

**Implementing the Bolivarian Alliance for the  
Peoples of Our America (ALBA): The Limits of  
Regionalised Endogenous Development in  
Latin America and the Caribbean**

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## Abstract

Despite its importance to understandings of the contemporary political economy of Latin America and the Caribbean, the Bolivarian Alliance for the Peoples of Our America (ALBA) remains largely misunderstood. Faced with opaque national and regional institutions, the existing literature of ALBA conflates this regional project's discourse and design with its implementation and practice. Aided by extensive primary research, this work tackles these deficiencies through a comprehensive, systematic analysis of the implementation of the three initiatives central to ALBA's efforts to create an "economic zone of shared development": the People's Trade Agreement (TCP), the Unified Regional Compensation System (SUCRE), and Petrocaribe.

Key concepts of endogenous development, autonomy, and legitimacy are drawn from existing accounts, with the latter split into its input (participation), output (problem solving), and control (accountability) aspects and implementation added as a measure and moderator of impact. This analytical framework is then applied not only the states-led "regionalism" of ALBA, but also to the unguided "regionalisation" with which it interacts to produce effects both integrative and disintegrative.

This research reveals an uneven and somewhat incoherent ALBA, whose more impactful mechanisms institutionalise secular benefits (SUCRE, Petrocaribe) while more radical and potentially transformative initiatives become bogged down both within and across member-states (the TCP). Close analysis shows that a focus on conscious, states-led regionalisation of endogenous-development strategies overlooks the influence of structural and inherited characteristics of hybrid national political economies. Sovereignty has been ceded to regional and international institutions with their own binding obligations, and while ALBA does promote autonomy, these institutions also circumscribe it. Contrary to the ALBA literature, input legitimacy from participatory democratic reforms is secondary to issues of output and control. Output legitimacy is crucial to broad-based support that facilitates implementation, whereas deficient control incubates practices noxious to ALBA's stated goals. Though the influence of Ecuador and Anglophone member-states has been misrepresented by omission, Venezuela's central role has consistently been misinterpreted. Being ALBA's founder, funder, and father, its own stuttering advance towards Twenty-First Century Socialism has been characterised by tensions in its society, economy, and governance. In Venezuela particularly – though not exclusively – the regional effects of contradictory and negative aspects of national political economy hamper implementation of ALBA's states-led "regionalism", frustrating in turn its intended impacts on development, autonomy, and legitimacy. Ultimately, this undermines ALBA's more transformative elements, leaving the future role of the organisation uncertain.

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# Contents

<i>Abstract</i>		i
<i>Acknowledgements</i>		ii
<i>Figures and Tables</i>		v
<i>Abbreviations and Acronyms</i>		vi
<i>Notes on Terms and Symbols</i>		viii
Chapter One	<b>Introduction: <i>Al rayar el ALBA...</i></b>	1
	<ul style="list-style-type: none"><li>• An Introduction to ALBA</li><li>• Building on Existing Accounts of ALBA</li><li>• Locating the Reality of ALBA</li><li>• Taking a Comprehensive and Systematic Approach</li><li>• Research Methods and Data Sources</li><li>• An Overview of the Thesis</li></ul>	
Chapter Two	<b>Reassessing and Redressing Accounts of ALBA</b>	36
	<ul style="list-style-type: none"><li>• Understanding Accounts of ALBA</li><li>• Approaches to ALBA: Criticality, Credulity, and Corroboration</li><li>• Improving on Existing Approaches</li></ul>	
Chapter Three	<b>The National Roots of ALBA</b>	63
	<ul style="list-style-type: none"><li>• Venezuela: The Dysfunctional Development of Twenty-First Century Socialism</li><li>• Ecuador: Endogenous Development over Twenty-First Century Socialism</li><li>• The Anglophone ALBA: Punctuated Pragmatism</li></ul>	
Chapter Four	<b>The People's Trade Agreement (TCP)</b>	94
	<ul style="list-style-type: none"><li>• Origin and Proposed Functioning of the TCP</li><li>• Intended Effects of a Fully Functional TCP</li><li>• Implementation, Impact, and Linkage to National Political Economies</li><li>• Factors Impeding Progress and Mitigating Impact</li></ul>	
Chapter Five	<b>The Unified System of Regional Compensation (SUCRE)</b>	128
	<ul style="list-style-type: none"><li>• Origin and Proposed Functioning of the SUCRE</li><li>• Intended Effects of a Fully Functional SUCRE</li><li>• Implementation, Impact, and Linkage to National Political Economies</li><li>• Factors Impeding Progress and Mitigating Impact</li></ul>	
Chapter Six	<b>Petrocaribe</b>	159
	<ul style="list-style-type: none"><li>• Origin and Proposed Functioning of Petrocaribe</li><li>• Intended Effects of a Fully Functional Petrocaribe</li><li>• Implementation, Impact, and Linkage to National Political Economies</li><li>• Factors Impeding Progress and Mitigating Impact</li></ul>	
Chapter Seven	<b>ALBA Reassessed</b>	194
	<ul style="list-style-type: none"><li>• The Limits of Regionalised Endogenous Development</li><li>• Returning to the Research Question</li><li>• The Implications of an Incomplete ALBA</li></ul>	
<i>Appendix</i>		214
<i>Bibliography</i>		217

## Figures and Tables

Unless otherwise stated, figures and tables are of the author's own elaboration.

<b>Figure 1:</b> Geography of ALBA membership	6
<b>Figure 2:</b> ALBA's governance structure	8
<b>Figure 3:</b> Weight (%) of bilateral trade relationships in intra-ALBA trade, 2010	18
<b>Figure 4:</b> Rebalancing of the economy under Twenty-First Century Socialism	70
<b>Figure 5:</b> Development phases in Ecuador's National Plan for <i>Buen Vivir</i> 2009-13	103
<b>Figure 6:</b> Weight (%) of bilateral trade relationships in intra-ALBA trade, 2010	109
<b>Figure 7:</b> Intra-ALBA trade as % of trade with world, 2005-2012	114
<b>Figure 8:</b> ALBA member-states' trade with ALBA as % of their total trade, 2010	115
<b>Figure 9:</b> Value of SUCRE trade (\$ millions), 2010-2012	136
<b>Figure 10:</b> Value of SUCRE-zone trade relationships (\$ and %), Jan-Jun 2012	137
<b>Figure 11:</b> Private, public, and mixed shares of total SUCRE trade, Jan-Jun 2012	138
<b>Figure 12:</b> Balances of SUCRE trade by participating state (\$), 2011	144
<b>Figure 13:</b> Top ten classes of product traded via the SUCRE (\$ and %)	146
<b>Figure 14:</b> Typical state-led SUCRE trade flow between Venezuela and Ecuador	147
<b>Figure 15:</b> Relationship between oil price and effective Petrocaribe upfront cost	162
<b>Figure 16:</b> Cumulative current-account balances in Caribbean (\$bn), 2005-2013	171
<b>Figure 17:</b> Impact of Petrocaribe on effective price of oil imports (\$), 2003-2012	172
<b>Table 1:</b> Number of interviews by country	29
<b>Table 2:</b> Mean annual value of Petrocaribe financing relative to macroeconomic indicators, 2008-2012	173

## Abbreviations and Acronyms

ACD	trade agreement for development ( <i>Acuerdo de Comercio para el Desarrollo</i> )
AGSO	Eastern and Mountain Livestock Association ( <i>Asociación de Ganaderos de la Sierra y Oriente</i> )
ALADI	Latin American Integration Association ( <i>Asociación Latinoamericana de Integración</i> )
ALBA	Bolivarian Alliance for the People's of Our America ( <i>Alianza Bolivariana para los Pueblos de Nuestra América</i> )
ALBA-TCP	Bolivarian Alliance for the People's of Our America-People's Trade Agreement ( <i>Alianza Bolivariana para los Pueblos de Nuestra América – Tratado de Comercio de los Pueblos</i> )
ALCA	<i>Área de Libre Comercio de las Américas</i> (see FTAA)
ASEAN	Association of South-East Asian Nations
AVN	Venezuelan News Agency ( <i>Agencia Venezolana de Noticias</i> )
BANDES	Venezuelan Economic and Social Development Bank ( <i>Banco de Desarrollo Económico y Social de Venezuela</i> )
BCE	Central Bank of Ecuador ( <i>Banco Central del Ecuador</i> )
BIT	bilateral investment treaty
CADIVI	Foreign-Exchange Administration Commission ( <i>Comisión de Administración de Divisas</i> )
CAFTA-DR	Dominican Republic-Central America-United States Free Trade Area
CAN	Andean Community ( <i>Comunidad Andina de Naciones</i> )
CANTV	National Telephony of Venezuela Ltd. ( <i>CA Nacional Teléfonos de Venezuela</i> )
CARICOM	Caribbean Community
CASA	Agricultural Services and Supply Corporation ( <i>Corporación de Abastecimientos y Servicios Agrícolas</i> )
CCT	conditional cash transfer
CELAC	Community of Latin American and Caribbean States ( <i>Comunidad de Estados Latinoamericanos y Caribeños</i> )
CELARG	Rómulo Gallegos Latin American Studies Centre ( <i>Centro de Estudios Latinoamericanos Rómulo Gallegos</i> )
CFA	Cooperation Framework Agreement ( <i>Acuerdo Marco de Cooperación</i> )
CMR	regional monetary council ( <i>consejo monetario regional</i> )
CMS	Social Movements Council [of ALBA] ( <i>Consejo de Movimientos Sociales</i> )
COMEX	Foreign Trade Committee ( <i>Comité de Comercio Exterior</i> )
CSME	CARICOM Single Market and Economy
ECCU	Eastern Caribbean Currency Union
EOI	export-orientated industrialisation CHK
EPS	popular and solidarity economy ( <i>economía popular y solidaria</i> ); n.b. not Social-Production Enterprises (as EPS often signifies in Venezuela)
EU	European Union
FLACSO	Latin American Faculty of Social Sciences ( <i>Facultad Latinoamericana de Ciencias Sociales</i> )
FONDEN	National Development Fund ( <i>Fondo de Desarrollo Nacional</i> )
FRCC	Reserves and Commercial Convergence Fund
FTA	free-trade agreement
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
IAEN	Institute of Higher National Studies ( <i>Instituto de Altos Estudios Nacionales</i> )
ICTSD	International Centre for Trade and Sustainable Development
IEPS	National Institute of the Popular and Solidarity Economy ( <i>Instituto Nacional de Economía Popular y Solidaria</i> )



IFI	international financial institution
IMF	International Monetary Fund
IPE	International Political Economy
ISD	Capital Outflow Tax ( <i>Impuesto a la Salida de Divisas</i> )
ISI	import-substitution industrialisation
LAC	Latin America and the Caribbean
LPG	liquefied petroleum gas
MAGAP	Ministry of Agriculture, Livestock, Aquaculture and Fisheries ( <i>Ministerio de Agricultura, Ganadería, Acuacultura y Pesca</i> )
Mercosur	Common Market of the South ( <i>Mercado Común del Sur</i> )
MPEC	Coordinating Ministry of Production, Employment and Competitiveness ( <i>Ministerio Coordinador de Producción, Empleo y Competitividad</i> )
MRECI	Ministry of Foreign Affairs, Trade, and Integration ( <i>Ministerio de Relaciones Exteriores, Comercio e Integración</i> )
NAF	New Financial Architecture ( <i>Nueva Arquitectura Financiera</i> )
NAFR	New Regional Financial Architecture ( <i>Nueva Arquitectura Financiera Regional</i> )
NAFTA	North American Free-Trade Agreement
NGO	non-governmental organisation
OAS	Organization of American States
OECS	Organisation of Eastern Caribbean States
OPEC	Organization of the Petroleum Exporting Countries
PDV Caribe	PDVSA Caribbean (subsidiary of PDVSA, below)
PDVAL	PDVSA Food ( <i>Petróleos de Venezuela Alimentos</i> )
PDVSA	Petróleos de Venezuela, S.A. (Petroleum of Venezuela)
PTA	preferential trade agreement
RBV	Bolivarian Republic of Venezuela ( <i>República Bolivariana de Venezuela</i> )
RCTV	Radio Caracas Television ( <i>Radio Caracas Televisión</i> )
S&D	special and differential treatment
SCUSP	Senior Citizens' Utility Subsidy Programme
SENPLADES	National Planning and Development Secretariat ( <i>Secretaría Nacional de Planificación y Desarrollo</i> )
SIDOR	Orinoco Iron and Steel ( <i>Siderúrgica del Orinoco</i> )
SIDS	small island developing states
SME	small and medium-sized enterprises
SML	Local-Currency Payments System ( <i>Sistema de Pagos en Moneda Local</i> )
SUCRE	Unified Regional Compensation System ( <i>Sistema Único de Compensación Regional</i> )
SUNACOOOP	National Cooperatives Supervisor ( <i>Superintendencia Nacional de Cooperativas</i> )
TCP	People's Trade Agreement ( <i>Tratado de Comercio de los Pueblos</i> )
UK	United Kingdom
UN	United Nations
UNA	National Storage Unit ( <i>Unidad Nacional de Almacenamiento</i> )
UNASUR	Union of South American Nations ( <i>Unión de Naciones Suramericanas</i> )
UPP	United Progressive Party [of Antigua and Barbuda]
US	United States (of America)
WTO	World Trade Organisation

## Notes on Terms and Symbols

### *ALBA*

Since 2008 ALBA has been formally titled ALBA-TCP. The TCP element refers to the People's Trade Agreement (*Tratado de Comercio de los Pueblos*) adopted with Bolivia's adhesion in 2006 and developed further in 2009 (see chapter four, p.95). Since it is common practice – and for the sake of brevity – I use the acronym ALBA throughout to refer to the overarching regional project.

### *Anglophone Caribbean State Names*

Though it pains me to do so, knowing how fiercely important this issue can be to Caribbean peoples themselves, due to space limitations I sometimes abbreviate the names of multi-island Caribbean states to that of their first island, particularly St Vincent (and the Grenadines) and Antigua (and Barbuda).

### *Specifying Precise Groupings within ALBA*

Since ALBA's initiatives have variable membership, this work requires various terms to refer to precise groupings within ALBA. Thus, "intra-ALBA" refers to the eight *de jure* members (Venezuela, Cuba, Bolivia, Nicaragua, Ecuador, Dominica, St Vincent and the Grenadines, and Antigua and Barbuda). "SUCRE-zone" refers to the four members participating in the SUCRE virtual-currency initiative (Venezuela, Ecuador, Bolivia, Cuba). "Intraregional" and "regional" may refer to the regional organisation or the LAC region, though the difference should be clear from the context.

### *Currency*

The dollar sign (\$) utilised without further qualification always signifies US dollars.

## Chapter One: *Al Rayar el ALBA...*<sup>1</sup>

The Bolivian Alternative for the Americas (ALBA) is the continent's retort to the Free Trade Area of the Americas, the now buried corporatist dream of a free-trade zone stretching from Alaska to Tierra del Fuego. Though ALBA is still in its early stages, Emir Sader, the Brazil-based sociologist, describes its promise as “a perfect example of genuinely fair trade: each country provides what it is best placed to produce, in return for what it most needs, independent of global market prices.” ... ALBA is essentially a barter system, in which countries decide for themselves what any given commodity or service is worth, rather than letting traders in New York, Chicago or London set the prices for them. That makes trade far less vulnerable to the kind of sudden price fluctuations that devastated Latin American economies in the recent past. Surrounded by turbulent financial waters, Latin America is creating a zone of relative economic calm and predictability, a feat presumed impossible in the globalization era.

(Naomi Klein, *The Shock Doctrine*, 2007, p.456)

This depiction of the Bolivarian Alliance for the Peoples of Our America (ALBA)<sup>2</sup> from Naomi Klein's bestselling work on “disaster capitalism” reveals much not only about understandings of ALBA but also about the importance of these understandings to scholars and to the wider world. Klein and Sader see ALBA as a functioning, alternative regional political economy which has managed to free itself from the dogmas and strictures of globalisation, at once reaping the internal benefits of this revolution and becoming a pioneering example for other world regions to follow. In this they are not alone.

On the contrary, precisely this vision is shared, first, by ALBA itself, being ever present in its summit declarations, policy documents, and in the rhetoric of its leaders, for whom ALBA initiatives represent “a model, a humble model, for the entire world, of how political, geopolitical, economic, and integration initiatives are launched in order to defeat asymmetries and reach the harmonic and homogeneous development of the region” (Chávez Frías 2008, p.48). Second, it permeates the literature of the so-called “New Left” in Latin America, which attempts to understand the nature and significance of a series of election victories for left-of-centre leaders that began around the turn of the century. Although much of this literature focuses on the newly statist national political economy of presidents like Hugo Chávez in Venezuela, Evo Morales in Bolivia, Rafael Correa in Ecuador, Nestor Kirchner in Argentina, and Lula da Silva in Brazil, it also tends to view ALBA as an international outgrowth of national models. In William Robinson's words:

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<sup>1</sup> “At the break of day” or “approaching ALBA”. “alba” translates as “dawn” and subverts the Spanish acronym for the Free Trade Area of the Americas, ALCA (*Área de Libre Comercio de las Américas*).

<sup>2</sup> In June 2009 “Alliance” replaced “Alternative” and “Peoples of Our America” was added.

The ALBA envisions a regional economic development plan for Latin America and the Caribbean involving solidarity with the weakest national economies so that all can cooperate and benefit from regional exchange networks and development projects ... transnationaliz[ing] efforts at 'endogenous development' ... and reject[ing] any trade agreements that would undermine the use of public policies to regulate the economy and redistribute wealth.

(Robinson 2008, pp.351–52)

Third, it informs the work of regionalism scholars who detect in Latin America and the Caribbean (LAC) a swell that could drive a distinct third wave of post-liberal, post-hegemonic, or post-trade regionalism (respectively Sanahuja 2008; Riggirozzi & Tussie 2012; Dabène 2012b) that is “not based primarily on trade liberalization but actually on welfare cooperation and solidarity, placing a distinctive emphasis on civil society participatory practices ... representing a radical, ideologically transformative project that extends Chávez’s twenty-first century socialism into a pursuit of regional integration scheme [sic], in direct opposition to neoliberalism” (Riggirozzi 2012a, p.26). Much is riding on ALBA’s young shoulders.

The truth, however, is that much is riding on academic accounts of ALBA rather than on the organisation *per se*, for it is this ALBA literature that feeds into wider debates about the nature of contemporary LAC political economy. Yet, although ALBA has provoked much academic endeavour, this growing collection of descriptive and theoretical accounts suffers from a severe lack of empirical substantiation. It is telling that the main conclusion of the only literature review to date is that “a great deal of the literature reviewed here observes the romance of ALBA-TCP but not its operative reality” (Absell 2012, p.90), with just 21 per cent of studies providing empirical substantiation and critical analysis (p.84). This leads researchers to fall back on official depictions of ALBA’s nature and impact which only reinforce what Christopher Absell describes as “the underlying assumption of nearly all of this work ... that the organisation is a positive factor that could bring about an element of economic equality and social justice for the people of Latin America and the Caribbean” (Absell 2012, p.90). This presumption that ALBA is normatively desirable and potentially impactful in one particular way represents a major failing of the ALBA literature.

But this tendency to reproduce the official line is just one consequence of a deeper lack of reliable data from ALBA states and institutions themselves. In Daniele Benzi’s straightforward terms, “truthful information – and this goes for every [ALBA] country – is very scarce” (2010, p.18). The underlying problem is that this lack of

reliable primary data makes representations of the nature and impact of ALBA mutable and manipulable. Essentially, practitioners and analysts alike use ALBA as a canvas on which to project their own preferences, picking and choosing from its complex, confused reality the elements which best support their interests or ideas. Worse, the extremity of this data vacuum finds reflection in the extremity of attempts to fill it. Thus, at one end of the scale we find ALBA “inaugurat[ing] an age of cross-cultural collaboration to actualise all human potential [wherein] power, no longer the prerogative of Western standard-setters, will be diffused across regions and strata [and] the inequitable favouring of First World ideals and norms will be substituted by a new international legal paradigm of co-operation, justice and equity” (Al Attar & Miller 2010, pp.360–61). At the other, we find ALBA performing “peripheral warfare [through] ostensible medical offices for the poor that serve as recruitment and indoctrination centers for [Chávez’s] supporters in neighbouring countries ... which it has utilized for years to infiltrate spies and agitators into neighbouring countries under the guise of doctors, coaches, and advisers to help the poor” (Perdue 2012, p.10). Rather more prosaically, for some it has achieved little and is “not much more than barter and rhetoric, with Venezuela footing the bill” (Sweig 2009, p.248), whereas for others it is “the most promising, if not the only meaningful, attempt at cooperative development anywhere in the world” (Hart-Landsberg 2010). Overall, the question implicit in Noam Chomsky’s assertion that ALBA represents “a true dawn if its initial promise can be realized” (2008) has yet to be answered, and the most honest appraisal in the existing literature is simply that ALBA represents “a great experiment [whose] outcome is by no means certain” (Backer & Molina 2010, p.162).

This research is a response to the empirical and methodological failings in the existing literature, as well as to the zealous certainties and confounding uncertainties to which they give rise. By first examining the literature in even greater breadth and depth than in Absell’s review (2012), it outlines the main theories, debates, and themes emanating from this literature, reducing them to five core arguments and three key concepts, all of which revolve around the issue of ALBA’s relationship to the development models of its New-Left member-states. It then formulates an approach which allows for a more systematic reassessment that mitigates ALBA’s mutability by focusing explicitly on the nature and impact of three core economic initiatives across various member-states, rather than generalising from sporadic outbreaks of solidarity. This approach also involves a reappraisal of the political economy of five member-states, sensitive not only to what is intentionally regionalised through state-led

initiatives, but also to quandaries and contradictions that arise both at the domestic level and in the interaction of complex and sometimes incoherent development models at the regional level. Having set out a rationale and a roadmap for this more comprehensive approach, this work then focuses its central research question on the issue at the heart of the ALBA literature:

To what extent does ALBA represent a coherent model of regionalism reflecting and reinforcing the reforms of its New-Left member-states?

Since any investigation into this coherence must consider the internal dynamics both of ALBA regionalism and of member political-economies whose domestic and foreign commitments can easily impinge on their regional commitments, this question is broken down into four sub-questions:

- 1) What does ALBA regionalise of member-states' development strategies and of wider national political economies?
- 2) Has this linkage had a discernible impact on the political economies of ALBA member-states?
- 3) Does this linkage reflect and reinforce the New-Left reforms of ALBA governments or rather inherited continuities?
- 4) What accounts for variations in the efficacy or "success" of different initiatives?

These questions allow us to gain new insights into the impact of divergent accounts of member political economies on characterisations of ALBA, while also foregrounding problems arising from the regional interaction of states whose development models and insertions into the global political economy are widely different. The innovation of focusing on implementation and impact renders absence and failure just as relevant as presence and success, with investigation of both crucial to achieving a fuller understanding of ALBA regionalism. Coupled with a comprehensive and systematic research design, this consciously counteracts the "romantic" approach detected by Absell and allows detailed, demonstrable answers to displace speculative ones. Though the existing literature of ALBA stands to gain the most from these answers, they can also indirectly inform other literatures which count ALBA amongst their empirical cornerstones.

### ***An Introduction to ALBA***

Since this work contends that existing accounts of ALBA tend to default to the official line on its nature and impact – and also simply to introduce the key actors and institutions in this drama – we must understand the organisation’s basic history, development, and discourse.

ALBA was founded by Venezuela and Cuba on 14 December 2004 but has since grown to include six other member-states (illustrated in Figure 1, below): these are Bolivia (joined 2006), Nicaragua (2007), Dominica (2008), Ecuador (2009), St Vincent and the Grenadines (2009), and Antigua and Barbuda (2009).<sup>3</sup> As suggested by its first incarnation as the Bolivarian *Alternative* for the Americas, it was designed as a riposte to the Free Trade Area of the Americas process, originally scheduled for conclusion in 2005. It grew out of an off-the-cuff remark, “a kind of mischief against the FTAA”, during the 2001 summit of Association of Caribbean States, with Fidel Castro later enquiring as to what exactly Chávez had in mind for this “ALBA” (Chávez Frías 2005, p.285). The two then set about filling in the many blanks, adopting the ideas of anti-FTAA social movements (Saguier 2007) and adapting them to the spirit of the Integral Cooperation Convention (2000) between their two countries. This latter bilateral agreement was Venezuela’s first attempt to apply the principle of complementarity, whereby each state offers its own strengths in order to mitigate the other’s weaknesses. ALBA’s founding agreement built on this not only by setting its own core notions of solidarity, cooperation, and fairness against the competitive principle underlying traditional FTAs, but also by rejecting the commercial focus of most regional arrangements (ALBA 2004; ALBA Secretaría Ejecutiva 2010a, p.3). Thus, the agreement’s main body refers repeatedly to “mutual benefit” in terms of “economic and social needs” and incorporates policies as diverse as cultural plans to reinforce identity (ALBA 2004, Article X), exemption of state investment from local taxes (Article VI), elimination of illiteracy (Article V), and prioritisation of “useful employment” (Article III) all within one wide-ranging agreement that viewed all aspects of politics, economics, or society as potential channels through which to achieve cooperative development. Having such diverse ends, it inevitably prescribed diverse means, with everything from scholarships and shared use of sports facilities to joint investment in

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<sup>3</sup> Honduras joined in 2008 under Manuel Zelaya but withdrew in 2010 following his ouster in a coup. Two more Caribbean states, Suriname and St Lucia, applied for full membership in early 2012, but this process had not been completed at the time of writing.

productive projects and an innovative “doctors for oil” programme (Articles XII and XIII).



**Figure 1:** Geography of ALBA membership (outlined in red).

The latter exchange of Venezuelan oil for Cuban doctors to staff primary-healthcare clinics in Venezuela’s poorest areas (*Misión Barrio Adentro*) defined more than any other initiative the logic of ALBA and remains its simplest exemplification. Indeed, this social focus was initially ALBA’s standout feature, and it has since been reinforced through internationalisation of other Venezuelan and Cuban programmes, not least *Milagro* (free cataract operations), *Yo Sí Puedo* (literacy), and *José Gregorio Hernández* (a disability-needs census).<sup>4</sup> But the visibility and direct impact of this social side of ALBA has drawn attention away from its commercial, financial, and political aspects, even though ALBA has innovated in all three areas. The most obvious political innovation is the Social Movements Council, conceived of in 2007 as a means of allowing for direct, bottom-up – yet high-level – participation of popular movements outside of the formal party system. Again, this builds upon similar changes at the

<sup>4</sup> Social programmes like *Yo Sí Puedo* (Cuba) and *José Gregorio Hernández* (Venezuela) are given locally meaningful names in different member-states so as to favour public attachment to them. Venezuelan names are used here for clarity, with the exception of Cuba’s well-known *Yo Sí Puedo*.



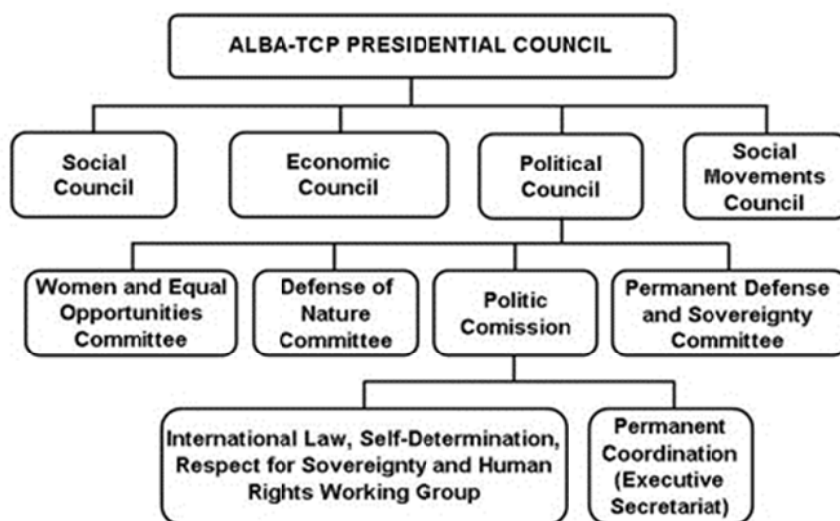
domestic level, most notably Venezuela's communal councils or Bolivia's "communal democracy" (Escobar 2010, p.35). Commercial and financial measures, meanwhile, have been central to ALBA from the outset. The 2004 agreement's first substantive article promises the greatest possible exchange of goods and services (ALBA 2004, Article II) whereas its first concrete provision applies a zero tariff to all imports into Cuba from Venezuela and its second exempts all bilateral investment – state, mixed, or private – from local taxes (Articles XII and XIII). The real thrust of ALBA ever since has been towards more comprehensive economic integration, as reflected in the many major policy initiatives developed in this domain.

The first of these was Petrocaribe (2005; see chapter six), which effectively provided soft loans to energy-dependent Caribbean states by allowing them to finance as much as 70 per cent of the cost of oil imports from Venezuela. The second was the People's Trade Agreement (2006 and 2009; see chapter four) proposed by new recruit Bolivia as a framework within which to develop cooperative trade deals compatible with ALBA principles. The third was the concept of "Grandnational" companies (2007), essentially state multinationals jointly owned by ALBA states, which could provide investment and competition in an array of strategic sectors. The fourth was the Unified Regional Compensation System (SUCRE, 2008; see chapter five), a unit of account (or virtual currency) that would reduce the role of the dollar in intra-ALBA trade and thereby reduce foreign-exchange expenditure both for the state and for intra-ALBA exporters. The fifth was the ALBA Bank (2008), which was to pool members' foreign-exchange reserves and reassign them to developmental ends as productive or social investment. With economic initiatives proliferating and performing a swathe of developmental functions, ALBA increasingly began to seek coordinated, complementary development on a regional scale. This goal was first endorsed by all member-states in 2009 in the shape of an action plan for creation of an "Economic Zone of Shared Development" (ALBA-TCP 2009a), but it was restated and renamed in 2012 as the EcoALBA proposal, whose first article sums up ALBA's own understanding of the organisation's logic and purpose:

...[the constitution] of an economic zone of shared, interdependent, sovereign, and solidaristic development, destined to consolidate and expand a new alternative model of economic relations in order to strengthen and diversify the productive base and commercial exchange, as well as to establish a basis for any bilateral or multilateral instruments that The Parties subscribe to in this domain, with the intention of satisfying the material and spiritual needs of our peoples.

(ALBA-TCP 2012, Article I)

As shown in Figure 2 (below), the highest body governing this “shared development” is the Presidential Council, which settles policy at summits convened at irregular intervals. This is then supported by social, economic, and political councils made up of ministers in those areas, as well as by the aforementioned Social Movements Council. Of the other bodies within this structure, the most important is the Caracas-based Executive Secretariat, which is charged with the execution, coordination, and monitoring of decisions from the councils (ALBA Secretaría Ejecutiva n.d.).



**Figure 2:** ALBA’s governance structure (source: ALBA-TCP.org)

This “shared development” must come about in an extremely diverse context, however. ALBA members exhibit great variety in terms of geography, demography, economy, language, religion, and culture. Spanish-speaking, Catholic, continental Venezuela has a population of 30 million and the largest reserves of petroleum in the world, governed via a presidential political system with civil-law origins. English-speaking, Protestant, insular Antigua and Barbuda has just 90,000 inhabitants and an economy heavily reliant on tourism, governed via a parliamentary system with common-law origins. Unlike in many other regional arrangements, no two ALBA member-states are geographically contiguous and transport particularly in the Caribbean centres on hubs outside of ALBA such as Panama City and Miami.<sup>5</sup> In terms of existing institutional commitments, Cuba is a member of no major sub-regional grouping; insular Anglophone members are part of the Eastern Caribbean Currency

<sup>5</sup> This is slightly misleading, since any region involving insular member-states implies non-contiguity; Venezuela is as close to contiguous with Cuba as it is possible to be without an extremely long bridge.

Union (ECCU), the Caribbean Community (CARICOM), and the CARICOM Single Market and Economy (CSME) initiative; Ecuador and Bolivia are members of the Andean Community customs union; Nicaragua is a signatory to the deep and wide-ranging Dominican Republic-Central America-United States Free Trade Area (CAFTA-DR); Venezuela is a full member of Mercosur; Venezuelan and Ecuadorian oil production and pricing is defined by their membership of the Organization of the Petroleum Exporting Countries (OPEC); and all eight ALBA states are members of the WTO. Four member-states – Venezuela, Ecuador, Nicaragua, and St Vincent and the Grenadines – can also be described as “hyper-dependent” on the US economy, with one export accounting for over 40 per cent of total exports to that market (Shadlen 2008, p.6). In short, for all ALBA’s striving towards “shared development”, there is no guarantee that it will unfold unimpeded.

### ***Building on Existing Accounts of ALBA***

#### *Lines of Best Fit in a Diverse Literature*

While the literature of ALBA is not entirely blind to the complications involved in creating a coherent model of regionalism out of such diversity, for the most part it reproduces the official line on the functioning and impact of ALBA, with a number of clear threads running through it. As chapter two reveals (pp.36-49), in this literature ALBA is commonly seen to be:

- A) furthering the foreign-policy goals Venezuela and Cuba.
- B) regionalising endogenous-development strategies, with a return of the state to commanding guidance of the economy towards social and industrial policies that favour human development.
- C) regionalising concern for the autonomy both of member-states and of the LAC region vis-à-vis the global economy, with intraregional asymmetries targeted via cooperative development.
- D) garnering legitimacy for incumbent governments by implicating the regional level in provision of participatory democracy and effective welfare programmes.
- E) transforming the material conditions and mindsets of citizens and states alike.

Central amongst these recurrent themes and arguments is the claim that the essence of ALBA lies in its cooperative and complementary regionalisation of commonalities in the endogenous-development models of Bolivia, Ecuador, and especially Venezuela,

driven and defended by their shared “region first” foreign policies. In this vision, ALBA replicates and reinforces the political strength of incumbent left-of-centre governments by extending participatory reforms into ALBA’s governance structures and by facilitating internationalisation of domestic social programmes that have been beneficial to long-marginalised groups. These regionalisations are implemented such that – as at the domestic level – their impact is transformative, thereby bolstering their sustainability.

From these common arguments this work draws the central concepts of endogenous development (in A and B), reasserted autonomy (C), and legitimacy (D), whereas transformative impact (E) is subsumed into a consideration of impact more generally. This forms the basis of an analytical framework which can both engage with existing accounts. Yet, if this framework is to provide new insights into the nature and significance of ALBA regionalism, it must be geared towards tackling the persistent empirical and methodological failings that undermine the ALBA literature’s dominant arguments and admit an extreme degree of variation in competing interpretations.

### *Empirical Weaknesses in the ALBA Literature*

[ALBA] is out on the table for whoever wants to see it. As the Bible says: “Let he who has eyes, see; he who has ears, hear” the truth, the reality.  
(Chávez Frías 2008, p.27)

Unfortunately for researchers of ALBA and LAC regionalism, Chávez’s confidence in the transparency of ALBA is entirely misplaced, and the effects of this deficiency inevitably permeate the literature. Francisco Ullán de la Rosa distinguishes between ALBA as philosophy, as platform, and as concrete practice (2012, p.160), and the key problem in existing accounts is that the former two have received much academic attention, whereas the third has been largely overlooked. While this was understandable in the years following its formation – fully functional institutions could not be expected to materialise overnight – with time there have been growing calls for a more thorough assessment of ALBA’s demonstrable extent and impact. First, as Norman Girvan notes, ALBA’s guiding principles and overall philosophy exist only insofar as they are put into practice (2011b, p.165). Second, without evaluating concrete initiatives we cannot assess whether or not ALBA is – or ever will be – effective in achieving its developmental and social-justice objectives (Ullán de la Rosa 2012, p.161). And third, in terms of ALBA’s wider influence, according to José Briceño Ruiz:

...it is not enough to claim that [ALBA] is a normative or 'should be' proposal for Latin American integration ... because if a proposal cannot have an impact on the way in which the region's integration processes are developing, it is worthless.

(Briceño Ruiz 2007, p.41)

As Gian Luca Gardini rightly points out, "reality and utopia" dichotomies have long existed in LAC regionalism, but in ALBA's case as in every other it is vital to "distinguish between what is the reality on the ground and what are aspirations or declamatory statements" (2011, p.105). This work aims to address this growing frustration that ALBA's functionality and impact have tended to be assumed rather than demonstrated, leaving a number of basic questions unanswered:

We have learnt about the formation of "grandnational enterprises", but do we know anything about their application? Concretely, how have ALBA-TCP development projects improved the wellbeing of the populations of their member-states? How do projects differ between countries? ... many of its projects have been operating for a great deal of [ALBA's lifetime]. An opportunity exists to examine the developmental results of ALBA-TCP.

(Absell 2012, p.91)

Since much of the confusion around ALBA arises from a lack of reliable data, we concur with Benzi that the best way to take advantage of this opportunity is through a thorough examination of the commonly neglected details of ALBA initiatives:

...it would be hugely important to carry out research focused on the functioning of joint ventures, the execution of projects financed and to be financed by the ALBA Bank and all of the donations and credit lines opened up by the Bolivarian government.

(Benzi 2010, p.18)

A fruitful research strategy must address these problems by re-evaluating ALBA from the ground up. But *which* ground represents the most relevant reality to be compared to the key ideas prevalent in the literature? And *where* exactly is this ground? That is, which initiatives merit attention and in which member-states?

### ***Locating the Reality of ALBA***

There exists no text that can look to contain ALBA in its totality. [Its members] have set forth on a path that branches out with every new step.

(Martínez 2008, p.227)

Beginning with the question of *where* to find an appropriate “reality on the ground”, this work heeds Osvaldo Martínez’s warning by addressing weaknesses in the existing literature. First, the possibility of talking past other ALBA scholars is reduced by explicitly addressing the question of where ALBA begins and ends.

### *Fixing the Boundaries*

Lourdes Regueiro Bello (2008, p.308) identifies three main approaches to ALBA’s limits amongst scholars and practitioners alike:

1. ALBA as relations between its formal member states.<sup>6</sup>
2. ALBA as above plus energy-cooperation agreements signed by Venezuela with countries of South America and the Caribbean.
3. ALBA as an ongoing formal project coupled with a regionalist “offer” open to every state of the wider LAC region.<sup>7</sup>

This schema can help clarify the sources of much of the confusion over ALBA’s extent and impact. Crucially, many scholars opt – consciously or otherwise – for some form of the third variant, opting to study what Thomas Muhr calls the *de facto* region over the *de jure* region (2010, p.3)<sup>8</sup> or what Edgardo Lander dubs the “broad sense” of ALBA versus the “strict sense” (2007, p.20). This has the potential to make LAC in its entirety the subject of ALBA research, with some scholars taking as ALBA any Venezuela-backed proposal that involves other LAC states and roughly corresponds to ALBA’s principles, such as the intra-regional development bank, the Bank of the South, or the LAC-focused, publicly funded TV network TeleSUR.<sup>9</sup>

This opening up of ALBA’s empirical basis also impacts on theoretical claims, as in Muhr’s influential work itself. In his vision of ALBA as a counter-hegemonic alter-globalisation scheme challenging neoliberalism on all fronts, it acts on various levels and domains across member-states and non-member-states, taking in global, regional, national, or sub-national entities, “federal states, mayoralities, ... social and popular movements, community and workers councils, cooperatives, and state-worker-

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<sup>6</sup> At that time Venezuela, Cuba, and Bolivia.

<sup>7</sup> n.b. the idea of ALBA as “offer” emerged originally from a 2006 presentation in Havana by Jaime Estay that sadly appears not to have been developed further.

<sup>8</sup> Although “*de facto*” suggests a sense of uncovered reality and naturally validates the researcher’s own interpretation of the “real” extent of the region, the basic distinction remains useful.

<sup>9</sup> In their defence, ALBA’s most outspoken proponent, Hugo Chávez, often did the same. (Bank of the South is used to characterise ALBA in Azicri 2007; Fritz 2007; Oliva Campos 2007; and Muhr 2010; as is Telesur in Tahsin 2009; Regueiro Bello 2008; Espinosa Martinez 2007; and Muhr 2012).

managed recuperated factories in, for instance, Argentina, Brazil, Uruguay, and Venezuela” (Muhr 2010, p.6). While this approach has its merits – and indeed Muhr’s argument is amongst the most theoretically advanced and persuasive – it also has some serious downsides. First, as Edgardo Langer points out, initiatives are “identified as part of ALBA, irrespective of the form in which they are taken up by other parties...” (2007, p.21); Brazil, Argentina, and Uruguay are explicitly *not* members of ALBA and by ignoring that choice we render ALBA a vague signifier of certain political-economic characteristics rather than a concrete regional organisation (as in Espinosa Martinez 2007, pp.17–18). Furthermore, faced with a smorgasbord of novel LAC initiatives, scholars have discretion over what constitutes the *de facto* ALBA and can take as evidence of novelty and impact any interaction exhibiting a partial overlap with ALBA principles and some degree of Venezuelan involvement. This leads them not only to elide political-economic continuities in ALBA and its members states which might contradict the narrative of a new dawn, but also to opt for superficial examination of numerous initiatives rather than thorough interrogation of fewer. Thus, an all-encompassing account mixing ALBA’s formal membership and its “offer” might endow the organisation with the capacity to integrate continental energy infrastructure (Petroamerica), to provide regionally sourced and allocated development financing (Bank of the South), and to challenge foreign communicational dominance (TeleSUR), while a more selective account would give ALBA no role in any of these ambitious schemes. Little wonder, then, that assessments of its impact vary so widely.

#### *Whittling Down to ALBA’s Core Initiatives*

To counter this problem, this work focuses on *de jure* initiatives, falling somewhere between Regueiro Bello’s first “formal membership” and second “formal membership plus energy integration” options. It draws on chapter two’s review of the literature in order to identify the ALBA initiatives taken as evidence to support in different measure the five key arguments re-evaluated here. These are:

- Structural Convergence Funds
- The Social Movements Council (CMS)
- “Grandnational” companies and projects
- The ALBA Bank
- Regionalised social programmes (*misiones*)
- The People’s Trade Agreement (TCP)
- The Unified Regional Compensation System (SUCRE) virtual currency
- Petrocaribe

Clearly, even without including the *de facto* region, ALBA boasts too many important initiatives to allow for an in-depth investigation of all of them. So as to avoid the superficiality observed elsewhere, this work whittles these eight down to three core initiatives central to ALBA's goal of shared development.

First, we eliminate those not amenable to in-depth study by virtue of their near or complete non-existence based on exploration of the literature and on fieldwork itself. Being so insubstantial these initiatives cannot be “core” to “shared development” or indeed to anything else. Thus, although Structural Convergence Funds “orientated towards reducing asymmetries between levels of development and between existing productive sectors in the region” (Linares and Lugo 2010, p.322) have been considered a “cornerstone” of ALBA (Tussie 2009, p.185), the fact that they have never existed in any sense – let alone in regular, institutionalised, or regionalised form – means that they can safely be removed without toppling the whole analytical edifice. This is also emphatically the case for the Council of Social Movements.<sup>10</sup> Though it had already been hailed as a “permanent process of critical and propositive interaction of social control over the constituted power” which has made regional integration a people's issue (de la Barra 2010, p.653), even the two people most eager to substantiate its existence, Hugo Chávez and Evo Morales, were later forced to concede that.<sup>11</sup>

ALBA created a Social Movements Council, but it certainly does not exist; that is a piece of self-criticism, Evo, which we must offer ourselves as revolutionaries...

(Hugo Chávez, in Rojas 2011)

Given the centrality of participatory governance to many prominent accounts of ALBA (chapter two, pp.43-46), this early exclusion of the CMS is in itself a significant finding.

Second, we eliminate those initiatives judged peripheral by their nature, by their apparent lack of implementation, or by a combination of both. First to go is the concept of “grandnational” companies and projects. Were these entities – thirty three by the ALBA Secretariat's reckoning (ALBA Secretaría Ejecutiva 2010b, pp.2–4) – to function according to their design, they might well play a part in “articulat[ing]

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<sup>10</sup> During fieldwork for this project, the Venezuelan chapter was beginning to establish itself, but Ecuadorian social movements were cool on the idea and no chapter existed. This will be covered in another major research project by Kaarlo Metsäranta of Helsinki University.

<sup>11</sup> This comment falls between the two periods of fieldwork involved in this PhD, Venezuela coming first; as such, any change in Ecuador or the Caribbean would have been picked up, whereas the Venezuelan “chapter” of the CMS was already taken into account at this point.



economic and social policies to promote regional development with inclusion [and] build[ing] new regional production chains linked to these strategies”, as in Maribel Aponte García’s depiction (2011, p.3). But, as of late 2010 the ALBA Secretariat itself cited only three grandnational companies and projects as functional (I.10).<sup>12</sup> The ALBA Bank, meanwhile, held to “encourage economic and social integration by easing inequality and promoting a more even distribution of investments, while urging Latin American countries not to depend on the US economy or place its reserves in it” (Altmann Borbón 2009a, p.6; see also Tahsin 2009, p.21), was by 2011 performing few of the functions for which it was designed (I.45). Indeed, although it boasts headquarters in the same Caracas office block as the ALBA Secretariat, the ALBA Bank’s technical operations are run by a Venezuelan state bank, The Bank of the Treasury, and operations in which the ALBA Bank is nominally involved turn out to come from other Venezuelan state financial institutions (I.45).<sup>13</sup>

Third and finally, we exclude those initiatives about which most is already known. This means overlooking the regionalised Venezuelan and Cuban social programmes (*misiones*) that some consider “with no fear of being wrong ... the soul, essence, and substance of ALBA” (Varela 2007, p.76). Amongst many others, the *misiones* underpin Pia Riggirozzi’s idea of ALBA as “transnational welfarist regionalism” engendering a socially cohesive regional community through “unprecedented trans-societal cooperation in social projects in education, health and housing that not only have an impact on human development but also create new state-society contracts with regard to inclusion, welfare, security and dignity for long time excluded groups” (2012, p.435). The impact of the *misiones* on literacy, health, and disabled rights is undeniable, but the focus on this impact early in ALBA’s development has also distorted understandings ever since. Only *Barrio Adentro*’s provision of doctors to poor communities in Venezuela (and to a lesser extent in Bolivia) has a continuous impact (see Kirk 2011), whereas the remaining missions – mass removal of cataracts via *Milagro*, eradication of illiteracy via *Robinson*, and nationwide surveying of disability needs via *José Gregorio Hernández* – are inherently periodic activities.

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<sup>12</sup> This is difficult to corroborate. It may be that the Secretariat does not fully know what is and is not functioning. However, since its role includes promoting ALBA’s achievements, they could be expected to err on the side of impact. It also depends on definitions of “grandnationality”; if the Literacy Grandnational amounts to internationalisation of Cuba’s *Yo Sí Puedo* programme, it certainly exists and functions, but the grandnational label adds nothing. Primary research revealed that those involving Ecuador had stalled at their inception.

<sup>13</sup> Usually development funds at the discretion of the Venezuelan presidency, such as FONDEN. This is evident also from the budget estimates of Caribbean members, which suggest that funds putatively coming from the ALBA Bank are in fact provided by other institutions.

Contrary to the idea of the missions as backbone and epitome of ALBA, by 2012 it was the economic aspect that had become, according to Cuban president Raúl Castro, “fundamental to ALBA’s success, and to the success of its other objectives” (Castro 2012).<sup>14</sup>

### *Identifying ALBA’s Core Initiatives*

Fortunately, having discarded Structural Convergence Funds, the CMS, Grandnational entities, the ALBA Bank, and the missions from our analysis, we are left with ALBA’s three core economic initiatives: the People’s Trade Agreement (TCP), the SUCRE virtual currency, and Petrocaribe. The TCP is undoubtedly key to any attempt to achieve ALBA’s goal of “an economic zone of shared development” as it is this agreement that defines the principles which should govern trade and investment between ALBA members. If ALBA truly represents a move towards regionalisation of endogenous development, as suggested in the literature, then we would surely find evidence of it here. The SUCRE, meanwhile, encourages coordination of monetary, trade, and exchange-rate policy across member-states, while also having built-in development-finance mechanisms and a strong role in reasserting autonomy given its inherent removal of the US dollar from intra-ALBA trade.<sup>15</sup> As with the TCP, its involvement of firms large or small, in social, state, and private sectors alike, means that it could have a significant effect on the entire economy.

Somewhat more controversial is Petrocaribe, as inclusion of this initiative leaves our research design balanced delicately between Regueiro Bello’s first option of focusing on the formal region and her second of covering the formal region plus energy agreements signed with Venezuela by other LAC states. Essentially, Regueiro Bello’s second option suggests that ALBA should include Venezuela’s LAC-wide Petroamerica energy-integration strategy, of which Petrocaribe is the Caribbean element. But Petroamerica has barely merited a mention in ALBA’s official statements and declarations, being referred to just once between 2004 and 2010 (ALBA Secretaría Ejecutiva 2010a, p.8). This is mainly because no overarching Petroamerica scheme beyond Petrocaribe has materialised, with the initiative having euphemistically “lost strength” (I.32) since its conception. Petrocaribe, on the other hand, has flourished,

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<sup>14</sup> This is not to deny the developmental and human significance of the missions. One Caribbean ambassador (I.87) told me of *Milagro* that “every day without sight is one day too many”, and I fully agree. Yet, this effect remains far less significant than the potentially wide-ranging socioeconomic impact of the ALBA initiatives studied here. Though rarely mentioned, the same founding agreement that established the missions begins with the more prosaic business of tariff reductions.

<sup>15</sup> With the exception of Ecuador’s dollarized economy.

with seventeen Caribbean nations having signed up, and has from the outset been intimately linked to ALBA. Not only were the two designed and negotiated concurrently, Petrocaribe has always been identified as an offshoot of ALBA (see Chávez Frías 2008, p.65, for example) and integrated with other initiatives explicitly under the ALBA banner (ALBA Secretaría Ejecutiva 2010a, pp.76–84). That said, since it does incorporate non member-states,<sup>16</sup> it is clearly distinct from the TCP and SUCRE, representing something of a middle ground between the formal group of eight member-states and the permanently open “offer” of ALBA to any willing LAC country. Studying this initiative therefore has the further advantage of permitting some insight into the “offer” aspect of ALBA, which tends to be overlooked. More importantly here, however, Petrocaribe is routinely viewed by scholars as part of ALBA, meaning that it plays a significant empirical role in accounts of ALBA (amongst many others, Altmann Borbón 2009b; Rosales 2010; Briceño Monzón 2011; Muhr 2012). Since the five threads running through key debates in this literature depend to a significant extent on this inclusion of Petrocaribe, it would be difficult to critique this literature while excluding it.

#### *Identifying the Key Participants in Core Initiatives*

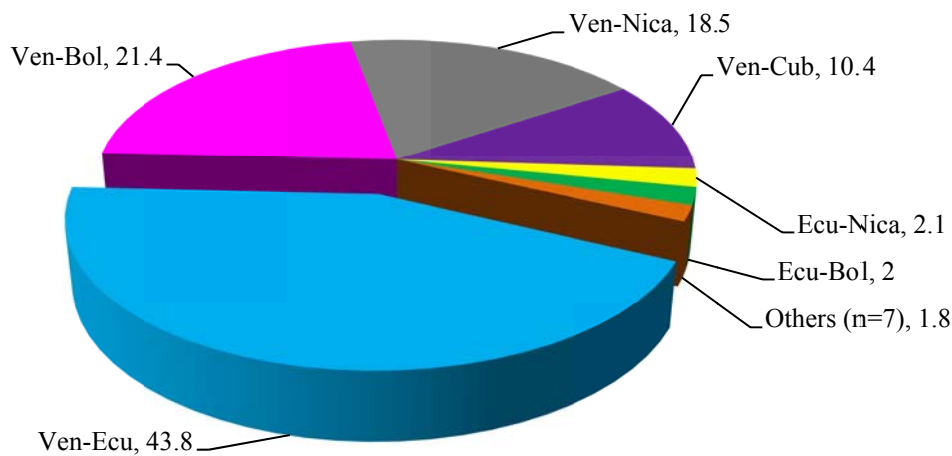
Although we have identified the core initiatives to be examined in greater depth, the question remains of *where*, in which member-states, to examine them. As chapter two will reveal in greater depth, the existing literature is skewed towards Venezuela and Cuba, an issue that is only partially resolvable. Given its relative weight in the global political economy and its position as founder and funder of ALBA, Venezuela has naturally become the centre of virtually all accounts of ALBA, and it remains the *sine qua non*. The role of ALBA’s second founder Cuba has also been the subject of a great many studies, meaning that insights have already been gained into the nature of its relationship with other members, particularly Venezuela (notably, Romero 2009; 2010). The representativeness of Cuba’s role is also dubious given the peculiarities of its situation, not least its unusually high level of human development and its relative economic isolation – sometimes desperation – owing to the US embargo.

The most suitable focus countries for this study are in any case defined by our choice of core initiatives; there would be little point in studying the nature and impact of the SUCRE in Dominica, for example, since Dominica does not participate, just as

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<sup>16</sup> Of eighteen Petrocaribe signatories (including Venezuela), a third (six) are ALBA members (Venezuela, Cuba, Nicaragua, St Vincent and Grenadines, Dominica, and Antigua and Barbuda).

Bolivia and Ecuador have no involvement in Petrocaribe. Thus, in the case of the TCP, the natural choices are Venezuela and Ecuador. As **Figure 3** (below) shows, intra-ALBA trade is dominated by the Venezuela-Ecuador relationship; without a comprehensive TCP-compliant agreement between these two members, the overall effect of the TCP framework would be hugely reduced. Furthermore, expiry of the CAN trade regime between the two in April 2011 provided a unique opportunity to implement the TCP and prompted the only serious and sustained negotiations towards a TCP-compatible trade agreement that have ever occurred within ALBA; this process coincided roughly with the two periods of fieldwork on which this research is based. Likewise, the SUCRE involves no two states as much as Venezuela and Ecuador. The initiative was proposed by Chávez but designed by a special commission of the Ecuadorian presidency, and their bilateral relationship represents the bulk of all SUCRE trade (see chapter five, p.137). Consequently, examination of the nature of SUCRE trade between Venezuela and Ecuador provides a uniquely revealing window on the nature, progress, and impact of the wider SUCRE.



**Figure 3:** Weight (%) of bilateral trade relationships in total intra-ALBA trade, 2010 (source: UN Comtrade [comtrade.un.org]. Data averaged from figures of both partners; except Cuba, mirrored).

The principal issue with Petrocaribe, meanwhile, is which of the debtor states to investigate, as here again Venezuela’s role as the sole creditor and lynchpin of the entire initiative makes it an obvious and indispensable choice. Of these debtor states, a choice must be made between Latin American states and Anglophone states, and another between full ALBA members and non-members. Given the extreme paucity of research into the role of ALBA’s Anglophone members – save for the heroic efforts of Norman Girvan (2010; 2011) – this work opts to focus on Dominica, St Vincent and the

Grenadines, and Antigua and Barbuda. While the status of these three as full ALBA members allows this work to contribute meaningfully to the meagre stock of research on ALBA in the Anglophone Caribbean, it does also introduce a doubt about whether Petrocaribe's role in full ALBA members is comparable to its role in non-member states. This work attempts to neutralise this issue by scrupulously separating out Petrocaribe interactions and impacts from wider ALBA relations or bilateral relations with Venezuela. But ultimately, of course, there is no perfect selection of focus countries, nor any perfect justification for that selection; any exclusion risks skewing results in unpredictable ways. Suffice it to say that this study and its related fieldwork examine the People's Trade Agreement (TCP), the Unified Regional Compensation System (SUCRE), and Petrocaribe by reference to the involvement of Venezuela, Ecuador, Dominica, St Vincent and the Grenadines, and Antigua and Barbuda.<sup>17</sup>

### **Taking a Comprehensive and Systematic Approach**

Aside from clearly delineating its empirical basis, this work also represents an advance on the vast majority of accounts of ALBA because of its systematic and comprehensive approach.

#### *A Comprehensive Approach to ALBA Regionalism and Regionalisation*

As discussed at greater length in chapter two, the comprehensiveness of this work's approach stems from a basic sensitivity to the interplay of regionalism and regionalisation. Although ALBA's avowedly political, state-centric regionalism (ALBA Secretaría Ejecutiva 2010a, p.7, Principle 1) naturally favours an approach that sees regionalism as a "a states-led project to reorganise a particular regional space along defined economic and political lines" (Gamble & Payne 1996, p.2),<sup>18</sup> in reality the influences on all regional projects are many and varied (see Dent 2008, p.3). The key distinction here is between the conscious, volitional state "guidance" of regionalism as a regional governance project and the multi-actor, multidimensional, spontaneous, unguided, and often "ungoverned" regionalisation processes (see Leander 2002 on 'ungovernance'; Hettne 2005, p.545, on regionalism/isation). Even if the state's role in actioning policy and shaping institutions makes it a uniquely valuable nexus to examine,

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<sup>17</sup> Where relevant, reference may be made to Bolivia, Nicaragua, Cuba, or non-ALBA signatories of Petrocaribe, but this will nowhere be as comprehensive or as regular as for the focus countries.

<sup>18</sup> As does the intergovernmental nature of regionalism in Latin America, where "non-state actors have not been very salient in any of the regionalist projects, and have always been dependent on states and reactive to state strategies, rather than agents of regionalization per se" (Phillips & Prieto 2011, p.129).

one of the lessons of the New Regionalism is that we must also take into account its interactions with other actors, processes, and structures. Accordingly, this work also heeds Gamble and Payne's warning that "regionalisation ... cannot be excluded from the framework of analysis" (1996, p.2) through a triple recognition of the implications of taking regionalisation seriously.

First, rather than focusing on ALBA as a disembodied supranational entity hovering above its member-states, it recognises that national political economies are intimately linked to regional-integration organisations in which they are enmeshed (Mansfield & Milner 1999, p.589). To this end, chapter three explores the national political economies of ALBA members, so as to better understand the conflicts and complementarities that arise when they are brought into contact via ALBA initiatives. Second, unlike most accounts of ALBA, which have erred on the side of ALBA's success on its own terms (Absell 2012, p.90), this work also adopts the New Regionalist position that disintegrative outcomes are equally possible and significant (Hettne & Söderbaum 2002, p.38). Accordingly, we focus on implementation *and* "unimplementation", interrogating equally the present and absent aspects of ALBA's core initiatives, their advances and retreats, on the basis that the unachieved ALBA can provide as much insight into the nature and role of the organisation as its more commonly studied achievements. Third, it considers regionalisation of elements of national political economies that are outside the control and intention of member-states' conscious development strategies, meaning that darker informal processes can be taken into account (as proposed by Phillips & Prieto 2011, p.130). Essentially, this work follows Nicola Phillips in treating the region space as a regional political economy which "accommodat[es] diverse national models of capitalism within a single regionalist project and, moreover, the influence of regionalising forces on the shape of these national models" (2004, p.39). This allows for the consideration of state-guided regionalism alongside market, social, or essentially unguided regionalisation, and it is also sensitive to the social nature of interrelated national and regional processes within the constraints of the wider global political economy (2004, pp.34–39).

This focus on states-led regionalism as just one volitional element of wider regionalisation processes affects the three key concepts of our analytical framework – endogenous development, reasserted autonomy, and legitimacy – in a number of important ways. Although endogenous development can still serve as a useful concept around which to organise our analysis and through which to engage with the existing

literature, the triple recognition above means looking beyond the conscious development strategies of New-Left governments so as to take into account elements of national political economies conferred by history, previous administrations, or actors outside the state. From this perspective endogenous development becomes but one point on a spectrum that would register movement towards hybridity or even a deepening of neoliberalism if such a shift were to be observed. Similarly, a focus on autonomy seems to suggest that because regionalism is a conscious, guided process, state cooperation can overcome the classic dilemma of left-of-centre LAC regionalism, wherein “pooling” sovereignty through regional institutions contradicts a parallel concern for national sovereignty (see Dabène 2012a). But as with a focus on endogenous development, consideration of autonomy without its opposite of constraint might avert our gaze from potentially significant continuities such as resource endowments or existing trade structures. As such, autonomy must also be considered one extreme of an autonomy-constraint spectrum, with ALBA potentially provoking movement in either direction. Finally, the division of legitimacy into three component parts, as in Andrea Ribeiro Hoffman and Anna van der Vleuten’s comparative-regionalism work (2007; building on Scharpf 1999), opens up new analytical possibilities to our reassessment. As Berry Tholen explains (2007, pp.21–25), these three parts are:

- i) input legitimacy, or facilitation of responsive government “*by* the people”
- ii) output legitimacy, or provision of effective solutions “*for* the people”
- iii) control legitimacy, or guaranteeing of accountability “*to* the people”<sup>19</sup>

Where the ALBA literature focuses mainly on novelties in terms of input and output legitimacy, here we consider also the effect of control, allowing us to reveal the fine grain of the complementarities and contradictions involved in producing the real-world ALBA observed in this work’s empirical chapters.

#### *A Systematic Approach to Core ALBA Initiatives*

This work’s approach is systematic, meanwhile, not only because it focuses on specified initiatives in specified member-states, but also because its interrogation of this empirical material follows a specified pattern which treats absences and failures as seriously as it

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<sup>19</sup> While Tholen clarifies his first two concepts with “by” and “for” the people, the addition of “to the people” in the third line is my own, for the sake of consistency.

does structures and successes. This militates against the natural risk of confirmation bias in studies of a regional organisation that consciously operates in many forms and forums while consistently failing to provide concrete data on the extent and impact of its activities (Benzi 2010, p.18). This is applied first of all, in chapter three, to the development strategies of ALBA member-states. Although the political economies of Venezuela, Ecuador, and ALBA's Anglophone members are decidedly not the focus of this work, if we are to take seriously the importance of the national to the regional, we cannot rely on superficial depictions to substantiate accounts of regionalism. As such, chapter three interrogates understandings of these political economies on their own terms and in terms of their specialist literatures, focusing on the implementation of development strategies and not just their formulation and proclamation.

This provides a base upon which to build this work's central analysis of the TCP, SUCRE, and Petrocaribe (chapters four, five, and six), allowing us to consider the roots of the complementarities and conflicts that facilitate or hamper the progress of these initiatives. The analysis of each initiative includes four specific stages, an approach designed to forestall any analytical adaptation to the peculiarities of the subject:

1. Stage one provides a detailed description of the initiative's emergence and functioning "on paper". Given the distinct lack of clarity on ALBA and its constituent initiatives, close and detailed examination of the workings – declared and actual – of core initiatives serves directly to put to bed some of the many misconceptions about even the *supposed* purposes and modes of ALBA. In itself, this represents both a significant contribution to the literature and a labour-saving resource for others researching ALBA. This is, in any case, necessitated by this work's wider attempt to redress the credulity of the ALBA literature by comparing official, academic, and implemented versions of core initiatives: we need to know how they work "on paper" in order to compare this to the "reality" of their implementation.
2. Stage two explores the role and impact of the initiative if taken to be implemented in accordance with its "on paper" functionality. This is linked back to existing accounts of ALBA by considering this hypothetical version of the initiative in terms of the key concepts drawn from the literature: endogenous development, autonomy, and legitimacy. This provides insights into the impact



sought by the initiative's design, as well as into the extent to which this design itself is reflected in the ALBA literature.

3. Stage three interrogates stage one's idealised functionality through an empirical examination of the initiative's demonstrable implementation and impact. By mapping links to specific development aims and associated projects at the national level, this stage reveals how ALBA initiatives relate to the political economy of particular member-states. Detailed accounts of the nuts and bolts of real-world attempts to implement and advance these ALBA initiatives highlight the convergences between member states and how they can produce significant impacts. At the same time, absent and dysfunctional elements are highlighted and the impact of their troubled progress considered.
4. Stage four evaluates factors that account for any absences and failures exposed in stage three. These impediments help us to understand the "implementation gap" between the idealised ALBA "on paper" and the observed, implemented ALBA. Mirroring the second stage, this section also considers the effects of impediments in terms of the same key themes of endogenous development, autonomy, and new sources of legitimacy. This provides an account of each initiative's real or practical impact that can then be compared to that of its desired impact in step two, with any divergence becoming a key focus of this work's analysis.

Broad brush, stages one and two focus primarily on the state-guided regionalism that has been the main focus of existing research into ALBA, whereas stages three and four consider also unguided and often unintended regionalisation processes that can involve elements of national political economies often overlooked in accounts of ALBA. Synthesising findings on individual initiatives allows us to achieve an evaluation of ALBA's overall nature, impact, and coherence which can in turn feed back into debates within the literature of ALBA and within other literatures which count ALBA as a key element of their empirical grounding.

### **Research Methods and Data Sources**

As has already been made clear, many of the confusions – and indeed the certainties – about the nature and impact of ALBA stem ultimately from the opacity of its initiatives

and of the national institutions with which they interact (Benzi 2010, p.18). This fact, combined with our goal of providing a comprehensive reassessment of ALBA that is sensitive to regionalism *and* regionalisation, renders the question of methods and data sources a particularly important one.

In terms of states-led regionalism, Gardini finds that in LAC particularly there are three distinct levels of data with which we can engage:

There is a first gap between what is declared by politicians or reported in the media and what is actually being discussed and agreed upon at the technical level. There is a second gap too between what has been agreed upon at the technical level and what is in fact applied or put into force in practice. This peculiarity extends beyond the domain of trade. It is therefore important to distinguish between what is the reality on the ground and what are aspirations or declamatory statements.

(Gardini 2011, p.105)

In the absence of consistent, micro-level data from ALBA institutions themselves, accounts of ALBA have tended to default to the output of ALBA's most visible institutions, such as summit agreements, declarations, and speeches. While these sources are undoubtedly significant, particularly to analyses of ALBA's purposes, they often underwrite descriptive research that regurgitates dates, agreements, and proposals as if these were proof of significant change (e.g. Tahsin 2009, pp.16–21; Valencia 2009; Chinas 2011). This approach favours data from the nebulous end of the spectrum, where one finds numerous proposed ALBA initiatives that have never materialised in any form. The three initiatives covered here, however, are towards the more concrete end of the spectrum, which means that parts of their founding agreements verge on the technical level, thereby becoming more relevant and reliable to any analysis of their means, ends, and impact. Specifically, the TCP as a statement of principles is not especially tangible, but between Ecuador and Venezuela it was codified more thoroughly through the Trade Agreement for Development (ACD) concept (see chapter four, pp.97-100); the SUCRE agreement outlines the technical aspects of its functioning and requires ratification by national parliaments, making its content more relevant to the actual practice of SUCRE trade; and the general Petrocaribe agreement is in fact only a template for a series of contractual bilateral agreements between Venezuela and the rest of its signatories.<sup>20</sup> In all three cases, agreements themselves thus represented a valid source of insight into the nature not only of these initiatives

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<sup>20</sup> Although bilateral Petrocaribe agreements are not publicly available, meaning we can only assume that they do not deviate widely from the template.

themselves, but also through them ALBA. The discourse of ministers and heads of state involved in promoting these initiatives provided complementary evidence, albeit in the form of interpretations of actors whose job it is to “sell” initiatives as both desirable and feasible. Neither source advances beyond Gardini’s “declamatory” and “technical” levels.

### *The Decline of Remotely Accessible Data*

Though taken up mainly with proposals and principles, remotely accessible institutional sources of primary data did occasionally reveal the brute reality of ALBA initiatives even before fieldwork was undertaken. But such chinks of light came infrequently, irregularly, and – rather worryingly in terms of transparency – with declining frequency and clarity. The first ports of call are two official websites: Portal ALBA ([alianzabolivariana.org](http://alianzabolivariana.org)), and more recently the homepage of the ALBA Secretariat ([ALBA-TCP.org](http://ALBA-TCP.org)). Despite auspicious beginnings for both, the former has since taken to creating new content through reporting on the wider LAC left, whereas the latter now tends to report on ALBA meetings and initiatives only through brief bulletins with little substantive content. Although various periodical publications have also sprung up to spread word of ALBA’s achievements, they have tended to follow the most notable of their number, *ALBA Economía*, by dying out after a few issues, taking with them their valuable “from the inside” perspectives on ALBA.<sup>21</sup>

The websites of specific initiatives were also a useful resource ([SUCREALBA.org](http://SUCREALBA.org) and [petrocaribe.org](http://petrocaribe.org), for example), but again the depth and regularity of their reporting has developed in mysterious ways. For example, in 2008 PDV Caribe, the PDVSA subsidiary responsible for Petrocaribe, began to produce reports giving country-by-country breakdowns of oil supply, financing applied, levels of current debt, and even projections of future repayment obligations (PDV Caribe 2008; 2009), but after just two such reports (one available in print only), the series was discontinued. Less drastic, but equally difficult to comprehend, is the disappearance in SUCRE annual reports of country-by-country import and export totals and the absence of statistics used in technical meetings on the weight of each bilateral trade relationship in total SUCRE trade (SUCRE 2011a; 2013; and for bilateral weights, Trujillo 2012);<sup>22</sup>

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<sup>21</sup> *ALBA Economía* was produced by Venezuelan state bank Bancoex. The Venezuelan Embassy in Bolivia has bucked this trend with its *Correo del ALBA*, although many historical and opinion pieces are required during frequent slow periods to make up for a lack of noteworthy developments.

<sup>22</sup> Other revealing statistics also disappear, as with the percentage of SUCRE trade carried out by Grandnational companies (0.01 per cent in 2011); this too could be politically sensitive.

without such data, it is impossible to calculate SUCRE trade balances by state or between states. Yet, for both initiatives past publication proves that these data are produced internally, and since Petrocaribe's central function is financial (chapter six, pp.162-163) whereas the SUCRE targets balanced trade (chapter five, p.129), these data are in both cases clearly relevant to policy-makers, yet they are no longer published. No firm conclusions can be drawn from this, but it is notable that in both cases the withheld data are politically sensitive, revealing in Petrocaribe's case the brass tacks of growing indebtedness for debtor states and in both cases the losses of Venezuela vis-à-vis other members.<sup>23</sup>

### *The Unique Utility of Fieldwork*

Precisely such issues made fieldwork an indispensable element of this research project, as it allowed me access to documentation otherwise unavailable, and often to its authors or commissioners. This fieldwork was carried out over eight months in two parts: a first visit only to Venezuela, from September to December 2010, and a second visit from May to September 2011 to Ecuador (May-July), Venezuela (early August), Dominica and St Vincent and the Grenadines (late August), and finally Antigua and Barbuda (early September). The initial priority was to take advantage of local actors' closer familiarity with the institutions and officials involved in designing and implementing ALBA policy in order to gain access both to more reliable documentary data and to the interpretations of these actors themselves through interviews. Given my own status as an academic researcher, early ports of call tended to be my local counterparts, who were able to guide me towards relevant officials, activists, institutions, and indeed ideas. Since in LAC there is a close relationship between Politics as discipline and politics as profession, academic interviews represented a particularly useful gateway to the political elite. A full list of interviewees is provided in appendix one (p.214), but indicative examples of their affiliation include the ALBA Secretariat, the Venezuelan Ministry of Foreign Affairs, the Venezuelan Ministry of Petroleum and Mining, Venezuelan state oil company PDVSA, the Ecuadorian Ministry of Foreign Affairs, the Ecuadorian Secretariat of Planning and Development, ALBA Coordinators in Anglophone Caribbean countries, officials of Petrocaribe joint ventures in the Caribbean, Venezuelan chambers of commerce, Venezuelan opposition-aligned media

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<sup>23</sup> This is compatible with ALBA's logic of solidarity, but it remains a thorny issue in Venezuelan politics (see chapter six, p.142). In Petrocaribe this could be mean losses from upfront payment for oil supply or from real-terms devaluation of debt (see chapter six, pp.143, 122), whereas for the SUCRE it would be via ultimate payment of a large SUCRE deficit in US dollars (chapter five, p.108).

(RCTV/Globovisión/El Nacional), and social movements in Venezuela, Ecuador, St Vincent, and Antigua. In the early stages I also sought out pertinent documents and participants by visiting relevant institutions such as the Romulo Gallegos Latin American Studies Centre (CELARG, Caracas), the Venezuelan Central Bank library, the archives of the Venezuelan *Casa Amarilla* (housing the Ministry of Foreign Affairs), national libraries/archives of the three Anglophone members, state diplomacy schools (Pedro Gual Institute, Caracas, and Institute of Higher National Studies, Quito), and in Ecuador most notably the Latin American Faculty of Social Sciences (FLACSO), whose staff and graduates have taken up positions throughout the Correa administration. Both to gain greater insight into the political contexts in which ALBA operates and also to approach potential participants, I also attended numerous academic conferences and civil-society workshops.

#### *Regionalism and Political Elite Interviewing*

In some cases institutions themselves held documents relevant to this research but available only in print, as with the *Libros Amarillos* (Yellow Books) of the Venezuelan foreign service that record all significant diplomatic interactions with other states. But more commonly it was interviewees who provided documents unavailable via other channels, including a number of unpublished texts, internal reports, and confidential analyses; this was the first key advantage of elite interviews. But a second and more important consideration was that this work's ontology sees regional initiatives as social processes rather than an epiphenomenon of structural position or national interest, meaning that access to the technical level and the "reality on the ground" could only be gained from the perceptions of those involved in implementation. Key actors and institutions involved in ALBA initiatives had been identified in advance, and this informed purposive selection of interviews where possible. However, it was nigh on impossible to pre-arrange interviews with a fixed set of officials and politicians, making a degree of snowball sampling inevitable.

In practice, the range of elite political interviewees was wide, including one head of state, numerous current and former ministers, eight serving ambassadors, and a multitude of senior officials. Some interviewees were the same high-level political actors whose public discourse had to be approached more critically, but the intimacy and interactivity of interviews on particular themes, as well as the option of anonymity, gives this data greater credibility. This was in any case complemented by consultation with the lower-level officials getting their hands dirty on the nuts and bolts of ALBA's

core initiatives. Overall, despite the contingency inherent to elite interviewing, this work can draw on insights from key actors in each of the initiatives studied in depth: negotiators of the TCP-ACD process; designers, implementers, and users of the SUCRE; and officials at both the creditor and debtor ends of Petrocaribe agreements.

### *Regionalisation and Wider Participation*

Yet, since this work also examines the regionalisation that occurs around ALBA regionalism, to focus solely on state actors would have been insufficient. As Jean Grugel and Will Hout argue, agreeing upon a regionalist strategy and formulating technical means of its achievement guarantees neither the capacity nor the conditions necessary to its implementation (Grugel & Hout 1999, p.11). Rather, once an initiative leaves the drawing board, it faces complex challenges, as:

[a] great diversity of actors interven[e] during the different phases or at the different levels of regional integration politics, such as the social construction of national preferences, [and] the negotiations or the implementation of policies.

(Dabène 2012b, p.23)

That is, ALBA initiatives are executed and employed by the staff of regional institutions, member-state bureaucracies, and local end-users (businesses, NGOs, social movements), all of whom are subject to the pressures of domestic politics. A well-planned grandnational enterprise may emerge stillborn because it steals market share from a company owned by the agriculture minister's brother-in-law; private ophthalmologists may be too powerful a constituency for a particular government to risk undermining them through regionalisation of *Misión Milagro's* free eye operations. These are the small spanners in the intricate works of many a grand project, in LAC as elsewhere, and in order to understand them, this work also involves stakeholders from across the board – activists, journalists, opposition politicians, development agencies, and even the ultimate beneficiaries of ALBA social programmes.

### *Considerations of Interview Content and Context*

The content of interviews changed over time and according to the interviewee's relationship to ALBA, but all were semi-structured. Essentially, the opacity of ALBA institutions meant that only a basic idea of implementation could be achieved from afar, but early interviews allowed me to sketch the lay of the land using participants' superior local knowledge. A growing understanding of the reality of ALBA then guided

selection of future participants and content. Length and structure varied depending on time constraints and on intuitive adaptation to the interviewee’s preferred level of formality. Ultimately, the aim was to gain sufficient trust to enable participants to speak openly and honestly about an organisation whose role remains a controversial issue within the polarized politics of its member-states. Where this trust was achieved, discussions were disarmingly frank and diverse, often deviating into dialogues on wider issues of Latin American politics and society.<sup>24</sup> But the central purpose of interviews was, in the first instance, to achieve a clearer picture of the extent of ALBA’s implementation from those charged with implementing its initiatives. This then allowed me to probe the perceived causes of the success, unevenness, or outright failure of the initiative in question. This was to counteract the paucity of data already described, as well as to allow for a more qualitative examination of actors’ own experiences of the conflicts and convergences that encumber or enable aspects of ALBA’s “shared development”

Overall, a total of 88 interviews carried out across seven countries (see **Table 1**, below) yielded enough high-quality data to enable this work’s close examination of ALBA’s three core economic initiatives.

**Table 1:** Number of interviews by country

Venezuela	Colombia	Ecuador	Trinidad	St Vincent	Dominica	Antigua
32	4	27	1	10	9	9

The vast majority of interviewees agreed to be recorded, increasing the reliability of direct quotations in this work. Yet, many also feared that information disclosed could – in the wrong hands – be employed as a stick with which to beat them or their employers, and therefore requested anonymity. The positions of participants are therefore specified only insofar as is possible without jeopardising this anonymity; in-text references refer by number (e.g. I.34 = interview 34) to the interview list in appendix one (p.214).

The data-poor context of ALBA and this work’s inclusion of inherently furtive factors (such as corruption) also beg the question of the extent to which conclusions can be drawn based on absences of information or explicitly “off the record” information

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<sup>24</sup> Besides the fact that tangential discussions built a rapport crucial to trust and credibility, a secondary aim of this ESRC-funded project was to encourage my development as a researcher, and these were some of the most illuminating discussions on LAC politics that I have ever had.

(which I did receive on occasion). If – returning to the hypothetical example above – the progress of a grandnational enterprise is blocked out of nepotism, no one will be shouting it from the rooftops, yet to overlook the possibility would severely undermine any understanding of its failure. As this work deals in part with the damaging regionalisation of problems in national political economies, there are times when such estimations have to be made. There is no simple solution to this dilemma beyond foregrounding the issue here and flagging up any later claims that cannot be fully substantiated for this reason. “Off the record” comments, meanwhile, were useful in guiding my investigation, even if by their very nature they were debarred from overt discussion in this work.

## **An Overview of the Thesis**

### *Findings and Argument*

This research finds that the implementation and impact of ALBA initiatives varies widely, yet in ways that reveal specific classes of problem which undermine common assertions about ALBA.

First, while the theorised regionalisation of endogenous-development strategies does occur, fostering instances of cooperative development planning and indeed practice, there is no guarantee that complementarities exist or can be created. On the contrary, the national political economies within ALBA come with structural properties and inherited characteristics that constrain their government’s efforts at cooperation. The ALBA literature’s focus on the conscious endogenous-development strategies of ALBA’s New-Left governments has obscured the true hybridity of its national political economies, where in reality their continuities play an important role in producing the observed outcome of an unevenly implemented and somewhat dysfunctional ALBA.

Second, radical though ALBA members and initiatives may be on paper, in reality they must operate within an array of international constraints. Sovereignty has been ceded to all manner of institutions, including numerous regional and multilateral arrangements which come with their own binding obligations. ALBA does promote a measure of autonomy, but these institutions often circumscribe it. Further, ALBA’s own regional initiatives can result in one state’s attempts to achieve endogenous development and autonomy curbing another’s.



Third, though the existing literature focuses on the input legitimacy implied by participatory democratic reforms and the output legitimacy inherent in provision of effective solutions to the problems of marginalised groups, questions of output and control legitimacy – as well as their interplay – are more significant. Output legitimacy, or the provision of effective solutions, is in fact crucial to the garnering of broad-based support for ALBA initiatives, which in turn modulates conflict over their implementation. Control legitimacy, or the guaranteeing of accountability, is deficient, allowing practices noxious to ALBA’s goals to flourish. This regionalisation of dysfunctional aspects of national political economies hampers implementation of ALBA’s regional initiatives and weakens in turn commonly intended effects on development, autonomy, and legitimacy.

Fourth, although accounts of ALBA rightly identify Venezuelan influence as defining, they overlook the divergence between rhetoric and reality in its pursuance of Twenty-First Century Socialism. Rather than producing transformative socio-economic shifts, the basic structure of Venezuela’s distinctly capitalist economy has endured throughout the Chávez era. Establishment of parallel governance structures under presidential control alongside the traditional state has created a tense and dysfunctional political economy. Given Venezuela’s dominance and ubiquity in ALBA, these problems also bleed into and undermine regional interactions under its auspices. Ecuador’s often positive involvement, meanwhile, has been largely overlooked, whereas Anglophone Caribbean members are somewhat miscast as passive recipients of Bolivarian aid and ideology.

Fifth and finally, contrary to much of the literature ALBA is not transformative. Though certain initiatives do empower poorer constituencies, it is those initiatives that are least prejudicial to existing social structures which see the fullest implementation and greatest impact. Less successful are the genuinely integrative and potentially transformative elements promoting the kind of interdependence that might bring about the “economic zone of shared development” sought by ALBA.

### *Contributions*

Through development of these arguments based on a comprehensive and systematic reassessment of ALBA, this work makes a number of contributions to the existing literature.

The first contribution is empirical. As we have seen, accounts of ALBA have suffered from severe empirical and methodological deficiencies, not least the fact that “save for a few exceptions, no field research whatsoever has been carried out” (Absell 2012, p.79). Since the national and regional institutions involved are generally unforthcoming in terms of transparency and reporting (Benzi 2010, p.18), the very act of gathering, marshalling, and analysing clear, reliable, first-hand data on ALBA’s core initiatives represents a significant contribution. This will allow other scholars of ALBA – and of national, regional, and global processes in which ALBA is often implicated – to incorporate solid and sorely needed empirical data into their own work. Further, since the three core initiatives studied here are themselves often used to substantiate wider trends in the global political economy – the SUCRE and regional currency arrangements, for example, or Petrocaribe and south-south cooperation – chapters four to six also serve as comprehensive standalone studies of individual initiatives upon which other IPE scholars can draw. Since the SUCRE and especially Petrocaribe remain relevant political issues in their participant states, this work could also contribute to policy debates over the reinforcement or reform of these initiatives. And with ALBA pressing ahead with plans for a multilateral EcoALBA economic zone, its practitioners might also learn from the mistakes of the Venezuela-Ecuador TCP-ACD process.

The second contribution is analytical. This relates to this work’s review and critique of the literature of ALBA. While there has already been one such review (Absell 2012), its coverage of nineteen works by sixteen authors is far from exhaustive and its analysis allows more theoretical accounts off the hook when it comes to empirical substantiation. This work’s second chapter provides a more wide-ranging review which not only isolates the key themes and debates, but also effectively critiques the frequent empirical and methodological failings that distort the dominant understandings of ALBA. Although this analysis is carried out here only en route to defining the purpose and approach of this work, it represents in itself a valuable contribution to the still largely uncharted territory of ALBA scholarship.

The third contribution is theoretical. This work proposes that the literature of ALBA has consistently misunderstood the dynamics of ALBA by placing too great an emphasis on state-guided, volitional “regionalism”, thereby underplaying the contingent, unguided, unforeseen “regionalisation” of political-economic contradictions and tensions involving a multitude of actors. This is complemented by the inclusion of implementation as an important measure and mediator of the impact of regional arrangements. The ALBA literature is found to have focused too heavily on change

over continuity, particularly with regards the implementation of endogenous development and the types of legitimacy underpinned by ALBA initiatives.

### *Thesis Structure*

- Chapter Two: Reassessing and Redressing Accounts of ALBA

The main body of this work begins with a review and critique of the literature of ALBA that underlines the rationale and pressing need for this research project itself. It sketches five key “lines of best fit” that run through the literature’s central debates on the defining influence of Venezuela and Cuba, the nature of ALBA’s national political economies, the nature of intra-ALBA relations in the face of globalisation, the legitimisation of incumbent governments through regionalisation of inclusive and effective governance, and ALBA’s potential for transformative impact. From this emerges a set of five recurring arguments against which to compare the findings of our own reassessment of ALBA regionalism. Accounts are then categorised in terms of the degree of criticality or credulity applied in their analysis, with a distinction drawn between those that take ALBA “at its word”, those that “question the word” of ALBA, and those that “twist” its words. Finally, this work’s approach and analytical framework are laid out in terms of their relationship to the deficiencies of the existing literature.

- Chapter Three: The National Roots of ALBA

Since ALBA is commonly held to complement and compound the development models of its member-states, particularly founders Venezuela and Cuba, chapter three begins this work’s reassessment at the national level. It finds that there are indeed significant overlaps between member-states, particularly with regards the role of the state in fostering inward-looking development, the foreign-policy promotion of LAC within a context of multipolarity, and legitimacy garnered both from new participatory institutions (input) and from welfare provision to the newly politicised poor (output). Yet, the development strategies of ALBA’s New-Left governments retain significant differences and have in any case achieved different levels of implementation. In Venezuela particularly – though not exclusively – the clash between new development ideas and inherited characteristics of its political economy has created tensions that will later be implicated in debilitating conflicts around ALBA initiatives.

- Chapter Four: The People's Trade Agreement (TCP)

Analysis of the TCP initiative concludes that despite attempts at both multi- and bilateral versions, the TCP remains entirely unimplemented within ALBA. This seriously undermines the claims of many accounts of ALBA, as well as the rhetoric of its heads of state about the imminent arrival of a credible zone of shared development. The TCP's failure thwarts the ultimate aim of fostering regional value chains with higher value-added that would key into endogenous-development reforms at the domestic level and produce tangible benefits in terms of employment, prices, stability of supply, and popular wellbeing. The multilateral TCP process especially was hindered first by the sub-regional commitments of ALBA states, particularly Anglophone members committed to the OECS and CARICOM, and then by a wider concern for WTO rules and the dangers of their contravention. The bilateral process was hindered by a lack of state capacity, with officials unable to produce a workable format that would go beyond principles and generalities to applicability, and ultimately by problems of corruption in Venezuela and internal division in Ecuador. Essentially, these domestic problems were regionalised alongside the proposed solution of the TCP, condemning it to failure.

- Chapter Five: The Unified Regional Compensation System (SUCRE)

Analysis of the SUCRE initiative concludes that it has been implemented and employed unevenly, meaning that it has performed to some degree the role for which it was designed. Thus, it does underwrite and reinforce shared endogenous-development strategies at the national level, albeit with caveats. It provides actors of all shapes and sizes with a well-designed technical mechanism that provides a competitive cost advantage – a secular rather than ideological benefit. It has achieved a healthy level of credibility and sustainability through its ratification by national parliaments, a level of institutionalisation rare in ALBA. Since benefits to states involved are proportional to uptake, this combined sense of utility and permanence cements the SUCRE's success. This success is qualified, however. First, imbalances in its central Venezuela-Ecuador trade relationship, which by design should tend towards equilibrium, mitigate much of the SUCRE's impact. Second, aspects of national endogenous-development strategies – and the malpractices arising around them – further limit its commonly theorised beneficial effects on autonomy and endogenous development.

- Chapter Six: Petrocaribe

Analysis of Petrocaribe shows this initiative to have had a remarkable impact, at once reducing the inherent vulnerability of its Caribbean signatories and underwriting the social, human-development aspects of their national political economies. This has come about mainly through the central oil-price buffering function of Petrocaribe, but also through provision of grant funds and soft-loan financing that allow incumbent governments to follow developmental trajectories that might otherwise be blocked by contextual constraints. Even so, the barter-trade element of Petrocaribe – a mainstay of the literature – is found to be entirely unapplied here (and underdeveloped in general). Beyond problems inherent to contracting external debt, the long-term sustainability of the initiative is called in question by its dependence on parallel structures in Venezuela that revolve around PDVSA and the presidency.

- Chapter Seven: ALBA Reassessed

The concluding chapter revisits the five arguments outlined above, highlighting their empirical basis in preceding chapters on national political economies and specific ALBA initiatives. It discusses ALBA's troubled regionalisation of continuity and change, the difficulties of asserting autonomy amidst international constraints, the importance of broad output legitimacy, the misinterpretation of member-states' individual influences on ALBA, and how failings in implementation undermine hopes for transformation. After returning to this work's central question and reaching an overall conclusion, it queries the extent to which this conclusion was shaped by issues of research design. Finally, ALBA's incomplete implementation is considered in terms of its implications for scholars, for future research, and for the future of ALBA itself.

## Chapter Two: Reassessing and Redressing Accounts of ALBA

The job is to ask questions – it always was – and to ask them as inexorably as I can.

(Arthur Miller, in Crow 2011, p.34)

This chapter reviews and critiques existing accounts of ALBA, whilst also underlining the ways in which this research responds to their failings. It reveals how ALBA's opacity gives rise to two clear tendencies: a severe paucity of data means either that scholars are forced to "give ALBA the benefit of the doubt" by echoing official depictions of its nature, purpose, and impact, or that scholars use ALBA as a blank canvas on which to paint their own caricatures of the New Left's regional element. This means that there exist both mainstream "lines of best fit" through key debates in the ALBA literature, and also numerous extreme accounts suggesting that ALBA represents everything from a transformative anti-capitalist regional arrangement to an echo chamber for the rhetoric of ineffectual leaders. Outliers and "lines of best fit" alike are explored here in the context of debates on the defining role of Venezuela and Cuba, the nature of intra-ALBA relations in the face of globalisation, legitimisation through regionalisation of inclusive and responsive governance, and the potentially transformative impact of ALBA's cooperative regional development. From this first stage of analysis emerges a set of five recurring arguments with which the findings of our own reassessment of ALBA regionalism will go on to engage. In the second stage, accounts are categorised in terms of the degree of criticality or credulity applied in their analysis, with a distinction drawn between those that take ALBA "at its word", those that "question the word" of ALBA, and those that "twist" its words. This outlines the various routes towards the wide range of judgements of ALBA's impact found within the literature. The concluding section explains how both this work's methodological and analytical approaches respond to common failings in the literature, thereby enabling a more thorough reassessment of ALBA.

### *Understanding Accounts of ALBA*

The existing literature's uncertainty in the face of this work's central research questions, resulting primarily from empirical weaknesses, necessitates a more sustained and detailed examination of the nature and impact of ALBA's initiatives across its member-states. While this work cannot hope to resolve these questions conclusively, it is at least acutely and explicitly aware of existing problems and mindful of the need to address

them, ALBA's inherent opacity notwithstanding. This is already an advance on much existing work. Yet, this existing literature can act as a guide for any new analysis, highlighting points of contention and consensus, as well as the key ideas upon which they hinge.

As Edgardo Lander was quick to realise, "We can distinguish a very wide range of versions of ALBA [and] very diverse things are said in its name..." (Lander 2007, p.20). Diverse as this literature is, it does remain within certain bounds; no one is claiming, for instance, that ALBA represents a mechanism for locking-in radical free-market reforms that serve the interests of multinational corporations. More than that, in fact, within this diversity there exist common assumptions and assertions about the role and impact of ALBA (Absell 2012, p.90), many of which echo the rhetoric of ALBA and its leaders. The ways in which official depictions of ALBA filter into the academic literature are threefold. The first is direct, with researchers simply taking official accounts at face value. The second is an accident of academic form, with one researcher taking another's claim as evidence, where in fact the original claim is merely a reproduction of an official statement. Thus, when Riggiozzi claims that "Tahsin *shows*" the value of Cuban-Venezuelan bilateral projects in ALBA (Riggiozzi 2010, p.27; emphasis added), closer investigation reveals that the work in question only relates official claims rather than demonstrating them. Tahsin's own data refers in fact only to "signed" rather than delivered projects and emanates from ALBA's own website, though the exact source is not given (2009, p.15, footnote 36). The more difficult it is to find reliable primary data, the more scholars must look to secondary sources for corroboration, favouring this kind of obfuscation (albeit accidental). And since there are few scholars working specifically on ALBA, individual accounts purporting to "show" anything are pounced upon and quickly become part of a small, self-referential literature where – as one prominent ALBA scholar lamented – "we're all just citing each other" (I.35). The third – and least significant – way in which official ideas infiltrate the literature is through use of grey literature from NGOs and social movements. Such groups are also faced with the same paucity of data, and since they tend to support ALBA in principle, they are also predisposed to a "benefit of the doubt" position that favours the official line. Given the thinness of the ALBA literature, many scholars also take grey-literature accounts as a substitute for scholarly work, meaning that their assertions and their empirical grounding can also be masked in the same way as described above.

These factors favour the emergence of common assumptions and assertions about ALBA's role and impact within the literature. The following examination of these debates reveals how certain arguments predominate and motivate a particular vision of ALBA against which the findings of this work can later be compared. These debates revolve around:

- 1.) The Defining Influence of Venezuela and/or Cuba
- 2.) The Nature of National Political Economies within ALBA
- 3.) The Nature of Intra-ALBA Relations in the Face of Globalisation
- 4.) Legitimisation through Inclusive and Effective Governance
- 5.) The Transformative Regionalisation of Endogenous Development

#### *The Defining Influence of Venezuela and/or Cuba*

Within the first debate, there is widespread agreement that ALBA's functions and impact are closely related to the foreign and domestic policies of founders Venezuela and Cuba.

The first common argument here is that ALBA is shaped by Venezuelan foreign policy rather than any truly regional interaction. From this perspective, even the FTAA was essentially brought down by domestic Venezuelan politics, since it was the 1999 constitution that consecrated new social, cultural, economic, and environmental rights which eventually came into conflict with the deeply liberalising reforms of the FTAA (Mora García 2007, pp.21–22). From the Venezuela-centric perspective, ALBA reflects new internal concerns for social justice and participatory democracy, as expressed in the Venezuelan foreign-policy objective of gaining acceptance for a hemispheric Social Charter (Linares 2007). This is evident in the extension of domestic policies, particularly social policy (*misiones*), to the regional level through utilisation of oil revenues (see Kellogg 2007, p.189; and Katz 2007, p.3). Indeed, it is Venezuela's massive resource wealth, along with its relative geographic and political centrality, that make it the inevitable "epicentre" of the project (Katz 2007, p.3). This has sometimes been seen as a Venezuelan attempt to counteract US expansionism, albeit with differences on the desirability and effect of this move (cf. Katz 2007; and Corrales 2009). For Javier Corrales ALBA represents "soft-balancing" of the US through a new form of "social power diplomacy" whereby the projecting nation attracts allies through providing foreign governments with more latitude in domestic spending – as opposed to the "soft power" gravitational pull of a particular ideology or set of values (2009, p.97).



Briceño Monzón observes the same process to the same anti-US ends, seeing ALBA as an integration mechanism “sustained only by the aid that Venezuela can give to those countries that form part of these agreements” as opposed to a genuinely integrative process (2011, p.96). Elsewhere, ALBA is seen as a form of leveraging through which to *force* other members into following Venezuela’s ideology and development model, or “petrol [in exchange] for adherence to Bolivarian principles defined by Venezuela” (Kourliandsky 2011) – though what Venezuela stands to gain from this adherence itself is left unsaid.

A second argument here is that ALBA is more fundamentally inspired by Cuban interests and ideology. Of course, the two are not mutually exclusive given the longstanding influence of Castro’s Cuba on developments in LAC politics (including in Venezuela). Indeed, support for Cuba could be seen as a Venezuelan foreign-policy aim, given the prioritisation of Latin American relations in the 1999 constitution (CRBV 1999 Article 153). But for some it is Cuba that is both the foremost influence on ALBA and also its main beneficiary. Luis Suárez Salazar, for example, traces ALBA’s roots back to the 1976 Cuban constitution, which – like ALBA – counterposed Panamericanism and Latin Americanism, supported ideologically aligned governments, practiced international solidarity, and preached special and differential treatment to combat asymmetries. From this perspective, ALBA represents a “milestone in the projection of the Cuban revolution into Latin America and the Caribbean” (Suárez Salazar 2005, p.42). Kepa Artaraz shares this view, seeing ALBA as a vehicle for a Cuban vision of regionalism based on social-policy delivery and exchanges of solidarity (2012, p.25). For Backer and Molina this regionalist channelling has been broadly successful; indeed, it constitutes “one of Cuba’s greatest triumphs and also its greatest challenge to the normative tenets of the current framework of economic globalization” (2010, p.109). According to Emine Tahsin, the result is not only external, however, as compensated trade deals within ALBA have also plugged many holes in the Cuban economy, counteracting the US embargo and providing new opportunities to local manufacturers (Tahsin 2009, p.22). Carlos Romero’s detailed accounts of ALBA’s Cuba-Venezuela core (2009; 2010) find that political and economic relations are perhaps even stronger than Tahsin makes out, since even the “high politics” of security coalesce towards a pact of mutual assistance and a strategic military alliance (Romero 2009, pp.6–7). The basis of this central alliance – so strong as to “[suggest] the possibility of an eventual convergence [of political systems] at some point down the road” (Azicri 2009, p.106) – is both deeply ideological, drawing on the enduring ideas

and imaginary of Simon Bolívar (Mora García 2006; Azicri 2009), and deeply personal, depending on the warm relationship between Chávez and Castro (Azicri 2009), which was crucial to the radicalisation of Venezuelan politics following the coup in 2002, during ALBA's 2001-2004 "fleshing out" period (Sweig 2009, p.202; Jones 2009, pp.468–69).

#### *The Nature of National Political Economies within ALBA*

Rather than focusing on ALBA as a reflection of the foreign policy of its founders, a second debate revolves around the question of whether ALBA simply represents a natural outgrowth of the development strategies of its member-states.

This most frequently cited source of ALBA's political-economic character is a shift towards endogenous development (Briceño Ruiz & Linares 2004; Suárez Salazar 2005; Linares 2007). For Riggiozzi (2012b), Muhr (2010), and Aponte García (2009), endogenous development involves a transition away from capitalism towards socialisation of the economy via the establishment of cooperatives and community-based "popular economy" initiatives in which people's needs trump private profit (Riggiozzi 2012a, pp.26–27; Muhr 2010, p.11). This also implies state intervention for redistribution (Riggiozzi 2012a, p.27), as demonstrated by the newly strategic use of natural resources, the creation of "commanding heights" state enterprises (especially "grandnational" companies), and the promotion of a plurality of forms of property (Aponte García 2011, p.7). Despite Ecuador and Bolivia's idiosyncratic flirtations with the concept of Twenty-First Century Socialism (Escobar 2010),<sup>25</sup> Cuba's planned economy, Nicaragua's involvement in the CAFTA-DR FTA with the US, and the inherent economic vulnerability of ALBA's Anglophone small-island states, many influential depictions of the political-economic direction of ALBA member-states continue to take these changes as evidence of the defining influence of Venezuela's Twenty-First Century Socialism within ALBA (amongst others, Cardozo 2007; Aponte García 2009; Riggiozzi 2012a).

However, where scholars avoid this common resort to ALBA as a reflection of Venezuela's endogenous-development model or more radical Twenty-First Century Socialism, there are marked differences in their understandings of Venezuelan political economy. Rosalba Linares and Edith Guerrero Lugo borrow Osvaldo Sunkel's term

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<sup>25</sup> While both Morales and Correa have sometimes used the term, Morales (and particularly his deputy Álvaro García Linera) ultimately opted for an unambiguously non-socialist "Andean-Amazonian Capitalism", whereas Correa has stuck with the flexible, catch-all term "Citizens' Revolution".

“sociocentric phase of capitalism” to describe society’s imposition of policies in line with social needs and aspirations via a state that governs the market rather than vice versa (2010, p.322). Less radically, Ullán de la Rosa describes ALBA only as a social democratic project, “a kind of ‘third way’ in Latin America between neoliberalism and the old economic models of Marxist statism” (2012, pp.140–41). Regueiro Bello finds that competitive insertion in the global economy is only relativised – rather than displaced – vis-à-vis new concerns for social problems and human development, as well as the related prioritisation of the internal market to create socially beneficial employment (2008, p.301). Gardini takes this relativisation even further, suggesting that the many distinct development models within ALBA share only a certain resurgence of the state and reassertion of the political domain over the economic, whereas there is no consistent application or institutionalisation of the much touted concept of endogenous development based on local needs and conditions (Gardini 2010). Antulio Rosales, meanwhile, agrees that these descriptions are simply attempts to impose order on what are very different national processes, leading him instead to focus on their main characteristics rather than any coherent model:

Despite the lack of clarity at the heart of ALBA with regards the development model followed by its members, national productive investment prioritises satisfaction of social needs and the productivity of national – as opposed to transnational – sectors.

(Rosales 2010, p.12)

Overall, then, there is a clear tendency – particularly in more influential accounts – towards the idea of ALBA as “regionaliser” of Venezuela’s endogenous-development model or more radical Twenty-First Century Socialism, wherein the state returns to commanding guidance of the economy towards social, redistributive ends that favour human development. Yet, there is also great diversity in conclusions on the real influence and application of this model in the workings of ALBA.

#### *Intra-ALBA Relations in the Face of Globalisation*

There is discord, too, over the nature of relations between ALBA member-states. Gardini, for instance, echoes Kourliandsky’s vision of ALBA as a diffusion and reinforcement mechanism for Venezuela’s programme, since “only those countries that adhere strictly to the Bolivarian ideology are welcome to join” (Gardini 2010, p.18; Kourliandsky 2011). Linares, meanwhile, sees ALBA rather less coercively “*proposing* [to the region] the need to introduce endogenous development at the domestic level as

an active instrument to reduce poverty, unemployment, and social inequality, and to achieve socioeconomic development and growth for the country and its citizens” (2007, p.35; emphasis added). This ties in with ALBA’s official discourse of complementarity and cooperation as a means of overcoming asymmetries between members and enabling bloc-wide endogenous development. But there are differences of opinion on the prevalence and evidence of this new mode of relations, as well as on the overarching aim of this cooperative region-centrism.

One extreme view is that ALBA essentially closes the door on the global economy, representing a dominant Venezuelan-Cuban preference for “autarky and strictly endogenous development” (Altmann Borbón 2008, p.6). A slightly more moderate conclusion is reached by Claudio Alberto Briceño Monzón, who associates ALBA with a Venezuelan preference for “secessionist autonomy”. This concept, developed by the Argentine scholar and foreign minister Juan Carlos Puig, implies the achievement of the maximum possible degree of national control by means of “a global challenge ... cutting the umbilical cord that united [the country] with the metropolis: its decision-makers spontaneously or obligatorily reach decisions without taking into account the global strategic interests of the dominant power driving the bloc from which the country is retreating” (quoted in Briceño Monzón 2011, p.97). Martin Hart-Landsberg tempers this position again in seeing ALBA not as a drive for complete self-sufficiency but rather as a “middle-ground delinking” which can “provide the protection they need to engage in the coordinated planning and production required to overcome existing economic distortions and weaknesses” (Hart-Landsberg 2010). Muhr’s account of ALBA, however, explicitly rejects the accounts above, on the grounds that “an interventionist and policy coordinating mode of governance does not mean a de-linking from the global economy” (2010, p.11; see also Benzi 2010, p.9).

Where Hart-Landsberg, Muhr, and many others do concur is in their finding that in ALBA development becomes an intra-regional concern rather than a strictly national one. In this view, endogenous development is regionalised via ALBA initiatives, thereby traversing the limits of any single state and becoming a form of coordinated regionalism that Hart-Landsberg dubs “cooperative development” (2010). For Muhr this kind of pooled development represents a means to greater – though not complete – autonomy:

The ALBA-TCP constructs a regional developmentalist political economy governed by solidarity and cooperation rather than competition and profit-maximisation. The objective is to increase LAC independence...

(Muhr 2011, p.112)

This reflects a common trope in the official discourse of ALBA, according to which ALBA is constructing a “Zone of Shared Development” (ALBA-TCP 2009a). But for de la Barra (2010), Benzi (2010), Burges (2007, p.1346), Cole (2008), and especially Muhr (2010), ALBA’s relationship to globalisation goes beyond defensiveness or accommodation, becoming counter-hegemonic. In de la Barra’s more down-to-earth usage, this means countering the (US) hegemon, but Benzi, Burges, Cole, and particularly Muhr refer to a Gramscian counter-hegemony. In Benzi’s reading, this implies “resistance and progressive construction of alternative networks vis-à-vis a dominant model, culminating in the institution of new policies” (2010, p.9). Muhr goes even further, seeing ALBA as a potentially successful alternative globaliser whose initiatives extend beyond LAC to become a “counter-hegemonic globalisation project that competes with capitalist globalisation across the global, regional, national and a range of sub-national/local scales” (2010, p.6).

Overall, then, a cooperative regionalisation of endogenous development which takes asymmetries into account is seen to reinforce the autonomy of ALBA and its member-states – if not beyond. Yet, at the same time there is much uncertainty about the extent to which this shared development reconfigures links within ALBA and vis-à-vis the global economy in ways that afford member-states and the region greater control over their own development.

### *Legitimacy through Inclusive and Effective Governance*

The commonly observed political underpinning of changes in the economic models and international relations of ALBA states is a shift towards more participatory forms of governance, both domestically and regionally.

ALBA is seen to achieve greater legitimacy through mirroring the advances associated with domestic political arenas that have channelled the demands of social movements not only into electoral success but also into governance structures such as communal councils in Venezuela, *juntas vecinales* in Bolivia (“neighbourhood committees”), Civic Power Councils in Nicaragua, or – to a lesser extent – Revolutionary Committees in Ecuador. This process is regionalised in the shape of ALBA’s Social Movements Council (CMS), through which national agglomerations of

social movements come together both to engage in a direct dialogue with its highest institution, the Presidential Council (Muhr 2011, p.111), and to deliver empowering public services, as in the case of literacy programmes in Bolivia (Artaraz 2012). For many, this inclusive regional attempt at bottom-up governance is the one feature that gives ALBA a truly “transformative” character (Gürcan 2010), distinguishing it both from other “third ways” emerging of late in Latin America (Ullán de la Rosa 2012, p.146) and from traditional economic regional-integration projects (Fermín Torres 2010, p.357). The effect is to repoliticise and relegitimise all levels of governance across ALBA member-states; or, even more ambitiously, to “[infuse] public opinion into international law ... by endowing community groups with a direct route to top-level decision-making processes” (Al Attar & Miller 2010, p.357). For Al Attar and Miller this amounts to “constructing an international integration model guided by popular — not by elitist or academic — articulations of justice” (2010, p.358) in a way which supports Muhr’s view that “it is above all in the Social Movements Council where LAC’s local and national organised societies are becoming inter- and transnationally integrated for concerted collective action in the de- and reconstruction of the hegemonic structures” (Muhr 2010, p.21).

Yet, as with other key aspects of ALBA political economy, the true extent and significance of any new democratic inclusiveness at the regional level is a matter of debate in the literature. There is clear evidence that social movements, particularly the Hemispheric Social Alliance (Saguier 2007) and the wider alterglobalisation movement (Ullán de la Rosa 2012), greatly influenced the development of ALBA between coinage in 2001 and concretisation in 2004, but institutionalised participation since then has been harder to discern. Despite this, an average account of ALBA might simply take the CMS’s existence and significance as a given, even where it is one of just four factors that define ALBA as a “paradigmatic break” with past models of integration (Fermín Torres 2010, p.362). The most sympathetic analyses go even further despite the same lack of fuel:

With the emergence of ALBA, regional integration has stopped being a predatory commercial mechanism and transformed into an inclusive and hopeful people's process ... as with the transit from representative democracy to participatory and protagonic democracy, participation has stopped being an isolated event in which the constituting power limits itself to instituting the constituted power and disappears from the protagonic scene. It remains in a permanent process of critical and propositive interaction of social control over the constituted power ... 'regional integration is no longer only a government issue; it has turned into a peoples' issue'

(de la Barra 2010, pp.651, 653)

Some support for this view is offered in a frequently cited paper by David Harris and Diego Azzi of the Hemispheric Social Alliance (2006), which identifies a number of instances where social movements have participated in ALBA events and meetings. And Ullán de la Rosa flags up at least one important conflict – over the necessity of an ALBA-wide military body – in which the stance of social movements trumped that of the presidential council (2012, p.149). However, these instances of significant input have been case-specific rather than institutionalised, with social movements entering only temporarily into ALBA's "summit diplomacy" style of governance (Fermín Torres 2010). The fact that the idea of an ALBA-wide defence council has not gone away (resurfacing at the 2012 summit) and that controversial megaprojects opposed by social movements continue to be approved by ALBA presidents (Hart-Landsberg 2009) is indicative of the serious tensions inherent to this ALBA governance initiative (García Guadilla 2009). In fact, deficiencies in consultation with wider society were noted in the very earliest analyses of ALBA (Briceño Ruiz & Linares 2004, p.41), reiterated some four years later (Altmann Borbón 2008, p.4), and continue to be emphasised by a growing number of sceptical scholars like Benzi, for whom:

The Mar de Plata Summit, in 2005, marked the point of maximum convergence between leftist governments and popular movements. From then on, apart from their common opposition to the FTAA, the difficult path towards practical articulation of these two actors has become ever steeper in all of the [ALBA] countries.

(Benzi 2010, p.9)

Even those recognising instances of social-movement input, such as Harris and Azzi, conclude that direct popular participation in the creation of ALBA's principal summit agreements is scarcely visible (2006, p.13), whereas Thomas Fritz finds that despite rhetorical openness to social-movement input, "all relevant decisions to date have been taken on the governmental side" (2007, p.24). Perhaps unsurprisingly then, even ALBA's once close relationship with organisations such as the HSA has vacillated

between enthusiasm and distrust (Lander 2007, p.21), with mobilisations in favour of ALBA having fallen off due to its failure to provide “institutionalised participatory spaces” (Serbin 2011, pp.9–10). Andrés Serbin’s evaluation of the potential for a new Latin American “citizens’ regionalism” based on popular participation pessimistically concludes that ALBA and other nascent LAC regional organisations “do not achieve an effective change in levels of participation and empowerment of the citizenry in regional integration, either in the definition of their agendas or in pushing for and promoting public policy of a regional character” (2011, p.30). Martin Hart-Landsberg (2009) attributes these problems to an unresolved contradiction between the resurgence of a controlling, top-down state and a putative openness to bottom-up demands from grassroots social movements. Backer and Molina’s comprehensive and meticulous analysis overlooks social-movement involvement altogether, finding ALBA governance to be so fundamentally statist that the best comparator might be the monopolistic state of Marxism-Leninism (2010, p.159).

Many accounts of ALBA emphasise effective governance as a second, less obvious source of legitimacy, here tied up with a shift towards endogenous, people-centred development and a more inclusive stance towards social movements. Since most New-Left governments were carried into power by social movements challenging the reforms of the neoliberal “lost decade” of the 1980s (not least in Venezuela, Bolivia, and Ecuador), their underlying political movements were committed to redistribution and welfare provision that would serve the most vulnerable. Many scholars of ALBA make the link between “the application of the endogenous model or ‘development from within’ in response to changes demanded by global and regional integration processes” and “the need to construct a model that achieves economic and social development and growth to allow for the combating of prevalent socio-territorial imbalances, disparities, and inequalities in the region so as to improve the quality of life of its inhabitants” (Linares 2007, p.34). For Fermín Torres this is the “rescue of the state’s social function”, through which it becomes an agent of socioeconomic wellbeing for the *pueblos*, both within and between countries (2010, p.362). This final point is key, since it implies a process of legitimisation at the domestic level (Hart-Landsberg 2009) that is reinforced – more unusually – at the regional level. As Alberto Montero Soler explains, ALBA policies engage once-excluded citizens in the development of social-inclusion strategies that look to tackle the longstanding problems of the region’s poor majorities, associating tangible improvements in wellbeing with a form of regionalism that prioritises society over economy and solidarity over competitiveness:



For once, the *pueblos* feel that integration translates into direct and immediate wellbeing, an objective improvement of their conditions, and as such they are willing to support it.

(Montero Soler 2006, p.97)

Essentially, ALBA and the governments of its member-states are seen to be legitimised both by inclusive, participatory governance structures, and also by their regional cooperation to resolve the problems of formerly marginalised groups.

### *The Transformative Regionalisation of Endogenous Development*

This latter notion of ALBA's impact on the material conditions of its poorer citizens is frequently linked to the success of regionalised *misiones*. However, many scholars go a step further and endow ALBA with a subjectively transformative aspect. Though Riggiorozzi, for example, equates "transformative power" with socio-economic impact (2010, p.27), her work frequently extends deeper into ideational territory. Muhr interprets ALBA regionalism as a counter-hegemonic strategy aiming to imbue not only international relations but also individual subjectivities with moral values of solidarity and cooperation that are unfavourable to global capitalism (Muhr 2010, p.4). Cole (2008; 2010) sees this process of subjective "*concientización*" (awareness raising) as the central purpose of ALBA, a process "essentially about the human mind understanding and appreciating the experience of existence" (Cole 2010, p.326), from which emerges a socialist consciousness (2008, p.7). For Montero Soler this has an extra-regional dimension since ALBA's core members Venezuela and Cuba provoke this "awakening of revolutionary and class consciousness" in order to promote a definitive left turn across the whole continent (2006, p.101). Venezuelan historian J. Pascual Mora García considers this a question of cultural rather than ideological awakening, seeing ALBA as a means of validating and asserting autochthonous, "non-Cartesian" modes of thought over a colonially imposed rationalist modernity (2006; 2007), as has been observed in ALBA members Venezuela, Ecuador, and especially Bolivia (Escobar 2010). Indeed, for many other scholars, ALBA's links to social movements have seen Andean indigenous worldviews becoming part of the endogeneity of new development models (Escandell Sosa 2011; Aponte García 2011, p.7; Valencia 2009; Emerson 2013, pp.13–14). This usually entails reference to either Ecuador's *Sumak Kawsay* or

Bolivia's *Suma Qamaña*,<sup>26</sup> although concrete changes that substantiate the influence of these concepts are rarely provided.<sup>27</sup>

In both Riggirozzi's transformative regionalism and Muhr's counter-hegemonic account, ALBA also forces a reassessment of the nature of regional integration itself. For Riggirozzi ALBA reopens the fundamental question of what regionalism is for (2012a, p.35); for Muhr (2010) it demonstrates a novel, tentacular, inter-level, inter-domain institutionalisation, dubbed "flexible networks of variable geometry" by Ullán de la Rosa (2012) or "*à la carte*" regionalism by Norman Girvan (2011b); for Mora García it has dissolved the national-international distinction in the theory and practice of international relations (2006, p.51); and for Linares and Lugo (2010, p.338) and (Riggirozzi 2012a, p.28) it exemplifies an unusually "non-geographic" regionalism since none of its member-states share borders.

If nothing else, the sheer variety of these potentially transformative effects demonstrates that ALBA offers a shared regional space in which to re-evaluate existing models and construct alternatives, which in itself is no small contribution (Backer & Molina 2010, p.136). But for the most part ALBA is considered to be both materially and subjectively transformative, although there are doubts about the extent of this transformation, both individually and geographically.

#### *Lines of Best Fit: Common Arguments About ALBA*

On the whole, we find in these debates both clear "lines of best fit" that tend towards a certain set of assertions, and also extreme outliers to either side of these lines, albeit within certain bounds. The level and degree of variance in these debates is extreme, rendering adjudication at once more difficult and more necessary. In effect, it means that the existing literature provides conflicting answers to the research questions at the heart of this study. ALBA might at one and the same time be a means of merging the Cuban and Venezuelan economies; a Venezuelan tool of geostrategic influence; a mechanism for regionalising the non-capitalist economic initiatives of Venezuela's Twenty-First Century Socialism; a process of delinking from the global economy; a functioning form of cooperative development; a bulwark against (neoliberal) globalisation outside of LAC; a transformative channel for autochthonous worldviews; or a novel intra-regional political consolidation of like-minded incumbent governments.

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<sup>26</sup> Respectively Quichua and Aymara terms translated into Spanish as *Buen Vivir* and *Vivir Bien*, both of which usually cross into English as "Living Well".

<sup>27</sup> Ullán de la Rosa being a partial exception (2012, p.154).

Even if many might see ALBA as a coherent model of regionalism, there is little agreement on its nature. Despite this internal variation, we can discern certain assertions that feed into a wider set of common arguments about ALBA:

- A.) ALBA serves to further the foreign-policy goals Venezuela and Cuba.
- B.) ALBA regionalises reforms associated with endogenous development, most notably the return of the state to commanding guidance of the economy towards social and industrial policies that favour human development.
- C.) ALBA regionalises a resurgent concern for the autonomy both of member-states and of the LAC region vis-à-vis the global economy, with intraregional asymmetries targeted via cooperative development.
- D.) ALBA is legitimised by newly inclusive and impactful governance that extends participatory democratic reforms and effective welfare provision from the domestic to the regional level.
- E.) ALBA is transformative and impacts upon the material circumstances and mindsets of individuals and states.

This work evaluates the strength of these arguments in light of a thorough interrogation of the ALBA initiatives upon which they are constructed. To this end, it draws from the existing literature three key concepts around which these arguments pivot: endogenous development, particularly in the Venezuelan mould (in arguments A and B); reasserted autonomy (C); and new sources of legitimacy (D), whereas transformative impact (E) is subsumed into a wider consideration of impact more generally. These concepts form the basis of an analytical framework that is carried through the entire work, from the national level, via regional initiatives, and into concluding considerations of the implications of ALBA's incomplete implementation.

In developing our own reassessment of ALBA, however, it is also important to recognise the role of different degrees of criticality towards ALBA in shaping this literature. Essentially, the force of these arguments is mediated by the degree of criticality involved in different approaches to the scarce empirical material upon which the literature can draw. As the following section reveals, the few sceptical accounts of ALBA have shown that there is much to be gained from adopting a more critical stance to the official line, though this requires a series of minor modifications to our core concepts.

### ***Approaches to ALBA: Criticality, Credulity, and Corroboration***

As was noted at the outset of this examination of the literature, variation in the approaches and “rigour” of different accounts underlies arguments made both in the mainstream and at the extremes of the ALBA literature. There are two main elements to this: scholars’ positions on a credulity-criticality scale and the nature of the evidence used to corroborate their accounts. Though in reality different approaches may be taken in relation to different initiatives within a given study – perhaps also a function of differences in availability of reliable data – broad-brush we can divide the literature into accounts that:

- i) Take ALBA at its word
- ii) Question the word of ALBA
- iii) Twist ALBA’s words

#### *ALBA “At its Word”*

As Absell (2012) has shown, within the ALBA literature there is a clear prevalence of “at its word” accounts which “look kindly upon” ALBA and its aims.<sup>28</sup> A hard core of these tend to take readers down a well-trodden path, starting from ALBA’s emergence, going via its institutional development at a series of summits, taking in its principles and achievements to date, and ending with some challenges that have yet to be overcome (see, for example, Chinas 2011 or Espinosa Martínez 2007). In the worst cases, there is a near-total absence of analysis of the meat on ALBA’s institutional bones or of the few potential problems highlighted. More commonly, however, research in this category might include relatively complex consideration of the significance of ALBA for LAC and the wider world order, excluding at the crucial moment a more detailed investigation of the initiatives underlying theorised changes in the nature of LAC models of regionalism and development. Can we say, for example, that the ALBA Bank embodies a new intra-regional development model and simply leave it at that? It seems that we can, since this is precisely what a great many scholars have done, even if they have distributed their superficial attention unevenly. Thus, some opt to treat the ALBA Bank and regionalised *misiones* with little critical depth (Cole 2008), while others do the same with the People’s Trade Agreement or grandnational enterprises (Gürcan 2010, pp.24–27; Emerson 2013, pp.14–15). Even much-cited, theoretically and empirically sophisticated accounts evince this failing in places (e.g. Grandnationals

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<sup>28</sup> Indeed, Absell’s review is entitled “Looking Kindly Upon the ALBA-TCP” (*mirado con buenos ojos*).

in Muhr 2010, p.13; Riggirozzi 2012a, pp.27–28). Given the poverty of empirical material available on ALBA initiatives, one common and somewhat understandable response is to fall back on unsubstantiated declarations (e.g. Kellogg 2007, pp.200–203). Though it could conceivably be argued that the discursive element of ALBA is significant in itself, this is not the approach commonly adopted; rather scholars take a leap of faith and discourse comes to be treated as effective and functional policy.

### *Questioning the Word of ALBA*

Instances of questioning the word of ALBA, meanwhile, provide evidence of the benefits of more critical, empirically informed inquiry. Instead of reading off ALBA's functions and motivations from its founding documents, early work by Briceño Ruiz and Linares (2004), for example, made good use of primary-source documents from the Presidential Advisory Commission on FTAA Negotiations to establish convincingly the roots of ALBA in Venezuela's ideological opposition to the FTAA. Instead of taking for granted that the LAC regional "spaghetti bowl" (Bhagwati 1995) can expand indefinitely without the sauce getting ruined – and despite a clear normative preference for ALBA-style regionalism – Claudio Katz (Katz 2008) opted not to gloss over the potential contradictions of Venezuela's simultaneous pursuit of full Mercosur membership and a fully-functional ALBA, given the two regional arrangements' vastly different aims and modes (similarly, Fritz 2007, pp.5–8; on Bolivia, see Costoya 2011). Instead of assuming that democratisation "all the way down" is occurring in line with ALBA's principles, Fritz finds that despite a declared commitment to participatory governance, state enterprises still operate in an "antidemocratic" manner, potentially undermining positive achievements in other areas (Fritz 2007, p.22). Instead of supposing that the TCP has delivered a fairer mode of trade between ALBA member-states, Rosales compares the proposal with real changes in trade relationships, finding that "from 2006 to date [2010], there have been no great achievements towards putting into practice the projects enshrined in this agreement" (Rosales 2010, p.7). Instead of presuming that trade via grandnational enterprises necessarily produces social and socialising benefits, Aponte García begins to analyse the links between domestic private, state, and mixed entities both up- and downstream of these region-level actors (2011, pp.11–15); quite apart from the intriguing specifics of her findings – not least that ALBA trades more in food than in oil (p.10) – her in-depth investigation and analysis hints at how novel development ideas and practices might begin to be diffused and embedded across member political economies. Instead of trusting that ALBA's

anti-neoliberal proclamations are reflected in political-economic practice, Backer and Molina examine bilateral investment treaties (BITs) between members and discover that despite their putative grounding in radically divergent principles, their substantive content differs only marginally from that of US BITs (2010, pp.151–156). These examples of more critically or empirically sophisticated approaches to particular initiatives serve to illustrate how deeper questions can be foregrounded so as to achieve a fuller understanding of ALBA regionalism, but they tend to represent only pointed departures from more credulous wider interpretations.

### *Twisting ALBA's Words*

For the most part, scholars appear to have a favourable view of ALBA and its potential impact (Absell 2012, p.90), but there is also a hyper-critical end of the scale where we find polemical accounts which go out of their way to discredit ALBA or even to present it as a serious threat to peace in the Americas. Since their pursuit of this happy conclusion requires some intense massaging of the facts, this kind of work falls into the third and final category of research: accounts that twist ALBA's word. At the thin end of the wedge, Javier Corrales unfavourable take on ALBA presents some valuable ideas on the regionalisation of Venezuelan problems of state incapacity and corruption, but he unnecessarily "sexes up" his dossier with unsubstantiated denunciations of local "indoctrination units" (ALBA Houses) from Peru's García-led opposition and with accusations about the fallibility of Venezuela's electoral process that were long ago dismissed by those best-placed to comment (Corrales 2009, pp.100, 103; on elections see McCoy 2004).<sup>29</sup> Depictions of ALBA at the thick end of the wedge are far more misleading. Most notable here are Joel D. Hirst, formerly of the right-wing Council on Foreign Relations, and Jon B. Perdue, director of Latin American programmes for the free-market-promoting Fund for Latin American Studies. Hirst's monograph on ALBA (2012) contains chapters on "The ALBA as a Narco-Organization" and "The ALBA, Iran, and Terrorism", whereas Perdue's apocalyptic "The War of All the People: The Nexus of Latin American Radicalism and Middle Eastern Terrorism" (2012) adds a touch of fire and brimstone to an alarmist argument already advanced by Sean Goforth (2011). One might argue that sympathetic visions of ALBA are equally misguided, and indeed positive and negative accounts at the very extremes do share a disregard for

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<sup>29</sup> Jennifer McCoy, often associated with the Carter Center, has carried out exhaustive investigations of Venezuela's electronic voting system and consistently found it trustworthy. Various other observation missions of international institutions have reached the same conclusion.

proper empirical substantiation. Extremely positive accounts may indeed be willing victims of ALBA's lack of transparency, eagerly offering the benefit of the doubt to official depictions, but rarely do they stray into the realms of pure speculation. Scholar's like Joel D. Hirst, however, are willing to claim a nuclear link between Venezuela and Iran based merely on off-the-record conversations with unspecified "people in Venezuela and abroad" and the defiant expression of a hunch: "to the naysayers, I ask: why wouldn't [Chávez assist Iran in its nuclear program]?" (Hirst 2012, p.227). Like the most extremely credulous accounts of ALBA, these poorly supported depictions of ALBA are of little interest here. Their real significance is as an indication of the extent to which ALBA's often ambiguous words lend themselves to twisting.

### *The Inconclusive Impact of ALBA Regionalism*

With judgements of ALBA reached by such varied means – and sometimes to rhetorical ends – even debates on specific themes and particular initiatives within the literature are characterised by extreme differences of opinion. Unsurprisingly, their aggregation into a conclusive verdict on the impact and importance of ALBA is problematic if not impossible.

There are those that see in ALBA the dawning of a "new Latin America philosophical anthropology" (Mora García 2007), the "[inauguration of] an age of cross-cultural collaboration to actualise all human potential" (Al Attar & Miller 2010, p.360), or even "the transcendental power of love prevailing over *cólera* [cholera] (*la globalización* [globalisation])" (Cole 2010, p.328).<sup>30</sup> In more straightforward terms, it has been seen as a potential continental federation (Vascós González 2010), "a concrete alternative to the present form of neo-liberal globalization" (Deacon et al. 2007, p.3), a "total rupture with the classical economics driven vision of integration [which] signals a way forward to post-neoliberal and emancipatory paths ... not only for Latin America but for the entire world..." (de la Barra 2010, pp.651–52), the "most promising ... attempt at cooperative development anywhere in the world" (Hart-Landsberg 2010), and the harbinger of "a new era of trade and commerce whose primary interest is the welfare of all people, and not merely just profits, as the standard mode of operation" (Backer & Molina 2010, p.163).

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<sup>30</sup> Cole is drawing an analogy with García Marquez's *Love in a Time of Cholera*. Neither the florid language nor the recourse to literature troubles me; my intention is not to belittle this approach. Nevertheless, it does illustrate the extremity of some assertions about ALBA.

Yet, it is difficult to square these conclusions with those of other scholars, for whom ALBA “is, more than anything, a concept” (Gardini 2010, p.18), a “declarative proposal ... anchored more in values and political alternatives than in concrete content” (Lander 2007, p.19). Even if this version of ALBA has partially “displac[ed] the ‘orthodox’ neoliberal model as *the* model for the region” (Emerson 2013, p.12), these more sceptical accounts conclude overall that “for the moment, [ALBA] isn’t changing the world” (Ullán de la Rosa 2012, p.163). Ultimately, Backer and Molina capture the essence of the debate in asserting simply that ALBA represents a “great experiment [whose] outcome is by no means certain” (2010, p.162).

### ***Improving on Existing Approaches***

One way to gain an insight into the real results of this “great experiment” is to tackle the two deficiencies that underpin “at its word” accounts, which is precisely the aim of this work.

#### *The Dangers of Data Scarcity*

The first key deficiency is a distinct and widespread lack of reliable first-hand data on ALBA and its initiatives (Benzi 2010, p.18). The clearest constraint here is that most researchers simply have neither the time nor the money to address this problem through fieldwork, meaning that “save for a few exceptions, no field research whatsoever has been carried out” (Absell 2012, p.79). One possible response is to accept that the everyday reality of ALBA is simply off-limits to most research, as suggested by Ullán de la Rosa:

...an honest piece of research that does not intend to add greater confusion to the phenomenon must, in our opinion, for now focus fundamentally on the study of ALBA’s platform [*programa*], limiting its analysis of praxis only to small and cautious incursions that are very well documented.

(Ullán de la Rosa 2012, p.145)

But given what we have seen of the ALBA literature, this would seem, first, to run the risk of inviting scholars to re-tread ground already trodden and re-trodden by any number of others; second, to describe in any case the approach already taken, whereby scraps of empirical material are seized upon for depth while areas demanding first-hand investigation are brushed over; and third, to preclude the possibility of obtaining data that is not served up on a plate by interested parties. Were this suggestion to have emerged in the years immediately following ALBA’s launch in 2004, its logic would be



more justifiable. But with ALBA celebrating its eighth birthday in the same year that Ullán de la Rosa made this recommendation, he might legitimately have expected ALBA to be able to stand on its own two feet (or many tentacles).

Further, although a paucity of data naturally promotes “at its word” accounts, my own experience has revealed that even remote digging beneath the surface of key initiatives can unearth serious doubts about their functionality and impact. The question then becomes one of why the literature turns a blind eye to such doubts in favour of “observ[ing] the romance of ALBA” (Absell 2012, p.90), with ALBA taken broadly to be functional, impactful, and therefore as significant as its member governments would have us believe. James Comaroff’s frank depiction of the left-wing scholar’s dilemma in analysing the 2008 financial crisis is germane here:

I want to see millennial hope in this moment; I want to see radical change emerge from some of the more egregious contradictions of neoliberal capitalism come visibly home to roost; I want to see the so-called “masters of the universe” punished for their grotesque excesses ... but desires and satisfactions are one thing, diagnostics quite another.

(Comaroff 2011, p.142)

Transposing to the case of ALBA, if Latin Americanists in general are in some sense “on Latin America’s side”, then it follows that this is particularly true of a subgroup that has opted to research a radical proposal for cooperative integration as a means of reasserting national and regional autonomy.<sup>31</sup> Thus, despite the misgivings that inevitably arise out of data scarcity, even “sceptics give ALBA the benefit of the doubt, [whereas] those fighting for a better world build their hopes with it” (Regueiro Bello 2008, p.327). This normative disposition towards the benefit of the doubt represents the second key deficiency of the existing literature as it combines with the opacity of ALBA institutions and the verbosity of its leaders to produce credulous analyses.

#### *The Value of Fieldwork in Taking Regionalisation Seriously*

Yet, there is an alternative to Ullán de la Rosa’s call to rein in our ambitions and simply accept the data-related problems involved in studying ALBA. This involves changes both methodological and analytical, many of which are expressed by Benzi’s own prescription for advancing the ALBA literature:

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<sup>31</sup> I cannot claim to be any different, since I too would like to see ALBA succeed in line with its design and principles. Yet, like Comaroff I am aware of this issue and of its potentially damaging consequences. Essentially, I agree with Oscar Wilde that “your friends stab you in the front”.

It would be extremely important to open up new spaces for field research, both in cases of triangulation [of initiatives between member-states] and also about the Cuban contribution to Bolivarian missions [in Venezuela] and in the other countries, given that extraordinary examples of active participation in the design of social policy can very easily become routine “handout” mechanisms that do not strengthen popular sectors but instead reinforce clientelist dynamics and the power of old and new bureaucracies germinating within states. In Venezuela’s case there exist many signs of this, being evidenced here and there by the deterioration of experiences like *Barrio Adentro* and other *misiones* that were once very successful.

(Benzi 2010, p.18)

That is, rather than accepting data scarcity, the manifest but largely unacknowledged travails of even a relatively successful aspect of ALBA like *Barrio Adentro* require that first-hand data be unearthed, and this not only in the areas of volitional, states-led regionalism that are covered by “at its word” accounts built around member-states’ own depictions of ALBA’s progress.

The rationale for fieldwork involving documentary analysis and elite interviewing has already been detailed in some depth (chapter one, pp.23-30), but the need for an analytical broadening merits further attention. What is unusual about Benzi’s statement is its implicit call for consideration of a number of areas obscured or ignored by a focus on states-led, institutionalised regionalism over the spontaneous, unguided, and often unintended elements of regionalisation that can impinge upon state action. In essence, Benzi is advocating for a more thorough investigation of implementation and impact, whilst recognising the potentially mitigating effect on both of tensions between the aims, actors, and actuality of even this emblematic ALBA initiative. Benzi’s example also hints at the nature of these frequently underplayed tensions:

- a) The aims of a regional initiative can be subverted by elements of national political economies (in Benzi’s example, the welfare effects of regional social programme *Barrio Adentro* being undone by a deterioration caused by corruption in one member-state);
- b) These elements may be continuities inherited from previous administrations rather than the conscious innovations of governments’ development strategies (longstanding clientelism over the empowering participatory design of the missions);

- c) Just as a regional initiative can reinforce and diffuse innovations, by accident or design it can also cement continuities, even those that are damaging (patronage relations being reinforced where *Barrio Adentro* is misapplied or abused);
- d) The interaction between states via regional initiatives means that continuities in one domain of national political economy can have detrimental effects in another domain in other member-states (the wider efficacy and legitimacy of *Barrio Adentro* being tarnished by corruption in Venezuela).

Thus, Benzi's one simple example points up a number of failings of analyses that adopt a states-led vision of ALBA regionalism. Any approach that looks to address Benzi's criticisms must find ways to tackle these oversights and account for the kinds of dynamics that he describes.

#### *The Oversights of States-Led ALBA Regionalism*

The first problem is that by making the regional level the object of study, a focus on states-led regionalism neglects the national level, often falling back on simple caricatures of member-states' political economies. Yet, if indeed "the contents of any integration process are strongly determined by the internal economic, political, and social scenario of the participating countries" (Estay 2008, p.139), superficial depictions at the national level can easily deform analyses of the regional level. This research tackles this issue by analysing the national level via primary research and via the specialised literatures of particular states *before* looking at member-states' regional interactions within ALBA. Accordingly, if continuities and tensions in Venezuela's national political economy have become clearer to Venezuela specialists over time as Benzi would seem to suggest, this combination of first-hand research and specialist knowledge can enable a fuller analysis of any knock-on effect on ALBA.

Second, Benzi's example speaks to the fact that contrary to influential early models (Balassa 1961), regionalism never traces a smooth path from absolute sovereignty, via several stages of growing interdependence, to a defined endpoint of "integration". Rather, as New Regionalism scholars Björn Hettne and Fredrik Söderbaum put it, "integration and disintegration go hand in hand" (2002, p.38).

Since regions are political and social projects, devised by human actors in order to protect or transform existing structures, they may, like nation-state projects before them, fail. Regions can be disrupted from within and from without by the same forces that build them up. Since a region can be constructed it can also be deconstructed...

(Hettne & Söderbaum 2002, p.38)

That is, particular initiatives may advance just as others are failing, with net regression of the overarching project just as possible as net progress. Yet, regionalism as an academic concern focuses more on institutions that tally with the intended designs of a regional project than it does on elements that languish or never materialise at all. Julia Gray has described this as regionalism's "implementation gap", arguing that a focus on the legal and "rational" aspects of regional agreements, coupled with data-availability problems, has resulted in the conflation of institutionalisation with efficacy (2013, p.4). With its tendency to take summit agreements and incipient institutions as effective in the absence of clearer data, Gray could equally be describing the ALBA literature.

This second issue is dealt with by explicitly making implementation our central concern and recognising its importance both as a yardstick and as a mediator of impact. This counteracts the ALBA literature's basic neglect of a common-sense approach that is as old as the language itself:

Anyone with gumption and a sharp mind will take the measure of two things:  
what's said and what's done.

(Beowulf, translated by Heaney 2000, p.21)

Although the sharp minds conducting a rather more recent review of regional-integration indicators agreed that implementation was "essential" to any evaluation of a project's success (De Lombaerde & Van Langenhove 2006, p.12), this problem persists in the wider literature of regionalism, as Gray's work attests (Gray 2013). Though her research into the implementation gap analyses economic agreements using quantitative methods, its rationale is equally applicable to this study of ALBA, particularly given its shared recognition of the importance to regionalism of the properties and problems of national political economies:

...without taking into account the characteristics and limitations of member states, we risk being left with an overly optimistic view of the possibilities of international agreements to constrain or otherwise change the behavior of those states. Furthermore, without explicitly measuring how these agreements work in practice – and not just what they look like on paper – we cannot correctly identify the real degree to which states have tied their hands. Thus, an understanding of the extent to which international agreements of any sort compel states to make credible commitments is incomplete without seeing how states actually internalize those agreements, as well as giving serious consideration to the conditions on the ground in those states that make implementation possible in the first place.

(Gray 2013, p.21)

Benzi's example also hints at the need to consider the role a third class of factor, namely the socially noxious elements of regionalisation that tend to be overlooked in studies of states-led regionalism (see also Phillips & Prieto 2011, pp.127–28). The important point is that states do not enjoy full control of regionalism or regionalisation and so to focus on the processes that states are attempting to submit to the control of regional governance is also to turn away from potentially significant processes outside of states' control or intention. The term “ungovernance” was coined to describe those elements “which are not a matter of politics among states or institutions set up by states” (Leander 2002, p.2) and has since been successfully employed in the case of African regionalism to explore the often perverse outcomes of economic integration there (Meagher 2007). This concept is useful here because even where “at its word” accounts of ALBA do consider processes beyond the state, their reliance on official depictions of the project's progress still directs their gaze towards those domains that the state claims to be acting upon. This explains, for example, the disconnect between the academic depiction of ALBA's interaction with social movements and the reality of its non-existent Social Movements Council (chapter one, p.14). With ALBA regionalism as with other issues, “developments which are not regulated and guided by states tend to fall off the agenda of politics and academic research” (Leander 2002, p.15).

As with the integration-disintegration issue already explored, half of the solution to this problem lies in its very acknowledgement, for this at least primes the researcher to consider possible links between regional “ungovernance” and states-led regionalism. Indeed, focusing on implementation complements sensitivity to “ungovernance” since it foregrounds dysfunctional elements of regional projects that may have been hindered by “ungoverned” social processes. Yet, the key impact of this work's triple recognition of the importance of continuities and contradictions in national political economies, of

possible disintegrative outcomes, and of the potential impact of “ungovernance” is that we must revisit and open up the three key concepts already drawn from the existing ALBA literature – endogenous development, reasserted autonomy, and legitimacy – in order to increase their sensitivity to these issues.

### *Achieving a More Nuanced Analytical Framework*

In the case of endogenous development, this triple recognition forces us to look beyond the development strategies consciously fashioned by governments and into wider features of national political economies – state-guided and otherwise, novel and inherited – which might equally come into play in regional initiatives. This is because the ALBA literature’s focus on a conscious shift towards endogenous development obscures the influence both of structural characteristics of given states and also of continuities from the prior neoliberal period. In the broader scholarship of LAC political economy – particularly the debate over the use of “postneoliberalism” to describe a distinct and actually existing mode of regulation (see Yates & Bakker 2013 for a comprehensive summary) – the hybridity of the New Left is considered a pertinent but unresolved question. Yet, accounts of ALBA have not assimilated this question of whether New Left reforms are more “chimera or epochal change” (Yates & Bakker 2013, p.1), and the problems of data scarcity described above have encouraged a tendency towards the “epochal change” end of the spectrum. In order to allow this question to better inform ALBA scholarship, this work will therefore consider endogenous development – the first of the three key concepts drawn from the literature (p.49) – as just one extreme on a spectrum that would also admit middle-ground hybridity or even a deepening of neoliberalism if that were to be observed.

Similarly, a focus on autonomy seems to suggest that because regionalism is a conscious, guided process, state cooperation can overcome the classic sovereignty problem of LAC regionalism (and indeed beyond), whereby both national sovereignty and regional integration are sought, despite the fact that involvement in regional institutions can make the preferences of one member-state the constraints of another (on Latin America, see Dabène 2012a; on the Caribbean, see Bishop & Payne 2010). Further, if ALBA’s national political economies are only hybridised, then many of the elements which can impact upon autonomy are also structural or inherited continuities, such as resource endowments or existing trade structures underpinned by prior regional and multilateral commitments. Again, although these continuities may not be the central concern of ALBA states’ development planning, there is no guarantee that they

will not shape the outcomes of this planning in unpredictable ways. Thus, as with the concept of endogenous development, autonomy will here be considered only as one extreme of an autonomy-constraint spectrum, with ALBA potentially provoking movement in either direction.

A more nuanced understanding of legitimacy, meanwhile, can be achieved by dividing it into its three component parts, as in Andrea Ribeiro Hoffman and Anna van der Vleuten's comparative-regionalism work (2007; building on Scharpf 1999). As Berry Tholen explains (2007, pp.21–25), these are:

- i) input legitimacy, or facilitation of responsive government “*by the people*”
- ii) output legitimacy, or provision of effective solutions “*for the people*”
- iii) control legitimacy, or guaranteeing of accountability “*to the people*”<sup>32</sup>

This serves to open up the possibility of studying the kinds of tensions highlighted by Benzi, even where they relate to unimplemented or dysfunctional initiatives whose progress has been hampered by aspects of “ungovernance”. For example, if *Barrio Adentro*, which uses regional complementarities mainly between Cuba and Venezuela to improve healthcare provision, is afflicted by problems of delivery (output), top-downism (input), or corruption (control) within given member-states, then this division allows us to explore the peculiarities of each aspect, as well as the dynamics of their interaction. This also allows us to consider the possibility of *de*-legitimation when input, output, or control legitimacy is lacking.

### **Conclusion: Engaging with and Enriching the Literature**

This chapter has provided a wide-ranging review which not only isolates key themes and debates, but also effectively critiques the frequent empirical and methodological failings that distort the dominant understandings of ALBA. Lines of best fit sketched through five key debates in the literature reveal that ALBA is frequently held to serve Venezuelan and Cuban foreign-policy interests; to regionalise reforms associated particularly with Venezuela's model of endogenous development (and later Twenty-First Century Socialism); to reassert the autonomy of ALBA states and the wider LAC region; to legitimise incumbent governments by extending participatory institutions and welfare provision to the regional level; and to produce material – and even subjective – transformations. However, a severe scarcity of primary data is dealt with in different

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<sup>32</sup> To reiterate, the addition of “to the people” in point “iii” is my own.

ways, with scholars forced to choose between “taking ALBA at its word” by relying on discursive and official portrayals of its progress; “questioning the word of ALBA” by targeting inconsistencies between ALBA’s rhetoric and rare glimpses of its reality; and “twisting ALBA’s words” by exploiting its ambiguities to associate it with the more nefarious aspects of international relations. In order to combat these ambiguities, this work adopts an approach sensitive both to conscious states-led regionalism and potentially unguided, multi-actor regionalisation. It also recognises the importance of studying implementation in order to reveal the coalescence and conflict within and between states that modulate the success of individual initiatives. Consideration not only of areas of “ungovernance” beyond states’ volitional control but also of possibly disintegrative outcomes opens up the possibility of new insights into the nature and impact of ALBA regionalism. Ultimately, concepts of endogenous development, autonomy, and legitimacy are drawn from the literature and modified to facilitate this sensitivity, forming the basis of an analytical framework that can engage with and enrich the existing literature.

Having thus considered this literature and developed a viable means of engaging with it, this work now turns to a reassessment of ALBA from the ground up. This necessarily begins with an examination of the political economies of Venezuela, Ecuador, and the Anglophone ALBA states, key players in the core economic initiatives that are the focus of this work.



### Chapter Three: The National Roots of ALBA

After a decade spent observing *Chavismo*, it is not clear to me that concepts such as participatory democracy and twenty-first-century socialism explain very much about how decisions are made in Venezuela.

(Trinkunas 2010, p.247)

Harold Trinkunas here neatly expresses a growing sense in scholarship on Venezuelan political economy that the bold conceptual innovations of the Bolivarian revolution have not been translated into observable reality. Rather, the novel policies of this archetypal New-Left government have only been partially delivered, whereas the basic features of its political economy endure. Yet, this recognition of the hybridity of New-Left political economies has been neglected in the literature of ALBA, its initiatives being understood as extensions of ambitious domestic reforms, with little attention paid to faltering implementation or the contradictory legacies of pasts both recent and distant. In effect, faced with this work's central research question regarding the relationship between ALBA regionalism and New-Left reforms to national political economy, they quickly connect the two without going beyond superficial depictions of ALBA member-states. Chapters four to six of this work address this weakness by looking more critically, at the implementation and effects of ALBA's core initiatives. However, to avoid the disembodiment of ALBA that weakens existing accounts, the current chapter first reconsiders the real extent of novel development models in ALBA member-states, gauging at the same time any tensions or contradictions that could also be regionalised via ALBA initiatives despite the best laid plans of states-led regionalism. This reveals many policy areas and innovations in which ALBA members overlap, with cooperation in these areas often motivating specific ALBA initiatives, as detailed in sections of chapters four to six that deal with the intended effects of ALBA initiatives. But equally it reveals areas of tension and divergence which come into play in the real-world interactions provoked by ALBA, as demonstrated in sections of chapters four to six that deal with the implemented reality of ALBA initiatives and any impediments to their progress.

Since the ALBA literature deems Venezuela to be the key influence on ALBA's model of regionalism – and because it is the project's dominant force in economic, commercial, and political terms – particular attention is paid to the evolution of its development strategies. The idea of Venezuela as the source of central ideas of endogenous development, reasserted autonomy, and new sources of input and output

legitimacy is well-supported *prima facie*. However, upon closer scrutiny we find that Chávez's reforms have been implemented only partially and with limited – rather than transformative – impact, meaning that Venezuelan political economy has made only limited progress towards Chávez's development goals. This poor implementation and moderate impact reflects the continuation of many features of Venezuelan political economy in the pre-Chávez era, and these legacies frequently undermine ALBA initiatives at the regional level. Attempts to overcome these problems – particularly the creation of parallel state institutions centred around the state oil company – have only created new tensions that also affect the implementation of ALBA, particularly in the case of Petrocaribe (chapter six). This is not solely a Venezuelan problem, however, and although Ecuador's less radical endogenous development model has been implemented more successfully, its political economy is also characterised by divisions that encumber trade policy and ultimately hamstring its engagement with the TCP (chapter four). The political economy of Anglophone small island developing states (SIDS), meanwhile, is so vulnerable to external events and constraints that application of a clear development model proves extremely difficult, though ideological overlaps with ALBA's Latin American members do exist. This creates the unfortunate conditions that make Petrocaribe so necessary and so significant.

Essentially, if we wish to know whether ALBA's model of regionalism reflects and reinforces the reforms of New-Left governments, we must know what they are. Yet, since chapter two has shown that the existing picture of ALBA regionalism was painted from a restricted palette of states' conscious development strategies, this chapter seeks to open up that palette to every shade of members' political economy. This ultimately allows us to achieve a more lifelike depiction at the regional level.

### **Venezuela: The Dysfunctional Development of Twenty-First Century Socialism**

Scholars of Venezuelan politics commonly map out phases of growing radicalism, from Chávez's allusion to Tony Blair's Third Way in 1999 to his ultimate commitment to an ever-deepening Twenty-First Century Socialism by 2012 (Lander & Navarette 2007; Buxton 2009; López Maya 2010; Ellner 2013b). We follow Lander and Navarette (2007) in locating the fulcrum in mid-2003 when a failed coup and oil strike radicalised Chávez and led to creation of the novel social programmes that prefigured ALBA. We then divide the latter 2003-2012 period, first, into an "endogenous development" phase up to 2005 that coincided with the design and launch of ALBA, and, second, the Twenty-First Century Socialism phase between 2005 and 2012 which saw the marked

radicalisation of Venezuelan political economy alongside ALBA's maturation and expansion. Particular attention is paid to the endogenous development and Twenty-First Century Socialism phases as it is here that ALBA acquires its character, with its initiatives beginning to regionalise elements of Venezuelan political economy and forge significant links to the development models of other member-states. However, as will be demonstrated below, the version of this regionalisation commonly adopted in the ALBA literature is at odds with the reality of Twenty-First Century Socialism's tense and contradictory implementation.

*Chávez Light (1999 to mid-2003)*

Phase one is commonly viewed as the "Chávez light" period, with many scholars recalling Chávez's own allusion to Blair's third way in the UK (Lander & Navarette 2007, p.7; Coronil 2008, p.13; López Maya 2010, p.201), but this is somewhat misleading. In reality, the new Venezuelan constitution of 1999 sowed the seeds of much of what followed, not least the reassertion of national and LAC autonomy, pursuance of an endogenous development strategy, and achievement of legitimacy in the eyes of newly enfranchised sectors of society. Thus, in international affairs the state's right to use selectively protectionist trade policy for developmental ends was underlined (CRBV 1999, Article 302); LAC integration was specifically favoured as a means of "common development" (Article 153); and treatment of foreign investment was guaranteed never to trump national treatment (Article 301).<sup>33</sup> The right of the state to strategically guide the economy was reaffirmed (Article 302), whereas the previous trend towards "opening up" of natural resources was abruptly nixed (Article 303). Though the private sector remained integral and private property was protected, the active promotion of socialising, participatory forms of popular economy (Articles 118, 184) and worker management (Article 70) were enshrined alongside a recognition of collective property (Article 308). New input legitimacy would come from the introduction of bottom-up "protagonistic" democracy at every level of government (Article 62), whereas output legitimacy would come from the guarantee of social rights and welfare to various long-overlooked groups (Chapter V).

In order to facilitate this change Chávez took greater control of the oil industry, the beating heart of Venezuela's economy. He doubled the royalties payable per barrel, lobbied OPEC members to stick to quotas, and shook up state oil company PDVSA's

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<sup>33</sup> This is a direct rebuttal of the North America Free Trade Agreement's chapter XI, which allows private companies to pursue claims against states.

top-level management. With oil prices sky-high following 9/11, this provided funds for productive investment and social spending, but it also provoked the ire of the political and economic elites that had long controlled PDVSA. It was their subsequent coup attempt and oil strike that served as the spark for Chávez's new advocacy of socialism, whereas US complicity led to a redoubling of his anti-imperialism (by his own admission in Jones 2009, pp.468–69). These changes in Venezuelan policy shaped the rationale and functioning of ALBA, just as they created many of the tensions which will be seen to mitigate its impact in subsequent chapters on specific ALBA initiatives.

*Endogenous Development: Stirrings of Twenty-First Century Socialism (2003-2005)*

The failed oil strike forced the opposition to return to the democratic path through a dialogue sponsored by the OAS, resulting in the 2004 recall referendum. Faced with declining middle-class support, Chávez realised that electoral success was no longer guaranteed and shifted his focus towards providing immediate concrete benefits to his core supporters. While he had previously laboured at reforming existing institutions, he now realised that the blights of “waste, inefficiency and corruption” in Venezuelan politics persisted (Buxton 2009, pp.165–66, 171). But the imminent recall election meant that he could no longer wait for state inefficiencies and internal opposition to be overcome. He responded by making a series of sweeping changes at home and abroad which bound up foreign policy, domestic development, and electoral success.

The key concept in this transition phase was the same endogenous development frequently noted in accounts of ALBA (chapter two, p.40). This involved a conscious shift from development ideas considered “exogenous” that involved “more market and less state” towards a model driven by the state in partnership with the citizenry. It called for a return to strategic planning based on “our” capacities and resources, with bottom-up community participation “mainstreamed” across economic, social, and political life, these three domains being seen as inevitably interrelated. And it focused explicitly on repaying Venezuela's “social debt” to its most marginal groups in the C, D, and E social categories (Ministerio de Trabajo 2004). The model proposed democratisation of property, capital, and the market, with new organisational forms of the social economy creating employment in deprived areas and promoting self-reliant productive communities (Ministerio de Trabajo 2004, p.8; Wilpert 2007, p.80). These would form one part of a “national system of productive and social inclusion” that linked social-economy reforms to the provision of social programmes in a virtuous circle of human development (Ministerio de Trabajo 2004, p.14). So as protect

endogenous-development reforms against the destabilising effects of capital flight and currency collapse, Chávez also created the Foreign Exchange Administration Commission (CADIVI) to oversee allocation of foreign currency. Since this body restricted allocation of dollars only to companies with clean labour-law records and whose imports would not displace local producers, CADIVI also served as a means for the state to shape trade flows in favour of its broader developmental ends.<sup>34</sup>

The main weapon in achieving human development, however, was the novel *misión* (mission) mechanism. The missions are social programmes targeted at fundamental problems which undermine broader development strategies, provided within communities, and administered with extensive participation from the receiving community. The earliest and best known of these targeted illiteracy (*Misión Robinson*), primary healthcare deficiencies (*Misión Barrio Adentro*), access to higher education (*Misión Sucre*), access to social and political rights (*Misión Identidad*), and rising food prices (*Misión Mercal*).<sup>35</sup> The modes and ends of these programmes tied in with the wider political and economic priorities of the National Development Plan 2001-2007 (Ministerio de Planificación y Desarrollo 2001): inclusion through formal recognition (*Identidad*) allowed community participation that empowered recipients politically; the meeting of basic needs improved chances of wider human development (*Barrio Adentro*); and outputs from the social economy could be used to meet the social needs of the poorest (through *Mercal*, for example). One mission in particular, *Misión Vuelvan Caras*,<sup>36</sup> was designed to bring about a “productive revolution and cultural transformation” by educating communities in the solidarity logics and cooperative practices of the social economy (Wilpert 2007, p.81).

Crucially for ALBA, the success of the missions in facilitating human development was explicitly tied to south-south cooperation in foreign policy, particularly within the LAC region (Ministerio de Planificación y Desarrollo 2001, p.156). *Robinson*, for example, utilised Cuban pedagogical expertise both in building on its *Yo Sí Puedo!* (“Yes I Can!”) literacy programme and in having the mission’s local facilitators trained by Cuban educators. Most famously, *Barrio Adentro* placed Cuban doctors in primary-healthcare clinics deep within impoverished communities that had never before enjoyed access to healthcare, let alone free healthcare. In exchange,

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<sup>34</sup> It does this via the requirement of certificates of local non- or insufficient production.

<sup>35</sup> “Robinson” was the pseudonym of Bolívar’s tutor Simón Rodríguez; *Barrio Adentro* means “within the neighbourhood”; “Sucre” is named for Venezuelan liberator Antonio José de Sucre, advocate of mass education; *Identidad* means “identity” and provides ID cards necessary for interactions with the state; and *Mercal* abbreviates *Mercado de Alimentos* (“food market”).

<sup>36</sup> *Vuelvan Caras* equates to the military command “about face!”

Venezuela provided Cuba with the daily supply of 53,000 barrels of oil. This complementary exploitation of respective national strengths to enable self-sufficient development reflected Venezuela's twin foreign-policy goals of reinforcing national sovereignty by reducing (extra-regional) dependence and pushing for the creation of a Latin American bloc within a multipolar international order (Ministerio de Trabajo 2004, p.9). Aside from providing the boost in output legitimacy that Chávez needed before the recall referendum – which he won with nearly 60 per cent of the vote – this bilateral arrangement also provided the inspiration and template for ALBA's early attempts to regionalise complementarity and move towards what it would later term “a zone of shared development” (ALBA-TCP 2009a).

Although Chávez had pursued an activist foreign policy from the outset, this too became more radical in the aftermath of the oil strike. Where previously it centred on achieving an “international balance”, reinforcing national sovereignty, and promoting multipolarity, now it took on a more direct opposition to the US (Serbin 2009, pp.147–48). In August 2004 Chávez floated the idea of a regional development bank, the Bank of the South, which would perform a similar role to the World Bank only under LAC control (Montilla 2009). This proposal was enthusiastically adopted by Ecuador in particular, later becoming part of the wider New Regional Financial Architecture project from which emerged the SUCRE (chapter five, p.143). In early December 2004 Chávez successfully proposed creation of a new South American regional association comprising every independent state on the continent, including the previously isolated non-Latin countries of the north-east, Guyana and Suriname; this Community of South American Nations would go on to become UNASUR (the Union of South American Nations). Just a week later ALBA itself was launched by Venezuela and Cuba, giving life to what had previously been only a theoretical alternative to the FTAA, albeit promoted with ever more vigour and detail (see Chávez Frías 2003).

This stage coincides with the birth of ALBA as an academic concern, and early studies were not inaccurate in reading much of ALBA's character and impact off the Venezuelan model that was its clear inspiration. However, this transition phase also saw another change which scholars of ALBA have neglected, even though it has shaped the course of Venezuelan political economy ever since. Essentially, towards the end of this phase, Chávez brought in new rises in taxes on oil exports, a new role for PDVSA in funding and executing social programmes, and changes in control of oil earnings. There are two significant aspects to this: the emergence of parallel governance structures and the persistence of traditional institutions.

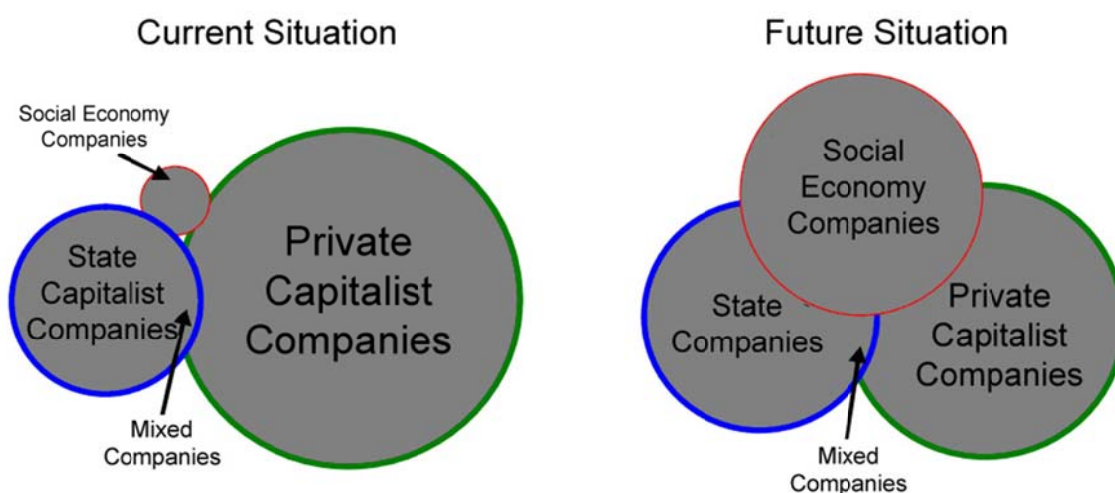
Since the *misiones* in particular had been designed to provide immediate solutions to basic social problems, they had to be funded and executed in ways that would not be obstructed by the institutional deficiencies and internal ideological conflicts that plagued the inherited bureaucracy (Monedero 2010, p.239). At the close of the oil strike in 2003, 40 per cent of PDVSA's staff – including many of the strike's orchestrators in senior management – had been removed. This left the company free of much of the internal opposition present in other ministries, with those that remained having witnessed a very graphic demonstration of the dangers of obstructionism; PDVSA was well-placed to implement radical new ideas. Reassertion of state control in 2001 had already helped to swell state coffers, but royalties and taxes were raised in 2004 and again in 2005 in order to capture a larger share of rising oil prices (PDVSA 2013, p.151); PDVSA also had the financial muscle to implement large-scale initiatives. And third, greater control of this bonanza was ensured by Chávez's installation of unassuming loyalist Rafael Ramírez as Energy Minister and by legislation that diverted a share of oil receipts to development funds at presidential discretion, such as the Venezuelan Economic and Social Development Bank (BANDES) and the National Development Fund (FONDEN). Yet, since traditional institutions already existed with their own budgets and many of the same responsibilities – illiteracy and access to higher education in the Education Ministry rather than *Misiones Robinson* and *Sucre*, for example – this amounted to establishment of parallel structures controlled by the presidency (López Maya 2010, p.207). The fact that the *misiones* were so successful both electorally and in their own terms – eradicating illiteracy and increasing university attendance threefold in the education case, for example (Wilpert 2011) – only encouraged Chávez to put this burgeoning parallel state to other uses. However, it also signified a profound split in Venezuelan political economy that would only intensify problems of centralisation, service delivery, improvisation, lax oversight, and tension with traditional institutions. As this work's investigation of specific ALBA initiatives reveals, both the sclerotic traditional institutions and the flexible parallel state come into play in ALBA, with often unintended and sometimes unsavoury consequences.

#### *Twenty-First Century Socialism (2005-2012)*

Chávez's switch to open espousal of socialism came in 2005, but his was a new "Twenty-First Century" socialism, bringing a radicalisation of endogenous development, an expansion of PDVSA-backed social programmes, more direct political and economic participation, and an even stronger push for cooperative LAC integration,

all of which is consistent with common depictions of Venezuelan political economy in the literature of ALBA.

The central aim of diversifying exports away from oil remained as urgent yet unattainable as it has been for decades, but in this phase Chávez looked to interweave political, economic, and social policies towards a truly transformative change in the structure, management, and purpose of the economy that would make human needs paramount (López Maya 2010, p.214). While the previous development plan had accommodated the private sector alongside its promotion of social-economy initiatives, here the no-holds-barred push towards a “Socialist Productive Model” looked to significantly rebalance the economic mix to the benefit of “social-production enterprises” and to the cost of the private sector (Figure 4, below). This social-economy drive saw community involvement in production and consumption processes as essential to any transformation of individualistic capitalist exchange relations, aiming to have 16 per cent of the workforce within social-production enterprises through offering preferential access to cheap credit, land, and government procurement contracts (Wilpert 2007, pp.81–82). Accordingly, there was increased support for cooperatives, whose numbers rose so quickly as to make Venezuela a world leader in the field, with 274,000 registered by mid-2009 (Azzellini 2011, p.137). Associative organisational forms were also promoted in agriculture through *Fundos Zamoranos* and through redistribution of land from *latifundios* (large estates) to small-scale producers (López Maya 2010, p.220). As chapters four to six will show, this support for development of the social economy is reflected and reinforced in the design of the TCP, the SUCRE, and to a lesser extent Petrocaribe’s barter element.



**Figure 4:** Rebalancing of the economy under Twenty-First Century Socialism via the Simón Bolívar National Project 2007-2013 (source: reproduced in translation from Presidencia de la RBV 2007, p.24).



The state also reasserted its role through nationalisation of basic services, heavy industry, and financial institutions. In 2007 the state spent over \$1bn to acquire a number of private electricity companies; \$1.3bn was paid to Verizon for the renationalisation of telecoms company CANTV; in 2008 local subsidiaries of cement multinationals Holcim, Cemex, and Lafarge were nationalised; in 2009 a key part of Venezuela's heavy industry was renationalised in the shape of SIDOR, the largest steel producer in the Andean region; and Banco de Venezuela was acquired from Spain's Banco Santander, instantly creating a nationwide network of state banks (Severo 2009, p.108). In an attempt to socialise and empower workers, many nationalised enterprises have been given over to worker self-management or to co-management with involvement of ministries (see Lander & Navarette 2007, p.31). This is consistent with the idea common in the literature of ALBA that the Venezuelan state is re-establishing control over the commanding heights of the economy in order to protect consumers and reinforce transformative, participative, social-economy initiatives.

Social policy continued to be dominated by the *misiones*, whose range and depth had grown dramatically by 2007 via a tripling of their funding (particularly from PDVSA), amounting to some 25 per cent of public spending (Aponte Blank 2010, p.52). *Barrio Adentro* in particular moved into its second and third incarnations with the creation of large health centres (Integral Diagnostic Centres) that required more advanced facilities and equipment to treat serious illnesses. Roving eye clinics and dental surgeries were added under the banners *Milagro* ("miracle") and *Sonrisa* ("smile") respectively. The *Mercal* distribution network grew to include larger *Supermercado* branches, and was complemented by addition of *Bicentenario* ("bicentenary") outlets nationalised from the French chain Casino.<sup>37</sup> *Mercal* even moved into providing subsidised white goods from Venezuela's friends abroad through the *Mi Casa Bien Equipada* programme ("my well-equipped house"). With *Misión Robinson* having effectively eliminated illiteracy, *Misión Ribas* set about ensuring all adults had achieved secondary-equivalent education.<sup>38</sup> *Misiones Habitat* ("habitat") and later *Vivienda* ("housing") saw massive state investment in social housing, while *Madres del Barrio* ("neighbourhood mothers") and *Amor Mayor* ("greater love") provided new transfer benefits for poor housewives and the elderly.

This intensification of social programmes has been accompanied and complemented by political reforms, most importantly the establishment of a new form

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<sup>37</sup> The bicentenary in question is of independence from Spain.

<sup>38</sup> José Félix Ribas was a Venezuelan general and independence hero.

of local government, the communal council. These bodies, made up of citizens, community organisations, and social movements in groups of up to 400 families, are charged with planning, implementing, and monitoring community projects (Goldfrank 2011, pp.43–44). By late 2010 there were over 20,000 such councils, receiving \$2.3bn in funding from central government alone, as well as further funding from federal and municipal governments. Not only do these bodies carry out or sub-contract thousands of community projects (Ellner 2009), they also intersect with the social economy in their partial role as Communal Banks, trainers to workers within state enterprises, administrators of social missions (Azzellini 2011, p.141), and even “social auditors” with the power to force inspections of institutions suspected of corruption or incompetence (Wilpert 2007, pp.61–62).

In the international arena, Chávez’s earlier moves to strengthen LAC integration through the Bank of the South, the Community of South American Nations, and ALBA were extended to the entire Caribbean with the introduction in June 2005 of Petrocaribe (see chapter six), which partially insulated the region’s energy-dependent states region from skyrocketing oil prices. These initiatives helped to weaken the sense of inevitability surrounding the FTAA process, which finally ran aground in December 2005 at Mar del Plata owing to opposition from Venezuela, Argentina, Brazil, Uruguay, and Paraguay (Deblock & Turcotte 2007). When in 2006 the US agreed bilateral FTAs with Colombia and Peru, preventing completion of the Andean Community customs union in which Venezuela also participated, Venezuela signalled its rejection of foreign interference in LAC affairs by withdrawing from CAN; it was the resulting expiry of CAN trade rules five years later in April 2011 that necessitated negotiations towards a new trade agreement within ALBA’s TCP framework (see chapter four). Three months later in July 2006, Venezuela began the process of becoming a full member of the LAC region’s largest regional bloc, Mercosur, reinforcing at the same time its relations with Mercosur’s member-states by purchasing government bonds from Argentina and proposing transnational infrastructure projects such as the Southern Gas Pipeline, which was to stretch from Venezuela to Argentina via Brazil.<sup>39</sup> The push to replace external dependency with LAC interdependence continued with Venezuela’s early payment of its remaining obligations to the IMF and World Bank. Finance Minister Rodrigo Cabezas dismissed the two as a “manifestation of savage capitalism ... dominated by US hawks”, reiterating Venezuela’s desire to replace them with local equivalents like the Bank of the South “in order to maintain our wealth and use the region’s financial

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<sup>39</sup> The *Gasoducto del Sur* ultimately failed to materialise.

resources for [the region's] own development” (El Tiempo 2007). The development-bank proposal was soon complemented by Chávez's demand in 2008 for a new virtual currency for regional trade, the Unified Regional Compensation System (SUCRE; see chapter five). With the help of a special Ecuadorian presidential commission (chapter five, p.129), the SUCRE began to operate just a year later in 2009, becoming an integral part of ALBA. The same trend away from existing institutions and towards specifically LAC-bound alternatives continued in 2011 with the Chávez-led push for creation of the Community of Latin American and Caribbean States (CELAC), whose remit mirrored that of the OAS only with the US and Canada excluded and Cuba pointedly included. As claimed within the literature and echoed in later chapters' analyses of their intended effects, ALBA's core economic initiatives are designed to reinforce this dual push for multipolarity and increased autonomy for LAC states.

*Twenty-First Century Socialism Undermined: Contradictions and “Unimplementation”*

Yet, over time scholars focusing on Venezuela have increasingly acknowledged that the declared means and ends of Twenty-First Century Socialism are at significant variance from the reality of Venezuelan political economy. This recognition has not filtered through into accounts of ALBA, however, which continue to focus more on revolutionary discourse than on the complex tapestry of continuity and change that country specialists observe in practice. As a result, accounts of ALBA tend to overlook the regionalisation of tensions, contradictions, and continuities in Venezuelan development. Given Venezuela's political, economic, and geographic centrality to ALBA, this creates a sizeable blind spot in the literature. Essentially, while the basic ideas of endogenous development and reasserted autonomy are pursued, the former in particular has not been achieved. This is especially true of the input and output legitimacy expected to derive from socialisation of the economy and more direct participation in democracy. Both have been deficient, the economy remaining decidedly capitalist and governance remaining centralised and top-down. Since a wider social transformation was predicated particularly on these two changes, their failure to materialise has meant a continuation of many of the worst practices of the pre-Chávez era. Indeed, a severe lack of control mechanisms has allowed short-termism, improvisation, opacity, and corruption to prosper, these longstanding problems thereby also undermining the materially transformative aspect of Twenty-First Century Socialism and the output legitimacy associated with it.

First, the central economic aim of diversifying away from oil by strengthening the role of the social economy and the state has not been realised. Despite massive investment in the associative sector and a numerous nationalisations, the basic structure of the Venezuelan economy has barely changed since 1998, and even that change has not accorded with national development plans. Where the social economy was to partially displace the private, with the help of a resurgent state (Presidencia de la RBV 2007, p.24), in reality by 2009 the social economy had grown by only one percentage point from 0.5 per cent of GDP to 1.6 per cent (Álvarez R. 2009, pp.254–55). This does represent a tripling in size, admittedly, but any social or economic impact is surely far from transformative. The state’s role, meanwhile, declined from 35 to 29 per cent of GDP, whereas that of the private sector grew from 65 to 69 per cent. As one of the architects of the social-economy drive, Victor Álvarez, laments:

...official data reveal that, far from shrinking, the weight of the private sector in GDP has instead increased. Its share continues to be the major one, thereby defining the capitalist nature of the current Venezuelan productive model.  
(Álvarez R. 2009, p.250)

Looking more closely at the associative and state sectors, the reasons for this unrealised revolution are clear. Cooperatives in particular have failed to flourish despite being a central plank of this development strategy. As usual where information on Venezuelan public spending is concerned, clear data are hard to come by, but the Popular Economy Ministry’s outlay of around \$1 billion from 2004 to 2006 (Piñeiro 2009, p.847) gives some indication of the sums involved. Yet by 2010, of the roughly 310,000 cooperatives established as of 2001, only 40,000 (13 per cent) remained in operation, with nearly 270,000 having ceased to exist (PROVEA 2011, p.43). There is little reason to believe that massive public financing highlighted by López Maya (2010, p.220) was ever recovered. On the contrary, Venezuela-based scholar Steve Ellner reveals that most of the cooperatives were made up of the minimum five (often blood-related) members required to secure funding, whereas others were private companies moonlighting as cooperatives simply to secure contracts, concessionary financing, and tax breaks (Ellner 2011b, p.430). Further, *within* many cooperatives, work practices were no better than in the private sector, with workers contracted outside of labour law or any collectivist protection (Ellner 2008, p.157), which squares with Camila Piñeiro’s finding that “many Venezuelan cooperatives have prioritized maximizing their net revenue (i.e. their individual and collective benefits) over social

interests such as including more members to decrease unemployment, and selling their production locally at lower prices” (2009, p.855). There are exceptions, of course, but even a staunch supporter like former Minister of Basic Industries Victor Álvarez bitterly concludes that Venezuela’s social economy has “a flat tyre and no spare” (quoted in García 2010).<sup>40</sup>

Nationalisation, meanwhile, has long since descended from the commanding heights of the economy and into areas as diverse as household coffee brands (Fama de América), agricultural wholesalers (Agroisleña), airlines (Aeropostal), and even hotels (the Caracas Hilton having become the Hotel ALBA, no less). The notion of “strategic industries” has been lost (I.16), and nationalisation has instead become a threat with which to discipline business interests opposed to the Chávez government and frequently accused of provoking shortages through hoarding and underproduction. Here too the participative, transformative gains from nationalisation have also failed to materialise:

Rather than a process in which workers have been transforming themselves in production through self-management, they have been dominated from the top ... demoraliz[ing] militant workers [and] confining them to the adversarial role that they play in capitalism.

(Lebowitz 2007)

As in the social economy, there are also doubts about the efficiency and propriety of many state companies, with massive amounts of public money being invested but no marked improvement in their output. The case in point here is the state steel giant SIDOR, nationalised in 2008.<sup>41</sup> Immediately prior to nationalisation, it produced a record annual 4.2 million tonnes of liquid steel, but by 2012 this figure was hovering around 2 million (Ramírez Cabello & León 2013), and this despite investment worth billions of dollars (Vivas Medina 2011).<sup>42</sup> The main reason has been an intractable labour conflict between supporters of worker self-management and pro-PSUV loyalists who place the government’s political and economic needs before those of the workers *per se* (Ellner 2013b, pp.70–73); the conflict remained unresolved in 2013, with regular walkouts resulting in multimillion-dollar losses. Furthermore, there have been serious cases of corruption in its subcontracting and sales practices, most

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<sup>40</sup> The Cuban economy is often conflicted in similar ways, albeit the change coming in the opposite direction, towards the introduction of market mechanisms (see Morin Aguado 2012).

<sup>41</sup> It is impossible to ascertain the true performance of most state enterprises. Where official sources report success, private media report failure. SIDOR is a partial exception because of the high level of scrutiny implied by its importance to the economy both as a producer and as an employer. Other state industries such as Inveval (valves), Invepal (paper), and Alcasa (aluminium) have had similar problems.

<sup>42</sup> 2010 was slightly lower than 2 million, 2011 slightly higher, and 2012 slightly lower again. Production was affected by electricity rationing in 2010, but not thereafter.

gravely the trafficking of steel rods (*cabillas*) essential to construction. These were being provided at low cost to the massive housebuilding programme *Gran Misión Vivienda* – the centrepiece of Chávez’s social policy at the time – but then being smuggled into Colombia to be sold at black-market prices (Ellner 2013b, p.70). An “Iron Cartel” along similar lines also emerged, with the perverse addition of a military anti-corruption official extorting money in exchange for exclusion from his reports (Rangel Jiménez 2013). These are just two notorious examples, however, of the kinds of corruption scandals that crop up with gloomy regularity in Venezuela. Far from being a matter of purely private-sector vice, increased state involvement has meant only that a new elite – dubbed the “Bolibourgeoisie” (Bolivarian bourgeoisie) – has been drawn into a state-private nexus of corruption that predates Chávez by decades (see Coronil 1997; Karl 1999).

One solution to such problems has been the passing on of supervisory responsibility to participatory democratic institutions such as communal councils, but this too has proved ineffective. For example, after various foreign cement companies were nationalised to reinforce the government’s housebuilding drive, partial control of supply was given over to communal councils. However, diversion of subsidised materials into the black market and smuggling into Colombia have been so severe as to mean, according to Industry Minister Ricardo Menéndez, that internal demand can no longer be met, which only reinforces the incentive of black-market prices (AVN 2013b). This is far from an isolated example. Surveys of council members show a large majority agreeing that these institutions suffer from both corruption and “financial disarray”, an ill attributed in Benjamin Goldfrank’s even-handed analysis to a lack of transparency or clear rules on financing (2011, p.52). Although quantitatively speaking participation has been impressive, Goldfrank concludes that while “there is no clear evidence that communal councils in Venezuela threaten democracy ... the problems exposed suggest that neither do they do much to deepen it” (p.53).

Though massive improvements in social indicators mean that the overall impact of the missions is not in doubt, with time even their efficacy and standing has been degraded by similar problems. The most notorious example is undoubtedly the “PDVAL Case”, wherein this major food-distribution subsidiary of PDVSA was found to have allowed over 130,000 tons of imported food to rot portside, rather than duly distributing these goods at low prices via the *Mercal* network (Loaiza Figueroa 2011). Another flagship social programme, *Barrio Adentro*, also suffered serious problems in sustaining its initial success, with Chávez admitting in 2009 that 2000 of its primary-

healthcare clinics had been abandoned (El Nacional 2009; Maldonado Lira 2009). Worse, as Carlos Aponte Blank notes in his thorough analysis of mission financing:

...in 2006 and 2007 at the point at which spending on the *misiones* grew so markedly, the coverage of many of them tended to recede. ... Amidst the massive spending there could be a large proportion of diversion of funds through embezzlement or corruption. This risk is compounded by the weak institutional control to which these initiatives are subject.

(Aponte Blank 2010, p.53)

Essentially, the early “unqualified success” (Monedero 2010, p.240) of the missions, initially unburdened by the bureaucratic failings of traditional institutions, soon had to be qualified. Indeed, deprived even of the admittedly dysfunctional monitoring of traditional institutions, many missions were “barely in sync with themselves” and certainly not with existing public services, leading to friction and inefficiency in the longer term (Burchardt 2012, p.91).

Widespread inefficiency, waste, and corruption not only reduce the functional impact of endogenous-development reforms, they also represent an acute haemorrhaging of the resources required for the state to meet its ever-expanding commitments both at home and abroad. But even the foreign-exchange commission itself (CADIVI), created to prevent such haemorrhaging via capital flight, has been abused as a means of appropriating state resources through currency arbitrage. Individuals engage in a practice known locally as “[credit] card scraping” (*raspando tarjetas [de crédito]*) whereby they apply to CADIVI for dollars at the fixed exchange rate for use on fake foreign trips, only to swap them for Bolivars on the parallel currency market which satisfies demand unmet by the bureaucratic CADIVI (Correo del Orinoco 2013b). Since this process requires capital to purchase dollars and fake journeys, it is inherently favourable to the wealthy rather than the government’s poorer core supporters, counteracting the government’s redistributive policies.<sup>43</sup> Businesses can also take part on an even larger scale, presenting CADIVI with import contracts for fictitious products. As President Maduro acknowledges, “there are people that request dollars to bring 100 cars into the country and they end up bringing 20, which they then sell at three times the [regulated] price” (Correo del Orinoco 2013a). Worse still, the massive demand for government-rate dollars combines with the discretionary nature of CADIVI approval to create corruption within CADIVI itself, since its staff hold the key

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<sup>43</sup> This is not to say that the poor do not take part. On the contrary, this is common practice for anyone who *can* take part. My point is only that the wealthy can always take part and have the most to gain, thereby undermining the wider push towards redistribution towards the worst-off.

to this process, which is as lucrative for participants as it is costly for the state. This problem is compounded by contraband fuel sales. At the Brazilian and especially Colombian borders the filling-station queues stretch for miles, this trade amounting to a Venezuelan subsidy to development in neighbouring countries (Hidalgo López 2013). Alongside the ever-expanding financial commitments of the state – and especially of the parallel state centred on PDVSA – this unrelenting bleed of state resources has led to serious cash-flow problems, particularly when oil prices have stuttered (Cruz 2013). The fact that Chávez’s international diplomacy initiatives – including Petrocaribe – also rely on PDVSA-derived foreign-exchange has allowed opposition politicians to promote the idea that the government is “giving away the oil” abroad despite local need.<sup>44</sup> Since so many public services remain uninstitutionalised and have no clearly defined funding sources – particularly in the off-budget parallel state – cash-flow problems can affect their provision, whereas the lack of foreign exchange for imports leads to shortages of basic products. This shows how longstanding problems of state incapacity and widespread corruption in Venezuelan political economy can subvert reforms designed to favour endogenous development. Rather than creating control mechanisms to address these issues, Chávez has tried to sidestep them by increasing the role of the parallel state under his direct control. But ultimately these inherited features of Venezuelan political economy have undermined his novel development model, with this lack of control legitimacy weakening delivery of the public services which have been crucial to his government’s output legitimacy.

This brief examination of the problems of the Bolivarian Revolution cannot but be incomplete, but it serves nonetheless to demonstrate that even for its sympathisers, “after more than a decade of Chávez’s rule, the widening gap between the regime’s claims and its accomplishments has become increasingly visible and onerous” (Coronil 2011, p.39). This divergence and the many noxious continuities evident in Bolivarian Venezuela are all but ignored in the literature of ALBA, which tends to see ALBA purely as an extension of Venezuela’s model of endogenous development. Yet, later chapters will reveal that the same incapacity, lack of control, and hybridity undermines the TCP and SUCRE in particular, while Chávez’s attempts to sidestep them using parallel governance structures both enable and jeopardise Petrocaribe’s remarkable impact.

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<sup>44</sup> “*Regalando el petróleo*” is an established phrase in Venezuelan politics and a common line of attack for opponents of Chávez’s PSUV.



## **Ecuador: Endogenous Development over Twenty-First Century Socialism**

Dominant though Venezuela undoubtedly is in ALBA, it is not solely responsible for its success and failures. Rather, ALBA's progress is often underpinned by overlaps in development strategies, particularly in terms of endogenous development, reasserted autonomy, and new sources of legitimacy. Yet, with Ecuador under Rafael Correa (as of 2007) usually grouped with Venezuela and/or Bolivia as a prime example of the region's left turn (see, for example, Robinson 2008; Escobar 2010; Ellner 2011a), these overlaps can easily be overstated. In reality there are also significant differences in Ecuadorian political economy that both strengthen and weaken individual ALBA initiatives.

### *Correa's Citizens' Revolution*

Correa's election in 2007 does bear some striking resemblances to the context from which Hugo Chávez emerged nearly a decade earlier. As in Venezuela there was widespread discontent and social upheaval relating to the neoliberal policies of his predecessors; his rise relied on the mobilisation of previously marginalised sectors of the population; and his most significant move upon election was to push for a constituent assembly that would serve as an anchor to his development strategies. But the key difference between Ecuador and Venezuela is that Correa's "Citizens' Revolution" did not undergo a profound radicalisation comparable to the shift towards Twenty-First Century Socialism in Venezuela. Gustavo Larrea, one of the founders of Correa's *Alianza PAIS* ("Countrywide Alliance")<sup>45</sup> movement proclaimed during the constituent assembly that "the constitution that we propose is not going to label the country socialist by a long shot" (quoted in Lucas 2007), and this has proved prescient. For where Chávez's Venezuela moved to create new institutions through which to implement its revolution, Correa's focus has been on reinvigorating existing institutions and improving their performance. Given what we have seen about the performance of public services and implementation of development strategies in Venezuela, the potential significance of this difference is clear.

In Ecuador the tone was set by national development plans formulated in the wake of Correa's election in 2006 and following conclusion of constitutional assembly in 2008 (SENPLADES 2007; 2009). These plans served to reorientate development

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<sup>45</sup> Literally "Country Alliance", with the *PAIS* acronym signifying "Proud and Sovereign Fatherland" (*Patria Altiva i Soberana*).

away from the interests of major agricultural exporters and towards the internal market, producers, and especially the wellbeing and human capital of citizens. The similarities with Venezuela are clear enough from the fact that its eight “strategies of change” prominently include internal development, sovereign international relations, productive diversification, and economic democratisation with social protagonism (SENPLADES 2007, pp.6–7). Yet, even at this early stage, there was also an acknowledgement that in order for this shift to be successful it had to be accompanied by the recuperation of the state’s “effective capacities of planning, regulation, and administration” (SENPLADES 2007, p.6), which had been lost during what Correa routinely terms “the long and miserable night of neoliberalism”.

Thus, when Correa like Chávez moved to bolster state revenues by increasing its share of oil profits (from 50 to 70 per cent), he also reinforced the new royalty regime by seizing extracted oil in lieu of debts owed by non-compliant multinationals (Tockman 2010, p.4; Acosta 2009a, p.10). This was complemented by a significant beefing-up of the inland revenue, the two changes combining to double tax revenues between 2006 and 2010 (Ponce & Acosta 2010, p.2). Although the economy’s reliance on oil exports was less acute in Ecuador than in Venezuela, Correa’s officials at the National Planning and Development Secretariat (SENPLADES) were conscious of a process of ongoing “reprimarization” whereby the value of non-oil exports in the current-account balance was falling just as the weight of the petroleum sector increased (SENPLADES 2009, p.93). In an attempt to reverse this trend and restructure the economy towards industries with greater value-added and more skilled employment, the government developed the “Endogenous and Sustainable National Strategy for *Buen Vivir*”,<sup>46</sup> which foresaw a four-phase transition towards the long-term goal of a “knowledge economy” (SENPLADES 2009, pp.93–98). The first phase, which reflects Correa’s focus since taking office, would tackle basic necessities not only through investment in social policy but also through focusing on sectors that generate and sustain employment such as SMEs and especially the social economy,<sup>47</sup> considered “in this era of solidarity, reciprocity, and cooperation ... the main tool for incorporating redistribution into the very process of wealth generation” (SENPLADES 2009, p.95).

SMEs are seen as key not because of their contribution to growth, which is eclipsed by that of major agro-exporters, but because of their contribution to

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<sup>46</sup> *Buen Vivir* is the Spanish translation of the indigenous Quichua concept of *Sumak Kawsay*, a holistic vision of social and environmental wellbeing analogous to Bolivia’s *Vivir Bien*.

<sup>47</sup> This is usually referred to as the “solidarity economy” in Ecuador.

employment and their tendency to use national rather than imported inputs, both factors complementing the government's drive towards endogenous development. At the smaller end of the scale, microenterprises are even more critical to human and social development, since the vast majority exist to provide subsistence to families. The government has tried to channel resources to these sectors particularly by aiming to dedicate 45 per cent of procurement contracts to national industries, with a disproportionate share going to SMEs (Vázquez S. & Saltos Galarza 2010, pp.248–50).

Yet, as in Venezuela the clearest priority in Ecuador is the social economy, which has been bolstered by the creation of a raft of new institutions that provide training and promotion – such as National Institute for Popular and Solidarity Economy (IEPS) and the Directorate of Inclusive Commerce – to promote the export capacity of the popular and solidarity economy (EPS). At the same time, a new body of law defines and regulates the role and control of this sector (Ministerio de Coordinación de Desarrollo Social 2011), whereas the Superintendence of the Popular and Social Economy monitors the financial cooperatives and credit unions that fund much of this sector's activity. Between 2007 and 2012 the IEPS provided nearly \$600 million of cheap credit to the social economy, whereas booming participation in cooperative financial institutions saw this sector constituting 15 per cent of domestic financing by 2013 (ANDES 2013; Revista Lideres 2013a). Apart from providing capital to increase productive capacity, this is also a means of tackling stubbornly high levels of rural poverty, particularly amongst indigenous groups for whom private banking is often geographically and culturally distant (ANDES 2013; Revista Lideres 2013b). This concern for the social economy will be shown to inform Ecuador's interactions with Venezuela in development of both the SUCRE and a new Trade Agreement for Development (ACD) compatible with the TCP.

As for Chávez in Venezuela, for Correa human development had to be underpinned by social protection for marginalised groups that were also vital to electoral success. Accordingly, progress in this area since inauguration in 2007 has been significant. By 2010, social spending had risen to 9.5 per cent of GDP, compared to 4.8 per cent in 2006, whereas poverty fell by 9 percentage points (to 29 per cent) and income inequality by 7 points to 47 (Ray & Kozameh 2012, pp.13, 15). Unlike in Venezuela, however, social policy in Ecuador was implemented by reforms to existing institutions rather than through new mechanisms like the missions. The most significant has been the Human Development Bond, a conditional cash transfer (CCT) programme for the poorest 40 per cent, with particular attention to mothers, the elderly, and the

disabled. Correa oversaw numerous increases in the value of the transfer and launched a drive to increase participation, doubling the government's funding of the programme and taking it to a fifth of the voting-age population by 2011 (Acosta 2009a, p.68; Ray & Kozameh 2012, p.16). Since the condition of this CCT is school attendance, it also reinforced Correa's second major social-policy drive, towards universalisation of primary education, achievement of a 75 per cent graduation rate at secondary level, and elimination of illiteracy (Luna Tamayo & Astorga 2011, p.303). Poverty and education were also targeted together by the passage from parents to the state of responsibility for provision of school books, meals, and uniforms (often sourced from the social economy), as well as by banning the common practice of charging unofficial fees (Ministerio de Educación 2009). At the same time, the government extended grants and cheap mortgages to the poorest through its Housing Bond programme, which not only doubled (compared to 2007) the level of housing credit available in Ecuador, but also served as an expansionary stimulus to this dollarised economy during the global financial crisis. Social policy has been complemented by changes in the labour market, where between 2007 and 2012 unemployment fell from 7.5 to 4.9 per cent and underemployment from 52.6 to 43.5 per cent. Subscription rates for the traditional social-security system rose also from 30 to 40 per cent of the labour force, though this was complemented by an innovative living-wage scheme applied proportionally to companies' profits (Ray & Kozameh 2012, p.14). Overall, real incomes have increased significantly under Correa, with the family average rising for the first time in decades above the cost of the government's "basic basket" of essential goods and services (Acosta 2009a, p.34). There have been conflicts, particularly over quality-assurance evaluations in education, but since Correa has tended to work with and within existing institutions, internal opposition has been far weaker than in Venezuela.

Ecuador also shares Venezuela's central foreign-policy aim of reasserting national autonomy, in part by promoting multipolarity and reinforcing regional integration (Asamblea Constituyente 2008, Article 416). The flipside of this is the reduced risk of endogenous-development strategies being jeopardised by extra-regional events and interventions. At its most prosaic this is evident in a willingness to defend domestic industry and selectively substitute some imports by methods – increased subsidies, tariffs, and safeguards – that might have been considered unthinkable protectionism twenty years ago (SENPLADES 2009, p.109). More eye-catching indications of this reassertion include closure of the large US military base at Manta soon after Correa's accession (Falconí 2010, pp.86–91), establishment of an

international panel which cleared a third of Ecuadorian foreign debt by questioning its legality (Weisbrot & Sandoval 2009, p.17), and protracted battles with multinational oil companies in various domestic and international forums over contracts and environmental damage (Acosta 2009b).<sup>48</sup> This change has been so radical that when the international institutions have favoured external actors, the institutions themselves have been renounced, as with the World Bank's International Centre for Settlement of Investment Disputes (after it found in favour of Chevron) and various BITs whose resort to extra-regional arbitration was incompatible with the new constitution (Asamblea Constituyente 2008, Article 422).<sup>49</sup>

Particularly important here is Ecuador's rejection of bilateral north-south trade deals seen as injurious to efforts to deepen LAC integration. While Colombia and Peru signed FTAs with the US, thereby ending any hope of completing the Andean Community's customs union, such a move would have contradicted of Ecuadorian development plans, which demanded that agreements be signed with subregional groupings or not at all (SENPLADES 2007, p.317, Strategy 5.5.2). Fander Falconí, who has headed either SENPLADES or the Foreign Affairs Ministry during virtually all of Correa's presidency, explained that FTAs "consolidate structures of unequal exchange, establish an unfair international division of labour, exclude very significant productive sectors, prey on nature, and also destroy integration processes" (Editorial 2009). Ecuador's proposal of a broader agreement with elements of political dialogue and cooperation to reduce asymmetries was ultimately rejected, but it did inform the TCP-compliant Trade Agreement for Development (ACD) model that Ecuador and Venezuela would later attempt to employ in replacing expiring CAN trade rules with an ALBA-compatible agreement (see chapter four). Indeed, Ecuador under Correa – like Venezuela under Chávez – became an avid promoter of new intra-regional institutions that would give LAC greater control over its own destiny. It was an Ecuadorian presidential commission which fleshed out Chávez's proposal for a regional virtual currency later adopted within ALBA (the SUCRE; chapter five), and the same team was also heavily involved in conceptualising and publicising the Bank of the South initiative. Most importantly, however, they took these two initiatives and supplemented them with a proposed Common Reserves Fund of the South to propose an overarching New Regional Financial Architecture (NRFA). Essentially, the NRFA mimicked the functions of major multilateral institutions – the IMF, World Bank, and Keynes'

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<sup>48</sup> Occidental (Oxy) and Chevron (relating to activities of its subsidiary Texaco).

<sup>49</sup> By 2013 Ecuador had withdrawn or was slated to withdraw from 15 BITs.

unimplemented “Bancor” currency – only bringing these functions under LAC control (Páez Pérez 2010; Rosales et al. 2011).<sup>50</sup> This substantiates the shared concern for LAC autonomy commonly held to motivate ALBA, whereas later chapters on the TCP and SUCRE also highlight the role of this synergy in the design of these initiatives.

Despite these significant changes in direction, however, many aspects of Ecuador’s pre-Correa political economy persist. Unlike in Venezuela, resort to nationalisation has been limited; existing regional and international trade commitments have been maintained; and inherited institutions have been reformed and revamped rather than replaced. While this might draw the ire of maximalist elements within Correa’s movement – not to mention in academia (Petras 2010, for example) – it has averted many of the problems dogging implementation of Chávez’s Twenty-First Century Socialism in Venezuela.<sup>51</sup> Essentially, although Correa’s reforms have targeted the marginalised sectors that are the crux of both his endogenous development model and his electoral support, they have done so without openly attacking the interests of existing elites. Although business leaders in Ecuador’s traditional big seven export industries would have liked to see FTAs with the US and the EU,<sup>52</sup> neither of which was forthcoming, their existence is not seriously threatened by prioritisation of SMEs and the social economy. And where their interests have been directly threatened, as when the US withdrew its Andean Trade Promotion and Drug Eradication Act (ATPDEA) preference regime, Correa’s government has provided support, in this case by dampening losses arising from tariff changes (Hoy 2011).<sup>53</sup> Ecuador remains a member of the WTO and CAN, the frameworks within which most of its trade is regulated, and despite adherence to ALBA and activism on UNASUR it also retains an active interest in Mercosur, an option more palatable to economic elites.

Yet, as in Venezuela there is internal opposition from those linked to economic elites or of a different ideological stripe. Here the Planning Secretariat (SENPLADES) and more radical elements of the Foreign Affairs Ministry make up one faction, labouring to reorient industrial and trade policy towards the interests of the poor. The second faction consists of the Coordinating Ministry of Production, Employment, and Competitiveness (MCPEC), linked to agricultural elites, and the more traditional wing

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<sup>50</sup> The proposal also suggests a LAC body resembling the International Centre for Settlement of Investment Disputes, but this aspect is less central.

<sup>51</sup> This is not to assume that there existed a middle ground acceptable to the Venezuelan opposition; on the contrary, Chávez’s early years could be seen as an attempt precisely to find this middle ground, but this moderation met only with anti-democratic interventions like the 2002 coup and the 2002-03 oil strike.

<sup>52</sup> Oil, bananas, shrimp, flowers, coffee, cacao, fish, constituting around 85 per cent of exports.

<sup>53</sup> ATPDEA compensation was phased out once ATPDEA was renewed. It was revived in 2013, however, when Ecuador withdrew from ATPDEA following US threats vis-à-vis Edward Snowden.

of the Ministry of Foreign Affairs, considered “a conservative stronghold” and historically unafraid to obstruct policies issuing from the executive (Acosta 2009a, p.95). As noted above, tensions between the two have been allayed by provision of benefits to both, but ultimate control over trade policy has been invested in the Minister of Production, as it is this position that controls the body with the final say over trade policy, the Foreign Trade Committee (COMEX). This is indicative of the relative caution of Ecuador’s “Citizen’s Revolution”, where changes in participation have been relatively limited (Tockman 2010, pp.13–15). Where the Chávez government relied on a mix of input and output legitimacy, in Ecuador the focus has been output legitimacy bolstered by control legitimacy: as one activist put it, “if someone sells you bubblegum on the streets, [Correa] wants to make sure that taxes are paid and that you get a receipt” (in Denvir 2008). Thus, while Correa’s reforms have not been so radical or directly transformative as those in Venezuela, they have been executed relatively successfully, with tensions diffused by provision of benefits to various sectors of society. This successful implementation has meant that Correa’s reforms are electorally secure in the short term (given approval ratings of 80 per cent) and institutionally secure in the medium term given their basis in established branches of the state. The same concern for implementation and broad output legitimacy plays into Ecuador’s role in the TCP and SUCRE, but so too do tensions between the more radical and conservative elements within his administration.

By simply grouping Ecuador with Bolivia and Venezuela as a relatively radical New-Left state, the ALBA literature overlooks any possible role for these nuances of Ecuadorian political economy. Yet, as in the case of Venezuela, the details of this more comprehensive picture prove to be crucial to understanding ALBA.

### **The Anglophone ALBA: Punctuated Pragmatism**

As noted in chapter two’s review of the ALBA literature, there has been precious little analysis of any influence from or impact upon ALBA’s three Anglophone Caribbean members, Dominica, St Vincent and the Grenadines, and Antigua and Barbuda. Where they have been considered, this has tended to be from the perspective of Venezuela (Jácome 2011) or the US (Kozloff 2008). And even the sole significant exception, the scrupulous work of Norman Girvan (2008; 2010; 2011a), relies to a great extent on a combination of ALBA pronouncements and official local accounts of Caribbean member-states’ involvement which are sourced at a distance. The most common trope here is that Anglophone Caribbean membership represents the mutual interests, first, of

a Venezuelan government eager to expand its geopolitical influence (Arriagada Herrera 2005, p.12) and, second, of small island states in desperate need of funds with which to finance their own development strategies (Sanders 2007). Yet, even accounts that take this tack admit that there is “no clear ‘quid pro quo’ for Venezuela” (Sanders 2007, p.473), suggesting that this understanding is not entirely watertight. Our analysis reveals that although the political economy of Anglophone members bears little resemblance to that of their larger Latin neighbours – given their smallness this could hardly be otherwise – there are shared tendencies towards “people-centred development” that are expressed when these states can quite literally afford to express them. Thus, while it is true that Anglophone ALBA states’ foreign policy is driven primarily by a need to secure resources with which to stabilise their own economies, there is also an ideological aspect to their membership of ALBA. As chapter six will demonstrate, ALBA’s Petrocaribe initiative in particular underwrites expression of this shared ideological commitment to human development, whilst also favouring the autonomy of the Caribbean region as a whole.

#### *Internal Crises and External Constraints*

To a far greater degree than in Venezuela or Ecuador, the nature of development in Dominica, St Vincent and the Grenadines, and Antigua and Barbuda is defined more by structural constraints than by the political choices of incumbent governments. As is now widely accepted in academic and in policy circles (Briguglio 1995; Commonwealth Secretariat & World Bank 2000), their status as small island developing states (SIDS) implies a peculiar vulnerability to external conditions and crises, as well as a broad set of limitations on internal development relating to smallness (not least of internal markets, capital bases, and firms).

In the early 2000s this acute external exposure resulted in outright fiscal crises in Dominica and Antigua, whereas St Vincent only narrowly avoided the same fate. For Dominica and St Vincent this owed to the phasing out of a preferential regime for banana exports to the EU following a successful challenge at the WTO by US and Latin American competitors. The fiscal crisis in Antigua, meanwhile, was triggered by the veritable War on Tourism that followed the 9/11 attacks and by a US ban on online gambling which destroyed Antigua’s burgeoning offshore-gaming industry (IMF 2006, pp.5, 20). As a result of these crises, both Dominica and Antigua have had to seek assistance from the IMF, and their development planning has ever since been subject to appreciable constraints such as GDP-relative limits on public debt, the public wage bill,



and the primary balance (see Payne 2008 on Dominica, for example). Although St Vincent did not seek IMF assistance, its reliance on foreign direct investment to inject capital into the local economy and on financial markets to fund deficits has meant that it too has had to commit to a market-friendly orthodoxy of fiscal discipline and primary surpluses. As a result of these contextual factors, the first priority of development planning – Dominica’s Growth and Social Protection Strategy documents (Commonwealth of Dominica 2006; 2012), Antigua’s National Economic and Social Transformation Programme (Lovell 2011, pp.38–44), and St Vincent’s periodic Medium Term Economic Strategy Papers (Central Planning Division 2007; 2010) – is necessarily fiscal sustainability. This has minimised the financial resources and policy space available to Roosevelt Skerrit (Dominica), Baldwin Spencer (Antigua), and Ralph Gonsalves (St Vincent), precluding any turn towards endogenous-development of the like seen in Venezuela or Ecuador.

On the whole, the constraints acting upon Anglophone ALBA members have rendered coherent models a luxury beyond their means. This has ushered in a new pragmatism that recognises the limits on available development strategies while seeking to capitalise on opportunities to counteract them. As Vincentian Prime Minister Ralph Gonsalves reveals, in this context of vulnerability much economic policymaking is reactive:

The state can’t retreat; it has been a force for good in this country. But sometimes it may take a less prominent position in the economy. In other cases the state will take a greater role ... we will take a tactical stance depending on the situation.

(I.68)

Accordingly, we find Gonsalves’ government privatising state companies like St Vincent’s National Commercial Bank as well as Food City supermarkets that were once used to moderate food prices just as Venezuela’s state-run *Mercal* shops do. Yet, at the same time Gonsalves defends deliberate deficit spending and use of the Public Sector Investment Programme as counter-cyclical measures in the wake of the financial crisis, whilst the state has also actively – if unsuccessfully – promoted alternatives to the declining banana industry, such as arrowroot, offshore banking, and tourism (Central Planning Division 2002; 2007; 2010). Likewise in Dominica Skerrit has not questioned his predecessor’s privatisations of the state banana company, ending of price controls, or regressive tax increases. But there too it is the state that actively seeks to offset losses in the banana industry through crop diversification, promotion of fisheries, and

by carving out a niche as “The Nature Isle”, an alternative eco-tourism destination set against the usual Caribbean offer of white-sand beaches (Commonwealth of Dominica 2012, pp.38–54). Antigua – ravaged anew in 2009 by the collapse of the Allen Stanford empire – has slated port authorities, electricity, telecoms, and even the profitable State Insurance Company for privatisation (UPP 2009, p.1; Government of Antigua & Barbuda 2009, p.4). At the same time the state has looked to boost tourism and information technology, as well as prioritising revitalisation of the country’s long-neglected agricultural sector (UPP 2009, pp.19–22). In the cases of Dominica and St Vincent particularly, dire necessity has also led to urgent invention of more radical long-term solutions. In Dominica, this means exploitation of its volcanic terrain not only to attract holiday hikers, but also to generate and export geothermal energy to neighbouring French *départements d’outre-mer* Guadeloupe and Martinique (Government Information Service 2013b). In St Vincent, this means betting the run-down farm on the costly construction of a jet-capable airport at Argyle so as to compete with major Caribbean tourist destinations such as Barbados and Antigua (Gonsalves 2011).

Overall, there is no coherent development model within or across the three states, with each looking to find its own response to external conditions that describe the limits of developmental policy space. Part of the strength of Petrocaribe will be shown to be its flexibility in this respect, as it allows governments to define and defend their own development strategies with only the lightest of conditionality.

### *Protecting People-Centred Development*

Yet, what marks out these ALBA governments is how they choose to use their limited policy space, and here there is a clear overlap across the three *and* with their Latin American bedfellows in ALBA. It is worth noting that the parties of Skerrit (Dominica Labour Party), Gonsalves (Unity Labour Party), and Spencer (United Progressive Party) all represent the left-wing option in their respective political arenas,<sup>54</sup> and this is reflected in a pro-poor focus reminiscent of the central social element of reforms in Venezuela and Ecuador. Thus, in Dominica, the government has instituted numerous programmes targeting marginal groups. The “Yes, We Care” initiative provides a subsidy to carers for the elderly and disabled (Douglas 2009); the Housing Revolution programme constructs subsidised housing for the poorest (particularly the indigenous Kalinago) as well as providing repairs to the island’s many substandard dwellings

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<sup>54</sup> This is least clear in Antigua, where the opposition Antigua Labour Party’s platform is ill-defined.

(Government Information Service 2013c); the government's AID Bank provides low-interest loans for low-income homebuyers (AID Bank 2011); and a regularisation programme provides squatters with rights to the lands that they have long inhabited (Dominica News Online 2012). In St Vincent, social housing has been aggressively promoted through Gonsalves' Housing Revolution, which has provided 650 homes to low- or no-income citizens and their families (ULP 2010a, p.38); the state-owned National Commercial Bank has offered 100% mortgages to first-time buyers working in the public sector (ULP 2010c, p.28);<sup>55</sup> and the Education Revolution programme has built schools, provided a new national public library, and most importantly universalised secondary education from a baseline of 39 per cent in 2001 (ULP 2010a, p.38). In Antigua, the new People's Benefit and Senior Citizen's Utility Subsidy programmes have provided monthly cash transfers to the disabled and to the poor, the elderly, and the disabled (Government of Antigua & Barbuda 2012a; 2012b); the minimum state pension has been raised by over 50 per cent, with an annual grant to help pay for home improvements (UPP 2009, p.3); the minimum wage has been increased (UPP 2009, p.24); the stagnant National Public Library project has been resuscitated; school uniforms and school meals are now offered free of charge (UPP 2009, p.2); and a sizeable affordable-housing scheme for civil servants has begun at North Sound (Ministry of Agriculture 2011). This common social focus chimes not only with the human-development aspect of Venezuelan and Ecuadorian development strategies, but also with the cementing of political success through provision of benefits to those worst affected by earlier crises. Though by no means central to all of these programmes, chapter six will reveal that Petrocaribe is implicated in a surprising number of them, with its one condition of "social purpose" favouring social spending in particular.

#### *Aid-Seeking Foreign Policy as a Boon to Development*

There is also an overlap with Venezuela and Ecuador in terms of moves to diversify foreign relations, meaning in the Eastern Caribbean case away from traditional partners like the US, Canada, and the UK. Indeed, as in Venezuela's case particularly, the foreign policy of Anglophone ALBA states has been used to reinforce social policy. Dominica's Yes We Care programme was backed by a Libyan grant and by ALBA's Petrocaribe initiative (see chapter six, p.178); low-income mortgages were made possible by a credit line from the Venezuelan development bank BANDES (AID Bank 2011); and a vast array of infrastructural projects have been funded by a Chinese

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<sup>55</sup> It has since been privatised as Bank of St Vincent and the Grenadines.

government grateful to Dominica for its sudden change of opinion on Taiwanese sovereignty. In Antigua both the Senior Citizens Subsidy and the People's Benefit Programme are funded directly by Petrocaribe; affordable-housing schemes were facilitated by cheap credit from state financial institutions in Venezuela; and as in Dominica fishing infrastructure has been revitalised through aid from Japan (Caribbean 360 2011; Government Information Service 2013a). In St Vincent laptops provided free to schoolchildren via the Education Revolution are donated by Portugal and assembled in Venezuela (ULP 2010b, p.19);<sup>56</sup> Cuban equipment and expertise were behind a new state-of-the-art medical centre at Georgetown (ULP 2010a, p.26); and, most importantly of all, the Argyle airport project has been supported by Mexico, Trinidad and Tobago, CARICOM, Venezuela, Cuba, ALBA, Petrocaribe, Iran, Libya, and Austria, with the Vincentian government estimating that in the early stages every dollar from state coffers has been matched by nearly six dollars from international partners (Gonsalves 2011, p.33). This aid-seeking behaviour is in all three cases a conscious development strategy that brings in capital and creates employment without lightening the meagre state purse or asking the taxpayer to refill it (Skerrit 2011, pp.14–15). As one senior official of St Vincent's Ministry of Foreign Affairs explains:

As with all other small island developing states, the pursuance of our national interest is susceptible to various external factors. ... These challenges compel us to act strategically in an environment of constant change. ... This means the expansion of diplomatic relations beyond the pool of traditional allies to include new prospects in the interest of our national development needs and priorities.

(Ministry of Foreign Affairs 2011, p.2)

As chapter six will show, from the recipients' side this factor more than any other underpins the logic of Petrocaribe, yet it is also compatible with the concern for LAC autonomy manifest in the development strategies of Latin American members like Ecuador and Venezuela.

### *Remembering Autonomy and Anti-Imperialism*

Indeed, the leaders of Anglophone ALBA states also share with their larger Latin neighbours an explicit desire to reassert their own autonomy in order to insulate national development strategies from external influence and intervention:

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<sup>56</sup> This is an extension of the Venezuelan *Canaima* programme.

Latin America and the Caribbean have suffered greatly as a result of coercive and imperialistic models of colonialism and later the Washington Consensus. The fundamental underpinning of such models is the reduction of the role of the state in domestic policy-making in tandem with increased control by foreign capital – whether such capital originates with a foreign government, an international financial institution or with multinational corporations.

(Spencer 2009)

In Baldwin Spencer's Antigua this has not been hollow rhetoric. In a remarkable David-and-Goliath case of WTO arbitration, Antigua and Barbuda successfully argued in 2004 that the US was unfairly restricting free trade in gaming services (gambling) and thereby damaging Antigua's burgeoning offshore-gaming industry (Cooper 2008).<sup>57</sup> The claim was ultimately so successful that Antigua was even given permission to engage in "legal piracy", selling products of US creative industries without paying for copyright as a means of recouping associated losses (BBC News 2013). Though St Vincent has not experienced this kind of direct conflict in recent years, "Comrade" Ralph Gonsalves has long decried US imperialism and the injustices of the existing international system, leading him to advocate at home for a more autonomous "postcolonial economy" (I-Witness News 2013; Gonsalves 2007). And although Dominica's Roosevelt Skerrit took office as a discreet centrist, by 2008 he was using speeches before the UN General Assembly to berate the US for "[putting] the mechanisms of the WTO to work to their benefit" and to promote regional and south-south cooperation (Skerrit 2008). All three leaders have been vocal supporters both of Anglophone Caribbean integration via CARICOM and of a turn towards Latin America, not only through ALBA but also through the Community of Latin American and Caribbean States (CELAC), from which the US and Canada are excluded. This is a far cry from the 1980s, when the influence of the US in the Caribbean was so complete that "in almost every arena, it was able to lay down the parameters of what could be done and even what could be thought" (Payne 1998, p.210).

On the whole, although the Anglophone ALBA members do not pursue an endogenous-development model analogous to those of Ecuador and Venezuela, where they are able to escape the constraints of their status as SIDS, they do evince a similar pro-poor social focus. Furthermore, this is intimately tied to a newly diverse foreign policy that criticises the character of the existing world order and promotes the autonomy of Caribbean states and of the LAC region. Thus, while there is a basic

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<sup>57</sup> n.b. this process was started by the previous ALP government but then vigorously adopted by Spencer's UPP.

pragmatism to the political economy of Anglophone ALBA member-states, it is punctuated by ideologically left-of-centre initiatives whenever structural constraints are relaxed. As chapter six will show, ALBA's Petrocaribe initiative encourages precisely this relaxing of structural constraints, whilst also nudging signatories towards social spending.

### **Conclusion: A Fuller Picture of ALBA's National Political Economies**

This chapter serves to highlight inconsistencies between the conscious development strategies of ALBA member-states which are reflected in the ALBA literature and the reality of hybrid political economies in which novel development models have only been partially implemented alongside continuities from previous eras and administrations. As the ALBA literature suggests, across the five members studied there is a convergence towards reasserting the autonomy of the LAC region, the importance of social policy as a means of promoting human development, and a realisation that this pro-poor focus brings new legitimacy for these left-of-centre governments. While not a luxury available to Anglophone members too vulnerable to external events, between Venezuela and Ecuador more specifically there is a clear commonality in terms of the means of restructuring economies to the benefit and empowerment of the poor through reinforcement of the social economy. These two also share the same foreign-policy drive to reassert their own autonomy and that of the LAC region by challenging the dominance of existing international institutions and by creating and promoting local substitutes. This is the version of ALBA reflected in the existing literature, whose shared developmental aims inspire and shape the design of the TCP, SUCRE, and Petrocaribe, as revealed in sections on their intended effects in chapters four to six.

But this chapter also demonstrates that there is more to the political economies of ALBA member-states than this focus on their development models suggests. Attempts at implementing endogenous development in Venezuela and Ecuador have met with varying degrees of success, and the two have tried to circumvent tensions by very different means. In the face of a crucial recall referendum, Chávez abandoned attempts to reform existing institutions and built new parallel structures to provide immediate benefits to his core constituents. Despite initial success in overcoming the failings of traditional institutions, with time even these parallel institutions became encumbered with many of the same problems. Thus, even reforms designed to promote endogenous development were afflicted by inefficiency, state incapacity, and corruption

both public and provide. Correa has focused on improving existing institutions while making certain concessions to existing elites. By this means Correa has delivered significant benefits to the constituency which carried him to power. Yet he has also created a schizophrenic split in industrial and trade policy between branches of state linked to primary-export elites and others linked to the social movements that brought him to power. Anglophone Caribbean members, meanwhile, are so constrained by their precarious finances that they must actively seek new sources of external assistance to facilitate their “people-centred” initiatives.

The key point here is that ALBA’s national political economies are internally diverse and individually distinct despite sharing certain priorities. And nowhere do we find fully implemented the endogenous-development model cited in the ALBA literature. As Trinkunas’ statement at the beginning of this chapter intimated, self-proclaimed drives for “Twenty-First Century Socialism” and a “Citizens’ Revolution” can only tell us so much. In reality, New-Left development strategies are achieved unevenly, with unresolved contradictions and inherited characteristics of political economies often thwarting their fuller expression. As the following chapters on specific initiatives will demonstrate, the implemented ALBA is as much a reflection and reinforcement of these tensions in national political economies as it is of the New-Left reforms that it was designed to support.

## Chapter Four: The People's Trade Agreement (TCP)

It is of vital importance to study whether or not the [TCP's] benefits for the peoples [of ALBA states] equal those of Bolivian exporters of textiles and genetically modified soya, of the Cuban civil service, of Nicaraguan, Argentine, or Brazilian cattle ranchers, or businessmen who are "friends of ALBA".

(Benzi 2010, p.18)

The first of the three core ALBA initiatives to be analysed is the People's Trade Agreement (TCP), which represents ALBA's clearest and most comprehensive attempt to define an approach to trade within its "Economic Zone of Shared Development". As will be explored in greater depth below, it aims to facilitate cooperative, state-guided, intra-regional productive integration that safeguards social welfare and human development. These ideas weigh heavily in accounts of ALBA that see the TCP as an autonomy-reinforcing regionalisation of endogenous development, anchored in newfound legitimacy amongst previously marginalised groups (chapter two, p.46). Yet, as Benzi's call for a more thorough investigation of its interactions and impact suggests, any reassessment must be sensitive also to the possibility of unintended effects and dynamics involving all manner of actors within participating states.

As outlined in the introduction (pp.22-23), this reassessment proceeds via a four-stage process which compares the idealised "on paper" initiative with its observable, implemented reality. This begins with a thorough examination of the origins and functioning of the TCP according to its design. Though this first stage is essentially descriptive, since much of the confusion in the literature arises from vague understandings of what ALBA initiatives actually do, it is essential that it be carried out in real depth. Here we focus, first, on the TCP, which is essentially a framework of principles designed to guide negotiation of intra-ALBA trade agreements, be they bi- or multilateral.<sup>58</sup> Then we look at Venezuela and Ecuador's attempt to apply the TCP via a novel trade-agreement format (Trade Agreement for Development, ACD) after the breakdown of FTAA talks and Venezuela's exit from the Andean Community (CAN) cleared the path for a remodelling of bilateral trade rules. This shows how Ecuador's ACD concept codified TCP principles that invert neoliberal orthodoxies in order to reassert the state's role in guiding development and defending social protections. This unusually scrupulous examination enables stage two's exploration of the initiative's intended effects in terms of the concepts of endogenous development, autonomy, and

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<sup>58</sup> The TCP was originally to inform negotiations towards a multilateral deal involving all of ALBA.



legitimacy which are central to the ALBA literature. Consistent with the dominant ideas in this literature, the TCP looks to reinforce endogenous development by reinforcing a LAC “economic zone of shared development” involving a shift towards higher value-added goods that can be produced via intra-ALBA value chains. Likewise, recalling the shared drive for multipolarity of Ecuador and Venezuela, it aims to use special and differential treatment (S&D) to reduce asymmetries between parties, fostering creation of a LAC pole within this more balanced world order. A particular focus on EPS organisations and SMEs favours poorer sectors of society, reinforcing endogenous development and providing new output legitimacy to the left-of-centre governments involved. This first half of the chapter thereby deals with the states-led design of this element of ALBA as a regional project.

The second half, however, reveals in stage three the TCP’s real-world implementation, comparing it to stage one’s proposed functioning and implementation. The basic finding is that although implementation of the TCP has been attempted both multi- and bilaterally, it has failed in both forms. Despite numerous rounds of negotiations between Venezuela and Ecuador towards a TCP-compliant ACD, the final deal served only to renew existing rules for a further five years, meaning that the TCP remains entirely unimplemented, thereby precluding its many intended effects. Stage four focuses on the impediments to the TCP-ACD process,<sup>59</sup> begging the question of how and why this novel agreement failed to materialise despite agreement over its potential worth as a boon to endogenous development. Contrary to the ALBA literature, which has focused on innovative New-Left development strategies, the factors influential in this failure prove to be continuities, ranging from structural factors and inherited institutional commitments to characteristics of domestic bureaucracies and elites. Thus, the study of the TCP’s “unimplementation” provides new insights into the forces acting upon and ultimately thwarting one of ALBA’s core economic initiatives.

#### *Avoiding Crossed Wires: Which TCP is the TCP?*

Since one of the failings of the existing ALBA literature is its imprecision, it is important to be clear about which elements of ALBA are being studied and why. In the case of the TCP, there are two potential sources of confusion.

First, the term TCP began to be used in 2006 with Bolivia’s adhesion to ALBA, but its meaning changed when fundamental principles for a multilateral TCP agreement

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<sup>59</sup> The term “TCP-ACD process” will be used to refer to negotiations towards a TCP-compliant bilateral ACD between Venezuela and Ecuador.

were agreed upon at an ALBA summit in 2009. The 2006 TCP was simply an extension to Bolivia of ALBA's 2004 founding agreement between Cuba and Venezuela, combining broad declarations of principle with specific "actions" in various policy domains (most famously the "doctors for oil" exchange). The 2009 TCP, meanwhile, was a framework of principles designed to inform a comprehensive multilateral agreement. Here we are interested in the 2009 TCP and attempts to implement it multi- and bilaterally.

Second, because the 2009 TCP lists principles, it is possible to consider any state-led trade compatible with these principles as evidence of the TCP in action. Such trade does indeed take place, as when Venezuela bought up Bolivian textiles whose export to the US fell through after unilateral preferences were withdrawn (Tabares 2010). But such trade is irregular, uninstitutionalised, and changes little about the basic issue of what happens when the goods, services, or investments of one member-state cross a border into another. Conversely, the multilateral TCP proposed in 2009 and the bilateral ACD sought by Venezuela and Ecuador represented comprehensive deals that would have represented progress towards the "economic zone of shared development" sought by ALBA states and heralded in the existing literature.

### **Origin and Proposed Function of the TCP**

#### *The 2009 People's Trade Agreement (TCP)*<sup>60</sup>

An opportunity to present a novel intra-ALBA trade agreement first hove into with the irretrievable breakdown of talks towards the distinctly neoliberal, LAC-wide FTAA in 2005. ALBA's original agreement between Cuba and Venezuela (2004) had been a response to the FTAA itself, and while it had captured the imagination of many, it did not significantly alter existing regulation of the everyday business of regulating flows of goods, services, and capital across borders. Then, in 2006, Venezuela's decision to withdraw from CAN gave fellow members Bolivia and Ecuador notice of a potential opportunity to reshape their relations when the five-year withdrawal period ended in 2011. Since this would also free Venezuelan trade from CAN's obligation of special treatment for Bolivia and Ecuador, both had a particular interest in establishing a viable alternative before 2011, especially once Ecuador had also joined ALBA (mid-2009). Bolivia's Vice-Ministry of Foreign Trade was set the task of coming up with a set of

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<sup>60</sup> n.b. This description can only be as clear as the TCP and ACD themselves are about their own purpose and functioning. Since – as is explored below – neither has been implemented, there is no fully implemented existing example to analyse, only the TCP framework and the model ACD.

guiding principles that would inform a multilateral TCP, resulting in the Fundamental Principles of the People's Trade Agreement ratified by ALBA members in late 2009 (I.49).

### *The TCP: Inverting Neoliberal Trade Regimes*

The function of the TCP, like any trade agreement, is principally to regulate taxation of goods and services across borders, though like many modern agreements it also touches on trade-related areas such as investment, intellectual property, and public procurement. Its novelty lies in its reversal of many of the orthodoxies of free-trade agreements.

Where US-backed bi- or multilateral FTAs have been negotiated in national-interest terms in order to gain market access for domestic firms with competitive advantage, the TCP proposes that commercial rules be set cooperatively and in line with the interests of the poorest sectors in society (ALBA-TCP 2009b, Principle 1). Rather than modifying domestic law in order to ensure lower costs for firms, the TCP disavows conditionality and stipulates respect for internal laws and policies (Principles 2, 16). Rather than seeing liberalisation as inherently positive, the TCP “[permits] countries to raise tariffs to protect nascent industries or when considered necessary for the internal development and welfare of the population” (Principle 11). Rather than promoting reciprocal treatment regardless of asymmetries, the TCP echoes the first concern of ALBA's original policy document (Comisión Presidencial Asesora en las Negociaciones del ALCA 2003, p.2) by stipulating tariff regimes (Principle 11) and wider rules (Principle 5) that explicitly favour less-developed parties. Rather than seeking to open up the state to private investment, the TCP supports nationalisation (Principle 6), particularly of basic services (12), with domestic rather than international arbitration in cases of conflict (Principle 16). Rather than giving foreign firms equal footing in public procurement and intellectual property, the TCP sees these as developmental tools which should favour respectively local industry and humanity (Principles 14, 18). And rather than conducting negotiations behind closed doors, the TCP promises to open them up to participation from wider society (Principle 21).

### *Codifying the TCP: Ecuador's Trade Agreement for Development (ACD)*

Though this framework covered many of the issues central to everyday trade, it did not amount to an actionable agreement. It is all very well to establish in principle that trade rules should benefit poorer states and their populations, but how would this be codified, institutionalised, and practiced?

With its preferential access jeopardised by Venezuela's denunciation of CAN, and facing private-sector dissatisfaction at home following the collapse of FTA negotiations with the US and the EU (I.45), Ecuador proposed to fill in the gaps through a new TCP-compliant format called the Trade Agreement for Development (ACD). Although its existence has been all but ignored in accounts of ALBA (save for de la Barra 2010, p.18), this format aimed to marry up TCP principles and real-world trade practices, allowing Ecuador to reach TCP-compliant trade deals with other ALBA countries, most notably its major intra-ALBA partner Venezuela. Since the Venezuela-Ecuador trade relationship represents the core of ALBA trade (44 per cent),<sup>61</sup> conclusion of this deal would have been a major step towards the establishment of a multilateral ALBA trade agreement, even if only through gradual proliferation of TCP-compliant bilateral deals based on the ACD model. The concept began to be developed in 2009 (I.49) alongside preparations for negotiations with Venezuela (Hoy 2010), and this process informed the model text approved and presented in September 2011.<sup>62</sup>

An ACD has three major sections – Political Dialogue, Trade for Development, and Cooperation for Development – but the meat resides in its middle section on Trade for Development. This is detailed and binding in precisely the ways required to render the TCP's principles practicable, covering the usual ground of trade agreements, such as tariffs, rules of origin, sanitary measures, sanctions, and safeguards. Indeed, it even tackles “WTO Plus” areas like services, intellectual property, public procurement, and competition. But it attempts to make regulations in these areas compatible not only with the stipulations of Ecuador's constitution and national development plans, but also with the TCP and the wider WTO rules by which all ALBA members are also bound.

Thus, within the model ACD we find a many articles that correspond to specific TCP principles.<sup>63</sup> Most significantly, in line with the TCP the ACD is shot through with considerations of S&D (ALBA-TCP 2009b, Principles 5 and 11), whereas the notion of reciprocity is all but absent. As far back as the draft stage, S&D was first among equals within the ACD's crosscutting themes (SENPLADES 2011a, p.8). In the final model, every major chapter of the ACD makes repeated and early reference to the need to favour the less-developed economy, be it in terms of asymmetrical provision of market access (República del Ecuador 2011, Article 8), less onerous rules of origin (Article

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<sup>61</sup> Calculated for 2010 using UN Comtrade data, based on averages of trade levels reported by each state in each trade relationship.

<sup>62</sup> The centrality of ACDs to ALBA is clear in SENPLADES' internal strategy document on the nature, purpose, and potential of its membership, which evaluates in detail the suitability and readiness of ALBA partners for ACD agreements (SENPLADES 2011b).

<sup>63</sup> In this section, all “principles” refer to the 2009 TCP, whereas all “articles” refer to the ACD.

16.1), easier access to trade-defence instruments (Article 64), or even an obligation on the part of the larger partner to help the smaller in meeting sanitary requirements (Article 56.3). This also spills over into the ACD's fleshing out of what the TCP calls solidarity trade (Principle 1), which it defines as "exchange of goods and services that promotes development of the Parties, particularly the less-developed party, in order to reduce the asymmetries between them" (Article 7.1, note 10). Where such trade malfunctions to the cost of the minor partner, the ACD includes an Economic Development Safeguard which can protect and promote productive industries that "raise the populace's general quality of life" (Article 67) in a manner consistent with the TCP (Principle 11). As the TCP requires (Principle 2), the ACD recognises the sovereign right of states to maintain environmental, social, and labour laws (Article 94) and even explicitly prohibits their abuse as a means of incentivising investment (Article 102). The TCP's rejection of national treatment in public procurement (Principle 14) in favour of state-guided contracting that supports local industry is also adopted in the ACD (Article 78). Afforded special consideration in the ACD (Preamble, Articles 92.2.e and 105), as well as in its governance and monitoring (Article 128.1), are the same small and associative actors (SMEs and EPS organisations) that are foregrounded in the TCP (Principle 9). Again in line with the TCP (Principle 12), provision of basic public services is restricted to states (Article 79.1), whereas nationalisation (Principle 6) is likewise condoned, as long as it respects local law (Article 89.3). When conflicts and controversies do arise, the TCP's requirement that jurisdiction remain in the national arena (Principle 16) is respected, with the only other channel being dialogue via institutions inherent to the agreement (Articles 2.i, 57, and 131-32). There is even a nod in the direction of the TCP's aim of opening up trade negotiations to consultations from the wider public (Principle 21), albeit restricted in the ACD to the chapter on Sustainable Trade and Development (Article 92.2).

Overall, there is an extensive overlap between the TCP and the ACD, with the latter codifying many of the principles of the former and converting them into a legal instrument that would require ratification in signatory states. However, unlike the TCP it also provides practicable regulations for the everyday taxation of trade which are intended to remain compatible with WTO rules. But WTO rules are inherently liberalising and default to elimination of barriers to trade wherever possible, whereas the TCP reaffirms the state's right to engage in protection for developmental ends. This tension means that the proof of the ACD's compliance to TCP principles would best be measured in a concluded agreement, as its effects would depend on the extent to which

negotiators followed the ACD recipe, particularly with regards the S&D at its heart (Estévez 2012, p.30).

### **Intended Effects of a Fully Functional TCP**

We now turn to the intended effects of the TCP, considering how a hypothetical implementation of this regional initiative would relate to development strategies at the national level.

As in ALBA more widely, itself originally an “Alternative” to the FTAA rather than an Alliance, the intended effects of the TCP are largely a response to Latin America’s experience of neoliberal globalisation in the form of north-south PTAs (Bolpress 2006). In a 2009 monograph on Ecuadorian political economy written during his presidency, former academic economist Rafael Correa concluded that:

...extreme trade liberalisation between economies with large productivity and competitiveness differentials implies grave risks for the less-developed countries, given the probable destruction of its productive base, and with it the loss of jobs without the ability to create new ones, all of which constitutes a genuine social catastrophe.

(Correa 2009, p.133)

More specifically, he saw such deals as encouraging the decline of manufacturing industries and the strengthening of primary agricultural exports in which poor LAC countries have “comparative advantage” but in a context of declining terms of trade. At home this meant rising concentration of income with the attendant social ills, while abroad it meant increased external dependence (Correa 2009, pp.133–34). Although the TCP and ACD’s means are many and varied, their aims explicitly respond to these perceived failings and the export-oriented model that gave rise to them. In the words of ALBA’s former Executive Secretary, ALBA was developed “in order to have absolute and sovereign control over our natural resources, our economic and fiscal policies, to achieve at last the development that was denied us by neoliberalism and the Washington Consensus” (I.28). But would this be the effect of the TCP be if it were implemented? And how would it link into the development models of the states involved?

#### *Reasserted Autonomy*

Essentially, the TCP responds to the shared aims of Venezuelan and Ecuadorian foreign policy (chapter three, pp.68, 82), and to a lesser degree the Anglophone ALBA members (p.90): namely, promotion of a multipolar world and prioritisation of regional

integration. The significance of these twin aims is that autonomy is sought only vis-à-vis certain trade partners. Essentially, the latter goal of forging a LAC pole in the international order through regional integration validates LAC interdependence, while a push for multipolarity validates actions that reduce the relative power of other poles, most notably the United States. This makes LAC trade preferable to extra-LAC trade, predominantly with the US and the EU. Furthermore, the TCP's conscious reversal of various tenets of the neoliberal FTA model also aims to block those channels through which control over development has been ceded in the past, making its attempted reassertion of autonomy far more forceful than would be a simple diversification of trade relations under the old FTA model.

Most importantly, pervasive provisions for S&D and the once unthinkable raising of tariffs are designed to minimise displacement of local firms by foreign ones, or at least to have states coordinate this process cooperatively such that infant industries are not nipped in the bud by foreign competitors. Aside from simply protecting local firms, the political coordination required by such moves should also smooth progress towards ALBA's ideal of complementarity: an intraregional relationship where value is added by each partner, internal demand satisfied, and surpluses exported extra-regionally. Inasmuch as the TCP achieves this ideal, member-states' exposure to current-account deficits, external debt, and external shocks should be reduced. Further, were trade within the preferential TCP to displace trade with other "poles", the economic strength and leverage of these poles would be reduced (however slightly). This would reduce power differentials between ALBA states and the major powers that have historically intervened in LAC. Thus, countries that suffer from a hyper-concentration of exports to the US (Shadlen 2008) – such as ALBA members Venezuela, Ecuador, Nicaragua, and St Vincent – hope to take the sting out of politically motivated external actions that can wreak economic, social, and political havoc at home. Indeed, while the TCP-compliant ACD was being developed, the US was threatening to revoke its unilateral ATPDEA preference regime from FTA opponents Bolivia and Ecuador but not FTA-friendly Colombia and Peru, a move which only served to underline the continued relevance of the TCP's solidaristic rationale.

The TCP, like any alternative model, also holds the threat of the good example, in that achievement of mutually beneficial, cooperatively coordinated trade could provoke copycat initiatives elsewhere, particularly given Ecuador's attempts to make the ACD its template for all future trade agreements. To quote one of the ACD's architects, "the history of trade negotiations [in LAC] is that the others arrive with the

text and they tell us ‘put a comma here and a full stop over there so that it fits in with your economy’” (I.45); the consciously strategic act of presenting a locally produced, non-standard text to northern partners, as Ecuador audaciously did with the European Commission (ICTSD 2011), underlines the centrality of autonomy to trade policy within ALBA. In a similar vein, principles of non-national treatment and rejection of investment incentivisation through dismantling of social protections (amongst others) are designed to recover elements of autonomy lost in the rush to liberalise of the 1980s and 1990s. Having seen first-hand the social and political cost of privatisation in the neoliberal period – as with Bolivia’s water wars or the disastrous Union Fenosa takeover of electricity in Nicaragua – the TCP reasserts ALBA states’ right to maintain or re-establish control over “strategic” services and resources. Recognising that wider legal frameworks served to lock-in earlier reforms partly by giving the final word to international arbitrators like the International Centre for Settlement of Investment Disputes (of the World Bank) – whose only three *former* members are Ecuador, Bolivia, and Venezuela – the TCP proposes to return jurisdiction to the national or intraregional level. More generally, by regulating and protecting trade flows implicated in state-led development, the TCP would submit more of its trade to management and manipulation via relationships not characterised by the extreme power imbalances or diverging interests of longstanding relations with the US and the EU. The importance of this dual relationship between autonomy and endogenous development is not lost on ALBA’s Executive Secretary:

Inasmuch as our suppliers are in Latin America and our clients are in Latin America, we can engage as equals with the US and Europe, in the sense that we also begin to master technologies, telecoms, promote our own infrastructure, trade, and our industries via [ALBA] mechanisms.

(I.28)

### *Endogenous Development*

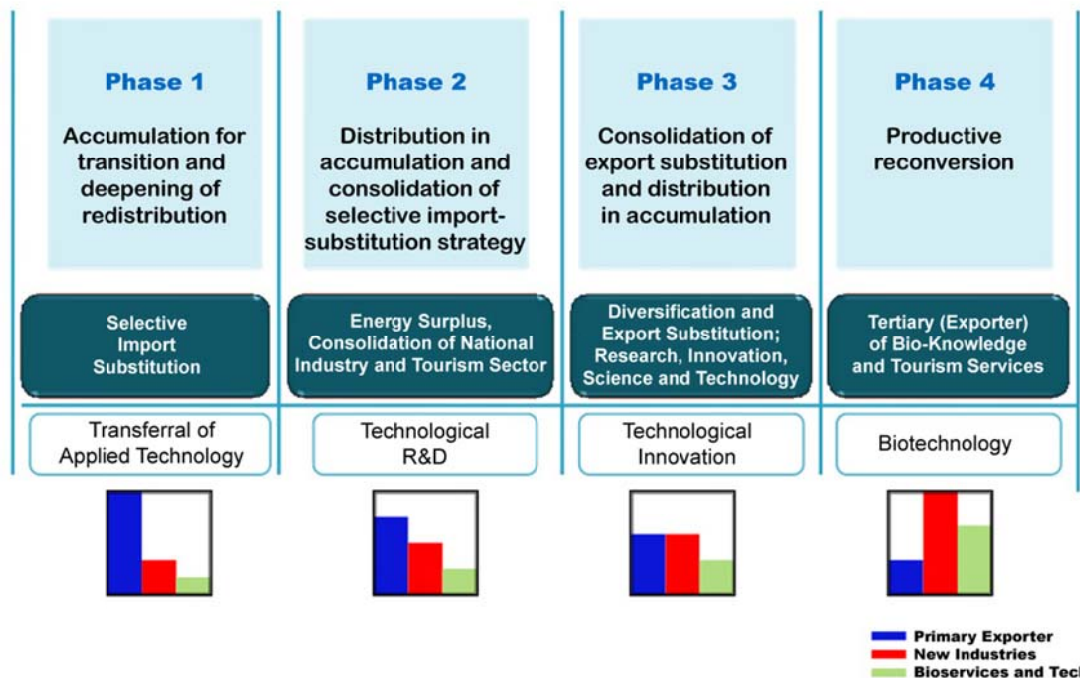
This also neatly expresses the type of internal changes sought by the TCP, which we might call complementary industrialisation. For Venezuela and Ecuador particularly this ALBA initiative would allow reinforce diversification away from dominant extractive industries (chapter three, pp.70, 80). As one negotiator of the TCP-ACD process noted:



Obviously, in a country like Venezuela that depends so much on [oil], a little less for Ecuador, we intend to get away from that resource, which is non-renewable, which is a resource that greases the wheels of a particular productive apparatus in which there are few linkages ... you want to get away from this dependency and establish a more balanced productive apparatus and economy in which you have more value-added and regional production chains. What each country wants is to re-establish an industrialisation process.

(I.53)

In Ecuador the TCP-ACD process links directly into a planned four-stage transformation of the structure of the economy, with the current first phase relying on selective import substitution, accompanied by a deepening of internal redistribution, and followed by the gradual growth of new manufacturing and service industries (Figure 5, below). While Venezuelan planning does not foresee such clear phases in its transition to Twenty-First Century Socialism, it shares many of the same means and ends (Presidencia de la RBV 2007, pp.25–28)



**Figure 5:** Phases of Ecuadorian development in the National Plan for *Buen Vivir* 2009-2013 (reproduced in translation from SENPLADES 2009, p.95).

In terms of the means of achieving endogenous development, both countries aim to increase the value-added content of their production by first protecting local industries and then inserting them into regional production chains that are managed by signatory states. This would mean that more of the value created within ALBA would remain in ALBA, creating not only more but also higher-skilled employment, unlike in conventional north-south FTAs:

[FTAs with traditional partners] would certainly mean exporting more bananas, flowers, shrimp, but not more cars. We're not going to sell them cookers, domestic appliances, plasma TVs, though we do produce them. More bananas, certainly, but bananas don't bring internal economic benefits. There's more demand for labour, but it's low-skilled and only in banana-growing regions. There's no linkage with the rest of the economy. What local inputs do bananas use? Nothing! Agrochemicals? Imported! It's the same with flowers, shrimp, the lot of them! We're not interested in selling more bananas to the EU or the US. We want to change our productive matrix to produce more white goods, automobiles, and so on.

(I.45)

Internal analyses confirm that the TCP does indeed have the potential to promote exports with higher valued-added, with ALBA representing the second most receptive regional-bloc market (after CAN) for manufactured goods not derived from natural resources (SENPLADES 2011b, p.27). For both countries the ideal situation would see a broadening of their range of exports through joint, complementary production that avoids negative impacts on domestic political economy (I.51).

...within [Venezuela's] plans for coming years, they want to revive their auto-parts industry. They also assemble vehicles. We're saying to each other that if we have an agreement within the ALBA framework, let's create projects together and accumulate [value] in the automobile industry, Ecuador and Venezuela ... We have a low level of national value at 12 per cent; Venezuela's saying "if you want to enter into this deal with us, let's develop these sectors so that it's viable."

(I.53)

The TCP and ACD seek to promote this kind of state-guided development in various ways. The permissibility of selective protection means that tariffs can be coordinated to promote complementary trade in the components of value chains. The political stability of such arrangements is protected by economic-development safeguards that are triggered by any damage to popular wellbeing. Meanwhile, retention of the right to utilise public procurement to developmental ends means that reliable demand for the final products of such chains can be provided by the state, as with Venezuela's Ministry for Industry purchasing Ecuadorian buses to renew the fleet of the domestic public-transport system (Agencia Pública de Noticias del Ecuador y Suramérica 2011). As discussed in chapter two (pp.41-43), this aspect of cooperative regional endogenous development – alongside ideas of barter trade – frequently underpins understandings of ALBA's commercial side within the literature.

The TCP and ACD also explicitly favour SMEs and EPS enterprises, which represent a central element of the productive transformations sought in Venezuela and

Ecuador (chapter three, pp.70, 80). Moreover, it tallies with the wider people-centred development focus observed also in the Anglophone ALBA states (chapter two, p.88). Promotion of SMEs and the associative sector – over heavy industry under import-substitution industrialisation (ISI) or primary exporters in an export-oriented model – reflects a desire to foster organisational forms that create more and better employment, preferably with an empowering participatory aspect. The aim is to boost human development by providing poorer participants in small or associative enterprises not only with material benefits, but also with transformative experience of self-determination (chapter two, p.47).

Indeed, the TCP aims to reinforce this kind of empowering cooperation by regionalising it:

In the case of quinoa [Bolivia] is exporting but they have technological problems. With the Bolivians we can find out how to take on new markets. They're favourable to the idea as well. Otherwise, small Bolivian producers are affecting small Ecuadorian producers; there's a serious effect on the market. My interest is not for people to stop buying from the Bolivians, but rather to grow the market in order to share it; with the logic of the free market, we get the elimination of similar types of producers in both countries. Instead we want to reinforce that kind of [EPS] structure in each country; that's our position.

(I.52)

Acting on the requirement that special provision be made for SMEs and EPS producers in the TCP, the ACD regionalises institutional backing for these producers at the domestic level – e.g. Ecuador's Directorate of Inclusive Commerce or Venezuela's SUNACOOOP – by allocating them dedicated space in the governance arrangements inherent to the agreement. This is the same EPS-supporting regionalisation of strategies for endogenous development that we find in the existing literature:

The fact that ... Venezuelan cooperatives manufacture school footwear for Bolivian children illustrates [ALBA's] achievements at the local level, given that sources of employment are opened up through organisation of the so-called Endogenous Development Nuclei and footwear is provided at low cost to Bolivian schools.

(Chinas 2011, p.165)

This is precisely the type of relationship sought by the TCP, since it begins to approximate the ideal of an “economic zone of shared development”: the low-cost produce of an empowering, self-managed organisation in one state meeting the basic needs of the poor in another state to the mutual benefit of both. This would boost internal demand through increases in spending power related to employment, while also

facilitating human development by minimising instability in the lives of those with the least capacity to absorb economic shocks. This same dual concern motivates the ACD's explicit barring of race-to-the-bottom style incentivisation of foreign investment through manipulation of labour and environmental laws. TCP and ACD guidelines on food sovereignty likewise fit the same model: enabling (often indigenous) Ecuadorian peasant farmers to export agricultural surpluses to Venezuelan consumers hit by spiralling food prices would be preferable to an extra-regional trade relationship dependent on brute market forces and potentially allowing political leverage (as with US ATPDEA preferences).

### *New Sources of Legitimacy*

Regionalised endogenous development also implies new sources of output legitimacy at the national level. This is true to the extent that the TCP-ACD process delivers solutions to the longstanding problems of to the newly politicised constituencies supporting incumbent governments. The clearest example is its role in production chains whose final goods become cheaper inputs for social programmes, as with provision of subsidised food in Venezuela's *barrios* via state-run *Mercal* and *Bicentenario* shops. Ecuador's status as a net exporter of agricultural produce would complement and palliate Venezuela's status as a net importer prone to politically damaging shortages. The EPS and SME focus, meanwhile would extend benefits "upstream" to small exporters who are afforded new access to markets in which to sell their excess production and source cheaper inputs. In Bolivia and Ecuador particularly, the EPS element could provide benefits particularly to poor smallholders (as in the quinoa example) or family-led cottage industries (such as textiles). Both also have a particularly high concentration of indigenous workers, thus legitimising these governments in the eyes of newly mobilised groups that have created severe political instability in the past.<sup>64</sup> The TCP-ACD process could also provide gains in terms of input legitimacy, again to these groups in particular. Where past trade agreements were negotiated in consultation primarily with the representatives of big business, the TCP-ACD process stipulated at least a measure of participation from EPS actors:

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<sup>64</sup> e.g. the Cochabamba water war in Bolivia or removal of various recent Ecuadorian presidents.

We have delegations from the Chamber of Micro-entrepreneurs, the Platform for Fair Trade, Chambers of Small-Scale Industry. EPS organisations, microenterprises, and SMEs participate in every sector all across the country, so how do we show our concern for them? They are included for the first time. Before they didn't even get involved; that's the difference. Now they're taken into account; they're informed participants; they know that they have to take certain decisions. Before they didn't even know that there were negotiations going on!

(I.52)

New institutions at the national level and within the regional ACD's institutional framework also mean new control legitimacy for these groups. If their inclusion bears no fruit, they now have institutions through which to channel their claims.

It should be remembered, however, that despite its apparent novelty, the TCP and ACD do not contest the WTO rules by which all ALBA members are bound. By repeated reference to GATT's Part IV on trade and development between unequal parties, the ACD's designers did seek to maximise the space for S&D in a WTO-compliant deal, but this was the extent of its challenge (I.55). It was designed not to jeopardise existing regional or multilateral commitments. Neither do preferences accorded by the TCP or its prioritisation of EPS actors necessarily imply losses for economic elites. On the contrary, the TCP-ACD process is designed to cater to the interests both of traditional elites and of these previously marginalised groups. A functioning TCP-compliant agreement, negotiated with partners' sensitive sectors in mind, aims to provide stable preferential market access for economic actors of all shapes and sizes.

On the whole, an implemented TCP-compliant agreement between ALBA members – in this case the ACD – would substantiate the view, common in the literature, that ALBA's economic initiatives serve to bolster the autonomy of its member-states by regionalising people-centred, endogenous-development initiatives that also reinforce the legitimacy of incumbent governments. But to what extent has the TCP been implemented? And are these benefits truly materialising?

### **Implementation, Impact, and Linkage to National Political Economies**

Turning to the real-world application of the TCP and ACD, our simple conclusion is that no multi- or even bilateral deal has been agreed within ALBA, meaning that of the 28 trade relationships within ALBA, not one is covered by a TCP-compliant agreement.

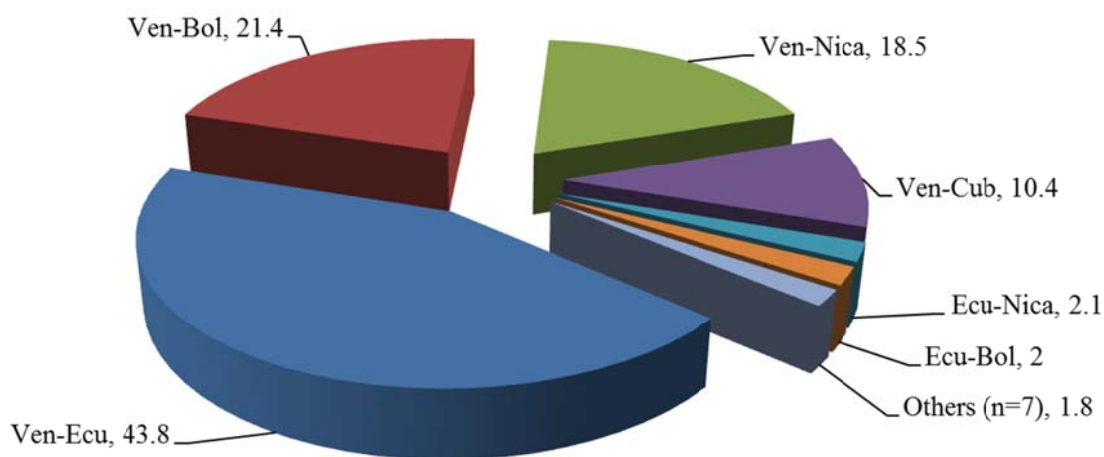
Accordingly, none of the numerous intended benefits discussed above have been forthcoming. This is not for lack of trying, however, and consistent with this work's approach (chapter one, p.20), the analysis below reveals how the rarely broached analysis of "unimplementation" – i.e. the failure to implement proposed initiatives – can provide valuable insights into the many complications and contradictions that confound the TCP in ways unexamined in the literature.

#### *Failure of the Multilateral TCP*

The 2009 TCP framework was originally designed to lead directly into negotiations towards a multilateral TCP (ALBA Secretaría Ejecutiva 2010a, p.121, Measure 3). Accordingly, one month after the TCP principles were established ALBA's economic council convened a Working Group on Commercial Complementarity, which was to set the schedule for negotiations beginning January 2010 (ALBA Secretaría Ejecutiva 2010c). Beyond this meeting, however, virtually nothing was heard from the new working group, and implementation advanced no further, though the aspiration remained. As will be explained below, behind the scenes officials could not achieve full coverage of ALBA member-states or a common approach to trade negotiations – let alone a mutually convenient tariff regime (I.49).

#### *Bilateral TCP-Compliant Trade Deals: Who and Why?*

Although the multilateral option had been derailed, the possibility of bilateral TCP-compliant deals remained, but this raised the question of necessity and potential benefit. In absolute terms, only six of the 28 ALBA trade relationships in 2010 were worth more than \$15 million annually; for the remaining 22, deciding to expend limited resources on lengthy trade negotiations might fall foul of a simple cost-benefit analysis. Of the larger six trade relationships (see **Figure 6**, below) four involve Venezuela (in 94 per cent of intra-ALBA trade) and three Ecuador (48 per cent), with the relationship between the two easily the largest in ALBA (comprising 44 per cent of ALBA trade).



**Figure 6:** Weight (%) of bilateral trade relationships in total intra-ALBA trade, 2010 (source: UN Comtrade [comtrade.un.org ]; data averaged from figures of both partners; except Cuba, mirrored).

The imminent lapsing of CAN preferences covering the Bolivia-Venezuela and Ecuador-Venezuela relationships meant that 65 per cent of ALBA trade could soon be exposed to severe instability if a new deal were not reached before April 2011.<sup>65</sup> Withdrawal from CAN also left Venezuela sharing the curious position of Latin America's two trade-policy lone wolves, Chile and Cuba, neither being a full member of any sub-regional grouping. This new absence of sub-regional constraints on trade offered an ideal opportunity to apply the TCP to any arrangement replacing the moribund CAN rules. Having the most to lose, Ecuador and Venezuela took up the challenge and began to discuss a new TCP-compliant arrangement, with Bolivia taking an active interest in what could prove to be a model for their own CAN-substitute deal.<sup>66</sup> It is this process that would invoke, inform, and ultimately abandon the final model ACD.

*The Venezuela-Ecuador Cooperation Framework Agreement: An ACD That Never Was*  
 In February 2010, Rafael Correa and his Production Minister, Nathalie Cely, announced that Ecuador would seek specifically an ACD-type trade deal with Venezuela, and this explicitly within the ALBA framework (Hoy 2010). There were three stages, which will be described in turn below before being analysed more fully in this chapter's concluding section on factors impeding progress and mitigating impact.

The first incarnation of the TCP-ACD process was the Cooperation Framework Agreement (CFA), signed in late March 2010. According to the Ecuadorian Ministry of Foreign Affairs, Trade, and Integration (MRECI) the aim of the CFA was to regulate

<sup>65</sup> In April 2011, following the standard five-year withdrawal period invoked by Venezuela's denunciation in April 2006, itself motivated by Colombia and Peru's signing of FTAs with the US.

<sup>66</sup> Ecuador also negotiated with Nicaragua (ALBA's fifth biggest trade relationship at 2.1 per cent).

bilateral trade along lines compatible not only with domestic constitutions, laws, and development plans, but also with ALBA's TCP principles at the regional level (MRECI 2010). Negotiations to this end were held between Ecuador's MRECI – specifically its Subsecretariat of Economic and Commercial Affairs – and Venezuela's Ministry of Trade, with the latter providing the basic text around which the final agreement would be formed (I.45). The resulting agreement declared itself a stepping stone towards ALBA's proposed "Zone of Economic Development" based on the 2009 TCP principles (República del Ecuador y la RBV 2010, Preamble), but its brief and curious mix of vague intentions, administrative formalities, and cavalier changes provided only a partial account of how this would occur. Thus, on the one hand – and in the style of many ALBA documents – nebulous commitments are made "to develop necessary actions", "to promote", "to prepare", "to foment", "to evaluate", and "to incentivise" a variety of mechanisms and programmes (all Article 2), with the details left for "specific agreements and conventions for which this Agreement will constitute a reference framework" (Article 8). Yet, upon its entry into force the agreement was to eliminate *all* tariff and non-tariff barriers to trade in goods, without even the kind of safeguards for protection of local industry or popular wellbeing found in the model ACD.

As with all international agreements relating to trade, the CFA then had to be submitted to Ecuador's Foreign Trade Committee (COMEX) for final approval. This body, a dependency of the Ministry of Production, is staffed by ministers or high-level officials from other ministries affected by trade policy, but as noted in chapter three (p.85) its only permanent members are the current president and vice-president of COMEX, the current minister responsible for foreign trade, and the current minister responsible for agriculture (Correa Delgado 2011, Article 6). At the time of the CFA's submission for approval, the presidency of COMEX was held by the Production Minister Nathalie Cely herself, whereas foreign trade fell within the remit of Ricardo Patiño's Foreign Affairs Ministry (MRECI), whose team had negotiated the CFA. These two figures stood at the head of the two factions within Correa's government – respectively linked to export elites (Cely) and Correa's *Alianza PAIS* movement (Patiño) – as outlined in chapter three (p.84). In a mordantly worded Resolution 15, COMEX judged that the CFA had failed to cover various essential technical areas and would in any case put Ecuadorian producers at a sudden and serious disadvantage vis-à-vis Venezuelan competitors, with non-tariff barriers meaning full access to the Ecuadorian market was being exchanged for no "real access" to the Venezuelan market.



MRECI was ordered not only to provide a minutely detailed report on what had been agreed, but also to reopen negotiations immediately (COMEX 2011).

Given the perceived failure of MRECI to achieve an acceptable deal, responsibility for the new negotiations was given to officials from the presidency's New Financial Architecture (NAF) team, also responsible for design of the SUCRE (see chapter five) and heavily involved in development of the model ACD. With the expiry of CAN preferences rapidly approaching, this team rushed out a brief document that could be tacked on as a "protocol to" the CFA; in reality it explicitly reversed many of the original agreement's clauses. Most importantly, complete bilateral tariff liberalisation was replaced by maintenance of "tariff preferences in force upon signing of this protocol", namely the same CAN preferences just days away from expiry when the Protocol was signed on 11 April, 2011. Areas of potential conflict – tariffs, rules of origin, protection of national industry, and productive complementarity – were relegated to a series of annexes to be negotiated at a later date. These were developed over the following three months, with the final agreement being published in late July (Gaceta Oficial 2011, pp.6–18). In the end, however, the annexes did little to change the nature of the bilateral trade relationship. Pity the poor official charged with writing – presumably with a wry smile – the following clause on tariffs:

With the aim of strengthening mutual cooperation and economic development through the principles enshrined in the Agreement for the Application of the Bolivarian Alliance for the Peoples of Our America and the People's Trade Agreement (ALBA-TCP), the Parties agree to maintain, for the entire tariff schedule, the tariff preferences in force upon signing of this protocol...

(Governments of Venezuela and Ecuador 2011, Article VIII)

That is, by maintaining precisely those rules already in force, set by a very different agreement, the Protocol aimed to provoke a change in trade compatible with a new and very distinct set of principles. After the same fashion, although the Protocol had promised changes in rules of origin to allow strategic sectors to be prioritised in line with the national development objective of creating regional value chains (*à la* TCP), the level of foreign origin allowed in Ecuadorian products ultimately remained at 60 per cent, while for Venezuela it was set at 50 per cent (Governments of Venezuela and Ecuador 2011 Annex IV, Article 3.4), exactly as in CAN. Annex VI, on Productive Complementarity contains much of the language of the TCP, but in concrete terms it obliges the two parties only to "seek out" and "conduct studies" on complementarity

(once again); a template for a future, in-depth Complementarity Work Plan is provided (Annex VI, Article 7), but no such plan has ever seen the light of day.

Overall, the Framework Agreement did little more than kick the CAN a little further down the road, squandering a uniquely favourable opportunity to achieve a TCP-compliant deal. This does not mean that the Framework Agreement will necessarily have negative consequences, and indeed existing CAN rules do at least mandate S&D for poorer members (as advocated in the TCP). Yet, besides adding the new instability of quinquennial renewal, the CFA's failure to alter existing trade arrangements denies Venezuela and Ecuador – and indeed Bolivia – the benefits sought by the TCP and ACD's designers.<sup>67</sup> Beyond these particular types of intraregional trade, a TCP-compliant preferential agreement was supposed to promote intraregional trade in general; since the impact of other economic initiatives within ALBA, most notably the SUCRE virtual currency (chapter five), depends on growth in trade, this simple continuation of existing arrangements represents a double failure.

In the final analysis, the TCP's failed implementation means that intra-ALBA trade is almost entirely as it was prior to the existence of ALBA.<sup>68</sup> As Félix Arellano avers:

From the beginning of ALBA the free-trade dynamic has continued to operate ... because the trade relationship between Venezuela and Cuba is regulated by agreements signed within the ALADI framework, as with the case of [Venezuela and] Nicaragua; and with regards Bolivia and Ecuador, trade relations are regulated by the free-trade programme of the Andean [Community] rules.

(Arellano 2009, p.19)

That is, despite the markedly different principles and rhetoric of the TCP, aside from intermittent solidarity trade between states, trade in the ALBA era has continued almost exactly as in the pre-ALBA era.

#### *TCP-ACD Failure: Delegitimising ALBA Trade Initiatives*

Since the fact of this failed implementation was not lost on the various stakeholders in the process, the net impact of the TCP-ACD process was in fact negative: it left ALBA, the ACD, and the TCP tainted by the stains of difficulty, incoherence, and ultimate

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<sup>67</sup> Bolivia followed Ecuador in reaching an almost identical agreement with Venezuela.

<sup>68</sup> "Almost" because ALBA's founding agreement between Cuba and Venezuela (2004) did involve some significant changes, though in fact even these were not implemented until five years later.

failure. On the governmental side, one high-level participant in TCP negotiations who had originally been a strong supporter of the idea was forced to conclude that:

ALBA is a fairy tale. The TCP doesn't exist; there's nothing behind it ... This isn't about the TCP anymore, nor the ACD, but rather free trade.

(I.49)

Another state official, charged with ensuring the compatibility of his country's various trade commitments, reported that the Venezuela-Ecuador ACD deal had been "romantic" and "well-intentioned" but ended up "the same: no more, no less; there are no advances" (I.51). On the more critical private-sector side, to quote the head of one chamber of industry, the TCP-ACD process represented "a clear example of what not to do in this area" which could wind up being nothing more than "a document full of useless rhetoric" (Asociación de Industriales Textiles del Ecuador 2011, p.1).

This kind of internal delegitimisation is an effect far removed from the benefits that the TCP was supposed to provide. Instead, it serves to harden negative postures towards ALBA just as it weakens positive ones. Since ALBA is also an offer open to all LAC states, perceived incoherence also militates against the shared goal of full LAC regional integration, delaying once again the development of this newly autonomous pole within a multipolar order. Outside LAC, too, there exists the threat of the bad example, whereby a good idea is invalidated in the eyes of its potential adopters owing only to poor implementation: given Venezuela and Ecuador's experiences in applying the TCP, it is hardly surprising that there has been no sudden glut of copycat alternative-trade agreements. While new modes and mechanisms of trade could be conceptually influential, for them to achieve any real acceptance in real-world politics they would need at least to demonstrate movement towards the achievement of their goals.

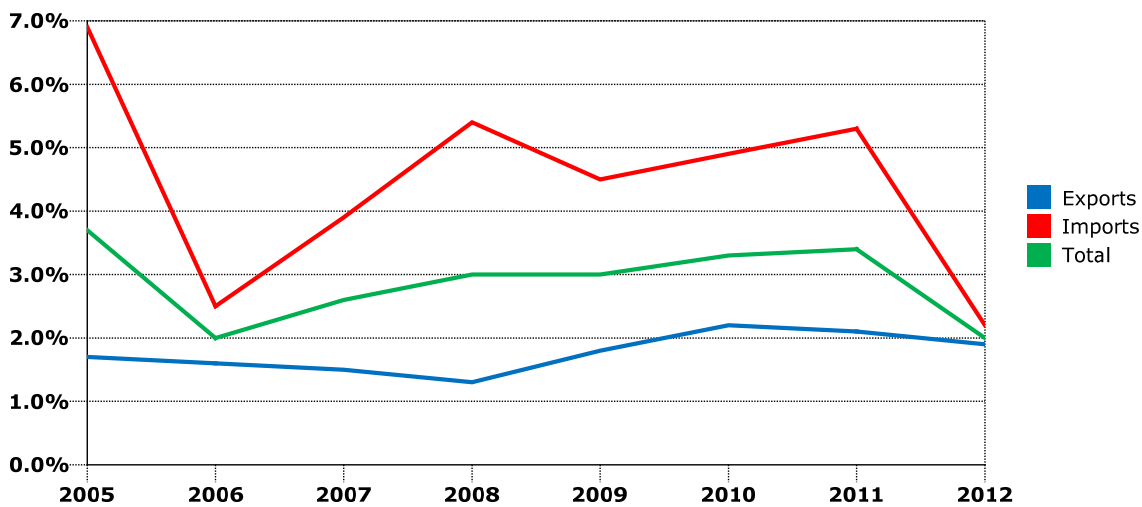
As this section has shown, this has not occurred in the case of the TCP, yet its grinding failure can provide new insight into the constraints on ALBA's intended effects of reasserted autonomy, regionalised endogenous development, and new sources of legitimacy.

### **Factors Impeding Progress and Mitigating Impact of the TCP**

#### *Unacknowledged Continuities and the Multilateral TCP*

The most fundamental issue mitigating the urgency and potential impact of the TCP is the pre-existing level of intra-ALBA trade *per se*, which has hovered around the three

per cent level throughout ALBA’s lifetime (**Figure 7**, below).<sup>69</sup> This compares unfavourably to levels of 62 per cent in the EU, 40 per cent in NAFTA, and 25 per cent in ASEAN.<sup>70</sup> While trade levels are not fixed, they are modulated by the structural characteristics of national economies, and three per cent represents a particularly low base upon which to build. If only such limited trade occurs within ALBA, even with generous and genuine ideological support it can only represent but one of the various elements competing for political and bureaucratic attention within a member-state’s trade policy. Thus, though endogenous development may be the government’s priority, this prioritisation does not necessarily permeate the entire state.

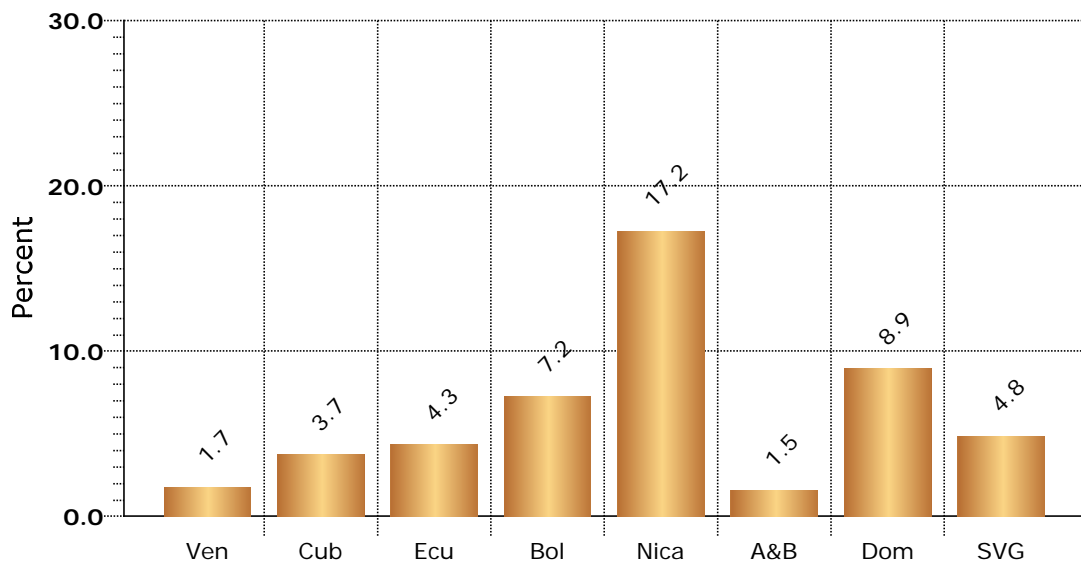


**Figure 7:** Intra-ALBA trade as % of trade with world, 2005-2012 (n.b. due to lack of data this excludes Anglophone members and creates 2007 figures from averages for 2006 and 2008. Source: International Trade Centre [via trademap.org, which utilises UN COMTRADE data]).

Looking at the TCP from the perspective of individual member-states reveals a similar story. The existing structure of trade meant that a TCP agreement would not have been equally valuable to all parties, though analysis of the relative importance of ALBA trade to its member-states produces some surprising results (**Figure 8**, below).

<sup>69</sup> These figures are distorted by the absence of services, the skyrocketing price of mainly extra-regional fossil-fuel exports, and the off-the-books nature of many oil agreements involving PDVSA. Yet, even with these many caveats, we can still confidently affirm that intra-ALBA trade is weak.

<sup>70</sup> All 2008, from UN Regional Indicators Knowledge System (cris.unu.edu/riks). Though imperfect, this remains the standard measure (see De Lombaerde & Van Langenhove 2006 for alternatives).



**Figure 8:** ALBA member-states' trade with ALBA as % of their total trade, 2010 (source: UN COMTRADE [comtrade.un.org]).

Most remarkable is the fact that despite representing the core of ALBA trade (being involved in 94.6 per cent of the total), Venezuela's trade with ALBA weighs lightly (1.7 per cent) in its own overall trade; only Antigua and Barbuda is less involved (1.5 per cent). For various other members – particularly Nicaragua (17 per cent), Dominica (9 per cent), and Bolivia (7 per cent) – the pull of a full multilateral deal is somewhat stronger.

Furthermore, the TCP looks to exploit complementarities between member economies for the mutual benefit of both partners, but the existence of complementarities sufficient to tempt states into complex negotiations cannot be taken for granted, even where they are on the same ideological page. It is notable that the four least diverse economies in LAC according to Harvard University's Economic Complexity Index (Hausmann et al. 2011, pp.63–66) are all ALBA members – Venezuela (21<sup>st</sup> of 21), Bolivia (20<sup>th</sup>), Nicaragua (19<sup>th</sup>), and Ecuador (18<sup>th</sup>) – whereas Cuba sits only slightly higher (14<sup>th</sup>).<sup>71</sup> With such narrow export bases, there is less potential for the products of one member to enter into the value chains of others, thereby lessening the incentive to achieve a deal that would facilitate this process. Venezuelan and Ecuadorian exports are dominated by oil; both Bolivia and Venezuela have abundant natural gas; Bolivia and Ecuador compete in textiles and many agricultural products (most recently quinoa); Dominica, Saint Vincent, and Ecuador all compete in banana exports, not least in the Ecuador-driven WTO dispute over the Caribbean's preferential banana regime for European markets.

<sup>71</sup> Even former ALBA member Honduras was fifth from bottom. The Anglophone states of the OECS are not included, presumably due to a lack of data.

While the aim of the TCP may be precisely to boost trade and to develop new complementarities, the availability of pre-existing areas of mutual benefit from which to build would encourage at least an initial commitment to a multilateral TCP. Conversely, if there is little existing or potential trade, this raises the question of whether material and human resources required for trade negotiations might not be better employed elsewhere. Trade between ALBA's Latin American and Anglophone members, for example, has fallen into this category (I.28, I.29). Not only are levels of existing trade extremely low, the cost of interactions between Latin America and the Anglophone Caribbean – be that between officials, traders, or tourists – is also inevitably raised by linguistic and legal differences that diverge according to colonial legacy (civil law and Spanish versus common law and English). Thus, when discussions were held between ALBA states on the intellectual-property aspect of the multilateral TCP, officials from Antigua and Barbuda soon concluded that “the legal system was so different that the ALBA approach would not work in our system” and promptly ended their participation (I.86).

Overall, the TCP is impeded by the various political-economic continuities inherited by ALBA's incumbent governments, from pre-existing trade structures and resource endowments to differences in the cultural legacies of British and Spanish colonialism.

*The Multilateral TCP: Lost in the Olla Podrida of LAC Regional Institutions?*<sup>72</sup>

A second key block on participation, however, was the existence of competing sub-regional obligations. As in institutional “spaghetti bowls” the world over (Bhagwati 1995), the dense intermingling of ingredients in the *olla podrida* of LAC institutions can produce some explosive outcomes for ALBA trade.

In the Caribbean, ALBA's Anglophone members had prior and prioritised commitments, first, to the OECS, and, second, to CARICOM. As Vincentian Prime Minister Ralph Gonsalves explained:

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<sup>72</sup> “*Olla podrida*” translates literally as “rotten pot” and is the origin of the term “potpourri” in English (via French). It is a dish of assorted leftovers.

We made it explicitly clear that our membership of ALBA is complementary to and not subversive of existing arrangements: CARICOM, the OECS, the currency union, and the regional security system ... those treaties are reduced to domestic law, so I can't go and do something contrary to prior treaty arrangements, like the CARICOM treaty or the OECS treaty. Cuba, Venezuela, Nicaragua, Bolivia, Ecuador, they understand that.

(I.68)

Norman Girvan, who originally reported favourably to CARICOM's Council for Foreign and Community Relations on the compatibility of ALBA and CARICOM, points out that for the same reason a fully binding preferential trade agreement would have been a deal breaker for the Anglophone members (2011b, p.16). That is, participation in a multilateral TCP would have required an audacious split from the Caribbean's existing sub-regional organisations. In Latin America, meanwhile, the unilateralism of Cuba's elimination tariffs for Venezuelan imports in ALBA's founding agreement (2004), for instance, was unilateral only because Venezuela did not want to fall foul of non-party most-favoured nation clauses under CAN (ALBA 2004, Article 11; Comunidad Andina 1969, Article 155). Not only that, it was Venezuela's withdrawal from CAN which first provoked attempts at a multilateral TCP, as well as subsequent Venezuela-Ecuador and Venezuela-Bolivia deals. By the time these attempts began, however, Venezuela was well on the way to becoming a full member of Mercosur (from 2006), while Nicaragua's commercial wagon had been hitched to the US economy via the CAFTA-DR FTA. Though emerging pan-South American and pan-LAC organisations UNASUR and CELAC remained shallow and indistinct, they added to the well-documented oversupply of regional institutions (Malamud 2009) between which overstretched LAC states had to divide their limited time and resources. With the exceptions of Cuba and Venezuela, ALBA has been but one of many simultaneously pursued forms of regional integration, and not necessarily the one prioritised. Only a clear demonstration of its utility and viability could change this, yet abortive initiatives such as the TCP-ACD instead give an impression of inadequacy.

ALBA has tended to deal with legal and institutional clashes by employing a flexible "*à la carte*" format, whereby states can opt in or out of initiatives according to the demands of national political economy (Girvan 2011b). While Norman Girvan considers this a strength, the converse can also be argued. If ALBA is incapable of achieving a primacy that would require serious concessions from its members, its institutions can easily become ad-hoc, non-binding, and impermanent, filling only the

gaps left in-between member-states' other, more important commitments.<sup>73</sup> It is not that this is an inherently faulty strategy, but rather that it is interpreted as such by many of the actors involved, leading to a half-hearted involvement that does not provide the stability or clarity favoured not only by the economic agents who do most of the actual trading but also by many of the officials responsible for implementing initiatives (see below, p.121). While the non-binding *à la carte* approach appears to favour greater breadth of involvement, this is an involvement of little depth. Thus, in the TCP's case everyone was happy to agree to non-binding principles and the idea of a multilateral agreement, yet a more contractual, operable trade deal was unacceptable. Ecuador and especially Bolivia have long advocated greater institutionalisation of ALBA initiatives through binding, contractual treaties requiring ratification (I.42). Yet Venezuela has persisted in its preference for a "flexibility" that recalls the vague and often contradictory governance of its own political economy. Being the major economic and political force within ALBA, it is best placed to fill the governance vacuums that occur, giving it less of an incentive to support real change.

Thus, rather than reasserting member-states' autonomy, the failed multilateral TCP shows that autonomy is constrained by other regional institutions, thereby limiting ALBA's scope for innovation. Venezuela's preference for a "flexible" approach to institutionalisation prevents any clash from being resolved for or against ALBA, thereby contributing to the vague feeling of uncertainty that surrounds the initiative.

#### *The Multilateral TCP and International Institutional Constraints*

Beyond their obligations to other regional institutions, ALBA states must also choose either to operate within the limits of WTO rules to which all are signatories or instead to face the consequences of contravening or abandoning them. This dilemma lay at the heart of their failure to achieve a multilateral TCP.

When the proposal was first floated, officials of latecomers Ecuador and Bolivia began working in earnest on ways to operationalise the TCP's concepts of complementarity, cooperation, and solidarity (I.45, I.49). There were real internal debates over whether or not to formulate an agreement along WTO lines, with more radical policymakers advocating development of a non-monetary vision of trade entirely outside the existing system (I.49). However, they were also conscious of the fact that their abandonment of the WTO "would provoke nothing more than a giggle" (I.49),

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<sup>73</sup> Such choices are made all the time, as shown by the decision of Colombia and Peru to deal a death blow to CAN by signing FTAs with the US.



whereas contravention would bring serious economic sanctions from other WTO members:

No state, for all its good intentions, is going to set up a scheme that breaks the [WTO] rules, because if it does, they'll make you pay. If you don't accept the rules, any old country can say "I'm not importing from him!" or "I'll hit him with *this* [sanction]!" Since they've got more power, you end up staying. (I.51)

When trade officials finally gathered to discuss the design of the multilateral TCP, Ecuadorian and Bolivian officials were shocked to find their Nicaraguan counterparts enamoured of conventional FTAs like their CAFTA-DR deal with the US (I.49), whereas the Cuban delegation presented various draft chapters that were a carbon copy of the WTO rules: as one Ecuadorian official put it, "even the Cubans work to a different [non-TCP] logic!" (I.45). Essentially, as Isabel Estévez points out, ALBA states' unanimous subscription to the WTO framework limits the possibility for genuine changes of direction in any new model agreement:

When the country [Ecuador] negotiates trade agreements with other members of the WTO, they can but *deepen* the privileges already established in the regulatory framework of the WTO (for example, greater liberalisation of trade in goods, greater regulation of intellectual property). (Estévez 2012, p.15; emphasis in original)

Were ALBA to engage in interregionalism or interactions with rising powers elsewhere, it would also face pressure to stick to recognised standards or to produce a convincingly clear, coherent, and contractual alternative. The fact that it falls between these two stools can also act as a disincentive to the same south-south trade promoted by ALBA as a means of achieving multipolarity:

India's not interested in negotiating with Ecuador; they're better off with an ALBA bloc. They talk to us a lot about generic medicines – we've got a lot of interesting technology – but they're talking about billion-dollar investments. What are the rules of the game?! Where's the credible structure of wider legal security for ALBA? (I.51)

Thus, even though the literature tends to equip ALBA with the power to transform the nature of its members' trade relations, in reality its members are constrained not only by regional institutions but also global institutions. Inasmuch as member-states value their WTO-regulated trade – and fear its destabilisation – they are

pushed towards particular modes of trade that conflict with ALBA's preference for regionalised endogenous development. While they retain their sovereign right to leave the WTO at any point, in practice they are locked-in by the extent of their trade with other members. While the ALBA literature focuses on the novelties of the New Left, in practice the legacies of the neoliberal period are difficult to overcome.

### *Operationalisation of the TCP and State Capacity*

This generalised compliance with WTO rules relates not only to the commercial dangers of their transgression, however, but also to the lack of a well-defined and practicable alternative. It was this that led to stagnation of the multilateral TCP (I.45) – how could officials agree on something they could not articulate or codify? – and this ambiguity itself increased the perceived risks of provoking commercial retribution from other countries:

First you have to properly assimilate [the TCP] conceptually and examine your commitments at the multilateral [global] level so that you can weigh up your response, your support. Otherwise, they're going to contradict each other and collapse under their own weight; you'll get pulverised!

(I.51)

Even after the multilateral TCP had stalled, the same issue plagued bilateral negotiations between Venezuela and Ecuador. The initial failure of the CFA to advance beyond the “good intentions” of the early ALBA agreements was in part a result of this. In the first instance, the original text developed by Venezuela, in which Ecuador only “changed the commas and full stops” (I.45), took on the character of early ALBA agreements, also emanating from Venezuela. Caught between a desire to move away from WTO rules and concerns about doing so, the basic CFA failed not only to tackle the nuts and bolts of trade but also to produce a concrete plan for cooperative and complementary utilisation of trade regulations to the benefit of both parties. Instead, its sweeping elimination of all tariffs saw Ecuador scrambling to reopen negotiations at the last minute for fear of damage to its producers (I.45). As one of the negotiators admitted, the difficulties were partly technical, amounting to uncertainty about how to produce a TCP-type agreement:

For me the main thing is that we haven't constructed models of economic and productive complementarity. We don't know how to enhance our capacity jointly, in terms of resources, industrial development ... If you want to do an FTA, everything's ready; you know what the disciplines and conditions are, there's a whole structure: "we get to this point and then we conclude [negotiations]!" Here no, because you don't have that. This agreement depends on criteria that we're constructing...

(I.53)

Even when the CFA was rejected by COMEX and reconfigured via the Protocol and its various annexes, many of the same problems remained, with further uncertainty over how to make allowances for novel concepts such as EPS, fair trade, and solidarity within a broadly conventional agreement (I.51). Although the final model ACD agreement went some way to achieving this (Estévez 2012, p.36), it barely made a dent on the combined CFA, Protocol, and annexes that ultimately rendered the Venezuela-Ecuador deal a simple renewal of existing CAN rules. This compromise meant that despite all the sound and fury, the TCP-ACD process had managed to produce neither a conceptually consistent alternative mode of trade nor even bilateral agreements within WTO rules to promote coordinated substitution of extra-ALBA imports (from Colombia, say) for intra-ALBA ones (I.49).

This inability to produce a workable agreement is reminiscent of weaknesses in state capacity at the domestic level, where officials have also proved incapable of implementing concepts whose meaning remains obscure (chapter three, pp.73-78). Far from being transformed by New Left reforms, officials accustomed to a very different script are more often perplexed. Neither Venezuelan officials in their draft text of the CFA, nor their Ecuadorian counterparts in their subsequent revisions managed to pin down the TCP in a form that could draw the support of other actors involved. In the literature the very ideas underpinning an ALBA initiative are assumed to have a transformative capacity that they fail to demonstrate in practice (chapter two, p.47). In reality, initial scepticism about the TCP's vagueness and impracticability was vindicated by its tortuous progress and abortive institutionalisation.

#### *The TCP and Bureaucratic Inertia*

The absence of a clear, coherent, and practicable plan for implementation of the TCP also reduces its attractiveness to the very officials charged with putting it into practice. Where they are unconvinced, they have the power to leave proposals sinking into the bureaucratic mire:

The [TCP] declaration is romantic. They say that something has to be done, in terms of markets, in procurement, that it's a peaceful project... But it gets bogged down in the middle ranks until God knows when because they can get into all the projects that come from the centre, presidency downwards; they know the terrain and they have their ways. They can be a massive weight in boycotting anything, regardless of how good it is. How do you change that?

(I.51)

The default setting where there is a risk of failure is (somewhat understandably) “go with what you know”, which in this case means sticking with the familiar free-trade models.

Further, a complex and underspecified TCP is competing with the relatively simple and familiar prescriptions of these existing models. The export-orientated free-trade model may have many faults, but over-complexity is not one of them. For better or worse the technicians charged with its implementation have a road map that shows them how to proceed. Even officials well-disposed to the idea of a TCP-compliant deal confess that “like it or not, the WTO has got things pretty well structured!” (I.45). Since trade officials have been working to these precepts for so long, there is even a culture of liberalisation that rejects the kind of changes needed – now with constitutional backing – to promote inward-looking development:

At the highest levels of the country's management of trade, the word protectionism is still a dirty word. There isn't even a coherent alternative in terms of tariff protection; the tendency is still to go for a tariff of zero. That makes endogenous development impossible!

(I.49)

Further, this culture is reinforced through international interactions, where any deviation from the norm can be met by the scorn of external actors who are also peers:

One negotiator came to tell me that it would be embarrassing for Ecuador to distance itself from the normal negotiating conventions. A matter of personal embarrassment?! We're talking about the interests of the country here! This guy has to suggest something different to his friends the negotiators on the other side – because they *are* friends. At that level there's incredible resistance from the traditional negotiating team in the Foreign Ministry because they're ashamed to put forward an ACD. We even have this to overcome!

(I.45)

While some of these “unreconstructed” officials have been displaced by allies of the self-styled “revolutions” that brought ALBA presidents to power, others inevitably remain, often in senior positions due to long service. As a result, the assumption of transformative impact in the ALBA literature is grossly misleading. As at the domestic

level, the regional level has neither clear governance through which such problems can feed back, nor any institution (beyond individual presidents) with the power to do anything about it. Ultimately, it registers only vaguely with the ALBA Secretariat as a mystifying “demotivation” with no obvious solution (I.10).

#### *The TCP-ACD Process and Internal Division*

Beyond impracticability and inertia there also lies the question of interest groups and their representation within the state itself. The divisions that this creates have tended to be obscured by an assumption in the literature that incumbent governments’ stated aims are representative of genuine changes. However, the TCP-ACD process, particularly on the Ecuadorian side, shows that national-level divisions can be important to the performance of regional initiatives.

##### i.) Factionalism and competing interests

In Ecuador the two factions struggling for influence over trade policy diverged in terms of their respective constituencies and their stances vis-à-vis conventional FTAs. As noted in chapter three (p.84), the head of the left-wing faction was Foreign Minister Ricardo Patiño, advocating for a TCP along ACD lines; to his ideological right was Production Minister Nathalie Cely, who favoured more traditional FTAs. Final responsibility for trade policy rested with the cross-ministry Foreign Trade Committee (COMEX) headed by Cely, yet promotion of trade and integration fell within the remit of Patiño as head of the Ministry of Foreign Affairs, Trade, and Integration (MRECI), thereby setting the stage for conflict. The fault lines of this split ran directly through MRECI, emerging with the resignation in 2010 of Correa’s previous Foreign Minister Fander Falconí and his vice-minister for trade Julio Oleas, both associated with Correa’s *Alianza PAIS* movement. Their exit was due in part to their attempts to implement a more radical trade policy, which had stymied attempts to conclude deals both with the US and with the EU. Though this was no bad thing in their eyes (Falconí & Oleas 2011), it drew much criticism from the private sector, prompting Correa to change course. Though he maintained as Foreign Minister another *Alianza PAIS* stalwart (Patiño), the Vice-Ministry for Foreign Trade and Economic Integration passed into the hands of Francisco Rivadeneira. Both Cely and Rivadeneira were closely tied to the agro-export elites of the coast, and the two bodies they headed aligned themselves with the interests of this group within government, favouring conventional agreements with

traditional partners. Patiño, meanwhile, remained committed to an alternative vision of trade and was supported in this by Coordinating Minister for Economic Policy Katuska King, as well as the head of the Planning Secretariat, René Ramírez.<sup>74</sup> The existence of this split was common knowledge (El Universo 2011), but it exploded most memorably in a facebook war when Patiño's deputy Kintto Lucas dubbed a potential trade deal with the EU "neocolonialism" during Cely and Rivadeneira's trip to Europe to discuss it; Cely's own deputy Mauricio Peña hit out at Lucas, whereas Economic Policy Minister Katuska King "liked" his original neocolonialism remark, and the whole sorry mess had to be reined in by Correa (El Comercio 2011).

ii.) Cooperative negotiation of trade rules or CADIVI as a non-tariff barrier?

It was under previous foreign minister Falconí that Ecuador joined ALBA and first studied the possibility of a multilateral TCP, but it was his successor Patiño that took responsibility for the Venezuela-Ecuador CFA. It was Patiño's team that negotiated the initial agreement, based on Venezuelan draft texts, which echoed much of the language of the TCP but failed to provide guidance on the more routine, practical aspects of trade. Their approach had been to begin with this rough agreement and then develop it "on the go" (I.53) in continuous consultation with Venezuelan counterparts perceived to be on the same ideological page. But from the perspective of the Cely faction, this was unacceptable on technical grounds and because of the dangers posed from dropping tariff barriers for a partner whose own currency controls – CADIVI's restrictions on foreign currency for imports not produced domestically – were considered an effective non-tariff barrier (COMEX 2011). Thus, in a foretaste of larger problems with CADIVI and the SUCRE (chapter five), a key part of Venezuela's endogenous-development strategy became a spanner in the works of a TCP-ACD process that aimed to enable a regionalised form of the very same strategy.

iii.) Maintenance of the status quo

The protocol and annexes were added to the original CFA with the technical help of SENPLADES and the presidential New Financial Architecture commission –

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<sup>74</sup> Though this is only anecdotal, a fieldwork visit to the more conservative part of the Foreign Ministry was notable for the near-complete lack of knowledge or concern for ALBA amongst officials, who could only offer a publicity leaflet printed by the ALBA Secretariat. Officials at SENPLADES, meanwhile, spoke at length and with enthusiasm, sharing the findings of their detailed "Sociopolitical and Economic Analysis of ALBA" from the Ecuadorian perspective.

both instrumental in the development of the ACD concept – and provisions were made for previously neglected practical issues. But these ultimately drew more on existing CAN rules than on the new ACD. This constituted a last-ditch attempt to marry up the priorities of two groups with essentially distinct concerns: the Cely faction focused on the desire of sizeable agro-export industries to gain preferential access to large markets through traditional FTAs, whereas the Patiño faction favoured a novel format that would open up access to EPS producers, SMEs, and nascent manufacturing industries with the potential to add value within intra-ALBA production chains. Though the latter draws much of the academic attention for its novelty, in reality the former won out, and trade continued on much the same terms as prior to Correa’s presidency. In the end neither faction was entirely happy with maintaining the status quo, but in practice this favoured the free-trade preference of the Cely faction. Thus, tension between groups with different interests and trade priorities ultimately thwarted the TCP-ACD process’ regionalisation of endogenous development:

We have ALBA-TCP and EPS for the poor, bypassing the vice-ministry [for trade], and then the vice-minister [for trade] in charge of big negotiations elsewhere ... There is no consistent policy on international trade relations in which everyone is included. You end up in the old tradition of zero-sum economic policy: “if I don’t get it, nobody gets it”. You can’t have endogenous development like that.

(I.49)

iv.) The potential for corruption

Harder to identify and even more difficult to overcome, internal opposition to state-led regional initiatives can indeed become zero-sum in those cases where there are direct links between state officials and economic actors whose interests are at stake, a situation not uncommon in LAC economies where access to state resources has played a key role in private accumulation. Since ballot-box Bolivarian or Citizen “Revolutions” do not enjoy the luxury of post-insurgency purges, they must be carried out by senior bureaucrats of other eras who may maintain such links or by new officials with a similar openness to corrupt practices.<sup>75</sup> Further, as levels of corruption in the Venezuelan, Cuban, and Nicaraguan states demonstrate, true-believing revolutionaries both political and military can quickly trade ideology for dollars once in power (on Venezuela, see chapter three, pp.77-78).

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<sup>75</sup> As noted in chapter one (p.22), such factors are inherently furtive, although this assertion does stem in part from “off the record” observations from various interviewees.

v.) Endogenous development: different interests means different models

Overall, the presence and importance of this split at the heart of the Ecuador's political economy gives the lie to accounts that would present the development strategies of ALBA member-states as complete or coherent. On the contrary, alongside the endogenous development strategy articulated in the constitution and associated national plans there remains a significant commitment on the part of certain branches of the state and their constituencies to the export-oriented free-trade model to which the TCP was a critical response. Moreover, it was Correa who "delivered the vice-ministry of trade" (I.49) and control over COMEX to the latter faction while maintaining the discourse of the ACD. The power of this faction, and of the agro-export elites behind it, represents a further constraint on the autonomy of ALBA member-states in achieving an alternative trade agreement. With the two factions appealing to different constituencies, the proposals of neither faction received generalised support, and ultimately the easiest option of "no change" won out.

**Conclusion: ALBA and the TCP**

Returning to Benzi's call for a more thorough investigation of the TCP the outset of this chapter (Benzi 2010, p.18), we can only conclude that it is premature to broach the issue of how its benefits are distributed, for the TCP has not been implemented. Nevertheless, the reasons for this "unimplementation" do reveal precisely the kinds of tensions between and within states that are suggested by his question.

The failure of the TCP-ACD process seriously undermines the claims of many academic accounts of ALBA, as well as proclamations from ALBA figureheads about the imminent arrival of a credible zone of shared development. These claims are often substantiated by recourse to the TCP, which member-states have tried and failed to implement both multi- and bilaterally. In bilateral form, Ecuador intended to use its novel ACD concept bring the TCP principles to bear on its trade with Venezuela, constituting in itself 44 per cent of intra-ALBA trade. The anticipated payoff was the sovereignty-reinforcing reversal of many of the reforms enacted in the neoliberal period, with S&D, selective protection, developmental targeting of public procurement, national retention of ultimate jurisdiction, and even nationalisation rendered valid tools of politically guided cooperative development. The aim of creating regional value chains with higher value-added and involving a variety of previously marginalised



actors would key into shared drives for endogenous-development at the domestic level and produce tangible benefits in terms of employment, prices, stability of supply, and popular wellbeing. Since the range of beneficiaries tends to overlap with those mobilised by the movements which brought incumbent governments to power, an implemented TCP would have meant gains particularly in terms of output legitimacy.

Yet, in practice none of these gains was achieved, because the TCP-ACD had no positive effect on intra-ALBA trade. The multilateral option discussed in 2009 quickly fell apart, whereas the ACD was batted back and forth between Ecuador and Venezuela before existing CAN arrangements were simply renewed. The multilateral TCP process was hindered first by the sub-regional commitments of ALBA states, particularly Anglophone members committed to the OECS and CARICOM, and then by a wider concern for WTO rules and the dangers of their contravention. The bilateral process was also hindered by deficiencies in planning and state capacity, with officials unable to produce a workable format that would go beyond principles and generalities to applicability. The final CFA between Ecuador and Venezuela incorporated little of the ACD's or TCP's character. Ultimately, however, the bilateral ACD was only really desirable for one side of Ecuador's trade-policy governance, and not even the side with the final say. In effect, there was no unified trade strategy, but rather an internal conflict between those advocating for conventional FTAs with large partners and those attempting to develop infant industries and smaller actors via cooperatively coordinated preferential access to ALBA markets. Essentially, these elements of national political economy were regionalised alongside the proposed solution embodied in the TCP, which was thereby doomed to failure.

## Chapter Five: Unified Regional Compensation System (SUCRE)

...the Sucre's "birth" [promotes] a vision of regional economic development independent of the United States and the dollar. Exactly what if anything the Sucre will turn out to be, however, remains unclear. In the future will Venezuela claim to be sending Cuba 10,000 Sucres worth of oil in return for 10,000 Sucres worth of medical services? If the near-term purpose of the Sucre is to act as this type of "virtual currency" for trade purposes, it is plausible but economically meaningless.

(US Embassy to Venezuela 2009)

As with the TCP, beyond its basic function as a virtual currency facilitating local-currency payments for intra-ALBA trade, the nature and significance of the SUCRE initiative is often misunderstood, even by those who stand to be affected.<sup>76</sup> While the ALBA literature shares some of the same uncertainty as the US Embassy in Caracas, the SUCRE is there considered far from "economically meaningless". Rather, it is often taken as evidence of significant progress towards a zone of shared development that regionalises the endogenous-development strategies of its larger New Left member-states, reasserting at the same their autonomy and providing new benefits to incumbent governments.

Adopting the same four-stage structure as in the previous chapter, here we will discuss how the SUCRE acts, first, in the interest of states by saving on foreign exchange, insulating a portion of intra-ALBA trade, and favouring SUCRE-zone production over external production; and, second, in the interest of economic actors of all shapes and sizes by increasing cost-competitiveness via a reduction in transaction costs. This is designed to reinforce endogenous development particularly through its promotion of regional production chains with higher value-added, new access to export markets for the same associative organisations favoured at the national level, and the implication of producers of one member-state in the legitimising welfare provision of another. Unlike the TCP, it has been implemented in ALBA's four largest economies, with trade via the mechanism rocketing during its short life, thanks particularly to the central Ecuador-Venezuela relationship. Broad participation and a lack of conflict owing to secular benefits for all involved have meant that the SUCRE has been able to realise many of its intended effects. Yet, there are caveats, and again they relate in great part to inherited structural factors and conflicting institutional commitments that pre-

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<sup>76</sup> The SUCRE monetary council specifies that SUCRE (upper case) denotes the system as a whole, whereas sucre (lower case) means the unit itself. The name recalls Ecuador's pre-dollarisation currency, also the "sucre". Both the new system and the former Ecuadorian currency refer back to Antonio José de Sucre, hero of Latin American independence and close friend of Simón Bolívar.

date the endogenous-development model foregrounded in the ALBA literature. As in the TCP case, tensions in national political economies are regionalised alongside the policies of states-led regionalism, with the latter emerging severely compromised. Thus, trade imbalances significantly reduce foreign-exchange benefits to Venezuela, whereas Ecuador's diversification of production into areas of higher value-added is favoured at the expense of Venezuela's, albeit with some cost and supply benefits to Venezuela's import-dependent economy. The most damaging of all such clashes relates to capital controls in Venezuela, whose developmental purpose has been twisted not only into a new non-tariff barrier to Ecuadorian exports, but also into a means of draining Venezuelan foreign exchange through currency arbitrage. Thus, alongside real progress towards its intended functioning and impact, the SUCRE has also unintentionally promoted regional conflict and corruption across ALBA's national political economies, inhibiting achievement of ALBA's wider aims.

### **Origin and Proposed Function of the SUCRE**

As with so many recent innovations in LAC, the push for a regional compensation mechanism came from Hugo Chávez. During a bilateral meeting with Ecuador's Rafael Correa in November 2008, some seven months before Ecuador's entry into ALBA, the Venezuelan president sought assistance from Correa's Presidential Technical Commission for the New Regional Financial Architecture with the simple request of "a payment system for Central America, the Caribbean, ALBA, and Ecuador that does not use the dollar" (I.45). A basic outline of the system was prepared within a week and was immediately backed by Caracas; the fully functional system went live just thirteen months later, and the first transaction took place in February 2010 (I.45).

The SUCRE system centres on a unit of account for international trade between ALBA members, comparable to the virtual European Currency Unit that preceded the physical Euro currency. It is not a hard currency nor is there any sign that it will become one in the foreseeable future, though this was the ultimate goal for Chávez at least (ALBA Secretaría Ejecutiva 2010e, p.1). Its central purpose is to allow importers and exporters, public or private, to compensate each other in local currencies instead of having to purchase dollars. The system is controlled by a Regional Monetary Council that sets the weight of each national currency in the SUCRE basket and encourages coordination of monetary, trade, and exchange-rate policy across member-states (Páez

Pérez 2010, p.24).<sup>77</sup> Members contribute five per cent of their initial allocation of sucres to a Reserves and Commercial Convergence Fund (FRCC) that can finance production-for-export projects within deficit members so as to redress trade imbalances (ALBA Secretaría Ejecutiva 2010e, p.4). Since there are six months between the assignation of SUCREs and the payment of balances, this also amounts to a multilateral extension of credit to the value of the sucres exchanged.

By way of example, without the SUCRE a Venezuelan supermarket importing milk to a value of \$100,000 from a Bolivian dairy cooperative would have to pay Venezuelan Bolivars to a local bank with a correspondent bank in the US, which would in turn deposit the dollar payment with the US-based correspondent bank of the exporter's bank in Bolivia, who would finally pay the Bolivian exporter in Bolivian Bolivianos. If a Bolivian carmaker then bought \$200,000 of steel from Venezuela, the same process would occur in reverse. There are costs associated with the currency exchange and the transactions between banks at both the Venezuelan and Bolivian ends of the deal, not to mention the seigniorage gained by the US Federal Reserve through circulation of its currency overseas. These costs are relative to the value of the transaction, which would be \$300,000 across the two exchanges above.

The SUCRE offers four clear advantages to users great and small. First, it eliminates the currency-exchange cost altogether. Second, with the elimination of various steps in the process (and therefore middlemen), transaction costs are also greatly reduced. Third, since SUCRE payments are automated and rely on no external institutions, they occur in real time; this reduces the labour cost of setting up and monitoring payments and reduces the potential for defaulted or delayed payments. And fourth, where capital-outflow controls (Venezuela) or taxes (Ecuador) apply, these should be eliminated. Since all four types of cost are ultimately reflected in the final price of the hypothetical milk or steel mentioned above, any reduction in these four costs increases the competitiveness of SUCRE-utilising producers vis-à-vis non-SUCRE producers. With use of the SUCRE restricted to ALBA members, this effectively promotes intra-ALBA trade. Promoters of the SUCRE frequently refer to the case of Continental Tyres' exports from Ecuador to Bolivia. The company's internal accounts show that the costs associated with a payment via the SUCRE are just nine per cent of what they would be via the usual means (Trujillo 2012, p.17). This equates to some five per cent of the product's price on the Bolivian market, a significant

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<sup>77</sup> The value of one sucre (XCD) is roughly \$1.25 USD. XCD figures are used in some sources but all are converted to USD here.

gain in competitiveness that potentially increases Continental's market share at the expense of Peruvian, Chilean, or American suppliers, for example (I.45).

But since, from the perspective of importers and exporters, the system requires only local currency, it also opens up the possibility of foreign trade to actors far smaller than Continental. In dollar-denominated transactions there are financial, cultural, and even geographical barriers to take-up by small businesses: for a peasant farmer in eastern Ecuador, obtaining the necessary documentation (letters of credit and so on) means getting to a city and being required by a man in a suit and a white shirt to provide proof of sufficient resources to engage in foreign trade; this process is both costly and intimidating. Alongside the larger banks already engaged in trade financing, the SUCRE system allows smaller credit unions and cooperative banks to act as operators, adding reduced geographical and cultural distances to the existing advantage of not having to purchase foreign exchange (I.52).

The SUCRE system thus constitutes an efficacious and cost-effective trade mechanism that provides a secular – rather than ideological – gain to its users, be they private or public, large or small. Unlike most ALBA institutions it is also a treaty agreement and therefore ratified by national parliaments, implying a legal durability and stability that counterbalances the costs and risks of adopting a new system.

### **Intended Effects of a Fully Functional SUCRE**

As the explicit objectives of the SUCRE indicate, the potential benefits of its successful implementation are many, and in great part related to the overlapping themes of autonomy, endogenous development, and legitimacy that were identified in the literature of ALBA.

#### *Reasserted Autonomy*

The SUCRE initiative was designed to counter the “perverse effects” on developing economies of the existing international economic system; namely, the dollar dependence of the international economy and the concentration of decision-making power in the international financial institutions (IFIs) that govern world trade, finance, and development (Mata 2012, p.4). Unsurprisingly, given that the proposal emerged alongside the financial crisis of 2008, the SUCRE's designers saw the dollar as a transmission belt for volatility into developing countries. Prominent IFIs like the IMF and World Bank, meanwhile, were associated with the *paquetazos* (structural

adjustment programs)<sup>78</sup> of the 1980s, rendering them dirty words in much of LAC, for voters and for policymakers alike. The SUCRE's primary aim is to reduce exposure to this international system by "decoupling from use of the dollar in foreign trade" (ALBA Secretaría Ejecutiva 2010e, p.4). Since the SUCRE naturally favours regional trade partners, this coincides with Venezuela and Ecuador's shared aim of promoting a multipolar world through a transition from dependence on the US market towards increased interdependence with regional neighbours (chapter three, pp.68, 82). Though the value to the US of seigniorage from intra-ALBA transactions – nullified by the SUCRE – is but a drop in the ocean, this could prove more significant if the example of a successful SUCRE were to intensify the global trend towards regional compensation and monetary protection already emerging in the poor world;<sup>79</sup> in time the growth and diffusion of such schemes could have a real impact on the economic hegemony of the US. In line with the SUCRE's second stated objective (ALBA Secretaría Ejecutiva 2010e, p.4), the combination of previously dollar-denominated imports now transacted in local currencies and extra-regional imports displaced by newly competitive intra-ALBA suppliers should mean that less foreign exchange is spent on the import bill. In the earlier example, say, the outstanding sucre balance to be settled in dollars would have been \$100,000 instead of \$300,000. This would insulate member-states from certain sources of political unrest as healthier reserve levels would leave them better equipped to deal with fiscal and balance-of-payments pressures during economic downturns. The effective multilateral extension of credit implied by the six-monthly settling of SUCRE balances also adds liquidity and thus further insulates trade flows from extra-regional crises. Since the latter two factors amount to improved macroeconomic health in the eyes of international markets, their credit ratings and borrowing costs should also be positively affected, again freeing up resources for other developmental ends.

### *Endogenous Development*

An effective SUCRE would promote endogenous development in a number of ways. First, implicit favouring of intra-regional trade would mean that more of the value created within ALBA would remain within ALBA, with a knock-on effect on employment. This ties in with the people- rather than growth-centred focus on the

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<sup>78</sup> Formed from *paquete* ("package") and the suffix *-azo*, which implies a strong blow.

<sup>79</sup> Most prominently ASEAN's Chiang Mai Initiative (2000), Mercosur's gradually intensifying currency-swap arrangement (since 2008), and a BRICS-led foreign-exchange fund (Kelly & Prentice 2013).

social effects of economic policy that was observed across the five member-states studied in chapter three. Further, one particular aspect of this people-centred approach was a new focus both on SMEs and the associative organisation of the “popular and solidarity economy” (EPS) rather than larger industrial and agro-export businesses that were prioritised in earlier eras of import-substitution and export-orientation. This was based, first, on the idea that SMEs create more and better jobs and should therefore be supported by state intervention, whereas larger primary industries created fewer, worse jobs and already enjoyed the advantages of size without any additional help from the state. Associative EPS enterprises, meanwhile, are seen to provide both tangible skills and intangible empowerment by virtue of their participatory nature (chapter three, pp.70, 80). The SUCRE aims to offer both kinds of enterprise the chance to engage in foreign trade, which – if successful – would favour their viability by reinforcing their financial position. The knock-on effect on individuals would be material changes in conditions through growth of their small or associative businesses, and in the latter case further empowerment through the awareness-raising inherent to communal self-management (Cole 2008). The regionalisation of these domestic changes comes through the prioritisation of productive complementarity (ALBA Secretaría Ejecutiva 2010e, p.4), which is to say the creation of intra-regional production chains that lock in the above benefits and render member-states mutually responsible for their partners’ development.

Since ALBA’s is a vision of integrated development, whereby the economic, political, social, and cultural cannot be disentangled, this developmental interdependence is particularly acute. EPS producers in one state might be producing the subsidised food made available through the social programmes of another, for instance. Again, this should insulate the region from external crises, since more of the trade flows involved in their state-led development are contained within ALBA; they can thus be guided through relatively cooperative relations with smaller differences in power and interest than in north-south agreements. Also regionalised is the focus on minimising inequalities, though here between states instead of between citizens. The Reserves and Commercial Convergence Fund (FRCC) is designed to siphon off a small percentage of the sucres accruing to member-states with positive trade balances in order to finance growth of deficit-country exporters whose products could enter into the complementary productive chains mentioned above. This should provide a new source of development financing that both comes from and goes to ALBA states in line with state-led planning rather than market-led allocation.

### *New Sources of Legitimacy*

Since the SUCRE plays into much the same vision of regional productive integration as does the TCP, the ways in which it could impact upon legitimacy are similar. Involvement in the provision of benefits to incumbent governments' core constituencies means that the SUCRE can foster political as well as economic interdependence. At the demand end, this might see the SUCRE's cost advantages passed on to consumers via state-subsidised distribution networks like *Mercal* and *Bicentenario* (chapter three, p.71). At the supply end, export markets should be opened up for EPS actors and SMEs by the possibility of using local currencies and cooperative agent banks. In Bolivia and Ecuador especially, the EPS sector involves many indigenous workers, meaning that the SUCRE can provide disproportional benefit to this politically crucial group, which has been instrumental in unseating previous governments.<sup>80</sup> Skilful use of symbolic resources – as with the utilisation of the “SUCRE” moniker shared with the pre-dollarisation Ecuadorian currency of Ecuador – also regionalises the resurgent nationalism that has underpinned the new political movements of ALBA governments.<sup>81</sup> According to the Executive Secretary of the ALBA Secretariat, this is part of a conscious policy of promoting a sense of belonging, of “our SUCRE” (I.28).

But unlike the TCP-ACD process, the mechanism as designed provides clear benefits across the board, regardless of ideological bent. For one, its existence does not challenge international trade via normal channels, even between ALBA members; those who do not wish to take part are unaffected. Second, since it naturally reduces costs, it increases the competitiveness of production within ALBA vis-à-vis extra-regional producers, thereby providing export markets or cheaper imports to the producers and vendors of member-states (insomuch as intraregional demand exists). This is as attractive to a multinational company like Continental Tyres as it is to a cooperative dairy farmer in Ecuador, creating a broader, more stable base of political support for the mechanism. Third, the provision of new development financing to encourage complementary trade would seem only to positively affect those targeted as potential exporters. The desired insertion of smaller intra-regional businesses into complementary production chains would come at the expense of extra-regional

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<sup>80</sup> Particularly in Ecuador, where during the 1990s and 2000s the Confederation of Indigenous Nationalities of Ecuador repeatedly convoked politically devastating mass protests.

<sup>81</sup> Something akin to Neumann's region-building (Neumann 1994).



producers whose exports to ALBA countries would be substituted by local production rather than creating new competitors for local companies.

Overall, a SUCRE system functioning along these lines would substantiate the view that ALBA reinforces the autonomy of ALBA and its member-states and underpins national endogenous-development strategies, which also implies mutual reinforcement of legitimacy between member-states. But as the TCP example has shown, the potential impacts of core ALBA initiatives can be entirely nullified by implementation failures.

### **Implementation, Impact, and Linkage to Members' Development Strategies**

Unlike the TCP, however, the SUCRE has been implemented by some ALBA member-states, namely its four largest economies: Venezuela, Ecuador, Cuba, and Bolivia. Though its use has grown rapidly since 2010, this growth has been uneven, with its impacts distributed accordingly. The system has also been abused in ways that undermine endogenous-development strategies. Both the qualified successes and mitigated failures of its implementation reveal much about the progress of ALBA more broadly.

#### *Participation in the SUCRE*

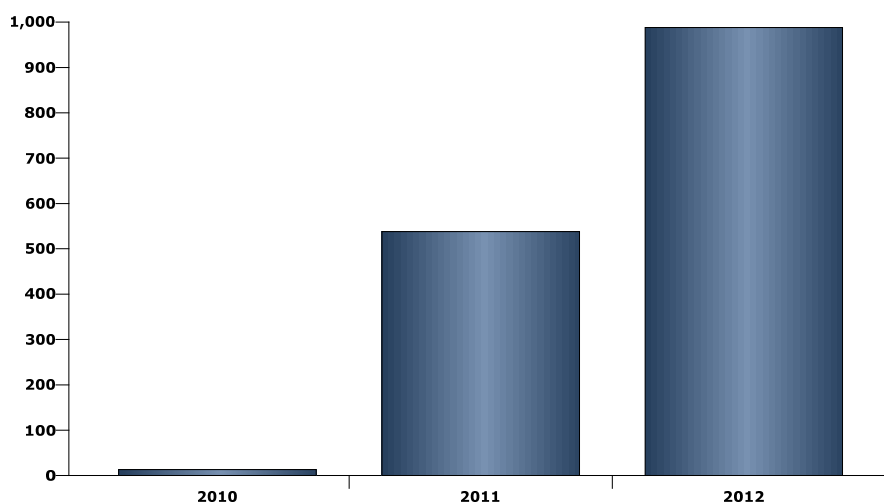
The first moderator of impact is participation, for if a given ALBA member opts not to use the SUCRE, then its only possible effect on that political economy could be loss of intra-ALBA trade to the firms of newly competitive SUCRE-zone countries. Put most dramatically, since neither Nicaragua – whose trade with ALBA is considerable (see chapter four, p.114) – nor the Anglophone member-states have participated, the SUCRE effectively has no presence, impact, or developmental linkage within half of ALBA's member-states. But put more realistically, the SUCRE covers 91 per cent of ALBA by population and 98 per cent by economic size.

As with the TCP, one potential hindrance to participation is that its potential impact is proportional to the size of trade relationships with ALBA, meaning that gains from SUCRE utilisation may not outweigh implementation costs. Given what we have already seen about differences in the importance of ALBA trade (chapter four, p.114), the benefits of the SUCRE would be far more significant for Nicaragua (intra-ALBA trade = 17 per cent of total trade) than for Anglophone members (average = 5 per cent), for example. It also means that the absolute cost of SUCRE implementation for overstretched micro-states weighs even heavier in the balance, which along with their

commitments within the Eastern Caribbean Currency Union partially explains their absence. Overall, the SUCRE's coverage is broad, since the participation of ALBA's four largest economies means that 78 per cent of intra-ALBA trade could be channelled via the SUCRE.<sup>82</sup>

### *Trade within the SUCRE Zone*

In those states where it has been implemented, the SUCRE has produced promising results in its short life. After a few test transactions worth just \$13 million in 2010, SUCRE trade shot up to \$538 million in 2011, representing 8.2 per cent of total intra-ALBA trade.<sup>83</sup> This is impressive growth considering the unfamiliarity of the system for central banks, agent banks, and end-users alike. SUCRE trade near doubled in 2012 (see **Figure 9**, below), ending the year just shy of the billion-dollar mark (\$988m). Although figures for total intra-ALBA trade in 2012 are not yet available, they will surely show that SUCRE-trade growth far outpaced growth in intra-ALBA trade, implying gains for SUCRE trade vis-à-vis dollar-denominated trade. The same lack of data makes it impossible to judge whether or not the SUCRE mechanism has contributed to an increase in SUCRE-zone or intra-ALBA trade: no such increase materialised between 2010 and 2011, with the figure hovering at 3.1 per cent, but it would be unfair to expect such rapid results from a freshly minted mechanism. *Prima facie*, the basic indicators suggest that it is flourishing and thereby making progress towards the intended effects on regional autonomy, development, and legitimacy described above.



**Figure 9:** Value of SUCRE trade (\$ millions), 2010-2012 (source: SUCRE 2012)

<sup>82</sup> With Nicaragua's imminent entry, this will rise to 98.9 per cent.

<sup>83</sup> ALBA-ALBA trade from Comtrade. Intra-ALBA trade here includes the four members not utilising the SUCRE, but since their trade is only 2 per cent of the total, any difference would be negligible.

Yet, overall results are somewhat deceptive. As with ALBA trade more generally, looking at the individual trade relationships tells a different story. As **Figure 10** (below) reveals, 89 per cent of SUCRE trade is between Venezuela and Ecuador. The only other significant relationship is Venezuela-Bolivia, whereas trade excluding Venezuela is next to none – and indeed there is none whatsoever between Bolivia and Cuba.



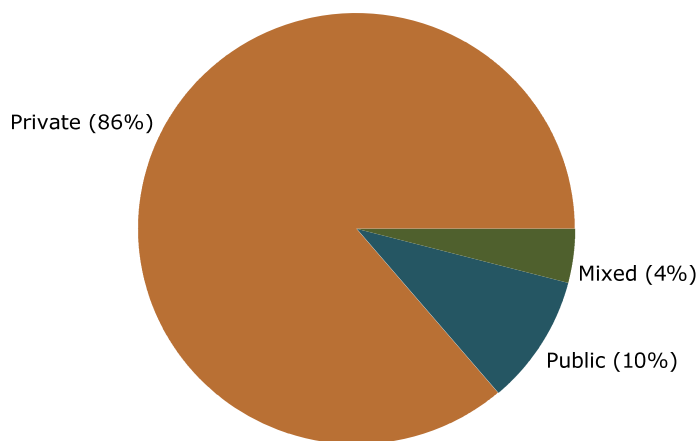
**Figure 10:** Value of individual trade relationships within the SUCRE zone (\$ and % of total), Jan-Jun 2012 (source: Trujillo 2012, p.15).

Since the SUCRE channels 8.2 per cent of intra-ALBA trade (based on 2011) and 89 per cent of this is between Venezuela and Ecuador, 7.3 per cent of intra-ALBA trade is Venezuela-Ecuador sucre-denominated trade. This is consistent with but not proportional to the size of trade relationships between ALBA members (see chapter four, p.109), since Venezuela-Ecuador trade is overrepresented in the SUCRE. It also highlights the lynchpin role of Venezuela, which occupies the intersection of SUCRE-zone trade just as it does in broader intra-ALBA trade. As we shall see, if Venezuela sneezes, the SUCRE catches a cold.

#### *End-User Participation in the SUCRE*

To reiterate, any effects of the SUCRE initiative are proportional to the trade carried out through it, meaning that it is having most impact on the political economies of the core Venezuela-Ecuador relationship. Both have promoted and institutionalised its use in various ways, and this strategy has borne fruit. In Venezuela, state institutions have been instructed to give priority to intra-ALBA trade relationships over all others (I.11). In line with this, central bank officials and members of the SUCRE's monetary council have given numerous seminars and workshops for business leaders within state banks, private banks, chambers of commerce, and associative organisations in order to expound the virtues of the system (SUCRE 2011a, pp.49–52). These events focused on

the ideological motivations, practical utilisation, and secular advantages of the SUCRE in an attempt to win broad support for the initiative, particularly from a private sector that has been suspicious of the idea from the outset (Hans 2009). Figures show that the system has indeed won over many of its critics. Early transactions were often limited to state enterprises, but the private share of SUCRE trade soon shot up and has grown steadily ever since (see **Figure 11**, below), going from 72 per cent in 2011 (SUCRE 2011a, p.23) to 86 per cent six months later (Trujillo 2012, p.16).



**Figure 11:** Private, public, and mixed shares (%) of total SUCRE trade, Jan-Jun 2012 (source: Trujillo 2012, p.16).

This is all the more important given the fractious relations between the private sector and the state in many ALBA countries, especially Venezuela. Despite tense relations, we find not only multinationals like Unilever and Nestlé employing the SUCRE (SUCRE 2012), but even those like Empresas Polar that have repeatedly been threatened with nationalisation after accusations of fomenting unrest through cuts in production of staples (AVN 2012). In terms of intended effects outlined above, it is too early to know the extent of any displacement of extra-SUCRE-zone trade by intra-SUCRE-zone trade, but the rapid expansion of SUCRE trade suggests that progress is being made. Less than three years into its life the SUCRE was channelling 74 per cent of all bilateral trade between Ecuador and Venezuela, suggesting that its advantages have been understood across the board (BCE 2013).<sup>84</sup>

As accounts of ALBA often stress, this increases the kind of regional interdependence that favours regionally coordinated development planning and reduces ALBA's vulnerability to external shocks. Through its provision of benefits particularly

<sup>84</sup> Unless all SUCRE trade is new, which is extremely unlikely. The work cited relates to figures for SUCRE trade. Figures for total trade used in this calculation also come from the BCE (bce.fin.ec).

to business elites that tend to be hostile to state intervention, the SUCRE also contributes to the output legitimacy of incumbent governments. So successful in this respect has the SUCRE been that we even find it played up in Mazda advertisements about “supporting national progress, assembling for life ahead” that cash in on the economic nationalism implied by the SUCRE (Oficina Comercial Ecuador-Venezuela 2011, p.15).<sup>85</sup>

#### *Linking SUCRE Exports to Endogenous Development*

But intra-ALBA integration of private trade is only one way of achieving the inward-looking development sought by Venezuela and Ecuador alike. From the government’s perspective, trade through public (or mixed) companies has the advantage of being directly manipulable by government. If ALBA states wish to encourage endogenous development through creation of complementary production chains, state enterprises can be instructed to participate, whereas private companies can only be nudged or cajoled. In order to ensure that this happens, both governments have committed to channelling all bilateral trade between public entities via the SUCRE (Presidencia del Ecuador 2011). This is particularly significant given recent growth in direct state control of industry in Venezuela (see chapter three, p.71).

There is some evidence that this strategy is quite literally bearing fruit. In food production, for example, numerous state producers of agricultural inputs in Venezuela (Fertinitro, Pequiven, Copequim) now utilise the SUCRE to export the fertilisers required for Ecuadorian production of bananas and coffee (Mata 2012, p.12), which are in turn exported extra-regionally. Creation of such intra-regional production chains for extra-regional exports is an explicit development strategy of both governments (I.51). In the opposite direction, Ecuador to Venezuela, and for internal consumption rather than export, state banks provide cheap credit and local-currency access to the SUCRE mechanism for Ecuadorian farmers so as to enable them to displace non-ALBA suppliers, as with Colombian onion producers selling to Venezuela (I.55). Since state enterprises often act as buyers at the other end of such deals, the profit margins that would usually go to intermediaries can instead go towards socially advantageous “fair trade” prices (I.21). In such cases, the SUCRE is successfully creating social and economic benefits at both ends of an intra-regional transaction, an ALBA mechanism thus contributing not only to the regionalisation of endogenous-development strategies, but also to the autonomy implicit in greater food sovereignty.

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<sup>85</sup> The term “economic regionalism” would confuse, but it is a “region feeling” that is invoked.

This state-guided intraregional trade plays an especially important role in the case of SMEs and the EPS, both of which are priority sectors for the governments involved (chapter three, pp.70, 80) and for the SUCRE's Regional Monetary Council itself (SUCRE 2011a, p.8). Thus, in Ecuador the SUCRE becomes a tool with which new institutions like the Office of Inclusive Trade and traditional institutions like the Ministry of Agriculture, Livestock, Aquaculture and Fisheries (MAGAP) can promote the participation of small or associative organisations in international trade. Milk production serves as a pertinent example: small and medium-sized Ecuadorian dairy farmers are encouraged to join associative groups like the Eastern and Mountain Livestock Association (AGSO), which – with MAGAP support – provide infrastructure to pool production, training to increase yields, and fair prices to reduce volatility. The associative organisation then enters the international market via the SUCRE and can interact directly with Venezuelan importers, public or private. Correa's Ecuador has done a particularly good job of opening up institutional paths to sucre-denominated exports for small and associative traders. Geographical and cultural barriers are combated first by the MAGAP-run National Storage Unit (UNA), which provides unmediated and local access to agricultural production chains; guidance on finding buyers is given by the export agency ProEcuador and by the Office of Inclusive Trade; and access to the SUCRE mechanism is furnished by a wide range of agent banks, including not only private banks with nationwide coverage but also smaller cooperative banks and credit unions (BCE 2012). This work of creating an export culture amongst smaller economic actors speaks to a desire to empower (both materially and technically) those sectors of the economy whose gains flow directly to the poorest areas of society. Progress has been cautious since the Ecuadorian state recognises that misadventures in international commerce could be fatal for small organisations unable to absorb unexpected losses, yet there have been successes particularly in basic products such as milk, rice, potatoes, onions, and palm oil (I.52). Even the SUCRE's own regional monetary council (CMR) has looked to support the incorporation of SMEs and producers' associations by creating a register of those aiming to adopt the SUCRE (SUCRE 2011a, p.38). But the SUCRE mechanism's fundamental role in this process is to improve the competitiveness of Ecuadorian milk from EPS producers and to allow smaller actors to trade internationally using only local currency.

Qualitatively speaking, inasmuch as the SUCRE facilitates EPS and SME involvement in international trade, it regionalises aspects of the endogenous-development models of ALBA members, here Ecuador and Venezuela (chapter three,

pp.66-73, 79-82). Apart from direct economic and social benefits, the aim of achieving regional autonomy is served by the creation of trade links that reinforce food sovereignty and are somewhat isolated from shocks in the global political economy. There are also less tangible gains in experience and mutual confidence between actors, banks, and state institutions brought into contact for the first time by the SUCRE (I.55). This intraregional interdependence also sees the regional level contributing to output legitimacy, since benefits often accrue to the formerly marginalised groups who brought ALBA governments to power, as with the poor and indigenous in Ecuador who are overrepresented in SMEs and EPS organisations. *Prima facie*, the size of bilateral SUCRE transactions – averaging \$432,000 per transaction to June 2012 (based on Trujillo 2012) – and the minimal use of cooperative agent banks (BCE 2013, p.2) suggest that few smaller or associative companies are becoming directly involved. But this is complicated by the fact that larger associative organisations like AGSO and UNA commercialise in single transactions the production of many smaller producers. For example, the milk trade with Venezuela described above was worth \$20 million in 2011 but was sourced from a network of 12000 small dairy farmers (Embajada del Ecuador en Venezuela 2010, p.3), whereas the SUCRE's own reporting suggests that growth in participation of smaller actors is significant to the sharp overall increase in SUCRE trade (SUCRE 2013).

#### *Linking SUCRE Imports to Endogenous Development*

These benefits also extend to the importing member with much the same consequences. Indeed, given the relationship between state-led trade and social programmes within ALBA, if anything they are stronger. If Ecuadorian products reach Venezuelan consumers at better prices via the SUCRE, be it through public or private trade, intra-ALBA interdependence is again strengthened. But where state enterprises engage in trade to provide politically sensitive products sourced from groups whose wellbeing is also politically sensitive, this interdependence is all the greater.

This is precisely what happens with milk when it passes from Ecuadorian EPS producers into the Venezuelan market via a sucre-denominated transaction. Milk is the star of Venezuelan food-scarcity crises, being absent from 29 per cent of shops in early 2011 (Oficina Comercial Ecuador-Venezuela 2011, p.13), making its stable supply a political issue. At that point it enters into the state's food-distribution network through the importer, in this case the Agricultural Services and Supply Corporation (CASA). CASA is one of a number of state companies that import and then distribute products

via a nationwide network of subsidised food stores based principally in deprived areas. The best known of these is *Misión Mercal*, one of the original social programmes that cemented Chávez's reputation as a champion of the poor prior to the 2005 recall election (chapter three, p.71). Their success has been such that there are now a number of offshoots such as *Supermercales*, Bicentenary Stores (nationalised from French multinational Casino), and the roaming subsidised-food markets that appear periodically in *Plazas Bolívar* all around the country.<sup>86</sup> Moreover, the wider state food-supply network dominated by CASA and the Venezuelan Food Producer and Distributor (PDVAL) also supplies other social services such as schools and prisons, not to mention the huge and hugely important healthcare mission *Barrio Adentro* (López 2010). Thus, the benefits to the small farmer in Ecuador translate into benefits for a poor Venezuelan consumer whose demand for affordable milk is being met by a *Mercal* store in a Caracas *barrio*. Again, food sovereignty is regionalised and with it external dependence reduced. At the same time the material needs of supporters of incumbent governments are being met and politically damaging shortages mitigated.

There numerous areas in which it could be expanded across different members: Ecuador could import medical products from Cuba to treat beneficiaries of the regionalised *Misión Jose Gregorio Hernandez* disability-targeting programme (I.45), or the competitiveness of the Ecuadorian car industry could be bolstered by SUCRE-sourced inputs from the Venezuelan state steel company SIDOR (I.55). Ecuadorian household appliances already reach Venezuelan consumers via private importers but the Ecuadorian government also means to insert national producers into the social programme *Mi Casa Bien Equipada* (My Well-Equipped House), which provides discounted white goods to poor families (ProEcuador 2013, pp.8–9). This simultaneous legitimisation and promotion of human development through welfare provision is a perfect expression of the SUCRE's (and therefore ALBA's) role in underpinning the political-economic changes associated with ALBA governments at the domestic level.

#### *Extra-ALBA Impact and LAC Autonomy*

The SUCRE also has an extra-regional impact that ties in with Venezuela and Ecuador's shared goal of creating a multi-polar world. Officials from both countries have energetically promoted the SUCRE system within their respective countries in the hope of persuading the greatest possible number and variety of actors to participate (SUCRE

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<sup>86</sup> Every Venezuelan town has a Plaza Bolívar, a central square equivalent to a Mexican *zócalo* or a Spanish *Plaza Mayor* only with the addition of an obligatory statue of the Great Liberator.

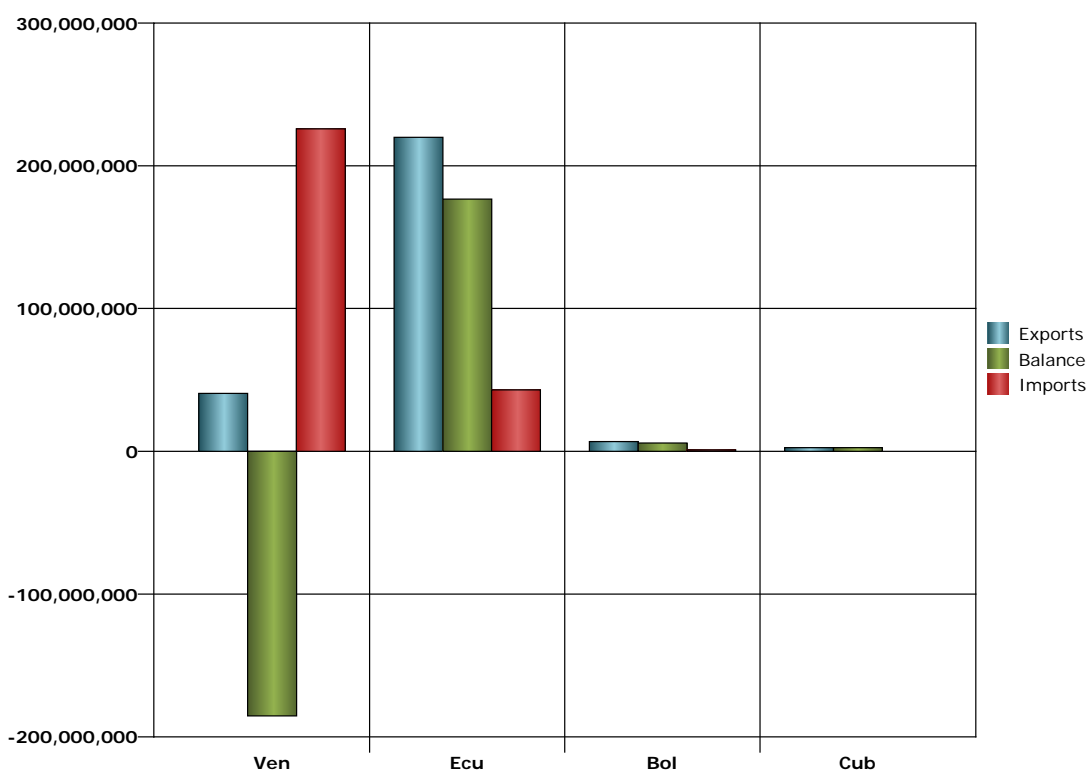


2011a, pp.49–52). But its Ecuadorian designers in particular have taken the SUCRE further afield, explaining its logic and functionality in multilateral forums throughout LAC and the wider world. Within LAC specifically, the SUCRE is an integral part of the New Regional Financial Architecture proposal (NRFA), which is pushed vigorously by both Venezuela and Ecuador. As noted in chapter three (p.83), the idea is to create regional institutions that replicate the functions of the IMF, the World Bank, and the dollar in the global economy, only under local control. In place of the IMF, a network of central banks would create a “Southern Fund” to pool reserves; in place of the World Bank, new regional banks like the Bank of the South and the ALBA Bank would use regional resources to fund development projects according to regionally agreed objectives and conditions; and in place of the dollar, a regional currency (the SUCRE) would facilitate, intensify, and balance regional trade. By touting the SUCRE’s advantages, backed-up by credible evidence of significant progress, they strengthen the case for the wider NRFA, whose Bank of the South element is also establishing itself in fits and starts.

Aside from the NRFA, the SUCRE’s promoters hope to inspire other countries and regions to develop similar mechanisms. Inasmuch as they succeed, the SUCRE is playing a role in decreasing the weight of the dollar in the world economy. This reduces the influence of the US as the dominant power in the prevailing unipolar arrangement, which equates to progress towards multipolarity. The SUCRE was already part of a wider move towards intraregional currency agreements, including the Chiang Mai initiative of ASEAN+3 and the Local-Currency Payments System (SML) operating between Brazil and Argentina, but it outstrips both in complexity and utility. Such has the SUCRE’s success been that even ALBA’s ideological nemeses Colombia and Peru have expressed their desire to adopt the system (Últimas Noticias 2012). Elsewhere, the SML is set to be extended to all of Mercosur, and Brazil has also proposed a currency-swap deal with the other BRICS countries (Kelly & Prentice 2013). While we cannot attribute these trends to the SUCRE alone, its positive example can only favour their intensification. Though less direct than other impacts, this effectively increases the autonomy of both ALBA and wider LAC regions whose histories have been shaped – if not warped – by various great powers and the international institutional framework designed in their image.

### *Imbalances in Trade, Imbalances in Foreign-Exchange Savings*

Yet, even closer scrutiny of particular bilateral SUCRE relationships reveals that the SUCRE's is not exactly an unqualified success. Essentially, this is because the above depiction of Venezuela as a SUCRE importer and Ecuador as a SUCRE exporter is demonstrably accurate (as shown in **Figure 12**, below). This fundamental imbalance, which is far from the ideal of balanced trade envisioned by the SUCRE's design, means that anticipated benefits to states are unevenly distributed. Bolivia's minimal participation is the only example approaching balance, whereas Cuba's small participation involves only exports.



**Figure 12:** Balances of SUCRE trade by participating state (\$), 2011 (source: SUCRE 2011a, p.21).

The important point is that just as “a healthy balance of trade amongst SUCRE members ... increases the capacity for each state to save foreign currency at the end of each semester” (Rosales et al. 2011, p.18), an unhealthy balance reduces this capacity. Ecuador's massive sucre surplus becomes Venezuela's massive sucre deficit, which in turn has to be paid back in dollars.<sup>87</sup> Despite rocketing oil prices throughout the ALBA

<sup>87</sup> As noted in chapter one (p.20), issues of data availability prevent precise calculation of bilateral balances, but 2011's figures are so clearly dominated by Venezuela-Ecuador trade that Venezuela's deficit can only be as a result of Ecuador's surplus. Cuban and Bolivian imports in 2011 were also so small that they could barely trouble this conclusion, which is also supported by the slightness of Ecuador's SUCRE trade with Cuba and Bolivia in 2012 (see Trujillo 2012, p.15).

era, Venezuela has suffered from major cash-flow problems (chapter three, p.78), and this sucre deficit means that around 70 per cent of its SUCRE trade ends up being compensated in dollars at the end of each semester. This means that any benefit from foreign-exchange savings is 70 per cent weaker for Venezuela than if we assume balanced trade. Thus, although Venezuela has suffered serious cash-flow problems, the SUCRE does far less to relieve them than was envisioned in its design. Ultimately, the threat to Venezuelan reserves from SUCRE deficits became so serious that Venezuelan planners and central-bank officials were moved to warn that further growth in the deficit “would represent a significant shock to the international reserves of the Republic” (Vera Azaf 2013). Consequently, just as the SUCRE can reinforce the output legitimacy of its incumbent governments, where it does not perform the function for which it was designed, it can also do just the opposite. The realisation that Venezuela is gaining less than other member-states – whose surplus sucres are ultimately exchanged for Venezuela’s dollars – also feeds into domestic political concerns over “giving away the oil” to other countries (chapter three, p.78).

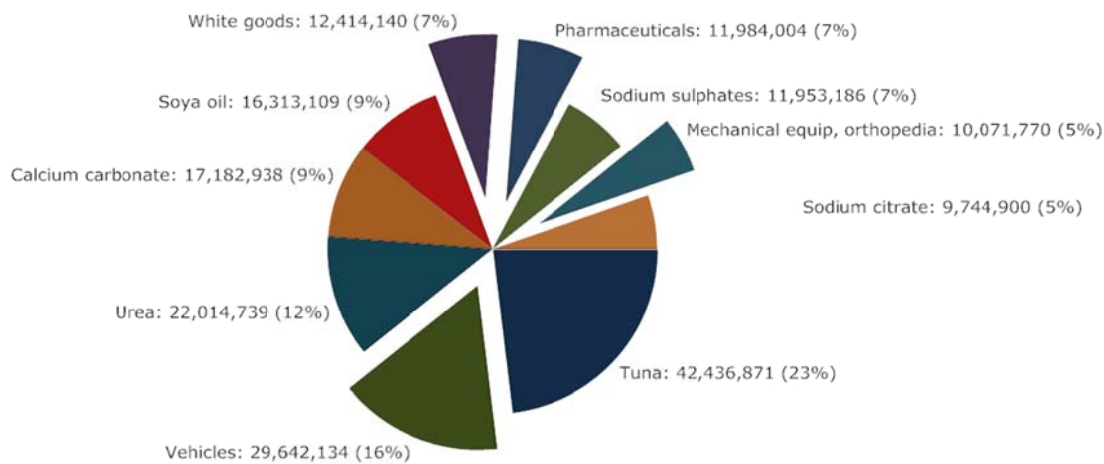
The flipside, of course, is that Ecuador’s SUCRE surplus means that it expends less of the foreign exchange upon which its dollarised economy relies, removing some of the usual pressure to protect traditional exports that have provided the hard currency in circulation. Any future move to de-dollarise the economy – a strategy favoured by Rafael Correa in his previous life as an academic economist (Correa 2004) – would massively increase Ecuadorian autonomy by restoring national control over the money supply, and the SUCRE helps to create the conditions for this, albeit in small measure.

Thus, although the overall reduction in foreign-exchange expenditure makes this a positive-sum situation, shares in that positive sum are relative: for Ecuador to gain more, Venezuela must gain less. While this asymmetry is compatible with ALBA’s wider S&D principle, it does not correspond to the SUCRE’s intended functioning, and it can delegitimise one government while legitimising another.

#### *Imbalances in Trade, Imbalances in Value-Added*

The divergence in Venezuelan and Ecuadorian utilisation of the SUCRE is also reflected in the types of products traded and their potential developmental impact. As was seen in chapter three (pp.70, 80), both governments aim to diversify their economies away from primary commodities and towards products with higher value-added. As **Figure 13** shows (below), the SUCRE mechanism channels a relatively high proportion of high value-added products (35 per cent), including vehicles (16 per cent),

white goods (7 per cent), pharmaceuticals (7 per cent), and mechanical equipment (5 per cent). While at first glance, this would seem to provide evidence of the shift towards manufacturing and high-technology that both countries seek, in reality Ecuador's export success is equally a story of Venezuelan import dependence.

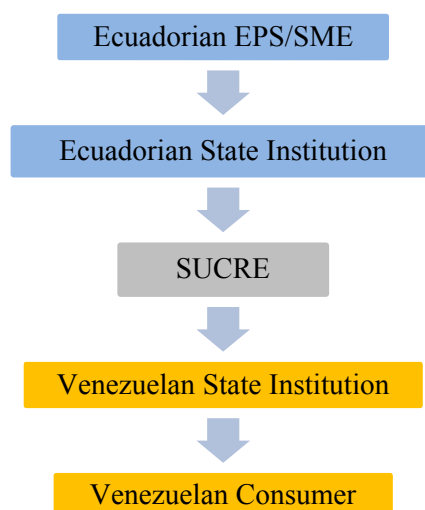


**Figure 13:** Top ten classes of product traded via the SUCRE (by value in \$ and % of total trade in top-ten products [which make up 80.4 per cent of total SUCRE trade]), Jan-Jun 2012 (source: Trujillo 2012, p.16). Exploded sections are products of higher value-added.

Since Ecuadorian planners have identified ALBA as a potential market for goods with higher value-added (SENPLADES 2011b, p.27), this is entirely consistent with Ecuador's vision of ALBA's role in its development. Looking at statistics on Ecuador-Venezuela exports more specifically (in 2012), motor vehicles were the top product at 29 per cent, followed by chemical products (23 per cent), and then tuna (16 per cent), but mechanical farming apparatus (10 per cent) also features in the top five, with gas cookers, palm oil, and milk not far behind (BCE 2013, p.2). Crucially, of these products only tuna falls within the traditional big seven of Ecuadorian foreign trade.<sup>88</sup> Ecuador's development model under Correa leaves these traditional export industries to fend for themselves without special attention from the state, reasoning that their size and historical dominance are advantage enough. Instead, emerging manufacturing sectors are favoured in an attempt to develop the country's "productive matrix" towards goods with higher value-added (El Telégrafo 2013). Alongside these manufactured goods we find agricultural products like milk, palm, and rice that are produced by EPS actors and promoted by new institutions such as the Office of Inclusive Trade. This is also in line with Ecuador's recognition of its position as an agricultural over-producer within ALBA (alongside Bolivia), a fact that makes its principled promotion of intra-

<sup>88</sup> Oil, bananas, shrimp, flowers, coffee, cacao, fish, constituting around 85 per cent of exports.

regional food sovereignty also a matter of economic self-interest (SENPLADES 2011b, pp.42–44).<sup>89</sup> Thus, the SUCRE bolsters two pillars of Ecuador’s endogenous-development strategy: strengthening of EPS actors and promotion of exports with higher value-added. While this does mean cost and local-supply advantages for some key items that often suffer shortages in Venezuela – milk and cooking oil being the shortage products *par excellence* (Tejero Puntos 2011) – Venezuela’s looming sucre deficit means that the direction of supply tends to favour Ecuadorian producers in terms of the endogenous-development strategies shared by both countries (as represented in **Figure 14**, below). As with the foreign-exchange transfer provoked by such unbalanced trade, this departs from the design of the SUCRE in ways that could damage its legitimacy in the domestic sphere of ALBA’s predominant force, Venezuela.



**Figure 14:** Typical direction of state-led SUCRE trade flows between Venezuela and Ecuador.

*The Insignificance of the SUCRE Reserves and Commercial Convergence Fund*

One counterweight to these damaging trade imbalances is the Reserves and Commercial Convergence Fund (FRCC), which was designed to fund productive investment for export-promoting projects in deficit countries (see p.130). The funding criteria specify that only projects with the potential to increase specifically intra-SUCRE trade are eligible, and here again there is explicit consideration of the same “communitarian, cooperative, [and] mixed” forms of organisation emphasised at the domestic level (SUCRE 2011b, p.5). But although it was mooted that the fund would accumulate as a percentage of the surplus sucres of exporting countries (Rosales et al. 2011, p.19), the

<sup>89</sup> This is not to say that it *is* self-interest, but rather that it also works as self-interest, which has the potential to neutralise opposition from groups less convinced about the need for LAC solidarity.

ratified SUCRE treaty specifies only “proportions, financial instruments, and terms agreed between [member-states]” (SUCRE 2009, Article X). In practice, this has meant agreement merely to contribute 5 per cent of initial SUCRE allocations, meaning just \$9.5 million (Presidencia del SUCRE CMR 2013, p.17). Only \$3.2 million of this had been forthcoming by the end of 2012, and even this had not been invested in productive projects (SUCRE 2013, pp.27–28). This means that trade imbalances have simply been allowed to stand, thereby circumscribing the intended benefits of the SUCRE that were described in stage two.

Overall, unlike the TCP, the SUCRE has been implemented across most of ALBA (as measured by population or economic size). Its rapid uptake by a wider variety of actors has seen it channel 74 per cent of Venezuela-Ecuador trade, reinforcing the endogenous development and autonomy sought by both countries. This regionalised provision of benefits to the constituencies of incumbent governments, but also underscored a wider output legitimacy stemming from the SUCRE’s secular benefit to economic actors of all shapes and sizes. But this is not the full story, for upon closer inspection SUCRE trade has been distinctly skewed, leaving impacts on given signatories uneven and sometimes severely reduced.

### **Factors Impeding Progress and Reducing Impact**

Despite the relative success of the SUCRE over its short lifetime, progress has been anything but smooth, and many of its goals remain unmet. That is, the SUCRE as it stands is far from its worst possible outcome, but also some distance from its best.

#### *ALBA’s Economic Initiatives: Integrated in Success, Integrated in Failure*

As already noted, the SUCRE’s benefits can only ever be proportional to levels of SUCRE trade, which is a subset of total trade. A variety of ALBA initiatives exist precisely to boost trade, and the impact of the SUCRE is therefore intimately tied to their efficacy. Targeted development finance from the ALBA Bank should create entrants into SUCRE-zone production chains; Grandnational state joint ventures should increase trade in their prioritised sectors; and the overarching TCP agreement should lead to a generalised rise in trade between signatories. Yet, as chapter four showed (p.114), intra-ALBA trade has remained minimal throughout its lifetime, and the most important of the three ALBA initiatives listed, the TCP, has not been implemented. The ALBA Bank’s own persistent incoherence (chapter one, p.15) has left it unable to fulfil

its role in other ALBA initiatives (including the FRCC, above), and there is little evidence that grandnational companies have taken off between Venezuela and Ecuador, or indeed elsewhere (chapter one, p.15). Thus, the case of the SUCRE shows how complementary links between ALBA initiatives can be both integrative and disintegrative: an individual initiative's failures and successes can impact both positively and negatively upon the progress of other initiatives, thereby affecting the progress of the overarching ALBA project.

*SUCRE Participation: Conflicting Commitments and Caribbean Caution*

Returning to the basic question of participation, though for Anglophone members the meagreness of their ALBA trade relationships is central, other significant factors also come into play. First, there is the question of competing commitments, be they political, legal, or economic. For the Anglophone Caribbean members ALBA is a distant third in their prioritisation of regional arrangements, behind both their currency union with OECS neighbours and also the wider Caribbean Community (CARICOM). When an ALBA initiative calling itself a regional currency appears, they cannot participate without first considering its impact on the Eastern Caribbean dollar because the Treaty of Basseterre (OECS 2010, Article 4.2) obliges them to pursue joint policies on currency issues with fellow OECS members. Beyond immediate neighbours in the Lesser Antilles, the CARICOM Single Market and Economy (CSME) initiative, which also filters through to domestic law, is prioritised. Politically speaking, meanwhile, any sharp "Latin turn" would have to be debated with CARICOM's Council for Foreign and Community Relations, potentially causing discord in Anglophone ALBA members' Caribbean relations.

ALBA often counterbalances such concerns by according formally equal "one member one vote" status in ALBA's governance even to its microstates, as befits its credo of cooperative yet sovereign regional development (e.g. Banco del ALBA 2008, Article 12.1). Yet, in practice ALBA's governance is far from this ideal, as in the case of the SUCRE. Regardless of whether or not they would have considered joining the SUCRE initiative in the long run, according to participants in SUCRE negotiations "none of the options that were discussed were even known about by the Caribbean delegations" (I.49) despite this discourse of equal power and cooperation. When the SUCRE treaty was signed at the seventh ALBA summit in October 2009, the Anglophone members were footnoted out, but they still appear not to have been fully prepared for the announcement. At home opposition leaders and the media cried foul,

claiming incumbents were selling Eastern Caribbean sovereignty down the river, again showing how an ALBA initiative can at once provide legitimacy gains in one member-state while jeopardising legitimacy in another.

#### *SUCRE Participation: Cuban National Interest over Cooperative Development*

Turning to trade between states that *are* SUCRE signatories, while its meteoric rise has been impressive, it could have been both quantitatively and qualitatively better (in terms of its own goals). As seen above, SUCRE trade relationships are lopsided, distributing the SUCRE's stated benefits unequally across member-states. This is partly a problem of economic complementarity, but it is also a question of policy. As with the TCP, states' policies vis-à-vis the SUCRE often show little evidence of cooperation and solidarity, whereas competition and national interest remain to the fore. Thus, we find that the Ecuador-Cuba relationship is minimal, and more significantly involves no Cuban exports to Ecuador. This is not because Ecuador has not looked to utilise the SUCRE to foster the kind of developmentally advantageous production chains or trade-to-welfare links discussed above, but rather because Cuba has refused to export to Ecuador via the SUCRE. When the Ecuadorian state attempted to use the SUCRE to buy generic medicines, thus implicating Cuba's hi-tech industries in Ecuadorian welfare provision, Cuba rejected the transaction because it did not want to be paid in sucres instead of dollars (I.45). Both Ecuadorian and Venezuelan officials stressed this "whatever means necessary" pragmatism (I.38) as the defining feature of the Cuban approach: "they trade when and only when it suits them; if it's cheaper from China, they go for whoever's offering a good price, regardless" (I.11). In the case of the SUCRE, this reticence prevents Ecuador-Cuba trade from contributing to delivery of the SUCRE's intended benefits across ALBA. Although Cuba's uniquely difficult conditions make this strategy somewhat understandable, it highlights again how the peculiar developmental needs and constraints of national political economies can militate against the progress of core ALBA initiatives.

#### *The SUCRE as a New Non-Tariff Barrier*

At first glance the rapid rise in SUCRE trade between Ecuador and Venezuela would seem to suggest a healthy bilateral relationship, but in fact the Venezuela-Ecuador core of SUCRE has suffered from a great many problems, some of which ultimately mitigate the SUCRE's impact.



First, since SUCRE benefits are proportional to SUCRE trade, failure to implement the TCP means no new impetus to intra-ALBA trade from a more comprehensive and complementary agreement. However, besides this failure to add new measures to promote trade, Venezuela originally demanded that the SUCRE involve new restrictions, in the form of a list of specified range of goods that could be traded in sucres (Gaceta Oficial de la RBV 2010). Rather than include products of interest, Venezuela populated the list with goods of little bilateral commercial value, dooming the Venezuela-Ecuador SUCRE relationship to insignificance (I.45): what value a trade-compensation mechanism for products that are not traded? For the system's designers in Ecuador, on the other hand, this amounted to abusing a payment system to implement industrial policy through effective introduction of new non-tariff barriers. They therefore preferred to eliminate lists entirely so as to maximise the benefits which the SUCRE was designed to provide (I.45).

It is not enough to say simply that "Ecuador" and "Venezuela" wanted different things, however, as they are not unitary actors, and internal divisions were important, as in the case of the TCP. With the SUCRE as elsewhere in ALBA, slow and grinding progress tends to become slow and grinding at lower levels of the state bureaucracy in meetings between technocrats and civil servants. The interests and power of different groups hamper progress in different ways on both sides of the relationship. Since the SUCRE offers secular advantages to private and public entities alike – and since their focus is extra-regional anyway – the commercial elite in Ecuador has been ambivalent rather than hostile to the SUCRE. The largest exporters would have preferred that the government focus its attentions on resurrecting FTAs with the US and the EU, but the SUCRE is largely irrelevant to their business; to quote one opposition-aligned former Finance Minister, "we do business with those that buy: flowers to the US, broccoli to the US, not to Venezuela, Nicaragua, and Cuba" (I.54). Since SUCRE payments to Ecuadorian exporters come from the country's central bank, the system also circumvents problems in Venezuelan foreign-exchange allocation for imports, offering a further across-the-board advantage. As such, the government comes under little pressure, internal or external, to adopt a particular strategy. Accordingly, Correa's developmentalist, Citizens' Revolution wing (chapter three, p.84) prevails and is able to pursue an approach that coheres with the government's wider development planning.

In Venezuela, however, various factors combined to support restriction of the SUCRE to particular products. The most obvious exclusion by far was of oil and its derivatives, which make up a large part of bilateral trade due to Ecuador's lack of

refinery capacity. The inclusion of this product group alone would have redressed the imbalance in Venezuela and Ecuador's SUCRE trade, as well as massively increasing overall levels of SUCRE trade. However, given its import dependence and the cash-flow problems (chapter three, p.78), Venezuela is loath to give up the foreign exchange gained from oil exports even to its SUCRE partners. Complementarity and cooperation have their limits. There is also competition between the two countries in numerous sectors, as with vehicles, for example. If it becomes easier and cheaper to import Ecuadorian vehicles to Venezuela due to the SUCRE's inherent benefits, they could undercut domestic producers (I.45). Indeed, Ecuadorian automotive exports to Venezuela have boomed just as Venezuela's own production has declined, with the SUCRE playing a significant part in this (EcuadorInmediato 2012; Araujo 2013). This is a concern not only for those within the bureaucracy that entertain links with the Venezuelan car industry, but also for a government aiming to consolidate and grow its non-oil economy. Furthermore, Venezuela's press reports this as "contributing to a flourishing of the automotive industries of other countries, especially Argentina and Ecuador" at grave cost to local producers (Hurtado 2013), showing again how a boon to endogenous development for one ALBA government can damage and delegitimise another.

The issue of permissible-product lists for SUCRE trade first emerged and hardened at trade subsecretary level and so had to be elevated to ministerial level, where it again proved intractable (I.45). With no other recourse remaining, Ecuadorian officials finally took their complaints directly to president Correa, who in turn raised them with his Venezuelan counterpart. Quickly realising that a payment system with nothing to pay for would represent the ultimate white elephant, Chávez instructed his ministers to modify their stance, and the lists were ultimately eliminated (I.45). But this conflict reveals how gains for one member-state can harm another, making ALBA's ideal of cooperative and complementary regionalised endogenous development very difficult to achieve.

### *The SUCRE and Capital Controls for Endogenous Development*

Yet, the conflict over product lists is minor compared to the one truly vexed issue at the heart of the SUCRE: capital controls. Being a dollarised economy, Ecuador naturally has no limits on access to foreign exchange, but the Correa government has introduced a Capital Outflow Tax (ISD, 2007; originally 2 per cent, later 5 per cent) in order to promote import substitution. Venezuela's Chávez, on the other hand, introduced strict

controls in 2003 in order to put a brake on capital flight, with foreign exchange available thereafter only by application to the Foreign Exchange Administration Commission (CADIVI; chapter three, p.67).<sup>90</sup> Since the SUCRE compensates in local currency, one might expect trade via this mechanism to be exempt from both Ecuador's tax and Venezuela's assignation system. Further, with the SUCRE's benefits accruing proportionally to its utilisation, any barrier to trade bears on the SUCRE's success; if governments support the SUCRE, a coherent trade policy would have them dismantle such barriers. Yet only Ecuador has kept its side of the bargain, leading to conflict between Ecuadorian and Venezuelan officials. These conflicts again reveal how national political economies clash when forced into regional interaction by ALBA initiatives, with Venezuela's involvement proving particularly problematic.

Ecuador's elimination of its own capital-outflow tax was consistent with its wider approach to development. Seeing the SUCRE as a means of strengthening ALBA's interdependence and stability, Ecuador looked to incentivise its use beyond its inherent benefits. Eliminating the ISD means reduced fiscal receipts for a portion of international trade, and as the case of Venezuela's sucre deficit shows, imbalances can even result in an eventual capital outflow. On these grounds, Ecuador could opt to retain the ISD. Yet, exemption for SUCRE transactions also means a competitive advantage of five per cent vis-à-vis extra-regional firms for exporters in other SUCRE countries. This is a huge difference in terms of cost competitiveness and constitutes a significant incentive for firms to seek new markets or suppliers via the SUCRE, favouring SUCRE-zone trade. If Ecuador can achieve balanced SUCRE trade, as it aims to (I.45), or if continues to enjoy a SUCRE surplus, no extra dollars will be spent on buying back sucres. As such, Ecuador chose to exempt SUCRE trade from the ISD (El Universo 2009).

On the Venezuelan side, the process of obtaining foreign-exchange for imports is heavily regulated by CADIVI. As noted in chapter three (p.67), this institution was created not only to prevent runs on the currency which had provoked damaging instability in the past, but also to allow the government to direct allocation of foreign exchange away from imports that would smother local production and towards priority sectors and law-abiding businesses. The first step is for relevant ministries to provide either a Certificate of Non-Production or a Certificate of Insufficient Production, thereby proving the need for the particular good to be imported. Importers then apply to CADIVI for foreign currency to import that good, at which point the applicant's record

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<sup>90</sup> Some other state institutions retained the right to assign dollars, including PDVSA and Bancoex.

is checked in terms of adherence to current statute (labour standards, payment of taxes, and so on). If successful, they are then issued with two further permits, the Currency-Acquisition Authorisation and the Currency-Liquidation Authorisation. Even though the SUCRE employs local currency, Venezuela has required that SUCRE transactions also obtain approval via this process.

Being generous, CADIVI is notoriously slow, unpredictable, and bureaucratic. It has been implicated in the accumulation of large debts to Ecuadorian exporters due to its bureaucratic delays and erratic disbursement, and the associated risks to Ecuadorian exporters' cash flow have therefore led them to view Venezuelan markets as problematic (Hoy 2009). Once SUCRE transactions began, Ecuadorian officials were surprised to find that even Venezuela's own state enterprises could have their CADIVI foreign-exchange applications refused (I.45, I.55).<sup>91</sup> At best, this reveals the alarming inefficiency of one domestic institution halting another's progress despite both supposedly working to the same development plan. The SUCRE is attractive for its speed as well as its lower cost as payments are in real time, but at the Venezuelan end the CADIVI requirement invokes a process so laborious as to make the subsequent SUCRE stage an afterthought. As one pro-government Venezuelan businessman noted after a workshop on the SUCRE, the system's advantages may not outweigh this major failing, particularly given the costs associated with adopting a new system:

They talk about "the fast way" but what are the requirements? The same as going via CADIVI, so there are no fewer requirements. What the system might be is more agile, quicker, but if the difference is a week, what's the point in creating two systems?

(I.14)

Mindful of the need to increase trade in order to achieve the SUCRE's desired effects, Ecuador originally wished to eliminate CADIVI's role altogether, reasoning that since the SUCRE is rooted in local currencies, there is no need to invoke CADIVI (I.45).<sup>92</sup> Yet, from the Venezuelan perspective CADIVI allows for administration of trade policy to support endogenous development by prioritising assignation to sectors meeting basic needs, enforcing socially minded legislation, and bolstering socioeconomic stability. Thus, the existence and performance of CADIVI, designed to protect and reinforce

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<sup>91</sup> Two specific examples were reported to me, relating to Pequiven (Venezuelan Petrochemicals) and CASA (Agricultural Services and Supply Corporation).

<sup>92</sup> Though their role is not covered here, it is worth noting that Bolivian officials also wanted CADIVI eliminated entirely from the SUCRE.

Venezuela's endogenous-development strategy, militates against SUCRE-zone trade, making it a major obstacle to this ALBA initiative's progress.

### *The SUCRE and Capital Controls for Currency Arbitrage*

However, as was discussed in chapter three (p.77-78), CADIVI also plays a darker role in Venezuelan political economy, where it has become a conduit for rampant currency arbitrage. This problem of Venezuelan political economy is regionalised through CADIVI's continued use in SUCRE transactions, undermining achievement of the initiative's intended effects.

Essentially, CADIVI's multi-stage, discretionary process for obtaining government-rate dollars provides fertile ground for corruption. Demand for dollars far outstrips supply, thereby favouring emergence of a currency black market. With black-market dollars selling for at least twice the government rate, this has created both the means and the incentive for engaging in currency arbitrage.<sup>93</sup> Since sucre deficits have to be liquidated in dollars biannually, if Venezuela were to forgo CADIVI approval, it would have no control over the extent of this already substantial deficit (70 per cent, see p.144). Yet, this is something of a Catch-22 situation, since maintaining CADIVI gives those with the capital to participate a new, faster channel through which to engage in corporate currency arbitrage, which also drains state resources.<sup>94</sup> When Ecuadorian officials compared sucre-denominated transactions to records (taxation, physical quantity) of Venezuela-Ecuador sucre-denominated trade crossing its borders, they concluded that "at least a third" of official SUCRE trade was fictitious (I.45).<sup>95</sup> Rather than actually importing goods, Venezuelan importers were setting up false transactions in order to gain access to foreign-exchange which they could then sell on the black market at twice the price (I.45). This was later confirmed by the discovery of fictitious companies in Ecuador established purely to export non-existent products to Venezuelan importers via the SUCRE.<sup>96</sup> At the Venezuelan end sucres are bought in Bolívares at the cheap government rate, and these sucres are then received by the fictitious Ecuadorian company in dollars. These dollars can then be recycled into new fake transactions via the parallel currency market in Venezuela.

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<sup>93</sup> The black market rate was roughly twice the official rate during fieldwork. It is now far higher.

<sup>94</sup> As opposed to individual "card scraping" (as detailed in chapter three, p.57).

<sup>95</sup> This appears to be confirmed by later public declarations on the issue from the Ecuadorian central bank (Quiroz & Torres 2013). Although their figure of 19 per cent is somewhat more cautious, it comes from a public declaration and relates only to specific proven instances.

<sup>96</sup> Ecuadorian involvement does not require that fake companies be used, and real companies may be more convincing, though the risk is higher. Real transactions may also simply be overstated so that a portion of the exporter's payment can be used for arbitrage with less outright malfeasance.

In Venezuela currency arbitrage is near-ubiquitous amongst those with enough money to participate, so this in itself is not especially surprising. More surprising is the extent to which it infects even the upper echelons of Venezuelan politics, as Ecuadorian officials discovered when they took up the issue of CADIVI with their Venezuelan counterparts, expecting that at least some steps in the process could be eliminated. Veteran Venezuelan diplomat Kaldone G. Nweihed divides *Chavismo* into the Taliban, the patriots, and the Bolibourgeoisie, which is to say fanatical leftists, moderates working in the national interest, and self-serving thieves in Bolivarian clothing (interviewed in Mata Carnevali 2008, p.4).<sup>97</sup> Though such links are inherently difficult to identify, for Bolibourgeois officials with links to private interests engaged in SUCRE-based currency arbitrage there is a clear incentive to maintain CADIVI's role. And this incentive is huge: if a third of Venezuela-Ecuador SUCRE trade is false as Ecuadorian officials calculated, that would mean roughly \$70 million was transferred in this way in 2011 (based on SUCRE 2011a), which would be doubled (at least) upon resale via the parallel currency market.<sup>98</sup> Yet, Ecuadorian officials found that there was even direct state involvement. Despite a commitment to use the SUCRE for all bilateral trade between public entities, some Venezuelan state enterprises rejected payment in sucres and instead sought payment in dollars to foreign accounts so that they, too, could enter into the wildly profitable currency arbitrage system (I.45). By both means the SUCRE was severely undermined, for if a third of Ecuador-Venezuela exports are fake, and the Ecuador-Venezuela relationship represents 89 per cent of total SUCRE trade (see p.137), then 27 per cent of all SUCRE trade is fake. If we apply that to 2012's total SUCRE trade, it would amount to \$288 million (SUCRE 2013, p.22), and this is based on the low boundary of Ecuadorian estimates. Irrespective of the precise extent, it is certain that the SUCRE's intended effects on endogenous development were severely weakened, whereas the initiative also unintentionally strengthened noxious elements of national political economy by regionalising them.

Even when Ecuadorian officials elevated this issue to ministerial level, they met with intransigence, and it was only at the presidential level that agreement could be reached and a top-down directive issued (I.45). Yet, even this was only a small compromise, eliminating in March 2011 the production-certificate requirement for SUCRE transactions between public entities. The only other relevant change came in

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<sup>97</sup> To be clear, he also detects analogous currents in the opposition, but this is not relevant here.

<sup>98</sup> Precise data on bilateral relationships became unavailable in 2012 (chapter one, p.20), but a doubling of total SUCRE trade in 2012 means that the sums involved have only grown.

the face of food shortages, with a whole raft of imports being exempted from CADIVI approval, which freed up some SUCRE trade as a side-effect. Another suggestion from Ecuadorian officials was to eliminate only the two authorisations relating to receipt and liquidation of foreign currencies, thus retaining the planning tool of production certification while removing the documents needed to obtain hard currency (I.45). This was rejected by their Venezuelan counterparts. In line with the SME-promotion element of both countries' development models, Ecuador also suggested eliminating the CADIVI process at least for small businesses so as to encourage their involvement (I.53). This, too, was rejected by Venezuelan officials. Thus, use of the SUCRE to encourage productive integration and mutually reinforce endogenous development was inhibited by improprieties on the Venezuelan side, ultimately implicating the SUCRE in regionalisation of the worst kind of unproductive rent-seeking.

### **Conclusion: ALBA and the SUCRE**

Having considered the implementation and impact of the SUCRE, we can now see that the US Embassy's initial scepticism about this "economically meaningless" virtual-currency initiative was misplaced (US Embassy to Venezuela 2009). Despite rightly noting its intention to promote regional economic development independent of the US dollar, this misjudgement owed to a fundamental misunderstanding of its functioning. Conversely, the ALBA literature has tended to err on the side of impact, seeing the SUCRE as a key part of ALBA's significant progress towards developing a cooperative and complementary inward-looking model of regionalism shielded from extra-regional forces by increased intraregional interdependence and anchored politically in the provision of benefits to newly mobilised constituencies at the domestic level. Though this understanding may reflect the potential effects of a fully functional SUCRE, it does not reflect the reality of the SUCRE as implemented.

Crucially, the SUCRE has been implemented in the four economies that make up 98 per cent of ALBA's total GDP, and trade via the mechanism has grown rapidly throughout its short life. State-led trade in particular has helped to create the kinds of developmental interdependence envisioned by the SUCRE's designers, while also boosting the SUCRE zone's autonomy vis-à-vis the rest of the world. This reflects and reinforces aspects of the development strategies of Venezuela and Ecuador, with nationalised industries in Venezuela and EPS institutions in Ecuador creating mutually beneficial trade relationships that feed into each other's development strategies. Yet, the system's skilful design by Ecuadorian technocrats means that its benefits are not

restricted to any particular constituency, with a secular increase in competitiveness for producers of all shapes and sizes, from small Ecuadorian dairy farmers to Continental Tyres and Venezuelan giant Polar.

Yet, closer examination reveals that despite broadly successful implementation, the SUCRE has not functioned according to its own design, with partial participation and huge trade imbalances significantly skewing its impacts. First, since the SUCRE's significance is proportional to the trade that it channels, failure of the TCP to achieve an agreement that would boost intra-ALBA trade has had the indirect disintegrative effect of weakening the impact of the SUCRE. Anglophone Caribbean members-states, meanwhile, were ruled out by prior regional commitments, revealing again how pre-existing institutional commitments can restrict engagement with ALBA. Ecuador-Venezuela SUCRE trade, which represents nearly 90 per cent of the mechanism's total trade, is dominated by Ecuadorian exports, implying very different effects for each partner. In line with its endogenous-development model, net exporter Ecuador saves foreign exchange, diversifies into higher-value added exports, and reduces dollar dependence, but only by inflicting relative losses on net importer Venezuela. Even if the latter's social provision and food-scarcity issues are somewhat ameliorated, this can also have a delegitimising effect given the political saleability of the "giving away the oil" discourse at home. Thus, while this ALBA initiative reflects endogenous-development ideas common to both parties, it reinforces them mainly for just one, with any political effect also distributed unevenly. The one part of the SUCRE specifically designed to tackle these damaging imbalances, its Reserves and Commercial Convergence Fund, is also the one part not implemented. Meanwhile, Venezuelan currency controls that were established to protect its own endogenous-development drive are maintained for SUCRE trade, a move seen in Ecuador as an unfair non-tariff barrier to its exporters; though certain development ideas are common to both, when regionalised they result in conflict, ultimately reducing the SUCRE's overall impact. In the Venezuelan case, abuse of the SUCRE for currency arbitrage also means that a large portion of its SUCRE imports are false, effectively draining the resources of a Venezuelan state already hit by cash-flow problems. Though this longstanding problem of Venezuelan political economy may have little to do with its government's New Left development strategies, it is nonetheless regionalised via an initiative inspired by them.



## Chapter Six: Petrocaribe

Is this the same article where they mention the quantity sold since 2005-2008?  
At a rate of 100usd - total sales would have been at 59bn usd and considering  
50pc payment facilitation (or 'saving') that is 59/2 meaning 29.5bn total.  
Eww... My head spins round.

(Colibasanu 2008, private email, via Wikileaks)

This bewildered analyst of private-intelligence giant StratFor, whose email cache was released via Wikileaks, is not alone in her struggle to get to grips with the extent and significance of Petrocaribe. As her exasperation suggests, the combination of opaque official data and vague academic accounts often confuses as much as it clarifies. By focusing on Petrocaribe's real functioning, implementation, and impact, this chapter aims in part to reverse this trend, providing the kind of comprehensive portrayal that must underpin any in-depth analysis. As in earlier TCP and SUCRE chapters, this begins with a thorough examination of the origins and functioning of Petrocaribe according to its design, emphasising the long history of Venezuelan involvement in the Caribbean and detailing Petrocaribe's three core functions as a financial buffer against oil-price rises, a barter-trade mechanism, and a (social) development fund. This then feeds into consideration of Petrocaribe's intended effects in terms of the key concepts of autonomy, endogenous development, and legitimacy around which the ALBA literature revolves. In line with dominant arguments in this literature, Petrocaribe aims to favour autonomy by counteracting the effects of global economic vicissitudes and by reducing signatories' temptation to fall back on IFIs or extra-regional donors for support. It aims to promote endogenous development by stabilising economies, protecting public spending, funding social projects, and maintaining employment by providing new export channels. An inherent preference for social spending is designed to reinforce this aspect of local development strategies, thereby legitimising left-of-centre platforms in particular.

However, stage three's mapping of implementation and impact – where special attention is paid to focus countries Dominica, St Vincent and the Grenadines, and Antigua and Barbuda – and stage four's analysis of impediments to implementation combine to produce a more mixed picture. The fundamental oil-price buffering effect has become crucial to Caribbean political economy, while Petrocaribe's development funding has also made a massive impact. This represents real and significant evidence of ALBA's solidarity logic in action. But barter trade has not materialised in any of the

focus countries, and is elsewhere only indisputably important to Nicaragua. And despite Petrocaribe's overall impact, the most successful elements of Petrocaribe are also the least integrative in terms of interdependence; they are essentially transfers. Far from promoting an "economic zone of shared development", Petrocaribe's governance is concentrated in the parallel state built around PDVSA in response to insurmountable tensions in Venezuelan political economy. Whilst just as in Venezuela this permits a flexibility that can produce impressive results, it also raises the same serious questions about sustainability given the political and economic vulnerability of these parallel governance structures. This is not least because real gains in output legitimacy for Petrocaribe's importing governments come with delegitimising effects in Venezuela, where "giving away the oil!" serves as a rallying cry to an increasingly successful opposition.

#### *Avoiding Crossed Wires: Membership of Petrocaribe*

Unlike the TCP and SUCRE, which are restricted to *de jure* ALBA members, the Petrocaribe initiative represents a permanently open "offer" to the wider Caribbean region (see chapter one, p.12). Where the TCP and SUCRE are characterised particularly by non-participation of the Anglophone ALBA members, in Petrocaribe it is Ecuador and Bolivia, two of ALBA's largest and most active Latin American members, that have no involvement. While Cuba is nominally involved, its oil imports from Venezuela are in reality governed by the bilateral Integral Cooperation Convention (República de Cuba y República Bolivariana de Venezuela 2000), which predates Petrocaribe by several years. Venezuela's role, meanwhile, is qualitatively and quantitatively incomparable to that of any other member since the entire initiative revolves around its provision of oil on favourable terms to the other seventeen members.<sup>99</sup> Of these, Nicaragua, Dominica, St Vincent and the Grenadines, Antigua and Barbuda, and Cuba are full ALBA members, leaving twelve that are not.<sup>100</sup> The geographical criterion of "Caribbeanness" means signatories must have a coastline on the Caribbean, with Pacific-bound El Salvador excluded, for example, whilst Guatemala qualifies thanks to a sliver of Caribbean coast wedged between Belize and Honduras.

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<sup>99</sup> These members, which import oil via Petrocaribe and convert part of the bill into soft-loans, will be variously referred to as "recipient", "importing", or "debtor" countries in this chapter.

<sup>100</sup> Bahamas, Belize, Dominican Republic, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Saint Kitts and Nevis, Saint Lucia, and Suriname.

## **Origin and Proposed Functioning of Petrocaribe**

### *Venezuela's Return to the Caribbean*

As with other ALBA initiatives, Petrocaribe's novelty is overplayed in the literature partly because of a misunderstanding of its origins, with Venezuela's deep and longstanding involvement in the Caribbean frequently ignored (Morales Manzur et al. 2010, p.144). Yet, as far back as the 1970s Trinidadian PM Eric Williams was denouncing Venezuelan attempts to "re-colonise the region" through "petrodollar politics" (quoted in Bryan 2011, p.25). Shortly after, eleven Caribbean and Central American countries signed up to the San Jose Agreement (1980), which saw Venezuela and Mexico supplying poorer countries not only with partially financed oil bills at low interest, but also with funds for development projects. The San Jose Agreement was part of what the Venezuelan government of the time described as:

...a policy of international financial cooperation with the developing countries, particularly with those of Latin America, in order to accelerate their economic development, to rescue their natural resources, to stimulate their economic integration and to promote a more equitable new international economic order.  
(quoted in Guy 1979, p.508)

If this sounds remarkably familiar it is because this approximates to the central goals of Venezuelan foreign policy and of ALBA today. Any turn towards the Caribbean under Chávez was really a return, therefore, after a lull in relations during the 1980s and 1990s.

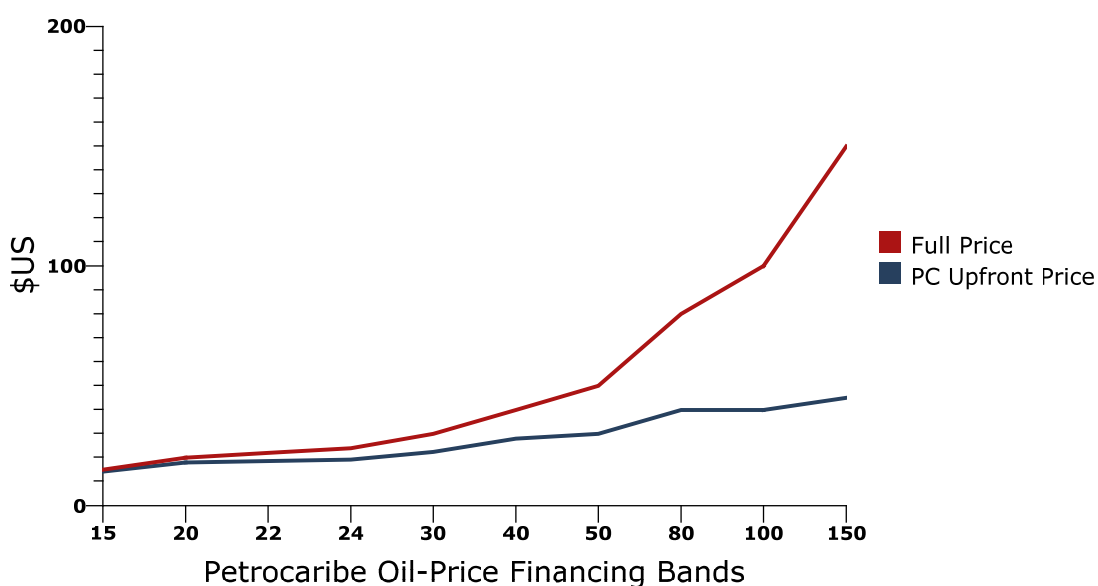
This use of Venezuelan oil to enable wider LAC development was always part of Chávez's platform (Chávez Frías 1994), and soon after coming to power, the San Jose Agreement was expanded to various other countries by the Caracas Energy Cooperation Agreement (2000) and to Cuba via the wide-ranging bilateral Integral Cooperation Convention that prefigured ALBA (2000, Annex II). As with the San Jose Agreement, a portion of the bill was financed according to the oil price, but already generous conditions were relaxed even further, with payment spread over fifteen years at a rate of two per cent (República de Cuba y República Bolivariana de Venezuela 2000, Annex II). Both agreements, though particularly the more comprehensive one with Cuba, admitted the novel possibility of payment by barter. These three central elements of soft credit, development aid, and barter trade were finally offered – and largely accepted – throughout the Caribbean via Petrocaribe's founding agreement.<sup>101</sup>

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<sup>101</sup> Only energy exporter Trinidad and Tobago and self-sufficient Barbados turned down the offer, whereas thirteen other states did sign up (with another four following suit by 2012).

### *Petrocaribe as Oil-Price Buffer and Soft Loan*

Contrary to common depictions of Petrocaribe as a means “selling oil below market price” (Ferrari & Toussaint 2010) or providing access to “reduced-price Venezuelan oil” (DeFeo 2010), the cornerstone of Petrocaribe is its soft-loan function, which serves instead to stabilise and curb effective oil prices for its signatories.<sup>102</sup> The price billed inevitably approximates that of the OPEC basket, which members like Venezuela are obliged to target; not only does Venezuela *not* provide cut-price oil through Petrocaribe, it *cannot*.<sup>103</sup> Rather, Petrocaribe’s main function is to act as a buffer against oil-price shocks by converting part of the upfront cost of oil imports into a loan relative to price increases. The closer oil prices come to levels that could provoke balance-of-payments crises in Petrocaribe states, the more generous the initiative becomes in absolute terms (see **Figure 15**, below). This keeps the cost of this crucial but volatile commodity within a more affordable range. Even the “upfront” payment is in fact payable three months after delivery, allowing recipient governments time to arrange their finances when even this lower cost proves problematically high.



**Figure 15:** Relationship between oil price and effective upfront cost of Petrocaribe oil imports (source: data from Petrocaribe 2008).

<sup>102</sup> Consumers in Caribbean countries frequently express discontent that cheaper fuel prices have not materialised, maybe due to misreporting or political opportunism from local oppositions that can claim “Petrocaribe has done nothing for us” even though it is by design that direct benefits go to states.

<sup>103</sup> The “OPEC basket” is the weighted average price of the different grades and blends of oil produced by members of the Organisation of Petroleum Exporting Countries. Members commit to targeting specific prices by moderating extraction, with each member having specific production targets. Thus, OPEC production quotas define the price of Venezuelan oil, even in Petrocaribe.

While the actual price cannot be reduced, associated expenses can be minimised and exceptionally favourable loan conditions can erode the real-terms value of the debt. In terms of reduced expenses, shipping is carried out by PSVSA and charged at cost, whilst mandatory exclusion of private actors eliminates margins normally accruing to intermediaries. Dominica's Minister of Housing, Lands, and Telecommunications estimates the value of this difference at \$0.89 per gallon (Government of Dominica 2008), and since the retail price remains the same for end users, this saving accrues to the recipient state. In Dominica's case, this would mean a yearly saving of \$5.5 million, which represents a huge sum in a country of 73,000 people with a GDP of \$484 million.<sup>104</sup>

This saving is complemented by financing conditions so favourable that they effectively shrink the debt.<sup>105</sup> A hypothetical \$10 million Petrocaribe bill with the barrel priced above \$100, as it has been in recent years, would come with 60 per cent financing at 1 per cent annually for 25 years and two years grace, meaning that:

- The upfront portion of \$4 million (40 per cent) would be worth 0.75 per cent less upon payment some three months later thanks to inflation (saving \$30,000).
- The financed portion of the remaining \$6 million (60 per cent) would lose roughly \$355,000 of its value during the two-year grace period, then a further \$2.1 million over the remaining 23 years at 1 per cent interest.
- The final inflation-adjusted value of the original \$10 million bill would be approximately \$7,520,000, with nearly 25 per cent of the principal having disappeared as a surreptitious grant.
- The same \$10 million on private terms would grow to nearly \$22 million.<sup>106</sup>

These conditions make Petrocaribe an unparalleled source of international finance. Not only are inherent savings transferred to recipient states, conditions are also so soft as to allow even for reinvestment at a higher interest rate, thereby redoubling any gains.

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<sup>104</sup> A similar value relative to GDP in the UK would be \$27 billion. The \$5.5 million figure is based on supply of 400 barrels per day in 2012 (PDVSA 2013, p.128), there being 42 gallons to a barrel.

<sup>105</sup> Presuming dollar inflation of 3 per cent. It has hovered around this level since the 1990s.

<sup>106</sup> Local budgets reveal that private banks like Nova Scotia or the Royal Bank of Canada offer terms of around 12 per cent interest over 15 years.

### *Petrocaribe as a Fair-Trade Barter System*

Further financial benefit is offered by Petrocaribe's second key facility: counter- or barter trade. The workings of this facility receive little attention in the original agreement, other than to note that "preferential prices" will be paid and that "sugar, bananas, or other products and services ... affected by the trade policies of rich countries" may be accepted as payment of the financed portion of the bill (Petrocaribe 2005, IV.4). This facility is guided by ideas of Fair Trade as a state-led process directly linking producers and consumers and ensuring prices that "allow producers access to a dignified life, generating an additional gain for social ends [of] education, housing, health, socialisation of surpluses" (PDVSA 2008, p.5). The eligibility, suitability, and value of products offered by Petrocaribe debtor-states is negotiated directly with the scheme's one creditor, Venezuela.

### *Petrocaribe as a Development Fund*

The financed portion of the oil bill should be set aside domestically for future repayments, but in the meantime Petrocaribe specifies that these funds may be used to finance projects with a social purpose. This fund can be supplemented by profits from reinvestment of Petrocaribe soft-loan savings and from the state's own margin as a reseller of Petrocaribe oil that comes with few transaction costs.<sup>107</sup> Despite a mooted move to centralisation of these funds in the ALBA Bank (Searchlight 2009b), they continue to be held in the importing country and can be used at the local government's discretion. Petrocaribe's guidelines specify, however, that social projects should promote economic, social, and cultural rights; generate the conditions allowing exercise of such rights; promote participative forms of community management of projects; or provide educational and organisational experiences that lead to significant improvements in life conditions (PDV Caribe 2011a, p.4).

Petrocaribe, however, also boasts a second, additional source of development funding called the ALBA Caribe Fund. The initial \$50 million capital investment in this fund came directly from Venezuela, albeit with the expectation of contributions from other Petrocaribe signatories in future (Article II, Petrocaribe 2005). Although the origin of these funds is never made explicit, they appear to come from the Venezuelan Bank of Economic and Social Development (BANDES), one of the funds under presidential control (chapter three, p.69) whose own income comes from PDVSA and large foreign loans such as those held with the Chinese government (Petrocaribe 2007).

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<sup>107</sup> These functions are carried out by joint-venture companies, whose role is explained below.

ALBA Caribe funds are grants rather than soft loans, and in order to access them importing countries have to apply in writing either directly to the Venezuelan presidency or via the Ministry of Foreign Affairs.<sup>108</sup>

A third development fund also exists for the specific purpose of financing projects that reinforce food sovereignty. This was established as Petroalimentos (“Petrofoods”) during the fifth Petrocaribe summit in 2008 before being renamed ALBA Alimentos (“ALBA Food”) less than a month later (ALBA Secretaría Ejecutiva 2010d, p.5). This fund should accumulate from a \$0.50 contribution from PDVSA for every barrel of oil exported outside of Venezuela’s international cooperation agreements at a price exceeding \$100, although the fund is open to capital from other unspecified sources (ALBA Secretaría Ejecutiva 2010d, p.15). In theory, this fund is held in trust by the ALBA Bank and controlled by a series of institutions – a ministerial council, an executive secretariat, and a Grandnational company – but as with the Petrocaribe executive secretariat there is little to suggest that these institutions exist in any independent form outside of PDVSA.

#### *Petrocaribe as a Driver of Infrastructure Upgrades*

A final, less direct spur to local development comes through what was originally proposed only as a “responsibility [of PDV Caribe] to organise a logistical network of ships, storage capacities, and terminals, including ... refining and distribution capabilities” (PC 2005, III.5). In practice, it is Venezuela’s BANDES, controlled by the presidency, which funds construction or refurbishment of petroleum infrastructure – major and minor – in Petrocaribe’s importing countries (Petrocaribe 2009b). Since construction tends to be a major source of low-skilled employment in the Caribbean, infrastructural projects also have a socioeconomic impact beyond their immediate purpose.

#### *Petrocaribe Governance*

Periodic summits of energy ministers represent the highest level of Petrocaribe’s governance, although there is also support from a nominal Executive Secretariat that in reality has no independent existence, being part of Venezuela’s Energy and Petroleum

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<sup>108</sup> PDV Caribe’s Social Management division is meant to check applications against their guidelines before passing them to the Venezuelan presidency for final sign-off and allocation of funds. The recipient is obliged to report each trimester on the progress of any ALBA Caribe projects, though monitoring is also carried out by PDV Caribe’s roving Department of Social Auditing (I.71).

Ministry (Petrocaribe 2005, I).<sup>109</sup> The everyday management and monitoring of the agreement's application throughout the Caribbean required creation of a new subsidiary of PDVSA called PDV Caribe. Within recipient states, meanwhile, joint-venture companies between PDVSA and local state energy companies have been established to collect profits from resale and to provide local operational capacity. These are governed internally by politically appointed boards often dominated by local civil servants or professionals and usually including Venezuelan representation.<sup>110</sup> Joint ventures report both to local governments and to PDV Caribe's Department of Joint Ventures in Caracas.

### **Intended Effects of a Fully Functional Petrocaribe**

Like the *de jure* initiatives analysed in preceding chapters, Petrocaribe's intended effects can usefully be grouped around concepts of reasserted autonomy, endogenous development, and new sources of legitimacy that are shot through the ALBA literature.

#### *Reasserting Autonomy*

The clearest link here is to autonomy, Petrocaribe being established in 2005, when oil prices had doubled in the preceding two years. A fundamental benefit of Petrocaribe is its reinforcement of energy security through providing storage capacity. This gives fuel-dependent Caribbean states a new three-month buffer of local stocks (I.73). Since electricity generation relies on oil supply, any disruption to this supply could cripple entire economies. Turning to trade dependence, Petrocaribe's founding agreement links the vulnerability of Caribbean states to an "unjust economic order, inherited from colonialism and imperialism" wherein commodity speculation and erosion of Caribbean export prices destabilise the region's economies and societies (Petrocaribe 2005, Preamble). Given WTO challenges to the preference regimes sustaining agricultural exports to Europe (such as the Lomé Convention), as well as pressures on offshore financial services and tourism following the financial crisis, this scenario of falling export earnings coupled with a rising energy bill is not inaccurate. Petrocaribe's primary aim is to mitigate the ill effects of oil-price hikes while providing governments with the policy space and resources to diversify their exports. The oil-financing aspect aims to address rising energy-import costs, just as ALBA Food reduces the threat of

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<sup>109</sup> This means also that the Executive Secretary of Petrocaribe him/herself is always Venezuelan (from 2007 onwards this has been Vice-Minister for Hydrocarbons Iván Orellana).

<sup>110</sup> Usually the local ambassador or a PDVSA-appointed manager, depending on which country has a controlling share.



food-price shocks, whereas payment by barter at fair-trade prices should open up new export channels. Like the SUCRE, barter trade would reduce the role of the US dollar in regional trade, while negotiated pricing should elide the destructive volatility of primary-export prices set by international markets (PDVSA 2008, p.6). Both the financing and barter facilities also correspond to the wider ALBA principle of S&D enshrined in Petrocaribe's founding agreement (2005, Preamble).

The overall aim is to prevent fiscal crises that have often brought down Caribbean governments or led them to donors and IFIs whose financial assistance has come with an ideological payload. Honduras' circumvention of IMF conditionalities thanks to Petrocaribe (Corrales 2009, p.101) shows how this initiative can make LAC energy and financial dependence an intra- rather than extra-regional matter. Petrocaribe also allows Venezuela to diversify oil exports, thereby reducing its own exposure to US leverage (as when PDVSA was sanctioned for trade with Iran). As with the TCP and the SUCRE, this greater LAC interdependence is considered a boon to regional integration, enabling a stronger LAC pole while weakening the dominant North American pole, a key part of ALBA states' foreign policy (chapter three, pp.68, 82, 90). Nowhere was this clearer than at Petrocaribe's inception, coming shortly before the ultimate breakdown in late 2005 of negotiations towards the US's preferred option of a continental FTA.

#### *Facilitating Endogenous Development*

As with the SUCRE and TCP, the corollary to gains in autonomy is stabilisation of the domestic environment in which governments are pursuing their own development strategies, principally through buffering of oil-price rises and injection of capital. The clearest benefit here is the simple reduction in state expenditure on oil and the consequent availability of resources for other ends. Since Caribbean small states have endured periodic fiscal crises, public spending – especially social spending – is always on the chopping block, with knock-on effects for employment, poverty, and human development. Thus, Petrocaribe aims to provide a partial “safety net for the safety net”.

Petrocaribe's funding for socioeconomic projects, meanwhile, actively promotes human development and the conditions necessary for it. For left-of-centre *de jure* ALBA members that share certain ideas about endogenous development, this might come naturally, with extra Petrocaribe funding only reinforcing the people-centred development strategies that distinguish these governments from local opponents. Yet, Petrocaribe differs from the TCP and SUCRE as participation is not restricted to *de jure*

members-states. Indeed, it began with various right-of-centre governments on board (e.g. Belize and Grenada), whereas various others have since participated (notably, Golding's Jamaica Labour Party in Jamaica and even the post-coup Lobo regime in Honduras). Accordingly, there is no assumption of ideological alignment. Petrocaribe respects – in the ALBA mould – “the right of every nation to choose freely its economic, political, and social system” (Petrocaribe 2005, Preamble), also holding that local knowledge can better address local problems, while offering an empowerment dividend to boot. That said, there is a single “social purpose” criterion for Petrocaribe development funding, and this engenders similar effects across the board:

The social projects [supported by the Petrocaribe Agreement] should empower everyone within these populations to overcome poverty, guaranteeing availability and accessibility of healthcare, education, and microfinancing for cooperatives and small- and medium-sized industries [within] an integrated process that promotes elimination of social inequality and improves the quality of life and real participation of ordinary people...

(PDV Caribe 2011a, p.1)

Clearly, the main areas covered are those of traditional social policy, along with the same prioritisation of small businesses and associative organisations seen in the TCP and SUCRE. Right-of-centre governments might prefer to ignore this criterion and divert Petrocaribe funds into practices that undermine wider ALBA principles (setting up export-processing zones with lax labour laws, say). They could also move already budgeted social projects into the realm of Petrocaribe to release unrestricted budgetary resources and sidestep any compulsion towards social spending. But PDV Caribe's Social Auditing division exists to monitor ALBA Caribe funds and ensure that benefits reach ordinary people, whereas final sign-off by the Venezuelan presidency provides a second disincentive to the kind of creative accounting, since it could easily jeopardise Petrocaribe's massive financial benefits. Thus, Petrocaribe's simple “social purpose” criterion aims to nudge even right-of-centre governments into increasing social spending in order to access its broader financial benefits. This owes to an implicit assumption in Petrocaribe and ALBA that improving the welfare of the poorest, especially through solidaristic, participative initiatives, favours a leftward shift in political consciousness (I.19).

Petrocaribe's remaining barter-trade and agricultural-development elements both aim to involve recipient-country exporters in production chains and welfare provision in Venezuela, thereby protecting or creating jobs in local industry. Petrocaribe's founding

agreement specifies that even goods already abundant in Venezuela, such as bananas, may be bartered for oil so as to counteract agricultural decline in the Caribbean (Petrocaribe 2005, Preamble & IV). As Regueiro Bello notes, “[Petrocaribe barter] irradiates into the preservation of jobs and support for agriculture, a sector severely hit by the protectionist trade-defence policies of developed countries” (2008, p.311). Products bartered for oil can then supply Venezuela’s subsidised state supermarkets or welfare missions, thus becoming a small-scale attempt to achieve the same complementarity sought by the TCP and SUCRE. Furthermore, the ALBA Food fund attempts to further reinvigorate and diversify the agricultural sector through provision of new technologies or investment in new crops with export potential. Together, these two aspects of Petrocaribe should combine not only to bolster food security in Venezuela – a problem disproportionately affecting the poor – but also to defend a sector usually employing large numbers of economically vulnerable, low-skilled workers in recipient countries. Petrocaribe’s provision of local oil infrastructure should produce a similar effect, albeit irregular, in the construction sector.

Overall, the aim is to bring developmental trajectories of signatories into ALBA’s “zone of shared development”, with fiscal health, welfare provision, and export capacity in importing countries now partially dependent on the stability of their oil-exporting neighbour Venezuela.

### *Bolstering Legitimacy*

Petrocaribe’s impulse towards socioeconomic interdependence in LAC also has a political dimension. For left-of-centre governments it means more freedom to direct spending towards their poorer constituencies, with the “social purpose” criterion of a regional agreement justifying social spending even in straitened times. For right-of-centre governments it means providing at least a semblance of high-impact welfare provision so as to maintain Petrocaribe’s financial benefits. Petrocaribe means to create a mild “welfare lock-in” effect that contrasts sharply with the neoliberal lock-in effect observed in conventional FTAs (Phillips 2004, pp.35–36) but remains a far cry from the “oil for Bolivarianism” conditionality noted by Kourliandsky (2011). Inasmuch as barter trade dampens shocks to local agriculture and infrastructure development stimulates construction, Petrocaribe also aims to protect the low-skilled workers at most risk of drifting into visible social problems such as homelessness or criminality. By these means, Petrocaribe can bolster the output legitimacy of participant governments. From the Venezuelan perspective, the negotiated nature of barter should allow for local

sourcing of goods affected by politically damaging shortages, but the importance of this depends on the extent of barter participation. Like the TCP and SUCRE, the barter facility also prioritises small and associative producers overlooked by existing regional institutions (PDVSA 2008), but this is its only nod towards inclusiveness, with no foreseeable effect on input legitimacy beyond enabling pre-conditions of effective participation.

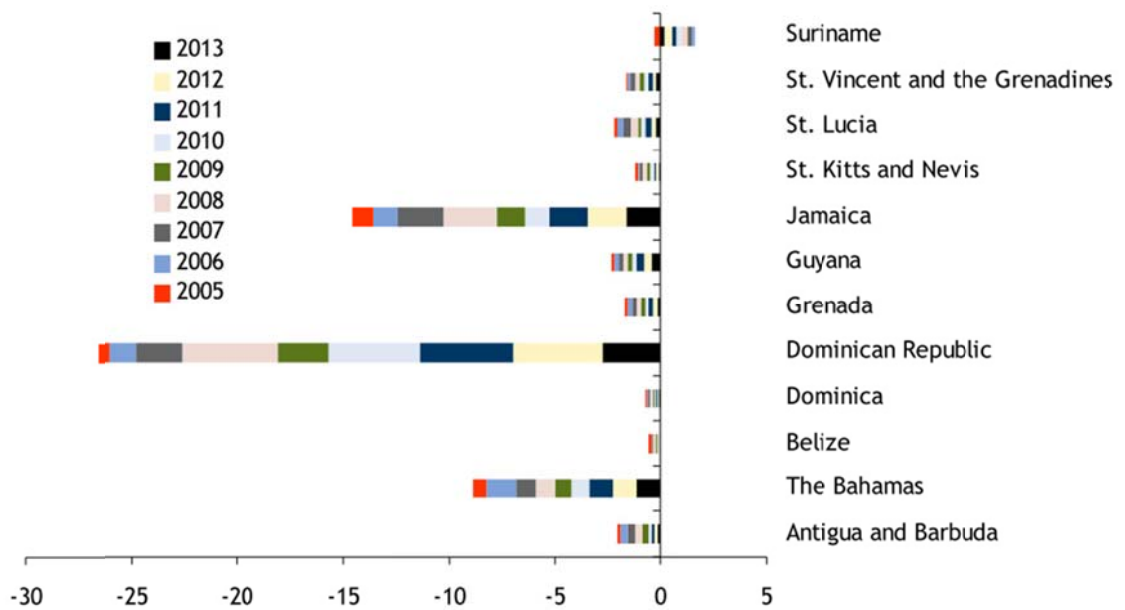
Overall, this fully functional version of Petrocaribe would serve principally to restore a measure of autonomy for its inherently vulnerable signatories by dampening external shocks that have in the past caused political instability and led to the surrendering of elements of economic policy to external actors. Barter and development funds from ALBA Food would link agricultural diversification to the Venezuelan economy, whereas social and infrastructure projects would promote human development. This should in turn legitimise left-of-centre governments elected on “people-centred” platforms in particular.

### **Implementation, Impact, and Linkage to Members’ Development Strategies**

Turning to Petrocaribe’s demonstrable implementation and impact, particularly in focus countries Dominica, St Vincent and the Grenadines, and Antigua and Barbuda (as laid out in chapter one, p.18), we find that results have been impressive if sometimes uneven. Yet, as in the case of the TCP and SUCRE, the specifics of this imperfect implementation highlight the problems and possibilities of the overarching ALBA project.

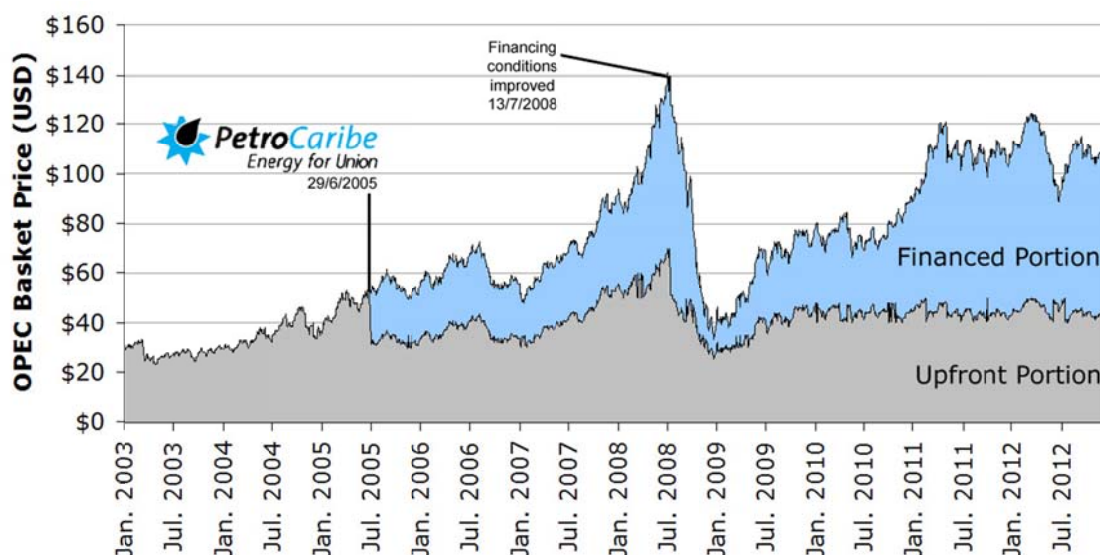
#### *The Basic Impact of Petrocaribe as an Oil-Price Buffer*

The huge importance of Petrocaribe’s core oil-financing function is clear from two simple graphs. The first (**Figure 16**, below) illustrates that Petrocaribe signatories tend to run persistent current-account deficits, leaving them reliant on financial markets whose vacillations could provoke internal crises.



**Figure 16:** Cumulative current-account balances in the Caribbean (\$bn), 2005-2013 (source: reproduced from Dukharan 2013, p.4).

The second (**Figure 17**, below) charts oil prices between 2003 and 2012 and reveals the extent of energy costs buffered by Petrocaribe’s financing element. Prices doubled in the two years prior to Petrocaribe then skyrocketed to \$140 (six times their 2003 low) over the following three years. Petrocaribe’s establishment in June 2005 arrested this upward trend, with the soft-loan portion absorbing 40 per cent of this sudden pressure on the public finances. When oil prices peaked in 2008, Petrocaribe’s conditions were relaxed again (with up to 70 per cent financing), providing an even softer cushion for this exogenous shock. With oil prices stabilising around the \$100 mark, Petrocaribe has continued to modulate volatility, with the upfront portion hovering at \$40. In fact, over the lifetime of Petrocaribe the average upfront price has been \$42, with \$39 offered as a soft loan (of an average total price of \$81). Excepting momentary dips in 2005 and 2008, the normal price has not plumbed such depths since 2004.



**Figure 17:** Impact of Petrocaribe on effective price of oil imports for signatories (\$), 2003-2012 (source: data from OPEC [opec.org]).<sup>111</sup>

But per-barrel figures only hint at Petrocaribe’s real significance for Caribbean economies. Researchers have tended to overstate Caribbean indebtedness and its effects on PDVSA’s finances because they have wrongly assumed that signatories receive the permitted maximum (as in Dukharan 2013). For critics of ALBA this is evidence of Venezuela’s “giving away the oil” and an imminent Caribbean debt crisis, whereas for supporters it exemplifies Venezuelan solidarity and the significant benefits for participating countries. But by cross-referencing our calculations of effective prices with data publicly available in PDVSA annual reports on *real* levels of supply, we can produce credible estimates of Petrocaribe’s impact in individual states.<sup>112</sup>

<sup>111</sup> Arrangements predating Petrocaribe (e.g. San Jose or Caracas agreements) are not represented here. Venezuelan crude prices are marginally lower than the OPEC basket price, but the latter was used for reasons of data availability. Individual bilateral Petrocaribe agreements are not public, making it impossible to know precisely when countries moved to new conditions. As such, this calculation assumes new conditions take effect the day after overarching agreements were signed.

<sup>112</sup> PDVSA supply figures are given only to one decimal point, which can equate to a large difference in small economies; 0.1 thousand barrels per day (kbd) amounts to a quarter, a third, or even half of supply in some years in some states. That said, this comparison to supply rather than quotas is still a massive improvement on the common approach of acting as if quotas were fully utilised; for example, Antigua and Barbuda’s quota is 4.4kbd but its supply in 2008 and 2009 was 0.5kbd.

**Table 2:** Mean annual value of Petrocaribe financing relative to macroeconomic indicators, 2008-2012

	Quota (kbd) <sup>a</sup>	Supply (kbd)	Annual Value of PC Financing	PC Financing / GDP	PC Financing / Total Revenue	PC Financing per Capita
<i>Dominica</i>	1	0.36	\$6,073,074	1.3%	3.9%	\$86
<i>St Vincent &amp; Gren.</i>	1	0.3	\$5,470,398	0.8%	2.9%	\$50
<i>Antigua &amp; Barbuda</i>	4.4	0.8	\$14,076,416	1.2%	5.8%	\$160

Source: Quota and supply data from PDVSA Informes Financieros (pdvsa.com); GDP, revenue, and population data from IMF (imf.org).

<sup>a</sup> thousands of barrels per day.

As **Table 2** (above) reveals, in our focus countries the difference between quotas and real supply is massive, yet Petrocaribe’s impact remains hugely significant. Over the period 2008-2012, the average annual value of the financed portion ranged from \$5.5 million to \$14.1 million. This translates into 6 per cent of government revenue in Antigua, 4 per cent in Dominica, and 3 per cent in St Vincent. In the most extreme individual country year within this sample, Antigua and Barbuda’s 2012 soft loan was worth nearly \$31 million, approaching 13 per cent of revenue, \$350 per inhabitant, or 2.6 per cent of GDP. The most striking comparison, however, is with fiscal deficits. In 2011 the net deficit for Dominica was \$21.1 million, whereas for Antigua it was \$32.6 million,<sup>113</sup> even excluding Petrocaribe’s unacknowledged benefits (explored below), Petrocaribe helps to keep Caribbean economies on an even keel. As one ALBA Coordinator put it:

It’s a huge deal even in straight financial terms. But the thinking, man, it’s amazing! Why the hell did no one think of that before? A lot of big ideological talk of cooperation and solidarity and internationalism? And then this guy comes and creates a couple of serious instruments! The financial crisis has this energy-price component, and the guy says “have this damn thing, and the more expensive [oil] gets, the more you get to keep and defer payment for!” It’s amazing!

(I.73)

Even if this basic soft-loan function constituted the full extent of Petrocaribe, we would – like veteran Caribbean commentator David Jessop – still be forced to recognise its crucial impact:

<sup>113</sup> The figure for St Vincent and the Grenadines is not representative as it includes unusually high capital spending on the Argyle airport project.

No one should be in any doubt about the critical importance of Venezuela's PetroCaribe programme. If it were not for the energy lifeline that it has provided to every Caribbean nation other than Trinidad and Barbados, much of the region would by now be in economic freefall.

(Jessop 2011)

### *Unacknowledged Benefits of the Soft-Loan Function*

However, the impact of this financing element is even greater than it first appears. Most important is the real-terms depreciation of loans so soft as to be downright floppy (see p.163). Given an oil price of \$100, debt is being contracted at conditions that will reduce its real value by roughly 25 per cent over its lifetime. This unacknowledged grant element could be as much as \$3.5 million or 1.5 per cent of total revenue (in the case of Antigua). 75 per cent of the debt remains, of course, but the counterfactual of Petrocaribe's non-existence would require drastic spending cuts, tax rises, or private financing at punitive interest rates.

Second, entirely overlooked has been Venezuela's furtive writing-off of long-term Petrocaribe debt. Since 2008 PDVSA has cancelled all or part of the financed portion of its international agreements against its requirement to pay the Venezuelan government royalties on every barrel extracted (PDVSA 2010; 2012).<sup>114</sup> That is, the government forgoes royalties on exports via international agreements by paying the royalty with debt which promptly ceases to exist. The entire financed portion was cancelled out in 2008 and 2009 and half in subsequent years, meaning \$4.2 billion in 2009, \$5 billion in 2010, and \$4.8 billion in 2011. Though this relates to all international agreements, with Petrocaribe not even the largest, assuming write-offs are distributed proportional to supply, in 2010 Petrocaribe debt worth \$971 million was condoned in this way (PDVSA 2012, p.86).<sup>115</sup> "Fair value" adjustments in PDVSA accounts have also expunged huge debts from international agreements, with \$600 million written off in 2008 and \$650 million in 2009, for example (PDVSA 2010, p.41).<sup>116</sup>

Third and finally, local joint-venture companies (between Venezuela and the recipient country) are able to reinvest not only resale margins on oil bought with minimal transaction costs but also funds set aside to cover amortization of long-term

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<sup>114</sup> "International agreements" covers Petrocaribe, the Caracas Agreement, the San Jose Agreement, and the Integral Cooperation Agreement (with Cuba and Argentina). Whether write-offs were distributed evenly across them is unknown. In various years the entire debt has been written off, however, necessarily including that of Petrocaribe signatories. For other years, we assume write-offs proportional to each agreement's contribution to total supply.

<sup>115</sup> 99.2 kbd (39 per cent) of a total 253.9 kbd exported under all international agreements.

<sup>116</sup> This may be due to the real-terms depreciation of loans, although PDVSA's fair-value estimates reduce the face value by around 45 per cent, far beyond the 25 per cent calculated in this work.



Petrocaribe debt. The simple logic of this uncommon opportunity is not lost on Vincentian PM Ralph Gonsalves:

Where are you going to get, on an ongoing basis, funding to facilitate economic growth and social development, \$20m [Eastern Caribbean] dollars per year [\$7.4m USD], 2 per cent, 25 years, for heaven's sake!? If you give me that money, no risk at all, I will take it, invest in a bank at 4 per cent and live off the interest happily. You give me that every year?! The 4 per cent is \$400,000 on \$10m, \$800,000 on \$20m. A fellow's not going to throw that away!

(I.68)

At the 1 per cent interest rate stipulated for the current oil price (Petrocaribe 2009a, p.9), this creates a spread of 3 per cent to Gonsalves' not unrealistic 4 per cent rate from reinvestment. With a resale margin of \$0.89 per gallon (as in Dominica), in 2012 Saint Vincent's joint-venture company would have made \$6.8 million on its 500 barrels per day (PDVSA 2013, p.128). Combined with the \$11.8 million accumulating to cover the financed portion of the Petrocaribe bill gives annual reinvestment capital of \$18.6 million. Reinvestment at 4 per cent, taking into account the 1 per cent growth of the Petrocaribe debt, would provide the Vincentian state with an extra \$550,000 annually. As Gonsalves' energetic response suggests, for small states this is more than a decorative cherry on an already substantial cake. While precise figures are unknown and subject to a number of caveats, it is clear that Petrocaribe signatories do engage in such reinvestment.<sup>117</sup> Antigua and Barbuda's joint venture PDV CAB, for example, employs a portfolio manager specifically to maximise these returns (PDV CAB 2011a), whereas Dominica also receives a return on its Petrocaribe savings by placing them in the privately owned National Bank of Dominica (Skerrit 2011, p.34).

#### *Impacts of Petrocaribe's Financial Benefits*

Since the acknowledged and unacknowledged benefits of Petrocaribe's central soft-loan function are so many, various, and extensive, this aspect of the initiative has a clear knock-on effect in terms of autonomy, endogenous development, and legitimacy.

Crucially, Petrocaribe gives governments more leeway to counteract the crises that can buffet SIDS in particular:

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<sup>117</sup> For example, whether profits from reinvestment are skimmed off annually or reinvested again; also whether funds to cover the financed portion are actually provided – in St Vincent's case they appear to be – or even needed (given Venezuela's tendency to pardon this kind of debt); or whether funds have been removed for investment in social projects.

Any downturn is going to affect you significantly. [The financial crisis] has basically come home to us even though we've put in some monetary policies to soften the effect. Either there's no money in circulation or people are holding on to their resources. Things are tough. We're in the same place that Greece is, only our debt-to-GDP is not outrageous, because we've tried to put money into circulation, lots of which has come from these initiatives [ALBA and Petrocaribe].

(I.64)

Given that current-account deficits persist even after Petrocaribe's establishment, in Petrocaribe's absence these deficits would be even more extreme. Had these deficits spiralled out of control, Dominica and Antigua could have faced sanction from the IMF for contravening conditions of earlier bailouts, whereas St Vincent would have had to seek financing from the same organisation (I.64). Dollars from the IMF are the same as dollars from Petrocaribe, of course, and in fact the interest-free conditions of IMF emergency schemes are even more favourable than those within Petrocaribe. But the key difference is conditionality, which limits the developmental room for manoeuvre, as in the cases of Dominica and Antigua (chapter three, p.86). As Ralph Gonsalves explains:

When you take the [Petrocaribe financed portion], it's a significant amount of money, but it's 25 years at 2 per cent. The only way you can get money cheaper than that is if you go to the IMF for the rapid credit facility after a storm or whatever, or go on an IMF programme, but that involves a whole series of concessions. This is money without policy ties.

(I.68)

While the "social purpose" criterion does constitute a form of conditionality, it applies only to investment of funds set aside to cover amortization, whereas reinvestment income and real-terms depreciation of Petrocaribe debt provide resources for any purpose. A second significant difference is visibility, as Petrocaribe loans are absent from the debt portfolios of our focus countries because debt is technically payable by joint-venture companies. The advisability of this sleight of hand is debatable, but it serves to maintain debt-to-GDP ratios that will not increase borrowing costs or cause consternation at the IMF. Indeed, the IMF recognises the off-budget nature of Petrocaribe financing, but also the potentially crippling effect of recent oil-price hikes. Accordingly, they cite Petrocaribe as the "most notable" bulwark against balance-of-payments pressures in the region, whispering its praises in their Regional Economic Outlook bulletins (IMF 2008, pp.19, 23).

The effect of this autonomy and stability bonus on the potential success of development strategies is huge. First, incumbent governments (of any stripe) are somewhat insulated from external shocks and interventions that frequently provoke economic, social, and political instability and derail long-term planning. Increased room for fiscal manoeuvre also means that governments have greater leeway to chart *their own* developmental course. Second, there are signs that these very funds are being invested directly in the real economy, particularly in SMEs. In Dominica nearly \$4 million of the funds to cover Petrocaribe soft-loans has been set aside to provide loans to smaller businesses on concessionary terms that would otherwise be impossible (Skerrit 2011, pp.34–35). A similar manifesto commitment was made by Ralph Gonsalves prior to his latest election victory in 2010 (ULP 2010c, p.18). Apart from increasing output, this Petrocaribe-enabled investment in smaller businesses should create jobs and reduce unemployment, favouring those usually on the sharp end of economic volatility. Third, Petrocaribe’s guaranteed supply and effective price ceilings significantly reduce the risk of disruption to electricity generation, which could otherwise bring entire economies to a grinding halt and provoke political upheaval. This consideration is foremost in the minds of officials in Antigua and Barbuda, which has suffered blackouts in recent years (I.81).

#### *The Impact of Investment in Infrastructure*

The latter energy-security advantages are enabled by Petrocaribe’s development of local oil infrastructure. Most ambitious were upgrades to refineries in Cuba, Jamaica and the Dominican Republic, which now constitute 4 per cent of Venezuela’s nominal refining capacity (PDVSA 2013, p.78). This shift is small but significant, reflecting ALBA’s aim of augmenting developmental interdependence in the LAC region while reducing dependence on any aspect of production vulnerable to US political intervention.<sup>118</sup> This capacity-expansion effort almost reached Dominica, too, with Chávez offering to construct a \$50 million refinery, though this was ultimately rejected for fear of damaging tourism. Beyond refineries, infrastructure development has prioritised storage and end-user supply, as with Dominica’s Waitukubuli fuel-distribution plant, which holds three months’ supply and cost some \$40 million (PDV Caribe 2009, p.22). Given the likelihood of disrupted supply due to extreme weather events, independent local availability of three months’ supply is, to quote Dominica’s ALBA Co-ordinator,

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<sup>118</sup> Most notably the US market itself: PDVSA’s exports to the US constituted 58 per cent of total exports in 2002, falling to 39 per cent by 2012. China, India, and Singapore picked up the slack.

“a massive thing!” (I.73). Beyond this boost to autonomy, the plant’s construction created 140 temporary jobs and its operation supports another 38, whereas any \$40 million construction project necessarily implies a significant injection of cash into the small local economy (PDV Caribe 2009, p.23).

Infrastructural development has also meant filling plants for liquefied petroleum gas (LPG), commonly used for cooking. Dominica’s Waitukubuli facility was developed with storage capacity for LPG, whereas in St Vincent an entirely new bottling plant was built, with construction creating 46 temporary jobs and operation sustaining another 172 (PDV Caribe 2009, p.23). LPG is particularly important to Petrocaribe because it is an everyday essential; price hikes and supply failures affect everyone, but especially those too poor to afford extra canisters. By breaking effective monopolies, Petrocaribe’s entry into the market can depress prices that have been rising inexorably:

Today we can cut prices of LPG and keep supply stable, which keeps social and political life stable; it’s huge! We’re not trying to replace the traditional suppliers, but we used to have limits on the number [of canisters] we were ordering, and every time the public would order it all up immediately, but now we’ve got more options.

(I.73)

State-driven competition from Petrocaribe, now constituting half of the market (I.69), also reduces the leverage of former sole suppliers like Texaco in St Vincent, who had threatened to cut off supply in protest at price controls (US Embassy to Barbados 2006).<sup>119</sup> Delivery to customers in remote areas that depend on intermediaries – rural Dominica (Da Vibes 2013) and Barbuda (I.81), for example – is now subsidised, lowering and stabilising costs for the neediest. LPG infrastructure also underpins welfare provision in Dominica’s Yes We Care programme, which provides free gas and stoves to the eldest and poorest (Douglas 2009). In the particular case of fisheries, Petrocaribe has installed filling stations in strategic locations to eliminate the cost and inefficiency involved in transporting fuel to boats, thereby making this industry more financially viable. Not only that, fishermen were encouraged to form cooperatives to run filling stations, receiving oil at wholesale prices and reselling it at retail prices. Alongside a \$0.19 per gallon rebate from Petrocaribe, this margin creates a fund for maintenance, small upgrades, and crucially a new pension fund (I.74; Da Vibes 2012).

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<sup>119</sup> This diplomatic cable revealed by Wikileaks reveals that Texaco was threatening to cut off supply shortly before an election, which would have damaged the Gonsalves government’s re-election campaign. Petrocaribe sent two irregular shipments to nullify this threat.

This neatly illustrates how Petrocaribe bolsters state control over a vital industry to enable marginalised sectors to improve their own conditions.

### *The Failure of Barter*

Less successful is Petrocaribe's barter facility, whereby Venezuela accepts goods at "fair" prices against the financed portion of oil bills. In the literature this is "perhaps ALBA's most novel and solidaristic element in the area of trade" (Aponte García 2009, p.95) and even a departure "beyond the very logic of capitalism" (DeFeo 2010). But as with the TCP (chapter four, p.96), scholars often take specific instances of barter as evidence of wider uptake and significance (e.g. Ullán de la Rosa 2012, p.153). The reality is markedly different.

PDVSA accounts (2013, p.122) reveal that by 2012 just three signatories were utilising Petrocaribe's barter mechanism: Guyana, the Dominican Republic, and particularly Nicaragua.<sup>120</sup> As such, barter has had no impact in the remaining fourteen recipient states. Even in the three participating states, since no by-country breakdown is available, impact remains inscrutable. Total barter exports have grown – up 76 per cent to \$868 million in 2012 (\$493 million in 2011) – and this is no small sum, but Nicaragua alone represents 82 per cent of the total and nearly all of this year-on-year increase (PDVSA 2013, p.121). Furthermore, fewer than twenty products were involved, the vast majority inevitably from Nicaragua. Since quantities are given in weight or units, the "fairness" of prices is obfuscated; this deliberate opacity suggests that prices may be beyond "fair" and could favour the opposition's "giving away the oil" discourse in Venezuela.<sup>121</sup> Yet, barter is certainly important to Nicaragua (equalling 16 per cent of total exports), and to a lesser extent Guyana and the Dominican Republic (5 per cent and 1 per cent of exports, respectively).<sup>122</sup> From the Venezuelan perspective, importing \$900 million of goods (mainly food) from sympathetic neighbours via state channels has significant benefits in a volatile domestic arena where private producers use shortages to stoke political fires (Borges 2010). Indeed, goods sourced via barter for Venezuela's subsidised food network are amongst

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<sup>120</sup> Again, the lack of figures on Cuba suggests that PDVSA considers its Integral Cooperation Agreement with Cuba to be separate from Petrocaribe, contrary to what is often claimed.

<sup>121</sup> "Deliberate" because it is inconceivable that officials of this Venezuelan state company believe that unit or weight measures are more informative to those scrutinising its accounts. It might be possible to reverse engineer approximate prices based on commodity averages for the years involved, but apart from being time-consuming, the resulting figures would be imprecise.

<sup>122</sup> Total exports 2012 from Trademap (trademap.org, which utilises UN Comtrade data); the Guyana figure is based on mirror data. *Prima facie* Guyana appears to engage in more barter trade than the Dominican Republic, but as noted no by-country breakdown is available. For want of a better approach, here the non-Nicaraguan remainder is split evenly between Guyana and the Dominican Republic.

those suffering severe shortages (Oficina Comercial Ecuador-Venezuela 2011, p.13). As such, Petrocaribe does have an element of regionalised endogenous development underwriting political success. But if – as was intended – complementary production chains materialise and agricultural sectors prosper, any effect is felt principally in two countries. That this constitutes shared endogenous development or greater autonomy is doubtful.

Amongst Petrocaribe's other fourteen signatories, there has been no barter trade whatsoever, as in our focus countries. Dominica has previously been identified as a participant that pays "up to 40% of its petroleum bill in bananas" (Aponte García 2011, p.8), but in fact negotiations over condiments, juices, jams, pepper sauce, and bottled water have come to nought (I.73). In St Vincent discussions have taken place and – true to Petrocaribe's notion of solidarity trade – even plantains were considered despite Venezuela's own abundant production of them (I.66). Development of fisheries to supply barter exports has also been mooted, but again with no concrete result (I.66). In Antigua and Barbuda services such as English-language tuition and tourism were considered, and a mutually beneficial agreement was sought for Antiguan construction supplies to be bartered into Venezuela's huge and politically crucial housing programme, *Gran Misión Vivienda* ("Great Housing Mission"). This proposal to send a million bricks per month was to rescue a large employer ravaged by the financial crisis, yet just as in Dominica and St Vincent negotiations eventually fizzled into nothing (I.81).<sup>123</sup>

Thus, with only the clear exceptions of Nicaragua and Guyana, Petrocaribe's barter element has not encouraged LAC interdependence through creation of intraregional production chains, through substitution of extra-regional competitive trade for intraregional cooperative trade, or through provision of output legitimacy to incumbent governments; nor has it entailed savings on foreign exchange or insulation from external shocks and leverage.

### *Funding Social Development*

While Petrocaribe's financial and barter elements of Petrocaribe are reactive, the social-development aspect actively targets social ills and reinforces development strategies

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<sup>123</sup> The company in question is Antigua Masonry Products.

adopted by LAC governments. As detailed in stage one, the funds invested in social projects come from:<sup>124</sup>

- A) the margin involved in domestic resale of Petrocaribe oil
- B) monies put aside for future payment of the financed oil bill
- C) the ALBA Caribe fund established via a \$50 million transfer from Venezuela

These represent a significant source of capital and social spending. Whereas resale profits (A) and funds set-aside for amortisation (B) are held locally, ALBA Caribe is administered by its underwriter Venezuela. This makes enforcement of the “social purpose” criterion – via PDV Caribe, PDVSA, and ultimately the Venezuelan presidency – more effective in the latter case. Yet, nowhere is this one criterion flouted, despite the broad scope afforded to recipients. Though each of our focus countries has its own favoured means and ends, Petrocaribe funds have mainly gone towards transfer-based welfare, non-oil infrastructure, electricity provision, housing, education, and even law enforcement. This hints at the breadth and depth of Petrocaribe’s impact on the development of recipient states.

i.) Transfer-based social protections

Transfer-based safety nets represent the most significant expression of Petrocaribe’s social impact, as they reach whole sectors of the population for unlimited periods, unlike the targeted and fleeting interventions of much foreign aid. The fishermen’s pension scheme and free-LPG programme mentioned above both fall into this category, but they pale into insignificance beside Antigua and Barbuda’s Senior Citizens’ Utility Subsidy (SCUSP) and People’s Benefit programmes. The SCUSP subsidises the utility bills of pensioners and the disabled, some 6 per cent of the total population (Government of Antigua & Barbuda 2012b). People’s Benefit provides the disabled and the poorest with \$80 a month in food vouchers, reaching 2 per cent of the population (Government of Antigua & Barbuda 2012a). Apart from directly benefiting disadvantaged groups, these programmes relieve the burden of extended families that would otherwise support vulnerable relatives. This cash injection creates more demand in the domestic market while also stabilising the lives of beneficiaries, thereby

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<sup>124</sup> Separating out funding sources is, in the words of one PDV Caribe employee, “*trabajo de hormiga*” (ant work). But even with painstaking primary research, there is still no guarantee of complete accuracy. Indeed, actors themselves are often unsure of the source of funds.

facilitating development of human capital. It also reinforces the output legitimacy of governments elected on platforms of social welfare and people-centred development (chapter three, pp.67, 88), especially amongst the poorer sectors most affected by wider economic vacillations. For some this is a first encounter with the idea of social safety nets, increasing the likelihood of demands for their wider application. Since these transfer-based benefits stem directly from Petrocaribe, this exemplifies how ALBA initiatives can implicate one member in the development and politics of another.

ii.) Non-oil infrastructure

The second type of spending underpinned by Petrocaribe is investment in non-oil infrastructure. A common theme is airports, with Dominica's Melville Hall, Antigua's V.C. Bird, and Barbuda's Codrington undergoing multimillion-dollar upgrades (US Embassy to Barbados 2007; Caribbean News Now 2006). In St Vincent, however, the target is the \$240 million Argyle airport project, the cornerstone of attempts to restructure the economy around tourism in response to the banana industry's precipitous decline (chapter three, p.87). It will allow St Vincent to receive long-haul flights rather than relying on regional carrier LIAT to ferry tourists from neighbouring countries. Gonsalves has put \$10 million from the local Petrocaribe joint-venture company towards the project (Gonsalves 2011, pp.30–31), and since Petrocaribe savings accrue naturally, this cheap development funding will be available throughout the project's lifetime. Since this ambitious project is anything but a guaranteed success, commercial credit is prohibitively expensive, but Petrocaribe's concessionary conditions and local control over utilisation allow St Vincent to plot its own escape from agricultural decline.<sup>125</sup> Away from airports, both St Vincent and Antigua and Barbuda have upgraded potable-water systems to curb rationing (Ministry of National Mobilisation, Social Development, Youth, and Sports 2011; Government of Antigua & Barbuda 2012a); Antigua has loaned generator capacity from the Venezuelan state via Petrocaribe to tackle blackouts (I.86; Camacho 2005; PDV Caribe 2008, p.19); Dominica has improved sewerage, roads, and especially sea defences (PDV Caribe 2011b; Commonwealth of Dominica 2009, p.12).<sup>126</sup> Aside from the inherent social utility of particular projects, improved infrastructure reduces costs all round, saving locals money while improving external competitiveness, whereas preventative measures

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<sup>125</sup> The project relies on bilateral funding from various foreign governments.

<sup>126</sup> Tane Tane and Scott's Head sea-defence projects, costing \$2 million and \$10.4 million.



mitigate causes of social and economic instability. Construction projects themselves, meanwhile, represent a form of social protection that counteracts the seasonality of employment in tourism and replaces low-skilled jobs lost in agriculture.

iii.) Education, housing, and law enforcement

The remaining projects fall within the traditional bounds of social policy, focusing on housing and education, with a side interest in law enforcement. Both Dominica and St Vincent boast “Housing Revolutions” supported by multimillion-dollar contributions from Petrocaribe, focusing “first [on] the *poor* poor, followed by those without access to credit, and finally those with only limited access” (I.69).<sup>127</sup> In education, Antigua has resuscitated its national public library project (PDV CAB 2011b); in Dominica a school has been built in indigenous Carib Territory (PDV Caribe 2011b, p.1); and in St Vincent there have been projects covering literacy, parenting, youth education, and music (Ministry of National Mobilisation, Social Development, Youth, and Sports 2011). Finally, in Dominica ALBA Caribe grants have provided a modern coast-guard speedboat, a police station (Grand Bay), and various police vehicles decked-out in ALBA-Caribe livery (Commonwealth of Dominica 2008, p.9).

Given the size of these economies, these investments in social projects constitute a massive shot in the arm to domestic social spending, particularly in the midst of a global economic downturn. Apart from the inherent benefits of improving the life chances and potential for human development of local citizens, in these three cases it also allows left-of-centre governments to make good on social initiatives promised to their less well-off constituencies. In the absence of Petrocaribe support, they would surely have had to cut social spending or borrow at high rates with many strings attached, effectively reducing their autonomy.

*ALBA Food: Left on the Shelf*

The final element of Petrocaribe is ALBA Food, designed to finance projects that bolster food sovereignty. In theory this fund is fed by a \$0.50 contribution for every barrel of oil exported by PDVSA above \$100 outside of international agreements. Given oil prices in recent years, had this 50 cent contribution been collected, ALBA

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<sup>127</sup> Though backed by many donors, the \$14.8 million from ALBA Caribe in Dominica eclipses any other contribution (Girvan 2011b, p.8). St Vincent’s Housing Revolution used \$5 million.

Food would be colossal and growing annually by hundreds of millions of dollars.<sup>128</sup> In practice there is little evidence that this fund exists as a discrete entity at all. In 2011 ALBA's Executive Secretary put ALBA Food's worth at \$50 million, with only \$14 million of that having been invested (AVN 2011). Despite putative trusteeship by the ALBA Bank, recent official documents add the possibility of "other contributions", making it more likely that cash comes from funds at the discretion of the Venezuelan presidency such as BANDES and FONDEN (ALBA Secretaría Ejecutiva 2010d, pp.14–15). Moreover, this initiative has not taken off in any coherent form, with only infrequent signs of life in Nicaragua and Belize.<sup>129</sup> The ALBA Secretariat lists ALBA Food projects in eight Petrocaribe signatories, but information is extremely scarce (ALBA Secretaría Ejecutiva 2010d, p.16). This includes St Vincent, where irrigation, storage, and processing systems are said to have been upgraded. While ALBA Food has invested \$2.1 million in St Vincent, in reality this came as free fertiliser and supported the Alternative Sustainable Livelihood initiative that encourages small-scale marijuana farmers to pursue less legally challenging careers (Searchlight 2009a; Nanton 2009). Though this represents the only project of ALBA Food in the three focus countries, it is consonant with the purposes and principles of ALBA – and more specifically Petrocaribe – as it involves Venezuela in the promotion of Vincentian food sovereignty and wider sustainable development.

### *Petrocaribe's Impact on the Politics of Signatory States*

Despite the relative weakness of its barter and food-sovereignty elements, the impact of Petrocaribe's social aspect combines with that of its financial benefits to create a notable effect on both domestic and regional political arenas.

Extra resources and their reinvestment towards social ends provide a buffer against wider economic forces and foster political stability, irrespective of the incumbent party's political stripe. Though vulnerability to economic circumstances has rendered much of the Caribbean and Central America "pragmatic", many retain a left-of-centre preference that is expressed where possible (chapter three, p.86). For these governments especially, Petrocaribe represents a regional-level institution whose social-purpose criterion compels them towards priorities that they might already share but

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<sup>128</sup> Exports of 2.56 million barrels per day in 2012 at an average price of \$103.42 (PDVSA 2013).

<sup>129</sup> As so often with ALBA, the situation is confused by the existence of other initiatives with the same name operating in Nicaragua and El Salvador – the latter a signatory of neither Petrocaribe nor ALBA – but in reality these are respectively a Grandnational enterprise and a local agricultural side-initiative of a bilateral Venezuelan-Salvadoran oil agreement.

otherwise be unable to afford. That is, if this pragmatism is an ideological neutrality provoked by financial constraints, Petrocaribe loosens the bind and nudges to the left. There is little doubt that without Petrocaribe support, the governments of our focus countries would have been defeated by now, especially those who only narrowly achieved repeat terms (Antigua's Spencer and St Vincent's Gonsalves). The huge impact of Petrocaribe has even seen right-of-centre opposition parties reverse initial scepticism in the face of popular support (with the exception of St Vincent's New Democratic Party). And even right-of-centre governments cannot stray too far from social expenditure for fear of losing the inherent financial benefits of annually renewed Petrocaribe deals.

Although officials of the three focus countries are straightforward about their original motivations for joining Petrocaribe – “an economic thing more than anything else” (I.73) or simply “money!” (I.64) – there is a burgeoning awareness of Latin America, and not only as a war-torn wasteland of coups and communists:

Even ten years ago, if you were to come and do a simple survey about relations with Venezuela, eight out of ten would say we had none ... Now we feel a part of our region, we have real interactions. ... Even critics are more aware. Talking about it in whatever way requires some familiarity; they are at least thinking about it now. It's all positive. Venezuela used to be just a country somewhere down there until Chávez came around.

(I.66)

Further, this reacquaintance has been on complementary and cooperative terms with which officials in the region are unfamiliar:

Sometimes you sit back and wonder “why did they even invite us?”; it's really more to our benefit than theirs ... That's exactly what someone like us would want. Something that benefits us without taking too much out. ... You're waiting for the “ah-hah, now we got you, we want this!” I think sometimes in the back of peoples' minds, when PM Spencer was trying to sell it to the public, a lot of people asked “what does Castro want? What does Chávez want? You're giving us free oil, what do they want?” And it's been 6 years, going pretty good for us, and yet nothing...

(I.81)

This positive example of LAC solidarity has not of course brought about a complete transformation in the foreign policy of Petrocaribe's recipient states, but it has reinforced the position of sympathisers like “Comrade” Ralph Gonsalves and emboldened sometime centrists like Dominica's Roosevelt Skerrit, whose rhetoric continues to bear the hallmarks of Bolivarianism even after Chávez's death:

We as an independent people must decide our destiny ... we cannot let somebody write a script for us and say we must follow it. We must stand for something and when it comes to programmes like ALBA and PetroCaribe we Dominicans must stand in defence and promotion of the core and guiding principles of these two institutions ... you can rest on Dominica's solidarity, friendship, as we move forward in addressing the inequality that exists within our society and among nations.

(Roosevelt Skerrit, quoted in Antigua Observer 2013)

While public pronouncements could be dismissed as dancing for Chávez's small change, diplomatic cables published via Wikileaks reveal that their defence of Petrocaribe is equally stout in private (US Embassy to Barbados 2009a; 2009b).

Infrastructural projects have also brought many Venezuelans to the shores of their Caribbean neighbours, while media coverage on ALBA and Petrocaribe has also fuelled a local interest in Latin America. And with the Cold War in the rear-view mirror, the New Left no longer provokes the same fears:

The [Latin American] left before were into pure economic determinism, and that's scary as hell to the population! Now a Dominican finds he doesn't look at a Latin American guy, a Cuban or a Venezuelan, and get an overwhelming sense of otherness. It's not solidarity necessarily, it's more unquestioned, accepted, and that's huge! More important than most people recognise.

(I.73)

This is not to suggest that links to Britain, America, and Canada are not foremost in the Anglophone Caribbean mind, but ALBA and Petrocaribe have at least forced its people to look southward again and re-evaluate what they see. In a small but significant expression of this, both in terms of awareness and solidarity, following devastating floods in Venezuela in late 2010, public collections in Dominica and St Vincent for those displaced met with a huge response from private citizens and businesses alike (I.69; I.73; Petrocaribe 2011).

#### *Petrocaribe's Effects in the Wider Caribbean*

In terms of LAC relations, veteran Antiguan statesman and commentator Sir Ronald Sanders was right to warn in 2007 against exaggeration of the influence of ALBA and Petrocaribe:

Will the Caribbean begin to adopt President Chavez's [sic] 21st century Socialism with its aspects of nationalisation of foreign owned companies? And, will they join the Venezuelan President in hostility towards the US government? The answer is unequivocally: "no".

(Sanders 2007)

But these extremes are not the only possible outcomes, and there has been a softening towards Venezuela, as well as new defiance of the US. Fears that Petrocaribe existed to "buy" favourable resolutions to territorial conflicts with Guyana (Esequibo) and Dominica (Bird Island) have proved unfounded, and indeed relations with both have been more stable and consensual than in the pre-Chávez era. Even Trinidad and Tobago, the Caribbean state most hostile to Petrocaribe, has slackened its opposition despite losing 49,000 barrels per day in exports to the region (Renwick 2009, p.1). Instead it has negotiated with Venezuela an extremely rare joint exploitation of the massive Manatee gas field. The relative agility and impact of Petrocaribe and ALBA has also fuelled frustration at CARICOM's perpetual lack of progress, with Ralph Gonsalves suggesting in an open letter to fellow leaders that more Caribbean countries would follow St Lucia and Suriname in joining ALBA while CARICOM remained "on pause" (Gonsalves 2012).<sup>130</sup>

As US aid has drifted east, meanwhile, old wounds have reappeared: amongst the high-level politicians and officials interviewed for this research, the complaint that "they've fleeced us for so many years in terms of our educated workforce and being a depository for US products; our balance of trade is ridiculous!" was not unrepresentative.<sup>131</sup> Dominicans are irked by a lack of payback for their support in removing Grenada's communist leader Maurice Bishop, whereas Antigua and Barbuda continues its remarkable fight at the WTO against illegitimate US barriers to its online-gambling industry. Venezuela has stepped into the vacuum left by US withdrawal, and its financial support now eclipses that of any other donor, including the EU and the US (on US, Sanders 2009; on aid, Girvan 2010). The realisation that Haitian president Michel Martelly gets 90 per cent of his social-investment budget from Petrocaribe (AVN 2013a), or that Bharat Jagdeo's medium-term economic programme for Guyana would be knocked off course by a change to Petrocaribe conditions (Hutchinson-Jafar 2009), gives an idea of the extent to which the Caribbean's fate has been intertwined with that of Venezuela through Petrocaribe.

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<sup>130</sup> He has been proved right, with St Kitts and Nevis reportedly "in the waiting room".

<sup>131</sup> This quote is deliberately unattributed.

### *Flexible Governance, Local Autonomy, and Local Legitimacy*

Throughout Petrocaribe there is a common theme that reinforces the impact of its successful elements: Petrocaribe's extreme flexibility in terms of governance of the programmes and projects in which its resources are invested. This is by design in that it tallies with the ALBA doctrine of autonomy regardless of size, and it is by accident in that no appreciable Petrocaribe Executive Secretariat exists to marshal the varied LAC relations under the Petrocaribe umbrella. Beyond PDV Caribe's miniscule Department of Social Auditing, there is only the arm's-length monitoring of Venezuelan diplomats. Overall, as the ambassador to Dominica asserts:

The Dominican government makes the decision about where [funding] goes; we've never told them what they should do. It's up to them, according to their needs; I've never gone in there to tell them [to do] anything!

(I.74)

Though a vague fear of displeasing the Venezuelan government may guide their decisions, definition of the "social purpose" criterion is essentially left to recipients. This allows debtor governments to use their local advantage in pinpointing obstacles to their own development. This includes prioritisation of issues with peculiar cultural resonance and well-being dividends outside of standard development metrics. Thus, Petrocaribe's funding of the National Public Library project in Antigua should provide not only a larger, more practical library, it also scratches an itch troubling the national psyche since the original library collapsed in 1974, its failed reconstruction becoming a metaphor for the island's rotten politics via Jamaica Kincaid's scathing memoir *A Small Place* (2000).<sup>132</sup> In Dominica, similarly, it has resurrected 60-year-old plans to complete one small but inhospitable section of road (Rosalie-Petite Soufriere) that literally and symbolically unites its north- and south-eastern zones.<sup>133</sup> Even the focus on LPG and housing speaks to the political peculiarities of the Caribbean. Flexibility also brings responsiveness, allowing for pre-emptive safeguards or rapid defence against local threats. When Dominica's private supplier of LPG failed to meet orders prior to carnival (I.73), Petrocaribe dispatched a shipment; with the Cricket World Cup imminent, it funded last-minute refurbishment of Antigua's V.C. Bird Airport; when blackouts hit Antigua, Petrocaribe provided generators:

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<sup>132</sup> It should be pointed out that despite Petrocaribe's support, the National Public Library remains unfinished nearly 40 years after the original wooden structure folded during an earthquake in 1974.

<sup>133</sup> Phase one of this project is complete.

We were having some challenges with generation, around 2006/2007, with frequent outages, capacity issues, and they asked me to approach Venezuela ... when you say you're in a crisis situation, they try and help, then we work out the finer points later. So we decided we would do it on the same concessionary terms as the Petrocaribe agreement, as if we were purchasing fuel. They leased the generators on our behalf, sent them here, and then we can pay for them with finance over a period of time.

(I.86)

This cession of control over funding targets tallies with the idea that successful decisions arrived at autonomously are more empowering and more transformative than external impositions. But the cultural specificity of locally targeted projects also makes Petrocaribe particularly important to the output legitimacy of local governments, for whom having no cooking gas for carnival, say, would be not only economically damaging, but also politically humiliating.

### **Factors Impeding Progress and Reducing Impact**

Since Petrocaribe has been hugely important to Caribbean political economy, it would be easy to conclude that it represents an out-and-out success and a shining example of ALBA's model of cooperative regionalism. Yet, as with the TCP and SUCRE, the fine grain of its implementation is revealing, and again it calls into question the idea of ALBA as a regionalised form of endogenous development that reasserts autonomy and legitimises member governments.

#### *Governance and the Vulnerability of Venezuela-Centrism*

Ironically, given what we have seen about the value of Petrocaribe's flexible governance, this is also the initiative's great weakness. For while Petrocaribe's impact has been great in the recipient states that have been the main focus of this chapter, Venezuela's lynchpin role makes consideration of its side of the Petrocaribe equation even more important.

Economically speaking, the most obvious danger of Venezuela-centrism is that domestic problems could require Venezuela to rein in overseas assistance, meaning stricter application of Petrocaribe rules, changes to conditions, or even termination of the entire initiative. Since Petrocaribe represents only 3 per cent of PDVSA's total supply (PDVSA 2011, p.165), of which nearly half is sold on normal terms,<sup>134</sup> this possibility may be overstated. Domestic drags on foreign exchange such as currency

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<sup>134</sup> Assuming non-payment of upfront bills is not a general trend. In Dominica, St Vincent and the Grenadines, and Antigua and Barbuda there is no suggestion that upfront obligations are not met.

arbitrage and oil smuggling are more draining and could be targeted first. That said, these problems are longstanding and tenacious, meaning that changes to Petrocaribe could be favoured if circumstances force Venezuelan policymakers down the path of least resistance. Such circumstances are not unlikely. Despite massive foreign-exchange earnings, Venezuela has suffered severe cash-flow problems, obliging it to contract foreign loans against future oil production. Equally threatening are falls in production thus far masked by spiralling oil prices (Philip 2010). Although development of the Orinoco Belt should reverse this trend long-term, exploitation has stalled amid disputes over the direction of 60-40 state-private ventures that reflect fractious state-private relations in the wider economy (Philip 2010, p.7). Any compromise from either side may come too late for Petrocaribe. The problem is that Petrocaribe's more integrative aspects, particularly barter, are weakly implemented, leaving only development funding and the effective grant element of soft loans. Impressive though their impact may be, these are essentially transfers, making this one-way oil-supply link Petrocaribe's only "glue". Any threat to this aspect therefore represents a threat to the continued existence of the entire initiative.

The political risks are even greater. Though Petrocaribe's huge impact on Caribbean political economy represents a relatively minor outgoing for Venezuela, its politicisation by government and opposition alike inflates its significance enormously.<sup>135</sup> For government supporters Petrocaribe solidarity is a desirable expression of LAC unity, a step towards realisation of a Bolivarian dream on hold since Congress of Panama in 1826. But for the opposition it is one more case of "giving away the oil", inexcusable foreign largesse depriving needy Venezuelans of their own resources (Primero Justicia 2010). Though the former argument is dear to PSUV activists and enshrined in the popularly approved 1999 constitution, the latter argument also achieves significant traction and has become a cornerstone of opposition propaganda. *Primero Justicia* (Justice First), the party of the main opposition challenger Henrique Capriles Radonski, includes both ALBA and Petrocaribe in the "List of Specific Gifts by Country" that it uses to substantiate the "*regalando el petróleo*" discourse (Primero Justicia 2010). In recent years Capriles Radonski, edging ever closer to electoral victory, has repeatedly promised to rein in such "gifts", meaning that Petrocaribe's existence depends not on Venezuela, but on one Venezuelan party. Indeed, since control over Petrocaribe is funnelled via PDVSA and development funds at presidential discretion – parts of the parallel state described in chapter three (p.69) –

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<sup>135</sup> Again, controversial relations with Cuba are covered by a separate international agreement.



opposition electoral success would deliver the institutions implementing Petrocaribe into the hands of a president committed to its elimination. This political vulnerability means it can only ever cast a short and diffuse shadow into the future. While it may be high-impact, without a heavier anchor in LAC politics it could also prove short-lived.

### *Cheap Loans and Over-Reliance*

A second potential long-term impact stems from Petrocaribe's negligent attitude towards unsustainable levels of debt. Generous though its terms may be, the initiative still involves debt, and this must be repaid eventually. Yet, the risk of this debt slipping to unsustainable levels is increased by Petrocaribe's conditions. Short-term, the low upfront cost and grace period make loans extremely attractive, but if future amortisation is unaccounted for, accumulated repayments could become onerous (even with real-terms reductions over time). The Dominican Republic's \$3 billion debt to Petrocaribe is testament to this (Rojas 2013). This possibility could be mitigated by oversight from Petrocaribe institutions, but in reality controls are weakly applied. In fact, some signatories have consistently failed even to pay the upfront bill, making their debt far larger than predicted by this work's calculations.<sup>136</sup> Conversely, repeated condonation of Petrocaribe debt encourages recipients to rely on Petrocaribe funds to an even greater extent, whilst also providing further fuel for the Venezuelan "giving away the oil" discourse. Were Petrocaribe an institutionalised, domestically uncontroversial, broad-based regional supply network – potentially involving fellow ALBA energy exporters Ecuador and Bolivia – then this reliance would be less problematic, but none of these conditions obtains. In reality, any such regional network would require the deeper integration that ALBA has thus far failed to provide, whereas it was the conflictual nature of Venezuelan political economy that led to creation of the parallel governance structures in which Petrocaribe is enmeshed. As noted above, for all the flexibility that this has afforded, it also leaves Petrocaribe hostage to the political and economic fortunes of its Venezuelan architects.

### **Conclusion: ALBA and Petrocaribe**

In the first instance, this assessment of the implementation of Petrocaribe serves to clarify much of the confusion responsible for "spinning the heads" of intelligence analysts and ALBA scholars alike. Though the sums involved might not reach the dizzy

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<sup>136</sup> This appears to be common knowledge, but interviewees were reluctant to specify precisely which signatories were abusing the facility in this way.

heights of \$29 billion as in Colibasanu's erroneous calculation (2008), the relative smallness of recipient economies means that implementation of Petrocaribe's central oil-bill financing aspect has indeed had a massive impact on Caribbean political economy. In the ALBA literature, this is just one of many aspects of Petrocaribe that favour a regionalisation of endogenous-development strategies, increase LAC autonomy, and legitimise left-of-centre governments. As in previous chapters on the TCP and SUCRE initiatives, it is the detail of how and why the implemented reality differs from this account that is most revealing.

Of the three initiatives studied, Petrocaribe boasts the clearest impact. In a context where "it is simply a fact that ... Central American and Caribbean governments have either limited or no capacity to finance policies to address shocks to their economies" (Sanders 2009) and signatories run persistent current-account deficits, Petrocaribe's effective buffering of sharp oil-price hikes since 2005 implies financial benefits – both acknowledged and unacknowledged – that have engendered otherwise unattainable levels of stability and autonomy. This favoured pursuance of the people-centred aspect of local development strategies by encouraging maintenance of public spending that could easily have fallen victim to fiscal crises. This support was redoubled by grant-based development funding and infrastructure upgrades carried out at Venezuela's cost. The impact of these aspects of Petrocaribe has been felt in domestic politics, where left-of-centre governments have endured and opposition stances towards Petrocaribe have softened.

However, there are various caveats. Crucially, these impacts have been achieved only by channelling the initiative's governance through Venezuela's parallel state and thereby eliding many of the conflicts that have hampered implementation of the TCP and SUCRE. More integrative aspects, which target an interdependence worthy of the "shared development" label, have largely failed, with ALBA Food all but invisible and barter implemented in just three countries and dominated by Nicaragua alone. Not only was this parallel governance arrangement originally a result of the tense and often contradictory hybridity of Venezuelan political economy, it also remains exposed to the same destructive tensions. First, given that Petrocaribe is a drag on foreign-exchange for a Venezuelan economy that has suffered cash-flow problems, it could quickly be terminated if domestic difficulties so demanded. Second, the politicisation of solidaristic international relations combines with centralisation of parallel governance around the presidency to mean that Petrocaribe could easily fall into the hands of an opposition committed to its elimination. Thus, while this ALBA

initiative in many ways enables progress towards the overarching project's goals, hybridisation of national political economy means that it does so only by means that jeopardise a more lasting impact.

## Chapter Seven: ALBA Reassessed

The Bolivian Alternative for the Americas (ALBA) is the continent's retort to the Free Trade Area of the Americas, the now buried corporatist dream of a free-trade zone stretching from Alaska to Tierra del Fuego. Though ALBA is still in its early stages, Emir Sader, the Brazil-based sociologist, describes its promise as “a perfect example of genuinely fair trade: each country provides what it is best placed to produce, in return for what it most needs, independent of global market prices.” ... ALBA is essentially a barter system, in which countries decide for themselves what any given commodity or service is worth, rather than letting traders in New York, Chicago or London set the prices for them. That makes trade far less vulnerable to the kind of sudden price fluctuations that devastated Latin American economies in the recent past. Surrounded by turbulent financial waters, Latin America is creating a zone of relative economic calm and predictability, a feat presumed impossible in the globalization era.

(Klein 2007, p.456)

The central contribution of this work's comprehensive and systematic analysis of ALBA's implementation is to provide new insights into ALBA's evolution and impact, thereby challenging misconceptions in the ALBA literature that feed into wider debates about LAC political economy. To revisit Naomi Klein's understanding of ALBA in light of this work's reassessment is to realise the extent of the disconnect between ALBA in theory and ALBA in practice. Is ALBA really as insulated from the global economy as Klein suggests? Does it really embody such novel development strategies? Are its intraregional relations really so cooperative? Unlike the many uncritical and unsubstantiated accounts of ALBA in the existing literature, this work can begin to answer these fundamental questions. Our most basic finding is that implementation is uneven, with the TCP entirely unachieved, the SUCRE a distinctly qualified success, and Petrocaribe largely realising its aims. But it is the fine grain of these implementations – and unimplementations – that is most revealing about the relationship between ALBA as a novel mode of regionalism and the national and global political economies within which its implementation is attempted.

This concluding chapter will first pool findings relating to national political economies and to individual initiatives in order to substantiate the arguments laid out in the introduction and woven through the rest of this thesis. This engages with many of the key debates in the ALBA literature and allows us ultimately to address the central research question within this work and its consequences for the ALBA literature and beyond. Finally, potentially fruitful avenues for future research into ALBA will be discussed, alongside an appraisal of how this work and more recent developments in

LAC political economy might impact upon ALBA's ability to provide the progressive, alternative form of regionalism sought by its designers and supporters alike.

### **The Limits of Regionalised Endogenous Development**

#### *The Regionalisation of Continuity and Change in ALBA Political Economies*

The first major issue in the ALBA literature is one common in the wider field of regionalism, where “the regional arena is treated as the ‘nation writ large’, in which domestic policy orientations are projected to the regional level” (Phillips 2004, p.35). Since the domestic policy orientations of ALBA's New-Left governments envisage radical changes in the structures of their societies, economies, and international relations, it is these changes that we find projected to the regional level within accounts of ALBA. Given Venezuela's political, economic, geographical, and historical centrality to ALBA, its model of endogenous development – later radicalising into Twenty-First Century Socialism – has been seen as the defining influence on ALBA, albeit that Bolivia's and Ecuador's development trajectories are frequently considered comparable (amongst others, Escobar 2010; Rovira Kaltwasser 2010; Ellner 2013a). Essentially, this meant an inward-looking model rejecting market allocation in favour of state guidance, bolstering human capital and repaying a “social debt” to the poorest through social policy, moving the economy away from oil and towards state and social producers, and empowering citizens by facilitating their participation in every aspect of development. Though with less emphasis on participation and less direct state participation in the economy (through nationalisation, say) than under Twenty First Century Socialism, Correa's government in Ecuador broadly shared this vision. ALBA's left-of-centre Anglophone Caribbean governments shared at least the pro-poor social focus, even if their economies were too exposed to external events and actors to allow for coherent development planning.

However, in Venezuela particularly the reality of domestic political economy diverged significantly from the model, even after more than a decade of attempts to implement it. The private economy remained as dominant as ever – indeed its share of GDP had grown – whereas state participation had shrunk despite a swathe of nationalisations. The heavily backed social economy remained miniscule, with a drive for widespread cooperativism producing paltry results. Rather than producing a new revolutionary mindset, there was much evidence of corruption and pilfering of state resources, particularly through the foreign-exchange commission CADIVI, itself

designed to promote endogenous development by protecting local industries from foreign competition. As Fernando Coronil concludes:

Chávez has taken over the state, but cannot so easily revolutionize society. He faces the challenge that all “nationalist” projects confront in the Global South: the contradiction or tension between national conditions of state legitimacy and the international conditions of capital accumulation, the difficulty of imagining a horizon beyond the capitalist market [resulting in] socialism by enumeration at best...

(Coronil 2008, p.25)<sup>137</sup>

In order to circumvent the tensions and contradictions caused by the persistence of these inherited features of Venezuelan political economy, Chávez created parallel governance and funding structures around the state oil company (PDVSA), which could be directed by the presidency.

In Ecuador, meanwhile, Correa opted to reform existing institutions while focusing on their performance. His move to focus on the needs of his marginalised constituency without directly confronting existing elites provoked less conflict, favouring implementation, but in reality a significant split in development policymaking was papered over rather than resolved. Anglophone members remained in perpetual need of capital to cover budget expenditures and enable public-sector investment. With traditional sources of assistance withdrawing, they could only attempt to diversify declining agricultural economies and maintain their “people-centred” development strategies by seeking out new sources of foreign assistance.

While ALBA’s model of regionalism might reflect and aim to reinforce the development strategies of its New-Left governments, their own dysfunctional implementation at the national level makes this extremely difficult. Rather, ALBA’s regional initiatives can just as easily regionalise continuities within member’s hybrid political economies, even those that are most politically and socially damaging. Thus, though the TCP had the greatest scope to deliver trade and investment regulations that could begin to deliver an “economic zone of shared development”, its implementation was hampered by various elements of national political economies not covered by a focus on New-Left development strategies. Pre-existing trade structures and narrow export bases cast doubt on the ability of the TCP to produce the complementarities necessary to growth of mutually beneficial integration; a lack of state capacity combined with technocratic mindsets attuned to free-trade principles to impede

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<sup>137</sup> Since this quote comes from a rough transcript of an orally presented lecture, basic spelling errors in the written version have been removed for the sake of legibility.

establishment of a workable TCP-compliant agreement; ultimately, this new ACD format was thwarted by unresolved tensions inside the Ecuadorian state between two factions advocating for widely different trade and industrial policies.

The SUCRE, for its part, was implemented in ALBA's largest economies, managing to sidestep many of these issues thanks to its well-conceived design. This delivered benefits to every sector of the economy, from EPS actors able to engage in international trade in local currencies, via large multinationals able to improve intra-ALBA competitiveness by reducing transaction costs, right through to states able to save on foreign exchange by compensating SUCRE-zone trade balances every six months. Yet, its progress was also severely hampered by the regionalisation of continuities in signatories' national political economy. Crucially, Venezuela's basic import dependence translated into the export gains sought by Ecuador's endogenous-development model, but this lopsided SUCRE relationship wiped out 70 per cent of possible foreign-exchange gains in Venezuela. Worse still, the SUCRE provided a new, large-scale channel for currency arbitrage, effectively allowing for regionalisation of longstanding corruption in Venezuelan political economy – involving state and non-state actors alike – and draining the resources of an already cash-strapped state.

Finally, Petrocaribe's Caribbean-wide implementation and impressive impact are at once facilitated by and jeopardised by their dependence on parallel governance structures in Venezuela that arose from tensions in its own hybrid political economy. While this has yet to provoke any major crises, this parallel state's lax accountability and oversight risk allowing Petrocaribe debt to creep up to unsustainable levels, whereas long-term impact is imperilled by the political fragility of this parallel's state dependence on a sympathetic Venezuelan presidency.

#### *Asserting Autonomy Amidst International Constraints*

The second major issue relates to the international limits on ALBA's ability to reassert the autonomy of its members and of LAC more widely. New-Left governments in Venezuela and Ecuador share a common desire to promote LAC integration in order both to reduce dependency on extra-regional actors and also to favour creation of a LAC pole within a multipolar world order. Indeed, even ALBA's Anglophone Caribbean members have moved in this direction as the US has withdrawn from the Caribbean.

Implementation of the SUCRE and Petrocaribe has reflected and reinforced this process in various ways. By design the SUCRE significantly improves the competitiveness of SUCRE-zone producers, favouring displacement of extra-SUCRE-

zone imports by intra-SUCRE-zone imports and creating the kind of developmental interdependence sought by ALBA governments. To the (apparently large) extent that it replaces trade by traditional channels it also removes the US dollar from SUCRE-zone trade, at once eliminating the usual seigniorage enjoyed by the Federal Reserve and defending the foreign-exchange reserves of participating countries. Though not currently envisaged, this could be particularly significant if Ecuador opted to de-dollarise its economy, since its clear position as a net SUCRE exporter means it benefits disproportionately from the positive sum of total foreign-exchange savings. Petrocaribe, meanwhile, is even more significant, effectively insulating almost the entire independent Caribbean from a doubling in oil prices. This has shielded recipient states from the kinds of crises that have in the past led them to seek assistance – with strings attached – from IFIs. Petrocaribe funds come only with a light “social purpose” conditionality, essentially allowing recipients to put funds towards pursuance of their own development strategies.

Yet, the TCP’s failure and problematic elements of the SUCRE also reveal how international commitments constrain this autonomy, not least because one state’s utilisation of ALBA initiatives to promote endogenous development can curtail another’s. Prior even to the TCP, ALBA’s founding agreement was forced to work around the existing sub-regional commitments of CAN-member Venezuela, a problem only amplified in negotiations towards a multilateral TCP. Nicaragua’s autonomy was circumscribed by its participation in CAFTA-DR; Anglophone Caribbean members could not risk further damage to their own ailing sub-regional CSME initiative; and, most surprisingly of all, Cuba clung tenaciously to WTO templates. Even the bilateral TCP-ACD process was influenced by Venezuela’s and Ecuador’s common membership of the WTO, since technocrats charged with codifying the agreement feared that straying from established rules could provoke destructive trade sanctions from fellow members. When the first Cooperation Framework Agreement was agreed, meanwhile, proposed political coordination of trade policy was undone by the threat posed to Ecuadorian producers by Venezuelan foreign-exchange controls (CADIVI). These measures, designed to promote endogenous development, were so badly administered as to create an effective non-tariff barrier to Ecuadorian exports, whereas Ecuador was to open up its market with no such protection. Thus, when Venezuela’s endogenous development model clashed with Ecuador’s via this international channel, Venezuela effectively constrained Ecuador’s involvement, ultimately leading Ecuador’s top-level trade institution COMEX to reject changes to existing CAN rules.



Though institutional constraints of this kind are less significant in the case of the SUCRE, the one clear exception is the Eastern Caribbean Currency Union, membership of which required that all three Anglophone ALBA be footnoted out of the original SUCRE agreement.<sup>138</sup> More important here, however, is the way in which this international initiative can make one participant the constraint of another. Thus, the severe imbalance in trade between Venezuela and Ecuador effectively enabled Ecuador's endogenous-development drive while restricting the productive aspect of Venezuela's. Venezuelan officials tried to prevent this by restricting the SUCRE to somewhat peripheral product groups, but this would have nullified any effect of the SUCRE, whose benefits to states accrue proportional to the value of trade compensated. Venezuelan insistence on CADIVI approval for SUCRE transactions despite their supposed use of local currency, meanwhile, again acted as a barrier to Venezuelan exporters, albeit that underlying concerns about the system's facilitation of currency-arbitrage were justifiable.

#### *Legitimacy Bestowed: Better Out Than In*

The third key issue in the ALBA literature is the nature of any legitimacy reflected and reinforced by specific initiatives. Existing accounts have tended to focus on the input legitimacy implied by participatory reforms and on the output-legitimacy dividend involved in providing effective solutions particularly to poorer sectors that brought New-Left governments to power. Yet, any potential significance of input legitimacy was seriously undermined when this work consciously debarred analysis of ALBA's Social Movements Council on the basis that it simply did not exist (chapter one, p.14). To the extent that all three initiatives made special provision for social-economy organisations, any demonstrable impact in this direction could at least be said to favour empowering participatory forms of economy at the national level. Utilisation of the SUCRE by EPS producers – or their umbrella organisations – and Petrocaribe's creation of fishing cooperatives in Dominica do represent evidence of this. Yet, the groundbreaking inclusion of this sector in TCP-ACD negotiations via new EPS-promotion institutions in Ecuador can only have resulted in a delegitimisation, since their input was effectively ignored when existing CAN rules were renewed.

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<sup>138</sup> That said, if applications for full ALBA membership from St Lucia and St Kitts and Nevis proceed to completion, ALBA members could soon represent a majority within this grouping. Collectively, its member-states could decide to enter into the SUCRE.

There is better support in this research for the idea that ALBA regionalism reinforces output legitimacy, though not only amongst the core constituencies of member governments. While the appeal of ALBA initiatives as designed may be strongest for these constituencies, their implementation – and therefore impact – is best achieved where gains are distributed widely and more secularly than ideologically attractive. Thus, the SUCRE’s expert design creates positive-sum gains across the board, one of which happens to be the creation of new export channels for EPS actors more likely to figure amongst incumbent governments’ supporters. However, an inherent reduction in transaction costs and the consequent boost to SUCRE-zone competitiveness is equally beneficial to a multinational like Continental Tyres and even to an opposition-linked Venezuelan giant like Polar. States themselves also achieve foreign-exchange savings proportional to the amount of normal trade replaced by SUCRE trade. With the SUCRE achieving such broadly distributed benefits, essentially no social group or individual state stands to lose; even if gains are uneven, they are still gains in all cases. This discourages any direct or indirect conflict, allowing implementation to proceed more effectively. This more efficacious, broad-based implementation could in turn see the SUCRE reinforcing a wider trend towards regional currency arrangements that favour the multipolar world order sought by ALBA’s larger states.

Similarly, Petrocaribe’s openness to every independent state of the Caribbean, irrespective of the ideological leanings of incumbent governments, allows it to achieve its impressive reach and impact. Petrocaribe does favour a social focus more commonly associated with left-of-centre governments through its simple “social purpose” criterion for utilisation of associated funds. Since this mild conditionality complements the platforms of left-of-centre governments and emanates from a regional institution, it is particularly useful in legitimising prioritisation of their favoured “people-centred” strategies. But while it also constitutes a leftward nudge for right-of-centre governments fearful of jeopardising Petrocaribe’s wider financial benefits, the “social purpose” criterion is broadly interpreted and only weakly applied, weighing lightly in the balance alongside the basic foreign-exchange savings and access to grant funding at the heart of the initiative. Since Petrocaribe provokes little ideological rejection – indeed, many opposition parties have reversed initial hostility – the autonomy of the entire Caribbean region is boosted and its developmental destiny interlinked with that of Venezuela. This broad-based and effective implementation brings the peoples and politicians of LAC into greater contact, which is a necessary first step on the road

towards ALBA's long-term goal of converting its current "offer" to all of LAC into a *de jure* pan-regional grouping. With Dominica, St Vincent, and Antigua all having transitioned from participation in Petrocaribe to full ALBA membership; St Lucia and Suriname in the process of doing the same; and St Kitts "in the waiting room" (ALBA Secretaría Ejecutiva 2013), there are signs that this light-touch regionalism is at least beginning to provoke deeper integration.

The greatest threat to the output legitimacy provided by ALBA initiatives is a concomitant lack of control legitimacy, with accountability undermined by centralisation, opacity, and poor monitoring. The clearest example here is Venezuela's foreign exchange commission CADIVI, whose uncertain mix of incompetence and corruption hampers implementation of the SUCRE and Petrocaribe in particular. In the SUCRE's case false transactions for currency arbitrage mean that at least a quarter of all SUCRE trade serves only to enrich elements wealthy enough to participate on a large scale. In Petrocaribe's case, meanwhile, the centralisation and deficient monitoring of the parallel state through which its governance is channelled favour the accumulation of unsustainable debts in recipient countries. The longevity and orientation of this parallel state around PDVSA are also dubious given the politicisation of its existence and activities in Venezuela. Should these parallel governance structures be dismantled or pass into opposition control, Petrocaribe could slowly peter out, with individual states' annually renewable supply contracts simply left to expire.

#### *Misinterpretation of Venezuela and Neglect of Other Member-States*

The fourth issue in the literature relates to the role of Venezuela in particular. Though justifiably identified as the key source of the ideas and funding behind ALBA, this work reveals that Venezuelan involvement in specific initiatives frequently comes at a cost to their implementation and impact.

Implementation of the TCP failed at the first attempt because the text of the CFA put forward by Venezuela simultaneously failed to codify the principles of the TCP and made changes to tariff regimes so sweeping that they provoked opposition from conservative elements within Correa's government. This was partly because – by accident or by design – the unavailability of foreign exchange from Venezuela's CADIVI would have protected its producers just as Ecuador's were exposed to new competition from Venezuela. Implementation of the SUCRE was temporarily stalled and almost thwarted by Venezuelan insistence on its restriction to products peripheral to Venezuela-Ecuador trade, which – owing to its centralised governance – could only be

resolved by direct presidential discussions. Again, a combination of incapacity and corruption in CADIVI allowed Venezuelan importers to drain hundreds of millions of dollars from state coffers, with the most alarming aspect of this being involvement even of state enterprises. This only exacerbates domestic cash-flow problems that have affected the quality of public services in Venezuela, thereby damaging the government's output legitimacy. Since Petrocaribe – amongst other international oil agreements – represents a further drag on foreign-exchange and is controlled through parallel governance structures centring on PDVSA and the presidency, the Venezuelan opposition has been able to link domestic problems with Petrocaribe, branding it an anti-democratic and indefensible example of “giving away the oil”. The fact that Petrocaribe is indeed reliant on this parallel state and does involve transfers to importing states allows this discourse to achieve a level of traction that makes it a real threat to the initiative's continued existence.

This is not to lay the blame entirely at Venezuela's door. Contrary to the existing literature's focus on Cuba – and occasionally Bolivia – Ecuador's role has also been highly significant. Correa's less confrontational posture towards existing elites in Ecuador has strengthened the institutionalisation and efficacy of his Citizens' Revolution, but it has only papered over ideological schisms between his *Alianza PAIS* and conservative elements linked to large agro-exporters. It was ultimately this division that dealt the death blow to the TCP-ACD process, for example. But, overall, Ecuador's role has been positive. It was Ecuadorian technocrats that produced the ACD, which remains the closest thing to a practicable TCP yet created, despite its non-implementation. In a remarkably short time the same team managed to design and implement the SUCRE such that its functionality and utility were clear to all stakeholders. In practice, excepting transactions involving Venezuela, officials report no problems whatsoever, with low levels of pre-existing trade representing the main brake on non-Venezuelan SUCRE trade (I.45). Thus, despite problems relating to Venezuelan political economy, Ecuadorian expertise has ensured generalised uptake of the SUCRE, with the mechanism attracting interest even outside of ALBA. Though the depiction of Anglophone ALBA members as “region-takers” rather than “region-makers” is largely accurate – and somewhat inevitable given their size – they do share elements of the domestic and foreign policies of their larger Latin American partners. Petrocaribe signatories – to whom ALBA remains only an “offer” – also retain broad control over the internal effects of the initiative thanks to its hands-off governance. For both reasons the Caribbean experience of ALBA undermines the claim that the project

reflects Venezuelan geopolitical expansionism, even if Caribbean involvement is primarily a question of economic need.

### *Failed Implementation, Failed Transformation*

Fifth and finally, whilst existing accounts of ALBA frequently endow it with appreciable transformative power, this research suggests instead that ALBA's implementation is best achieved where initiatives have the least transformative potential. Since failings in implementation mitigate impact, poor implementation effectively precludes the kinds of transformation envisaged in the literature.

The initiative with the most potential to deliver the “economic zone of shared development” sought by ALBA is the TCP, since this was designed to enable negotiation of a comprehensive multilateral agreement. This aimed to invert many of the liberalising principles of traditional FTAs and regulate intra-ALBA trade and investment in such a way as to exploit or create complementarities between its parties. This having failed, the bilateral TCP-ACD process looked to establish a TCP-compliant trade relationship at least between ALBA's largest trading partners, with any deal representing a possible template for other intra-ALBA bilateral agreements. However, since neither the multilateral nor the bilateral negotiations produced any change in trade and investment regulations, this initiative has been anything but transformative. In fact, if it has had any impact at all, this has been negative. Fraught and protracted talks ultimately proved fruitless, delegitimising the TCP in the eyes of officials within ALBA member-states and surely also within those LAC countries to whom ALBA represents a permanently open “offer” of integration. The TCP thus holds “the threat of the bad example”, its logic invalidated purely by its poor execution.

As noted above, the SUCRE as implemented presents secular gains across the board, even if it does present new opportunities particularly for SMEs and the social economy. Domestically, therefore, it is not likely to engender any radical shifts in social structures. Indeed, if its use owes to participation of big business, this sector may gain the most from the SUCRE, thereby exacerbating the very inequalities that ALBA seeks to address. Worse still, where the SUCRE is abused for currency arbitrage, it reinforces the position of those with the capital to participate, without even the consolation of stimulating real production. The one element designed to favour participant states with weaker export sectors, the Reserves and Commercial Convergence Fund (FRCC), is underfunded and has barely been implemented. Even if it had been implemented fully, its design means that the unnatural imbalance in SUCRE

trade between Venezuela and Ecuador would see the richer partner benefitting. Regionally speaking, however, the provision of a competitive advantage to SUCRE-zone producers is indeed significant. Inasmuch as the SUCRE grows to include other LAC countries, the displacement of extra-LAC trade by intra-LAC trade will grow. But since Venezuela has blocked Ecuadorian calls to expand the system beyond ALBA (I.45), this potential has been limited to the future addition of Nicaragua and the Anglophone states (assuming this could be agreed with other ECCU members). Outside LAC, however, the SUCRE's relative success does reinforce a trend towards regional currency arrangements that could eventually have wider implications for the global political economy.

While the largely implemented Petrocaribe initiative has become hugely important to Caribbean political economy, even its impact could not be considered transformative. It has helped signatories to stay on an even keel and to undertake changes in their developmental trajectories that would otherwise have proved even more difficult, but the underlying vulnerabilities remain. Petrocaribe's barter element – much vaunted in the ALBA literature – and ALBA Food are largely unimplemented, yet between them these two features aimed to provide new export channels that could best counteract a decline in agricultural exports and the capriciousness of tourist demand. With Petrocaribe unidirectional and narrowly focused on Venezuelan oil, its long-term impact remains contingent on the vagaries of a Venezuelan political economy not known for its stability. That said, Petrocaribe as implemented has favoured closer relations between the Caribbean and Latin America, though it remains too early to judge whether this increasing interaction heralds a more significant shift.

### **Returning to the Research Question**

At its outset this work asked to what extent ALBA represents a coherent model of regionalism reflecting and reinforcing the reforms of its New-Left member-states. The preceding exposition and analysis of ALBA's implementation allows us not only to respond in ways that diverge markedly from dominant accounts in the literature, but also to achieve a greater degree of confidence in these responses thanks to the extensive primary research and comprehensive, systematic approach that shaped them.

In truth the precise wording of the question is secondary, for its value has been to guide a critical examination of ALBA as a regional project and its relationship to the political economy of its members. Yet, because implementation is uneven and fine-grained, the inclusion of "extent" is key, though it applies to each aspect of the question

individually. This research reveals that ALBA is coherent as a model aiming to use states-led regionalism to reinforce the development strategies of its member-states. But, the implementation of this model is incoherent, for any reinforcement is partial and often contradictory. Though ALBA does reflect changes in national political economy associated with its New-Left governments, they are not necessarily the changes or governments foregrounded in a literature focusing heavily on Venezuela and Cuba. Further, the reforms of ALBA governments represent only the volitional, guided aspects of political economy that are under effective state control, but ALBA's core economic initiatives allow a plethora of actors to regionalise wider aspects of political economies that are more hybridised and dysfunctional than the ALBA literature would have us believe. ALBA's aims have been advanced by the SUCRE and Petrocaribe, but more fundamentally integrative aspects like the TCP and Petrocaribe barter have foundered. Thus, while it is unfair and inaccurate to claim that "[ALBA] has not advanced and rests for the moment in declarations and on paper" (Eric Toussaint in Ferrari 2010), its cooperative, complementary "economic zone of shared development" does remain – *por ahora* – a distant dream.<sup>139</sup>

### *Removing the Brackets*

Before settling on this conclusion, however, we must consider whether or not the restriction of our analysis to these initiatives in these countries pre-defined its results. That is, could examination of the ALBA not covered here significantly alter our findings?

As was outlined in chapter one (pp.11-19), much depends on how we define the limits of ALBA, but even with this rider, it is unlikely that removing the brackets from the rest of ALBA's multifarious initiatives could shake this central conclusion. The most serious objection is undoubtedly that regionalised *misiones* cannot be ignored. Yet, to reiterate an earlier argument (chapter one, p.15), with the exception of *Barrio Adentro* in Venezuela – and to a lesser extent Bolivia – their impact is inherently irregular and periodic, remaining a far cry from the goal of a complementary and cooperative zone of shared development. Though their particular travails demand greater research, it is also clear that other much-touted initiatives such as the Social Movements Council, the ALBA Bank, and Grandnational companies and projects have largely failed to achieve traction, whereas Structural Convergence Funds never even left

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<sup>139</sup> "*Por ahora*" ("for now") was the phrase used by Hugo Chávez in publicly accepting the failure of his 1992 coup. It established the expectation that he would return, thereby reinforcing his ability to do so.

the drawing board. Beyond these initiatives, however, ALBA's offshoots are so many and various that some have not even been mentioned in this work. In this category we find, for example, a small chain of Venezuelan shops selling subsidised clothing sourced from ALBA countries (*Tiendas ALBA*);<sup>140</sup> a cultural fund promoting the arts via events and some remarkably generous annual awards (*ALBA Cultural/Fondo Cultural del ALBA*);<sup>141</sup> and a biennial ALBA Games welcoming athletes from across the LAC region.<sup>142</sup> There are even micro-initiatives about which virtually nothing is known, as with the extension of a Cuban-Venezuelan physical-education *misión* to Ecuador (Ministerio del Deporte 2010).<sup>143</sup> Yet, even if these initiatives do produce significant results in their own arenas – itself a dubious supposition given this work's findings on implementation – the sum of their impact would not represent an integration of the kind sought by ALBA and reflected in the literature. This is not because the economic domain is inherently *the* domain of regionalism, but rather because it modulates levels of intraregional interaction, which is the source of those interpersonal and cultural links that could make a regional community of once discrete national elements.<sup>144</sup> Even those accounts that include the “offer” aspects of ALBA in *de jure* non-member states still have at their core the economic initiatives dealt with here. If this core is as dysfunctional as suggested by our analysis, can the variegated periphery of ALBA really compensate for this weakness? The declarations of its leaders (see Castro 2012) and their repeated returns to issues of economic integration suggest that it cannot.

### **The Implications of an Incomplete ALBA**

ALBA's largely frustrated attempts to implement a progressive alternative to the neoliberal model of regionalism have implications not only for research into ALBA itself, but also for scholars of LAC political economy and of regionalism.

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<sup>140</sup> “ALBA Shops”. There were four in Caracas during fieldwork for this research, and they did start out selling Bolivian goods, though the provenance of later merchandise was less clear.

<sup>141</sup> There are in fact two organisations with similar names and remits: the *Fondo Cultural del ALBA* (“ALBA Cultural Fund”) in Caracas and *ALBA Cultural* (“Cultural ALBA”) in Havana. Prizes for literature and arts are worth \$75,000 each.

<sup>142</sup> Four such meets have been held since 2005, alternating between hosts Cuba and Venezuela. The 2013 games were to be held in Ecuador but did not materialise (perhaps owing to the death of Hugo Chávez).

<sup>143</sup> Between Venezuela and Cuba this is *Barrio Adentro Deportivo* (“Sport in the Neighbourhood”), becoming in Ecuador *Barrio Activo* (“Active Neighbourhood”).

<sup>144</sup> London is now France's sixth largest city, for example, only because the EU's single market facilitated this mass migration.



### *Interrogating ALBA Anew*

This work suggests that a key question for scholars of ALBA should be, how can a model of regionalism advocating for alternative forms of economic and international relations be built within national and global political economies shaped by the neoliberal model that they oppose? Or, as Félix Arellano puts it, is it possible to overcome the basic “contradiction ... that ALBA demonises free trade yet is constructed on free-trade foundations”? (in Lander 2007, p.23). This means a move away from analysing the inspirations and aspirations of ALBA and towards the interface between its proposals and their reality, the interests, attitudes, and institutional commitments of those building, blocking, or simply ignoring ALBA initiatives.

Furthermore, it highlights the fact that ALBA’s superficial novelty only papers over many of the traditional problems of regionalism. For example, ALBA has tried to sidestep the issue of what “glue” can bind the regional project together by maintaining a flexible “*à la carte*” form of non-treaty institutionalisation (Girvan 2011b). This allows member-states to participate selectively in individual institutions which do not require ratification in domestic parliaments. When ALBA stagnates – as is the “two steps forward, one step back” nature of all regional projects (Breslin & Higgott 2000, p.334) – what will prevent its members from drifting apart? ALBA explicitly revives the politics of LAC identity and implicitly suggests that material quality-of-life improvements delivered by the regionalisation of solidarity logics will effectively make “*el pueblo*” the institutional memory of ALBA (as confirmed by I.19). But is this “glue” strong enough to neutralise the pull of other regional and multilateral institutions? Or will the reinvigoration of Mercosur and the invention of the anti-ALBA Pacific Alliance (of Mexico, Colombia, Peru, and Chile) split ALBA’s “offer” in two? Indeed, if ALBA’s level of implementation fails to demonstrate progress on its own terms, would this “offer” be attractive enough to increase ALBA membership even in the absence of other competing offers? Meanwhile, ALBA has also justified the dominant role of its sub-regional hegemon Venezuela in terms of a principled commitment to S&D in economic relations, but this work raises doubts about the extent to which this “asymmetrical solidarity” (Girvan 2011b) can be insulated from domestic politics in a state where “sowing the oil”<sup>145</sup> at home can trump “giving away the oil” abroad.

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<sup>145</sup> “*Sembrando el petróleo*” like “*regalando el petróleo*” is a classic trope of Venezuelan political discourse, suggesting investment of oil profits for the benefit of the nation.

### *Implications for Early Theorisations of Contemporary LAC Regionalism*

For scholars of contemporary LAC regionalism, meanwhile, this work at once supports and questions theorisations of a new wave of “post-liberal” regionalism substantiated by the emergence of ALBA and UNASUR. These theorisations have centred on various returns vis-à-vis the preceding open-regionalism wave: the return of the state, of politics, of the development agenda, and of sovereignty as valid means and ends of regionalism (Sanahuja 2008; Serbin 2011). Yet, since UNASUR is relatively young – dating from 2008 – and has neither achieved nor sought to achieve a clear approach to economic issues, their empirical basis is dominated by ALBA. Whilst ALBA initiatives as designed certainly favour these “returns”, that they do so as implemented is less clear. Though there is also a recognition of continuities in national political economy, the emphasis – as in the ALBA literature – is on the more eye-catching, novel elements of contemporary LAC regionalism.

Diana Tussie’s “defensive regionalism” sees ALBA, UNASUR, and Mercosur as curbs on the political, economic, social, and cultural power of the US. Again, there is an acceptance of aspects of liberalisation, but alternative regional projects serve also to elide, forestall, or redress associated adjustment costs, allowing the state to resist and shape international markets on behalf of domestic actors and create an “inner circle of consensus with key domestic constituencies and some other selected states” (Tussie 2009, p.188). There is “no grand strategy” in these essentially contestatory projects, which remain “diverse and brittle” (Tussie 2009, p.188). While this captures some of the reality of ALBA as implemented, it also underestimates the extent to which ALBA does represent a grand strategy, but one whose realisation is undermined by a lack of inner consensus. ALBA is – as in Sanahuja’s post-liberal regionalism (2008) – genuinely concerned with “positive” regionalism that creates new cooperative structures as opposed to “negative” regionalism that dismantles barriers; its initiatives are more than palliatives to wider liberalisation.

Olivier Dabène, meanwhile, sees contemporary LAC regionalism as a transitional lull of hybridity between the preceding open-regionalism wave and a model yet to be fully defined but referring back to the structuralism of the ISI period. As such, his “post-trade regionalism” brings a renewed emphasis on autonomy and shared productive development, alongside “an active role of the State, supplemented by civil society participation and granting the regional institutions with redistributive capacities” (Dabène 2012b, p.17). This theorisation clearly draws on and corresponds to many elements of ALBA as designed, but this work has argued that civil-society involvement

is minimal; redistributive regional initiatives have been overplayed; and cooperative productive development has had lopsided results. Dabène differs from other scholars of contemporary LAC regionalism, however, in his emphasis on the inherent “sovereignty trap” created by promotion of autonomy *and* regional integration at one and the same time (Dabène 2012b, p.26), a notion substantiated by member-states impingement on each other’s autonomy when brought into contact by ALBA’s regional initiatives.

### *Implications for the Study of Regionalism*

There has been a growing recognition in the field of regionalism that implementation can no longer be ignored, and this work only reinforces this recognition. As Rick Fawn concluded in a wide-ranging review of the literature of regionalism:

The degree of institutionalisation – formal procedures and structures that regulate and facilitate the functioning of the region ... serves as a means to determine the group’s aims and evaluate them ... We need thereafter, to ask how existing these institutions are.

(Fawn 2009, p.19)

While – in the absence of reliable primary data – the literature of ALBA has tackled the former element of regionalism, it has tended to be very quiet on the latter. The design and approach of this work, on the other hand, have heeded Fawn’s advice and demonstrated the utility of studying this oft-ignored “implementation gap” (Gray 2013).

Yet, there is more to it. A focus only on the implementation of proposed initiatives and institutions does not necessarily imply the study of their “unimplementation”. This approach still directs studies of regionalism towards those areas designated for regional interaction; we may observe that the ALBA Bank has not been fully implemented, but the natural inclination is to consider it mainly in terms of the utility of intra-ALBA development financing, though its implementation may be hindered by any number of other problems. Essentially, though the acceptable ambit of regionalist scholarship has grown ever broader and deeper, it has continued to focus primarily on states-led regionalism and its relationship to multi-actor regionalisation within its own proposed domains of action; where states agree an FTA, for example, we might predictably consider the regionalisation involved in new private-sector trade between member-states. But this work has shown that states-led initiatives can also bring about the unintended regionalisation of aspects of national political economies that defy governmental control, as in the case of Venezuelan currency arbitrage via the SUCRE. These are the often overlooked areas of “ungovernance” (Leander 2002;

Meagher 2007). This work also shows that the net effect of the interaction between regionalism and regionalisation, between an institutionalised regional project and areas of “ungovernance”, can be either disintegrative or integrative, as recognised by the New Regionalism (Hettne & Söderbaum 2002).

### *Avenues for Future Research*

Given that the ALBA literature is small and self-referential, there are a plethora of research areas and approaches that could produce valuable new insights.

In terms of the empirical focus, this work discounted at its outset any analysis of various initiatives frequently deemed central to ALBA’s nature and purpose. This owed primarily to their relative marginality to ALBA’s proposed “economic zone of shared development”, but partly also to the apparent tenuousness of their existence. This work’s demonstration of the value of studying “unimplementation” suggests that much could be learnt from considering also the specific travails of the ALBA Bank, Grandnational projects and enterprises, and the Social Movements Council, amongst others. Though regionalised missions have received much attention in the literature, their full extent and impact has yet to be probed in real depth. This work’s approach could also be extended into the remaining *de jure* member-states, Cuba, Bolivia, and Nicaragua, so as to verify that its findings can be applied to the entire formal region. Beyond the *de jure* ALBA, studies to date have considered “offer” countries only from ALBA’s point of view, yet a simple survey of postures towards ALBA in non-member LAC states could gauge the potential of this “offer”.<sup>146</sup> This should prove particularly revealing in the Anglophone Caribbean, where Petrocaribe increasingly acts as a halfway house for states moving on to deeper involvement with Latin America. Given the dominant yet opaque role of Venezuela in ALBA governance, a sustained attempt to clarify how decisions and policies are made and executed within ALBA might help us to understand the nature of the project and of Venezuela’s own complex and often contradictory governance.

There are also a number of alternative approaches to the same processes that could build upon the findings of this research. Given the apparent importance of networks of actors inside and outside of the state, new insights might be gained from approaching ALBA regionalism as a question of developmental regimes, as recently applied by Christopher Wylde in the southern cone (2012). This concept focuses on coalitions of interest characterised by “a sustained fusion among the institutions of the

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<sup>146</sup> Data could be gleaned from official or media sources, thereby negating the need for costly fieldwork.

state, particular segments of the socioeconomic order, and a particular bias in public policy orientation” (Pempel 1999, p.157). This is redolent of divisions in Venezuela and Ecuador and their influence on progress of the TCP and SUCRE. This might be complemented by – or indeed combined with – the idea of regulatory regionalism, wherein postures towards regional projects are disputed across the institutional space of the state, with “regionalisation” of certain issues a strategic move to keep them in or out of national political contestation (Hameiri & Jayasuriya 2011).

In a similar vein, given the observed hybridity of ALBA’s regional political economy and the fact that its “unimplementation” – the aspects of its initiatives that remain absent – dwarfs its implementation, ALBA’s uneven imprint could also be studied in terms of “variegated neoliberalization” (Brenner et al. 2010). That is, ALBA could be seen as a regional challenge to a wider neoliberalisation process, its initiatives stalling and at times inverting elements of this process, but elsewhere being swept away by it. Analysis of how and why particular initiatives stand and fall could improve our understanding both of ALBA and of neoliberalisation more broadly. Zooming in to the micro level, the Cultural Political Economy approach developed by Bob Jessop and Ngai-Ling Sum – thus far copious in theoretical depth but thin on empirical applications – could be employed to study how ALBA political economy contributes “to the ongoing struggles around the future of a (post-)Washington Consensus world (dis-)order” (Sum 2009, referring to Venezuela). While this approach, like that of “variegated neoliberalization”, tends to consider processes, mechanisms, and practices that reproduce forms of capitalism (Sum 2005), its focus on the complex relationship between material and discursive resources could equally be applied to the minutiae of (often thwarted) alternative projects to halt and reverse these processes. Particularly interesting in this regard might be a comparative study of the concretisation of ALBA versus that of its newly minted antithesis the Pacific Alliance; while the latter goes with the grain of continuities in national and global political economy, ALBA has consistently had to go against it.

### *The Future of ALBA*

The findings of this research have in many ways been corroborated by changes in ALBA political economy since the period covered, whereas its insights also enable us, finally, to make informed judgements about its future trajectory.

As noted above, the continued centrality of ALBA’s economic domain was illustrated in 2012 by the EcoALBA initiative, which resurrected the TCP’s goal of

creating an “economic zone of shared, interdependent, sovereign, and solidaristic development, destined to consolidate and expand a new alternative model of economic relations” (ALBA-TCP 2012, Article I). Though the death of Hugo Chávez in early 2013 brought new uncertainties about the future of an organisation built and guided by his hand, his successor Nicolás Maduro has delivered successive election victories for the ruling PSUV. Having initially promised simply to maintain Venezuelan support for ALBA, he has since taken a path towards reform that could yet prove to be the death or the consolidation of ALBA as an alternative mode of regionalism. Many of his changes have targeted the obstructive tensions detailed in this work. At home Maduro has launched a crusade against state and private corruption, publicising and politicising currency arbitrage, an issue to which previous administrations had turned a blind eye. He has reformed foreign-exchange allocation and dismantled CADIVI, the body undermining the implementation of the TCP and SUCRE. Following Nicaragua’s adoption of the SUCRE, Maduro has – unlike Chávez – authorised its expansion to wider LAC, with Uruguay already seeking to join. He has also overseen Venezuela’s graduation to full membership of Mercosur.

Again speaking to the relevance of our findings, Maduro’s counterpart in Ecuador, Rafael Correa, has formalised the observed split in trade policy by dividing MRECI into a Ministry of Foreign Affairs and Human Mobility (under Ricardo Patiño) and a new Ministry of Foreign Trade (under former Vice-Minister for Trade Francisco Rivadeneira, with Nathalie Cely becoming ambassador to the US). Accordingly, the ACD concept has been gutted of any radical content, and Ecuador has reopened negotiations with the EU over the same multipart agreement that it rejected in 2009. Correa has also begun to investigate the possibility of full membership of Mercosur. In the Caribbean conditions remain unforgiving, with St Lucia, Suriname, and St Kitts and Nevis all in the process of upgrading from Petrocaribe to full ALBA membership. The eternal controversy over its own sub-regional integration processes rumbles on, belying the urgency implicit in the title of the Time for Action report to which the debate has repeatedly returned (West Indian Commission 1992).

ALBA’s response to these changes has been to propose a grand regional convergence, as outlined by Venezuela’s Energy Minister and president of PDVSA at a joint Petrocaribe-ALBA summit in December 2013:

Our strategic orientation is to link Petrocaribe's economic zone with an ALBA economic zone, with CARICOM, and with Mercosur. That is, to create a powerful space of economic, political, and social exchange between our countries.

(Rafael Ramírez, quoted in *El Comercio* 2013)

Again in line with our findings, the task of analysing this potential convergence has wisely been assigned to the same capable Ecuadorian technocrats responsible for the SUCRE and ACD. Yet, given what we have seen about ALBA's ability to achieve this degree of integration even between its core Latin American members, the omens for such an ambitious multilateral agreement are not good. Though the outcome is clearly uncertain, current trends in the region suggest that any convergence could easily see ALBA's progressive character diluted into an expanded and essentially unreformed Mercosur.

If "those fighting for a better world" are to avert this possibility and to continue "building their hopes with [ALBA]" (Regueiro Bello 2008, p.327), this work's analysis of ALBA's implementation shows that they must begin by reconciling its romance with its realities.

## Appendix One: Interviews

### *Relevant acronyms:*

ALP	Antigua Labour Party; largest opposition party in Antigua and Barbuda
FLACSO	Latin American Faculty of Social Sciences, Quito
IAEN	Institute of Higher National Studies; Ecuadorian state diplomacy school
IPG	Pedro Gual Institute, Caracas; Venezuelan state diplomacy school
MAGAP	Ministry of Agriculture, Livestock, Aquaculture and Fisheries, Ecuador
NDP	New Democratic Party; largest opposition party in St Vincent
PDV CAB	PDV (Petróleos de Venezuela) Caribe Antigua and Barbuda
PDV Caribe	Petróleos de Venezuela Caribe; PDVSA subsidiary executing Petrocaribe
PSUV	United Socialist Party of Venezuela; ruling party of Chávez and Maduro
RCTV	Radio Caracas Televisión; opposition aligned TV station, Venezuela
SELA	Latin American Economic System; Caracas-based regional institution
SENPLADES	National Planning and Development Secretariat, Ecuador
UBV	Universidad Bolivariana de Venezuela, Caracas, Venezuela
UCV	Universidad Central de Venezuela, Caracas, Venezuela
ULA	Universidad de los Andes, Mérida/Táchira, Venezuela
ULAC	Universidad Latinoamericana y del Caribe, Caracas, Venezuela
UNDP	United Nations Development Programme
UWI	University of the West Indies

### **Venezuela:**

<b>No.</b>	<b>Date</b>	<b>Participant</b>
1	14/9/10	ALBA specialist, IPG
2	16/9/10	Journalist, with Globovisión and El Nacional
3	22/9/10	ALBA researcher at ULA, Mérida
4	29/9/10	Expert in international relations, formerly of UCV
5	4/10/10	Mid-level official, Ministry of Foreign Affairs
6	5/10/10	Journalist, formerly of RCTV
7	10/10/10	Official of state bank involved in financing international trade
8	15/10/10	Former Director General of the Andean Community
9	16/10/10	Convenor of ALBA Social Movements Council's Venezuelan Chapter
10	18/10/10	Official of the ALBA Secretariat
11	18/10/10	Two officials of state bank involved in financing international trade
12	20/10/10	Corporate participant in SUCRE workshop
13	20/10/10	Corporate participant in SUCRE workshop
14	20/10/10	Corporate participant in SUCRE workshop
15	22/10/10	Caribbean specialist of UCV
16	27/10/10	Member of PSUV national directive committee
17	4/11/10	Historian of Guayana (known for heavy industry and radical politics)
18	12/11/10	High-ranking official, SELA
19	15/11/10	Official of the ALBA Secretariat
20	16/11/10	Caribbean specialist at ULAC
21	22/11/10	Ambassador of Bolivia to Venezuela
22	25/11/10	Former high-ranking diplomat
23	25/11/10	Expert on Latin American history and regional integration, ULA
24	26/11/10	Expert in inter-American affairs, Universidad Nacional de Colombia
25	26/11/10	Expert on regional integration, ULA
26	29/11/10	Expert on ALBA, ULA
27	1/12/10	Emeritus professor, ULA



28	13/12/10	Executive Secretary of ALBA Secretariat
29	13/12/10	Official of ALBA Secretariat
30	17/12/10	ALBA specialist at UBV
31	9/8/11	ALBA specialist at UBV
32	10/8/11	High-ranking official at Ministry of Petroleum and Mining

#### **Ecuador:**

<b>No.</b>	<b>Date</b>	<b>Participant</b>
33	12/5/11	Official of the constitutional court
34	23/5/11	Expert on regional integration, FLACSO
35	11/6/11	ALBA specialist, FLACSO
36	14/6/11	Former high-ranking official under Correa
37	14/6/11	Specialist on ALBA and regional integration, IAEN
38	16/6/11	Official at Ministry of Foreign Affairs
39	16/6/11	High-ranking official at Ministry of Foreign Affairs
40	17/6/11	High-ranking official at MAGAP
41	17/6/11	Minister at MAGAP
42	17/6/11	Official dealing with economic integration, SENPLADES
43	21/6/11	High-ranking official, SENPLADES
44	22/6/11	Activist involved in ALBA Social Movements Council negotiations
45	23/6/11	High-ranking official, SENPLADES
46	24/6/11	High-ranking official, SENPLADES
47	24/6/11	Official of the National Assembly's Foreign Affairs commission
48	27/6/11	Head of FLACSO
49	28/6/11	Former official of Ministry of Foreign Affairs
50	29/6/11	Negotiator in talks towards US-Ecuador FTA
51	30/6/11	Official of Ministry of Foreign Affairs, trade division
52	5/7/11	Official of Ministry of Foreign Affairs, trade division
53	6/7/11	High-ranking official of Ministry of Foreign Affairs, trade division
54	7/7/11	Former Finance Minister
55	11/7/11	High-ranking official of Ministry of Foreign Affairs, trade division
56	11/7/11	Former Minister of Foreign Affairs
57	12/7/11	Official of Social Development Ministry
58	12/7/11	Employee of foreign development agency
59	15/7/11	Official at Ministry of Health, dealing with international cooperation

#### **Trinidad and Tobago:**

<b>#</b>	<b>Date</b>	<b>Participant</b>
60	17/8/11	International relations specialist, UWI

**St Vincent and the Grenadines:**

#	Date	Participant
61	20/8/11	Official of UNDP
62	23/8/11	Official at Ministry of National Mobilization and Social Development
63	23/8/11	Head of local social movement
64	23/8/11	Senior Official at the Ministry of Foreign Affairs
65	24/8/11	Former minister
66	25/8/11	Minister of Foreign Affairs
67	25/8/11	Permanent Secretary of Ministry for Foreign Affairs
68	25/8/11	Prime Minister of Saint Vincent and the Grenadines
69	26/8/11	Ambassador of Venezuela to Saint Vincent and the Grenadines
70	26/8/11	Leader of opposition NDP

**Dominica:**

#	Date	Participant
71	29/8/11	Official of PDV Caribe
72	30/8/11	Local historian
73	31/8/11	ALBA Coordinator and Ambassador of Dominica to Venezuela
74	31/8/11	Ambassador of Venezuela to Dominica
75	1/9/11	Local author and journalist
76	2/9/11	Opposition UWP parliamentary candidate
77	2/9/11	Official at Ministry of Carib Affairs
78	2/9/11	Official at Ministry of Culture
79	2/9/11	Ambassador of Venezuela to Dominica

**Antigua & Barbuda:**

#	Date	Participant
80	5/9/11	Official at Ministry of Finance and Economy
81	6/9/11	Employee of PDV CAB
82	6/9/11	Community activist involved in Petrocaribe programme
83	7/9/11	Ambassador of Venezuela to Antigua and Barbuda
84	7/9/11	Official of Ministry of Finance and Economy
85	8/9/11	Employee of PDV CAB
86	8/9/11	ALBA Coordinator and Ambassador to Venezuela for Antigua & Barbuda
87	9/9/11	Ambassador of Cuba to Antigua and Barbuda
88	9/9/11	Chairman of opposition ALP

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