

The Bolivarian Alternative for the Americas:  
Dawn of an Alternative to Neoliberalism?

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## **Introduction: Another world is possible**

Another world is possible. Under this banner, millions have mobilized against neoliberalism and its ubiquitous trade deals – deals which attempt to institutionalize the hegemony of free-market capitalism in its neoliberal form. In this hemisphere, no trade deal has been a bigger target for this movement than the FTAA (Free Trade Area of the Americas). “In December 1994, at the first Summit of the Americas, the 34 democratically elected Heads of State of the Western Hemisphere agreed to create a Free Trade Area of the Americas by 2005.”<sup>2</sup> At the Summit of the Americas in Quebec City in 2001, 80,000 demonstrators braved tear gas and pepper spray expressing outrage against the deal. But only Venezuela, inside the Summit, and Cuba outside (because not invited), opposed the deal. Momentum towards the FTAA seemed unstoppable, and 2005 loomed as an immovable deadline. But in the years following, opposition to the trade deal mounted, particularly in Latin America. Finally, at the 2005 Summit of the Americas in Mar del Plata Argentina, George Bush attempted one last time to revive the FTAA, but the whole thing “ended in a fiasco”<sup>3</sup> with the FTAA project in tatters.

Parallel to the decline of the FTAA has been the emergence of a very different form of regional integration, ALBA, or the Bolivarian Alternative for the Americas.<sup>4</sup> In December 2004, Fidel Castro Ruz, president of the Council of State and Ministers of Cuba, and Hugo Chávez Frías, president of the Bolivarian Republic of Venezuela, signed an historic agreement, which outlined a framework for trade relations between their two countries on principles not just different from those motivating the FTAA, but principles which were formulated in such a way as to explicitly challenge the FTAA. ALBA has become synonymous with the radical reforms underway in Venezuela, and a symbol of the hopes for radical transformation which have emerged with the move left in Latin America as a whole.

ALBA – the Spanish acronym for the Bolivarian Alternative for the Americas – means “dawn” in Spanish. And there is a real feeling that what we are witnessing is what Chávez has called “the dawn of a new era” in Latin America<sup>5</sup> – an alternative at last to the long night of neoliberalism, neocolonialism and imperialism. At the very least, there is a sea-change occurring in international trade relations – part of a bigger sea-change in international relations as a whole.

But before the anti-neoliberal movement declares victory, a much closer examination of the process needs to be undertaken. ALBA is not the only player in the field of alternatives to the FTAA – nor is it necessarily, in economic terms, the most important. Just before the ALBA declaration, President Chávez participated in another summit of Latin American heads of states, this one without the presence of Castro, where agreement was reached, in principle, to accelerate progress towards a South American Community of Nations (CSN). In the eyes of most of the participants at this summit, the model for this regional integration was not to be found in images from the left, but from the very mainstream European Union (EU).

This has created a problem. ALBA is being constructed on principles antithetical to the FTAA. But the CSN is being constructed on the principles of the EU – principles which are, for all intents and purposes, identical to those of the FTAA. This problem is confounded by the fact that many, many analysts conflate these two processes, treating them as identical. But a comparative examination will show that they represent, two separate paths, and possibly, paths which are heading towards different ends.

These issues have now become acutely important. April 30, newly-elected president of Bolivia, Evo Morales, met with Chávez and Castro in Havana, to formally bring Bolivia into the ALBA pact.<sup>6</sup> May 1, hard on the heels of the ALBA deal, Morales sent in the troops to take control of “53 energy installations – including gas fields, pipelines and refineries” putting his government instantly into a confrontation with some of the world’s biggest energy concerns – including Brazil’s Petrobras, the Spanish-Argentine company Repsol YPF, British Gas, British Petroleum, France’s Total and US-based Exxon Mobil. “The pillage of our natural resources by foreign companies is over,”<sup>7</sup> declared Morales as his troops went in. Whether or not that is true, the dramatic events unfolding in Latin America are most certainly not over. ALBA is central to those events. This paper will sketch the outlines of the key aspects of ALBA, and its significance for the movement against neoliberalism.

First, the principles of ALBA will be sketched out. Second, the key components and dynamics of the much bigger CSN drive for Latin American regional integration will be examined. Finally, the paper will ask the question whether these two initiatives can co-exist. ALBA raises the possibility and hope of development driven by the needs of the poor and the marginalized. But what if the prospects for the spread of ALBA-like initiatives are very minimal, and the essential dynamic towards an alternative model of regional integration is set by a new regional bloc whose operating principles are no different from the FTAA? In such a case, all the old problems of exploitation, oppression and environmental degradation which we have come to associate with NAFTA, the FTAA, the EU and the other institutions of modern capitalism, will have simply been transposed from one institution to another. Grappling with these issues, then, is crucial to those interested in developing an anti-neoliberal alternative model of development for economies in Latin America and elsewhere in the Global South.

## The Bolivarian Alternative for the Americas

First, what is the “Bolivarian Alternative for the Americas”? According to the (almost) always anonymous writers in *The Economist*, ALBA “consists mainly of cheap oil and a rhetorical declaration against poverty”<sup>8</sup> But is the opprobrium from *The Economist* motivated by the merits (or perceived demerits) of ALBA or because of the ideology which it represents? According to Chávez, ALBA is “a flexible model for the integration of Latin America that places social concerns in the forefront.”<sup>9</sup> The text of the agreement signed between Venezuela and Cuba, December 14, 2004, shows clearly that – at least as it is worded – Chávez is completely right, and it is an agreement that, by speaking in explicitly anti-neoliberal terms, would of course raise the ire of *The Economist*.

The document uses language not usually associated with bilateral trade deals. Cooperation between the two countries will be based “not only on solidarity principles ... but also ... on the exchange of goods and services that are most beneficial for the economic and social needs of both countries.”<sup>10</sup> This “trade” document puts front and centre important social issues. The two countries agree to work together to eliminate illiteracy. Cuba offers, as part of the trade deal, “2,000 university scholarships a year to Venezuelan young students”. In addition, “Cuba puts at the disposal of the Bolivarian University ... more than 15,000 medical professionals.” The two countries agree to “collaborate in health care programs for third countries.” And where traditional trade deals use language like “comparative advantage”, ALBA instead argues that “the political, social, economic and legal asymmetries of both countries have been taken into account.” And in what is perhaps, economically at least, the document’s most innovative position, “both governments accept the possibility of compensated trade” – opening the door to an exchange of goods bypassing the financial markets.<sup>11</sup>

Just over four months later, at the first Cuba-Venezuela meeting for the application of the ALBA, a series of stunning decisions were announced. The meeting was held under the rubric of Article 3 from the original ALBA agreement, which states:

Both countries will draft a strategic plan to guarantee the most beneficial productive complementation based on rationality, the existing advantages on both sides, economy of resources, increase of useful labor, access to markets, and other considerations based on a true solidarity that would promote the strength of both parties.<sup>12</sup>

Among the many initiatives, it was agreed to:

- in the healthcare sector – establish in Venezuela more than 1,000 healthcare centres of various sorts that would offer services free of charge; train in Venezuela 40,000 doctors and 5,000 health technology specialists; train in Cuba, 10,000 Venezuelans in medicine and nursing; continue the work of 30,000 Cuban doctors and other healthcare workers located in Venezuela; and offer free eye surgery in Cuba to 100,000 Venezuelans:

- in the education sector – continue Cuban-Venezuelan collaboration to eliminate illiteracy in Venezuela (a project involving teaching 1.46 million Venezuelans to read and write); work with 1.262 million Venezuelans to upgrade their studies to the sixth-grade level; and work with high school students to help give them access to university:
- in the economy – “the two delegations also identified 11 projects for the establishment of joint ventures and other methods of economic complementation in Cuba and Venezuela which will be progressively formalized once studies underway confirm their economic viability” including initiatives in iron and steel, railway infrastructure; maritime transport (including enlargement of the supertanker base in Matanzas, Cuba), nickel and cobalt mining, and the repair and construction of sea vessels.

The concluding words of the document are worth quoting in full.

[B]oth delegations formally pledge to spare no effort until the dream of Bolívar and Martí of a Latin united and integrated America and Caribbean is attained. As the Joint Declaration expresses: "...we fully agree that the ALBA will not become a reality with mercantilist ideas or the selfish interests of business profitability or national benefit to the detriment of other peoples. Only a broad Latin Americanist vision, which acknowledges the impossibility of our countries' developing and being truly independent in an isolated manner, will be capable of achieving what Bolívar called "...to see the formation in the Americas of the greatest nation in the world, not so much for its size and riches as for its freedom and glory," and that Martí conceived of as "Our America," to differentiate it from the other America, the expansionist one with imperialist appetites.<sup>13</sup>

The whole ALBA process, then, does not just implicitly challenge neoliberalism and the FTAA. That challenge is explicit, and embedded in the very founding documents of the ALBA process.

A more formal articulation of the ALBA philosophy was prepared in February, 2005, by the Venezuelan Bank of External Commerce (Bancoex). This document argues that “ALBA places the emphasis on the fight against the poverty [sic] and against social exclusion”. Bancoex situates ALBA as an international trade extension of the philosophy and politics of the Bolivarian state.

The Bolivarian Government of Venezuela is against the processes of liberalization, deregulation and privatization that limit the capacity of the State and the Government to design and to execute policies in defense of the right of our people to have access to essential services of good quality and at good prices ... For the Bolivarian Government of Venezuela, the public services [sic] are for satisfying the needs of people, not for commerce and economic profit. Therefore, its benefit cannot be governed by the criteria of profit but by social interest.<sup>14</sup>

The document argues that recognizing and “correcting asymmetries” between participating countries has to be at the centre of the development and application of ALBA. “The idea is to help the weakest countries to overcome the disadvantage that separates them from the most powerful countries of the hemisphere.”<sup>15</sup> To this end, Bancoex argues for the creation of “Compensatory Funds of Structural Convergence”. Teresa Arreaza calls this the “corner stone in the design of ALBA”, a mechanism to ensure that trade relations don’t become the institutionalization of a hierarchy of nations, but a mechanism for the leveling of that hierarchy, in the interests of the poorest and smallest economies.<sup>16</sup> In a certain sense, this would be like the system of Equalization payments that are at the heart of Canadian federalism – only on a hemispheric basis, and imbued with a distrust of traditional trade deals – Equalization on anti-neoliberal steroids.

### ***A direct challenge to neoliberalism, a partial challenge to capitalism***

Neoliberalism is an orientation towards capitalist rule that developed in the late 20<sup>th</sup> century, with implications for both the Global North and the Global South. This paper is only going to deal with its implications for the Global South, and those implications are profound. They represent a continuation of the terrible impact of imperialism on development prospects for the poorest two-thirds of the world economy. Eduardo Galeano in his classic *Open Veins of Latin America* captures the impact of imperialism on Latin America very well. “The division of labour among nations is that some specialize in winning and others in losing.”<sup>17</sup> A 1999 cartoon published in *Sierra Magazine*, shows a woman with a cup of coffee, signaling to the waiter: “Excuse me waiter, there's the blood and misery of a thousand small farmers in my coffee.”<sup>18</sup> It is in this context that the modern set of policies called neoliberalism, must be situated. Mark Engler has provided a good short, working definition of neoliberalism (as it effects the Global South) – “a specific set of market driven economic policies that have been imposed on the developing world. These include tight monetary policy, privatization of public industries, lowering safeguards for workers, opening markets to foreign investment and competition, and ending government protections for local industry.”<sup>19</sup> The Campaign for Labor Rights, among others, has highlighted the way in which all of this involves a threat not just to workers, but to peasants as well. The Central American Free Trade Agreement (CAFTA), they argue:

... would, in a short period of time, remove all tariff barriers on imported agricultural products. This would allow cheaply grown and heavily subsidized U.S. corn and other basic grains to flood local markets in Central America. Millions of small farmers there would face the extinction of their livelihoods. They would be forced to migrate to large urban areas to work in the informal sector or maquilas.<sup>20</sup>

And on the eve of the 2001 FTAA summit in Quebec City, Karen Hansen-Kuhn succinctly outlined the way in which a trade deal like the FTAA would institutionalize

neoliberalism. Plans for the FTAA developed by the U.S. Trade Representative's office (USTR) included:

... the controversial 'investor-state' provision ... which grants corporations legal status formerly reserved for nations ... When this sweeping procedural right to challenge governmental regulatory actions is coupled with the broad and vaguely worded investor protections in Chapter 11 of NAFTA, virtually all government regulation becomes a potential target. ... In an outline of its objectives leaked last year, the FTAA services negotiating group stated its goal to liberalize all services in all sectors – i.e. commercial services such as tourism, data processing, and financial transactions, as well as public services at all levels of government. ... This approach could lead to the privatization of such public services as health and education – particularly if a government has opened the door to commercialization of the services by allowing some aspects to be subcontracted to private service providers. The USTR proposal calls for the inclusion of energy services, something excluded from NAFTA, and it fails to address the possible environmental consequences of such a move.<sup>21</sup>

The ALBA initiatives taken to date challenge every aspect of this neoliberalism. As such, they represent the beginning of a challenge to imperialism itself. The role of the state is asserted rather than the role of the corporation. The primacy of using the state to extend and deepen social services is asserted, rather than opening up these services to the uncertain mercies of the world market. Energy security is seen as being in the purview of the state, and not something, again, left to the "logic" of the market. Not only are local industries and small peasants not abandoned, the protection of each is asserted in the ALBA initiatives taken so far. And while workers' rights have not yet been explicitly dealt with, these rights are enshrined in an unprecedented way in the new constitution of Venezuela, and ALBA is in a very real way an extension of the reforms undertaken to date in Venezuela.

Susan George has argued that prior to the advent of neoliberalism:

The idea that the market should be allowed to make major social and political decisions; the idea that the State should voluntarily reduce its role in the economy, or that corporations should be given total freedom, that trade unions should be curbed and citizens given much less rather than more social protection – such ideas were utterly foreign.<sup>22</sup>

George is probably exaggerating to make a point. But it is certainly true that the extreme extension of market rule – giving corporations rights while stripping them from workers, peasants and governments – has been far more marked in the modern, neoliberal era, than in the earlier one that we can perhaps call Keynesian.

At the very least, ALBA represents an attempt to return to that earlier, Keynesian, era, where governments imposed limits on corporate rule, and workers, peasants and the poor had some scope to legitimately organize in defence of their own rights. This does not in itself go beyond the bounds of capitalism. Keynesianism and the “welfare-state” era, did, after all, come to fruition during the most powerful economic boom ever experienced by the capitalist system.

But one aspect of ALBA goes even further than this and does amount to a challenge to the logic of capitalism itself. Institutionalizing the possibility of “trade in kind” between countries is a direct assault on the money-based trading networks that have dominated the world since the emergence of capitalism. Cuban ambassador to the U.N., Orlando Requeijo said in 2005 that “ALBA is based on the integrative, complementary use of resources. Some of the things we are trying to do are to end customs tariffs between the two countries, develop industries both in Cuba and Venezuela and we trade in kind or in other currencies. We do not have to rely on the U.S. dollar for anything.”<sup>23</sup> This puts trade and economic relationships between countries on a completely different footing from that imposed by capitalism. Instead of being at the mercy of price movements, countries can openly identify areas of economic need, openly discuss what economic strengths they possess to “trade” for goods and services that they need, and directly exchange those goods and services without recourse to money. In such an arrangement, there is no room for banks, currency speculators or private-capitalists. Capital accumulation retreats into the background and the articulated needs of each country’s peoples moves to the foreground – at least in theory. It is an extraordinary and very bold assertion, of the possibility that a better world is in fact possible.

### ***ALBA – Expanding the Scope***

“Why waste time ... in looking for answers ‘in the air’, since ALBA ... ‘is the answer?’”<sup>24</sup> This was the advice from Ricardo Alarcón, president of the Cuban National Assembly, speaking January 25 on the opening panel of the 2006 World Social Forum in Caracas. Alarcón was capturing, without question, the massive enthusiasm with which ALBA has been received by the social movements. And there are some signs that this enthusiasm is justified. From its base in Venezuela and Cuba, ALBA-type relations have begun to spread.

In late 2005, Chávez proposed a joint energy initiative – Petrocaribe – focused on the Caribbean countries. It quickly met with “an enthusiastic response” and as of November, 2005 “a dozen countries have signed on”.<sup>25</sup> The key to the deal is easy credit and low-interest rates for Caribbean states buying Venezuelan oil. As oil prices rise, countries will be eligible to borrow a greater and greater portion of the total cost – from 5 per cent if oil falls below \$20 a barrel, to a maximum of 50 per cent if oil prices top US\$100 a barrel. In addition, loans can be repaid over a 17 to 25 year period at an interest rate frozen at 1 per cent. Critics call this a “buy now, pay later” deal, saying that this will increase the debts of the already indebted, and very poor, countries in the Caribbean.<sup>26</sup> This criticism falls down on several counts, one of them being simple arithmetic. Given that there are many,



many investments where returns far greater than 1 per cent are possible, the enthusiasm of the Caribbean states is understandable. In effect, money borrowed from Venezuela at 1 per cent can be invested elsewhere for a greater return – the type of activity that is normally reserved for the biggest trans-national banks. What the critics also ignore is that – instead of building up debt – Caribbean countries have the option of paying for the oil with “goods like sugar or bananas, or services.”<sup>27</sup>

With the election of Evo Morales as president of Bolivia, a third country has entered the ALBA mix. From looking north to the Caribbean, ALBA has now spread south to Bolivia, with Bolivia’s formal adherence to ALBA, April 30, 2006. Prior to that, in January 24, 2006, Venezuela and Bolivia signed eight agreements, in their specifics and in their totality, reminiscent of the ALBA-inspired Venezuela-Cuba deals outlined above.

The most important of the deals is for an exchange of Bolivian foodstuffs for Venezuelan oil. Chávez agreed to send as much as 200,000 barrels of diesel a month to Bolivia. The Venezuelan Energy Minister, Rafael Ramirez, said this oil can be paid for by agricultural products. On top of this, Venezuela said it will use money to buy 200,000 tons of soy and 20,000 tons of chicken more a year than it currently does.

Bolivia has also accepted Venezuelan assistance with energy development. Chávez said that PDVSA, the Venezuelan state oil company will be available to advise Bolivia on energy policy.<sup>28</sup>

### ***ALBA – Stretching the Definition***

This is a remarkable story – Venezuela, Cuba, some Caribbean island economies and now Bolivia, all engaging in trade relations on the basis of explicitly anti-neoliberal policies – or more accurately, on the basis of policies which explicitly challenge the “trickle-down” free-market logic of neoliberalism.

But there are many commentators who go further than this. The ALBA-led re-organization of the southern section of the Americas is often extended far beyond the examples listed here. I will quote these at some length, because the point is important – ALBA is often (perhaps usually) seen in far broader terms than has been painted here in this paper.

*The Economist* equates Petrosur, Petrocaribe, and “Petroamérica (in Central America and Mexico)” seeing all as “part of a broader plan to form ALBA (the Bolivarian Alternative for the Americas) as a response to the US-initiated attempt to create a Free-Trade Area of the Americas (FTAA).”<sup>29</sup>

Pedro Monreal, writing in *NACLA Report on the Americas*, outlines the ALBA-inspired agreements between Venezuela and Cuba, but then goes on to argue that “the Bolivarian Alternative for the Americas (ALBA) is conceived as a much larger process of alternative

integration for Latin America and the Caribbean ... To this end, the ALBA has taken notable strides ... through the PetroCaribe and PetroSur energy agreements.”<sup>30</sup>

Walden Bello and Marylou Malig quote Chávez without comment when, at the World Social Forum, he (Chávez) equated Petrocarib and Petrosur. “In his Petrocarib initiative, 13 countries in the Caribbean importing Venezuelan oil get a 40% discount off the international market price of oil. In the Petrosur project, Bolivia exchanges soybeans and Argentina trades cattle for Venezuelan oil. This [sic] kind of exchanges, he underlined, go ‘beyond the logic of capitalism.’”<sup>31</sup>

Peter Hakim, writing in *Foreign Affairs*, lists – as ALBA inspired initiatives – not just Petrocaribe but also Venezuela’s entry into full partnership in Mercosur “South America’s most important free-trade zone, which also includes Argentina, Brazil, Paraguay, and Uruguay, as well as the proposed “creation of Petrosur, which would be a confederation of the region’s state-owned petroleum companies.”<sup>32</sup>

Stephen Lendman also links ALBA and Mercosur. “Venezuela has recently joined with Brazil, Argentina, Paraguay and Uruguay in the Mercosur trading alliance that should strengthen ALBA.”<sup>33</sup> Sheila D. Collins, in the *New Political Science*, takes the analogy beyond Mercosur. Accurately describing ALBA as a trade agreement which is “based on social solidarity and justice”, she goes on to state:

While Cuba is thus far the only nation to have fully accepted the ALBA, other countries in the region have been moving toward it in their own way. In a Latin American summit held in December 2005, 12 countries signed an accord to merge the region’s two trading blocs, the Andean Community of Nations and the Southern Common Market (MERCOSUR) into a single South American Community of Nations (CSN).<sup>34</sup>

Néstor Sánchez makes the same point, saying that “Petrosur will also be part of other regional initiatives such as MERCOSUR, the South American Community of Nations and ALBA, which is an alternative to the FTAA.”<sup>35</sup>

These are very large claims. ALBA is to be seen not simply as a series of bilateral deals between Venezuela and some of the smaller states in the region, but it is to be seen in conjunction with the much more ambitious region-wide initiatives such Petrosur, pre-existing institutions like Mercosur, and proposed extremely ambitious institutions like the South American Community of Nations. To see if this approach is justified, we need to turn and examine the essence of these much larger regional integration initiatives.

## **The South American Community of Nations**

At the centre of this investigation is the South American Community of Nations. December 9, 2004, “the leaders of every South American country except the three Guyanas were gathering today in Ayacucho, Peru [and the nearby Cuzco] to sign the

preamble to the Foundation Act of the South American Union.”<sup>36</sup> This new entity, tentatively titled, the South American Community of Nations (CSN), would be a huge new fact in the world economy, if it ever came to fruition. It would incorporate a land area more than four times the size of the European Union, and only marginally smaller than that comprised in the three-country cartel called NAFTA. With 370 million people, it would trail the EU by 90 million, and NAFTA by 60 million. Its GDP of just under \$3 trillion reveals the big weakness of the new bloc, however, being less than 25 per cent of either NAFTA or the EU, despite being comparable in area and population.<sup>37</sup>

But is the CSN compatible with ALBA? One representative report said that the summit of South American leaders “will pledge to merge the continent’s two largest trading blocs over the next 10 to 15 years, with the eventual goal of creating a Latin American version of the European Union”<sup>38</sup> (EU) – the European equivalent of the FTAA. The CSN incorporates the two existing trade blocs in the region, of which the biggest one, Mercosur, is also explicitly modeled on the EU. It is significant that Cuba “does not participate in regional integration schemes that function within the neoliberal capitalist matrix” including Mercosur, because the push for Mercosur and other such projects “surged or regained momentum at the height of the so-called ‘Washington Consensus,’ which prescribed a diminished role for the state in social and economic affairs, privatization, deregulation, labor flexibilization and other drastic policies.”<sup>39</sup>

The CSN also has roots quite different to those of ALBA. Prime mover for the CSN was not the anti-neoliberal Chávez

in Venezuela, but the very neoliberal Fernando Henrique Cardoso, who initiated the process leading towards the CSN while president of Brazil. The torch for the CSN – along with its neoliberal policies – was picked up by the president who replaced him, Luiz Inácio Lula da Silva. And the scope of the CSN completely dwarfs that of ALBA. At its heart is a continent-wide energy policy that will involve the construction of one of the biggest pipeline networks in world history. The construction of those pipelines has already raised enormous fears amongst environmentalists, who are well aware of the havoc which can be created by thousands of kilometres of gas and oil pipelines snaking their way through some of the most ecologically sensitive land in the world. And there is, at the very least, a deep unease among indigenous peoples in the region, through whose land much of these pipelines will travel. Finally, this massive energy investment will not clearly be controlled by the people of the region. Side by side with the big nationalized oil companies – PDVSA in Venezuela and Petrobras in Brazil – will be some of the world’s biggest and most notorious multinational energy corporations, including Chevron-Texaco and Occidental Petroleum.

### ***Modeled on the EU, building on Mercosur***

At the historic, 2004 summit in Cuzco one quote captured the sentiment very clearly. “Our mirror will be the European Union, with all its institutions,” said Eduardo Duhalde, “a former president of Argentina who is now the political face of Mercosur.”<sup>40</sup> The very

invoking of the EU as a model for South American regionalism, should raise alarm bells for that section of the anti-neoliberal movement which treat ALBA and the CSN as compatible. Just a few months after the Cuzco CSN declaration, French (and Dutch) voters rejected the EU constitution because of the way in which they saw it entrenching neoliberalism. The response of Brendan Young (from Ireland's Campaign Against EU Constitution), to the French 'Non', was representative of responses to this vote within the anti-neoliberal movement. "The ordinary people of France have voted NON to the privatisation of public services, to the profit motive of the market dominating all aspects of life".<sup>41</sup>

This critique could easily be extended to the policies embedded in Mercusor, the customs union based on Argentina and Brazil, which Venezuela joined in December, 2005. Central to the vision of the CSN, is that it will develop not in opposition to Mercusor, but by building on it, the Cuzco participants envisaging a "convergence of the two large commercial blocs: the Southern Common Market (Mercosur) and the Andean Community of Nations (CAN)".<sup>42</sup> But in 1995, a joint EU-Mercusor declaration stated that the goal of both was to conform to World Trade Organization (WTO) norms,<sup>43</sup> the same WTO which has been the principal target in the mass anti-neoliberal movement, at least since the Seattle protests of 1999. Adherence to WTO norms has real consequences. Collaboration between the EU and Mercosur was greatly enhanced from mid-1994 on "with Brazil launching a significant privatization process."<sup>44</sup> The EU and Mercosur are of a piece with institutions like the FTAA and the WTO – part of the panoply of international institutions which have been busily embedding neoliberal policies for some years. If they are central to the origins of the CSN, how can the CSN be made compatible with the very anti-neoliberal ALBA project?

### ***Brazil in the drivers' seat***

In this, the role of Brazil is absolutely central. "The idea" of regional integration "resurfaced late last century ... with Brazil the leading proponent."<sup>45</sup> The 2004 meeting which proclaimed the CSN, was the third in a series of South American presidential summits which had addressed the idea. The first was convened in 2000 by Fernando Henrique Cardoso. The 59-point Brasilia Declaration resulting from this first summit, had at its heart the goal of a South American union.<sup>46</sup> But what was behind this turn to regional integration on the part of the Brazilian leadership?

### **Neoliberalism in Brazil: from Cardoso to Lula**

Cardoso – convenor of the summit and prime mover of the Brasilia Declaration with its vision of regional integration – has been the symbol of neoliberalism in Latin America. The privatization campaign launched by Brazil in 1994, a campaign which was central to the "maturing" of Mercosur as a neoliberal institution, was initiated by Cardoso, then Brazil's finance minister. First in this role, and then, beginning later the same year as president of Brazil, Cardoso became the leading representative of neoliberal orthodoxy

on the entire continent. He, more than any other figure, was associated with Washington Consensus policies. Emir Sader has succinctly captured their essence.

[D]evelopment would be led by foreign capital, attracted by the privatization of industry and natural resources, import liberalization, high interest rates, fiscal austerity and, in many cases, pegged currencies.<sup>47</sup>

Cardoso was replaced as president in 2002 by the Workers' Party's Lula. But as Sader and others have clearly shown, Cardoso might have departed, but his neoliberal policies remained. Lula opened his rule with a promise to "keep all the previous government's financial commitments" which in effect meant prioritizing relations with Western financial institutions over social services and workers' living standards. The predictable consequence was an attack on both.

[I]n its first year the Lula government gave priority to two reforms in the style of World Bank 'packages' on social security and tax. The first had a clear privatizing slant. A new tax was levied on the retired – who had already been paying all their lives – to reduce the social security deficit; and public-sector workers' pensions were capped, forcing them to turn to private pension funds.<sup>48</sup>

Sader's conclusion on the basis of his quite detailed analysis, is that "In power, the PT has not fulfilled any of its historic aspirations, and cannot even be described as a government of the left".<sup>49</sup> This is extremely relevant to an analysis of the link between ALBA and the CSN. "The government of President Luiz Inácio Lula da Silva has been one of the driving forces behind the creation of the South American community of nations",<sup>50</sup> and Cardoso – the pre-eminent voice of neoliberalism – initiated the current round of negotiations pointing towards the South American Community of Nations. "The original concept" says Gwynne Dyer "came from Brazil's last president, Fernando Henrique Cardoso, who invited the other South American presidents to Brasilia in 2000 for a first-ever continental summit, but the idea has been vigorously backed by his successor, President Luis Inacio 'Lula' da Silva".<sup>51</sup> Dyer adds that the other enthusiast for the project is Chávez, but confuses the matter when he says "both men, unsurprisingly, are on the left". But the very point of the matter is – are they? Is the Brazilian drive for the CSN compatible with Chávez' drive for ALBA?

### **Brazil: a sub-imperialist power**

Brazil is today associated with the PT and Lula. It is a very short while ago, however, that Brazil was seen as a sub-imperial power. In part, this analysis situated Brazil as a local policeman for US interests in the region. But it also served to capture the aspiration of the Brazilian ruling class to be a regional hegemon, looking to assert its influence, on a capitalist basis, throughout the southern half of the Americas. As early as 1965, the Brazilian sociologist Ruy Mauro Marini was documenting the emergence of Brazil as a regional power in its own right. In part he saw Brazil's role in Latin America as an

extension of the dominant role of North American imperialism. But he insisted that even then, more than 40 years ago, it was insufficient to see this as a completely dependent relationship – Brazil acting as a surrogate for the United States.

In its internal and foreign policy, the Brazilian military government has taken hardly any steps to accelerate the integration of the Brazilian into the North American economy; rather, it has expressed the intention of becoming the center from which imperialist expansion in Latin America will radiate ... It is not a question of passively accepting North American power (although the active correlation of forces often leads to that result), but rather of collaborating actively with imperialist expansion, assuming in this expansion the position of a key nation.<sup>52</sup>

In 1994, Daniel Zirker re-examined Marini's concept of sub-imperialism, as it applied to Brazil, and concluded that "more than two decades after he first proposed it, Marini's theory of subimperialism continued to offer systematic insights into Brazilian foreign policy and domestic socioeconomic development."<sup>53</sup>

Is this any less relevant as a framework from which to examine Brazil's actions in the Cardoso and Lula years? One important study argues that Brazil "has demonstrated a clear intention of wanting to expand the roles that it plays and the responsibilities that it assumes ... Recent indications of this include its initiative towards the creation of a South American community."<sup>54</sup> Sean W. Burges puts it more bluntly. He calls the CSN "a largely Brazilian-led venture" which "may herald a future of dependence on an emergent regional Brazilian hegemony."<sup>55</sup>

The projection of Brazilian influence throughout the region is not simply taking the form of trade policies. The democratically-elected government of Haiti was overthrown in 2004, in a coup largely engineered by some of the traditional big imperialist powers of the west – the United States, France and Canada. But since the coup, Brazil has taken the lead in the occupation of Haiti, "sanctioning the controversial foreign intervention in which former Haitian President Jean-Bernard Aristide was removed from power. This sets a delicate precedent for the region, since many neighboring countries could potentially be considered candidates for intervention, due to serious institutional crises. Venezuela and Bolivia are just two examples"<sup>56</sup> Finally, Brazil's projection of its power regionally is underpinned by economic expansion. This is something well-known by the poor in Bolivia, who have engaged in "sustained mass protests ... against Brazilian exploitation of gas reserves, including the bombing of Petrobras' Santa Cruz office"<sup>57</sup> in 2005.

Phil Davison says that "Mr. Cardoso's successor, President Luis Inacio "Lula" da Siliva, has been the driving force" behind moves towards regional integration "with Hugo Chávez, Venezuela's President, in the front passenger seat."<sup>58</sup> But when the driver and the passenger disagree as to the direction of the car – it is the driver who usually wins.

## ***Pipeline politics***

Chávez and the Bolivarian process in Venezuela have transformed the political landscape of Latin America. But it is oil and gas which are transforming the region's economic landscape. When the entire picture is sketched out, it is fairly clear that the political logic behind the push for regional integration is underpinned by a powerful economic logic represented by pipelines.

An examination of the smallest of these pipeline initiatives provides important insights into the dynamics in the region. Venezuela and Cuba are seen by the right-wing in the United States as its principal enemies in Latin America. "The emerging axis of subversion forming between Cuba and Venezuela must be confronted before it can undermine democracy in Colombia, Nicaragua, Bolivia, or another vulnerable neighbor,"<sup>59</sup> is a typical summary of the position taken by supporters of Bush and US imperialism.<sup>60</sup> And if Cuba and Venezuela are the "axis of subversion", then, the key to US foreign policy is "one of the most democratic and successful leaders in the region, President Alvaro Uribe"<sup>61</sup> of Colombia, at least in the mind of former senior Bush advisor, Otto Reich.

The Colombian department of Arauco, is "the heartland of that country's oil industry ... It lies just across the Rio Arauca, an Orinoco tributary, from Venezuela's own Orinoco Basin oil heartland of Apure-Barinas states."<sup>62</sup> Entrenched alongside Colombia's state-run Ecopetrol is California-based Occidental Petroleum. And bunking next to them, are hundreds of US military advisors. Oscar Canas Fajardo, advisor to Colombia's Central workers Union (CUT), said of the main oil field in Arauco: "There is a military build-up going on in Cano-Limon with the excuse of protecting the oil pipelines ... They are transforming the Cano-Limon facilities into a small military fort ... Who is to guarantee that all this [is] not being used against Venezuela?"<sup>63</sup>

But in spite of this, November 24, 2005, Chávez and Colombian President Alvaro Uribe signed a major agreement for a joint natural gas pipeline project. The 215 kilometre pipeline is designed to first, take natural gas from Colombia to Venezuela's Paraguana Refinery Complex. After seven years, Colombia's natural gas resources will be depleted, at which point the flow of gas will be reversed, and Venezuelan natural gas will flow to Colombia. Gas is just the start of the matter. Venezuela has easy access only to the Atlantic, but Colombia borders both the Atlantic and the Pacific oceans. The gas pipeline agreement is designed to be part of "a larger project that will bring crude oil from Venezuela to the Pacific Ocean, where it will then be transported to Asia."<sup>64</sup>

The opening to Asia is absolutely critical. The United States is the biggest customer for Venezuela's vast oil exports. But the United States is also that country's most implacable enemy. If Venezuela can create an alternate market for its oil in the rapidly growing economies of Asia – particularly China and India – it hopes to free itself from dependence on US oil consumption. This possibility has not been lost on the US, for whom the prospect of losing Venezuelan oil is taken seriously indeed.

But this pipeline project is just the appetizer. January 21, 2006, the presidents of Argentina, Brazil and Venezuela jointly announced plans for a massive, 8,000 kilometre natural gas pipeline, that would snake through the Amazon and the environmentally-sensitive rain forests of South America's interior, to pipe Venezuelan natural gas to markets, principally in Argentina and Brazil, but also linking Bolivia, Paraguay and Uruguay. The project, if it goes ahead, would cost at least \$20-billion US, and possibly more, and take seven years to complete.

Part of the pipeline plan is to, by making available vast quantities of natural gas, encourage the conversion of automobiles from gasoline (petrol) to natural gas in the two big economies – Argentina and Brazil. Argentina already has the world's largest fleet of natural gas cars, Brazil the second-largest. "According to Chávez, that shift alone would allow for a massive increase in gasoline exports by both Venezuela and Brazil, generating as much as \$15 billion in annual revenue."<sup>65</sup>

So Venezuela's side of the deal is clear – sell vast quantities of natural gas to new markets in Argentina and Brazil, and simultaneously begin the process of facilitating increased exports of oil to China, accessing the Pacific shipping routes by a deal with Colombia.<sup>66</sup> Brazil is not at the moment an oil exporter, so – at first glance it seems that for this country, the deal is only contingent on security of gas supply. And analysts have pointed out that this is a very expensive way of securing that supply.

But Brazil's big state-owned oil company, Petrobras, has embarked on a vast oil exploration program, and "is adding about 13 barrels of reserves for each one it extracts" which will "make Brazil a net exporter of oil for the first time" in 2006, according to Petrobras CEO Jose Sergio Gabrielli.<sup>67</sup> All of this is being fuelled by the China-led world economic expansion, driving oil prices through the roof, a situation which is leading to massive profits for oil producers. Petrobras, for instance, "recently announced the largest profits in Latin American business history, at \$11.2 billion."<sup>68</sup> So flooding Brazil with natural gas from Venezuela, converting automobiles from gasoline to natural gas, and thus freeing up oil for export – this is a plan that has dollar signs written all over it.

This extraordinary pipeline development project is the driving force behind the big energy alliances – Petrosur and Petroamérica. May 11, 2005, Brazil, Argentina and Venezuela "signed the base document for the creation of Petrosur" which "will be in charge of coordinating mutual energy policies".<sup>69</sup> Petrosur will be one of the key institutional players in the pipeline project, along with "the Initiative for South American Regional Infrastructure Integration (IIRSA), created by the nascent South American Community of Nations."<sup>70</sup> According to Dr. Alí Rodríguez Araque, president of Venezuela's state-owned oil company PDVSA from 2002 to 2004 (and from March of 2004 on, Minister of Foreign Affairs), all of this is based on a perspective of "hemispheric energy integration" which envisions the creation of Petroamérica, an umbrella institution uniting Petrosur, Petroandina<sup>71</sup> and Petrocaribe.<sup>72</sup>



## Conclusion: ALBA from below

The scope of the projects outlined here is breathtaking – and very bold. If oil prices stay high – that is, if China can sustain its incredible growth, a growth which is fueling an upward spiral in demand for and price of oil – then this pipeline development strategy may just work. And if the pipeline strategy works, then it is absolutely conceivable that the South American Community of Nations could emerge as an independent actor on the stage of the world economy.

A real sense of urgency is driving these energy projects. Héctor Ciavaldini was “one of the first truly Chavista presidents of PDVSA” according to Christian Parenti. Says Ciavaldini, “if we do not get this right, we are doomed. I don’t just mean the revolution, or Venezuela. I mean all of Latin America. If we fail, it means another century of misery, violence and hunger.”<sup>73</sup>

But is all this compatible with ALBA? It is, for starters, not clearly anti-capitalist. PDVSA might be a nationalized company, but as Araque points out, the oil industry in Venezuela “rests on three pillars: state capital, national private capital and international private capital. Currently, over 50 international companies develop business in the hydrocarbon sector in Venezuelan territory.”<sup>74</sup> The Venezuela-Colombia pipeline will be built in conjunction with Chevron/Texaco.<sup>75</sup> Not all relations are smooth. On the weekend of April 1 and 2, Venezuela took control of the offices of Total S.A. “when the French company refused to sign an agreement to turn the site [at Jusepin] over to a state-run joint venture.”<sup>76</sup> This clearly represents in part a re-assertion of the state over the free-rein of the multinationals. But we know from the long experience of the twentieth-century, that state-ownership in itself is completely compatible with the logic of the capitalist market.

And there is a growing unease among indigenous peoples’ whose land is in the path of these pipelines. Carlos Tautz from the Brazilian Institute for Social and Economic Analyses (IBASE), stated: “We challenge the logic of this integration project: once again, it is an export-oriented trade integration. The projects affect sensitive social areas, which are seen as spaces for increasing the agricultural production for export purposes, which has a low commercial value and a high social and environmental impact.”<sup>77</sup>

Indigenous peoples’ concerns about the regional development projects are not confined to Brazil. January 27, 2006 towards the end of the World Social Forum, 2,000 demonstrators gathered in downtown Caracas. Some 150 indigenous protesters were joined by 2,000 WSF participants, including “activists from Brazil, Canada and Colombia.” They were protesting plans by the Venezuelan state-run company Carbozulia to begin mining coal along the Socuy River. One of the protest organizers, environmentalist Lusbi Portillo, said “we know the mine will degrade the environment ... in the area where indigenous communities live off the land.”

“What we want is for President (Hugo) Chávez to simply state that no concessions will be granted, and that the land that belongs to indigenous people will be formally awarded

to them,” said Avelino Korombara, a member of the Bari community from an area near the Venezuelan-Colombia border.<sup>78</sup>

Chávez says that the pipeline agreement with Argentina and Brazil represents “the end of the Washington consensus ... It is the beginning of the South American consensus.”<sup>79</sup> Chávez is quite possibly right. Replacing neoliberalism with state-led economic development, attached to improvements in social welfare, is in complete contradiction to the neoliberalism represented by the Washington consensus – but it is well short of the “21st century socialism” that the promise of ALBA seems to embody. And we know, from bitter experience, that state-capitalism and social welfare reforms can lead to improved conditions for workers and the poor while the world economy booms – but can unravel in a terrible fashion when that boom falters.

The South American Community of Nations, Petrosur and the huge pipeline projects are a slap in the face to US – and Canadian – imperialism. Venezuela, Brazil and the other countries in the region are only asserting their sovereignty when they build a regional bloc independent of the FTAA. They have the right to do so, with or without the say so of George Bush or Stephen Harper. This might become a centrally important issue, should the US decide to intervene militarily to try and re-assert its authority in the region.

But to recognize this assertion of sovereignty and self-determination, is not the same as confusing the innovative ALBA initiatives with the much more traditional trade bloc emerging under the rubric variously of Mercosur, the South American Community of Nations and Petrosur or Petroamérica. Iconic Peruvian socialist and peasant leader, Hugo Blanco has a sense of this, and has put on the table an orientation which might emerge more prominently in the coming years. “In Venezuela people talk of ‘building ALBA from below.’”

Now Blanco interpreted this in a particular way. When people in Venezuela talk about ALBA from below, “we understand from this that there will not only be dealings between governments, but that it will promote the sale of products directly by the workers themselves, as is the case with various agricultural products, with the output of the 120 factories in the hands of Argentine workers, and with our own cooperative.”<sup>80</sup> The cooperative Blanco is referring to is a peasant-controlled tea-producing cooperative. But Blanco’s point can be extended even further. Worker to worker, or worker to peasant links are ways of conceiving ALBA from below. More generally, the point has to be made that it makes a crucial difference – for ALBA as for all reforms – whether those reforms are “given” to the poor from above by a state, or won through a process of self-mobilization which builds the self-confidence and self-organization of the masses of poor and oppressed.

States can give reforms and improve peoples’ lives. But they can also take them away. And when those reforms come under attack – whether from internal opposition from capitalism or from external intervention by imperialism, states have time and again shown themselves to be, at best, very poor defenders of gains won in the past. At worst, they join in the attack, aligning state-capitalism with the interests of the multinationals. It

is only when reforms are based on the self-activity of the masses, that there is created a firm foundation to defend those reforms when they come under attack, and to lay the basis for a new society where real power rests in the hands of the direct producers.

Blanco's peasant-controlled tea cooperative is, ironically, based in Cuzco,<sup>81</sup> the same place where the 2004 meeting announced the formation of the South American Community of Nations. In the coming years, we will see a contest between these two Cuzco-based visions – ALBA from below, or state capitalism from above. Millions throughout the hemisphere have a tremendous stake in the outcome of that contest. We have seen state capitalism many times. While of course, Venezuela, Brazil and the other countries of the region have a right to embark on such a development project, it does not represent another world. A state-capitalist world is the same world of class exploitation, environmental degradation, oppression and alienation that we know all too well. But we have rarely seen anything like “ALBA from below”. On that basis, a movement for another world might just be possible.

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