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From issue: **Higher Education and Competitiveness** (Summer 2014)

Fresh Look Reviews

Fresh, unique perspectives on recent books from across the hemisphere originally published in English, Spanish and Portuguese.

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Photo and homepage photo: Lars Klove

[Venezuela Before Chávez: Anatomy of an Economic Collapse by Ricardo Hausmann and Francisco R. Rodríguez](#)

BY

[Anthony Spanakos](#)

During the 1970s, Venezuela was the richest country in Latin America. With the region's highest growth rates and the lowest levels of inequality, it was also one of the most stable democracies in the Americas. But starting in the early 1980s, things fell apart. The nation endured three coup attempts and one presidential impeachment. Per capita growth plunged, and mass protests became the norm. What happened?

Venezuela Before Chávez: Anatomy of an Economic Collapse, edited by Ricardo Hausmann and Francisco R. Rodríguez, offers some intriguing answers. Pointedly departing from much of the current research (and political discussion) on Venezuela, which focuses on the 14-year presidency (1999–2013) of late President Hugo Chávez, the editors have assembled a distinguished group of experts with the aim not only of exploring, as they put it, the “enigma” of Venezuela’s pre-Chávez collapse, but to explain why some countries go through such turbulence. The unexpected outcomes in

Venezuela are used by the authors to challenge hypotheses that rely on big data analysis to explain economic collapse.

While the explanation behind Chávez' rise to power may draw attention, as Venezuela continues to be rocked by internal conflict following his death, it is the book's second aim that makes it stand out as an important work of scholarship.

The political and economic elements at play in the pre-Chávez Venezuelan economy are covered in individual chapters by some of the region's most distinguished analysts. Omar Bello, an economic affairs officer at the UN Economic Commission for Latin America and the Caribbean (eclac) and Adriana Bermúdez, a credit risk specialist in the Venezuelan private sector, look at the role of market reforms; Francisco Monaldi of Harvard's Kennedy School of Government and Michael Penfold of Venezuela's *Instituto de Estudios Superiores de Administración* (IESA), discuss the rise and decline of democratic governance; and Dan Levy of Harvard's Kennedy School and Dean Yang of the University of Michigan analyze the impact of immigration.

While the contributors do not find much support for "resource curse" theories, the authors find that Venezuela's rising oil wealth did play a key role in distorting the national economy. For example, Osmel Manzano, a senior economist at the Inter-American Development Bank (idb), shows how the shift in policy orientation led to a marked decline in oil production per capita. Thus, while increased oil prices and greater state taxation increased state revenues since 1958, the flattening of production per capita and erratic investment were major contributors to the collapse of the 1980s and 1990s when global oil prices dropped.

The larger lessons, however, are drawn by the editors. In both their introduction and conclusion, they deploy two now-standard approaches to economic analysis: growth studies that use large amounts of aggregate national data to generate testable, cross-national hypotheses; and country-specific analysis of growth. Both approaches are used in individual chapters as well, as the analysis of Venezuelan data is sized up and contrasted with expectations generated by predictions from other cross-national studies. This allows for the specificity of the cases within the Venezuelan context to speak to and challenge the lessons drawn from larger, more comparative data.

Underlining the critical role of oil (which today, according to the book, accounts for 80 percent of exports and 40 percent of government revenue), the editors and authors conclude that Venezuela's dependence on petroleum exports eventually crowded out other factors necessary for a healthy economy. Economics professors María Antonia Moreno of the *Universidad Central de Venezuela* and Cameron Shelton of Claremont McKenna College show that mini-booms in oil prices consistently reverse growth in the non-oil sector, which sees an average 3.3 percent growth in pre-boom years turn into -2.8 percent in post-boom years.

One of the more surprising findings is related to the role of human capital. The chapter written by *Corporación Andina de Fomento* (Andean Development Corporation—CAF) economist Daniel Ortega and Harvard Kennedy School professor Lant Pritchett notes that Venezuela not only had a relatively well-educated population in the 1980s, but that education increased throughout the period in which growth decreased. As they point out, "If the wage-returns relationship had been stable over time, then the additional levels of education of workers should have raised wages by 58 percent."

Instead, wages declined by 70 percent in the 1980s and 1990s. The notion that education—a key component of human capital—has either no relationship or a negative relationship to real wages is counterintuitive.

But in their own analysis, editors Hausmann and Rodríguez suggest the significance of this finding may be overstated. Deploying both statistical regressions and cross-country analysis, they conclude that the lack of human capital was responsible for just 12.7 percent of Venezuela's growth collapse. Indeed, the editors' own analysis leads them to conclude—in contrast to the arguments advanced by some of the contributors—that the lack of financial depth and export flexibility are more important drivers of economic collapse than weak government institutions.

The chapter authors see it differently. Amherst College professor Javier Corrales argues that the political system that preceded Chávez was far more inclusive of sectors who have been assumed to be political outsiders. Monaldi and Penfold demonstrate how political innovations (particularly decentralization) actually contributed to problems of governability. Lastly, University of London political economy lecturer Jonathan Di John shows that political fragmentation undermined economic policies that required political consensus to succeed.

Unfortunately, the book ends without resolving this puzzle. Why does cross-country regression produce results that are so different from the ones that are more country-specific?

For most readers, the question of explaining growth collapses will be secondary to explaining Venezuela before and after Chávez. The book challenges the notion advanced by Chávez and his supporters that neoliberal policies directly led to the implosion of the national economy. In fact, pre-Chávez policymakers were not unambiguously neoliberal, and they were able to restore some growth prior to Chávez' election. What all readers—both supporters and critics of the former president—will be able to agree on is the primary takeaway of this volume: deep structural problems hidden in the wealth boom of the 1970s, including a shift toward capital-intensive labor, set Venezuela up for economic catastrophe.

Readers may also wonder why the book's analysis ends before growth was restored after 2003. Given the ambiguity of the conclusions, it is worth speculating whether (and how) the resumption of growth in the Chávez era might alter the economic lessons drawn by this volume. While that was not part of the authors' mandate, *Venezuela Before Chávez* establishes a solid foundation for that discussion.

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[Oil Sparks in the Amazon: Local Conflicts, Indigenous Populations, and Natural Resources by Patricia I. Vásquez](#)

BY

[Roger-Mark De Souza](#)

Since the early 1990s, the rising price of crude oil and other key natural resources—and the resulting

drive by governments and private companies to extract those resources—has led to sharp conflicts in Latin America. At the core of these disputes is the clash between national economic interest and the rights of Indigenous people inhabiting the land where most natural resources are located. In *Oil Sparks in the Amazon: Local Conflicts, Indigenous Populations and Natural Resources*, Patricia I. Vásquez examines one of the region's most contentious theaters of resource conflict: the vast oil and mineral-rich basin shared by Peru, Ecuador, Colombia, and Brazil.

Vásquez, an independent energy expert and former senior fellow at the U.S. Institute of Peace, focuses on the first three countries, with a carefully researched analysis of 55 separate disputes between 1992 and 2010. In each country, she maps the conflicts by grading their intensity on a scale of 0 to 5, examining how the dynamics have shifted over time.

She finds that the number of conflicts linked to gas and oil has been especially high among Indigenous populations in Peru, and to a lesser extent in Ecuador and Colombia.

Resource conflicts generally involve a large number of stakeholders representing divergent interests. They include various government entities that are not always well-coordinated with one another; international NGOs with an environmental agenda; underserved and isolated local populations who may distrust the government and may not be fully aware of the laws and contractual agreements governing the extraction of natural resources; and private companies that are hoping to extract these resources.

While these conflicts may seem to be about money—or access to land that will produce revenue—Vásquez argues that at the heart of the issue is a question of identity. As she explains, “The constitutional view of natural resources is irreconcilable with the concept of territory for Indigenous peoples, for whom the geographic space where they live constitutes part of their identity.”

To better understand the foundation of these conflicts, Vásquez examines two recurring triggers: structural flaws and transient triggers. A central structural flaw is poor local and regional governance, which is characterized by high rates of corruption and an inability to locally administer increasing revenues from natural resources. The other structural flaw is a legal framework that is confusing and misunderstood.

There is a lack of clarity around Indigenous peoples' rights to natural resource ownership and the available legal recourse for redress. As Vásquez notes, “When these types of structural flaws set limitations to open participation or to the promotion of public self-expression and accountability of the authorities, violence is bound to occur at some point.”

Outside the legal framework are concepts such as “national interest,” which, although meant to represent the interest of the majority of the population, is often used to make the case for subverting laws that were put in place to protect or give special status to areas with natural resources.

Transient triggers are more circumstantial and—according to Vásquez—easier to solve. A transient trigger may be the tensions that can arise between national and international NGOs, the latter of which often compete with more grassroots operations for economic support as well as exposure and local political influence.

Underlying these triggers is an emboldened Indigenous rights movement, whose fight for the recognition of rights of communities affected by resource extraction is rapidly becoming a new platform for social mobilization. Communities across the region are demanding improved living conditions, more political representation and access to their fair share of the profits of oil and gas exploration in areas where they live.

Resolving the structural and transient causes of local conflicts not only requires political will, but a real commitment from the government to be engaged, coordinated and accountable at the regional and local level. Vásquez argues that well-respected, credible institutions or individuals—such as Peru’s *Defensoría del Pueblo* (ombudsman)—could go a long way in mitigating oil-related conflicts by helping to create a platform for dialogue.

So far, the Peruvian ombudsman appears to be the only office that has forged a dialogue as conflicts have intensified. Although the office has yet to resolve these conflicts, it is seen as legitimate and unbiased, which has allowed it to play a critical role in facilitating conversation.

Vásquez concludes that in confronting these types of conflicts, governments must take the role of Indigenous identity seriously, and address some of the underlying issues that foster resentment and frustration—such as inadequate access to health care, education and public services. Often, the government has only visited these communities in the context of preparing for the development of a new oil project and has let extractive companies step in to provide services the state cannot or will not provide.

Vásquez’ book gives new texture to the so-called resource curse—the concept that countries rich in petroleum often have weaker democracy, less economic stability and more frequent civil wars than countries without oil. She localizes this theory, showing the negative implications of natural resource-rich countries on the local and community level.

What is missing, however, are reflections on whether, and how, the conflicts have affected the local communities. Were any Indigenous people displaced by resource extraction? What effect did the investment have on the natural environment? And what was the benefit or impact of any measures or strategies to address such concerns?

What Vásquez makes clear is that oil and gas exploration in the Amazon is increasing in tandem with the emergence of Indigenous rights, and these trends are on a collision course that will only worsen unless properly addressed. Her book offers important insights on approaches to mitigate this, and is a valuable read not only for students and scholars, but for government officials tasked with confronting this challenge.

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[Security in South America: The Role of States and Regional Organizations by Rodrigo Tavares](#)

BY

[Johanna Mendelson Forman](#)

Nowhere in the world is the web of treaties, agreements and agencies concerned with regional security needs as thick as in Latin America. The region has seen one of the most dramatic institutional transformations of the late twentieth and early twenty-first century. Among the many reasons for this transformation is the widespread rejection of U.S. leadership to resolve problems considered to be unique to the global South.

Latin American leaders prefer to characterize their region as a “zone of peace”—distant from the traditional rivalries and brinkmanship of the Cold War. But in his new book, *Security in South America: The Role of States and Regional Organizations*, Rodrigo Tavares, an associate research fellow at the United Nations University and an assistant professor of international relations at the *Fundação Getúlio Vargas*, challenges this notion. He wonders whether it’s really possible to think of South America as peaceful, given the widespread threats to public safety and citizen security throughout the continent.

According to the United Nations Office on Drugs and Crime (UNODC), 36 percent of all homicides globally take place in the Americas. And Venezuela, once a relatively peaceful nation, is now one of the most dangerous places to live. It is clear, Tavares argues, that the South American “peace” that regional leaders celebrate does reflect reality, and there is a distinction to be made between security and peace. The former, he points out, is about the management of threats, “whereas peace is about the management of violence.” Regional institutions focus on security cooperation, not necessarily peace.

This is one of the key challenges produced by the surge in security-oriented multilateralism: can these new institutional arrangements really address the region’s human security needs, or do they rely too much on the same national security mindset that Latin American leaders often belittle in the United States?

Tavares draws a sharp contrast between the national security concerns of states in the post-Cold War era and the more pervasive public security threats that have taken a heavy toll in terms of violence, insecurity and loss of life throughout the region. In his thorough, almost encyclopedic summary of the region’s multilateral security arrangements, he makes clear that few of them measure up to the needs of “public” rather than “state” security.

“It is difficult to envisage a peace zone where 32 non-armed conflicts (11 territorial disputes, 19 domestic political crises and two other non-armed disputes) have occurred since the end of the Cold War,” he notes. However, despite increased threats in the Americas, Tavares points out that the rhetoric on security has not changed.

How can we continue to talk about South America as a zone of peace if the violence resulting from the drug trade and access to firearms remains a scourge on communities around the Americas? He argues that human security—the term given to a wide range of factors that include access to justice, community policing and public safety—is a basic need that requires action at national and regional levels.

Despite the expansion of regional organizations purportedly created to address new threats, little has been done to reconceptualize the security framework guiding these new bodies, Tavares argues.

The use of military structures left over from previous dictatorships as policing bodies is one example of a security framework that may need to be rethought. In Brazil, as in other places in the region, the military is now serving as a policing body, in part due to the notorious corruption and ineffectiveness of law enforcement. Whether use of the armed forces for public security is sustainable—or advisable—is being questioned by civil society groups in Brazil, who cite numerous accounts of human rights abuses by the military.

Tavares' contribution to the literature is important as a catalogue of the regional arrangements that can address these new security challenges—and those that can't. At the heart of the problem, he notes, is that many of these organizations have no institutional capacity to implement decisions. *La Unión de Naciones Suramericanas* (Union of South American Nations—UNASUR), created in 2008, and the *Comunidad de Estados Latinoamericanos y Caribeños* (Community of Latin American and Caribbean States—CELAC) in 2011, are relatively weak bodies with understaffed secretariats. The *Alianza Bolivariana para los Pueblos de Nuestra América* (Bolivarian Alliance for the Peoples of Our America—ALBA), is more an ideological formation than an action-oriented body.

Tavares finds this, coupled with the diminished power—both financial and political—of the Organization of American States (OAS) as a forum to solve problems very troubling.

UNASUR was only successful in mediating a peaceful outcome in the cases of Bolivia in 2003 and 2005, and Paraguay in 2012. Venezuela may also prove to be a situation where using UNASUR to negotiate may yield a better outcome than an OAS solution, as many in the region perceive the hemispheric body as tainted by Washington politics.

However, Tavares notes that it took the OAS to manage the 2008 border skirmish between Colombia and Ecuador because it was—at the time—the only organization with a mandate for conflict prevention.

Excellent sections on five of the region's 12 countries—Argentina, Brazil, Chile, Colombia, and Venezuela—shed light on the national politics of multilateralism. As Tavares contends in his last chapter, “cooperation can sometimes be hijacked by ideology” in a region where nationalism trumps multilateralism. Too many countries still hide behind the veil of sovereignty as a way of evading action on problems that require a more operational approach to protecting democracy and human rights.

Tavares' careful research makes this an important—and overall balanced—take on security and multilateralism. His compelling argument questioning the “zone of peace” framework is also a call for increased scholarship and dialogue on addressing human insecurity as a transnational challenge. This makes the book a must-read for those dissatisfied with international relations theorists who miss the nuances of today's regional organizations.

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