smallest Caribbean island, Montserrat, has 5,000 inhabitants, while the largest, Cuba, has over 11 million. Extensive electrical networks already exist in the Caribbean islands, but these networks are generally run by monopolies.

<sup>6</sup> Migara Jayawardena et al., *Got Steam? Geothermal as an Opportunity for Growth in the Caribbean* (The World Bank, 2013), accessed August 30, 2016, <http://documents.worldbank.org/curated/en/202651468230958748/pdf/786080WP015-0G00Box377349B00PUBLIC0.pdf>.

<sup>7</sup> Ibid.

There are three significant lessons from Eigg that should guide energy policy in the Caribbean. The first lesson is that it is possible to generate a high-quality continuous electrical supply from predominantly renewable generation capacity, even on the smallest of island networks.

A second lesson is that community management of green energy projects can help to create environments that are fertile for further growth of renewables. This model has also been credited for the success of renewable energy in Denmark, where wind energy development is similarly founded on community-based ownership. By 2001, over 175,000 Danish households owned 80% of the country's wind turbines, either through cooperative structures or individual holdings. This contributed to reduced social opposition to the growth of the sector.<sup>8</sup> Of course, a third lesson from Eigg is that the development of renewable energy capacity can deliver sustainable local employment.

Applying these lessons to grow the renewables sector in rural Caribbean communities requires resources. Fortunately, many Caribbean islands have extensive renewable energy potential just like Eigg, particularly from geothermal and wind resources. The key to tapping into these resources is a coordinated suite of policy mechanisms, starting with ambitious central government targets for renewables capacity development.

<sup>8</sup> Miguel Mendonça, Stephen Lacey, and Frede Hvelplund, "Stability, Participation and Transparency in Renewable Energy Policy: Lessons from Denmark and the United States," *Elsevier Policy and Society* 27 (2009): 379-98.



*Image courtesy of Stoonn at FreeDigitalPhotos.net*

## The Recipe for Success

Judging from the successes of the Eigg development, Caribbean energy policies should call for the development of community-owned projects. These policies must be supported by regulatory changes that break the hold of the state-authorised monopolies and open up the markets to more players. The Barbados Declaration,<sup>9</sup> which contains a series of commitments toward developing sustainable energy, is an example of the political will to shift to clean energy.

Next to political will, capital grant and revenue support schemes are essential. Under existing climate mitigation mechanisms and the economic partnership

<sup>9</sup> The Barbados Declaration was adopted shortly before the "Rio+20" UN Conference on Sustainable Development and contains a call of 20 Small Island Developing States for universal access to modern and affordable renewable energy services, while protecting environment, ending poverty and creating new opportunities for economic growth, as well as their voluntary commitments. See: "Small Island Developing States Agree to Reduce Dependence On Fossil Fuels," United Nations Development Programme, May 8, 2012, accessed August 30, 2016, <http://www.undp.org/content/undp/en/home/presscenter/pressreleases/2012/05/08/small-island-developing-states-agree-to-reduce-dependence-on-fossil-fuels.html>.

agreement between the European Union and CARIFORUM,<sup>10</sup> significant EU financial support can be obtained, particularly through technology sharing.

Investment in infrastructure will also be needed. Although, unlike in Eigg, electrical networks are well developed in each of the Caribbean states, network reinforcement may facilitate extra renewables capacity. In particular, the OAS, CARICOM, and the World Bank have recognised the possibility of a 'Caribbean Energy Grid' with high voltage subsea links between islands as having significant potential to increase the usage of renewables across the region.<sup>11</sup>

Finally, land use policies should be strengthened to help facilitate the expansion of renewables. State administrators could usefully support surveys to highlight zones with high resource potential and low conflict with competing land-uses. Currently there is a data gap on suitability of locations for wind farms. These efforts should all be supported by public participation, a key factor in community acceptance of developments, as reflected by Eigg.

## Forward, onward and upward together

The challenge should not be underestimated. Considering the current low oil prices and decades of reliance on fossil

fuels, the Caribbean is unlikely to eliminate its dependence on dirty energy overnight. Yet, the case of Eigg proves that high-quality, community-managed, renewable-driven generation is possible for even the smallest of island communities. And a recent case shows that the tides are starting to change in the Caribbean, too. On the island of Aruba, near the Venezuelan coast, the installation of new efficient diesel engines and a 30 megawatt wind farm have cut diesel consumption by 50% and energy prices by 25% since 2012.<sup>12</sup>

What is clear is that the Caribbean has renewable resources in spades, and if harnessed, this could deliver significant benefits for rural economic development.

Opportunities for community-scale renewables offer hope of a cleaner, more sustainable future. To put theory into practice, the collaboration of the Caribbean and global partners will be vital to attain a sustainable and energy-efficient future.

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<sup>10</sup> Comprised of CARICOM, an organisation of 15 Caribbean nations and dependencies, and the Dominican Republic

<sup>11</sup> Kenneth D. McClintock, "The Caribbean Energy Grid, a Win-Win Project," CIEMADES, May 6, 2011, accessed August 30, 2016, [http://ciemades.org/pdfs/conf11/may6/The-Caribbean-Energy%20-Grid\\_K\\_McClintock2.pdf](http://ciemades.org/pdfs/conf11/may6/The-Caribbean-Energy%20-Grid_K_McClintock2.pdf).

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<sup>12</sup> John Vidal, "Wind of Change Sweeps through Energy Policy in the Caribbean," *Guardian*, February 10, 2014, accessed August 30, 2016, <https://www.theguardian.com/global-development/poverty-matters/2014/feb/10/wind-of-change-energy-policy-caribbean>.





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France

Agnes  
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Baldivieso

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Bolivia





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*Above all, what is needed is a drastic change of mentality across all sectors of the population accompanied by a new strategy for growth. Key players need to acknowledge that taking care of the environment can actually boost economic growth.”*

*Agnes Medinaceli  
Baldivieso &  
Emilie D’Amico*

EN2



# TAKING THE ENVIRONMENT INTO ACCOUNT: THE FIRST STEP TOWARDS A GREENER GROWTH

*By Agnes Medinaceli Baldivieso (Bolivia) & Emilie D'Amico (France)*

*This article explains the concept of green growth and reviews the main purposes of environmental accounting. Afterwards, it delves into Latin America and the European Union, discusses the state of green accounting implementation and the differences encountered in both regions, and questions the role of development cooperation in mainstreaming its use.*

In a world with a growing population, global efforts to improve living standards and foster development imply a re-evaluation of how economies can grow in a more environmentally-friendly and sustainable way. To formulate economic and development policies that ensure long-term prosperity, natural threats such as air and water pollution, soil degradation, climate change, loss of biodiversity, and depletion of fish stock and fresh water have to be taken into account. Usually the unsustainable exploitation of just one type of natural resource is fast, and leads to other long-lasting, if not irreversible, environmental damage.

These practices, however, are very often tolerated because they support a country's economic growth. For instance, converting forests into land for agriculture or livestock increases gross domestic product (GDP) in the short-term, but simultaneously causes environmental damage such as carbon dioxide emissions, loss of biodiversity, soil degradation and water pollution, which can hamper long-term economic growth. Part of the problem lies in the traditional measurement of national income, which does not reflect the extent to which the growth is sustainable. Providing such information is the core function of environmental accounting, and extending its use is of central importance to better monitor the negative environmental effects of harmful practices and act to avoid them.

## **What is Green Growth and why Environmental Accounting?**

Since the 1992 Rio Conference, international summits on the environment have



*Image Courtesy: freedigitalphotos.net, amenic181*

called on adopting a more sustainable approach to economic growth and have promoted the adoption of environmental accounting. In particular, at the Rio+20 Conference, the latter was identified as a central instrument to reach green growth.

The concept of green growth was first introduced 26 years ago by Michael Colby, in a World Bank working paper.<sup>1</sup> However, only recently has the term gained global relevance. Confronted with the lack of an official definition of green growth, this article defines it as the means of fostering economic growth and development, whilst ensuring the efficient and sustainable use of aggregate natural assets. Green growth indicators, as opposed to just focusing on income, are complex to attain because they contain two different dimensions: one economic and one environmental. As a consequence, adequate tools are required, which can inform decision-makers and help to design, monitor, and evaluate public policy.

1 Michael E. Colby, "Environmental Management in Development: The Evolution of Paradigms," *Ecological Economics* 3, no. 3 (1991): 193-213

This is the purpose of environmental indicators and new measures of growth.

During the last few years, universal sets of indicators and methodologies have been developed by the Organisation for Economic Co-operation and Development (OECD) and the United Nations (UN), respectively. However, not all countries have found the right incentives to implement them, and the progress towards a green economy is still very incipient. Environmental accounting constitutes an alternative that could better fit the specificities of each individual country. It consists of complementing the system of national accounts with environmental accounts that measure the stocks of natural assets, the level of pollutant emissions, water pollution, and waste production caused by economic activities. It also focuses on economic transactions (taxes, protection expenditures) linked to the environment, in various sectors of the economy. Hence, it helps decision-makers to better assess environmental pressures as well as the impact of production patterns on the environment, and ultimately to better manage natural capital.

Moreover, environmental accounting aims to organise and measure environmental data so as to more easily integrate them with economic ones, sometimes even providing for their monetary valuation. This exercise allows for the development of meaningful indicators and adjusted economic measures, such as Green GDP, that can aggregate both national income and the underlying use of natural resources and pollutant emitted in a unique metric.

A milestone in better accounting for the environment was achieved in 2012 when



the UN Statistics Commission adopted the System of Environmental and Economic Accounting (SEEA) as an international statistical standard. The SEEA provides accounting rules and tables for compounding statistical data that are internationally comparable, and for the derivation of indicators that monitor the linkages between the economy and the environment.<sup>2</sup> The SEEA has been progressively expanded to address the specificities of the water, energy, fisheries, agriculture, land and ecosystems sectors and resources. Even though there is a common framework for compilation and measurement, environmental accounts are unevenly produced around the globe. Countries of the European Union have implemented them on a systematic basis, but many Latin American countries, amongst others, have not done the same.

## **Disparities of Implementation between Latin America and the EU**

European countries have been pioneers in implementing national environmental accounts. Currently, all EU members produce extended statistics and accounts on air emissions, material flows and environmental taxes, to complement their traditional national accounts. Moreover, the availability of national statistics has enabled the development and harmonisation of green accounting at Union level, with the 2011 Regulation on European Environmental Economic Accounts. Today, the Commission provides aggregate green accounts for the region and has created

regional environmental indicators such as the EU carbon footprint. This common European framework for action is key for reaching the objectives of the Europe 2020 Strategy for green growth. The regular production of three additional accounts will be mandatory by 2017, and this requires strengthening the capacities of national statistical institutes. What is more, the next fundamental step for European countries is to use these achievements to further implement policies towards green growth.

In Latin America, intergovernmental cooperation on the global environmental agenda has been set up with the Latin American and Caribbean Initiative for Sustainable Development (ILAC), created by the Forum of Ministers of the Environment of Latin America and the Caribbean in 2002. ILAC has facilitated the adoption of common environmental indicators at regional level, with a standard methodology for compilation. Hence, efforts have been made to elaborate tailored instruments, but the majority of countries have not integrated the environment into their official national accounts. Yet, this issue is particularly relevant for the region. A striking share of economic activities depend on the exploitation of natural resources, which often produces harmful consequences, such as forest depletion or the contamination of lakes and rivers due to mining activities. As recently as in 2014, several South American countries experienced a staggering 120% increase in deforestation across the Amazon basin.<sup>3</sup>

<sup>2</sup> System of Environmental-Economic Accounting (Seea)," United Nations Statistics Division, accessed August 30, 2016, <http://unstats.un.org/unsd/envaccounting/seea.asp>.

<sup>3</sup> Nick Miroff, "South American Commodity Boom Drives Deforestation and Land Conflicts," Washington Post, December 31, 2014, accessed August 30, 2016, [https://www.washingtonpost.com/world/the\\_americas/south-american-commodity-boom-drives-deforestation-and-land-conflicts/2014/12/31/0c25e522-78cc-4075-8b21-31bcc3e0fddb\\_story.html](https://www.washingtonpost.com/world/the_americas/south-american-commodity-boom-drives-deforestation-and-land-conflicts/2014/12/31/0c25e522-78cc-4075-8b21-31bcc3e0fddb_story.html).

Among the technical obstacles to developing environmental accounts stand the lack of financial and human resources, the low availability and quality of data, and the lack of institutional coordination.<sup>4</sup> Colombia and Mexico stand out by having developed systematic and extensive environmental accounts. Their Statistics Institutes provide accounts for water, mineral assets, energy and emissions, forests, material flows, environmental protection expenditures, biodiversity, and transportation. Mexico also regularly compiles a Green GDP index. However, these are initiatives of individual countries and no collective action has been taken at an international level to mainstream their use.

Services (WAVES) has been established to support national governments in adopting and developing natural capital accounts in addition to their traditional economic accounts. It is a global platform for training and knowledge sharing, with the objective of building a global consensus. This World Bank-led global partnership has demonstrated that environmental accounts can positively influence policy. In countries like Guatemala and Colombia, forest accounts have informed policymakers of the degree of uncontrolled logging, and Guatemala consequently adopted a National Strategy for Production and Use of Fuelwood. A similar effort was made through the Economics of Ecosystems and Biodiversity (TEEB) Project, aimed at providing an accurate monetary valuation of environmental resources to facilitate the development of satellite environmental accounts.



*Image courtesy of watcharakun at FreeDigitalPhotos.net*

### Is International Cooperation the Solution?

Development cooperation has taken steps to fill this gap. The Wealth Accounting and Valuation of the Ecosystem

However, the region still faces substantive challenges. No supranational body can enforce the adoption of policies in every country. Nor does it seem that the solution comes solely from international cooperation. Development cooperation can surely enable knowledge sharing and capacity building, but it cannot replace the domestic political will needed to implement environmental accounting and foster green growth at national level.

To do so, public and private actors need incentives. Of course, environmental taxes and external markets can awaken businesses interests and push them to adopt more sustainable behaviours, making environmental preservation not only a moral, but also a rational economic choice. But above all, what is needed is a drastic change of mentality across

4 Farid Isa Majluf, *Cuentas Ambientales En Los Países de América Latina y El Caribe: Estado de Situación* (Santiago: CEPAL, 2003), accessed August 30, 2016, [http://www.cepal.org/deype/noticias/noticias/3/13643/doc\\_ISA.pdf](http://www.cepal.org/deype/noticias/noticias/3/13643/doc_ISA.pdf).

all sectors of the population accompanied by a new strategy for growth. Key players need to acknowledge that taking care of the environment can actually boost economic growth. Currently, environmental policies are perceived as highly costly and growth hindering, and consequently, policymakers remain reluctant to implement them. Thus, if there are no changes in mentality, economies will keep growing without regard to the environment. Yet, a mere change of perspective could potentially improve the scenario. As the “Better Growth, Better Climate” Report<sup>5</sup> states, countries at all levels of income can find economic opportunities within green growth. A proper evaluation, with adapted control instruments, would help to assess and pursue them.

## **Learning from Others and Taking the Youth into Account**

Adopting green accounting is fundamental for achieving sustainable economic growth in Latin America and Europe. Cooperation and incentives, although necessary, are not sufficient to systematically implement green accounting in all countries. The EU experience demonstrates that a strong impulse for environmental accounting at a regional level is desirable in Latin America and could also constitute a step further in regional integration. Moreover, it highlights the fundamental role of national priorities, and the necessary commitment of all the sectors of the economy to achieve sustainability. In

this sense, public opinion, based on well-informed grounds, can play a major role in shaping the political agenda and calling the attention of leaders. In particular, the youth is the one in charge of taking steps towards a greener growth. Hence, it is paramount to bring awareness to young professionals, both in Latin America and Europe, and provide them with the right tools with which to take action. Knowing how green growth is defined, what it can achieve, and what measures are needed, can positively influence the decisions that future leaders will take. This is no easy task. It requires the involvement of a broad range of actors to prepare young generations by promoting educational and awareness-raising activities.

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<sup>5</sup> The Global Commission on the Economy and Climate, Better Growth Better Growth, Better Climate Better Climate: The New Climate Economy Report the New Climate Economy Report (Washington, DC: New Climate Economy, 2014), accessed August 30, 2016, <http://newclimateeconomy.report/TheNewClimateEconomyReport.pdf>.







Manuel Jung

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“

*This new generation is prepared to face the need to reduce energy prices and use solar energy as a measure of environmental protection, therewith providing Nicaragua with a more sustainable and fair future.”*

*Juana Karelia Tercero Ubau &  
Manuel Jung*

EN3



# SOLAR ENERGY ON THE ROOFTOPS IN NICARAGUA

*By Juana Karelia Tercero Ubau (Nicaragua) & Manuel Jung (Germany)*

*Nicaragua has a large potential for renewable energy uptake. Renewable resources could be used particularly in the form of small solar plants for homes. The power grid would then not be used as the primary source of supply, but as a support for solar supply gaps. The overall aim is a reduction of fossil energy sources to reach the eagerly anticipated expansion of the energy supply – with the connection to the national power grid.*

Nicaragua's energy sector is expanding as a result of the government's energy transition strategy that aims to transform the energy mix. Renewable energy is supposed to reduce the dependence on fossil energy. In this way, Nicaragua has been able to decrease the percentage of its rural population without grid connection from 40 % to 26 %. By the end of the year, the national power grid aims to cover 92%.

In 2013, 25 power plants of hydroelectric, geothermal and wind energy

as well as biomass were connected to the national grid system (Sistema Interconectado Nacional, SIN). At that time, the power plants covered 51% of the electric energy demand with the aim of reaching 91% by 2027.<sup>1</sup> Currently, 64% of the electricity demand is generated by renewable energy sources.<sup>2</sup> Overall, Nicaragua possesses a renewable energy potential of 4,5 GW, but uses only 450 MW, or 10%.<sup>3</sup>

Despite of the mentioned improvements, Nicaragua continues to be the country with the highest energy prices in the industrial sector in Central America, due to the fact that energy prices increase for consumption above 150 kWh/month.

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1 Plan Indicativo de Expansión de Generación Eléctrica 2013-2027 (Managua: Ministerio de Energía y Minas (MEM), 2013), accessed September 21, 2016, <http://www.mem.gob.ni/media/file/POLITICAS%20Y%20PLANIFICACION/PLAN%20INDIC.%20DE%20EXP.%20DE%20GEN.%20ELECT%202013-2027.pdf>.

2 Curva de Duración de Carga y Despacho de Energía - Periodo: Febrero 2016 (Managua: Centro Nacional de Despacho de Carga (CNDG), 2016).

3 Juana Karelia Tercero Ubau, "Diseño de Una Minicentral Solar Fotovoltaica Autónoma Con Una Capacidad de 2.7 kwhp" (thesis, 2015), 3,4.

Electricity customers who consume up to 150 kWh receive a more favourable access to electric energy, especially benefitting private households.<sup>4</sup> One reason for these high energy prices is the urgency of state revenue, used to repay public debts of the government and the central bank. Therefore electricity prices remain constantly high, even when fuel prices fall.



*Image courtesy of duron123 at FreeDigitalPhotos.net*

Solar energy could contribute to the economic and ecological situation of the country, both in rural and urban areas. Although there has been a notable achievement in the expansion of renewable energy, Nicaragua has not yet managed to reach a significant increase in the installed photovoltaic capacity. Since 2013 the country

4 Tarifas Actualizadas a Entrar En Vigencia El 1 de Mayo de 2015 (Managua: Instituto Nicaragüense de Energía (INE) Ente Regulador, 2015), accessed September 21, 2016, <http://www.mem.gob.ni/media/file/ELECTRICIDAD/Tarifas%20Electricas%20DnDs%20Mayo2015.pdf>.

merely has one solar park, financed by Japanese grant funds, in the department of Carazo. It was Central America's first larger photovoltaic power station with a capacity of 1.38 MW generated by 5880 panels which produced energy for 1100 households.<sup>5</sup> According to Cesar Zamora, CEO of IC Power (Israeli company of power generation in the private sector), the key problem with the feed-in of solar energy is the high costs of photovoltaic systems.<sup>6</sup> This impedes investment in a solar system, as the real price of solar energy, including the investment, amounts to 0.118 U\$/kWh in comparison to 0.064 U\$/kWh for wind energy. Thus, the solar energy price also exceeds the average stock market price<sup>7</sup>.

Owners of fossil power plants take advantage of this fact by voicing the opinion that renewable energy generation is not yet economically viable. At the same time, big oil companies lower the oil price, making it appear as though renewable energy is not an option for countries like Nicaragua. Yet, what should really be compared are not only the initial investment costs, but also real energy prices. Taking environmental savings of solar energy into account, the situation looks different. Another advantage of solar power in comparison to other renewable

5 "Gobierno Inaugura Planta Fotovoltaica," Empresa Nacional de Transmisión Eléctrica (ENATREL), March 14, 2013, accessed September 21, 2016, <http://www.enatrel.gob.ni/index.php/noticias-y-eventos/1136-gobierno-inaugura-planta-fotovoltaica60?tmpl=component&print=1&layout=default&page=..>.

6 Fabrice Le Lous, "César Zamora: "pagamos La Energía Más Cara de Latinoamérica"," La Prensa, March 3, 2016, accessed September 21, 2016, <http://www.laprensa.com.ni/2016/03/13/suplemento/la-prensa-domingo/2000849-cesar-zamora-pagamos-la-energia-mas-cara-latinoamerica>.

7 Programa Para La Ampliación de La Energía Renovable En Países de Ingreso Bajo (SREP) Plan de Inversión – Nicaragua (PINIC) Del Programa SREP Nicaragua (Managua: Ministerio de Energía y Minas (MEM), 2015), accessed September 21, 2016, [https://www-cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/nicaragua\\_pi\\_srep\\_0\\_0.pdf](https://www-cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/nicaragua_pi_srep_0_0.pdf).

technologies is the opportunity to install photovoltaic systems as very small plants on rooftops of homes and, in this way, supply remote areas with electricity, which is not useful for other technologies, such as wind energy or fossil fuel power plants.

Therefore the expansion of solar energy in rural regions continues to grow despite the real price per kWh. Communities without connection to the SIN are considered a high priority for the government and NGOs, which support financially weak areas with the donation of isolated solar systems. This expansion of solar energy already represents an important advance, albeit only the expansion of the feed-in of electricity of photovoltaic systems to the SIN in urban areas produces an actual leverage effect. This includes independence from fossil fuels, the reduction of debt, the exploitation of

the solar potential and the reduction of the electricity prices for the population.

In addition to the high investment costs, the country lacks a law regulating the sale of electric energy from small grid connected photovoltaic systems to the grid operator. This lowers the investment incentives, as the great gap between real solar energy prices and stock market prices does not allow for an economic operation of a solar system. The feed-in of electricity is normally not remunerated at all and in some exceptions the remuneration is significantly lower than the real production price. As a result, producers are practically giving away the environmentally friendly solar energy for free. Better conditions might be achieved if solar energy is not sold until there is an adequate regulation.



*Image courtesy of xedos4 at FreeDigitalPhotos.net*

The combined use of a solar system for auto-consumption and the grid only for additional hours of less sunlight has the advantage that batteries are not necessary. These are the most vulnerable parts of a solar system and have to be replaced every three to five years. Hereby, the grid energy consumption is reduced and households save on their energy bill, especially if they receive financial support for the purchase of the solar energy system.

Indeed Nicaragua has a financial deficit and the expansion of solar energy comes along with high costs. Nevertheless, there are people in rural areas who finance photovoltaic systems on their own. They are aware of the environmental damage caused by fossil energy. Thus, they prefer to spend their savings of agricultural work on a small solar energy system rather than on a new car or a new cell phone every year. They express that the investment in renewable energy pays off as it is healthier for their lives and offers a better future to their children.

Contrarily, some communities' solar energy systems remain unused on the rooftops, once they gain access to the SIN, because the households do not depend on solar energy any more. Only in few cases the solar energy use is maintained to keep the electricity bill low. This would not happen if a feed-in of solar energy was established and better conditions were given. These facts limit the energy transition.

Nicaragua has an excellent renewable energy potential for a transition to sustainable energy supply and the reduction of greenhouse gas emissions. If there was

an appropriate law for the feed-in of solar energy, organisations might not only be active in remote regions without connectivity to the SIN, but also expand their activities to villages and cities with small income to support solar projects. This would be an essential step towards covering the increasing energy demand and reducing energy prices. To have a legal agreement for solar systems with grid connection, that regulates solar energy sale to the grid operator, the law 532 needs to be renewed or a new law needs to be passed. It should establish an adequate feed-in tariff, create incentives for producers, grid operators, and consumers as well as simplify the licensing of small power plants significantly.

The number of renewable energy engineers rises every year, as young people become increasingly aware of the damage that has been caused to the environment. This new generation is prepared to face the need to reduce energy prices and use solar energy as a measure of environmental protection, therewith providing Nicaragua with a more sustainable and just future.

# EN3



# 03

# ECONOMICS



# ECONOMIC DEVELOPMENT OF LATIN AMERICA AT A CRITICAL JUNCTURE

*By Dr. Cristopher Cosack*

*German Investment- and  
Development Corporation (DEG)*



Dear Readers,

The Latin American economy currently finds itself at a critical juncture. It seems as if the biggest economy of the region, Brazil, has surpassed its trough. It has adapted to the slower economic growth of China and to the lower commodity prices while building a broader foundation of the economy.

Furthermore, the continuing low rate of the US Federal Reserve provides some scope for the necessary structural reforms in Latin America to guarantee a sustainable recovery from the crisis. In some parts of the region, particularly in Central America, this development is being supported by high, in some cases even record-breaking, capital inflows. However, these capital inflows can also be dangerous, if these

economies are not preparing themselves for a possible reverse of this trend. In this respect, fiscal and current account deficits are an indicator for the increased risk in certain LAC-countries.

Domestic demand, created by a growing and economically active middle class, increasingly has to replace the windfall profits of the extractive industries of the recent years. Yet, Latin American economies are still at very different stages of progress regarding the development of broadly-based export industries and its safeguarding through regional and global integration.

In order to protect the most vulnerable population and to promote





a strengthened middle class, necessary economic reforms have to be carefully planned with respect to its sequence and velocity. If this is pursued in the right way then future economic recovery can be bolstered by a broader economic foundation than it has been the case so far. Regarding international capital flows, political and economic reforms have to be carried out together to be credible, which will then create a strong basis for re-establishing trust in Latin American markets. Increasing integration could stabilize reform processes and positive examples of reforms implemented in certain countries could lead to an overall trend in the region. The interregional EU-LAC partnership as well the individual partnership between the EU and certain

LAC-countries can play an important role in this process.

Yours sincerely,  
Cristopher Cosack



Johanna  
Renz  
Germany

Collin  
Constantine  
Guyana



*Productive asymmetries and current account imbalances also exist within the LAC region, which can lead to similar centre-periphery inequality as found in the Eurozone."*

*Collin Constantine &  
Johanna Renz*

A faint, light gray world map is visible in the background of the slide, showing the outlines of continents.

# EC1



# CAN LAC LEARN FROM EUROPE'S MISTAKES? DIVERGENCE IN REGIONAL ECONOMIC INTEGRATION

*By Collin Constantine (Guyana) & Johanna Renz (Germany)*

*A powerful core and a powerless periphery – these are features of the European Monetary Union. The Union has gone much further than LAC in its integration efforts and has suffered from a severe economic crisis. Since LAC's economic integration is still ongoing, it can and should learn from the EMU's mistakes before it is too late.*

The European Monetary Union (EMU) is often viewed as a role model for regional integration.<sup>1</sup> Other regions, like Latin America and the Caribbean (LAC) follow its steps and are also moving towards political and economic integration. Though more fractured than the EMU, organisations such as MERCOSUR and CARICOM illustrate that there are serious commitments to integration in the region. The Eurozone crisis, however, has demonstrated the EMU's weaknesses. This analysis demonstrates

the similarities that exist in the anomalies of the productive structures within the EMU and LAC, illustrating how these can create centre-periphery<sup>2</sup> power relations in the Eurozone. Furthermore, it presents some key lessons from the Eurozone crisis, which LAC can learn from.

## Starting off Unequally

Why can we compare the Eurozone and LAC in the first place? Both have asymmetric productive structures, meaning that countries within the regions differ vastly in the type of products they produce. In the Eurozone, the value added share in high, medium and low technology manufacturing varies significantly (Table 1). The relative value added share in high tech manufacturing for the selected countries declines when compared to Germany between the years 1999 and 2007 – clearly

<sup>1</sup> Fraser Cameron, "The EU Model Of Integration – Relevance Elsewhere?," Robert Schuman Paper Series 5, no. 37 (2005): 1-12, accessed March 1, 2016, <http://aei.pitt.edu/8166/1/Cameronfinal.pdf>

<sup>2</sup> Centre-periphery power relations refer to the power struggle between developed and less developed countries.

indicating a divergence in productive capabilities. Other indicators also point to a structural asymmetry. The Productive Structure Similarity Index (PSSI)<sup>3</sup> shows that there was a clear divergence from 1999 to 2011 between Germany on one hand, and Greece, Portugal and Ireland on the other. This divergence has deepened since the recent financial crisis. The Export Structure Similarity Index tells a parallel story for the same time period<sup>4</sup>.

**Tabel 1**

Value added share (relative to Germany) in percentage differences

	Manufacturing in:					
	High and medium-high technology		Medium technology		Medium-low and low technology	
	1999	2007	1999	2007	1999	2007
France	-3.5	-9.6	-0.5	0.4	1.2	1.3
Greece	-12.9	-14.9	-8.6	-8.3	3.5	3.6
Italy	-4.0	-7.8	-2.2	-1.8	4.0	4.3
Portugal	-7.1	-11.2	-2.1	-0.7	5.9	6.7
Spain	-5.4	-11.4	-4.9	-3.4	2.4	0.9
Memo: Germany	24.9	27.3	21.4	21.0	19.9	19.0

Source: Storm and Naastepad (2015)<sup>5</sup>

There is also a divergence in current account balances between central and peripheral countries (Figure 1). There are many competing explanations for this divergence but the currently dominant political discourse blames 'irresponsible' households and governments, and hence recommends fiscal austerity and wage

cuts.<sup>6</sup> The imbalances expanded from 2002-2008 but have since narrowed – owing to draconian austerity policies. We argue that the divergence in productive structures highlighted above, as well as the difference in current account balances, are closely related.

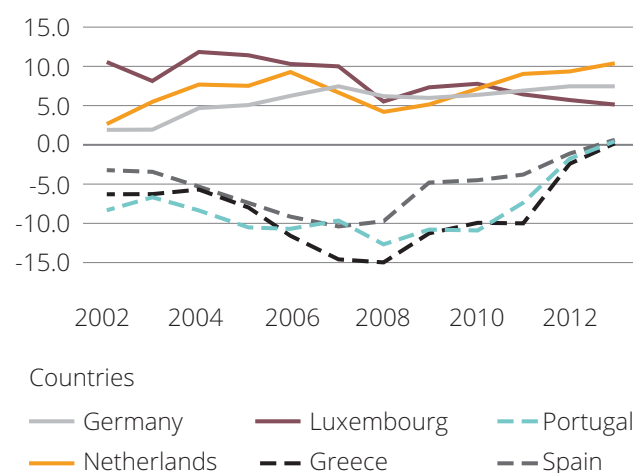


Figure 1 - Current Account as % of GDP for Selected Eurozone Countries Source: Authors' representation; based on World Bank Data<sup>7</sup>

Productive asymmetries and current account imbalances also exist within the LAC region (see Figure 2), which can lead to similar centre-periphery inequality as found in the Eurozone. Though the region as a whole is dependent on natural resources, there are important productive asymmetries (see Table 2). Based on a categorisation used in a previous study done on Industrial Competitiveness in LAC<sup>8</sup>, we divide the region into the following – the Big Three:

3 The PSSI ranges from 0 (identical productive structures) to 1 (absolute divergence in the sectoral composition of the economy)

4 Alberto Botta, "Structural Asymmetries at the Roots of the Eurozone Crisis: What's New for Industrial Policy in the EU?," PSL Quarterly Review 67, no. 269 (2014): 169-216, accessed March 2, 2016, <https://bib03.caspar.it/ojs/padis/index.php/PSLQuarterlyReview/article/download/12464/12272>.

5 Servaas Storm and C.W.M. Naastepad, "NAIRU Economics And The Eurozone Crisis," International Review of Applied Economics 29, no. 6 (2015): 843-877.

6 Wolfgang Schäuble, "Why Austerity Is the Only Cure for the Eurozone," Financial Times, September 5, 2011, accessed March 2, 2016, <https://www.ft.com/content/97b826e2-d7ab-11e0-a06b-00144feabdc0>.

7 The World Bank, "Open Data Catalog | The World Bank", Datacatalog. Worldbank.Org, last modified 2016, accessed March 1, 2016, <http://datacatalog.worldbank.org/>.

8 Sanjaya Lall, Manuel Albaladejo and Mauricio Mesquita Moreira, "Latin American Industrial Competitiveness And The Challenge Of Globalization," SSRN Electronic Journal (2004).

Argentina, Brazil and Mexico, the Medium Four: Chile, Colombia, Peru and Venezuela and the Smaller Eleven: Bolivia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Nicaragua, Panama, Paraguay and Uruguay. Predictably, the Big Three dominate the exports of high-tech manufacturing with approximately 30% in 2000 – around 5% less when compared to the Medium Four. The Big Three also outperformed in medium tech manufacturing exports with a 40% of total exports in this category in 2000 – as opposed to approximately 20% from the Medium Four and the Smaller Eleven. In low-tech exports, in turn, the Smaller Eleven stand out, followed by the Big Three and the Medium Four. The data points to a divergence between the Big Three and the remaining countries in LAC, similar to the divergence in the Eurozone.

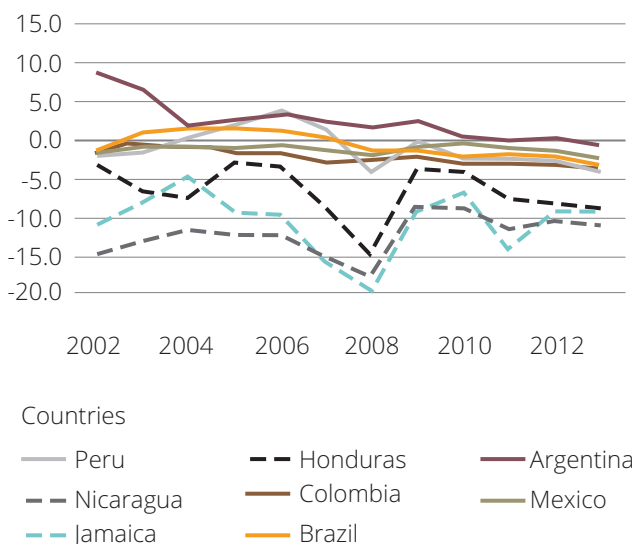


Figure 2 - Current Account as % of GDP for Selected LAC Countries Source: Authors' representation; based on World Bank Data<sup>6</sup>

**Tabel 2**

Manufacturing Exports by LAC (Current US\$ millions)

	High technology		Medium technology		Low technology	
	1990	2000	1990	2000	1990	2000
Big 3	2,761	54,736	16,686	80,693	7,882	34,098
Medium 4	128	680	1,614	4,351	2,295	3,484
Small 11	193	2,515	469	1,809	1,257	3,162

Source: Lall et al. (2004)

## Trying to Merge Unequals – Asymmetric Integration in the Eurozone

Why are asymmetric productive structures problematic? The asymmetries become challenging under monetary integration, which inevitably creates a core-periphery dynamic. In our view, the central problem of the Eurozone is the attempt to lump these different productive structures together under a monetary union without a fiscal union. This is more problematic than the often-discussed divergence in unit labour costs (ULC)<sup>9</sup> or fiscal profligacy.<sup>10</sup>

Free trade among countries on different technological frontiers is primarily the exchange of commodities with different value – countries that export lower-value goods find themselves unable to pay for their higher-value imports. In the absence of financial integration, countries on a lower technological frontier restrain their demand

<sup>9</sup> According to the OECD, unit labour costs is a measure of the output an economy receives relative to wages, the average cost of labour per unit of output.

<sup>10</sup> Wolfgang Schäuble, "Why Austerity Is the Only Cure for the Eurozone," Financial Times, September 5, 2011, accessed March 2, 2016, <https://www.ft.com/content/97b826e2-d7ab-11e0-a06b-00144feabdc0>.

for imports to prevent account imbalances. But in the EMU, savings are recycled and emerge as debt accumulation in deficit countries – setting the stage for a debt crisis.

Monetary integration leads to capital inflows into periphery countries. This makes growth in these countries possible, without forcing them to transform to high-technology sectors, but it creates lock-in effects in low-technology industries. For instance, the housing bubble that developed from 1996 until 2006 in the European periphery<sup>11</sup> reallocated resources towards construction – a non-tradable sector with limited potential for productivity growth. Additionally, cheap credit in the South increases economic growth, reduces unemployment and, crucially, increases wages.<sup>12</sup> Thus, contrary to popular arguments, higher ULC in the periphery are a consequence rather than a cause of external imbalances.<sup>13,14</sup>

### One Size Does not Fit All – the Eurozone's Response to Crisis

The different productive structures were bundled together in a monetary union when the global financial crisis emerged in

2008. Under this circumstance, they were forced to respond uniformly; and power – rather than economic analysis – guided the responses. For instance, fiscal austerity was imposed on the periphery since the analysis points to fiscal profligacy as the primary cause of trade deficits. However, in retrospect the reverse seems to be true – fiscal surpluses in the core appear to have contributed to their trade surpluses, which would then logically lead to mandated fiscal expansion. But the policy adopted focused exclusively on austerity. Similarly, if wage cuts are necessary for recovery in the periphery, surely wage growth is fundamental in centre countries. Yet, only wage cuts are gaining traction.

Higher ULC in the periphery meant that their rate of inflation was higher than in core countries. It follows that the management of monetary policy required the ECB to choose between divergent inflation rates as a guide for policy. Consistent with the centre-periphery dynamic, the European Central Bank's interest rate policy closely followed the inflation rates that prevailed in Germany.<sup>15</sup> Consequently, the ECB kept interest rates low and additionally fuelled the boom that manifested itself in the periphery – further deepening the divergence.<sup>16,17</sup>

### Notwithstanding the role of productive structures in shaping external

11 Suzanne Kapner, "Study Finds Endemic European Housing Bubble," *Financial Times*, February 14, 2011, accessed March 9, 2016, <https://www.ft.com/content/534695a2-385f-11e0-959c-00144feabdc0>.

12 Servaas Storm and C.W.M. Naastepad, "NAIRU Economics And The Eurozone Crisis," *International Review of Applied Economics* 29, no. 6 (2015): 843-877.

13 Jose Luis Diaz Sanchez and Aristomene Varoudakis, "Growth And Competitiveness As Factors Of Eurozone External Imbalances: Evidence And Policy Implications," *Papers.Ssrn.Com*, last modified 2013, accessed March 7, 2016, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2372195](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2372195).

14 Hubert Gabrisch and Karsten Staehr, "The Euro Plus Pact: Competitiveness And External Capital Flows In The EU Countries," *J Common Mark Stud* 53, no. 3 (2014): 558-576.

15 Servaas Storm and C.W.M. Naastepad, "NAIRU Economics And The Eurozone Crisis," *International Review of Applied Economics* 29, no. 6 (2015): 843-877.

16 Patrick M. M. Crowley and Jim Lee, "Evaluating The Stresses From ECB Monetary Policy In The Euro Area," *SSRN Electronic Journal* (2009).

17 Fernanda Nechio, "Monetary Policy When One Size Does Not Fit All," *Federal Reserve Bank Of San Francisco*, last modified 2011, accessed March 13, 2016, <http://www.frbsf.org/economic-research/publications/economic-letter/2011/june/monetary-policy-europe/>.

imbalances, the latter is not necessary for a sovereign debt crisis – the economic policy framework of the Eurozone can do badly all by itself. It imposes strict limits on debt, inflation and deficits, or more fundamentally, it restricts the role of fiscal and monetary policy in the economy. The hesitance of the ECB to position itself behind its member states and the urgency of austerity created the Eurozone sovereign debt crisis – or more specifically, a debt crisis in the periphery. As the crisis deepened, the ECB was forced to undertake quantitative easing but this proves to be ineffective in terms of recovery in the real economy. Also, the crisis has deepened the centre-periphery inequality since the EU policy framework has not changed direction, but in fact has become more rigid and doctrinaire.<sup>18</sup>

## Lessons for LAC

The case of the EMU has illustrated that asymmetric integration can manifest centre-periphery dynamics, especially in times of crises. In order to avoid such inequalities in LAC, we can draw some relevant lessons from the Eurozone case. Before further integration, regional bodies in LAC need to undertake rigorous assessment of the productive structures of member states to ascertain the depth of both relative and absolute divergence. This should be the primary factor that determines the form and extent of industrial policies. As shown previously, there are significant technological

differences in LAC and therefore a regional investment bank should be central to any LAC integration charter. These strategic investments could ultimately help in the technological upgrading of the less advanced economies of the region.

Further, any integration agreement needs to ensure that fiscal and monetary policies are counter-cyclical. This is necessary to prevent recessions from turning into depressions and banking crises into sovereign debt crises – as it was the case in the Eurozone. An important lesson to learn from the crisis is that monetary policy in a currency union needs to expand beyond inflation targeting. The housing bubble in the periphery led to a construction boom – this labour-intensive sector increased ULC and inflation. Fundamentally, effective monetary policy does not focus solely on inflation but expands to asset price targeting, bank regulation and even inequality.

All things considered, our analysis shows how similar both Europe and LAC are with respect to regional differences in productive structures. Given the recent crisis in the Eurozone, LAC should seriously consider these centre-periphery differences before adopting more measures of integration.

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<sup>18</sup> Collin Constantine, Severin Reissl and Engelbert Stockhammer, "Neoliberalism, Trade Imbalances And Economic Policy In The Eurozone Crisis," Kingston University London-Economic Discussion Papers 2016-3 (2016), accessed March 13, 2016, [http://staffnet.kingston.ac.uk/ku33681/RePEc/kin/papers/2016\\_003.pdf](http://staffnet.kingston.ac.uk/ku33681/RePEc/kin/papers/2016_003.pdf).







Stefanie Beßler

Germany

María Cristina  
Vargas

Colombia



“

*The strengthening of other sectors such as tourism and manufacturing might generate more employment and diminish poverty in addition to helping preserve the environment.”*

*Maria Cristina Vargas &  
Stefanie Beßler*

EC2



# ECONOMIC DEVELOPMENT WITHOUT EXTRACTIVISM?

## LA GUAJIRA DEPARTMENT IN COLOMBIA

*By María Cristina Vargas (Colombia) & Stefanie Beßler (Germany)*

*Currently the Colombian department of La Guajira is one of the zones most dependent on the extraction and exportation of natural resources in Latin America. Paradoxically, this region also presents the highest indicators of poverty and unequal distribution of resources in the country. An economical and ecological approach to sustainable development that includes the local community is crucial for the future of La Guajira and the whole country.*



© María Cristina Vargas, 2012/ Personal file.

Like most of the Latin American countries, Colombia has been historically characterised by concentrating its economic growth model on the extraction and exportation of natural resources.<sup>1</sup> Presently, 60% of the national exports is derived from the extraction of ore and fossil fuels.<sup>2</sup> Nevertheless, this development model, called “extractivism”, has been widely criticised due to its social and environmental impacts that impede sustainable development.<sup>3,4,5</sup>

In this sense, the mega coal mine El Cerrejón, the biggest open-pit coal mine in

1 Ulrich Brand and Kristina Dietz, “(Neo-) Extraktivismus in der Krise?,” Österreichische Entwicklungspolitik 2015. Rohstoffe und Entwicklung (2015): 1, accessed March 11, 2016, [http://www.oefse.at/fileadmin/content/Downloads/Publikationen/Oepol/Artikel2015/Teil1\\_06\\_Brand\\_Dietz.pdf](http://www.oefse.at/fileadmin/content/Downloads/Publikationen/Oepol/Artikel2015/Teil1_06_Brand_Dietz.pdf).

2 “Informes De Exportaciones,” Ministerio De Industria Y De Turismo, last modified 2016, accessed March 8, 2016, <http://www.mincit.gov.co/publicaciones.php?id=15815>.

3 Post-development researchers like Maristella Svampa and Arturo Escobar among others.

4 Valeria Garay, “Maristella Svampa: “A Mayor Extractivismo, Menor Democracia” - Agencia CTA - ACTA”, Agenciacta.Org, last modified 2015, accessed March 8, 2016, <http://www.agenciacta.org/spip.php?article17253>.

5 Arturo Escobar, “Post-Extractivismo Y Pluriverso”, América Latina En Movimiento, last modified 2012, accessed March 8, 2016, <http://www.alainet.org/es/active/53567>.

the world and situated in La Guajira, north of Colombia, is a state-of-the-art example of the colossal consequences that an extractivist model can have, and will serve as the base of our analysis.

### Extractivism in Colombia and in La Guajira

Since the 2000s, coal production in Colombia has increased significantly. According to the Ministry of Trade, Industry and Tourism, coal is the second most exported product in the country (12%), only surpassed by oil (47%).<sup>2</sup> This means that a high percentage of the national GDP comes from the extraction of natural resources (10.25%)<sup>6</sup>, and that particularly at the local level, this dependence on coal exportation is up to five times higher (56% of La Guajira's GDP comes from coal exploitation). El Cerrejón, established in 1970, has the size of approximately 80,000 football pitches and achieves an annual exportation of 34.2 million tons (almost half of which goes to countries in Europe).<sup>7</sup>

This strong dependence of the national and local economy on the extraction of natural resources, especially coal, is strengthened due to the mining regulations imposed by the federal government. All national development plans since the 2000s have been founded on the strengthening of extractive industries, consolidating a national public strategy called "Locomotora Minera" (Mining Locomotive).<sup>8</sup>

6 The World Bank, "Colombia | Data", Data.World Bank, last modified 2016, accessed March 10, 2016, <http://data.worldbank.org/country/colombia>.

7 "Cerrejón Minería Responsable", Cerrejon.Com, last modified 2016, accessed March 10, 2016, <http://www.cerrejon.com/site/>.

8 Julio Fierro Morales, Políticas Mineras En Colombia. Bogota: Instituto

With this initiative, the Colombian government aimed to increase the foreign private investment in the extractive sector. Hence, El Cerrejón was privatised and sold to a consortium constituting of three transnational mining companies: BHP Billiton, Anglo American and Glencore.<sup>9</sup>

### Social and Environmental Impacts of the Coal Extraction

With the establishment of El Cerrejón, there have been several negative social and environmental impacts in La Guajira. Firstly, displacements of entire indigenous and rural communities took place, generating a loss of cultural traditions and causing alienation and separation, in addition to a sharp increase in poverty and inequality levels.<sup>10</sup> Secondly, at an environmental level, these impacts include the contamination of water sources, agricultural soils and air, as well as a loss of biodiversity.<sup>11</sup>

Additionally, the current socioeconomic panorama in La Guajira shows catastrophic indicators: 57% of this region's population (mainly rural and indigenous) lives below the poverty line<sup>12</sup> and high levels of malnutrition and child mortality persist<sup>13</sup>. Regarding

Para Una Sociedad Y Derechos Alternativos-ILSA, 2012. p.69

9 Andrés Idárraga Franco, Diego Andrés Muñoz Casallas and Hildebrando Vélez Galeano, Conflictos Socio-Ambientales Por La Extracción Minera En Colombia: Casos De La Inversión Británica (Bogota: CENSAT Agua Viva/ Amigos de la Tierra Colombia, 2010).

10 Aviva Chomsky et al., Bajo el manto del carbón: Pueblos y multinacionales en las minas de El Cerrejón Colombia, (Colombia: Casa Editorial Pisando Callos, 2007).

11 Otto Vergara, Los impactos Sociales y Ambientales de la minería en La Guajira. Pobreza, Migraciones y Reasentamientos involuntarios. (Bogotá: Universidad Externado de Colombia, 2012), 51.

12 Departamento Administrativo Nacional de Estadística, La Guajira: Pobreza Monetaria 2014 (Bogota, 2015), accessed March 10, 2016, [http://www.dane.gov.co/files/investigaciones/condiciones\\_vida/pobreza/Guajira\\_Pobreza\\_2014.pdf](http://www.dane.gov.co/files/investigaciones/condiciones_vida/pobreza/Guajira_Pobreza_2014.pdf).

13 Unicef, Annual Report 2014- Colombia (Unicef, 2015), accessed

employment, only two thirds of the local population was working in 2015<sup>14</sup>, most of them in the informal sector. Paradoxically, only 3% of the local population, those with access to higher technical education (not indigenous people), is working in the coal mine<sup>15</sup>. For this reason, despite its wealth in coal and other natural resources, La Guajira is one of the poorest and most unequal regions of Colombia<sup>16</sup>.

## Challenges for a Real Change

The biggest obstacle in reducing the negative impacts caused by extractivism in Colombia is the structural dependence on mining. Countries basing their economic growth model on the exportation of natural resources usually do not present major diversification<sup>17</sup>. For this reason, these exporting economies constantly suffer from the volatility of prices in the international market<sup>16</sup>. Therefore, faced with the decreasing prices of natural resources<sup>18</sup>,

March 10, 2016, [http://www.unicef.org/about/annualreport/files/Colombia\\_Annual\\_Report\\_2014.pdf](http://www.unicef.org/about/annualreport/files/Colombia_Annual_Report_2014.pdf).

14 Cámara de Comercio de la Guajira, Informe Socioeconómico Departamento de La Guajira 2015, accessed March 1, 2016, <http://www.camaraguajira.org/publicaciones/informes/informe-socio-economico-la-guajira-2015.pdf>.

15 Agencia Nacional de Hidrocarburos, Diagnóstico Socioeconómico Del Departamento de La Guajira, p.25, accessed March 8, 2016, <http://www.anh.gov.co/Seguridad-comunidades-y-medio-ambiente/SitioETH-ANH29102015/como-lo-hacemos/ETHtemporal/DocumentosDescargarPDF/1.1.2%20%20DIAGNOSTICO%20GUAJIRA.pdf>.

16 World Bank, Colombia: Systematic Country Diagnostic (Washington, DC.: World Bank, 2015), accessed March 10, 2016, <http://documents.worldbank.org/curated/en/142801468188650003/pdf/97878-CAS-P151459-R2015-0135-IFC-R2015-0201-MIGA-R2015-0053-Box391496B-OUO-9.pdf>.

17 Emily Sinnott, John Nash, and Augusto de la Torre, Los Recursos Naturales En América Latina y El Caribe: Más Allá de Bonanzas y Crisis?(World Bank, 2010), 14, accessed March 16, 2016, <https://openknowledge.worldbank.org/bitstream/handle/10986/2482/555500PUB00SPA00Box0361492B0PUBLIC0.pdf?sequence=6&isAllowed=y>.

18 Johannes Jäger & Bernhard Leubolt, "Rohstoffe und Entwicklungsstrategien in Lateinamerika," Die großen Schwellenländer. Ursachen und Folgen ihres Aufstiegs in der Weltwirtschaft, eds. Andreas Nölke, Christian May, and Simone Claar (Wiesbaden: Springer Fachmedien, 2014), 175-192.

the mining locomotive is predestined to slow down.

The second problem is the existing weak regulation for the mining industry and the absence of a harmonisation between national and local regulations. Since the economic recession in the 80s and the liberalisation policies in the 90s, the Colombian government has focused on direct foreign investment by increasing the flexibility of internal regulations. The aim was to allow licenses backed by foreign private capital to extract and sell natural resources.<sup>19</sup> Concerning the regulative structure, the Colombian case is similar to the Chilean one. Both countries have experienced similar processes of commercial opening and foreign direct investment in the extractive sector. Nevertheless, Chile has a more solid regulative structure, especially on the subject of extraction revenues or royalties<sup>20</sup> and environmental impact assessment.<sup>21</sup>

Thirdly, multinational mining companies have enormous economic and political power, which can provide room for corruption.<sup>22</sup> Simultaneously, with their lobbying capacity and the implementation of programs of Corporate Social Responsibility (CSR), companies have tried to justify their operations, denying their impact on the communities and the local ecosystems, by reducing the role of labour

19 Eduardo Gudynas, "Alcances y contenidos de las transiciones al post-extractivismo," Revista Ecuador Debate, no. 82 (2011): 70.

20 Royalties are the revenues that mining companies pay to local governments in compensation for the extraction.

21 José Carlos Orihuela et al., Balance de la experiencia internacional aplicable al ordenamiento minero de Colombia: Los casos de Australia, Chile y Perú. (Centro Interdisciplinario de Estudios sobre Desarrollo CIDER: Universidad de los Andes, 2014).

22 Frank Vogl, "Latin America's Real Corruption Crisis - The Globalist," The Globalist, last modified 2015, accessed March 14, 2016, <http://www.theglobalist.com/latin-americas-corruption-crisis/>.

unions<sup>23</sup> and oppressing critical initiatives and social movements.<sup>24</sup>

Finally, the role of these companies has been so transcendental in this mining region that a big part of the local educational programs at technical and professional levels are turning towards the mining industry. In other words, a big part of the population who has access to education prefers to join a technical or professional programme related to mining in order to obtain a job inside the Cerrejón.<sup>25</sup> With these tendencies in education programs, the sector assures the future and continuous dependence on extractivism, creating a somewhat vicious cycle.

### Favourable Regulations for Sustainable Development in La Guajira

As mentioned earlier, it is difficult to untie an extractive dependence that was established many centuries ago. In the same way, a radical transformation of the current export model seems impossible, at least in the near future in Colombia. Nevertheless, in the long term it is vital to achieve better regulations for the mining industry because the current extractive model is socially and environmentally unsustainable. Nonetheless, it is important to recognise certain positive

efforts such as Colombia's intention to join international initiatives of common standards like the *Extractive Industries Transparency Initiative*.<sup>26</sup> For this reason, it seems like some strategies, if implemented, will allow the country to overcome some of the previously analysed challenges and reduce the negative impacts caused by extractivism. Yet, the implementation is crucial.

As a first step, the creation of a stakeholder-committee at a local level with the presence of all the different actors in the region, including both national and international ones is key. This is important considering that one of the biggest problems is the unequal distribution and the often badly-planned investment of royalties or revenues that the extractive companies pay to the federal government or to local municipalities for the extraction of natural resources. This committee must watch and control in detail the local investment, checking how these revenues are being distributed in the extractive areas.

As a second step, it is crucial to implement a strict system for examining the resource extraction contracts. The labour conditions of the miners and the protection of the rights of the labour unions must be improved. Simultaneously, the strengthening of domestic and state enterprises in the mining sector and their incorporation in national value chains<sup>27</sup> are essential in order to guarantee that

23 Aviva Chomsky et al., *Bajo el manto del carbón: Pueblos y multinacionales en las minas de El Cerrejón, Colombia*, (Colombia: Casa Editorial Pisando Callos, 2007).

24 US Office on Colombia, "Large-Scale Mining In Colombia: Human Rights Violations Past, Present And Future," 2013, accessed March 10, 2016, <http://reliefweb.int/sites/reliefweb.int/files/resources/large-scale-mining-full-report.pdf>.

25 Maria Cristina Vargas, "Identificación de Posibles Impactos Sociales Tras La Mega Minería de Carbón En La Guajira, Asociados a La Fase de Clausura de Las Minas. La Guajira Minera: Pasado, Presente... ¿futuro?," (master's thesis, Universidad de los Andes, 2012), 54.

26 The Extractive Industries Transparency Initiative (EITI) is a global Standard to promote the open and accountable management of natural resources. The Standard seeks to address the key governance issues of the oil, gas and mining sectors. The EITI seeks to strengthen government and company systems, inform public debate and promote understanding.

In each of the implementing countries, the EITI is supported by a coalition of government, companies, and civil society.

27 Such as the handmade manufacture as described in the fourth step.



the created wealth remains in the country.

A third area of interest is the investment in education. It is vital to invest and strengthen other capacities, different from the required ones by the mining industry, which allows the local population to work in fields like commerce, services, sustainable development as well as public and corporate management. Furthermore, the regional authorities must then ensure an easy access to these new educational programs for the local population.

Finally, the creation of an ecotourism industry in the region is a promising and sustainable model due to the possible promotion of the desert landscapes and the indigenous culture of the Wayúu. Even networks of commercialisation of the handmade products of the Wayúu consolidating an artisanal manufacturing industry could be established. The promotion of alternative economic sectors could be supported by the local and national government via the investment of the mining revenues. Thereby, it could be ensured that the revenues would not disappear in corruption schemes but that these were used for the wellbeing of the communities.

To sum up, reducing the dependence on mining in La Guajira is possible but it needs certain changes. Recognising the incapability of the extractive industry to include the less qualified local population in the extractive sector, the dependence on foreign direct investment and the volatile prices on international markets, a diversification of the exporting economy is vital for the future of the region. The strengthening of other sectors such as tourism and manufacturing might generate more employment and diminish poverty in

addition to helping preserve the environment.

## **Gradual Change and International Conscience**

A deep transformation of the economic structure in Colombia that leaves extractivism out of the picture is neither possible nor very likely in the near future. Nevertheless, there is hope that regions like La Guajira could reduce their dependence by implementing a strategy of diversification with a more prudent extractivism, including the local population to generate an improvement of their social conditions as well as protecting the natural ecosystems. However, the responsibility lies not only in the Colombian government. Global contexts need to be recognised and one has to bear in mind that the countries importing these products and international organisations such as the United Nations also have a degree of responsibility. For this reason, signing binding agreements with high quality and rigorous environmental policies from both exporting and importing is essential. Finally, even consumers in importing countries must reflect on their habits of consumption that are directly linked to the international demand of coal.







Claudia Wiese

Germany

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*CARIFORUM states should encourage clustering in the tourism service sector and also continue to negotiate as a common block."*

*Sheena Ali & Claudia Wiese*



# EC3



# TRADE IN SERVICES IN TOURISM: THE BLIND SPOT OF THE CARIFORUM-EU ECONOMIC PARTNERSHIP AGREEMENT

*By Sheena Ali (Trinidad & Tobago) & Claudia Wiese (Germany)*

*The CARIFORUM-EU partnership agreement has proven ineffective in further developing the tourism sector within the Caribbean region. Yet, an analysis of the problems of implementing the agreement shows that there is some hope for the agreement to help foster tourism and other services sectors if some changes were made.*

What comes to your mind when you think of the Caribbean? Sun, sea and sand? Paradisiac beaches, enticing climate and relaxing stays in an all-inclusive resort? Maybe even the friendliness of the people and a chance to engage in cultural activities. Whatever the image, the Caribbean is one of the most attractive tourist destinations globally. With growth rates above 40% in tourist arrivals between 2014 and 2015 on some Caribbean islands,<sup>1</sup> it is no wonder that the tourism industry represents an

important source of income and a genuine alternative to the declining agricultural and manufactured good sectors for the region. In an attempt to find substitutes to address its declining trade problem, the region is now looking towards its infant service sector. As such, the Caribbean Forum (CARIFORUM) ensured that the tourism service sector was included in the Economic Partnership Agreement (EPA) that was signed in 2008 between the 14 members of the CARIFORUM and the European Union (EU).

So what exactly is the EPA? The EPA represents a developmental agreement between the EU and CARIFORUM and has its roots in the Cotonou Agreement. Its explicit goal was to replace preferential trade agreements by a single comprehensive free trade agreement allowing for close economic ties as well as developmental cooperation with the EU.<sup>2</sup> Yet, the EPA has

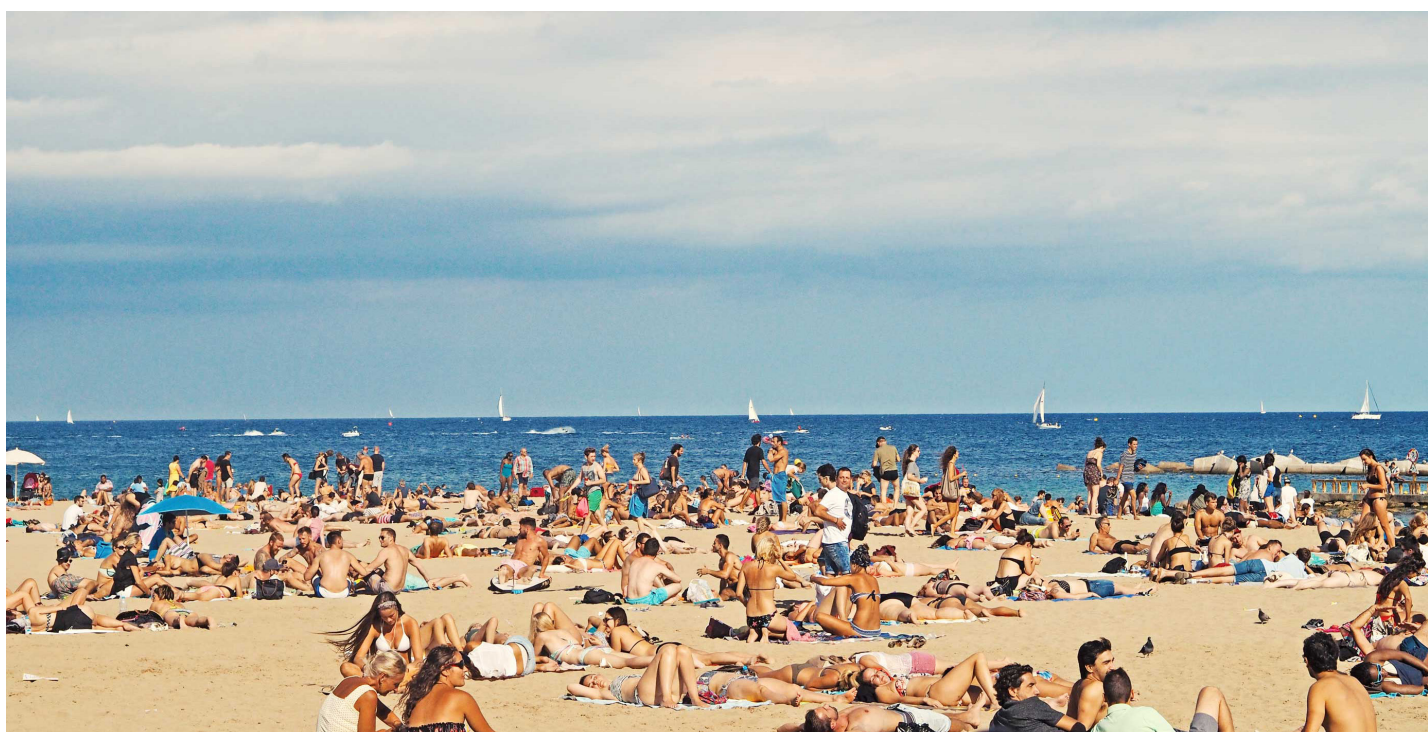
<sup>1</sup> Caribbean Tourist Organization; Latest Statistics 2015; p.5, accessed March 30, 2016, [http://www.onecaribbean.org/wp-content/uploads/Lattab15\\_FINAL.pdf](http://www.onecaribbean.org/wp-content/uploads/Lattab15_FINAL.pdf).

<sup>2</sup> "ACP - The Cotonou Agreement - International Cooperation And Development - European Commission", European Union, last modified 2016, accessed March 14, 2016, [http://ec.europa.eu/europeaid/where/acp/overview/cotonou-agreement/index\\_en.htm](http://ec.europa.eu/europeaid/where/acp/overview/cotonou-agreement/index_en.htm).

remained far beyond its ambitious goals, especially with respect to the tourism service sector. According to its Five Year Review “the modalities related to cultural industries and the tourism sector have not been implemented”<sup>3</sup>. Considering these shortfalls, why are the CARIFORUM members still going through with the implementation of the EPA? Are CARIFORUM members unwilling to stand in solidarity? Or are they too ‘small’ in these negotiations to make any sort of impact? To understand this apparent paradox, we first need to appreciate why it is in the best interest of CARIFORUM members to have included the tourism trade in services negotiations; then we can identify why the EPA has failed to realise its ambitions and develop some recommendations for improvement.

### **The Premise for Including the Tourism Industry into Trade in Services Negotiations**

Traditionally, trade policies focused on the manufacturing and agricultural sectors as well as in the export of raw materials, but since the early 2000’s the service sector presented a new niche for the region, especially in tourism. In the early 2000s the Caribbean tourism industry grew strongly,<sup>4</sup> but with the global financial crisis in 2008 the industry has somewhat stagnated. Therefore, it was beneficial to include the tourist industry, just like any other service industry, into free trade negotiations. The benefits were supposed to encourage competition, to increase growth and to improve economic efficiency.



*Image courtesy of [www.unspalsh.com](http://www.unspalsh.com) Photo by: Federico Giampieri*

<sup>3</sup> CARIFORUM-EU EPA; Five Year Review of The Cariforum EU Economic Partnership Agreement; 14 July 2015, 8, accessed March 30, 2016, [http://trade.ec.europa.eu/doclib/docs/2016/january/tradoc\\_154165.pdf](http://trade.ec.europa.eu/doclib/docs/2016/january/tradoc_154165.pdf).

<sup>4</sup> World Travel & Tourism Council; Travel & Tourism Economic Impact 2015 Caribbean, p.5, accessed March 30, 2016, <http://www.wttc.org/media/files/reports/economic%20impact%20research/regional%202015/caribbean2015.pdf>

In theory, the greater the number of competitors, the higher the odds to attract the cheapest and most efficient service providers. This should result in important welfare gains (lower prices, better service, more efficient use of resources etc.).<sup>5</sup> However, in the case of the Caribbean, foreign competitors often drive local service providers out of business. The Small Island Voice Global Forum (SIVGF) pointed out that most of the hotel chains in the Dominican Republic are owned by foreign entities, meaning that most of their revenue is repatriated outside the Caribbean.<sup>6</sup> Additionally, the number of competitors is often quite limited, meaning we can often observe a mere transfer of ownership from a state-owned monopoly to a private owned-one.

Having these specificities of the tourism industry in mind, it is even more important to integrate tourism into free trade negotiations in order to break North American and British hold with respect to foreign direct investment in the sector. In St. Kitts & Nevis or the Grenadines for example, North American and British investment represented more than 50% of total foreign direct investment in the early 2000s.<sup>7</sup> By opening the market to other European investors, CARIFORUM should increase competition and gain access to a larger market. Secondly, a comprehensive

free trade agreement should encourage best international practices within the tourism industry, i.e. with respect to international labour standards, investment into the development of human capital and respect of environmental protocols. The last point is relatively new and important because one of the main attractions of the Caribbean is its unique landscapes and diving paradises. Yet, if these assets are not conserved, Caribbean tourism will lose its attractiveness and the industry will suffer as a whole as it was seen in Negril, Jamaica. Formerly a diving paradise, too much waste water from surrounding beach resorts were poured into the ocean which severely damaged the reefs and curtailed the numbers of visitors.<sup>8</sup>

Therefore, in order to encourage the development of the tourism sector, the CARIFORUM-EU EPA included, for the first time, a Trade in Services section (Article 2) as well as a Tourism Services section. This EPA should have allowed the EU to provide technical and developmental support in collaboration with the CARIFORUM governments and representatives of the tourism industry to help developing tourism services through technology transfer, support for small and medium-sized enterprises (SMEs) in the tourism sector, mutual recognition of industry qualifications and support for tourism-specific environmental as well as quality standards.<sup>9</sup> But what went wrong?

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<sup>5</sup> World Bank, *Africa's Trade in Services and Economic Partnership Agreements* (Washington, DC.: World Bank, 2010), 35, accessed March 30, 2016, <http://siteresources.worldbank.org/INTAFRREGTOPTRADE/Resources/AfricaTradeinServicesandEPAsNEW.pdf>.

<sup>6</sup> Randsford W. Palmer, *The Caribbean Economy in the Age of Globalization*, (Palgrave MacMillan, 2009), 45.

<sup>7</sup> CARICOM, *Foreign Direct Investment Flows of CARICOM Member States 2002 – 2013*, March, 2014, accessed March 30, 2016, <http://www.caricomstats.org/Files/Publications/FDI/FDIReport2013.pdf>.

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<sup>8</sup> Randsford W. Palmer, *The Caribbean Economy in the Age of Globalization*, (Palgrave MacMillan, 2009), 43.

<sup>9</sup> David Jessop, "Should Tourism Give up on the EPA?," *The Caribbean Council*, March 25, 2014, accessed March 27, 2016. <http://www.caribbean-council.org/tourism-give-epa/>.

## The CARIFORUM-EU EPA: Issues and Possible Solutions

Unlike other less labour-intensive industries, the tourism industry relies heavily on human capital – it provides thousands of jobs to the Caribbean people. It is CARIFORUM's second largest employer and foreign exchange earner; and generates significant external tax revenues. However, boosting the tourism services sector in accordance with the EPA has been disappointing. One critic, working for the Caribbean Council, states that with respect to the implementation of the EPA "virtually none of what the tourism sector hoped for has happened"<sup>10</sup>. But why? While CARIFORUM did negotiate as a common bloc and hand in hand with its private sector counterparts on tourism issues, they appeared not to negotiate certain key aspects such as profit sharing agreements. CARIFORUM members should have insisted on the importance of a common tax on foreign companies' profit as well as the percentage of 'local' staff that needed to be employed in joint Caribbean-EU ventures. This way, they could have made sure to collect a least part of foreign companies' profit and would avoid that most benefits ultimately leak to the EU. Another suggestion to counteract this is to allow local Caribbean service providers in the tourism sector to develop clusters. Clustering allows service providers within the tourism industry to come together in a particular location and provide different specialised services. This in turn will encourage entrepreneurship as well as the opening of smaller but cheaper

accommodations for tourists, thus increasing competition and boosting the local economy.

Another reason for the failure of the EPA model is the uneven integration among countries.<sup>11</sup> The model has failed to work in tandem with the region's own integration scheme – CARICOM Single Market and Economy (CMSE) - because of considerable differences in development levels and differences in the scope as well as the sequencing of common policies.<sup>12</sup> Furthermore, unlike the EU, the vast majority of CARIFORUM countries have neither the competitiveness nor the capacity to export services to EU countries.<sup>13</sup> This problem could have possibly been avoided had the CSME policies been implemented prior to the EPA entering into force. Since the EPA is already in effect, the best option may be to renegotiate certain aspects of the EPA allowing for cooperation - rather than competition - between the two frameworks. In this sense, key performance indicators on development cooperation and development outcomes should be determined prior to the next review.<sup>14</sup>

11 Norman Girvan, "Economic Partnership and Asymmetrical Integration: An EU-Caribbean Tale" (lecture, St.Mary's University, Halifax, N.S., November 1, 2013), accessed March 27, 2016, <http://www.normangirvan.info/wp-content/uploads/2013/11/Alternative-Trade-WS-Presentation.pptx>.

12 Norman Girvan, "Economic Partnership and Asymmetrical Integration: An EU-Caribbean Tale" (lecture, St.Mary's University, Halifax, N.S., November 1, 2013), accessed March 27, 2016, <http://www.normangirvan.info/wp-content/uploads/2013/11/Alternative-Trade-WS-Presentation.pptx>.

13 Havelock R. Brewster, "The Anti-Development Dimension of the European Community's Economic Partnership Agreement for the Caribbean," March 6, 2000, accessed March 28, 2016, <http://www.normangirvan.info/the-anti-development-dimension-of-the-european-communitys-economic-partnership-agreement-for-caribbean-havelock-brewster>

14 Norman Girvan, "CARIFORUM-EC Economic Partnership Agreement – EPA : Norman Girvan," Norman Girvan.info, last modified 2016, accessed March 27, 2016, <http://www.normangirvan.info/category/epa-text-and-commentaries/>.

10 David Jessop, "Should Tourism Give up on the EPA?," The Caribbean Council, March 25, 2014, accessed March 27, 2016, <http://www.caribbean-council.org/tourism-give-epa/>.



Finally, the movement of natural persons through professional services in tourism has not materialised any benefits so far.<sup>15</sup> This is mainly due to the lack of Mutual Recognition Agreements (MRAs) in the tourism sector. MRAs are standards of accreditation where countries recognise their partners as being on equal footing. The MRAs that will allow CARIFORUM's independent services providers into the EU market are still not finalised. To date, the only professional area where discussions for negotiations have started is architecture. Furthermore, the MRA's under negotiation do not include persons without tertiary education or specialised skills, i.e. unskilled workers, as part of the agreement.<sup>16</sup> A regional accreditation body, which ensures that the CARIFORUM's qualifications are on par with the EU so that service providers can take advantage of the EPA, could be a solution. Training programs and incentives should also be offered to unskilled workers, providing them with accredited skills certificates, which would put CARIFORUM members in a more advantageous position vis à vis the EU.

point, as it does not seem ready to capitalise on the benefits of such an agreement. First, CARIFORUM states should encourage clustering in the tourism service sector and also continue to negotiate as a common bloc to face the EU on certain key issues such as profit sharing agreements. Second, it is in the best interest of CARIFORUM states to develop their CSME mechanism and encourage intraregional tourism service trade. Third, to fully profit from the EPA agreement, the regional accreditation body should hasten its implementation to facilitate the movement of both skilled and unskilled workers, of which the latter should be included in the agreement and provided with adequate as well as accredited training. Last but not least, constant review and collaboration is needed to fully grasp the potential of the tourism industry within the EPA.

## Scope for Improvement

Ideally, the EPA would materialise mutual gains for CARIFORUM and the EU, but to date the EPA has not met these expectations. CARIFORUM needs to re-evaluate its position and decide whether this agreement is in its best interest at this

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<sup>15</sup> Courtney Lindsay, "The EU-Cariforum EPA: Regulatory and Policy Changes and Lessons for Other ACP Countries," *Caribbean Journal of International Relations and Diplomacy* 1, no. 3 (2013): 5-29.

<sup>16</sup> Courtney Lindsay, "The EU-Cariforum EPA: Regulatory and Policy Changes and Lessons for Other ACP Countries," *Caribbean Journal of International Relations and Diplomacy* 1, no. 3 (2013): 5-29.







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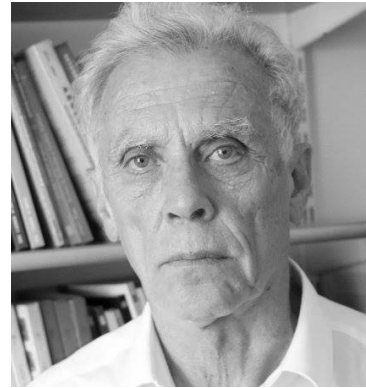
**CIVIL SOCIETY**



# CIVIL SOCIETY IN LATIN AMERICA

*By Francisco Pianizza*

*Senior Lecturer in the Department of Government  
at the London School of Economics and Political Science*



Dear Readers,

Latin America has a long tradition of social movements that have played a key role throughout its history. During the military dictatorships of the 70s and early 80s, union leaders and peasants and student leaders were victims of massive repression that left tens of thousands in the region dead and missing. At the same time, human rights movements played an important part in the resistance to the dictatorships of the time and together with other social organisations were at the forefront of the democratisation processes that followed.

Paradoxically, the return to democracy in the 80s and 90s resulted in a reflux of social movements. On the one hand, the return to democracy gave a new centrality to political parties. On the other hand, neoliberal economic reforms of the 90s weakened social organisations, particularly the labor movement, as a result of job insecurity and increasing informality and unemployment that characterised the economies of the time.

Yet, while societies became more fragmented and unequal, new demands linked to indigenous groups, the growing ecological

awareness and new forms of resistance to neoliberal policies emerged. The revival of social movements had its most important expression in the waves of mass protests at the turn of the century in countries such as Argentina, Bolivia and Ecuador that led to the fall of conservative governments and the rise of leftist and center-left governments. The economic boom at the beginning of the century and redistributive policies tempered but not silenced social unrest in the new century. Faced with the end of the economic boom and long-standing problems of inequality, criminal violence, corruption and various forms of social exclusion, social movements continue to have a central role in the long process of democratisation in Latin America.

Yours sincerely,  
Francisco Pianizza





Katharina Moers

Germany

Juliana de  
Moraes Pinheiro

Brazil



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*It thus becomes evident that poverty is not self-inflicted. In reality, the less fortunate experience a discriminatory cycle from which it is hard to break free.”*

*Juliana de Moraes Pinheiro &  
Katharina Moers*

SCI



*"Any law that the people have not ratified  
in person is void, is not law at all."*

*(Jean-Jacques Rousseau,  
The Social Contract, 1763)*

# BUILDING BRIDGES - DRAWING BORDERS

*By Juliana de Moraes Pinheiro (Brazil) & Katharina Moers (Germany)*

*„Building Bridges: Drawing Borders“ presents the results of a micro-level case study about inequality and social stratification in Brazil. The article compares the lives of two young women who grew up in neighbouring municipalities in the state of São Paulo in a ‘favela’ (shanty town) and gated community, respectively, which reflect the social inequality between them. In spite of the introduction of more integrative policies in the past, the underlying problem remains the same: Because of a gap between the rich and poor, the majority of Brazilians miss the opportunity to improve their quality of life in the long run.*

There are several similarities Jessika, 27, and Ana, 28, share: both of them grew up in the Northwestern outskirts of the metropolitan area of São Paulo. Carapicuíba and Alphaville are located in immediate proximity, divided by a bridge. Still, there are differences regarding their family backgrounds, available financial resources, as well as their access to quality education.

Their wishes for the future require a strong family structure and access to a solid school system to be able to enter the competitive job market.

The two women have similar hopes for the future, but not the same chances. What can be done to break this vicious cycle that predetermines the socioeconomic status quo of the less privileged?

## Social Inequality in Brazil

The unequal distribution of resources in Brazil originated in the colonial era.<sup>1</sup> The enslavement of African natives led to a division of the Brazilian society into latifundistas (property owners) and slaves.<sup>2</sup> Initially based on race, social inequality

<sup>1</sup> Cancelini, N. G. "Modernism Without Modernization" in Hybrid Cultures - Strategies for Entering and Leaving Modernity. Minneapolis: University of Minnesota Press, 2011.

<sup>2</sup> Frankema, E. "The Colonial Origins of Inequality in Latin America: Exploring the Causes and Consequences of Land Distribution" in Klasen, S. and Nowak-Lehmann, F, Poverty, Inequality, and Policy in Latin America, Cambridge: The MIT Press. 2008.



was further entrenched through centuries-long weak protection of property rights.<sup>3</sup> In the 20th century, after twenty-one years of dictatorship,<sup>4</sup> the income gap grew exponentially due to neoliberal policies and high inflation.<sup>5</sup>

During the democratisation in the 1980s,<sup>6</sup> the political make-up changed and mass migration was followed by ghettoisation as a side effect of unsustainable urbanisation.<sup>7</sup>

An enlargement of the informal sector excluded numerous citizens from the welfare system.<sup>8</sup> Today, favelas and gated communities depict a pattern of segregation by class and status.<sup>9</sup>

Against this background, Jessika and Ana answered interview questions concerning their family history, education, occupation, household income, dependents, savings and future dreams. Race and ethnicity are neglected as determinants

for social inequality, since both women are white Brazilians of European descent.

Jessika, 27, has been living with her partner for ten years in Carapicuíba, where she grew up. She was pregnant with her third child when the interview was conducted (February 2016). Conscious of her childhood showing a rather dysfunctional family structure, Jessika shared that the separation of her parents, changing partners and step-siblings caused unstable family relations. Hoping “to be a present mother,” she does “not want to fail like [my] mother did.” Jessika always saw her mother “as a sister who did fun things, but never checked [my] homework nor took [me] to school.” She attended public schools, but did not complete high school later on. Jessika worked as a telemarketer for two years, but is now unemployed. Although dreaming of going back to school to build a career, she admitted that her children are her top priority. She longs for having a night out with girlfriends: “I don’t remember the last time I did something fun, now I would need liposuction in order to dress up!”

In comparison, Ana, 28, lives in Vila Madalena, one of the trendiest areas of São Paulo. After graduating with a Master’s degree, Ana works as an architect and plans to adopt a child in the future. She stated: “I studied in a semi-private school, and earned my degree from the University of São Paulo. I would like my children to have access to the same opportunities.” Ana is an independent woman, excited about her new trend on designing exotic wooden chairs. She enjoys everyday life having fun with friends around the city and is planning her next trip abroad.

3 Avelino, G. “Democratización y Gasto Social en América Latina, 1980s-1990s” in Andrés Pérez Baltodano, *Globalización, Ciudadanía y Política Social en América Latina: Tensiones y Contradicciones*, Caracas: Nueva Sociedad. 1997.

4 A. Portes and K. Hoffman, “Latin American Class Structures: Their Composition and Change During the Neoliberal Era,” *Latin American Research Review* 38, no. 1 (2003): 41-82.

5 Hoffman, R. “A distribuição da posse da terra no Brasil de acordo com as PNADs de 1992 a 1999” in Conceição, J. C. and Gasques J. G., *Transformações da agricultura e políticas públicas*. Brasília: IPEA. 2001.

6 Calvacanti, C. “Government Policy for Sustainable Development: Building Sustainability in Brazil” in Cavalcanti, C., *The Environment, Sustainable Development and Public Policies*, Cheltenham: Edward Elgar Publishing Limited. 2000.

7 E. Klein and V.E. Tokman, “La Estratificación Social Bajo Tensión En La Era de La Globalización,” *Revista de la CEPAL* 72 (2000): 7-30.

8 F. Filgueira, *Welfare and Democracy in Latin America: The Development, Crises and Aftermath of Universal, Dual and Exclusionary Social States* (Geneva: UNRISD, 2005), accessed September 22, 2016, <http://www.unrisd.org/80256B3C005BCCF9/httpNetITFramePDF?ReadForm&parentunid=>

9 Marques, E., Bichir, R. and Scalón, C. “Residential Segregation and Social Structure in São Paulo: Continuity and Change Since the 1990s” in T. Maloutas and K. Fujita, *Residential Segregation in Comparative Perspective*, Farnham: Ashgate Publishing Limited. 2012.



In Brazil, the number of graduates has been growing from 4% in 1982 to 11% in 2009, due to the liberalisation of the regulatory system through quotas and government programmes like Pro-Uni providing scholarships to students in private universities.<sup>10</sup> As a consequence, parallel structures of private and public services have developed.

Many people with good economic conditions prefer private primary schooling. Public and federal universities in Brazil, however, enjoy a much higher recognition than private ones. They are free of charge, but require candidates to go through a competitive exam (vestibular), which, in the majority of cases, only students from private schools pass successfully. Ana's household income amounts to approximately R\$ 3,000 (approx. €830 - as of August 2016), almost twice as much as Jessika's. She plans on having her children educated in private schools, whereas Jessika cannot afford this luxury.

## **Social Programs Improving the Lives of the Poor**

The differences in living conditions of Jessika and Ana are comprehensible, factoring in that historically the access to public services differed and is still bound by the availability of financial resources. Brazil underwent rapid economic growth after the turn of the millennium. Since 2003, an inclusion of the underprivileged has been observed, after former President Lula da

Silva (Worker's Party, in office from 2003 to 2011) introduced a set of social policies. As a result of the conditional cash transfer program Bolsa Família<sup>11</sup>, which links school attendance to a grant, there was an average increase in schooling from 5.8 to 8.3 years, representing a 42% hike from 1995 to 2009. Other achievements related to Bolsa Família include the expansion of rights (access to social services through formal citizenship), the reduction of child labour, a notable improvement of nutrition and coordination among ministries in education and health. Jessika is a recipient of the monthly grant of R\$236 (approx. €65 - as of August 2016), for which sending her children to primary school is a precondition.

Although these types of social programs have greatly improved the lives of many households, the quality of such must still be honed. Bolsa Família has the potential to be expanded and improved, as its application process has been perceived as being complicated by beneficiaries, and government spending has remained low.<sup>12</sup> What is more, there is no strategy to enhance independence of families in the long run.<sup>13,14</sup>

11 Bolsa Família was initially developed as Bolsa Escola conditioned on school attendance only by former governor Cristovam Buarque in 1995. Gradually being adopted by municipalities, Bolsa Escola was federalised under Fernando Henrique Cardoso. In 2003, with his Fome Zero anti-hunger programme, Lula merged Bolsa Escola with Bolsa Alimentação, Cartão Alimentação and Auxílio Gás, creating the Bolsa Família. This merging of policies led to the creation of a new Ministry - the Ministry for Social Development and Fight Against Hunger - reducing administrative costs and easing bureaucratic complexities. Other new policies under Lula, and also Dilma Rousseff, included Prouni, FIES, SISU and Science without Borders.

12 P. Ferreira de Souza, Poverty, Inequality and Social Policies in Brazil: 1995-2009 (Brasília: IPEA, 2001), accessed September 22, 2016, <http://de.slideshare.net/ipcig/poverty-inequality-and-social-policies-in-brazil-19952009>.

13 Baer, W. "Economic Orthodoxy vs. Social Development: 2002-2007" in W. Baer, The Brazilian Economy - Growth and Development, London: Lynne Rienner Publishers Inc. 2008.

14 S. Handa and B. Davis, "The Experience of Conditional Cash Transfers in Latin America and the Caribbean," Development Policy Review 24,

10 A. Comin and R. Barbosa, "Trabalhar Para Estudar: Sobre a Pertinência da Noção de Transição Escola-Trabalho No Brasil," Novos estudos - CEBRAP 91 (2011): 75-95.

While the conservative opposition is hesitant on the inclusion of people by decree, President Dilma Rousseff (Worker's Party, in office since 2011) introduced further social programmes.<sup>15</sup> For instance, quotas requiring federal public universities to reserve half of all admission spots for underprivileged students were introduced.<sup>16</sup> However, based on a longstanding belief in meritocracy, critical voices were raised on inclusive measures. Racism is another underlying reason why social inequality and stratification is still preserved in Brazil. Even though the country's flag carries the phrase "Order and Progress", Brazilians have been facing stagnation of the status quo and a lack of social development.

A vicious cycle determines future expectations before birth. Jessika's concerns regarding her children's future are justified. Access to education is strongly associated with family income: One more year of parents' education prolongs their children's curriculum by around 0.27 years.<sup>17</sup> Sports and arts also play an important role in societal development. Many children are sent to soccer, volleyball, ballet or music schools with the hope of a shift in the family prospects, as stars like Marta and Neymar have accomplished.

Although this comparison between only two women risks generalisations, it

no. 5 (2006): 513-36.

15 S. Morley and D. Coady, *From Social Assistance to Social Development: A Review of Targeted Education Subsidies in Developing Countries* (Washington: Institute for International Economics, 2003).

16 Simon Romero, "Brazil Enacts Affirmative Action Law for Universities," *The New York Times*, August 30, 2012.

17 Hoffman, R. "A distribuição da posse da terra no Brasil de acordo com as PNADs de 1992 a 1999" in Conceição, J. C. and Gasques J. G., *Transformações da agricultura e políticas públicas*. Brasília: IPEA. 2001.

has revealed that factors such as gender, socioeconomic background, level of education, occupation and region influence social inequality. It thus becomes evident that poverty is not self-inflicted. In reality, the less fortunate experience a discriminatory cycle from which it is hard to break free.

### Education, Media and Economy Remain Challenges

Current trends point to an alleviation of inequality due to the rise of the middle class based on economic growth. An increase in wages enables the reallocation of resources, for instance the monthly minimum wage increase since 1995 has led to a decline in the poverty rate.<sup>18</sup> Additionally, the rise of women in the workforce since the beginning of the 1980s has initiated a soft shift towards progress, yet there remains a need for a reduction in social inequality.<sup>19</sup> One could hope that Jessika's children will be able to choose from different options in their lives. But this will depend on current trends remaining on the rise, which cannot be taken for granted.<sup>20</sup>

There are three main challenges regarding the alleviation of social inequality in Brazil. Due to a limited access to quality education, there is a lack of social mobility within society. As mentioned before, education is a key element to affecting change

18 J. Myles and J. Quadagno, "Political Theories of the Welfare State," *Social Service Review* 76, no. 1 (2002): 34-57.

19 Neri, M. "Income Policies, Income Distribution, and the Distribution of Opportunities in Brazil" in L. Brainard and L. Martinez-Diaz, *Brazil as An Economic Superpower? Understanding Brazil's Changing Role in the Global Economy*, Washington D.C.: Brookings Institution Press, 2009.

20 Wood, C. & Carvalho, A. "The baby bust" in C. Wood *The Demography of Inequality in Brazil*, Cambridge: Cambridge University Press. 1998.

in society and ending political exclusion.<sup>21</sup> Underlying structures such as a lack of reliable and unbiased information from the media, and cycles of corruption among the elites, reflect the many weaknesses of the still-young Brazilian democracy.<sup>22</sup> Also, economic growth recently suffered from decreasing commodity prices. Lastly, higher pensions and unproductive tax breaks led to a rise in the fiscal deficit from 2% of GDP in 2010 to 10% in 2015.<sup>23</sup>

## Taking the Right Steps into the Future

Based on the recent demographic change accompanied by more women in the workforce, a reduction in birth rates and a higher number of formal jobs, Brazil carries hope as a prominent regional powerhouse. For this hope to turn to reality, some additional steps should be taken.

First, the economy would benefit from the integration of more women in the workforce. Lacking financial means, Jessika described her life course like a series of events rather than expressing the self-determination of Ana.

Second, public schools should adopt reproductive education and family planning programs to prevent teenage pregnancies

and enhance young women's independence. Along with this measure, abortion rights need to be reformed to empower women with the freedom of choice. Essentially, if the government does not invest in quality education (teacher training, higher wages for staff, etc.), there will be no substantial change.

A third measure is to continue to formalise jobs, ensuring that the maids and construction workers who cross the bridge between Carapicuíba and Alphaville have proper labour conditions, including a reasonable salary, holidays, and a decent work schedule. Such measures have been partially taken. Even though maids legally need to be paid minimum wage, there are still households who exploit them, where their employers pay them much less. In this context, the rich who can afford house staff will need to increasingly contribute to the social development. Finally, they should be adequately taxed in order to facilitate a distribution of resources. The hope for change as well as social and gender equality is decisive to break free from vicious cycles and to build bridges rather than drawing borders across Brazil.

21 Bethell, L. "From Elections without Democracy to Democracy without Citizenship" in Maria D'Alva Kinzo and James Dunkerley, Brazil since 1985: Politics, Economy and Society, London: Institute of Latin American Studies UCL, 2002.

22 S.L. Engerman and K.L. Sokoloff, Colonialism, Inequality, and Long-Run Paths of Development", NBER Working Paper No. 11057 (Cambridge, MA: NBER, 2005), accessed September 22, 2016, <http://www.nber.org/papers/w11057.pdf>.

23 "Latin America - Brazil's Fall," The Economist, January 2, 2016.





Lilla Hajdú

Hungary

Renato  
Constantino

Peru



“

*It is not easy for all schools to achieve being fully inclusive overnight. Changing mentalities requires time. To carry out adjustments, money is needed, which is crucial for a successful educational reform.”*

*Renato Constantino &  
Lilla Hajdú*

SC2



# HOW INCLUSIVE IS INCLUSIVE EDUCATION?

## THE OPPORTUNITIES OF CHILDREN WITH DISABILITIES IN PERU AND HUNGARY

*By Renato Constantino (Peru) & Lilla Hajdú (Hungary)*

*Children with disabilities face many barriers throughout their lives. Educational systems must adapt to diversity rather than exclude it. Peru and Hungary are two examples that show some success and also some challenges yet to overcome.*

Inclusive education is one of the most powerful tools to overcome or reduce many of the barriers faced by children with disabilities (CWD). Based on a new understanding of education, educational systems must adapt to diversity rather than exclude it.<sup>1</sup> The cases of Hungary and Peru serve as interesting examples, as both are democratic countries with open economies, and both possess the particular characteristic of having adopted the model of inclusive education very early on (2003). In this article, we ask how the implementation process has been carried out in each country? Why was it done in that manner? Was the policy design adequate?

1 Muñoz, Vernor. El derecho a la educación de las personas con discapacidades. Informe del Relator Especial sobre el derecho a la educación, Vernor Muñoz. A/HRC/4/29, 2007, pár. 9.

### The Origins of Inclusive Education

Persons with disabilities have been traditionally excluded from having certain rights. Due to a perception that regarded them as invalids, many were completely separated from the formal educational system. Later on, it was agreed that they could enter an educational system, but not the same one as the rest of students. This is known as “special” or “segregated education”, and it is usually of lower quality.<sup>2</sup>

It was argued that students could learn better in homogenous contexts. In regard to race, Brown v. Board of Education vanquished this idea in the United States, which had a global impact. In spite of this, in regard to disability, this idea was still maintained. However, many international forums proposed the “revolutionary idea” that everybody could

2 Maria José Alonso Parreño and Inés De Aráoz Sánchez-Dopico, El Impacto de La Convención Internacional Sobre Los Derechos de Las Personas Con Discapacidad En La Legislación Educativa Española (Madrid: Ediciones Cinca, 2011), 20.



study together.<sup>3</sup> This suggests that diversity should not be conceived as a cost or a problem, but as something of value from which we could all benefit. These ideas were normatively enshrined in the Convention on the Rights of Persons with Disabilities (2006).

### Transforming Systems: what did Peru and Hungary do?

Inclusive education remains a goal that has not yet been fully achieved. Legislation, although necessary, is not enough. There must be greater public investment, and other measures that encourage the transformation of education should be implemented.

Both in Hungary and Peru, the year 2003 was the milestone for the beginning of inclusive education. In Hungary, institutions started to adapt, by modifying the Law LXXIX of 1993 of Basic Education.<sup>4</sup> In Peru, the promulgation of Law N°28044 General Law of Education marked the start of the “Decade of Inclusive Education 2003-2012”.<sup>5</sup> To demonstrate how both countries have progressed since, and to analyse their current situations, we present two hypothetical cases: the case of Daniel from Peru and the case of Sara from Hungary. Both of them are about to start elementary school. What opportunities do they have and what chances do their respective countries offer them?

3 For example, Conferencia Mundial sobre Necesidades Educativas Especiales: Acceso y Calidad, in Salamanca.

4 Law LXI. from 2003 about the modification of Law LXXIX. from 1993 of Basic Education. Törvények és OGY határozatok, “2003. évi LXI. törvény a közoktatásról szóló 1993. évi LXXIX. törvény módosításáról”.

5 Ley General de la Persona con Discapacidad – Ley 29973, published in el Diario Oficial “El Peruano” December 24, 2012.

First of all, both will have to take a test to determine what type of disability they have, what kind of attention they will need, and whether they will be able to study alongside the non-disabled students. In Hungary, this examination is carried out by the Special Pedagogical Service (PSzSz).<sup>6</sup> In Peru, this team is called the Service for Support and Counselling for Special Educational Needs (SAANEE).<sup>7</sup>

If both children were found to be able to attend a regular elementary educational program, would they have trouble finding a school? In theory, Daniel should not have a problem in Peru because Law N° 29973 prohibits discrimination and orders all educational centres to be inclusive and provide reasonable arrangements.<sup>8</sup> However, in practice, he would face many obstacles. If, for example, he lived in a rural area, he would perhaps find a small school with only one teacher. The school may not be prepared to offer such services and he would probably be rejected and advised to choose a special school. The testimony of a mother demonstrates this issue:

“I went and said: “Director, I have a special child.” He said, “let’s see, bring him”. Then, I took him and he told me: “Madam, you have to take him to a special school. There is a school over there, take your child there. It is not good if I take your child if he isn’t going to learn anything because of his deficiency. On

6 Ministerial Order on the Operation of the Institutions of Special Pedagogical Services. 15/2013. (II.26.) Wolters Kluwer, “15/2013. (II.26.) EMMI Rendelet a pedagógiai szakszolgálati intézmények működéséről,” Hatályos Jogszabályok Gyűjteménye.

7 Resolución Directoral N° 354-2006-ED, que aprueba Directiva N° 076-2006-VMGP-DINEBE “Normas complementarias para la Conversión de los Centros de Educación Especial en Centros de Educación Básica Especial – CEBE y los Servicios de Apoyo y Asesoramiento a las Necesidades Educativas Especiales – SAANEE”, published May 16, 2006.

8 Ley General de la Persona con Discapacidad – Ley 29973, publicada en el Diario Oficial “El Peruano”, December 24, 2012.

the other hand, there are special teachers for them over there.” (Mother of a CWD, Nauta, Peru)<sup>9</sup>

In Hungary, Sara’s parents already know they will not be able to take their daughter to just any institution they want, because the Law of National Basic Education does not order all schools to include CWD.<sup>10</sup> Nonetheless, those who decide to undertake this function must establish it in their foundational act.<sup>11</sup> On the basis of those acts, the experts’ commission should suggest a school for Sara. Unfortunately, there were no inclusive schools available near Sara’s home. In this case, a non-inclusive school would be assigned and it should adapt, or eventually, she could attend a special school.<sup>12</sup>

As has been shown, Peru has opted for general obligation of inclusion for all institutions. Hungary, on the other hand, has opted for a slower process, in which gradually more schools will adapt. Comparing the statistics of both countries, we can establish that in Peru, 85% of CWD attend regular schools.<sup>13</sup> In Hungary, this proportion only reaches 68%, although, since 2003 the percentage of CWD studying with their peers have been dynamically increasing.<sup>14</sup>

<sup>9</sup> Interview with a mother of child with disability in Nauta, Loreto, Peru, in the frame of a research on the situation of disabled children in Peru.

<sup>10</sup> In 2016, 36,9% of the institutions are inclusive. Calculation based on the statistics of the Education Office and the Central Office of Statistics.

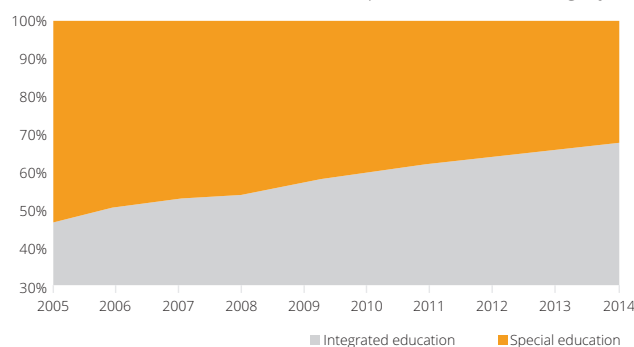
<sup>11</sup> Law CXC from 2011 on the National Basic Education. Nemzeti Jogszabálytár, “2011. évi CXCV. törvény a nemzeti köznevelésről”.

<sup>12</sup> Ágnes Tóth, “Theory and Practice of Inclusive Education in Hungary,” *Electronic Journal for Inclusive Education* 3, no. 2 (2014).

<sup>13</sup> Own calculation based on School Census 2015 and the information provided by the Ministry of Education through electronic communication with Isabel Nicerata Sánchez Salinas, Special Basic Educational Services Coordinator January 21, 2016.

<sup>14</sup> Own calculation based on the information of Central Office of Statistics. Központi Statisztikai Hivatal. Fogyatékossgággal élők.

Education of students with special needs in Hungary



Source: KSH

In conclusion, Daniel currently has more chances of being admitted to a regular school in Peru than Sara in Hungary. However, does this mean that he would receive an education of higher quality than a Hungarian child? Not necessarily.

## Making the Impossible Possible: Support the Inclusion

Arriving at the institution, Sara might have a teacher who is not thoroughly prepared for her education. However, many Hungarian schools hire special teachers; professionals who would teach additional classes imperative for the development of children like Sara. What is more, the special teacher would advise Sara’s regular teacher, an action that is of the utmost necessity, due to the fact that in Hungary, regular teachers are given little training on inclusive education during their studies.<sup>15</sup>

If the school that enrolls the child with special needs does not employ any specialised staff, there is also an itinerant special teacher

<sup>15</sup> Vargáné Mező, Lilla. *Inkluzív nevelés – Az integrált oktatás jogi háttere*. Kézikönyv a pedagógusképző intézmények számára. (Budapest: suliNova Közoktatás-fejlesztési és Pedagógus-továbbképzési Kht, 2006): 40-42, accessed March 15, 2016. [http://rs1.szif.hu/~nyeki/okt/jog\\_hatter.pdf](http://rs1.szif.hu/~nyeki/okt/jog_hatter.pdf)

available (provided by the PSzSz), who works at several institutions.<sup>16</sup> Due to this system, no CWD remains unattended, even with today's ever-increasing demand for special pedagogues. One of these professionals affirms this: *"As an itinerant special pedagogue, I manage to attend to all disabled children here, although in our district there is a high number of them (100-110 children), and we are just a few."* (Special pedagogue, Hungarian Great Plain)<sup>17</sup>

Meanwhile, Daniel probably will not find a special teacher in his school. The only way he can get professional support is via the itinerant special teachers from SAANEE. However, they cannot take care of all the children in need due to the severe lack of personnel (5 persons or less per SAANEE).<sup>18</sup> This may lead to Daniel not receiving the special classes that he needs, and his teachers not knowing how to treat him due to the lack of technical support. According to a report of the Ministry of Education from 2013, just 10% of Peruvian CWD received real support.<sup>19</sup>

Above all, his parents have to be prepared to potentially pay a fee for the provided service, as happened to this mother: *"As part of the expenses of the service, I needed to have an assistant especially for my daughter, which in this case can cost around 400 soles more."* (approx. €105 – as of August 2016) (Mother of CWD, Peru)<sup>20</sup>

16 Ministerial Order on the Operation of the Institutions of Special Pedagogical Services. 15/2013. (II.26.)

17 Special Pedagogue, interviewed by author March 19, 2016.

18 Informe Defensorial N° 155. Los Niños y Niñas Con Discapacidad. Alcances y Limitaciones En La Implementación de La Política de Educación Inclusiva En Instituciones Educativas de Nivel Primaria (Lima: Defensoría del Pueblo, 2011), 85-88.

19 Educación Básica Especial y Educación Inclusiva – Balance y Perspectivas (Lima: Ministerio de Educación, 2013), 31..

20 Interview with a mother of a child with a disability in San Juan de

Meanwhile, Sara will never have to pay for these services, since they are financed by the State.<sup>21</sup>

### Money Matters: the Financial Incentives

It is not easy for all schools to achieve being fully inclusive overnight. Changing mentalities requires time. To carry out adjustments, money is needed, which is crucial for a successful educational reform.

In Hungary, the institutions have a strong incentive to be inclusive: the financial subsidies. All of the public schools, and many private schools, are allowed to receive financial support for each student. In the case of children like Sara, the amount they receive for enrolment can be double or triple, depending on the type of disability. In other words, Hungary prefers to subsidise the demand.<sup>22</sup>

Peru, however, prefers to subsidise the supply, but in a very poor manner, as there is no focus on investment in education for CWD. For several years, the Ministry of Economy and Finance reduced the money designated to the SAANEE teams.<sup>23</sup> In recent years, a budget program sought to improve this, however the initiative focused more on the physical accommodation than on the training of teachers.

Miraflores, Lima, Peru, in the frame of research on the situation of children with disabilities in Peru.

21 Ministerial Order on the Operation of the Institutions of Special Pedagogical Services. 15/2013. (II.26.)

22 Law CXC from 2011 on the National Basic Education.

23 Informe Defensorial N° 155. Los Niños y Niñas Con Discapacidad. Alcances y Limitaciones En La Implementación de La Política de Educación Inclusiva En Instituciones Educativas de Nivel Primaria (Lima: Defensoría del Pueblo, 2011), 79 – 80.



	Peru	Hungary
Name	Daniel	Sara
Which school will she/he attend?	A regular school since discrimination is legally not allowed. Although in practice, there are discriminatory situations.	An inclusive school that is assigned by an expert team. Sometimes, there is no such school near the child.
Will she/he receive special support?	A very deficient external support. Private centres may cost money.	Yes, and it will always be free of charge. There will be external and internal support.

## Conclusions and Recommendations

We have found the following differences in three main areas:

	Peru	Hungary
Schools that enrol children with special needs	All of them due to obligation	Some of them do so, in an optional and progressive manner
Support provided to the CWD	Through an external team	In the educational institution (attended by the child) and through an external team
Funding	Supply based funding	Demand based funding

In spite of certain advances, both countries still face various challenges. Peru still needs to achieve an effective implementation, while Hungary requires more schools that undertake the task of inclusion. The adaptations show room for improvement in both countries: they need to strengthen their network of itinerant teachers and provide more special pedagogues that can advise their regular peers and take care of special needs.

Firstly, we must highlight the importance of the right funding of inclusive education. The Hungarian financial subsidies seem to be successful, as they have made schools interested in CWD enrolment. In addition,

they fund the actual amount needed by the institutions, since there is an increased subsidy for each student with special needs. It would be desirable to introduce something similar in Peru: a demand-based funding instead of supply-based funding. This would provide a great incentive for schools to carry out an effective inclusion.

Secondly, inclusive education requires more investment from the government to finance professional support. Due to the low number of special teachers (in SAANEE and in PSzSz), the service for students with special needs shows difficulties. Both Peru and Hungary will have to boost the training of these experts, and make this degree more attractive with worthy remuneration. The availability of more special pedagogues would also be an incentive for Hungarian schools to transform into inclusive institutions, as they would no longer fear a lack of preparation for the additional task.

Thirdly, we have found that the support provided solely by an external entity is insufficient. The commitment of the school itself is also necessary. This component is largely missing in Peru and requires more progress in Hungary. The inclusive school should hire a special pedagogue and should foster regular interaction and counseling with their peers, in order to train them to apply the best practices of inclusive education. These changes in the approach to inclusive education would be essential for a more effective implementation and the necessary change of mentality that is required in both countries.





Lily  
van der Loeff

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The Netherlands

Maria Cuellar

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Colombia

A stylized, light gray map of the Pacific region, including North America, Central America, the Caribbean, South America, and Australia, set against a dark gray background.

“

*The state's strategy should therefore not only focus on disbanding armed actors, but should also direct efforts towards dismantling illegal economies and territories that maintain and fuel the conflict. ”*

*Maria Cuellar &  
Lily van der Loeff*

SC3



# COCA AND CONFLICT

*By Maria Cuellar (Colombia) & Lily van der Loeff (The Netherlands)*

*The historical relationship between drugs and the Colombian armed conflict is an important aspect of the current peace negotiations. Anti-drug policy will also remain a major challenge after the end of the conflict. This begs the question: how should the Colombian government approach the problem?*

## Current Scenario

Throughout Colombian history, drugs and armed conflict have been in a contentious relationship. After more than fifty years of violence, two principal actors of the armed conflict have once again entered peace negotiations. Since 2012, the Colombian government and the country's largest guerrilla group, the Armed Revolutionary Forces of Colombia (FARC), have been negotiating a peace agreement.<sup>1</sup> It consists of five themes: land reform, political participation, rights of

victims, disarmament of rebels and illicit drug trade. On the 16th of May 2014, a preliminary agreement in terms of illicit drugs was signed, which will come into force once the entire agreement has been signed, presumably later this year.<sup>2</sup> Colombian President Santos described the draft agreement as the result of a commitment towards "dismantling the drug mafia structures and [...] promot[ing] a national program of crop substitution and alternative development." Most importantly, the agreement involves a "commitment by the FARC to contribute effectively to a definitive solution of the illicit drug problem and to end any relationship they may have had with the phenomenon."<sup>3</sup>

Even though the context of the illicit drug problem in Colombia might change once a peace agreement is signed, the drug

1 J Otis, "The Farc and Colombia's Illegal Drug Trade," Wilson Center 1 (2014): 1, accessed August 30, 2016, [https://www.wilsoncenter.org/sites/default/files/Otis\\_FARCDrugTrade2014.pdf](https://www.wilsoncenter.org/sites/default/files/Otis_FARCDrugTrade2014.pdf).

2 BBC (2016): Colombia-Farc peace talks delayed over 'differences', accessed August 30, 2016, <http://www.bbc.com/news/world-latin-america-35888464>

3 Juan Manuel Santos, "UN General Assembly 69th Regular Sessions," September 25, 2014, accessed August 30, 2016, [http://www.un.org/en/ga/69/meetings/gadebate/pdf/CO\\_en.pdf](http://www.un.org/en/ga/69/meetings/gadebate/pdf/CO_en.pdf).



problem itself would by no means be solved. What are the remaining challenges the Colombian government will face in their fight against the drug trade after the conflict has officially come to an end?

## Background and Context of the Colombian Conflict

The latest coca survey, conducted by the United Nations Office on Drugs and Crime (UNODC) in 2015, demonstrated that Colombia is once again the world's leading producer of coca.<sup>4</sup> Traditionally, the coca plant has played an important role among Bolivian, Peruvian and - to a lesser extent - Colombian indigenous populations since pre-colonial times.<sup>5</sup> After the discovery of cocaine, the bulk of coca cultivation initially continued in Peru and Bolivia, where cultivation had taken place for centuries. The leaves were then processed in Colombia and shipped off to the north of the continent. From the 1980s onwards, Colombian farmers discovered in several regions that Colombia also had suitable agricultural conditions for the crop.<sup>6</sup> When the cocaine boom in the US reached Colombian shores, the production of coca as the raw material for cocaine became increasingly popular and attracted the attention of armed groups.

Eventually, the FARC became an

important player in the illicit cultivation of coca. The FARC were originally founded in the mid-sixties as a response to a repressive political situation and unequal distribution of wealth.<sup>7</sup> After a short-lived political experiment in the eighties, which left many group members dead, it was decided that henceforth an armed struggle against the political status quo would be their modus operandi.<sup>8</sup> Initially the FARC did not want to be involved in the drug craze, claiming the drug trade had a corrupting nature. The enormous wealth the cocaine boom inspired, however, did not go unnoticed, and eventually the guerrillas decided to support the cultivation of coca.<sup>9</sup> FARC divisions from Putumayo, Caquetá, and Guaviare started taxing the coca farmers as a method of financing their armed struggle. This was called a gramaje, a farm tax.<sup>10</sup> Hereby, the stage for a sustained armed conflict and intensive drug trade that would last until today was set.

## The Peace Negotiations

The newest preliminary agreement on drugs contains the objective to introduce a coca crop substitution. Thus, the Programa Nacional Integral de Sustitución de Cultivos de Uso Ilícito (National Integral Program for the Substitution of Crops of Illicit Use - PNIS) seeks to assist communities that engage with illicit cultivation in the process

4 N Miroff, "Colombia Is Again the World's Top Coca Producer. Here's Why That's a Blow to the U.S.," Washington Post, 2015, accessed August 30, 2016, [https://www.washingtonpost.com/world/the\\_americas/in-a-blow-to-us-policy-colombia-is-again-the-worlds-top-producer-of-coca/2015/11/10/316d2f66-7bf0-11e5-bfb6-65300a5ff562\\_story.html](https://www.washingtonpost.com/world/the_americas/in-a-blow-to-us-policy-colombia-is-again-the-worlds-top-producer-of-coca/2015/11/10/316d2f66-7bf0-11e5-bfb6-65300a5ff562_story.html).

5 Ursula Durand-Ochoa, "Coca, Contention and Identity: The Political Empowerment of the Cocaleros of Bolivia and Peru" (PhD diss., The London School of Economics and Political Science, 2012).

6 HJennifer S. Holmes, Sheila Amin Gutiérrez de Piñeres, and Kevin M. Curtin, "Drugs, Violence, and Development in Colombia: A Department-Level Analysis," *Latin American Politics and Society* 48, no. 3 (2006): 157-84.

7 J.F. Rochlin, *Vanguard Revolutionaries in Latin America*. (Boulder: Lynne Rienner Publishers, 2003), 98.

8 R. Vargas, *The Revolutionary Armed Forces of Colombia (FARC) and the Illicit Drug Trade* (Amsterdam: TNI, 1999), accessed September 22, 2016, <https://www.tni.org/en/briefing/revolutionary-armed-forces-colombia-farc-and-illicit-drug-trade>.

9 T.R. Cook, "The Financial Arm of the Farc: A Threat Finance Perspective," *Journal of Strategic Security* 4, no. 1 (2011): 19-36.

10 Ibid.



of crop substitution and manual eradication by encouraging alternative development.<sup>11</sup> Instead of criminalising the entire drug chain, this agreement proposes to strengthen the institutional system in its fight against the drug trade by suggesting inclusive solutions to the communities that depend on illicit cultivation. The agreement also proposes a reform of the judicial system that leads to a focus on organised crime groups instead of farmers of illicit crops, recognising that the farmers are in fact the weakest actor of the production chain.<sup>12</sup> Therewith, the preliminary agreement shows a more inclusive and comprehensive approach where human rights are brought to the forefront of the discussion on illicit drugs.<sup>13</sup> The agreement remains a draft, however, as it will only come into force once consensus has also been reached on the other four themes.<sup>14</sup>

The suggested approach is more extensive than policy has been thus far. However, it cannot yet be hailed a success, as it needs to be analysed in conjunction with the entire peace agreement. The implementation of a process of transitional justice and integral reparations for victims of the conflict will be crucial for a successful implementation of the agreement. This should include a criminal investigation by

the Special Jurisdiction for Peace into the financing of the FARC through drug trafficking and other illegal activities. Other hurdles to cross are the suggestions made regarding public health, judicial changes and alternative development. Unfortunately, these will come at a high financial cost for the Colombian government.<sup>15</sup>

## Keeping Farmers in the Loop

The financial aspect might not, however, be the most challenging part for the Colombian government. It might be even harder to change the institutionalised rural structures of the drug trade. Even though a peace treaty might alter the context of the Colombian rural peripheries, the drug trade has become a resilient chain of production. As long as the demand for cocaine continues, the production chain will surely find its way to a market. A peace treaty and possible demobilisation of the FARC will alter the context and actors of the drug production, but therewith will not necessarily solve Colombia's illicit drug problem due to the large dependency of the rural population on the crop.<sup>16</sup> The violence caused by Colombia's civil war La Violencia (The Violence) and land concentration by large landowners, among other factors, pushed migrants into Colombia's peripheries between 1948 and

11 "Borrador Conjunto - Solución Al Problema de Las Drogas Ilícitas," Mesa de Conversaciones, May 16, 2014, accessed September 22, 2016, <https://www.mesadeconversaciones.com.co/comunicados/borrador-conjunto-soluci%C3%B3n-al-problema-de-las-drogas-il%C3%ADcitas>.

12 Ibid.

13 Lineamientos Para Un Nuevo Enfoque de La Política de Drogas En Colombia: Informe Final (Bogotá: Comisión Asesora para la Política de Drogas en Colombia, 2015), accessed September 22, 2016, [http://www.odc.gov.co/Portals/1/comision\\_asesora/docs/informe\\_final\\_comision\\_asesora\\_politica\\_drogas\\_colombia.pdf](http://www.odc.gov.co/Portals/1/comision_asesora/docs/informe_final_comision_asesora_politica_drogas_colombia.pdf).

14 Danielle Renwick, "Colombia's Civil Conflict," CFR Backgrounders, last modified August 25, 2016, accessed September 22, 2016, <http://www.cfr.org/colombia/colombias-civil-conflict/p9272>.

15 At the United Nations Special Session on Drugs, Dr. Carlos Medina, the Colombian Vice Minister of criminal policy and restorative justice, reaffirmed his country's commitment to putting two central issues on the UN agenda for the international regime of drug control, namely public health and human rights. These issues should not take second place to punitive measures according to Dr. Medina. The focus should instead be on humanising international drug policy. Accessed June 9, 2016, [https://www.unodc.org/documents/ungass2016/CND\\_Preparations/Reconvened58/Discurso\\_vice\\_saluddrogas.pdf](https://www.unodc.org/documents/ungass2016/CND_Preparations/Reconvened58/Discurso_vice_saluddrogas.pdf)

16 John Otis, The Farc and Colombia's Illegal Drug Trade (Washington: Wilson Center, 2014), accessed September 22, 2016, [https://www.wilsoncenter.org/sites/default/files/Otis\\_FARCDrugTrade2014.pdf](https://www.wilsoncenter.org/sites/default/files/Otis_FARCDrugTrade2014.pdf).

1955. This caused high levels of internal displacement.<sup>17</sup> For farmers arriving in these isolated areas, their limited means made coca a favourable crop due to its easy harvest, stable demand and the lack of infrastructure for heavier products.

Demobilising the FARC and sidelining them in the drug production chain, as a result of the peace agreement, would certainly change the context of the illicit drug debate in some of Colombia's rural peripheries. The FARC would lose an important source of income. It is important, however, to take into account the nuances in the relationship between the FARC and the coca trade. An uninformed observer might lump drug smugglers, coca farmers and paramilitaries under the same heading of drug criminal, but it is crucial to realise that each of these actors participates in the drug trade for different reasons.<sup>18</sup> Coordination between these groups varies considerably in the different regions of the country. This is paramount in analysing possible comprehensive ways out of Colombia's illegal drug trade. Moreover, a report of the Fundación Ideas para la Paz (Foundation Ideas for Peace - FIP) on illicit economies revealed that the FARC have been urging growers to plant more coca in order to obtain state benefits for coca cultivators after an agreement is signed.<sup>19</sup>

## Other Actors Endanger the Success of the Peace Agreement

Signing the peace agreement will not bring immediate peace to Colombia. If and when it is signed, the agreement represents the end of the armed conflict with only one out of Colombia's many armed actors.<sup>20</sup> In the meantime, other criminal actors remain highly involved in Colombia's illegal economies, including the drug trade. The presence of other armed actors will not naturally diminish once a peace agreement with the FARC is signed. Different contexts of armed conflict should therefore be taken into consideration. According to a report by the United Nations High Commissioner for Human Rights, "it is foreseeable that the cessation of hostilities and guerrilla demobilisation could lead to power vacuums and disputes over the control of illicit incomes generated by drug trafficking, extortion, human trafficking, prostitution, mining and co-optation of State resources."<sup>21</sup> A proliferation of new criminal groups, like the Usuga clan, is already taking place.<sup>22</sup> Such groups have been sidelined by the demobilisation of paramilitary groups earlier this decade, with some fusing with drug cartels. These criminal gangs, known as BACRIMS<sup>23</sup>, are involved in various stages of drug trafficking. This allows them to obtain resources to increase their military power and extend their territorial control. It is

<sup>20</sup> Ibid.

<sup>17</sup> N.A. Bailey, "La Violencia in Colombia," *Journal of Inter-American Studies* 9, no. 4 (1967): 561-75.

<sup>18</sup> Ibid.

<sup>19</sup> Juan Carlos Garzón et al., *Economías Criminales En Clave de Postconflicto. Tendencias Actuales y Propuestas Para Hacerles Frente*. (Bogotá: Fundación Ideas para la Paz, 2016), accessed September 22, 2016, <http://cdn.ideaspaz.org/media/website/document/56acd739de508.pdf>.

<sup>21</sup> Annual report of the United Nations High Commissioner for Human Rights and reports of the Office of the High Commissioner and the Secretary-General (New York: Human Rights Council, 2016), 7.

<sup>22</sup> Sibylla Brodzinsky, "Colombia's Road to Peace: New Militia Threatens Stability with Bloodshed," *Guardian*, April 7, 2016, accessed September 22, 2016, <https://www.theguardian.com/world/2016/apr/07/colombia-peace-talks-farc-el-n-guerrillas-usuga-clan>.

<sup>23</sup> BACRIMS stands for the Spanish "Bandas Criminales" – criminal groups.

conceivable that, with the demobilisation of the FARC, some armed groups will choose not to step down, as they know the different funding mechanisms and can exercise power over communities through violence.<sup>24</sup>

It is impossible to identify a single criminal framework responsible for the drug trade in Colombia. The state's strategy should therefore not only focus on disbanding armed actors, but should also direct efforts towards dismantling illegal economies and territories that maintain and fuel the conflict. The challenge is not to merely provide farmers with alternative crops, but also to identify and combat organised crime in a more comprehensive manner, tackling as many involved actors as possible.

## Policy Recommendations

Four main strategies should be followed at this point, in order to increase the effect of the peace agreement. First, the state should increase its institutional presence in isolated regions, in order to guarantee conditions of security for populations and territories that have been affected by illicit cultivation. Second, the state should adopt participatory policy-making that directly includes farmers. With a large-scale bottom-up approach, the issues that motivate farmers to cultivate coca can be addressed. This will increase the sustainability of the crop substitution programs. Third, investigations should be conducted, which focus on the networks of the drug chain, in order to identify legal and

illegal actors. This will allow the government to understand the financial mechanisms of illegal economies supporting armed actors. Finally, the Colombian government should consider regulating the production of coca leaves for ancestral medicinal purposes.<sup>25</sup> This requires strong monitoring mechanisms and support to communities. Most importantly, this means restoring trust in the state and government throughout the national territory.

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24 Pablo Medina Uribe, "Explainer: After the Farc, Colombia Still Has to Face Bacrim," Americas Society/Council of the Americas, January 6, 2016, accessed September 22, 2016, <http://www.as-coa.org/articles/explainer-after-farc-colombia-still-has-face-bacrim>.

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25 Juan Carlos Garzón and Julián Wilches, "¿Y Si El Gobierno Compra La Coca?," La Silla Vacía, February 29, 2016, accessed September 22, 2016, <http://lasillavacia.com/elblogueo/blog/y-si-el-gobierno-compra-la-coca-53198>

