



FACULTY OF LEGAL SCIENCE
SCHOOL OF INTERNATIONAL STUDIES

*Andean Community: the withdrawal of Venezuela, the Impact in the Andean Bloc
and in Ecuador's Foreign Trade*

Graduate work prior to obtaining: a Bilingual Bachelor degree in International Studies, minor in
Foreign Trade

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Cuenca, Ecuador

2013.

DEDICATION

I dedicate this thesis to all the people who are part of my life who helped me permanently, motivating, stimulating unconditionally by helping me to achieve my goals and objectives.

AKNOWLEDMENT

First I would like to thank God who is always by my side illuminating me in every moment of my life, and giving me the strength, health and persistence to achieve this desire that becomes a reality.

To the University of Azuay for welcoming me during my career, an institution which I am proudly part of, to my teachers that one way or another have contributed to my personal and professional life with his teaching, but especially for the human value that was reflected every day giving me their friendship.

To my thesis director, Mr. Antonio Torres for his effort and for give me the time and dedication required. His contributions, experience, and motivation allowed me to conclude this work.

To all my friends, for the support and for being unconditionally with me at all times no, especially my friend Gaby Guevara for her presence for long hours working on the thesis, thanks for being there .

To my family who has been part of my life appreciating their company, encouragement, joy, permanent support and encouraging spirit. Gratitude remains in my heart for being with me, but mostly for what I've received from them giving me a lifetime of learning , experience and happiness.

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Introduction

Through time, countries have seen the union as a possible way to achieve its development in a more equal condition, covering economic, political and social areas trying at the same time to maintain sustainable in time. Several economic blocs have been created throughout history, some of them have been sustainable over time as the case of the Andean Community of Nations, bloc that will be taken as a case of study for this research. One of the primary goals pursued by these blocks is to be able to cope with the developed countries which usually have always been those who lead and manage the decisions in the mentioned areas and this because of the influence exerted in less developed nations. If we put this in a context of a globalized and increasingly competitive world, being part of a regional or sub regional bloc means to go forward together putting the development of the countries in equal situations as a main goal.

The Andean Community of Nations (CAN) it is formed by four countries: Bolivia, Colombia, Ecuador and Peru. Its main objective is to "promote a balanced and harmonious development of the member countries in equal conditions, through integration and economic and social cooperation, with the intention of a gradual formation of a Latin American common market. Also, reduce external vulnerability and improve the position of Member Countries in the international economic context. " (Secretaría General de la CAN)

It is worth mentioning that the CAN over its existence has gone through several difficulties, one of them was the economic model applied in the beginning which consisted in an import substitution model also known as the closed model which did not work in the way expected. Another major problem in which I will focus the topic of this research is the withdrawal of Venezuela of the Andean Community, analyzing the effects it has had on the economic, political and social conditions in the block and in the particular case of Ecuador. With this, I will try to determine if the withdrawal of Venezuela has brought more advantages or disadvantages to the members.

The research has four chapters in which the analytical method was used, seeking an investigation of the parts to the whole, to achieve the objectives.

The first chapter aims to know the background, objectives and progress of the Andean Community of Nations and the entry of Venezuela. The second chapter is an analysis of Venezuela and its commercial relation with the members of the Andean Community and its development in the bloc during the period 2006-2011. The third chapter will focus on the effects caused in the Andean countries by the withdrawal of Venezuela, thereby determining the importance and influence that the demand of the Treaty of Cartagena by Venezuela caused in them. In addition, the current position of Venezuela with the Andean Community and the MERCOSUR. Finally, the last chapter will analyze the economic, political and social problems caused in the Ecuadorian case, and will determine the advantages and possible disadvantages that the separation of Venezuela from the Andean bloc has brought.

CHAPTER I

THE ANDEAN COMMUNITY AND THE ENTRY OF VENEZUELA

Background of the Andean Community of Nations (CAN)

In the early seventies, the first attempts of association among Latin American countries began to emerge, being the first, the Latin American Free Trade Association "ALALC" and then the Central American Common Market "MCCA". These organisms aimed to create a free trading area, which was not possible due to the existence of economic and social inequalities between partners. As the benefits for most industrialized countries (with a higher degree of industrialization) were increasingly evident, less developed countries saw as a necessity to create sub-regional markets allowing them to develop and reduce the economic gaps between them (CASAS & CORREA, 2007).

As a result of this, with similar basis to those of ALALC, the idea of the Andean Group is adopted. Thus, on August 16, 1966, meeting in Bogota Colombia, the delegates of Ecuador and Peru along with the presidents of Colombia, Chile and Venezuela signed the Declaration of Bogotá. In this Declaration, the presidents and delegates of the different countries expressed the necessity of creating a sub-regional agreement in order to face the need of political, social and economic conditions in the international market (CASAS & CORREA, 2007). Thereby, the bases for a new sub-regional bloc were settled, being finally established in the meeting of heads of state on May 26, 1969.

The Andean Pact, also known as the Andean Group or Cartagena Agreement, in reference to the Colombian city where the Summit of Heads of State took place. It was founded on May 26, 1969 initially counting with the participation of Bolivia, Colombia, Chile, Ecuador and Peru, who proposed as a fundamental objective of the Andean Pact to improve the economic and political life of their countries through cooperation and regional integration.

As most integration initiatives, the first major step was taken in the economic area. In the first decade, the Andean Pact developed an Import Substitution Model which was intended

to protect domestic industries and encourage trade among member countries while defending themselves from third countries.

This model comes from a similar which is known as the Import Substitution Industrialization (ISI), which was applied by the Latin American countries after the Second World War, because of the gaps and disadvantages compared to the developed countries in terms of certain products, technology and manufacturing. Based on these reasons, they decide to use measures to safeguard their economies against powers, and in this way seek to promote the development of domestic industry. Thus taking the ISI model used and developed for the Economic Commission for Latin America and the Caribbean (ECLAC), the Andean countries undertake a new attempt to improve their economic realities through mutual cooperation (ECLAC)¹.

During the first decade elapsed in the seventies, there were two significant events; the first, the accession of Venezuela in 1973 which showed that the Andean Group proposal was attractive to neighboring countries and that the idea of integration was positive for the region; and the second, the resignation of Chile to its commitments and the definitive desertion of the Andean Agreement in 1976.

Due to the incompatibility between the strategies undertaken by the Andean countries with the new policies implemented in Chile by the dictatorship Augusto Pinochet it only lasted 17 years from 1973 to 1990. This represented a decline in the Andean integration process, as it was a sign of individualism and lack of robustness to the 1969 agreement. Moreover, in the same year under the Protocol of Lima, member countries agreed to postpone the liberalization program and the Common Minimum Tariff three more years in order to accomplish with them (Secretaría General de la CAN). On this decade, the major advance was the integration and consolidation of the institutional structure of the Cartagena Agreement.

¹ Taken from: <http://www.eclac.org/publicaciones/xml/9/19229/valpy.htm>
La CEPAL y la teoría de la industrialización. Noviembre de 2012.

In 1987 the Protocol of Quito² is approved, where they agreed to postpone the commitments made by the Andean countries until then due to the breach between them, so they wait until countries were in better conditions to restart negotiations to formalize the integration of its members. This resolution adopted by the Andean Group is important because the general discomfort of Latin American countries had questioned the effectiveness of the Andean Pact. As a result of this, the first reform of the established initially by the Andean countries take place (SALGADO, 1995). These include the following:

- The initial requirements are reduced, extending without setting a deadline for the adoption of the Common External Tariff (CET) and also with the consent of the members is given a temporary license for continue with the restrictions for many sensitive products incorporated into managed trade .
- They adopted multilateralism, so the member countries had the freedom to celebrate agreements of complementation between several members.

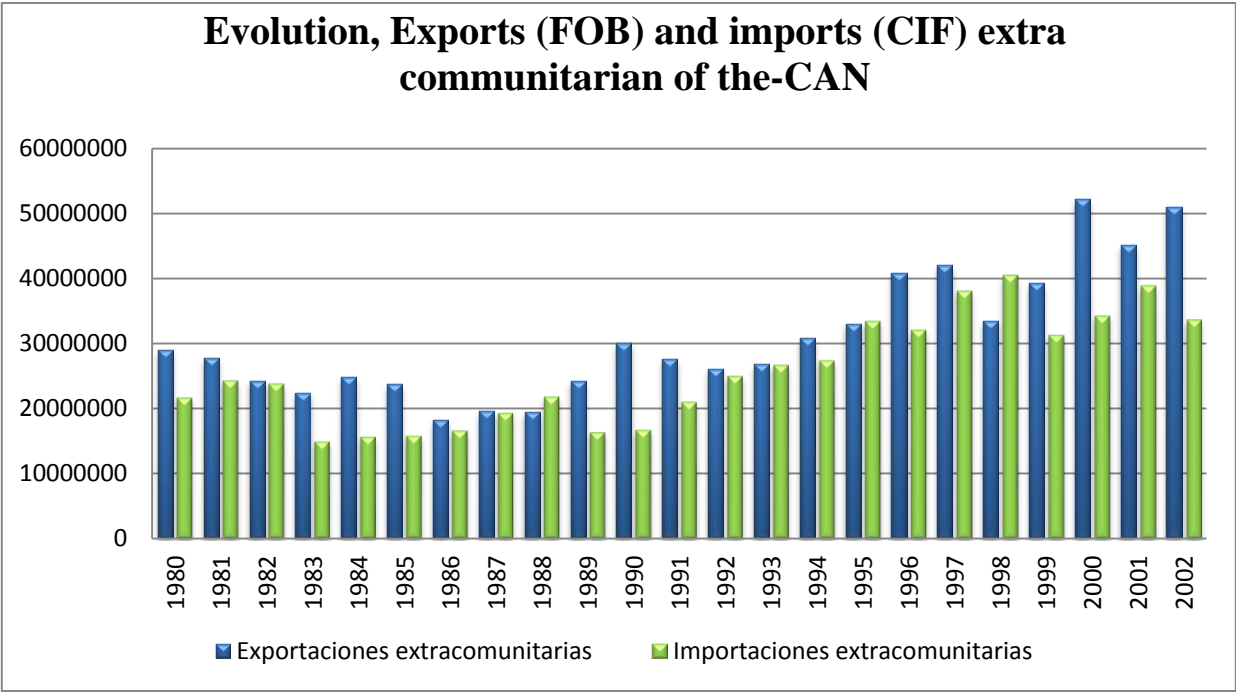
Since 1989 there is a period characterized by a better development of the integration process. The Andean integration takes a different perspective based on two major changes. First, the Andean countries decided to apply an open model of liberalization tariff which brought considerable benefits in terms of trade relations, export and import amounts (see figure 1), the creation of new jobs and an increase of trade liberalization both multilateral and regional. Second, the optimism of the Andean countries to improve their economies as the main reason of the members to return to dialogue in order to implement projects and commitments previously acquired (SALGADO, 1995). With the new reform policies adopted in the Protocol of Quito, the Andean countries were able to see important changes and developments in extra-communitarian exportations.

It is important to remark the extra-communitarian exportations and importations because it promotes domestic industry which was the goal of the Andean countries in order to strengthen its export promotion to the world. Furthermore, as seen in Figure # 1 export in

2

the years taken as reference are mostly higher, having as a result of this a positive trade balance for the Andean countries. Note that intra-communitarian³ commerce was benefited by the new policies adopted by the members, since the mid-eighties intra-communitarian exports did not exceed \$1,000 million, while for the early nineties the Andean commerce passed the \$2,000 million. Finally for 2002, the exportations reached \$5'544.944 million for intra-community.

Figure 1: Evolution, Exports (FOB) and imports (CIF) extra communitarian of the-CAN



Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).
 Compiled from data found in the CAN General Secretariat.

In the graph we can confirm that the eighties was a period of stagnation and recession for Andean economies. In 1980 the extra-communitarian exportations were \$29'025,937 thousand dollars, decreasing until 1986 to \$ 18'302,103 thousand dollars. The reforms

³ Intra communitarian refers to the commerce held between Andean members.

implemented at the end of the decade allowed the economies to improve, recovering and increasing the extra-communitarian exportation values from \$24'225,440 thousand dollars in 1989 to \$45'820,602 thousand dollars in 2002 .

The graph shows that importations started growing from the change of policies and decisions made in 1989. All of this, due to decisions made in the late eighties as for example, the Andean countries signed a Cartagena Manifesto which promoted to intensify efforts in different areas such as trade, financial and monetary, industrial, agricultural and other like communications. All of these areas making emphasis in the promotion and strengthening in the Andean Group with other integration schemes in different parts of the region. This brought enormous benefits to the Andean countries, which were reflected in exportation and importation amounts.

Continuing with the analysis in 1989 \$16433.349 thousand dollars was imported, while the Andean extra-communitarian exportations in the same year were \$24225.440 thousand dollars giving as a result a positive balance of payments. As shown in figure number 1, importations throughout the nineties have an important growth reaching its peak in 1998 reaching \$40500.503 thousand dollars. It is worthless to mentioned that between 1980 and 2002, the only negative balance of payments for the Andean countries were the years of 1988 with a deficit of \$-2'460,864 thousand dollars, 1995 with \$-342.030 thousand dollars and 1998 with a quantity of \$-7'015,815 thousand dollars.

In 1997, countries saw the necessity to advance in their project of integration and to adapt this project to an international scenario, replace the Andean Pact in the Trujillo Agreement⁴ for the Andean Community of Nations (CAN). With this agreement Andean countries were looking not only for economic benefits, but also to extend to social, cultural, environmental and educational areas, so it was necessary to involve the presidents and foreign ministers of

⁴ In 1997, presidents decided through the Protocol of Trujillo to reform the Cartagena Agreement to adapt it to changes in the international scenario. This reform allowed the presidents to have control and both, the Andean Presidential Council and the Andean Council of Foreign Ministers are part of the institutional structure. The Andean Community was created (CAN) replacing the Andean Pact.
Taken from: www.comunidadandina.org/quienes/resena.htm

the member countries. Presidents took control of the process, and both the Andean Presidential Council and the Andean Council of Foreign Ministers began to be an important part of the institutional structure of the Andean Community of Nations (Secretaría General de la CAN).

In this way, it was possible to compromise the leaders and ministers representing each of the member countries to develop and continue with the Integrated Plan of Social Development proposed in the Trujillo Agreement. The primary objective is, with the participation of the members to fight the main problems that the sub region faces and to continue with the objectives of development posed in the Cartagena Agreement in 1969.

I. Objectives and Goals of the CAN

The Andean Community emphasized from the beginning to promote development through employment generation in order to ensure the economic growth of its members, ensuring in this way the creation of a sub-regional solidary group allowing them to build a common Latin American market helping to reduce external vulnerability and strengthen its presence in the international economy context.

It is essential to know the goals set by the CAN, even though in its beginnings Venezuela was attracted by this integration proposal, when it decided to denounce the Cartagena Agreement, despite being the leader in promoting equitable development, the president of Venezuela decides to abandon the group.

Below there are the goals proposed in the Cartagena Protocol, goals that until nowadays determine the existence of the CAN.

- To promote a balanced and harmonious development of Member Countries under equitable conditions through integration and economic and social cooperation.

- Accelerate growth and labor employment generation for the people of the Member Countries.
- Facilitate the participation of Member Countries in the process of regional integration, with perspectives to a gradual formation of a Latin American common market.
- Reduce external vulnerability and improve the position of the Member Countries in the international economic context.
- Strengthen sub regional solidarity and reduce the differences of development existing between Member Countries.
- Ensure a steady improvement in the standard living of people in the sub region (Secretaría General de la CAN).

Based on these objectives, the Andean Countries have been able to achieve great advances, using them as a guide and reference to know where they want to concentrate their efforts. Unfortunately achieving these objectives has not been an easy work for its members, because from the beginning they have had to postpone their goals and objectives several times so its effectiveness has been questioned.

However, despite these problems, gradually the Andean Countries have been able to achieve the objectives and goals, all this due to the support given by Andean countries to its common market through tariff reduction, promotion of new products with the creation of spaces such as business conferences for entrepreneurs of small and medium enterprises. Also, the importance given to the comprehensive integration of the countries, free movement of people among many other projects have helped to achieve these objectives in order to reach the most important objective of the Cartagena Agreement, to improve the standard of living of the Andean citizens.

II. Progress and achievements of the CAN

From the objectives which led to the creation of the Andean Group, the sub regional economic integration has passed through several periods of progress and stagnation. Strengthening and developing national trade was the engine that boosted the members to work together for economic integration and move towards the harmonization of policies in order to achieve the integral development of each of its members.

The group's priorities changed at the end of the eighties, when member countries expressed the real necessities of advancing in the objectives proposed. These objectives includes: tariff liberalization programs among its members, which according to Decision 302 (For more information about the decision please refer to Appendix # 1) member countries, "will not apply restrictions of any kind that could have influence on the importation of products originated in any member country" (CAN, 1991). It also included the creation of the Common External Tariff (CET), harmonization of social policies and industrialization of the member countries through attracting foreign capital thorough others (Secretaría General de la CAN).

Despite the proposed objectives, the Andean Community has made the improvement of the free trade area without exceptions and without reservation among member countries. The only exception which was applied for Peru was eliminated in 2005. Currently it is defined as an imperfect customs union because in 2007 with Decision 669, member countries disclaim the obligation to apply to their products an CET, agreeing that if any country wants to change the percentage applied to any of its products contained in the lists previously agreed, has to notify the other members. The Andean Community is a "custom union with common levels of protection for a large part of the production (SALGADO, 1995).

In order to understand the current situation of the Andean Community of Nations, below are summarized the levels of economic integration. Most economic integration begins as a preferential agreement, which is the simplest form of economic integration because this

agreement only gives certain advantages reciprocally through group members (Universidad ICESI, 2008).

The second level is the free trade area, which is an agreement that seeks to eliminate tariff barriers to allow free movement of goods among the group members. The third level is the customs union, in which the CAN is located. The customs union also promotes a common tariff policy towards third countries. For a perfect customs union, its fiscal and monetary common policies are required (Universidad ICESI, 2008).

The fourth level of integration is the common market, where the custom controls and tariff barriers are eliminated, releasing the control of goods and factors of production. The last two levels of integration are economic union, "characterized by having an economic, fiscal and monetary common policy" (Universidad ICESI, 2008) in which there is "a loss of national sovereignty" (Universidad ICESI, 2008). Finally, the most complete economic level of integration which is the last stage where all previous achievements mentioned meet.

Returning to the subject of analysis, decisions made by the Andean countries in terms of development strategies and economic policies in the late eighties, began to have positive results. In 1989, at the meeting held in Galapagos Islands, countries members decided to replace the import substitution model also known as closed model for an open model which prioritized trade and market, which led to the creation of the Free Trade Area in later years (Secretaría General de la CAN).

In 1990, Peru began to adopt the tariff reduction but with difficulties. In 1991, Bolivia and Ecuador finally began to reduce tariffs to other members of the Andean Community. Venezuela and Colombia were the first countries to open their markets in favor of the economic sub regional integration. However it is clear that the model did not work as it was intended at first because not all members applied the decisions in accordance with the things established in previous meetings (Secretaría General de la CAN). In 1992, through Decision 321 Peru suspended its participation in business affairs until January 1996. The

three countries, Colombia, Ecuador and Venezuela, accomplished that only 44% of tariff items, to have a common tariff between them. Bolivia applied its own tariff policies protecting their domestic industry (CARRERA MANOSALVAS, CASTILLO MARCILLO, & REINA TORRES, 2009).

The results of the Andean countries were getting hinder due to disagreements between governments as the fear of applying the new development strategies which included, the opening to trade and the release of tariff barriers. However, in subsequent years many significant advances promoted the development of the Andean group. Among these developments, we can mention the following:

1. At the administrative level, in May 1990 the Andean Presidential Council is established, the highest organ of the Andean Integration System (AIS) which exercises the political decision. It issues guidelines that are implemented by the bodies of the UPS (CAN, Consejo Presidencial Andino, 2010).
2. Countries finally boosted the creation of the Common External Tariff (CET) as one of the strongest commercial policies of the CAN. Through this mechanism, imports coming from outside the sub region pay a common tariff. The group considered the CET essential for achieving integration objectives. Initially the Common External Tariff had two stages, at first a minimum external tariff was used and for the second stage the CET was finally adopted. In 1990 the AEC was reformed and incorporated 4 levels with percentages of 0, 5, 10 and 20 % depending on how processed are the goods. There is a fifth level of 15% which is only applied in the agricultural sector because of the instability of prices in the international market.
3. Since 1995, Colombia, Venezuela and Ecuador adopted the policy of a Common External Tariff with respect to imports from third countries through the Decision 370. The tariff level applies to Colombia, Ecuador and Venezuela. Bolivia has a margin of protection for level 20% and manages its own tariff although subject to communitarian administration. This means that if a product is at the 20% level,

Bolivia can apply an additional 10% in its favor. Imports that have to do with raw materials, supplies and capital goods that come out of the sub region are subject to a 0% tariff for all members of the CAN (CAN, Decisión 370).

The Andean Pact then became a necessity rather than an attractive initiative for its members. Decisions made by the group allowed a sub regional growth of exportations and the decrease of tariffs to third countries helped improving the competitiveness levels of the Andean group in the international market. The opening to the international market and trade liberalization among member states became immediate targets.

4. One of the most significant advances in the social area in the Andean integration has been free mobilization and circulation of its citizens. In 1991 under the Decision 397, the open skies policy in the sub region was established, where it is stated that Andean citizens should use the Andean Immigration Card (AIC) as a document of migration control, to facilitate and simplify control migration flows between member countries. Besides it would be useful to promote tourism and integration (CAN, Decisión 397).
5. All people born in any of the member countries, Bolivia, Colombia, Ecuador or Peru have the right and privilege of traveling within the sub region without visa or passport. Additionally, every Andean citizen has the benefit of enforce their rights in any of the countries members as if they were applying in his native country (Secretaria General de la CAN, 2010, pág. 12). The rights of Andean citizens are not limited to their native country. Their rights go beyond borders and extend through the territory of the Andean Community of Nations.
6. Citizens born in any of the country members have the right to labor as a dependent on any other member state while preserving the rights acquired in their native country in terms of affiliation and social security rights. Even the Andean law allows its citizens to move their funds of retirement pensions to the Andean country

where they choose to retire or return the funds to their country if they were working in another member country (Secretaria General de la CAN, 2010, pág. 34).

This process of Andean integration has not had a previous model in Latin America, the only similar model is applied by the European Union, which in terms of regional economic integration, is the most advanced model in the world (Secretaria General de la CAN, 2010, pág. 34).

Advances in Andean integration were not only limited to the free movement of its citizens but also took care about the inclusion of indigenous people. With the creation of the Indigenous Advisory Council they had a space in order to be heard, give their opinion and to take care of their interests and rights, having direct relation with the Andean Council of Ministers of Foreign Affairs. This is known as integral integration, showing that the Andean Community of Nations aims not only to the benefit from economic and commercial integration (Secretaria General de la CAN, 2010, pág. 34).

The Andean countries point to the integration in areas such as cultural, social and environmental of the neighboring countries. More than an economic necessity in the Andean states, they feel the necessity to unite to face social and economic problems together. The common origin of these countries is a key factor for integration because of these similarities despite having different economic interests. Speaking the same language, having similar problems in areas of development, education and future make the group members to concentrate efforts for having an Andean Community as a tool for achieving its common goals.(Secretaria General de la CAN, 2010).

III. The entrance of Venezuela to the CAN

Globalization and economic interdependence of countries around the world have made their governments create methods needed to achieve the social and economic objective of their

people, basic principle of the state. The economic blocs emerged as a response to globalization and the need for integration, opening of markets and economic growth (López). Nowadays, the idea of countries to get involve in globalization for achieve development is common. The states therefore have decided to enter or belong to a regional or sub regional bloc as a main objective in order to face the economic and social development necessities. (CALVA, Jose Luis, 2007).

In Latin America, according to ALBERTO CASTILLO MARTINEZ, this tendency can be attributed for two reasons: the first reason is because of politics and regional integration linked to economic and political crises and the second due to external reasons.

Venezuela went through a period of crisis and dictatorship until 1958. In the 1961 Constitution, Venezuela expresses its willingness to integrate economically to a group, declaring in its Constitution the need to promote, facilitate and strengthen integration with Latin America and the Caribbean (Castillo, 2011). After the dictatorship, Venezuela began a new phase. The aftermath of the dictatorship left the country with a high unemployment rate, a contraction in the productive activity, with high levels of rural-urban internal migration which generated economic and political instability.

In this crisis process the Coordination and Planning Central Office (Cordiplan) was created which had as an objective to implement and development a plan between the state and the business sector to improve the countries' conditions. The main strategy was the diversification of imports, because Venezuela and Ecuador, were countries highly dependent on oil exportations until the seventies (Lavalle). The intention with this plan was to develop domestic industry but they did not get the expected results because of the instability in those years.

Geographical proximity is one of the major variables for trading. Today's globalization and the information technologies revolution have reduced the importance of distance between countries and neighboring states have more contact so trade flows with greater agility. Besides, countries seek allies to help them dealing with their problems of development and international presence.

The main economic blocs can be identified according to its geographical location. The countries are grouped to work together, but also to have a stronger presence internationally as a group, as trying that their proposals and needs to be considered for developed countries as for many other stronger economic blocs (CALVA, Jose Luis, 2007, pág. 37). Some of the geographic variables that can affect the integration are: geographical proximity, similar history, common problems, and similar goals. Venezuela is a country that shares its roots and history with the Andean countries. Venezuela is a South American country with underdevelopment and inequality problems similar to those faced by the Latin American region as sharing many goals and objectives of the Andean region.

The Andean Community was born from the voluntary union of its members who wanted an integral and balanced development for their states. The countries that belongs to the bloc have common roots and a past that identifies them (Secretaría General de la CAN). Venezuela identified its targets with those of the Cartagena Agreement, so it finally adhered to it in 1973.

The decision of the Andean countries to create a block that allowed them to develop together was successful, as this allowed them to plan, create and implement strategies for their people so that there is a bloc progress and especially in similar conditions. The strategies developed from its objectives have proved to be essential to the development of the Andean citizens for these people enjoy privileges as the free movement of persons and the right of working in any other member state with the same rights enjoyed by a national.

Furthermore, the free trade area allows member countries to promote and encourage dynamism of intra-and extra community commerce.

While the objectives and goals set by the Andean countries has been fulfilling, it is necessary to notice that this integration is for already 44 years. However, the time that has passed before these objectives and goals were achieved make us think that this system does not function very well. One factor that has undoubtedly affected the fulfillment of these goals has been the ideological factor of the different Andean governments, making it difficult to reach consensus on the goals. Consequently, it requires a strong commitment between the Andean countries for meeting the goals in the short term.

On the other hand, the State Members have not stopped thinking as sovereign States and on defending their individual interests. On economic issues they have delayed too much to open their borders to free trade so it is the reason why the next chapter will be dedicated to analyze the Venezuelan trade with each of the Andean members.

CHAPTER 2

TRADE RELATIONS BETWEEN VENEZUELA AND OTHER CAN PARTNERS, 2006-2011.

Background of Venezuela in the Andean Community

I. Relevance of Venezuela's presence into the bloc

It is important to understand better the significant role played by Venezuela in the Andean bloc. In this way, it is necessary to analyze what has been its behavior and commercial development in its 33 years as a member of the Andean Community. It is essential to expand on this subject because as the previous chapter noted, most integration blocs began as an economic strategy.

Since Venezuela joined to the bloc it was one of the busiest countries about commercial trade within the group. This is demonstrated by the numbers of intra community exports of Venezuela. The country's exports went from \$ 42.266 (million) in 1973, the year in which it came into the Andean Community (CAN, The Andean Community), to \$882,470 million in 2006 when the country announced its retreat (Trademap, 2011). Taking into account the years of the period 1973-2006 it can be said that Venezuela exports grew around 2088%.

In addition, for the Andean Community, Venezuela represents a very important market for exports compared to its other members. According to the CAN General Secretariat (SGCAN), Andean exports to Venezuela amounted to 3512 million dollars in 2006. Consequently, this number is 30.7% higher than in 2005. In the same year, Venezuela (3.512 million dollars) stood as the third destination for the Andean exports, only behind the United States (U.S. \$ 22.517 million) and the European Union (U.S. \$ 8.731 million). (CAN General Secretariat).

Figure 2 shows the growing trend of the Andean exports to Venezuela during the period 1997-2006.

Figure 2: FOB Exports of The Andean Community of Nations (1997-2006)



Source: Taken from: (CAN General Secretariat)

Chart 1: FOB Exports of the Andean Community to Venezuela 1997-2006

FOB Exports of the Andean Community to Venezuela 1997-2006				
1997	1998	1999	2000	2001
1.180,113	1.320,745	1.082,325	1.560,863	2.126,510
2002	2003	2004	2005	2006
1.481,887	1.035,164	2.194,215	2.687,883	3.622,887

Source: The Andean Community, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in the CAN General Secretariat.

Trade between Venezuela and other CAN members were affected in different ways by the announcement of its retreat because of the uncertainty that this brought. This was transition period in which Venezuela was limited to meet their basic liabilities to the group.

Furthermore, Venezuela's trade relations with each of the member countries are analyzed individually, focusing on the period from 2006, until 2011, but taking into account data from 2002. This is with the aim of visualizing the different behaviors trade as a result of

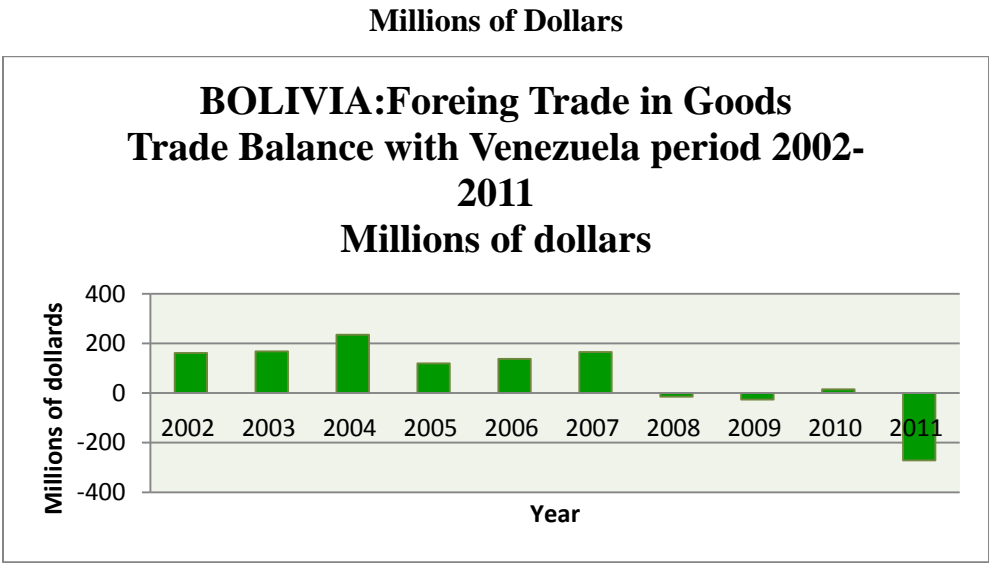
this period of transition. Afterward, this analyzed data is going to help us to clarify the importance that Venezuela in the Andean bloc.

- **Trade relations between Venezuela-Bolivia (2002-2011)**

The Andean market is of great importance for Bolivia, about 17% of total exports go to the bloc (Malamud, Real Instituto el Cano, 2006). In the years 2010 and 2011, total exports to member countries stood at 949.580 and 967.911 (million dollars) respectively, filing an increase of 2% compared to 2010(CAN G. S., 2003)⁵.

The trade balance between Bolivia and Venezuela taken into account since 2002 to 2011 has been variable.

Figure 3: Foreign Trade in Goods, Balance Trade with Venezuela period 2002-2011.



Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).
Compiled from data found in the CAN General Secretariat.

⁵ Data found in the CAN General Secretariat. Annex 2

Chart 2: BOLIVIA: Foreign Trade in Goods, Trade Balance with Venezuela, 2002-2011 period. Millions of Dollars

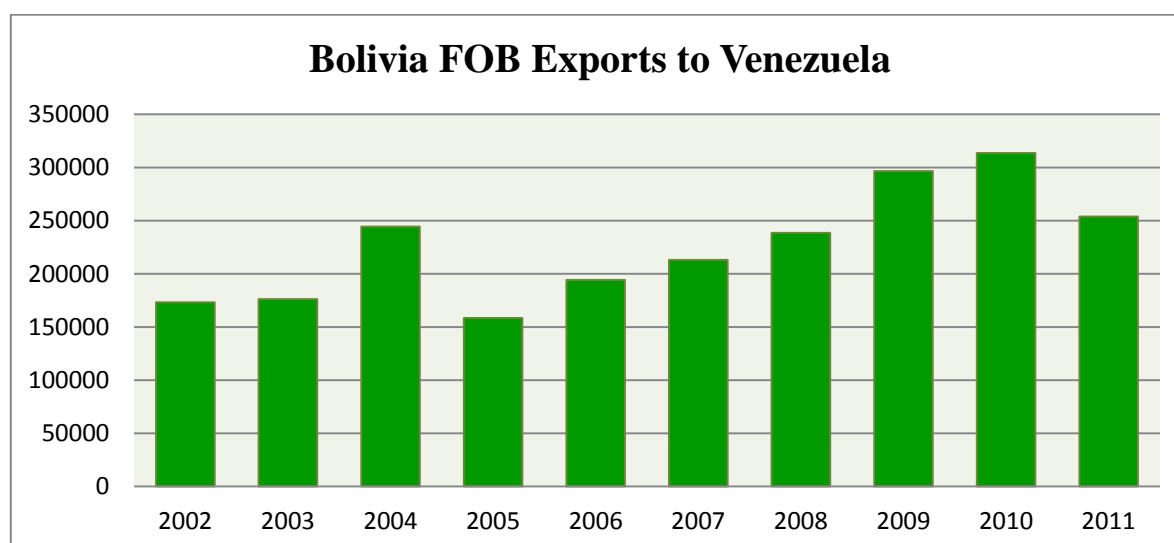
BOLIVIA: Foreign Trade in Goods, Trade Balance with Venezuela, 2002-2011 Period. Millions of Dollars				
2002	2003	2004	2005	2006
161,499	167,516	234,518	119,526	137,697
2007	2008	2009	2010	2011
165,401	-14,485	-26,231	14,92	-271,065

Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in the CAN General Secretariat.

Figure 3 shows that the period until 2007 was notoriously favorable to Bolivia. Consequently, the year 2004 reached its maximum gain versus Venezuela. It attained a gain of 234.518 million dollars. For the year 2007, it decreased to 165.401 million dollars. Since 2008, the trade balance between the two countries began to have a new trend to be favorable for Venezuela, reaching 271.065 million dollars for 2011.

Figure 4: Bolivia FOB exports to Venezuela, 2002-2011 Period. Millions of Dollars.



Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

Chart 3: BOLIVIA: FOB Exports to Venezuela, 2002-2011 Period.

Millions of Dollars

BOLIVIA: FOB Exports to Venezuela, 2002-2011 Period.				
Millions of Dollars				
2002	2003	2004	2005	2006
175,482	176,253	244,493	158,477	194,332
2007	2008	2009	2010	2011
213,120	238,529	296,658	313,580	253,911

Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

During the last period, despite the announcement of Venezuela's withdrawal, the country's exports maintained a steady growth trend, as seen in Figure 4 they increased from 194.332 million dollars in 2006 to 313.580 million in 2010, reaching in the latter a historical increase. For 2011 there was a decrease of 35% over the previous year.

The main products exported from Bolivia to Venezuela in the years analyzed are:

Chart 4: Main export products from Bolivia to Venezuela period 2002-2006

	Products (millions of dollars)	2002	2003	2004	2005	2006
1	Cakes and other solid residues from the extraction of soybean oil (soy), including ground or in "pallets	109	114	192	126	117
2	Soybean oil (soybean), unprepared, whether or not degummed.	31	31	30	25	36
3	Sunflower oil or safflower oil, unprepared	8	3	2	1	10
4	Soybean oil (soybean) and their fractions, refined but not chemically modified	14	3	6	1	2
5	Beans (beans) soy, other than seed, whether or not broken.	0	3	0	0	2

Source: (CAN General Secretariat)

In the case of exports from Bolivia to Venezuela the main products are soybean oil, its derivatives and its solid waste removal in the amount of \$ 117 (million dollars to

2006)(CAN G. S., 2007). Other products are: Textile goods and felts, soybean cake, cotton shirts and bedding ((IBCE), 2012).

Moreover, within the top 20 products, we see others such as threads, engine parts, etc. On the other hand, the products that Bolivia import from Venezuela among others is the diesel that represents a 97% (2012) of total Venezuela exports. Additionally, "Flat-rolled products of iron or rolled steel" and "rolled products of iron or non-alloy steel" are products imported by Venezuela from Bolivia. In 2011, Venezuela was the tenth most important destination for exports from Bolivia.

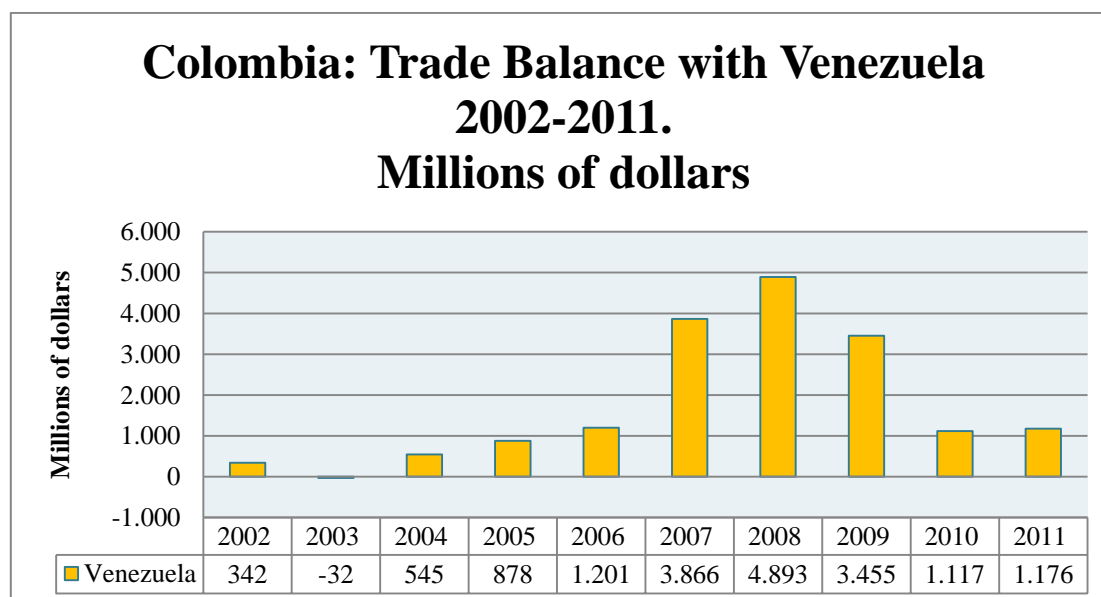
Of the total Bolivian exports to the world, Bolivia exported 14% to the Andean Community. In this one hundred percent, 21% of the exports made to the CAN, were destined for Venezuela. This indicator reflects the importance of Venezuela for Bolivian exports within the framework of the CAN.

It is noteworthy that a commission was established for being responsible of negotiating the parameters of a new agreement to replace the CAN, so that the two countries continue to enjoy the benefits so far possessed them within agreed in the Andean Community. Thus, the disappearance of the CAN frame for the second quarter of 2011, Bolivia and Venezuela signed the "Agreement on Trade between Peoples and Economic and Productive Complementarity", which includes tariff preferences for trade within 5 year((Subscribers), 2011).

- **Trade relation between Venezuela and Colombia (2002-2011)**

In the case of Colombia-Venezuela trade in the years of the present analysis, the period 2002-2011 reflected a favorable trade balance to Colombia with the exception of 2003, for Venezuela recorded a surplus of U.S. \$ 31.501 million.

Figure 5: COLOMBIA: Trade in Goods, Trade Balance with Venezuela, 2002-2011 period. Millions of Dollars



Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

Chart 5: COLOMBIA: Foreign Trade in Goods, Trade Balance with Venezuela, 2002-2011 Period. Millions of Dollars

COLOMBIA: Foreign Trade in Goods, Trade Balance with Venezuela, 2002-2011 Period. Millions of Dollars				
2002	2003	2004	2005	2006
341,857	-31,501	545,190	878,373	1,201,426
2007	2008	2009	2010	2011
3,866,114	4,893,455	3,455,181	1,117,377	1,176,423

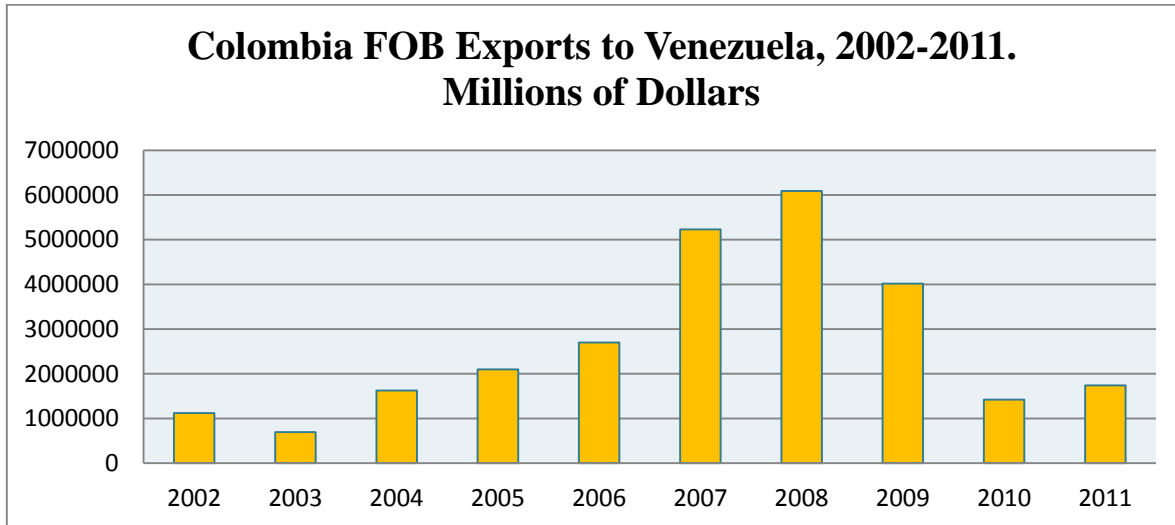
Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

In 2002, Colombia recorded a surplus of \$ 341.857 million and for 2011 \$ 1,176.423 million, which shows the significant trade flow between these countries. It should be noted that the year 2008 was a new record for Colombia, reaching a historical value of \$ 4,893.455 million.

Figure 6: Colombia FOB Exports to Venezuela, 2002-2011 Period.

Millions of Dollars



Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

Chart 6: COLOMBIA: FOB Exports to Venezuela, Period 2002-2011.

Millions of Dollars

COLOMBIA: FOB Exports to Venezuela, Period 2002-2011. Millions of Dollars				
2002	2003	2004	2005	2006
1.127,184	696,165	1.627,055	2.097,498	2.699,043
2007	2008	2009	2010	2011
5.232,071	6.091,563	4.018,578	1.422,123	1.739,519

Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

In chart 6 we can see how Colombia's exports to Venezuela have had a very significant upward trend until 2008. In 2003, Colombian exports were \$ 696.165 million. In 2011, it reached \$ 1739.519 million. In this period, we should note the year 2008 since exports reached a total of \$ 6,091.563 million. It caused Venezuela to take steps to counter the trade

balance. At the time, Hugo Chavez decides to adopt measures restricting trade flows from Colombia proceeding to the payment of delays and non-renewal of sanitary permits among others (María del Pilar Esguerra, 2010).

In this sense, Venezuela established new relationships to sign agreements with China, Brazil and Argentina to name a few countries, with the aim of replacing trade with Colombia. Also, Venezuela established meetings with Argentina and signed 22 trade agreements which included the purchase of food such as corn and soybeans. Also they accorded to transfer technology, as well as the purchase of vehicles (María del Pilar Esguerra, 2010).

Chart 7: Main Products exported from Colombia to Venezuela 2002-2006

	Products	2002	2003	2004	2005	2006
1	Other vehicles with a reciprocating piston, ignition, for the transport of persons, of a cylinder capacity exceeding 1.500cm ³ but lower than 3.000cm ³ .	22	3	123	260	235
2	Other bovine animals other than pure-bred for fighting, living	0	0	159	173	87
3	Meat of Bovine carcasses and half carcasses, fresh or chilled	0	0	21	21	34
4	Chocolates, sweets, candies and pills, not containing cocoa.	26	22	34	39	30
5	Other vehicles with a reciprocating piston, ignition, for the transport of persons, of a cylinder capacity exceeding 1.000cm ³ but lower than 1.500cm ³ .	44	5	45	61	29

Source: (CAN General Secretariat)

Colombia, has been the main supplier of goods to Venezuela, the main products exported by Colombia to Venezuela were transport vehicles for people which have had an increasing trend, reaching \$235 million exported in 2006. Among the goods that are followed in importance are: "other cattle" (87 million), beef and veal (\$ 34 million), chocolates and candies and other products.(CAN G. S., FOREIGN TRADE IN GOODS BETWEEN ANDEAN COUNTRIES , 2007).

The 12% of Colombia's exports in 2011 went to the CAN (including Venezuela). Among its major trading partners worldwide are the United States of America and Venezuela. This shows the importance of Venezuela to the Colombian trade.

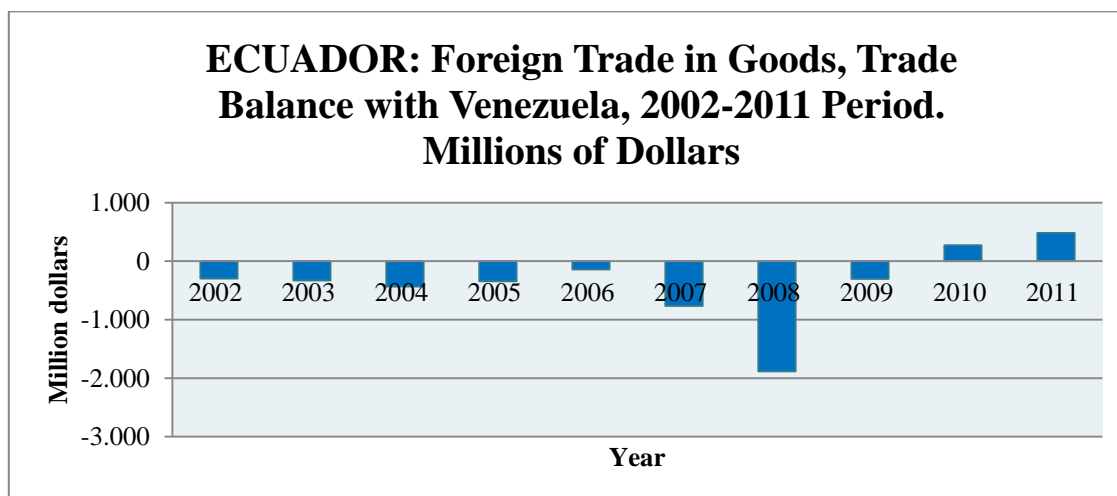
On the other hand, 25% of the total Colombian exports to the Andean Community went to Venezuela, so that the withdrawal of Venezuela from the Andean group is a great loss for Colombia. For these reasons, the two countries begun new efforts to achieve complementarity, so that on August 10, 2010 in Santa Marta, Colombia with the "Declaration of Principles Chavez Santos" these countries undertook a new commitment of cooperation and complementarity with an Economic and Productive Complementation Agreement for mutual development, which sought to replace the Cartagena Agreement (Exteriores, República Bolivariana de Venezuela en Colombia) and counteract the effect of the withdrawal of Venezuela from the Andean group.

With this background, in October 19, 2012 the agreement of Partial Scope Trade was effective as a replacement to the Cartagena Agreement (Venezuela L. R., 2010)

- **Trade relations between Venezuela and Ecuador (2002-2011)**

Trade relations between these two countries are important because in recent years exports between Ecuador and Venezuela have grown significantly. This can be attributable to the good relations and political affinity of these countries.

Figure 7: ECUADOR: Foreign Trade in Goods, Trade Balance with Venezuela, 2002-2011 period. Millions of Dollars



Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

Chart 8: ECUADOR Foreign Trade in Goods, Trade Balance with Venezuela, 2002-2011 Period. Millions of Dollars

ECUADOR Foreign Trade in Goods, Trade Balance with Venezuela, 2002-2011 Period. Millions of Dollars				
2002	2003	2004	2005	2006
-298,373	-328,983	-435,352	-343,984	-140,663
2007	2008	2009	2010	2011
-763,694	-1,882,748	-303,783	271,563	480,927

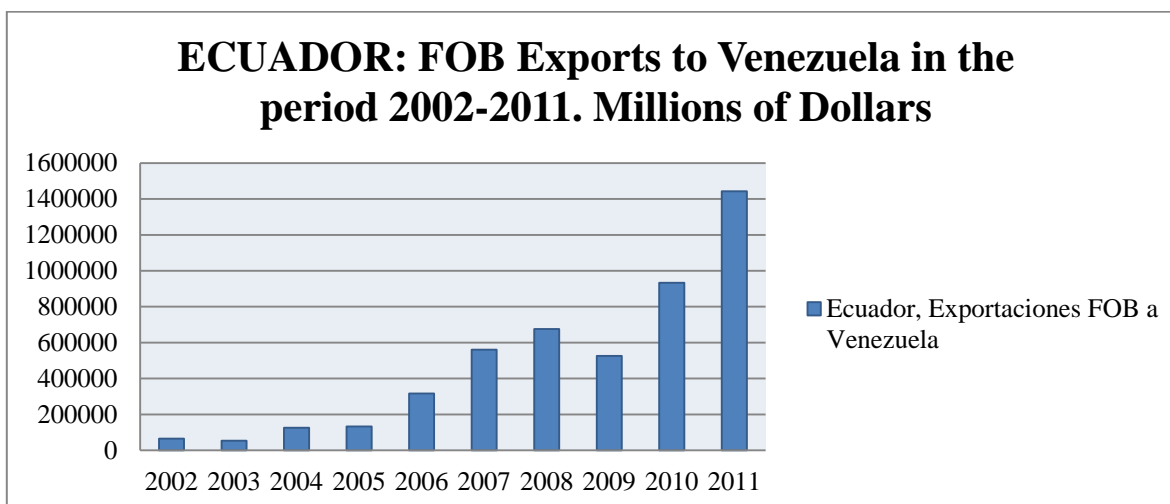
Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

The balance trade between Ecuador and Venezuela in the analyzed period shows a favorable trend for Venezuela, in 2002 with \$ 298,373 million dollars and in 2009 with 303.783 million dollars. The year 2008 stands out from the rest since Venezuela reached a record with a surplus of 1,882 million dollars in the analyzed period. For the last two years that Venezuela applies its preferences in the Andean Community, the balance tips for Ecuador with a surplus of \$ 271.563 and \$ 480.927 million in 2010 and 2011 respectively.

Figure 8: ECUADOR: FOB Exports to Venezuela in the period 2002-2011.

Millions of Dollars



Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

Chart 9: ECUADOR: FOB Exports to Venezuela.

Period 2002-2011. Millions of Dollars

ECUADOR: FOB Exports to Venezuela. 2002-2011 period. Millions of Dollars				
2002	2003	2004	2005	2006
64,745	53,653	126,018	133,100	316,758
2007	2008	2009	2010	2011
560,709	675,637	526,422	932,536	1.443,017

Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

Throughout the decade under study a growing trend of Ecuadorian exports, from \$65.021 million to \$ 1.443 million dollars in 2011 can be highlighted.

The 5 most important products for export from Ecuador to Venezuela during the years 2002-2006, years in which Venezuela was an active member of CAN were:

Chart 10: Main products exported to Venezuela from 2002 to 2006.

Millions of dollars

	Productos	2002	2003	2004	2005	2006
1	Other vehicles for transporting goods, plunger or piston engine, ignition, of gross vehicle weight, not exceeding 5t.	60	0	0	14	41
2	Palm oil, crude	40	12	12	12	26
3	Other prepared or preserved fish, except the whole or in pieces.	4	6	17	17	21
4	Household kitchens: gas fuel, gas and other fuels, of iron or steel	1	0	4	13	14
5	Other motor vehicles with a reciprocating piston, ignition, for the transport of persons, of a cylinder capacity exceeding 1.500cm ³ but equal or lower than 3.000cm ³ .	5	0	0	5	13

Source: (CAN General Secretariat)

Among the most traded goods by Ecuador to Venezuela are, vehicles for the transport of goods, palm oil, "Other prepared or preserved fish" and household kitchens among others (CAN G. S., FOREIGN TRADE IN GOODS BETWEEN ANDEAN COUNTRIES , 2007).

Of the total exports to the world, Ecuador exported 25% to CAN in 2011. This reflects that the CAN is certainly an important destination for Ecuadorian exports. In the same year, 100% of Ecuador exports to CAN (including Venezuela), 26% went to Venezuela, with a percentage even higher than that of Colombia. This reflects the importance of Venezuela to Ecuador's exports within the framework of the CAN.

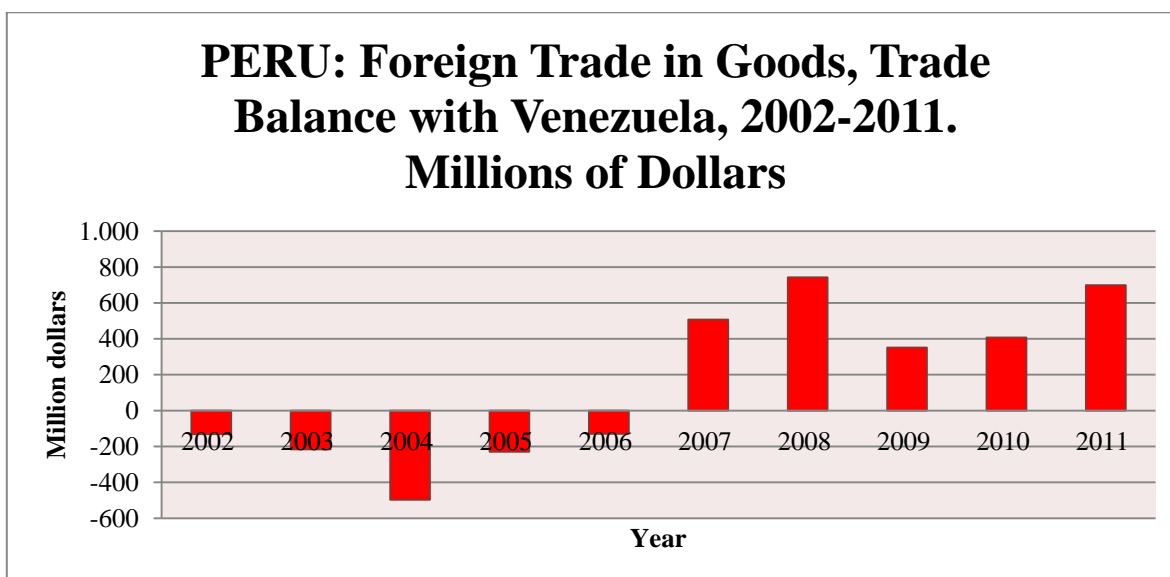
It is important to mention that Ecuador and Venezuela, in order to face the negative impact caused by the leaving of Venezuela from the bloc decided to begin negotiations since 2008 to strengthen and maintain bilateral trade relations. The Protocol of Cooperation Agreement between the Government of the Bolivarian Republic of Venezuela and the Government of the Republic of Ecuador has the aim of deepening trade and development. Also, it looks

forward to compensate the withdrawal of Venezuela from the bloc. The Agreement started to be effective in April 2011 for a period of 5 years, renewable. (Venezuela L. R., 2010).

- **Trade relations between Venezuela and Peru (2002-2011)**

Peru throughout the Andean Community history has maintained important trade relations with Venezuela. This fact, is explained in the present part of this graduation paper.

Figure 9: PERU: Foreign Trade in Goods, Trade Balance with Venezuela, 2002-2011.
Millions of Dollars



Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

Chart 11: PERU: Foreign Trade in Goods, Trade Balance with Venezuela, 2002-2011 period. Millions of Dollars

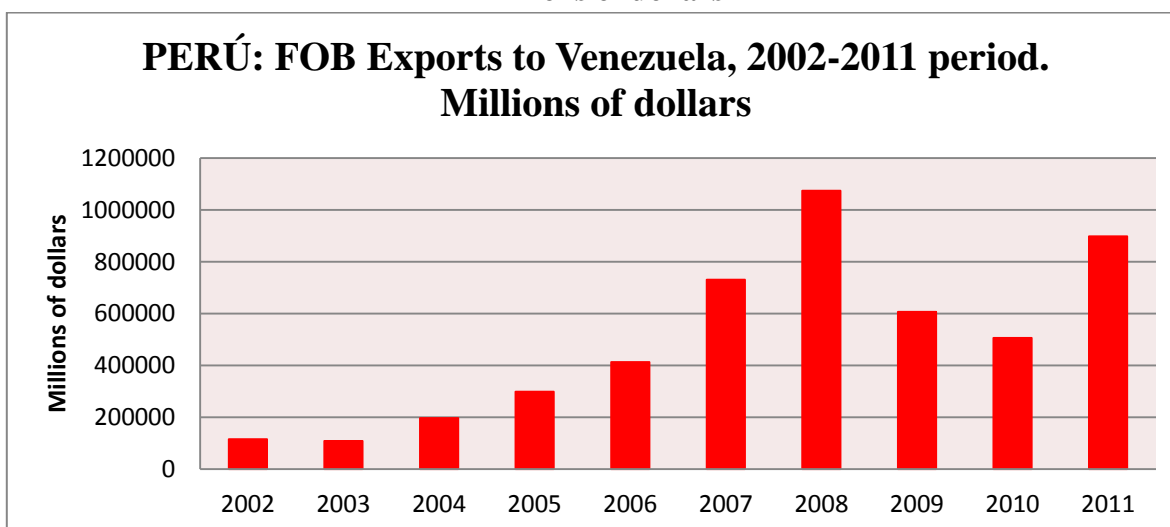
PERU: Foreign Trade in Goods, Trade Balance with Venezuela, 2002-2011 period. Millions of Dollars				
2002	2003	2004	2005	2006
-131,639	-216,336	-496,677	-229,639	-129,408
2007	2008	2009	2010	2011
506,984	742,230	350,735	407,136	699,317

Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

The trade balance between Peru and Venezuela went through two major stages. The first one was between the years 2002-2006 as it was shown in the graph, with a favorable trend for Venezuela in 2004 when it reached a value of 496.677 million dollars. From 2007 until 2011 is the second stage, highlighting Peru's favorable trend for the years 2008 and 2011 with 742.230 and 699.317 million dollars respectively.

Figure 10: PERU: FOB Exports to Venezuela, 2002-2011 period. Millions of dollars



Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

Chart 12: PERU: FOB Exports to Venezuela, 2002-2011 period.
Millions of dollars

PERU: FOB Exports to Venezuela, 2002-2011 period.				
Millions of dollars				
2002	2003	2004	2005	2006
114,476	109,093	196,649	298,808	412,754
2007	2008	2009	2010	2011
730,928	1.074,072	606,920	505,709	898,477

Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

As it is seen in graph 10 Peruvian exports from 2002 to 2011 had an increasing trend, highlighting the year 2008 when it reached a record value of \$ 1,074 million.

Most of products traded between Peru and Venezuela in the years analyzed are the following:

Chart 13: Main Products exported from Peru to Venezuela 2002-2006.
Million dollars

	Products	2002	2003	2004	2005	2006
1	"T-shirts" and shirts, crocheted, of cotton	9	14	22	27	26
2	Zinc, unwrought, not alloyed with zinc content of not less than 99.99% by weight	7	6	8	13	20
3	Carboys, bottles, fresh and similar articles of capacity not exceeding 18.9 liters (5 gal.)	11	2	3	13	11
4	Shirts, blouses, shirts and shirt-blouses, knitted or crocheted, of cotton for women or kids	3	1	2	10	11
5	Cathodes and sections of cathodes of refined copper	0	0	9	8	11

Source: (CAN General Secretariat)

Among the most important products exported from Peru to Venezuela comprise the "T-Shirts" and shirts, knitted or crocheted, of cotton reaching a total of \$ 26 million during 2006.

Peru exports have greater diversification in terms of the export supply to Venezuela with respect to Ecuador and Bolivia. Among the products that are exported to the Venezuelan market are: t-shirts, shirts, blouses and polo cotton, zinc and copper, bottles, flasks and similar articles, among others (CAN G. S., FOREIGN TRADE IN GOODS BETWEEN ANDEAN COUNTRIES , 2007).

Of the total Peruvian exports to the world, this country exported 9% to The Andean Community. From the 100% exported to the CAN, 22% of Peruvian exports went to Venezuela. This confirms that Venezuela is also a major destination for Peruvian exports, and to the other members of the Andean Group.

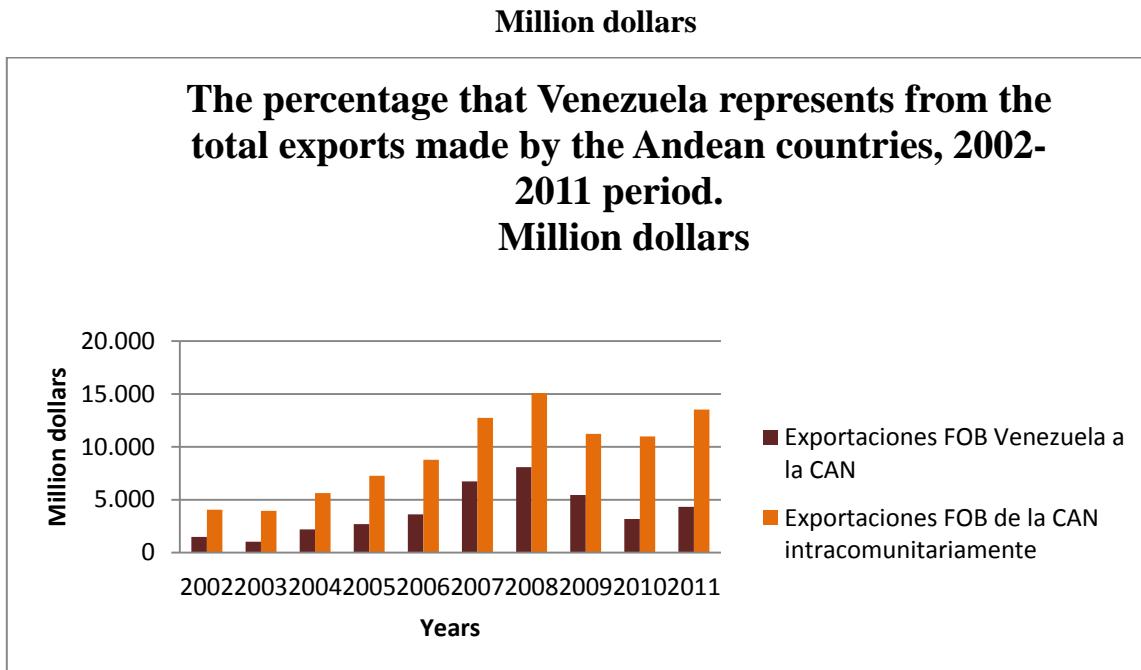
Like the other members of the CAN, Peru and Venezuela also negotiated bilateral trade agreements in order to reduce the impact of the exit of Venezuela from the Andean and to maintain trade relations. In the case of this country, the agreement was signed in January 2012 and it was called: Partial Scope Agreement of commercial nature (Venezuela A. d., 2011)with the same trend Ecuador, Colombia and Bolivia signed agreements to maintain the tariff preferences with Venezuela when the latter left the group.

II. Development of Venezuela on the block

The role of Venezuela and Colombia is very important because these countries are very representative in the commercial area of the Andean bloc. For this reason, it is essential to analyze what its trade represents in relation to the CAN and also know the type of products that have been marketed with the Andean countries.

The following figure represents the percentage that Venezuela represents from the total exports made by the Andean countries.

Figure 11: The percentage that Venezuela represents from the total exports made by the Andean countries, 2002-2011 period.



Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

In the chart above it can be seen that exports during 2002-2008 period inside the bloc maintained an upward trend, a trend that continues for Venezuelan exports to The Andean Community. After this period, in 2008-2009 there was a strong decrease to recover later into a growing trend until 2011, the last year of the analysis.

This exports decrease could be attributed to increasing political tensions between Uribe and Chavez then presidents of Colombia and Venezuela respectively. To this situation we can add the search of Argentinian and Brazilian markets for Venezuela as discussed above. The reason for the last decision was that Venezuela needed to face its significantly negative balance trade with Colombia inside the bloc. Moreover, the global economic crisis in 2009 caused worldwide the reduction of imports, thus resulting in the Andean trade market suffering the consequences.

Returning to the analysis, the exports inside the Andean bloc rose from \$ 4,063.057 million in 2002 to \$ 13,521.835 million in 2011. In other words, we can say that inside the Andean bloc exports (including Venezuela) have tripled in the last 9 years. Venezuela is included in intra-communitarian exports to analyze the development in the bloc, in this way we can identify more clearly the impact on trade of the Andean countries that could signify if the preferences agreed with each of the Andean countries once their obligations expire as a member of the CAN.

Chart 14: Percentages for each of the Andean countries of total CAN exports.

	Bolivia	Colombia	Ecuador	Peru	Venezuela	Total
2002	5%	30%	18%	10%	36%	100%
2003	7%	31%	25%	12%	26%	100%
2004	5%	29%	17%	11%	39%	100%
2005	4%	29%	19%	11%	37%	100%
2006	5%	23%	20%	11%	41%	100%
2007	3%	17%	18%	10%	53%	100%
2008	3%	16%	17%	10%	54%	100%
2009	5%	19%	14%	14%	49%	100%
2010	6%	28%	19%	18%	29%	100%
2011	5%	25%	20%	17%	32%	100%

Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

Table 14 summarizes in percentages the behavior of the inside bloc exports (including Venezuela). I consider that is important to highlight the importance of Venezuela in the group's exports especially in the years 2007, 2008 and 2009, years in which Venezuelan exports were on an average of 52% of the total intra-CAN exports.

In summary, table 14 allows us to see clearly that during the period of analysis in 2002, the first year of the period analyzed, Venezuelan exports represented 36% of total intra-CAN exports. In 2006 while Venezuela left the agreement, exports accounted for 41% of the total intra exports. Finally in 2011, the year in which Venezuela culminated the relationships and obligations with the Andean countries, Venezuela's exports accounted for 32% of intra-CAN total exports.

Now, it is important to know the most exported products from Venezuela to the Andean countries in order to understand better what types of products are important for having this significant percentage on exports from Venezuela to the Andean countries.

Chart 15: Amount of the 6 main products imported by the CAN from Venezuela from 2001 to 2005. Millions of dollars

	Product	2001	2002	2003	2004	2005
1	Crude oils obtained from bituminous minerals.	121,1	22,7	44,6	252,5	322,2
2	Gas oils (diesel)	75,1	65,0	121,5	298,7	76,5
3	Other petroleum gases and other gaseous hydrocarbons, liquefied	65,7	92,8	148,2	159,8	98,1
4	Propene (propylene) Unsaturated	45,0	53,2	53,8	111,3	123,8
5	Lubricant base oils	62,5	54,6	35,5	55,2	73,4
6	Iron Flat-rolled or non-alloy steel, width > = 600 mm, not clad nirevestir, rolled, cold rolled, thickness > = 0,5 mm but <= 1 mm.	28,2	29,9	50,6	66,3	81,7
Amount of the 6 main products imported by the CAN from Venezuela		397,6 (26,8%)	318,2 (22,5%)	454,2 (31,4%)	943,8 (40,2%)	775,7 (34,2%)
Total Imports of CAN from Venezuela		1 484	1 409	1 444	2 347	2 264

Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

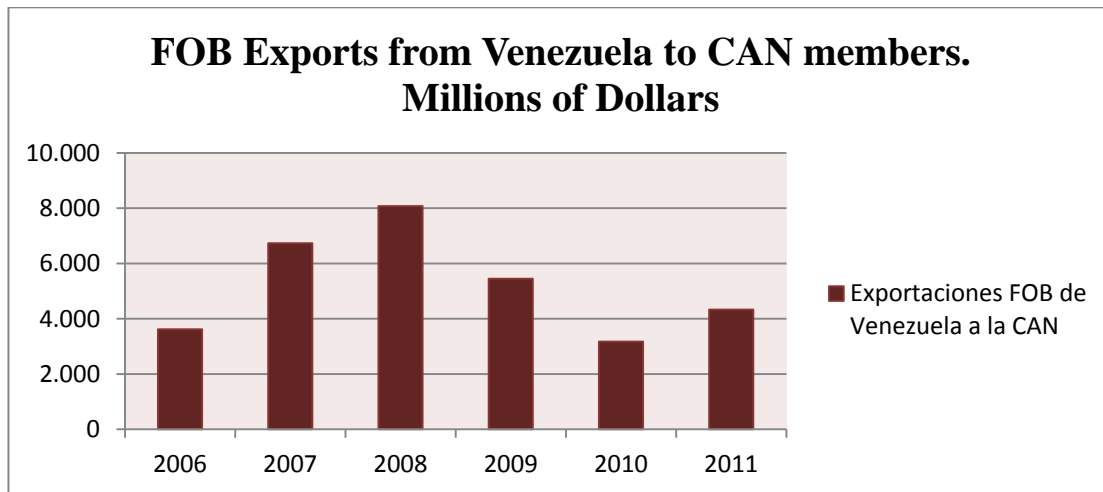
As it can be seen from Table 15, within six main products five of them belong to petroleum products. This shows the large dependence of Venezuela on oil and its derivatives. In the first five years analyzed (2001-2005) I found that on average the oil and its derivatives are around 31.02% of the total imports of the Andean countries from Venezuela which indicates the importance of their oil. Considering that only the six main products of the total imports from Venezuela to the Andean countries were taken, it can be said that 31.02% is a significant percentage of imports; however it concentrates only oil and its derivatives.

Venezuela has continued to be important for the Andean countries, demonstrating in economic terms that the withdrawal of Venezuela would have meant a negative impact on each of the members of the Andean Community. This is why economic agreements were negotiated bilaterally with the Andean countries.

Since 2006, the year in which the Venezuelan State announced its withdrawal, Venezuelan exports to the CAN had the following performance. (See Figure 12).

Figure 12: FOB Export from Venezuela to CAN members.

Millions of Dollars



Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

The year 2008 is the year that Venezuela most exported its products to CAN. Beating a historical record even if we take into account the amounts exported since 2002, when the country was still part as an active member of CAN (See Table 16).

Paradoxically, despite Venezuela dedicated to meet the minimum requirements of the Cartagena Agreement to complete their obligations to the CAN in the year 2007, those five years Venezuelan exports to CAN did not descend from the \$ 3,173.948 million dollars (2010). This value was the lowest during the 2007- 2011 period, it exceeded all the values exported between the years 2002-2005.

In order to make an objective analysis, I don't take into account the year 2006 by considering it was an unstable year after the announcement of the withdrawal of Venezuela.

Chart 16: FOB Exports from Venezuela to the CAN, Millions of Dollars

FOB Exports from Venezuela to the CAN, Millions of Dollars (Chart 16)					
	2002	2003	2004	2005	2006
Venezuela	1.481,887	1.035,164	2.194,215	2.687,883	3.622,887
	2007	2008	2009	2010	2011
Venezuela	6.736,828	8.079,801	5.448,578	3.173,948	4.334,923

Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

When we separate Venezuelan exports from the Community ones, the importance of Venezuela is unveiled. From the point of view of the theory of international trade, the economic integration of CAN has been positive for Venezuelan exports in the sense that this activity has tripled if we take into account the data of 2002 vs. 2011.

Returning to the primary topic of the analysis, Venezuela has been a mainstay in the inter-Andean exports considering that during the 2006 - 2011 period it represented 43% of total intra Andean exports. In the second period between the years 2006-2011 the products that Venezuela has exported to CAN members are the following:

Chart 17: Top 6 products imported from Venezuela to CAN 2006-2010. Millions of dollars

	Product	2006	2007	2008	2009	2010
1	Gas oils (diesel)	181,4	71,4	1 498,7	755,6	717,1
2	Naphtha solvent	0,1	269,7	740,4	180,7	100,4
3	Other medium oils and preparations	25,1	582,1	118,2	61,7	44,1
4	Crude oils obtained from bituminous minerals.	320,7	23,8	169,7	162,0	0,0
5	Propene (propylene) unsaturated.	164,7	100,1	113,8	11,1	22,2
6	Other petroleum gases and other gaseous hydrocarbons, liquefied	91,0	114,5	142,1	15,6	2,3
Sum of the 6 main products imported by the CAN from Venezuela		783 (30,6%)	1161.6 (39,2%)	2782.9 (64,1%)	1186.7 (60,1%)	886.1 (65%)
Total CAN Imports from Venezuela		2554	2962	4341	1973	1363

Source: THE ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

Chart 17 shows that the main 6 products exported from Venezuela to the countries of the Andean Community belong to oil and its derivatives. Analyzing the percentage that it represents of the total exports by Venezuela it can be appreciated that these products are of national importance. Also, it is important to mention that the trend, since Venezuela left

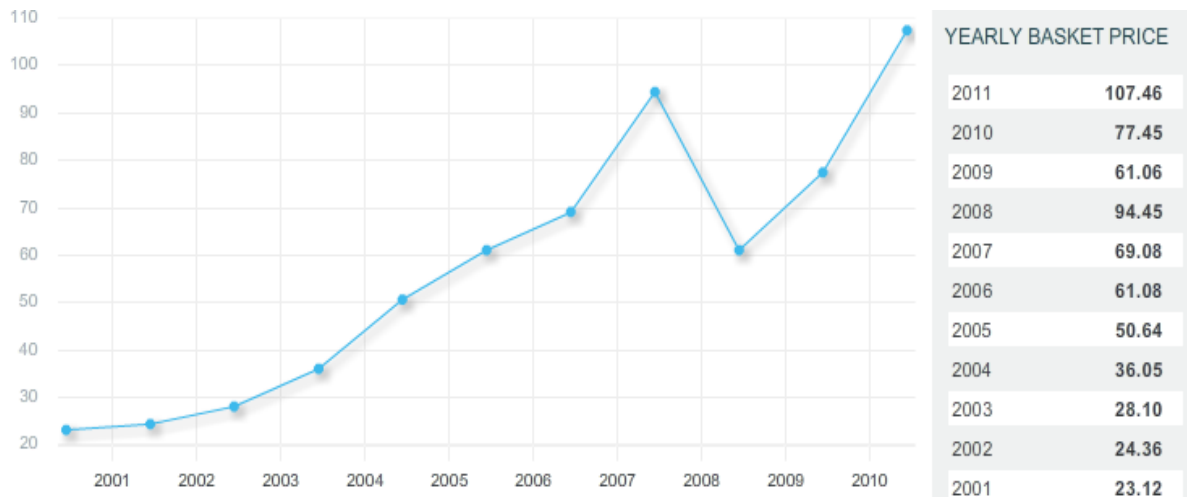
from the CAN, increased significantly in those five years compared to the previous period in which the participation of crude oil and its derivatives average was 31.02%.

Venezuela ends the year 2006 representing 30.6% of total exports to the Andean countries to almost double this figure by 2010 reaching 65% of exports to CAN members. This is important because from this analysis we can see the loss of competitiveness on Venezuelan non-oil products and its increasing dependence in recent years on oil and its derivatives.

An extremely important factor to be analyzed after seeing the influence of oil and its derivatives in the Venezuelan economy is its price. It certainly influenced on this important percentage of exports from Venezuela to the Andean countries. As it is shown in the graph below we see the price of a barrel of oil has significantly increased in value in the first decade of this century, from an average of \$ 23.12 per barrel in 2001 to settle at \$ 107.46 in 2011.

This helps to explain why Venezuela has so far represented a significant percentage in intra-Andean exports, added to the fact that most of its exports to the Andean countries are represented by oil and its derivatives.

Figure 13: Average Barrel Oil Price 2001-2011.



Source: Compiled data from: OPEC Yearly Basket Price

Finally, it is clear that the development of Venezuela in commercial terms, even though most are petroleum products, is of great importance for itself and within the CAN during the period of analysis.

III. The withdrawal of Venezuela of the CAN

The withdrawal of Venezuela to the Cartagena Agreement generated different effects in different areas of the bloc. In the commercial area we saw the economic effects in the Andean countries. In the following paragraphs it is explained how the process was, why they decided to leave the Andean bloc and how it affected the stability of the bloc members in the political and social areas.

On April 19, 2006, at a meeting celebrated in Asuncion-Paraguay the president of the Republic of Venezuela, Commander Hugo Chavez Frías announced Venezuela's withdrawal from the CAN. This action was a surprise to the Andean countries, because the Andean group was going through difficult times and they would be beaten again by the departure of one of its members with greater participation within the group (Malamud, Real Instituto el Cano, 2006).

The withdrawal of Venezuela was the second biggest hit that the Andean Group has lived since its foundation. The first beat was received from Chile, which in 1976 also decided to get out from the Andean Pact for finding it as inconsistent with the new economic policy pursued by the Pinochet dictatorship (Malamud, Real Instituto el Cano, 2006).

Although the circumstances for these two countries were quite different, the two justified their departure arguing inefficiency of the body to support the needs of their states. Despite the different views of these two states, Venezuela on the one hand, socialist country towards Latin American integration and Chile, capitalist country with a view to the free market, the two felt that the CAN or Andean Pact became a limiting factor for their political, social and economic development. From my point of view, these events have weakened the importance and influence that Andean Group can have in its active members and definitely calls into question the effectiveness of economic integration and its sustainability over time if corrective actions are not taken.

The president of Venezuela, Hugo Chavez, argued that the withdrawal from Cartagena Agreement because the CAN was not protecting the interests neither of his country nor of the other members. In the words of President Chavez, "The Andean Community does not function, for our people, for the poor or the Indians", from their point of view The CAN was defending the interests of the elites and transnational companies, which was a contrary idea to Venezuela's policy. Venezuela, that intended to seek the union of Latin American people in order to come together of economic underdevelopment and thus face transnational elites and north capitalist block that caused the delay of Latin America (Malamud, Real Instituto el Cano, 2006).

The main reason for the departure of Venezuela was the signing of FTAs by Colombia and Peru with the United States of America. The representative confirmed so in his speech from Asuncion. As it was expected, this caused the reaction of several representatives, which will be discussed further in the next chapter.

This statement was seen by some as a step in his common discourse on the need for Latin American integration, which affected not only the sub Andean region but the South American region in its entirety by the reactions caused. Also, it was seen by others as another attempt of the Venezuelan president to advance their leadership in the region (Malamud, Real Instituto el Cano, 2006).

Finally, it should be noted that when President Hugo Chavez announced the withdrawal of the CAN, he was the President pro tempore of the Andean Community. This event permitted Chavez to handle the situation according to the Venezuelan interests, avoiding for example to call a presidential seal, which had been a good place for negotiating a new scenario and for talking about progress in the sub regional integration. (Malamud, Real Instituto el Cano, 2006).

The significant flow of trade between Venezuela and the Andean countries demonstrates the importance of having trade links with Venezuela. As discussed in the second chapter, the balance of trade between Venezuela and the Andean countries, although in the case of Bolivia and Ecuador is negative, the volume of exports and imports relative to previous years has increased significantly, allowing commerce to have a progress growing trend for Venezuela and the Andean countries. This shows the importance and influence that the Andean Community has had to its partners for opening new markets as well as the ease to operate in the intra-Community trade with more dynamism.

The extra community exports since the creation of the Andean Pact have maintained an upward trend between the Andean countries and this shows that not only the volume of exports and imports have grown but the bloc has served to develop new opportunities for its members in the different and more demanding markets around the world. So I think that the fact of remaining part of the group is a key factor for the development of new opportunities not only individually but also collectively.

As seen in this chapter, I can say that the commercial sector is one of the most important sectors among regional and sub-regional blocs, without leaving social and political areas which are certainly those who give the guidelines and parameters to set the organisms goals. Thus, in the next chapter the reactions of the different leaders of the region will be analyzed, showing in some cases support and affinity with the Venezuelan decision as well as rejection by other leaders to the decisions made by President Hugo Chavez.

CHAPTER 3

WITHDRAWAL OF VENEZUELA: EFFECTS ON THE BLOCK

I. The reason for its withdrawal

Now, after analyzing the commercial area between Venezuela and the Andean members, it is important to review what were the reactions of the different countries of the region and especially of the representatives of the Andean countries. This decision proved the true strength of Andean integration, so the effects on political and social areas, as well as the current relations between Venezuela with the CAN and the MERCOSUR will be discussed in this chapter.

During a meeting on April 19, 2006 in Asuncion, Paraguay, led by the presidents of Bolivia, Paraguay and Uruguay where it was intended to discuss about energy issues in the region, President Hugo Chavez announced Venezuela's withdrawal from the Community Andean Nations (CAN). The Venezuelan president qualified the CAN as a big lie that served only to transnational elites. Also, he alleged that CAN ignored the interests of the Andean people and indigenous people. For these reasons, Venezuela could no longer be part of the group so that the country must find an alternative line for protecting its interests as a state (Malamud, 2006).

Hugo Chavez, as in most of his speeches, stated bluntly that the United States threatened the integration of the Andean bloc and its disintegrating strategy was affecting Latin American interests. In his speech he also made it clear that Latin American countries knew that it was necessary to emerge and face the underdevelopment regional integration. Unfortunately, he said that the Andean bloc did not have an appropriate strategy to achieve it, and instead some of its members, Colombia and Peru, prioritized their individual interests affecting the other Andean countries directly. Therefore, President Chavez considered that the CAN had a death sentence, so Venezuela needed to focus its efforts on looking to be accepted in any way on the Southern Common Market (MERCOSUR).

It is important to analyze that this sudden retirement from the CAN and immediate commitment to MERCOSUR was not an alternative thrown at random, but instead, the Venezuelan country evaluated the benefits it could bring Venezuela belonging to MERCOSUR. We can compare for example the commercial advantages between these two blocs, MERCOSUR is a much larger market and its volume in economic terms is far superior compared to CAN. As an example, for 2006, the year that Venezuela leaves from the Cartagena Agreement, the Andean bloc traded around \$ 9,000 million, while MERCOSUR reached \$ 150,000 million in the same year (Malamud, 2006).

Venezuela announced its withdrawal while Chavez was serving as president pro tempore. This allowed him to control certain activities to his convenience such as calling a presidential summit that would allow members to discuss the Venezuelan decision. In addition, during his visit to Brazil, Hugo Chavez strongly criticized the decision of Colombia and Peru to sign the respective FTAs arguing that the Andean Community became a model similar to the Free Trade Area for the Americas (FTAA). The same that led to the formation of the Cartagena Agreement, which as discussed in the first chapter, the Andean countries turned down since it only served large and developed countries.

Thus Chavez showed a definitive and irreversible CAN retirement. Additionally, he showed the extent to which Venezuela could destabilize relations in the region, because it was not long until the leaders of the various South American countries began to show their different positions on what happened. One of the first reactions was from Evo Morales, President of Bolivia, calling then President Toledo of Peru as a "traitor" for signing the FTA with the United States and in the same way from President Uribe when he said "We all know where it comes from" (Malamud, 2006).

On the other hand, Colombia and Peru are benefiting from the CAN on Decision 598, which establishes the following (For full text see Annex 4):

Decision 598:

DECIDES:

Article 1. - The Member Countries may negotiate trade agreements with third countries, preferentially community or jointly and exceptionally individual.

Article 2. - If not possible, for whatever reason, trading community, the Member Countries may negotiate bilaterally with third countries. In this case, the participating Member Countries shall:

- a) Preserve the Andean law in relations between the Member Countries of the Andean Community.
- b) Take into account the commercial sensitivities of the other Andean countries, when trade liberalization are offered.
- c) Maintain an adequate exchange of information and consultation in the development of the negotiations. This in a framework of transparency and solidarity (CAN S. G., Decision 598).

According to this Decision, Colombia and Peru as well as any other member of the Andean Community can negotiate trade agreements with third countries in case they are not able to negotiate in the community based on the items and literals defined in Decision 598. Peru and Colombia under the Andean Decision, claim that they did not violated the Cartagena Agreement.

The countries based on this decision, accused Venezuela of breaking the rules by attempting to join the MERCOSUR without having first informed the Andean countries. It should be noted that for the FTA signed by Colombia with the United States, it was previously reviewed and approved by the General Secretariat of the Andean Community. Colombia was ensuring and certifying that they met the requirements and obligations with the Andean group members in its negotiations. Jorge H. Botero, then Minister of Industry and Trade of Colombia, argued that the FTA negotiations respects Andean legislation as the

Andean legal precedence over NAFTA, "as it was expressly enshrined in the final text of the Treaty" (Malamud, 2006).

It should be recognized that on the side of Venezuela, this was not their intention to join the MERCOSUR, where ending the year 2005 had already shown their intentions to seek their adherence to it. This is one of the opportunities that the Venezuelan government took at the time it had the pro tempore presidency of the CAN.

II. Withdrawal process

As mentioned at the beginning of the chapter, Venezuela announced its withdrawal from the CAN on April 19, 2006, denouncing the Cartagena Agreement on 22 April that year. Venezuela argued that the TLC signed by Colombia and Peru with the United States killed the essence of CAN, affecting Andean rules and institutions. Because of the withdrawal, as provided in Article 135 of the Cartagena Agreement (For more information see Annex5), Venezuela had to fulfill many requirements acquired by Andean members as the following:

“The Member Country wishing to denounce this Agreement shall inform the Commission. Since then cease to enjoy the rights and obligations arising from its membership, with the exception of benefits received and granted in accordance with the liberalization program of the sub region, which shall remain in force for a period of five years from the denounce”(CAN, Documentos de la Comunidad Andina, 2006).

Following the withdrawal of Venezuela, among the Andean countries an atmosphere of uncertainty of what Venezuela would do next was happening. Venezuela had to accomplish the Article 135 but there was not a higher authority to enforce them complies, so Andean countries had the uncertainty because everything could happen coming from them. These tensions would calm down as the Venezuelan government showed signs that it was going to comply with the provisions of Article 135 because under no circumstances Chavez would

have agreed to take such action by the importance of the Andean trade accounted for his country.

Now, it is necessary to review the current situation of Venezuela, with the bloc members after having accomplished the minimum requirements for a five years period .

III. Venezuela's current position

a. About CAN

Venezuela, having met the five years as provided in Article 12 of the Treaty of Cartagena, completely dissociates itself from any obligations in the Andean countries on April 22, 2011. In order to regulate this, a commission in the Venezuelan country was established, which was in charge of negotiating treaties with the Andean countries bilaterally to maintain certain advantages of which had enjoyed before with the member countries of the Andean Community.

Venezuela's current position against the CAN is limited to bilateral treaties that got signed with member countries. As opposed to its MERCOSUR partners that are country CAN Associate Members not part of the same by the fact that Venezuela formally linked in June of 2012, as the Partner Country status in February 2010 assumed by Decision 732 (Andean Community regulations), the year in which Venezuela was not yet part of the MERCOSUR.

Decision 732:

“Participation of the Republic of Argentina, the Federative Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay, MERCOSUR Member States, in organs, mechanisms and measures of the Andean Community, in its capacity as Associate Member Countries Andean Community” (CAN S. G., Decisión 732, 2010), (See Annex 6 Decision 732).

The introductory paragraph of Decision 732 clearly states that the countries of Paraguay, Uruguay, Brazil and Argentina have the quality of associate members of the Andean Community, which completely excludes Venezuela.

b. About MERCOSUR

Facing the exit of Venezuela from the Andean Community, the interests of Hugo Chavez focused on the adherence to the Southern Common Market (MERCOSUR). The president expressed his interest in becoming part of this bloc at the end of 2005 where he began talks with the bloc to analyze their accession. The CAN has always been attracted to the idea of closer ties with MERCOSUR because since its inception in 1991, has promoted several agreements among are the followings:

1. In 1998, a Framework Agreement for the creation of a Free Trade Area between the Andean Community and MERCOSUR is signed, that have guidelines to shape the framework. Also, it established that these negotiations should be implemented in two stages: the first will negotiate a Fixed Tariff Preferences Agreement and a second that would serve to establish a Free Trade Agreement.
2. As another example, for the year 1999, the form of negotiation between the CAN and MERCOSUR changed, since from this year the CAN negotiated with each of the MERCOSUR countries independently and not with the MERCOSUR bloc as a whole. This brought good results with Brazil because the Andean countries except Bolivia signed a Fixed Tariff Preferences Agreement which was highly significant because it was the evidence that the creation of a Free Trade Area between the Andean Community and MERCOSUR was the goal to achieve.
3. Also, in 2000, a rapprochement between the Andean countries and Argentina allowed to sign a partial scope agreement on economic complementarity which entered into effect on August 1 of the same year.

4. For 2001, the Foreign Ministers of MERCOSUR, CAN and Chile established in La Paz a Mechanism for Dialogue and Political consultation, destined to facilitate joint actions in political cooperation, economic integration and physical infrastructure, external relations, information exchange, and social and cultural aspects.
5. In 2004, No.36 Economic Complementation Agreements signed in 1996 between Bolivia and MERCOSUR members and No.58 Economic Complementation Agreement signed in 2003 by Peru and MERCOSUR. There is also the Economic Complementation Agreement No.59 through which Colombia, Ecuador and Venezuela and MERCOSUR States formed a Free Trade Area by the expansion and diversification of trade and elimination of tariff and non-tariff barriers affecting trade between them (reciprocal trade).
6. In 2005, the Andean Council of Foreign Ministers had a meeting in an enlarged session with the Commission where Decision 613 was adopted, which gave the status of Associate Member States of MERCOSUR. In the same meeting defined the terms of participation in the CAN.
7. Finally, in 2010, with Decision 732, the CAN in an effort to assert a more active participation of the members of MERCOSUR as associate members, created a joint committee to establish the mechanisms and the areas in which it seeks to participate.⁶

Venezuela in its eagerness to join MERCOSUR encountered several obstacles for wanting to immediately be linked in the new bloc after its withdrawal in 2006 from the Andean bloc. Furthermore, it was not until June 2012 when Venezuela finally achieved fully its adherence to MERCOSUR. This because the Paraguayan Senate did not approved Venezuela as a new MERCOSUR member, the other countries could not do something because under Article 20 of the Treaty of Asuncion by which the MERCOSUR was

⁶ Taken from: http://www.comunidadandina.org/exterior/can_mercosur.htm

formed, states that "the approval of applications be subject to unanimous decision of the States Member" (MERCOSUR).

However, in 2012 with a series of quick maneuvers on June 29 in the city of Mendoza, Venezuela entered in MERCOSUR taking advantage of the situation in which member countries of MERCOSUR temporarily suspended Paraguay by the impeachment of President Fernando Lugo, allowing the final accession of Venezuela (Informe21, 2012).

IV. Political, social, and economic effects in the CAN until 2011

The biggest political effects experienced as a result of the withdrawal of Venezuela from the Andean group were indeed in the weeks following the termination of the Agreement of Cartagena, as to disengage from the CAN and try to immediately join MERCOSUR, involving most American countries and causing the reaction, opinion and criticism of the various South American leaders by the stance taken by Commander Hugo Chavez.

From this decision, several presidents tried to find deeper reasons to support the decision taken by President Chavez, so that the responses of the Andean partners with different foundations and perspectives were:

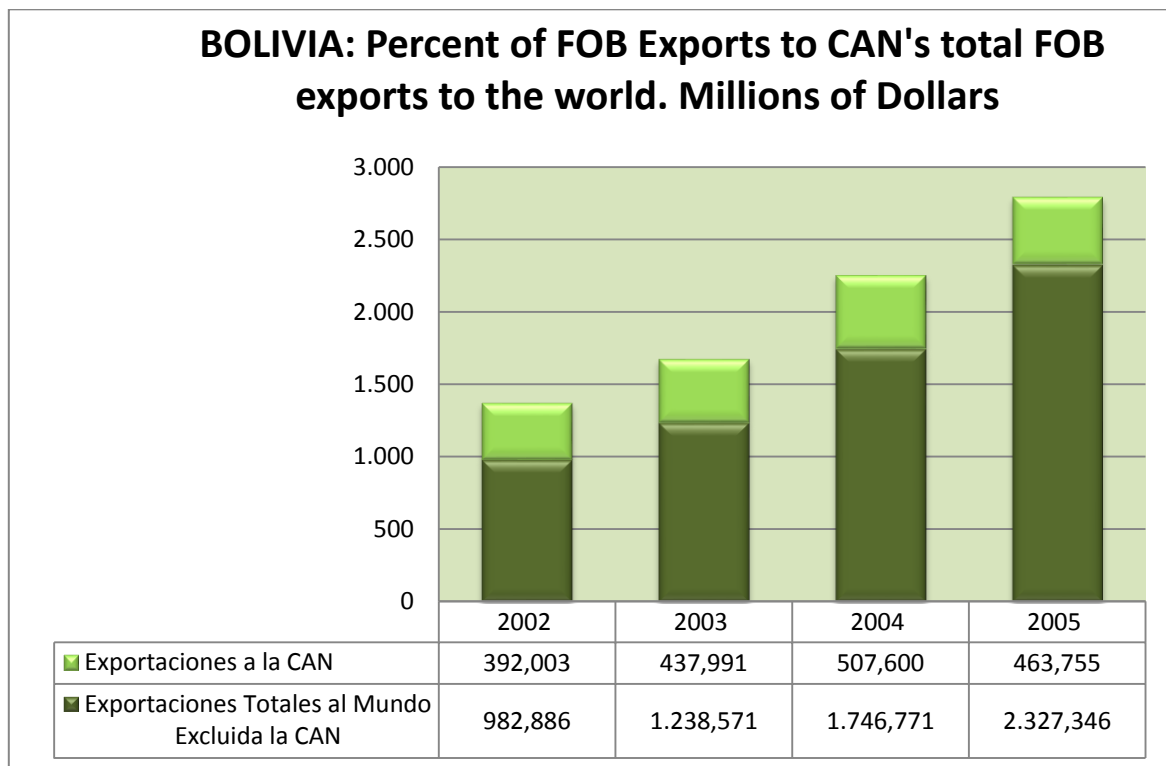
Initially, the reactions of the various members of the Andean Group were very cautious and reserved because they did not know yet the extent of it so several heads were betting on a game of threat and pressure (psychological) by the President Chavez. The presidents members of the group expected a fail in the subscription of the agreement, but as time passed and Venezuelan decisions started to take place, group members began to confirm its retirement statements so that Andean leaders began to become increasingly strong and direct, looking in some find potential cases "guilty" of Andean disintegration (Malamud, 2006).

In Peru, several figures unveiled their point of view, among the most remarkable was of the presidential candidate Ollanta Humala, arguing that Venezuelan president had a double speech. First he asked and promoted the integration of Latin American countries at any cost, even over national interests, but on the other hand it showed that even the same Hugo Chavez seemed to be willing to sacrifice their interests for that ideal. It is true that Venezuela's decision could have been taken as a sovereign decision says Humala, but just as this would have happened, the Peruvian decision of having an FTA should have been taken in the same way (Malamud, 2006).

Bolivia meanwhile, from the beginning stated its dissatisfaction with the signing of the FTA, because it directly harmed their trade, as its exports of Soy (soybeans) would be affected. His unconformity with this situation was demonstrated by supporting the Venezuelan position and later supporting the Venezuelan initiative to join the ALBA and the Trade Treaty of the Peoples (TCP).

As tensions were calming down, Evo Morales on the tone of his speech and despite continuing to question the effectiveness of the CAN (Malamud, 2006) stressed the importance of fighting for Andean integration and reaffirmed the importance that this bloc represented Bolivia and other Andean countries, because as we can see in graph 14, total exports to the Andean Community to the world represent a significant amount of exports for Bolivia, so that by 2005 it accounted for 17% of total exports to the world.

Figure 14: BOLIVIA: Percent of FOB Exports to CAN's total FOB exports to the world. Millions of Dollars



Source: ANDEAN COMMUNITY AMERICA, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in the CAN General Secretariat.

For Carlos Malamud, Senior researcher for Latin America of Elcano Royal Institute for International and Strategic Studies argued that it was very likely that Chavez has tried in the electoral level, to unbalance the image of the then Presidents Toledo and Uribe, seeking reelection in their countries in front of the presidential elections. It should be noted that Colombia and Peru increasingly sought closer ties with the United States, a policy that was completely rejected by the Venezuelan president.

The Ecuadorian position shall be treated in the next chapter where I analyze the specific case of Ecuador in relation to Venezuela's retreat from the Andean Community.

From the point of view of President Chavez, the signing of Colombia and Peru FTAs with the United States would cause the intra-regionally traded goods to be less competitive,

because the goods from the United States are mostly subsidized by the U.S. government, thus it would be extremely difficult to compete against them.

Furthermore, as discussed in the previous chapter, the importance of trade between Colombia and Venezuela starting from the fact that Venezuela is the second most important trade partner of Colombia after the United States commercial ties are really important for Venezuelans. The Venezuelan concern is that most products exported without the oil exports to Colombia are manufactures, so it would be difficult to find new markets for these kind of products because they are not specialized. That is the reason why Venezuela accuses Colombia of its withdrawal, saying that opening to other markets with FTA damages the idea of developing together (Malamud, 2006).

Regarding social effects, the Andean bloc following the withdrawal of Venezuela, mention that unfortunately these effects cannot be quantified since they cannot be measured in thousands of dollars and that the impact of good or bad actions in the societies may be felt only in the medium and long term (CAN, 2011). However, we can say that the social consequences had not major implications for member countries because although Venezuela was an important part in promoting greater integration between the Andean countries, the group members from Venezuela's withdrawal have emphasized the integration of the peoples for bilaterally development in social areas.

The good relationship between the states is maintained and bilateral trade agreements had sought to supplant the participation of Venezuela in the Andean bloc without neglecting social projects. The agreements reaffirmed not only commercial importance, but also highlighted the importance of social integration among South American peoples.

Venezuela's withdrawal from the Andean Community of Nations (CAN) questioned the effectiveness and commitment of the group members. The measures subsequently taken by Venezuela to negotiate bilaterally with member countries showed the importance of the Andean Community to member countries as well as to Venezuela especially in the

commercial field. It should also be noted that the difficult conditions for joining the Southern Common Market (MERCOSUR) would be an important factor for further negotiations with the Andean countries.

The reactions and statements of various Andean leaders were important to show the new direction that would the CAN undertake. By acquiring new commitments and showing the intent to work giving equal priority to the political, economic, commercial, social and integration as development axis for Andean countries. In this way, the idea that union and commitment of Andean countries as the way and key strategy to achieve its goals was established.

After analyzing the reactions of the different Andean members, it is important to dedicate an entire chapter to the special case of Ecuador to appreciate the real impact of the withdrawal of Venezuela from the Andean Community in our foreign trade, including the areas already discussed previously in other Andean countries.

CHAPTER 4

WITHDRAWAL OF VENEZUELA AND ITS IMPACT IN ECUADOR

I. Political Effects

As discussed in the previous chapter, after the announcement of the withdrawal of Venezuela from the Andean group the leaders reacted in different ways. All members of the Andean countries felt affected by the departure of one of its most important members. Ecuador meanwhile, featured a fairly low profile. It is important to remember that for the year in which Venezuela announced its withdrawal, Ecuador under the command of Alfredo Palacio had a rightwing government that sought to have closer ties with the United States of America. The Ecuadorian President maintained a moderate speech in favor of the interests of the Andean countries and in defense of the integrity of the CAN (Malamud, 2006), but without neglecting their interests to sign an FTA.

However, the position of the Ecuadorian president did not have much significance as he was completing his term in office and the possibility of being part or not of an FTA would be the next president's decision. Therefore, the role of the ex-president Palacio to keep a low profile in their pronouncements regarding Venezuela retreat of CAN was prudent, considering the political moment that Ecuador crossed with two presidential candidates with opposing ideologies and different positions on the issues of external trade policy.

Ecuador's political interests changed after the 2006 elections, in which the economist Rafael Correa emerged victorious in the second round and became president of Ecuador. Since his campaign he announced that if he came to power FTA was not going to be signed with the United States for considering it a detrimental agreement to the Ecuadorian people⁷.

⁷ Rafael Correa was Minister of Economy and Finance from the April 20, 2005 to August 8 of that year. In his short period was against the signing of an FTA with the U.S. which led to his resign, Alfredo Palacio

With Rafael Correa as president, the political effects of the withdrawal of Venezuela were minimized. The political affinity between the two leaders narrowed the relationship between these two states. Trade and political relations between Ecuador and Venezuela were not too important, between 1940 and 2006, 38 agreements were signed, while from 2007 until 2012, these two states have signed 114 bilateral agreements (Affairs, 2012).

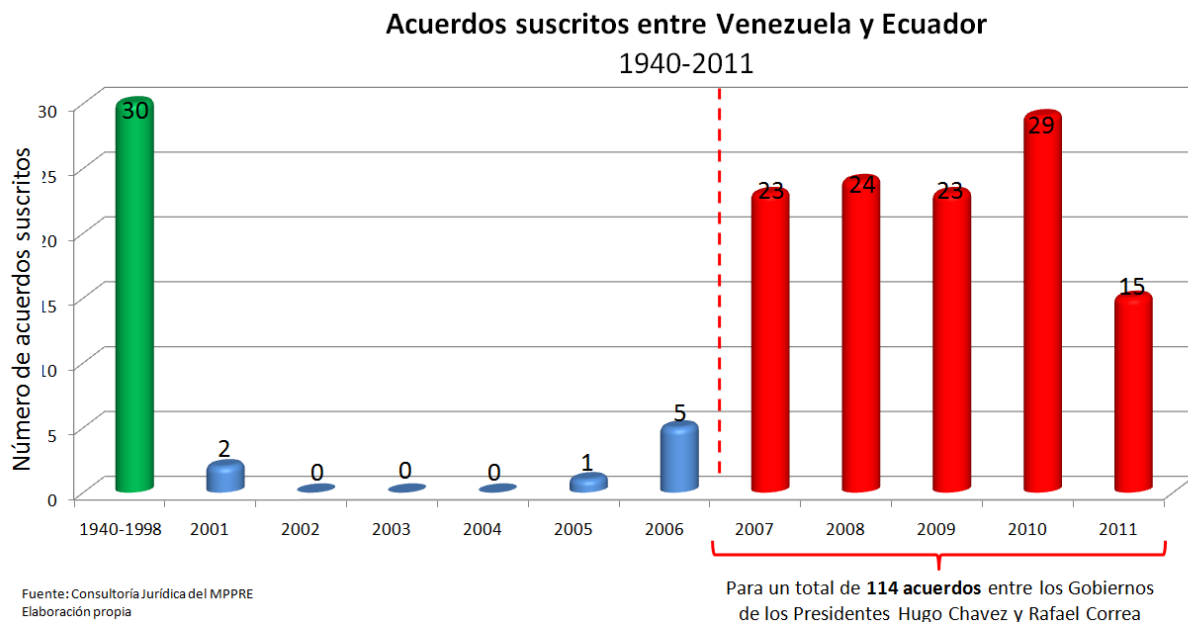
It is visible that the bilateral relations between the two states was narrowed from the year 2007 and this mainly due to the affinity and friendship between the presidents of Ecuador and Venezuela. With this background, we conclude that the political effects of Ecuador following the withdrawal of Venezuela from the CAN had not affected the country, and not because the output of the Venezuela from the Andean Community was positive but rather by the political situation lived by these two countries.

II. Economic Effects

Political affinity maintained between the two countries has enabled both Ecuador and Venezuela to seek an approach in all areas. These areas have six main important bases among which are: the social hub, knowledge and scientific research, productivity and employment generation, energy sovereignty, financial sovereignty and defense and commerce. Based on these axes the two states promote the creation and signing of agreements in the six areas with the ultimate goal of improving the social and economic conditions of their people through these agreements.

Furthermore, as you can see in the chart below, since 2007, Ecuador has signed more agreements with Venezuela than in the past 66 years (Affairs, 2012). Of the 114 instruments signed, 40 correspond to economic and trade agreements and 20 to oil and energy sector and social respectively (Affairs, 2012).

Figure: 15: Subscribed agreements between Venezuela and Ecuador from 1940 to 2011.



Source: Taken from: Ministry of Popular Power for Foreign Affairs (Venezuela)

The economic and trade agreements reached between Venezuela and Ecuador through the Andean Community have been very important. As it is seen in the previously figure, the Andean economies are complementary so after Venezuela's withdrawal was need a plan to negotiate the advantages that countries had until that moment in order to minimize the impact of its retreat.

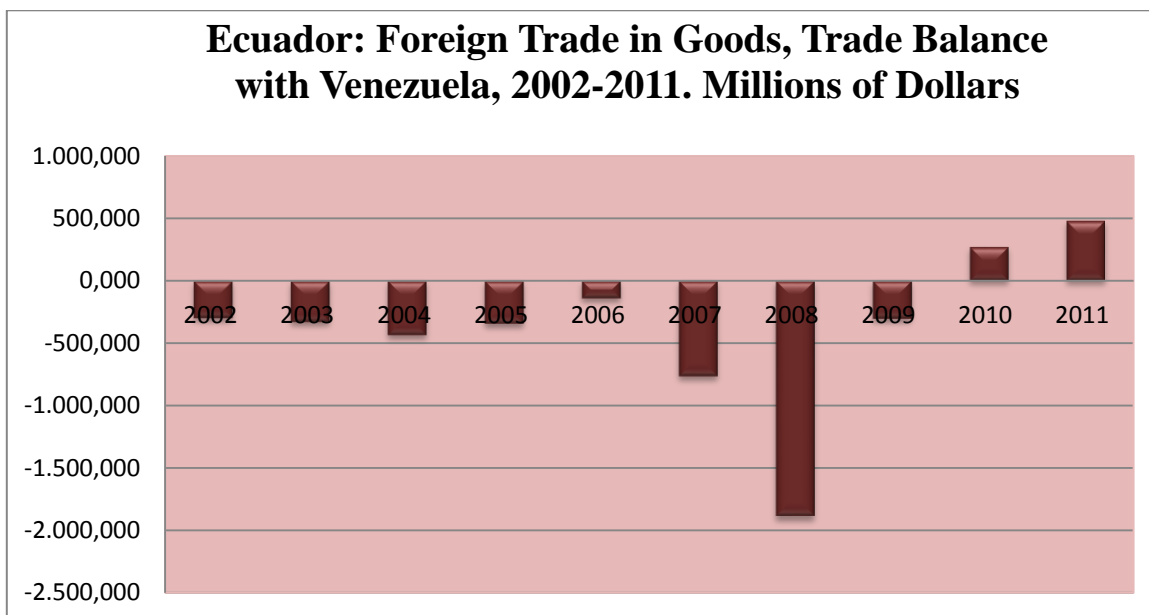
There is no doubt Venezuela's retreat from the CAN would have meant the loss of many tariff advantages, so Venezuela aware of the importance of business relations with their members formed a committee that was in charge of negotiating bilateral agreements with the Andean countries. In this way, Venezuela's strategy looked forward to counteract the losses that would result for Venezuela and the Andean countries after leaving the group.

a. Ecuador Trade Balance

With this new process of negotiations between Venezuela and the Andean countries, certain areas have changed the way they operated with the Bolivarian country such as transactions

and payment system for Ecuadorian and Venezuelan exports and imports as well as the balance of payments. Moreover, it is essential to know more about the importance of the withdrawal of Venezuela from the group and its impact on Ecuadorian entrepreneurs, because this way we will know the impact (good or bad) that its withdrawal caused.

Figure 16: ECUADOR: Foreign Trade in Goods, Trade Balance with Venezuela, 2002-2011. Millions of Dollars



Source: ANDEAN COMMUNITY, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

As it was seen in the second chapter, Venezuela and Ecuador have maintained important trade relationships over the last decade. The trend in the trade balance of these two countries in the first eight years (2002-2009) was favorable to Venezuela since 2010 would be favorable for Ecuador. This gives a good reason to know the importance of bilateral trade.

Figure 17: ECUADOR: FOB Exports to Venezuela, 2002-2011 Period Millions of Dollars.



Source: ANDEAN COMMUNITY AMERICA, General Secretariat. Subregional Statistical Information System (Decision 115).

Compiled from data found in CAN Secretary General

Reviewing again the data about the previous exports in the years analyzed, we can see in chart number seventeen, that Ecuadorian exports to Venezuela have maintained an upward trend despite the country's decision to retreat the Agreement of Cartagena, so that in 2011 the country reached a record of \$ 1443.017 million.

This demonstrates the importance of this market for Ecuador, to the point that by the year 2011 as the commercial guide published by PRO ECUADOR, Venezuela has become the third largest trading partner of Ecuador representing 6.60% of its total exports as seen in table number 18 (Investment, 2012)⁸.

⁸ http://www.proecuador.gob.ec/wp-content/uploads/downloads/2012/12/PROEC_GC2012_ECUADOR-ALEMAN.pdf

Chart 18: Percentage of total Ecuadorian exports to the world

Country	Percentage of Total Exported
EE.UU.	44,48%
Perú	7,62%
Venezuela	6,60%
Panamá	4,64%
Colombia	4,58%
Chile	4,02%
Rusia	3,13%
Italia	2,60%
Alemania	2,20%
Holanda	2,11%
España	1,86%
Resto del Mundo	15,77%

Source: Taken from: Ecuador Commercial Guide (2012)

Based on the analysis of the balance of payments, we can say that the two states have good business relationship. Also, both countries recognized the need to sign bilateral agreements after the final departure of Venezuela from the Andean Community.

This important trade flow between the two countries contributed to think of an alternative that would allow them to continue enjoying the various benefits that they had. This before the expiration of five years as provided in Article 135 about the withdrawal of members from the Andean Community of Nations, which was discussed in the previous chapter.

Because of the importance of commercial relations between Ecuador and Venezuela, on March 6, 2010 the Framework Agreement on Cooperation and Trade was signed, the same that was examined by a commission to negotiate with the Andean countries on 5 main

topics (Ecuador R. d., 2010)⁹, Then on April 11, 2011 the respective Foreign Ministers signed the Protocol (Subsecretario de Negociaciones Comerciales Internacionales, 2011). Regarding the time of validity of the Agreement, Article 14 of the Protocol states: "it will last for five (5) years, renewable for equal periods, unless either Party notifies the other in writing and via diplomatic, its intention not to renew it, with a minimum of six (6) months prior to its expiration date" ((Ministry of Foreign Affairs of Ecuador, 2010).

If the Framework Protocol was not signed it would have meant a loss for both countries, and consequently a weakening in their relations since signing this type of agreement shows the commitment of countries to promote development, even more if the countries have political affinity as Venezuela and Ecuador.

b. Payment System of Venezuelan Imports

The Framework Agreement for Trade and Cooperation between Ecuador and Venezuela was agreed to promote the use of the Regional Clearance Unitary System (SUCRE) for any state transactions, in the same form in the case of hydrocarbons programs but only programs of mutual agreement between the governments such as the exchange program crude derivatives.

In addition, it was agreed that to encourage the use of this system in the private sector, States would define incentives for transactions with the SUCRE, for this sector SUCRE use is optional. It should be noted that the aim at the time of implementing this payment system to bilateral imports and exports, was to reduce the dependence of other currencies for these transactions as the case of the dollar (Ecuador L. R., 2010).

⁹ (I.) Tratamiento Arancelario Preferencial y Normas de Origen; (II.) Normas Técnicas y Medidas sanitarias y Fitosanitarias; (III.) Protección a la Producción Nacional e Industrias Nacientes; (IV.) Complementariedad Productiva; (V.) Promoción Comercial Tomado de: [http://www.google.com.ec/url?sa=t&rct=j&q=\(i.\)%20tratamiento%20arancelario%20preferencial%20y%20normas%20de%20origen%3B%20\(y.\)%20normas%20t%C3%A9cnicas%20y%20medidas%20sanitarias%20y%20fitosanitarias%3B%20\(iii.\)%20protecci%C3%B3n%20a%20la%20producci%C3%B3n](http://www.google.com.ec/url?sa=t&rct=j&q=(i.)%20tratamiento%20arancelario%20preferencial%20y%20normas%20de%20origen%3B%20(y.)%20normas%20t%C3%A9cnicas%20y%20medidas%20sanitarias%20y%20fitosanitarias%3B%20(iii.)%20protecci%C3%B3n%20a%20la%20producci%C3%B3n)

Among the efforts made by the Parties is the decision of improving internal procedures concerning administrative procedures. Also, these procedures had the aim of optimizing payments process and facilitate transactions between those who export and import, thus promoting more dynamic trading. Projections to be achieved from the implementation of these mechanisms (2011), is that it had to annually increase about 10%, reaching as far as possible to cover 100% of bilateral transactions (Ecuador L. R., 2010).

c. Advantages and disadvantages for Entrepreneurs

Everything that covers the various decisions taken by member countries of the Andean Community, has an impact on the various groups and sectors of society, but we must stress that the business sector is one of the most important, because as discussed in the first chapter, the Cartagena Agreement was created with the purpose of a joint political, social, economic development and above all the economic field among the Andean countries. This is why I make a special emphasis on the advantages and disadvantages for Ecuadorian businessmen as members of the Andean Community and what the effects of the withdrawal of Venezuela from the CAN have been for them.

One of the great advantages enjoyed by Ecuadorian entrepreneurs, as a member of CAN is to have a free trade area that allows them to market their products without tariff restrictions. This is very convenient for Ecuadorian entrepreneurs, because if Ecuador decided to end with the Agreement of Cartagena, would have to do the same thing as Venezuela did for 5 years by giving preference to other Andean members.

If we put this in a negative context, entrepreneurs or Ecuadorian exporters in the medium term should assume these percentages, which would impact on costs, and therefore prices would rise, which is negative because it could affect the competitiveness of the product in the international market. Consequently, the market would prefer to buy products of other States that have such agreements and benefit from competitive prices, shifting the demand to other countries and removing Ecuador of the Market (Ecuadoriano, 2009).

Janeth Cardenas, who works at the Ministry of Labor Relations, argued that there have been lost key advantages for citizens and entrepreneurs both Ecuadorian and Venezuelan because despite having signed an agreement between Ecuador and Venezuela several citizens lost rights of both countries. This is because an Andean citizen who wants to work on any of the Andean countries has lower standards and requirements than those who meet a citizen belonging to the Andean bloc. So meanwhile, employers that need employees who are not part of the CAN demand higher requirements in a matter of paperwork and documentation to enable them in their businesses.

For this part, she comments that Venezuelan and Ecuadorian businessmen have lost important privileges. In addition, she stressed that Venezuela has been one of Ecuador's main trading partners in the Andean Community, which is shown in the following table:

Chart 19: Ecuador's non-oil export industry to Andean countries. Year: 2008.

Main buyers of Ecuadorian non-oil exports in the Andean Region	
Country	Percentage
Colombia	46,2%
Venezuela	38,1%
Perú	14,3%
Bolivia	1,4%
Total	100%

Source: Taken from: Ecuadorian Business Committee (2008 BCE)

In this way, we have that Venezuela is the second most important trading partner to Ecuador in terms of industrial oil exports, with 38.1% of total exports to the Andean countries including Venezuela (Ecuador, 2009).

On the other hand, it is important to note that for Ecuador it has been very important to have relations with the Andean countries stressing the importance of Venezuela, for it has diversified Ecuadorian export products.

Chart 20: Number of products exported by Ecuador to CAN. Sales over \$ 10,000

	1993	2008	2008 vs. 1993	% growth in the number of items	New Products
Bolivia	58	139	81	239,65%	Insecticides and fungicides pneumatic Tires Blankets and linens
Colombia	344	574	230	166,86%	Graders machines Cocoa beans Perfumes and toilet waters
Peru	251	515	264	205,17%	Palm oil Canned fish Perfumes
Venezuela	68	224	156	329,41%	Palm oil Quilted textiles Washing machines and dryers

Source: Taken from: Ecuadorian Business Committee (2008 BCE)

Elaborated by: DT-CIP

In the table I highlight the importance of Venezuela in the growth of new export products, because although in the period analyzed it is not the country that has imported new products to Ecuador, it is the country that its percentage has grown in relation to the number of products exported in the first year analyzed, rising 329.41% (Ecuadoriano, 2009).

Additionally, it is shown that for Ecuador the Andean market is extremely important and in the specific case of Venezuela we can say that it would not be easy to replace due to the large sums of commercial trade with this country, so that a bilateral agreement is necessary to compensate in economic terms the effects of Venezuela's withdrawal from the Andean Community. In addition, products sent to CAN and Venezuela have very little diversification, so to compete in other markets would be extremely difficult for Ecuadorian entrepreneurs for the same lack of diversification and added value of our products.

This makes the Venezuelan market not replaceable in a short time. That is why Ecuador need for agreements with similar tariff preferences in order to ensure Ecuadorian entrepreneurs exports not only to Venezuela, but also with other countries.

Regarding Venezuela it is important to highlight that after the Protocol was signed in 2011, new benefits for exporters and Ecuadorian entrepreneurs can be found, because as it is shown Andean countries have a good opening to promote new goods that at some point become complementary.

III. Social Effects

As mentioned in the previous chapter in the social area as well as for the other countries in Ecuador there has been no major changes or social implications that are evident in the short term. On one hand, it is necessary to note that while being part of the Andean would allowed Venezuela to work and develop joint plans with the Andean countries for an integrated social development in cooperation of all group members. Also, decisions that directly influence social change in a country are those taken at the presidential level for its development plans are provided in the respective constitutions since these decisions are made according to the reality of each country.

On the other hand, the good bilateral relations between the two countries have allowed social projects that took initiative under the framework of the CAN. These projects continue taking shape under the agreements negotiated since 2007 and concluded in 2011,

included as one of its principal axes the social field, as well as the employment generation and activation of the productive activities of the two countries.

For Ecuador, economically and commercially, the Andean Market is of great importance as this has helped us to diversify exports between the Andean countries and the rest of the world. In spite of this, it should be noted that the majority of products exported to the Andean region (Intra- community) have not had a good promotion, much less have a significant market share in other markets (extra- community) that allows us to easily replace the CAN market so the support and reaffirmation of the bloc becomes essential for Ecuadorian trade.

Moreover, the political, economic and social effects in Ecuador due to the withdrawal of Venezuela from the bloc were not palpable, because these two countries have important political affinity. Ecuador and Venezuela began a historic rapprochement between the two nations, signing several agreements in areas such as: economic, commercial, political and social among others. Added to this, the signing of the Framework Agreement between the two countries allows them to continue enjoying until April 2016, tariff preferences in the same way as when Venezuela was still part of the CAN. This kind of trade agreements has not produced a negative impact on Ecuadorian foreign trade or other areas that continue to be a priority for the development of Ecuador.

CONCLUSIONS AND RECOMMENDATIONS

The need of countries to be part of a regional or sub-regional bloc has become essential, but this need has not meant that member states have stopped thinking as sovereign states and promote their individual interests. This, in several times has brought problems where the only solution seems to be withdrawal and to look for new alternatives and options as Venezuela did.

In the particular case of the CAN, economic issues have delayed the goal of opening borders in order to reach free trade. The tariff and trade barriers elimination are proposed since 1969, year of the creation of the block and only in 2005 the free trade zone was applied when the reserves to Peru were completed. Despite having achieved this goal, it lasted a short time, because with Decision 669 adopted in 2007, countries do not have to apply the levels set up for the AEC anymore, which makes countries members think whether or not such a commitment exist from the member countries.

Now, on the other hand, the withdrawal of Venezuela from the CAN, as it was said by its president Hugo Chavez, was an effect of the signing of Free Trade Agreements by Colombia and Peru with the United States of America. This calls into question the real power and influence of the bloc over its members, since corrective measures are not taken by the member states, economic integration and sustainability of the bloc over time could be in doubt because of the weak commitment of its members.

From this experience, I think that Ecuador needs to take action in the trade area to confront the weakness of our products against international competition. We cannot let our products or services be dependent on certain markets and that our exports only focused on these markets. The little diversification becomes a serious limitation so it is necessary to think that if a new crisis in the CAN takes place, a collapse in our trade is possible. Ecuador has a major problem to replace the established markets. Therefore export revenues can be affected which are fundamental for our development.

Also, Ecuador should promote the specialization of its products, giving an added value that can compete with specialized products worldwide. We generate various kinds of raw materials, the same that with skilled labor could be transformed into products with added value and with an excellent quality. In this sense, if we add appropriate promotion to our products, they can enter and compete in any international market.

It is evident that the short-term effects on the withdrawal of Venezuela from the bloc did not have a greater impact on the action of the group. On the other hand, this could ensure the commitment of the Andean countries but there is no doubt that it is necessary to make the following question, To what point will this Andean commitment be reached?. Because if it is not strong enough, or it does not have goals to maintain the unity of the group, it is very likely that in medium to long term the group can experience new problems that lead to its collapse.

In the economic field the effects of Venezuela's retreat from CAN was imperceptible, since bilateral relations have been a priority for Venezuela especially in the economic area. This helped to reduce the impact of its withdrawal. A clear example of this is the Pacific Refinery, bilateral agreement signed between Venezuela and Ecuador, where countries seek to promote bilateral and independent development of any regional or subregional bloc. The aims of this kind of agreements are to build, operate and maintain an institution capable of producing different gasoline and distillates, promoting employment, training, development and independence of the existing markets that sell us this type of refined fuels.

Having analyzed what the performance of the Andean group has been during its existence and despite great difficulties as the withdrawal of Chile (1976) and Venezuela (2006), it is necessary to mention that the Andean Community has achieved sustained and new goals according to those already achieved. The withdrawal of Venezuela from the CAN has impacted negatively on each of the member countries. However, this did not mean the dissolution of the CAN as a bloc. Furthermore, it can be seen that bilateral agreements have greater importance and weight than the agreements signed in bloc, so that Venezuela's withdrawal did not have great impact on the Andean bloc or in Ecuadorian foreign trade.

Finally, with the retreat of Venezuela from the Andean group it became clear that the ideologies of a country can play an important role in the international relations of countries that are part of a regional bloc. In this way I state the following questions: Would the bloc be stronger if Andean countries would have similar ideologies? What if ideologies are not related? According to the bloc's history, the ideology of the countries has played an important role in the decisions of the member countries, but this should not be taken as a rule necessarily fulfilled in the future.

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ANNEX

Annex 1

Quincuagésimosexto Período de Sesiones
Ordinarias de la Comisión
11 - 12 de julio de 1991
Ciudadela de Machu Picchu
Cusco - Perú

DECISION 302

Definición del Programa de
Liberación y el Arancel Externo
Mínimo Común, correspondiente a
los productos que pertenecieron a la
Nómina de Reserva

LA COMISION DEL ACUERDO DE CARTAGENA,

VISTOS: Los Artículos 6, 7, 45, 47, 61, 100, 104 y 107A del Acuerdo de
Cartagena; las Decisiones 273, 281 y 301 de la Comisión y la Propuesta 237 de la Junta;

CONSIDERANDO: Que en el Acta de La Paz, suscrita por los Presidentes de los
Países Miembros en noviembre de 1990, se convino dentro de las acciones en materia
comercial, la eliminación de la nómina de reserva a más tardar el 30 de junio de 1991;

Que en el Acta de Caracas, suscrita por los Presidentes de los Países Miembros, se
reiteró el compromiso de eliminar la nómina de reserva en dicha fecha;

Que es necesario definir la ubicación de estos productos dentro del Programa de
Liberación contemplado en el Acuerdo de Cartagena, así como fijar los niveles de Arancel
Externo Mínimo Común que les corresponde;

DECIDE:

Artículo 1.- Aprobar el Programa de Liberación y el Arancel Externo Mínimo
Común de los productos señalados en los Anexos I y II de la presente Decisión de la
siguiente forma:

- Del Programa de Liberación

- a) A partir de la vigencia de la presente Decisión, los Países Miembros no aplicarán restricciones de ningún orden que incidan sobre la importación de los productos originarios de cualquier País Miembro.
- b) A partir de la vigencia de la presente Decisión, Colombia, Perú y Venezuela no aplicarán gravámenes a las importaciones de los productos originarios de cualquier País Miembro.

Bolivia eliminará los gravámenes aplicables a los productos comprendidos en el Anexo de la presente Decisión a más tardar el 31 de diciembre de 1991. El Ecuador culminará la eliminación de los gravámenes aplicables a los mencionados productos, mediante dos rebajas del 50% cada una, la primera de las cuales deberá realizarse el 31 de diciembre de 1991 y la segunda el 30 de junio de 1992.

- Del Arancel Externo Mínimo Común

A partir de la entrada en vigencia de la presente Decisión, Colombia, Perú y Venezuela adoptarán los niveles del Arancel Externo Mínimo Común que se señalan en la columna denominada AEMC del Anexo I de la presente Decisión.

El Ecuador cumplirá este compromiso de conformidad con lo establecido en el Artículo 104 del Acuerdo.

Por su parte, para la aplicación por parte de Bolivia, de lo dispuesto en la presente Decisión, la Comisión determinará los plazos y modalidades correspondientes, con base en las evaluaciones de que trata el Artículo 107A del Acuerdo.

Para las partidas comprendidas en el Anexo II de la presente Decisión, los Países Miembros fijarán los niveles del Arancel Externo Mínimo Común, a más tardar el 31 de diciembre de 1991.

Artículo 2.- Los gravámenes del Arancel Externo Mínimo Común contenidos en la presente Decisión, se expresarán y aplicarán en términos porcentuales ad-valórem CIF.

Artículo 3.- Incorpóranse en el Anexo de la Decisión 273, los productos y sus respectivos gravámenes de Arancel Externo Mínimo Común que constan en el Anexo I de la presente Decisión.

Dada en la ciudadela de Machu Picchu, Cusco, Perú, a los doce días del mes de julio de mil novecientos noventa y uno.

Annex 2

VENEZUELA EXPORTACIONES FOB AL MUNDO Y A LA COMUNIDAD ANDINA Miles de dólares							
Año	TOTAL MUNDO	Extra comunitario	Total Intracomunitario	Bolivia	Colombia	Ecuador	Perú
1969	3 113 000	3 082 889	30 111	2	7 529	12660	9 920
1970	3 181 190	3 155 255	25 935	15	9 707	8269	7 944
1971	3 037 000	3 001 806	35 194	14	10 801	10681	13 698
1972	2 947 000	2 907 712	39 288	27	5 631	17384	16 246
1973	4 568 102	4 525 836	42 266	14	6 405	22766	13 081
1974	11 189 564	11 038 348	151 216	44	16 337	68080	66 755
1975	8 975 554	8 863 377	112 177	58	21 195	6925	83 999
1976	9 357 913	9 231 852	126 061	87	45 163	4206	76 605
1977	9 527 480	9 263 715	263 765	43	122 175	7368	134 179
1978	9 177 638	9 056 579	121 059	211	993 60	4162	173 26
1979	14 176 739	13 974 506	202 233	231	172 886	10396	18 720
1980	19 051 709	18 748 703	303 006	72	261 273	14976	26 685
1981	20 099 221	19 744 423	354 798	1 312	313 384	17901	22 201
1982	16 347 774	16 048 929	298 845	190	249 717	34295	14 643
1983	14 495 106	14 193 138	301 968	48	283 782	3788	14 350
1984	15 919 720	15 597 705	322 015	91	294 149	2036	25 739
1985	14 377 444	14 138 559	238 885	264	215 227	2136	21 258
1986	8 664 150	8 503 204	160 946	368	113 843	9748	36 987
1987	10 538 726	10 323 650	215 076	528	134 326	31296	48 926
1988	9 957 687	9 736 983	220 704	460	159 697	17370	43 177
1989	12 913 766	12 613 656	300 110	350	254 535	20185	25 040
1990	17 692 066	17 198 391	493 675	570	390 190	67833	35 082
1991	15 190 254	14 711 927	478 327	626	306 404	69434	101 863
1992	14 184 239	13 518 400	665 839	1 450	497 598	47693	119 098
1993	15 458 935	14 413 623	1 045 312	1 480	910 079	44463	89 290
1994	16 717 456	15 291 074	1 426 382	2 141	1 181 416	146181	96 644
1995	17 204 249	15 322 088	1 882 161	8 824	1 422 143	214168	237 026
1996	23 124 633	21 376 535	1 748 098	3 916	1 254 493	179747	309 942
1997	22 886 231	20 775 215	2 111 016	5 813	1 340 456	300334	464 413
1998	17 000 527	15 047 094	1 953 433	4 979	1 429 315	220610	298 529
1999	20 076 405	18 856 105	1 220 300	1 520	788 753	144469	285 558
2000	31 301 964	29 715 720	1 586 244	2 947	853 029	200125	530 143
2001	25 867 749	24 602 674	1 265 075	2 237	751 333	211115	300 390
2002	* 25 255 480	24 012 800	1 242 680	3 566	765 720	272275	201 120

Annex 3

BOLIVIA EXPORTACIONES FOB AL MUNDO Y A LA COMUNIDAD ANDINA Miles de dólares							
Año	TOTAL MUNDO	Extra comunitario	Total Intracomunitario	Colombia	Ecuador	Perú	Venezuela
1969	172000	168702	3298	3	-	3292	3
1970	225590	220650	4940	1	4	4935	-
1971	215910	201137	14773	167	-	14552	54
1972	240360	230385	9975	1308	-	8667	-
1973	332604	323899	8705	1759	-	6944	2
1974	647836	613953	33883	2854	14226	16776	27
1975	530103	509702	20401	813	12953	6465	170
1976	636689	615159	21530	2369	16073	2789	299
1977	712711	701432	11279	4164	450	5339	1326
1978	725274	709320	15954	5693	1001	6978	2282
1979	855998	833896	22102	6602	803	11353	3344
1980	1037185	994590	42595	9852	1651	26428	4664
1981	983968	939454	44514	5910	761	32730	5113
1982	898531	864299	34 232	5823	966	23126	4317
1983	817954	794137	23817	3805	5009	14770	233
1984	781508	765874	15634	4632	77	9567	1358
1985	672766	655913	16853	4084	131	12637	1
1986	640338	616088	24250	1873	103	22263	11
1987	569793	539082	30711	4070	2345	24036	260
1988	597436	569936	27500	4155	184	22617	544
1989	819189	769190	49999	4197	254	45149	399
1990	922944	862994	59950	4012	121	53047	2770
1991	850751	768429	82322	30538	948	47422	3414
1992	705393	614410	90983	25054	2973	58028	4928
1993	751313	631345	119968	36475	6782	74967	1744
1994	1040568	844600	195968	59439	14445	120717	1367
1995	1137610	919689	217921	63883	6744	141767	5527
1996	1077876	817930	259946	114646	5818	138153	1329
1997	1272099	1020832	251267	87648	3709	158454	1456
1998	1324735	1005105	319630	87513	80237	140499	11381
1999	1401884	1108869	293015	126935	71420	75388	19272

2000	1456674	1146045	310629	192783	5240	60936	51670
2001	1351339	984377	366962	190125	10346	67795	98696
2002	*1361996	974247	387749	138763	3170	72520	173296
2003			438000	158000	14000	90000	176000
2004			507000	120000	5000	138000	244000
2005			463000	176000	3000	126000	158000
2006			605000	152000	11000	248000	194000
2007			608000	153000	16000	226000	213000
2008			719000	189000	11000	280000	239000
2009			831000	241000	9000	284000	297000
2010			950000	236000	17000	383000	314000
2011			968000	221000	39000	454000	254000

Annex 4

DECISIÓN 598 **Relaciones comerciales con terceros países**

EL CONSEJO ANDINO DE MINISTROS DE RELACIONES EXTERIORES EN REUNION AMPLIADA CON LA COMISION DE LA COMUNIDAD ANDINA,

VISTOS: Los Artículos 1, 3, 50, 51, 52 y 86 del Acuerdo de Cartagena codificado mediante Decisión 563 y la Decisión 322 de la Comisión de la Comunidad Andina;

CONSIDERANDO:

Que las negociaciones comerciales con terceros países que en la actualidad adelantan los Países Miembros generan oportunidades y desafíos para la integración andina;

Que es necesario resguardar en esas negociaciones los valores, principios y ventajas de la integración andina, respetando los objetivos, mecanismos e instituciones establecidos en el Acuerdo de Cartagena;

Que el Artículo 86 del Acuerdo de Cartagena establece que “Los Países Miembros se comprometen a no alterar unilateralmente los gravámenes del Arancel Externo Común; igualmente, se comprometen a celebrar las consultas necesarias en el seno de la Comisión antes de adquirir compromisos de carácter arancelarios con países ajenos a la Subregión. La Comisión, previa Propuesta de la Secretaría General y mediante Decisión, se pronunciará sobre dichas consultas y fijará los términos a los que deberán sujetarse los compromisos de carácter arancelario”;

Que en caso de que no sea posible negociar comunitariamente se podrán celebrar negociaciones de carácter bilateral;

Que es necesario unificar en una sola Decisión la normativa sobre relaciones comerciales con terceros países;

DECIDE:

Artículo 1.- Los Países Miembros podrán negociar acuerdos comerciales con terceros países, prioritariamente de forma comunitaria o conjunta y excepcionalmente de manera individual.

Artículo 2.- De no ser posible, por cualquier motivo, negociar comunitariamente, los Países Miembros podrán adelantar negociaciones bilaterales con terceros países. En este caso, los Países Miembros participantes deberán:

- a) Preservar el ordenamiento jurídico andino en las relaciones entre los Países Miembros de la Comunidad Andina.

b) Tomar en cuenta las sensibilidades comerciales presentadas por los otros socios andinos, en las ofertas de liberación comercial.

c) Mantener un apropiado intercambio de información y consultas en el desarrollo de las negociaciones, en un marco de transparencia y solidaridad.

Artículo 3.- El País Miembro que se disponga a emprender negociaciones comerciales en el marco de esta Decisión o que ya las hubiere iniciado al momento de su entrada en vigencia, las notificará sin demora a la Comisión de la Comunidad Andina y la mantendrá permanentemente informada acerca de la evolución y progreso de las mismas.

Artículo 4.- Los resultados de las negociaciones deberán ser notificados a la Comisión antes de la firma del Acuerdo y éstas no podrán ser objetadas al haberse cumplido las consultas previstas en el Artículo 86 del Acuerdo de Cartagena y el artículo 2 de la presente Decisión.

Artículo 5.- Una vez concluida la negociación, se deberá dar aplicación al principio de la Nación Más Favorecida de conformidad con el ordenamiento jurídico andino.

Artículo 6.- Las negociaciones comerciales autorizadas mediante la presente Decisión podrán tener como propósito el establecimiento de áreas de libre comercio, y podrán referirse a temas distintos a la liberalización del comercio de mercancías.

Artículo 7.- Se deroga la Decisión 322 de la Comisión de la Comunidad Andina.

Dada en la ciudad de Quito, República del Ecuador, a los once días del mes de julio del año dos mil cuatro.

Annex 5

Memorando de Entendimiento entre la República Bolivariana de Venezuela y los Países Miembros de la Comunidad Andina -Bolivia, Colombia, Ecuador y Perú-

Los Representantes Plenipotenciarios de los Países Miembros en la Comisión de la Comunidad Andina –Bolivia, Colombia, Ecuador y Perú- y la República Bolivariana de Venezuela, reunidos en la ciudad de Lima durante los días 8 y 9 de agosto de 2006, han acordado las líneas de acción para instrumentar la denuncia del Acuerdo de Cartagena, enmarcada en su artículo 135, que comunicó la República Bolivariana de Venezuela, vía escrita, a los Representantes Titulares de la Comisión el día 22 de Abril de 2006.

Reconociendo los lazos históricos y culturales entre sus pueblos y reiterando su apoyo a la integración latinoamericana así como el tratamiento a las diferencias estructurales entre sus economías, los Países Miembros de la Comunidad Andina y la República Bolivariana de Venezuela, han decidido constituir un Grupo de Trabajo.

Teniendo en cuenta la voluntad de las partes de que dicho Grupo de Trabajo, en un plazo de treinta (30) días continuos y prorrogables, por una sola vez, establezca mecanismos para garantizar la efectiva aplicación de los derechos y obligaciones establecidos en el artículo 135 del Acuerdo de Cartagena, en lo referente a salvaguardias, régimen de origen y solución de controversias, medidas sanitarias y fitosanitarias, y obstáculos técnicos al comercio que amparen los derechos y obligaciones que se mantienen entre las Partes, en el marco del programa de liberación comercial de bienes.

SUSCRIBEN EL SIGUIENTE ENTENDIMIENTO

PRIMERO.- Dar plena aplicación a las ventajas recibidas y otorgadas de conformidad con el Programa de Liberación de la Subregión, a partir del 22 de abril de 2006, conforme a lo previsto en el artículo 135 del Acuerdo de Cartagena, el cual señala textualmente:

El País Miembro que desee denunciar este Acuerdo deberá comunicarlo a la Comisión. Desde ese momento cesarán para él los derechos y obligaciones derivados de su condición de Miembro, con excepción de las ventajas recibidas y otorgadas de conformidad con el Programa de Liberación de la Subregión, las cuales permanecerán en vigencia por un plazo de cinco años a partir de la denuncia.

El plazo indicado en el párrafo anterior podrá ser disminuido en casos debidamente fundados, por decisión de la Comisión y a petición del País Miembro interesado.

Igualmente, los Gobiernos de la República Bolivariana de Venezuela, por una parte, y los de Colombia y Ecuador, por otra, se comprometen a mantener en aplicación las disposiciones previstas en el Convenio de Complementación Industrial en el Sector Automotor y sus instrumentos derivados, cuya vigencia se sujetará a las disposiciones del propio Convenio.

SEGUNDO.- Créase un Grupo de Trabajo entre la República Bolivariana de Venezuela, por una parte, y los Países Miembros de la Comunidad Andina, por otra, con el objeto de que en el plazo de 30 días contados a partir de su instalación, prorrogables por una sola vez por otros 30 días, establezca las normas transitorias aplicables al programa de liberación de bienes, en materia de medidas de salvaguardia, solución de controversias, medidas sanitarias y fitosanitarias, y obstáculos técnicos al comercio, en concordancia con el Artículo 135 del Acuerdo de Cartagena. Asimismo, dicho Grupo definirá los ajustes que se consideren pertinentes en el régimen de origen vigente para el comercio entre las Partes.

El Grupo de Trabajo contará con el apoyo técnico de la Secretaría General de la Comunidad Andina e iniciará sus trabajos, a más tardar, dentro de los quince (15) días hábiles siguientes a la fecha de suscripción del presente Memorando y elevará sus recomendaciones a las Partes.

TERCERO.- Los Países Miembros de la Comunidad Andina por una parte y la República Bolivariana de Venezuela por otra, con fundamento en los resultados del Grupo de Trabajo, suscribirán, a más tardar el 30 de octubre de 2006, un acuerdo que incorpore las normas transitorias acordadas aplicables al programa de liberación comercial de bienes en lo referente a salvaguardias, solución de controversias, medidas sanitarias y fitosanitarias, y obstáculos técnicos al comercio, en el marco del programa de liberación comercial de bienes. Asimismo dicho Acuerdo incorporará los ajustes que se definan en lo referente al régimen de origen aplicable al comercio entre las Partes.

CUARTO.- De conformidad con lo establecido en el artículo 154 de la Constitución de la República Bolivariana de Venezuela, por tratarse de la ejecución de obligaciones preexistentes, el presente Memorando de Entendimiento entrará en vigor para la República Bolivariana de Venezuela a partir de su firma.

QUINTO.- Los Países Miembros de la Comunidad Andina darán aplicación al presente Entendimiento mediante Decisión de la Comisión de la Comunidad Andina.

En virtud de lo cual, los Representantes Plenipotenciarios de los Países Miembros en la Comisión de la Comunidad Andina y el Representante Plenipotenciario del Gobierno de la República Bolivariana de Venezuela suscriben el presente Entendimiento, en la ciudad de Lima, a los 9 días del mes de agosto de dos mil seis.

Por el Gobierno de Bolivia,

María Luisa Ramos Urzagaste

Por el Gobierno de Colombia,

Eduardo Muñoz Gómez

Por el Gobierno del Ecuador,

Tomás PeribonioPoduje

Por el Gobierno del Perú,

Mercedes Araoz Fernández

Por el Gobierno de la República Bolivariana de Venezuela,

William Antonio Contreras

Annex 6

TRIGÉSIMA PRIMERA REUNIÓN DEL CONSEJO ANDINO DE
MINISTROS DE RELACIONES EXTERIORES EN REUNIÓN AMPLIADA
CON LOS REPRESENTANTES TITULARES ANTE LA COMISIÓN
DE LA COMUNIDAD ANDINA

5 de febrero de 2010

Lima - Perú

DECISION 732

Participación de la República de Argentina, la República Federativa de Brasil, la República del Paraguay y la República Oriental del Uruguay, Estados Parte del MERCOSUR, en los órganos, mecanismos y medidas de la Comunidad Andina, en su condición de Países Miembros Asociados de la Comunidad Andina

EL CONSEJO ANDINO DE MINISTROS DE RELACIONES EXTERIORES EN REUNION AMPLIADA CON LOS REPRESENTANTES TITULARES ANTE LA COMISION DELA COMUNIDAD ANDINA,

VISTOS: Los artículos 136 y 137 del Acuerdo de Cartagena; el artículo 7 del Reglamento del Consejo Andino de Ministros de Relaciones Exteriores y la Decisión 613;

CONSIDERANDO: Que el Acuerdo de Cartagena contempla los requisitos comerciales para que los Países Miembros de la Comunidad Andina puedan otorgar la condición de Miembro Asociado a favor de un país que manifieste su voluntad de asociarse;

Que la condición de País Miembro Asociado se otorga, mediante Decisión, por el Consejo Andino de Ministros de Relaciones Exteriores, en reunión ampliada, a propuesta de la Comisión de la Comunidad Andina;

Que en virtud de estas facultades el Consejo Andino de Ministros de Relaciones Exteriores en reunión ampliada con los Representantes Titulares ante la Comisión adoptó la Decisión 613, que otorgó la condición de Miembros Asociados a la República de Argentina, República Federativa de Brasil, República del Paraguay y República Oriental del Uruguay, Estados Parte del Mercosur;

Que es necesario precisar los procedimientos que faciliten la participación de dichos Países Miembros Asociados en los órganos e instituciones del Sistema Andino de Integración, así como en los mecanismos y medidas de la integración andina;

Que el fortalecimiento de las relaciones entre la Comunidad Andina y los Países Asociados del Mercosur contribuirá al proceso de constitución y funcionamiento de la Unión de Naciones Suramericanas, UNASUR;

DECIDE:

Artículo 1.- Las disposiciones de la presente Decisión serán aplicables a la participación en los órganos e instituciones del Sistema Andino de Integración de la República de Argentina, la República Federativa de Brasil, la República del Paraguay y la República Oriental del Uruguay, Estados Parte del MERCOSUR, en su condición de Países Miembros Asociados de la Comunidad Andina, otorgada mediante Decisión 613.

Artículo 2.- Los Jefes de Estado de los Países Miembros Asociados a que se refiere la presente Decisión serán invitados a las reuniones del Consejo Presidencial Andino, oportunidad en la que se evaluarán, conjuntamente, los avances de la asociación y otras materias de interés mutuo. Para este efecto, la Secretaría General presentará un informe anual sobre la situación y perspectivas de las relaciones entre la Comunidad Andina y los Países Miembros Asociados.

Artículo 3.- Cuando los Países Miembros Asociados a que se refiere la presente Decisión sean invitados a participar en las reuniones del Consejo Andino de Ministros de Relaciones Exteriores, de la Comisión de la Comunidad Andina y otras reuniones de órganos e instituciones del Sistema Andino de Integración, se precisarán con anticipación los temas a tratar en las respectivas agendas.

Las convocatorias respectivas se enviarán por la Secretaría General a través de las Embajadas en Lima de los Países Miembros Asociados a que se refiere la presente Decisión.

Artículo 4.- La participación de los Países Miembros Asociados a que se refiere la presente Decisión en aquellos órganos del Sistema Andino de Integración que cuentan con personalidad jurídica internacional, se regirá por lo previsto en los estatutos de los respectivos órganos e instituciones.

Artículo 5.- La Secretaría General de la Comunidad Andina invitará periódicamente a los representantes gubernamentales acreditados en el Perú de los Países Miembros Asociados a que se refiere la presente Decisión, con el fin de presentar los avances en la agenda andina de integración.

La Secretaría General informará al Consejo Andino de Ministros de Relaciones Exteriores y a la Comisión sobre aquellas áreas de trabajo y programas de cooperación en que cualquiera de dichos Países Asociados manifieste su interés en participar o establecer nexos de colaboración.

Artículo 6.- Los Países Miembros Asociados del Mercosur, por una parte, y los Países Miembros de la Comunidad Andina, por otra, conformarán una Comisión Mixta encargada de

evaluar y presentar sus recomendaciones sobre la profundización de las relaciones de asociación entre la Comunidad Andina y el Mercosur.

La Comisión Mixta se reunirá al menos una vez al año y contará con el apoyo de las Secretarías de la Comunidad Andina y del Mercosur.

Artículo 7.- En desarrollo de lo establecido en el artículo 4 de la Decisión 613, los Países Miembros en aras de promover una mayor integración entre la Comunidad Andina y el Mercosur, procurarán celebrar reuniones conjuntas de las Comisiones Administradoras de los Acuerdos de Complementación económica suscritos con los Estados Parte del Mercosur al amparo del Tratado de Montevideo de 1980 y la Resolución 2 del Consejo de Ministros de ALADI.

Dada en la ciudad de Lima, Perú, a los cinco días del mes de febrero del año dos mil diez.