



## IV375 - February 2006

### "A breath of red air"

27 February 2006, by **Édouard Diago**

The sixth stage of the WSF in Venezuela was a success. The radical wind that is blowing across the country was felt by the tens of thousands of Latin Americans and the Europeans who were present.



The eternal prognosis of the death of the WSF or its absorption by social democracy failed to materialise. The WSF is continuing on its way and in Caracas it received a breath of red air. The question of whether the WSF should take decisions about action or content itself with discussions remains posed.

But though the WSF did not make a choice, Chavez had no hesitation in giving his own opinion to the 15,000 people who were present at the meeting on Friday January 27th, which was shown live on television. He basically came down on the side of taking action in the face of the offensive by neo-liberalism and its wars.

The Venezuelan social movements had obviously not been included in the official framework of the WSF, and the opening march was to a large extent dominated by foreign delegations. The principal trade union organisation, the National Workers' Union (UNT) was conspicuous by its absence,

suspicious as it was that the WSF might appear as an event that was too much organised by the government.

But on the fringe of the official framework, in the popular neighbourhoods, in the barrios, in the factories, links were established. The meetings with the inhabitants of the La Vega barrio, Olivier Besancenot's visit to the SEL-FEX factory, occupied by its 240 women workers, the visit to the Fuerte el Tuna cultural project (self-managed and financed by the municipality), the discussions in the streets of the old city in which militants dressed in red took part, the people from the co-operatives, or the fact of taking part in television programmes...all that enabled us to confirm the importance of internationalism in order to resist and then to build a society radically opposed to capitalism. Here in Caracas, no one is afraid to call it socialism and questions of strategy are at the heart of the discussions.

We discussed these questions with hundreds of people. The Party of Revolution and Socialism was one of the organisations we discussed with, alongside militants from the "Our America - April 13th Movement" project, sectors taking part in the government, organisers of social missions...And that enabled us to improve our understanding of the

revolutionary process that is at work and the forms that our activity in solidarity and cooperation with it should take.

Venezuela was able to show the world its recent successes and the enormous challenges it will face in the coming period. The WSF also served to increase direct solidarity between Venezuela and the rest of the world. The rise of the Left in Latin America, in terms both of governments and of popular movements, the first measures taken by Evo Morales and the debates linked to the situation in Brazil meant that the questions concerning the anti-imperialist struggle were not simply a matter of posturing. They are having immediate consequences.

The Latin American situation is exciting, full of potential and full of risks. The potential is linked to the rise in the level of political consciousness of the masses. And the risks? There is in particular the risk of seeing the governments that are "reformist without reforms" get the upper hand in relation to the more radical and transforming projects in Venezuela and Bolivia. Lula's Brazil is going through a difficult phase and the outcome will weigh heavily on the entire sub-continent.



For Chavez, it is indispensable for the Left, even social-liberal, to win, so as to avoid an axis being created between the Brazilian giant and the

United States, with the military implications that this would have. Chavez is not, however, sowing any illusions about the ability of the government in Brasilia to carry out real changes.

As Plinio Sampaio, a Brazilian theologian who

recently left the governing Workers' Party to join the PSOL, put it concisely, "one of Chavez's big problems is Lula...".

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## Latin America - a Continent Turns Left

26 February 2006

From the introduction by Francois Sabado:

"Latin America has veered left. The combined outcome of a rejection of liberalism and mass movement resistance - some forms of which have opened onto pre-revolutionary situations in recent years, as in Venezuela, Argentina, Ecuador and Bolivia - the traditional right has undergone a series of electoral defeats. The next will most likely be the Mexican, Peruvian and Nicaraguan rights.

Colombia is the only major country where the reactionary right will in all likelihood continue to govern, with paramilitary support.

This situation is provoking new inter-capitalist contradictions, in particular new tensions with US imperialism. There is an option of "confrontation", which remains the choice of the Bush administration, of the reactionary right of most countries, and which can even take the path of military interventions, in particular around Plan Colombia, a

country where "US military advisers" are already present. But, at the present juncture, the US presence in Latin America is weakened by US strategic involvement in Iraq, in the Middle East and in Central Asia. Despite the US military power, it is proving hard to occupy Iraq through military means ...along with another country, in Latin America!"

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## "A government of the poor, for the poor"

26 February 2006, by Juan Ramon Quintana

**Rouge: The governmental cabinet does not come across as one that will bring tranquillity to the markets and to the United States. Is this a political signal that Evo Morales wanted to send?**

**Juan Ramon Quintana** - I think that this cabinet brings together the aspirations for change in Bolivian political life, insofar as it is made up of personalities who are close to the

people, close to ordinary people. The ministers are people who have worked with the social movements, who have fought against the neo-liberal order, and they, more than anyone else, illustrate the virtues of resistance. They have the opportunity to learn how to govern.



They have been chosen according to several criteria: this is a constellation that is representative of Bolivian society. There are four women, which is a first in Bolivian history. It is also a cabinet that reflects the participation of social movements. There is also a regional representation, there are intellectuals and university professors, as well as businessmen. In other words, we have managed to find a democratic, plural and coherent

formula that illustrates this desire for change.

**The appointment of Andres Soliz Rada also comes over as a strong signal to the oil companies, insofar as he has always defended the nationalization of gas, without making any concessions to them.**

Andres Soliz is a great fighter, who has always fought for the state to have sovereignty over its natural resources. He expresses an ideological struggle against the forms of imperialist domination of the United States, whether or not they are explicit. It is the continuity of the frustrated desire of nationalism that has existed since the 1930s. He is the heir of this current. He is not only an intellectual, but also someone who has taken part in social struggles.

**We were surprised by the appointment of Casimira Rodriguez to head the Ministry of Justice. It is an incredibly strong signal to appoint a cleaning woman to this post!**

It is the historic demand of a big majority of cleaning women who have always been marginalized, who are invisible to society, mistreated and excluded, treated like animals in our society. These women do not occupy a domestic space, but suffer every form of violence. Casimira Rodriguez illustrates the struggle against this centuries-long injustice against women of whom the majority do not have social security, citizenship, sometimes not even an identity card.

**As concerns the military general staff, will there also be surprises?**

I think that we are above all going to insist on the line laid down by the president, with criteria of selection based on respect for institutions, on respect for moral and ethical conduct, and lastly on a moral and patriotic reserve to defend the nation. These are the criteria that will guide our choice in this domain.

**You have previously stated that the police and the army will no longer be an appendage of the Drug Enforcement Agency (DEA), which coordinates the anti-drug struggle**

**in Bolivia and in Latin America. Do you maintain this attitude?**

Yes. A chapter of the political history of Bolivia, these last twenty years, has been the lending out of soldiers and police, who have been subordinated to foreign governments. Our government is going to restore sovereignty, by regaining it at the heart of the state, with the army and the police.

**Are we also entering into a new cycle of relations with Chile?**

Yes, we think so, we are optimistic on this subject. Two new presidents are together entering a new epoch for Latin America. There is a sincere leadership on the part of the Socialist Party in Chile. Chile is showing signs of breaking with the traditional conservatism that has characterized its relations with Bolivia. Our president has the strongest historical legitimacy to be able to resolve the dispute that has separated us from this country for such a long time.

**Is the appointment of Soliz Rada also the sign that the relations between Bolivia and its neighbours on the energy question are going to change?**

Yes, because the changes in the organization of the executive power are going to illustrate the profound transformations of the state, first of all on the economic level. We are going towards a mixed economy, no longer a 100 per cent market economy. An economy where the state will be a central actor of the productive sector, where it will be the organiser of the economy, on a national level and abroad, for example in the energy domain.

The time has also come to put in place a government of the poor by the poor, with a presence of indigenous people that is no longer the caricature that was offered by Sanchez de Lozada from 1993 to 1997. We also need the presence of women. But this government is showing signs of being effective in terms of public investments, of the fight against corruption, discrimination and impunity.

These will be the axes of

transformation of the state. Corruption was the weapon of state functionaries. Exclusion was the sign of racism. All that is going to change with this government.

**One of the balance sheets we can draw from the inauguration of Evo Morales seems to be the symbolic affirmation of a rapprochement with Cuba and Venezuela, within what is being called "the axis of good". Do you share this perception?**

I think that the relations between Bolivia, Havana and Caracas are taking on a new dimension on the level of cooperation in the fields of education, health, technique, etc. That is also reinforcing the nationalist line of our government on the energy question. There is a convergence with certain policies of Cuba and Venezuela. This axis is going to have to all intents and purposes the same status, in terms of its relevance, as the Buenos Aires, Brasilia, Montevideo, Asuncion axis has for Bolivia.

In the region, our insertion must be based on energy, while our cooperation with the Caribbean has more to do with social cooperation. These two axes are an equation for the unity of Latin America. There is no supremacy of one of the two axes over the other. They are complementary axes, which enable us to maintain an equilibrium in the region and to be less vulnerable to external instability.

It is a virtuous equilibrium where, for the first time in its history, Bolivia has an incredibly important weight for exercising an indigenous leadership. We are going to export our specific leadership in the region.

**Are you going to develop a "coca diplomacy", in favour of its depenalisation?**

Yes, we are going to insist in Europe, in Asia and elsewhere, on this policy which the president has called "zero drug traffic, but not zero cocalero". What Evo Morales means is that we have to revalorise coca through its many possible uses, not only commercial but also and especially medical, for the health of humanity.

We have to give the coca leaf a humanitarian connotation. That obliges us to extend our markets for legal consumption of coca, in the first place with our neighbours. Because of the criminalisation of the coca leaf in recent years, we cannot make visible what could be called the other frontiers of the coca leaf. They have tarred us with this question, to the point of making our people doubt its own beliefs concerning this leaf and

its importance in our culture.

**Despite the important post you hold, you remain a personality who is not well known, even in Bolivia. Could you introduce yourself to our readers in a few words?**

I have had a rather strange personal trajectory. When I was small, I wanted

to be a priest, and I finally ended up in the army. Once I was in the army, I wanted to become a lawyer in order to defend those who were poorest and who were mistreated in the army, and that is how I became a sociologist. As a sociologist I wanted to work on the sociology of violence, and I ended up by becoming involved in politics. Now that I am a politician, I am wondering how my engagement as a soldier in the service of the people will end.

## The Morales government

26 February 2006, by **Herve do Alto**

On the morrow of his triple inauguration - before the indigenous peoples of America at the Inca temple of Tiahuanaco; in the Congress building where he officially became President of the Bolivian Republic; then in the historic Plaza San Francisco where he swore allegiance before the social movements - Evo Morales presented his governmental cabinet on January 23rd in La Paz.



The announcement of the MAS government certainly invalidated many prognoses: whereas some people were expecting Morales and Garcia Linera to show signs of moderation to the United States and to the multinationals who are present in Bolivia, it was finally a government equal to the hopes of the popular movements that was designated, during a ceremony which saw many ministers accepting their new appointment with clenched fist raised, as a sign of the pursuit of the struggle against imperialism and for social justice. This government was described as "radical" by the right-wing press, and as "bringing hope" by the left press.

Obviously, the first salient characteristic of this cabinet is the massive presence of leaders of social movements. This is the case, for

example, of the trade unionist Santiago Galvez, who was made Minister of Labour, of the leader of the Federation of Neighbourhood Committees (FEJUVE), Abel Mamani, appointed Minister of Water, and of Walter Villaroel, co-operative miner, who is now Minister of Mines. Some appointments even surpassed people's wildest hopes: this was the case with the appointment of Casimira Rodriguez, leader of the Union of Women Cleaners, to the Ministry of Justice.

Finally, we should take note of the fact that it is the radical trade unionist Hugo Salvatierra, openly hated by some big landowners of the Santa Cruz region, who is at the head of the Ministry of Rural Development

Some of these appointments have given rise to some discontent, often due to the divisions that affect the social sectors from which the new ministers come, as in the case of Villaroel, who is contested by the miners of the state sector.

Nevertheless, the predominant feeling is that this government is representative of the working people of Bolivia. To such an extent that even the secretary of the Bolivian Workers' Coinfederation (COB), Jaime Solares, despite his constant criticism of the MAS, expressed his satisfaction that Galvez was in the government.

The so-called "political" ministries have mostly been given to men and women in whom Morales has confidence: the Minister of the Presidency (Prime Minister) is the sociologist Juan Ramon Quintana, the Minister of Foreign Affairs is the Aymara indigenist David Choquehuanca, while the Ministry of the Interior is headed by the MAS ex-senator, Alicia Munoz, the vice-ministry in charge of the coca question being given to Felipe Caceres, a cocalero from Chapare. The same goes for the main economic portfolio, the Ministry of Planning, of which the Keynesian Carlos Villegas is in charge.

Some ministerial appointments have nevertheless had people wondering, such as that of the businessman from Santa Cruz, Salvador Ric, appointed Minister...of Public Services, who is suspected of representing the cruceño private sector, but who has however been involved in the MAS for several years.

The Minister of Defence, Walker San Miguel, proposed by an electoral ally of the MAS, the Movement Without Fear (MSM) is on the other hand openly contested by many social leaders: his collaboration in the process of "capitalization" (privatization) implemented by former president Sanchez de Lozada, who was driven out of Bolivia during the

October 2003 events, is an established fact. Was this just a casting error?

The radical profile of the rest of the government makes it a plausible hypothesis, even though for the moment, despite the criticisms, Morales has decided to keep him in his cabinet.

Over and above the names of the ministers, it is interesting to see that the first positions of the MAS on the "hot" dossiers augur an unyielding attitude towards both the United States and the multinationals. Andres Soliz Rada, who is in charge of the key Ministry of Hydrocarbons, and who was for a long time opposed to the MAS, which he reproached with not

advocating a genuine nationalization of gas, has announced that there will be an audit of all the oil companies which are present in Bolivia. He has already succeeded in making the Spanish company Repsol back down, by forcing it to admit that it had committed fraud by putting on the New York Stock Exchange gas reserves that in fact belong to the Bolivian state.

Another point of contention is the invitation for tenders to exploit the mining reserves of Mutun: Morales himself gave his approval in December for it to be maintained, whereas many unions pointed out that the conditions for sharing out royalties would only leave crumbs for the Bolivian state.

Now, the Minister of Mines Villaruel has finally announced that it is being suspended in order to review the present Mining Statute, so as to give the state back sovereignty over all mining resources, and to revise the sharing of the profits they generate in order to make it much more favourable to Bolivia.

Although we will still need time before we can formulate the first judgments on the actions of the MAS government, there is nevertheless no doubt that its first tentative steps are going in the direction of satisfying the popular demands of the famous "October agenda". And so they keep alive the hope of building a real alternative in Bolivia.

## World Economy - Tendencies and Tensions

19 February 2006, by Eduardo Lucita

Since the beginning of 2003, after the launching of the war machine, a new economic upswing may be observed, particularly in the United States economy, which is hegemonic on a world level and has a global impact which is proportionately bigger than its specific size.

Since then military spending and the lowering of interest rates in the United States have operated as anti-crisis mechanisms, while supply-side policies have been relaunched through the reduction in taxes of big corporations and high income sectors.



The wider result has been an increase in domestic consumption -centered on the so-called real estate "bubble"-, the extraordinary growth of the trade and financial deficit and a growth of the foreign debt. One of the key debates among economists is if this upswing will lead to a soft landing - that is to say, if the tensions generated by the fall of the dollar will be administered to avoid or soften the consequences of

a recession - or if a hard landing is inevitable, in that case the dollar will suffer a strong devaluation which would open the door to a generalized recession that will spread through the whole world economy.

The ongoing debates are not only related to this question, important as it may be. The role of China and of Southeast Asian countries as a rising sector of the world economy and the role they are playing in the administration of cyclical crises of the system cannot be ignored.

This regional block, whose economies advance toward their integration, tends to equal the block of the European Union and threatens to challenge US economic hegemony in the coming decades.

Underlying these tendencies there is another question: A profound process of non-antagonic but contradictory process which has as an objective the reordering of the world. What is at issue is the future administration of the planet, between a unipolar capitalism centered on the United States, or a multipolar one

administered by the United Nations.

The mechanisms of accumulation through "dispossession", typical of the epoch of primitive accumulation, expanded during the last 25 years under the aegis of financial hegemony. Displacement of populations and appropriation of territories; sacking of natural resources; expropriation of ancient knowledges of indigenous peoples; comodification of essential services... Latin America has been one of the regions that has suffered the most from these global policies.

The public debt of countries of the periphery became an expropriatory mechanism which not only transferred an enormous amount of resources to the central countries but which also limited and limits any alternative policy. The social regression imposed around the world, the imposition that is as illegitimate as it is unpayable and the failure of the plans of recovery and development have led to the discrediting of international financial organisms such as the International Monetary Fund, the World Bank, or the Interamerican Bank of Development.

The ferocity of this pillage has provoked strong resistances that are expressed in the diversity of the worldwide alter-globalisation movement, which exhibits specific forms and dimensions in Latin America.

Such is the meaning of peasant, indigenous, ecological, and civil society movements in defense of food sovereignty; of biodiversity and ecological equilibrium; of strategic resources for life and development such as hydrocarbon and water; against privatisation of services, public pensions and culture; against free trade and free movement of capitals.

But the planet itself has rebelled. The natural catastrophes of the past year, the tsunami in the Asiatic coast; the earthquake in Kashmere and the tornadoes in the Caribbean and the South of the United States have exhibited a destructive capacity that has few precedents. They constitute a veritable insurrection of Nature against an economic system which maximizes profits without considering its effect on the natural habitat.

The prolongations of the wars in Iraq and Afghanistan; the failures of the WTO; the erratic course of the FTAA; the failure of the Plan Colombia and the Andean Regional Initiative; the discrediting of the Bush administration and its incapacity to impose its candidate as Secretary General of the Organization of American States; the uprisings and the overthrow of several governments in Latin America; the resistances that begin to suggest themselves in Europe, particularly in France; the disagreements regarding the final declaration between the United States and the governments of the countries that participated in the Fourth Summit of the Americas in Argentina, are all indicators that the weapons of neoliberalism no longer possess the sharp edge of other times.

Thus the tendency of the present world economic situation is as complex as it is contradictory and worrisome.

In what follows I will try to briefly present what I think are the principal tendencies and tensions of the world

economy, particularly those that in one way or another may have an impact on the economy of Latin America, whose crisis has deepened in the last decade.

### **Some features of the world economy**

1. Both on a world and a local level - although evidently with different degrees of intensity - are going through the exhaustion of the neoliberal phase of capital, even though some significant countries, such as Brazil and India, have belatedly adopted the regressive reforms that it favors. This exhaustion is a result of its success not its failure. A success because it has been able to impose most of its economic, if not its political, objectives. Exhaustion in the sense that it has lost vitality - that sweeping force that it exhibited from the second half of the 70's and particularly in the 90's in our region - to pursue regressive transformation. Of course its effects will be long-lasting.

This process began in the early 70's with the end of the long wave which had begun at the end of the Second World War - already by the end of the 60's the rate of profit of capitalists on a world scale was showing signs of serious weakening - followed by the oil crisis which led to the creation of a mass of petrodollars. A plethora of financial capital unable to find opportunities of productive investments at the required profitability.

Making what some authors call "use of the crisis" capital initiated a strong offensive against labor. A generalized and sustained offensive. Sustained because it developed continuously since the 70's to the present and generalized because it has been deployed against all working class conquests which had been erected through many generations of struggle as barriers to the voracity of capital.

The continuity of that offensive was part of a slow and extensive process of capitalist restructuring, a reordering of industrial spaces, of the productive processes and services, in which new technologies have played a

determinant role. This was linked to changes in the role of the State, the transition from what we knew as the "national welfare state" to what is now called national competitive state. In a few words, this means - deregulation, free trade, opening of the economy, free circulation of commodities and capital.

The general result of these changes has been the establishment of a relationship of forces favorable to capital at the expense of workers and the subaltern classes; a strong devalorization of labor power and strong increases in productivity.

2. This resulted in a recuperation of the capitalist rate of profit. Already by the end of the 80's the theorists of the French Regulation School indicated that the rate of profit in the central countries showed signs of recuperation; what capital was unable to find, given the lack of effective demand, was the way of realizing it.

Today demand has recuperated to a considerable extent - the reconquest of the markets of the so-called socialist bloc and of China are more than decisive in this recuperation - and this translates into strong increases in the global mass of profits and, as is logical, an increase in the rate of investment.

All of this restructuring process on a world scale took place under the hegemony of financial capital, and Argentina knows in detail what happens when accumulation is centered on financial valorization - shrinking of the internal market, decapitalization, deindustrialization, closing of sources of employment, accelerated deterioration in the quality of life of popular sectors, exponential increase in inequalities.

Now, linked to the weakening of the neoliberal phase productive capital has begun to gain ground on financial capital. These changes are much more notable in the central countries than in the periphery, but they also begin to be felt among us, and can be neatly perceived in the United States, the largest economy in the world. Some studies show that in the 80's and part of the 90's the subtraction that finance capital made of the profits of

nonfinancial enterprises was around 35%, at present this is around 20%, but in the moments of upswing it does not reach 10%.

A clear element of this tendency is the interest rate policy of the Federal Reserve between 2001 and 2004, which took the federal funds rate to 1%, an unprecedented level in the context of a very relaxed monetary offer.

In periods of hegemony of financial capital the capital/labor relation is diluted -obviously this does not mean it disappears, the insistence of capital to impose flexibilization of labor power demonstrates it- and attention centers in the conflict between different fractions of capital.

In Argentina, for example, through most of the 90's most progressive economists analyzed everything in terms of "entrepreneurial summits".

On the contrary, when productive capital becomes the protagonist the capital/labor relation regains center stage. The wave of trade union struggles in France beginning in 1995 with the strike of public employees, particularly railway workers, later followed in other European countries and also in the United States; the emergence of strong trade union movements in South Africa and South Korea; the emergence of new trade union organizations in France and Italy -the Sub trade unions and the *comitato di base*- and the present crisis and division of the AFL-CIO are some facts that should be kept in mind.

In our country, coinciding with cyclical upswing struggles of employed workers, new rank-and-file trade union leaders and even attempts to organize outside traditional structures have reappeared.

Now, progressive economists speak much less about entrepreneurial summits and they emphasize the distribution of income or wealth, which is a disguised way of speaking of the capital/labor relation since the orientation of the former affects one or the other component of the latter relation.

Nevertheless, we must not overlook the fact that in the United States economy the easy money policy stimulated financial "bubbles"; first in the stock market and, today, in real estate. Lately, specialized journals have underlined that bigger spending in the real estate sector accounts for 60% of the increase in demand in the United States. Some economists characterize this as an upswing "pulled by finance".

But the real estate "bubble" cannot equal the stock market bubble. The latter is based on plain and simple speculation, while real estate, even if it has a speculative component in the process of inflating prices, has a basis in productive activity. As is well known, the construction industry pulls along an important group of industries which imply productive processes, capital investments and creation of employment.

3. These world transformations have led - particularly after the implosion of the USSR and the fall of the Berlin Wall, which at the moment pushed forward the neoliberal offensive - to a new matrix of international relations in which growing interdependence between countries and the creation of regional economic blocks. These included the European Union, NAFTA, CAFTA, ASEAN, MERCOSUR, also the attempts to create the so-called Free Trade Area of the Americas (FTAA) - are the basis of what we know as globalization, a term which in fact does nothing but identify a new phase in the historic process of internationalization of capital, which as any process of such characteristics is neither linear nor automatic but has advances and regressions.

The disintegration of the Stalinist model in Eastern Europe and the Soviet Union put an end to the so-called Cold War, or policy of confrontation between blocks -the socialist camp and the capitalist camp, which again brought to light that there are oppressor and oppressed countries and that within all there is class confrontation and above all it made visible the intercapitalist contradictions and conflicts on a world scale.

If in the 80's the supremacy of the

United States was challenged by an emergent Japan and the European community, headed by Germany, today it cannot be doubted that the North American economy is hegemonic, to the point that an estimated 60% of the expansion of the world economy is accounted for by the economic growth of the United States.

This is more striking if we take into account the fact that the United States accounts for 21% of the world GDP, the European Union for more or less 24%, Japan 7%, and China, the emergent power of this epoch, more than 12% (some recent information indicate that China has recalculated its GDP which would be 20% higher than had been thought until now).

As can be appreciated, the world influence of the North American economy is proportionately larger than its participation in the GDP. Its growth is sustained by internal consumption. The United States lives above its means, it consumes more than it produces, and that gap is filled through imports. This is the reason for its present gigantic commercial deficit, which is in the order of 5.5% of its GDP. Its balance of trade is in deficit with all regions of the world, except with Latin America, where it enjoys a surplus.

We can thus understand the emphasis placed on the FTAA, the free trade zone from Alaska to Patagonia, proposed in the beginning of the 90's by the first President Bush, continued by the Clinton administration and that was supposed to be completed under the mandate of the second President Bush. That is to say, the FTAA has the support of Democrats and Republicans and it is a State policy of the United States.

But besides this deficit there is another one, the fiscal deficit, which is already above 4.5% (bear in mind that in 2000 the American budget showed a surplus!), which is a product of the need to finance the wars in Iraq and Afghanistan (it is predicted that in 2006 this will amount to \$361 billion) and the policy of tax reductions to corporations and the higher classes, as a means of generating internal consumption. Furthermore, the advance in internal investments in

recent years has been largely based on funds coming from other countries. The United States is today the largest debtor in the world.

It is this fiscal deficit of the United States, and the need of the European countries to abide by the budget standards of the European Union, that has led the IMF to adopt a policy of demanding payment of its loans to the main debtors to thus lower its credit vulnerability and demand less funds from the G7 countries. This has already been done by Russia, Brazil and Argentina, and other countries of lesser economic weight, in what some governments, trying to pass the payments as an autonomous policy, call "disindebtment".

**4.** The present growth of the North American economy is not only based on financial surpluses, it is also strongly stimulated by the military industrial complex. It is known that military spending has a strong multiplying effect, it is estimated that for each dollar handed over to the Pentagon the GDP grows 3.5 dollars after four trimesters. Thus the multiplication of military conflicts can be seen not only as a geopolitical instrument, facilitating the appropriation of natural resources and the imposition of a world "authority", but also as a means of activating the mechanism of accumulation.

Seeking to validate this state of violence the United States attempts to impose a new notion of sovereignty which would legitimize state violence. Thus in Kosovo military aggression was disguised as "humanitarian war"; in Afghanistan it was "anti-terrorist war"; in Iraq it became "preventive war". This perverse logic leads to a state of permanent war and this leads to a constant redefinition of the enemy to invent it or select it in each case.

Today it is much more evident that the present policy of permanent war and imperialist militarization are the direct result of a system of capital accumulation based on market globalization.

**5.** Never in the past did the United States have such a large trade deficit, and never in the past did it signify so much in relative terms in the world

economy. This is what has led some researchers and analysts to describe the international situation as "the world economy as one motor" and to ask for how long can the world count on US consumption.

There are some who argue that this situation cannot be sustained, that beyond short term fluctuations will remain in the depressive long wave that began in the 1960's, that the new financial crisis is in the offing, and that to balance their foreign trade the United States must devalue the dollar by 40% (in recent years it has lost around 35% vis-à-vis the Euro).

It is clear that if this were to happen - the much feared "hard landing"- it would lead to strong losses for the holders of US bonds, who would see their value collapse -these bonds are mostly held by China and Southeast Asian countries- which would lead to a commercial war of such proportions that could lead to a world crisis which some suspect may reach the extension of that of the 1930's.

But it is necessary to note when we look over the more recent cyclical crisis that if the frequency between them has been accelerating they do not longer originate as much in the central countries as in the periphery, and thus have a lesser impact on the world economy. Perhaps this mechanism of increased frequency combined with decentralization is operating as an escape valve that postpones a large crisis.

But there are those who argue that the world economy is no longer moving with only one motor, that there is a second motor which is none other than China, which after 26 years of sustained capitalist reforms has been growing at a very high rate for the past decades.

It is the largest world source of accumulation of productive capitals, which combine an active export policy with the development of the internal market and great infrastructural projects. China is today the world principal importer of steel, copper, cement and grain. It is increasingly interdependent with the world economy and the latter is in turn much more dependent on the development

of China.

Based on this objective situation other analysts sustain that the twin deficits of the United States do not constitute an unsolvable problem -although obviously they are a serious problem, to the point that the IMF has drawn attention to the risk that they pose- that will not lead to an abrupt fall of the dollar or a generalized recession. They argue that China and the Asiatic countries, and also Russia, will continue to buy the debt of the United States to sustain the dollar and maintain the competitiveness of their economies.

The case of China is paradigmatic: It must strongly develop its industrial sector since it must absorb a rural surplus population of 200 million people, and it needs no less than 10 years to do it.

**6.** There is talk then of a new Bretton Woods or of a "reborn Bretton Woods". In this implicit new "accord" the United States follow a policy of controlled weakening of the dollar; the countries of the Euro zone follow a policy of flexible exchange rates and inflation goals controlled by the central banks; while Asiatic countries resist the reevaluation of their currency to sustain their high levels of growth. This equation in the monetary system would allow to maintain the balance of power and the, obviously unstable, equilibrium of world finance -the more benign "soft landing".

Of course, in the original Bretton Woods, the periphery of the system, which acted to counterbalance the tendencies of the center which was then as it is today the United States, were the European community and Japan, a much more compact group of countries identified with a more general policy which were coming out of the war. But today the periphery identified with the countries of Asia is much more numerous and heterogeneous, and furthermore the European Union continues as a third force with its own policies.

On the other hand, the relaunching of a Keynesian world monetary order finds important obstacles. On the one hand financial capital -which has given up space but remains important-



would be seriously affected. On the other hand, big industrial capital continues to resist regulations to the free mobility of capitals since in the present framework it allows it to throw its surpluses in mentary markets to obtain profits above all in moments of lower levels of activity and, furthermore, because its expansion depends, in this stage, in the nonexistence of limitations to investments between nations. Thus the insistence of the big countries of the world on the "free circulation of capital".

Nevertheless, for other students and analysts this would be the first time since the Industrial Revolution that the demand for all commodities grows at the same time: Grains, minerals, energy and steel. Until recently, when the demand for one increased the demand for others fell and so on. Based on this unique character of demand, on the strong increases in productivity in the United States and of investments in China, they predict a new wave of capitalist growth. It should not be overlooked that India is growing at yearly rates in the order of 6 to 8 percent and that without reaching the extraordinary Chinese levels it is a strong attactor of investments and products for industry.

Of course, we should incorporate into the analysis the price of oil, which pushed by a growing demand is already over \$60 a barrel and there are those who augur that it will pass \$100 soon, and that if this price is maintained long enough a generalized recession is inevitable.

The projections of growth in China and in the countries of Southeast Asia allow for the supposition that in the coming decades they will constitute an economic pole capable of challenging US hegemony. Here one must wonder what will be the response on the military plane, where North American hegemony does not seem to be in danger.

In other words, how will the assymetry between the declining role of the dollar as a means of exchange and atesoramiento de valor OJO and its increasing military power be eventually resolved?

7. In Latin America, as an indication of the weakening of the neoliberal fase of capital, the so-called Washington consensus, formulated at the end of the 70's to impose a model of accumulation to replace the model of import substitution prevalent from the 40's to the 70's, has entered a cone of shadows.

The policies of structural adjustments favored by the consensus in the 80's and 90's have concluded with the exclusion from production and consumption of millions of people in all the continent. With a strong concentration of wealth and also a strong expansion of poverty. Today in Latin America almost half the population is poor and between 15 and 20 percent is indigent and social inequalities have increased.

After a quarter of a century the region does not count with a new model of accumulation and development capable of satisfying the growing needs of its population, on the contrary it is immersed in a social catastrophe without precedent. Latin America is again in transition, in search of a new horizon, after the neoliberal offensive.

The emergence of the Bolivarian Republic of Venezuela and its growing influence in the region means that Cuba is no longer alone. Big mobilizations and social insurrections in Bolivia were able to impose a democratic popular triumph of large proportions.

Ethnic, class and national interests find expression in this triumph of incalculable projections, which will have an effect in Peru, where the campaign of Ollanta Humala gathers strength, and also in Ecuador.

If they advance in this direction this would consolidate and Andean pole with governments arising from electoral processes of democratic nationalist characteristics with programs or proposals of reform which are "nonreformist" reforms in the sense that to sustain themselves they must advance to the achievement of new reforms. In a continuous process based on popular organization and mobilization which gives them a strong revolutionary content.

Furthermore, their principal leaders have declared themselves in favor of another type of Latin American integration, and from that angle they enter into a strong contradiction with local dominant elites and with the United States. We should not forget that there will also be elections soon in Mexico, Nicaragua, Ecuador, Colombia and Peru.

On the contrary, in Brazil the neoliberal course of the government of Lula leads to the growing distancing of the social movements from both the government and the PT. Will Uruguay follow the same path?

The rejection of the FTAA and the resounding failure of the recent Presidential Summit is part of this cycle of social conflicts, political crises and transitions that traverses the countries south of the Rio Bravo, and are thus part of the new situation which opens in the region.

It is in this framework that the governments and part of the local bourgeoisie of the Southern Cone seek to reformulate their political-economic innitiatives and their relation with the empire. But this is not an objective that may be attained as a block since there are many contradictions between countries and governments.

Brazil has geopolitical agreements with Venezuela, especially given the vulnerability of its Northern frontier, but it is already part of the more select group within the WTO and has its own policy. The entrance of Venezuela will strengthen and it may give a new content to the MERCOSUR, even if disagreements sharpen given the economic asymetries between Venezuela and Brazil, and between them and Paraguay and Uruguay.

Venezuela exercizes an undeniable political leadership, its proposal of the ALBA is clearly diferenciadora OJO and it is willing to play a central role in the energy and financial question in the region, its influence in the Andean countries is growing, and will surely increase in the immediate future.

Argentina navigates between Venezuela and Brazil while it tries not to collide with the United States. Thus

its position is almost always undefined; while Uruguay, through the signing of the treaty of protection of investments with the United States and declarations favorable to signing its own free trade agreement (Paraguay too has made declarations against the MERCOSUR), threatens to follow the path of Chile, where the new triumph of the Concertación does not seem to augur important changes in the interior of the country but it will project the influence of a political-

economic model different from that which Venezuela, Argentina or even Brazil itself may push.

To conjuncture in Latin America and Argentina in particular exists in the framework of the present and future tensions of the world economy, at the time in which the economies of the former are more open than in the past and therefore are more fully subjected to international movements.

Buenos Aires, January 2006

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## Notes on the situation in Latin America

19 February 2006, by **François Sabado**



Morales (far right) with Chavez and Cuban VP Carlos Lage (left)

b) This situation is provoking new inter-capitalist contradictions, in particular new tensions with US imperialism. There is an option of "confrontation", which remains the choice of the Bush administration, of the reactionary right of most countries, and which can even take the path of military interventions, in particular around Plan Colombia, a country where "US military advisers" are already present. But, at the present juncture, the US presence in Latin America is weakened by US strategic involvement in Iraq, in the Middle East and in Central Asia. Despite the US military power, it is proving hard to occupy Iraq through military means ... along with another country, in Latin America!

c) There is a "second choice" for the ruling classes; reorganizing their system of class rule by using the new left governments that follow the path of liberalism or social-liberalism. This is the case in Brazil, Argentina, Uruguay, Paraguay, Chile and Ecuador. Relying on the interests of an agro-exporting bourgeoisie with its own policies as we have seen in the case of Brazil at the WTO, seeking to

use its strengths to reorganize resource markets - petroleum, gas, water - with a more integrated Latin American policy, benefiting from the high rate of growth between and 9% in recent years, and defusing the subversive charge of social movements with the help of the Brazilian PT, neo-Peronism in Argentina, the Frente Amplio in Uruguay, these new governments have achieved a degree of "stabilization" of the social and political situation. The most significant example is Kirchner in Argentina.

These governments do not succeed in resolving the main contradictions of capitalism: the liberal counter-reform continues, social inequalities are growing and there have been no noteworthy changes in the situation of the popular masses. Moreover, in the framework of capitalist globalization, these governments have not succeeded in carrying out policies of autonomy with respect to imperialism in the middle or long term, in the vein of those implemented by Cardenas in Mexico or Perón in Argentina.

Nevertheless, while respecting financial market, IMF and World Bank dictates, and attempting to implement regional policies as in the case of Mercosur, these governments are trying to conquer new positions for the benefit of local ruling classes.

d) The "confrontation" and the "social-liberal option" both run up against a major impediment, the reality of social movements that can resurface in particular forms at any movement: trade unions and piqueteros in Argentina, landless movements in Brazil and Brazilian trade unionism that can wake up despite CUT leadership policies, Indigenous peoples and their organizations in Ecuador.

But the two main obstacles to stabilization on the continent are the "Bolivarian revolution" and the Bolivian situation. Beyond State diplomacy and the need to bring all countries of the continent into a Latin American integration project such as ALBA, there are indeed two positions debated within the Latin American left: the social-liberalism represented by Lula and Kirchner and the Chávez Bolivarian process. Whether via a policy of confronting US imperialism, or the application of a series of social and democratic measures: health, education, plan against hunger, occupation of certain firms and lands, housing policy, co-operatives, and especially a high degree of mobilization and polarization of millions of Venezuelans, the Venezuelan situation is the hot spot on the continent.

All of this effervescence is now

stimulated by the debate launched by Chávez on socialism in the 21st century. Those are the positive aspects. However, there are a series of problems in the Bolivarian process, first of all tied to the "bonapartist" features of Chávez's power: the concentration of power, the direct relations between Chávez and the people, the absence of real parties: these are often merely electoral apparatuses, the calls to mass mobilization and organization are often thwarted by the limits imposed on mass democracy and self-organization by those in power.

For example, the progress achieved in terms of self-management of the PVDSA - the national petroleum corporation - after the petroleum management strike - had no follow-up. On the contrary, the technocrats have returned. The political representatives of the Cuban CP are playing a negative role in terms of everything relating to the development of democracy, control and co-management.

If bold objectives have been achieved in the struggle to meet the people's basic needs in terms of health, education and food - policies funded by petroleum revenue - the socio-economic structure of Venezuelan capitalism has not been substantially transformed or overstepped.

The two coming years will be decisive to the revolutionary process in Venezuela. Chávez is in the habit of quoting Trotsky, explaining, "Every revolution needs the whip of the counter-revolution." The Bolivarian revolutionary process was indeed marked by reactions to the right-wing counterrevolution and US imperialism, which radicalized the process each time.

Nobody doubts that if there is another confrontation and new provocations by the "putschist right", that this will mean further radicalization. But the right and the Bush administration can also draw the lessons from their failed coups and, on the one hand, seek to delegitimize the Chávez regime by refusing to take part in the upcoming presidential elections late in 2006, while seeking to mire down the process by blocking all socio-economic progress. In that case, Chávez, and all

protagonists in the Bolivarian process must find forces to deepen the process, in terms of mass democracy and socio-economic content. And for that, income from the petroleum windfall may not be enough. It calls for new political choices.

e) But one of the dimensions of the scenario is international. It will play out in Venezuela. Many commentators depict Evo Morales as "between Lula and Chávez". In fact, although the Bolivian vice-president has made statements on "the need for a plan for Andean capitalism", Evo Morales' initial measures put him closer to Chávez: booting out the old Army staff, put out to pasture, a self-imposed 57% cut in the presidential salary, which should entail similar cuts for all high-level government officials, negotiations with one of the landless movements and land reform.

We can even say that relations have been inversed between Venezuela and Bolivia, in terms of the leadership of the process and the masses. In Venezuela, although Chávez is the product of an entire historical process, his political weight stimulated and also limits spaces for the mass movement.

In Bolivia, the mass movement has heretofore determined the course taken by Morales, such as his position on calling a Constituent Assembly and nationalizing hydrocarbon resources is the direct outcome of mass movement demands. Will he respect his commitments? In any event, in this country, we find one of the apexes of social and political revolt in Latin America. The coming weeks and months will tell the story. The situation is open, but mass movement pressure is such, in the political, administrative and institutional chaos in Bolivia, that alongside Venezuela, one of the keys to the Latin American situation can be found in this country.

f) From an international viewpoint, this means there is a series of issues at stake, with a dual polarization: between US imperialism, the traditional rights and on the other side, the peoples and anti-imperialist governments: Cuba, Venezuela and Bolivia and a second, more subtle polarization between social-liberal

governments - Brazil, Argentina, Uruguay, Paraguay, Chile, Ecuador - and the aforementioned anti-imperialist governments. Lula and Kirchner are on the offensive to put rightwards pressure on Chávez and Morales.

There is also a fight between Lula, Kirchner and Chávez, to "win over" Morales. The Latin American left is currently going through this choice of going along with liberal counter-reform or breaking with imperialism: Lula or Chávez? All of this will depend on US policies of confrontation and the dynamics of the mass movement vs. those of the ruling classes, defending their own interests in these countries.

g) This situation has several consequences in political and programmatic terms:

- Put it, along the struggle against the war in Iraq, at the centre of our solidarity actions, develop an international solidarity campaign with the Bolivarian process in Venezuela: Venezuela collectives, solidarity meetings, sending aid and solidarity brigades. The International and FI organizations must be at the forefront of this campaign.

- In programmatic terms, combine a program of social and democratic demands backed by the demand for national and popular sovereignty over natural resources, lands and wealth of each country, linked to land reform, of course. The needs for public appropriation, and nationalization of hydrocarbon resources must also be at the heart of social and political demands in these countries. The question of democracy is also central, whether it is getting rid of corrupt politicians - this is the meaning of demands such as the constituent assembly - or to deepen processes of social appropriation - demands for control, co-management and management of firms are a priority, as in Venezuela or Bolivia.

- Finally, there is a notable chance linked to the tilt in the social and political situation, the opening of a debate on socialism in Venezuela but also throughout the continent, launched by Chávez.

Despite the limits dictated by the country's place in the world and in Latin America, the Bolivarian experience makes it possible to resume discussion of socialism. This debate is taking place in all organizations today, and it is only beginning. Of course there are all sorts of socialism, but in an ideological environment which had been first marked by themes such as "liberal democracy as the end of history" in the early 1990s, the themes of anti-liberalism in 1990 and the early

2000s, the way Chávez is positing the problem of socialism vs. liberalism and capitalism bear witness to a deepening development of consciousness among sectors of the Latin American social and political vanguard, and above all the repercussions of a series of strategic questions.

This is a significant fulcrum against social liberalism in the left. It posits the satisfaction of popular demands as a central question in a strategy of opposition of liberal capitalism and

not taking part in counter-reform.

It enables progress on co-operative experiences linked to a dynamics of control, and in acute crisis situation or pre-revolutionary situations, to move forward on this theme of control linked to co-management between workers and public authorities. It posits the need for another logic, another system, centred on social needs and another form of property - public and social appropriation - as a central question.

## Solidarity with dismissed SEAT workers

19 February 2006

Instead of organizing opposition to the VW offensive through the unitary mobilization of workers in all the VW Group's workplaces and developing solidarity with the affected workers, the union leaderships have limited themselves to managing the conflict in their own countries, and in the case of SEAT they have concluded the conflict with an agreement where for the first time representatives of the two big unions have accepted compulsory dismissals in a big company. Moreover, they have participated directly in the preparation of the list of dismissals, discriminating on grounds of sex, union affiliation, physical handicap and so on.

The authorization of the dismissals by the Department of Dependent Work of the plural left government in Catalonia is a very serious fact, which demonstrates the social liberal character of this government, demoralizes its social base and helps prepare the return of the right.

This shameful trade union practice of signing agreements for compulsory dismissals must be thrown out of the union movement. Its generalization will lead to a serious defeat of the international workers' movement.

Consequently, solidarity with the dismissed workers of SEAT, support

for their fight for reinstatement without loss of working rights, is a task to be undertaken by all anti-capitalist, internationalist and solidarity-minded people. We call for the sending of messages of solidarity to SEAT's Assembly of the Dismissed, demanding that the VW group and SEAT management end the anti-worker offensive and reinstate the dismissed workers, and supporting the appeal against the action of compulsory dismissals demanding from the administration of the Generalitat de Catalonia the cancellation of the dismissals.

International Committee  
February 2006

## Concerning a Polemic

8 February 2006, by Jan Malewski

1) As presented by Joaquim Soriano, the Workers' Party is an ideal party. No mention is made concerning its deep crisis, which has led to the resignation from their positions of some of its principal leaders, including

Jose Dirceu, who was number two in the government [1]. So the polemic is more eloquent in what it keeps quiet about than in what it says.



Supporters of the Movement of the Landless march in Brazil

2) Joaquim centres his reply on the interpretation of the facts. Let us just take one example. Joaquim's affirmation that the failure of the candidacy of comrade Raul Pont in the second round of the internal elections for the presidency of the PT is due to the departure from the party of Plinio de Arruda Sampaio and those who backed his candidacy (including the militants of the minority of Socialist Democracy) is surprising: in the first round of this election 315,000 members of the PT voted, in the second only 230,000 did so.

Since no one claims that 85,000 members of the PT left the party at the end of September 2005 to join the PSOL (or to go anywhere else) we have to look for another explanation...A more convincing one would be that the electors who were mobilized for the first round in a clientelist fashion (buses to take them to where the voting took place, etc.) by the other candidates were not mobilized in the same way for the second round, even though these candidates had called for a vote for Raul Pont.

3) Joaquim rejects the idea that there should be a coming together of the militants from the Left of the PT and from the PSOL and affirms that "this thesis only exists on the other side of the Atlantic". We can only refer him to the article by Jose Correia Leite [2] - which was written in Sao Paulo - and regret that once again those who constitute the principal current of the PT Left want there to be an ocean separating them from the PSOL.

4) As far as the elections of 2006 are concerned, Joaquim opts for irony, accusing Francois Sabado of "making the entire Brazilian Right disappear"! However the question remains: Lula

will try to be re-elected, as the candidate of the PT, on the basis of the balance sheet of his first term.

If the PT Left chooses to support him, its own criticisms of the policies of the Lula government - self-limiting and formulated in a diplomatic manner though they may be - will disappear from view. Only the candidacy of Heloisa Helena will be capable of trying to oppose this record of running the interests of finance capital with elements of an anti-capitalist alternative.

For militants who defend socialism, the choice will not be between different tactics, but between the defence or the abandoning of their ideas. Does Joaquim think that the Left should defend the policies carried out by Finance Minister Palocci - whom he knows to be a neo-liberal - against the criticisms formulated by Heloisa Helena, just because Palocci is a member of the PT, whereas Heloisa formed the PSOL after having been expelled from the PT (against the - at that time - unanimous opposition of the DS)?

5) Joaquim Soriano accuses Francois Sabado of ignoring "the basic principles of revolutionary internationalism", which he sums up as "a relation based on solidarity between revolutionaries of different nations and on respect for the processes of national construction in each country".

It is of course necessary to have relations based on solidarity. But they also have to be based on frankness and free discussion. It is necessary to open the debate "between revolutionaries of different nations" on the balance sheet of the Lula government and of the party that supports it, of which he is a member.

Joaquim argues in favour of an "internationalism for the 21st century". Let us hope that this internationalism will never be limited to uncritical support for those revolutionaries who exercise even small elements of power, in the name of the fact that they exercise them in their country, because the history of the workers' movement in the 20th century has taught what such tail-ending can lead to.

Our tradition - and at least up to now it was also the tradition of the comrades of Socialist Democracy - is more inspired by that of Rosa Luxemburg, who while demonstrating unbounded solidarity with the Russian Revolution, did not hesitate to criticize those orientations of its leadership which seemed to her to be mistaken.

6) Finally, Joaquim mentions the "enormous mistakes that the Fourth International has made" in the past. And it is true that the history of the Trotskyist movement has been marked by splits over tactical differences, which have all too often led to the crystallization of competing organizations, which were not separated by programmatic differences.

Participation in the Lula government and its characterization by the comrades of the majority of Socialist Democracy as a government whose orientation remained undetermined provoked a debate in the Fourth International from January 2003. It was only in February 2005 - after two years of internal debate - that the International Committee **adopted a position** against participation in such a government and on the divisions among the comrades in Brazil on the question. [