



## **ALBA INSTITUTIONS AND MECHANISMS<sup>i</sup>**

Josette Altmann\*

### **Introduction**

The Bolivarian Alternative for Latin American and the Caribbean (ALBA)<sup>ii</sup> emerged as an integration proposal stated by Venezuelan President Hugo Chávez. It seeks to reinforce peoples' self-determination and sovereignty by proposing an integration alternative that opposes the economic policies proposed and implemented at the end of the past century by the United States and some international organizations such as the World Bank and the International Monetary Fund. ALBA is the antithesis of the so-called "Washington Consensus".

The III Extraordinary Meeting of Heads of State and Government of the Bolivarian Alternative for the Americas-Free Trade Agreement of the people (ALBA-TCP after its initials in Spanish), which took place in Caracas on November 26, 2008, made it possible for the Heads of State of the countries that take part in the agreement alongside Rafael Correa of Ecuador, who was invited as an observer, to meet with the president of Russia, Dimitri Medvédev. It also allowed the opportunity to promote new ways of commercial cooperation between the participants. During the meeting, the Heads of State defended the need for recreating the international financial system in order for it to be based on the principles of solidarity, the search for development in harmony with the environment, and social justice in response to the financial global crisis. They also proposed to create a monetary zone with a common currency—named Unitary System of Regional Compensation, Sucre (after its initials in Spanish)—which it would first include the countries of the ALBA and Ecuador (and where Dominica will participate as an observer). They also analyzed the advances in the "Granacional Projects" and they supported Venezuela's proposal of summoning a global meeting to address the financial crisis under the United Nations.

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\* Josette Altmann is Regional Coordinator for International Cooperation of the Latin American Faculty of Social Sciences (FLACSO).

Let's make a brief review of ALBA history: In 2004, the then president of Cuba, Fidel Castro, signed with president Chavez the constitutive treaty, and in 2005 the first reunion of the ALBA took place. Bolivia joined in 2006; Nicaragua and Dominica in 2007 and in 2008 Honduras did the same.

In 2005 Petrocaribe was created. It was also a Venezuelan initiative to promote cooperation with Central American and Caribbean countries, with the main objective of contributing to energetic security. Under Petrocaribe, five meetings of the heads of state have taken place, and lots of important energy-related treaties have been subscribed between the members of the ALBA and the Central American and Caribbean countries that make up the Petrocaribe. This has made it easier for these countries to get closer to the policies and initiatives discussed within the ALBA.

Petrocaribe stands for a model of energetic cooperation based on the principles of solidarity and special and differentiated treatment. It is based on the Venezuelan policy of establishing subsidized prices and developing mixed enterprises to operate the oil market. However, Petrocaribe must be seen as an instrument of cooperation of ALBA that transcends the strictly energy-related issues. In fact, one of the projects of Petrocaribe is the development of aerial and maritime transport in the sub-region, as this is one of the indispensable requisites in order to achieve integration.

Both ALBA and Petrocaribe emphasize on their treaties and international agreements the "terrible consequences of the inequality of the international economic order" that impacts negatively on the prices of the basic products and raises the prices of oil and other fuels.

They base their policies on the thesis that, after the failure of the FTAA (ALCA in Spanish), the United States, in response to its inability to promote alternatives that lead to development, has carried out bilateral commercial agreements that contribute to the disintegration and weakening of the region.

President Chavez suggests the idea of the State as a 'producer', based on the formula of 'more State and less market'. Is this viable with today's globalization, in which the main players are not only States but also private entities such as media conglomerates, financial organizations and multinational corporations, which are behind the large flows of capital? Even now the argument in Latin America between neo-liberals and Keynesians –or free marketers vs. interventionists– revives the old clash between development-oriented economists and structuralists in the 1960s and between liberals and planners in the 1930s. The well known dilemma of 'market or State' does not help clarify things much, either.

The political, economic, social and cultural debate stemming from globalization and its social effects is fuelled by the 'concentration vs. equality' dilemma. The theoretical clash on development centered on these issues in the second half of the 20<sup>th</sup> century. Today it seems to have been overtaken by the emergence of new

problems such as improving living standards in conditions of freedom, democracy, sustainable development, climate change and the importance of citizen participation.

The economic reforms undertaken in the region led to inequality and a lack of opportunities, both among poor and vulnerable people as well as indigenous communities, women, the young and the elderly.

**Table 1**  
**Latin America and the Caribbean: Poverty Evolution a)**

Year	Poverty		Extreme poverty	
	Percentage	Millions of people	Percentage	Millions of people
1980	40,5	136	18,6	62
1990	48,3	200	22,5	93
1997	43,5	204	19,0	89
1999	43,8	211	18,5	89
2002	44,0	221	19,4	97
2004	42,0	217	16,9	88
2005	39,8	209	15,4	81
2006	38,5	205	14,7	79
2007	34,1	184	12,6	68
2008 b)	33,2	182	12,9	71

a) Estimation for 19 countries of the region, including Haiti.

b) Projections

**Source:** ECLAC. *Social Panorama of Latin America Social 2008*. Santiago, Chile. 2008. In: [www.eclac.org](http://www.eclac.org)

At the same time, the concentration of wealth in certain sectors of the political and business elites, mainly linked to multinational corporations, has fuelled corruption and created even greater inequality. This has increased the unequal distribution of wealth and privileges, which at the same time hinders institutional changes that would end privileges of certain social, political and business classes. All of this has generated significant discontent and disillusionment with politics. To some extent it is to blame for the problems of governance that affect the region and has made it easier for a new breed of politicians to emerge, many of them clearly anti-globalization, anti-US and anti-free trade. Still, it cannot be ignored that the US continues to be the main investor and the most dynamic recipient of exports for most of the countries in the region and that some of them, such as Venezuela, are major trading partners<sup>iii</sup>.

**Table 2**  
**Latin America: Main trading partners by sub–region (2007)**

MERCOSUR	Andean Community of Nations	MCCA	CARICOM b)	MÉXICO	CHILE
European Union (19, 2%)	United States (29, 0%)	United States (32, 7%)	United States (50, 5%)	NAFTA (84, 7%)	Asia c) (35, 2%)
MERCOSUR a) (16, 1%)	European Union (15, 0%)	Central America Common Market (27, 1%)	European Union (14, 6%)	European Union (6, 0%)	European Union (21, 5%)
United States (13, 5%)	Andean Community of Nations (8, 0%)	European Union (13, 6%)	CARICOM (12, 9%)	Central America Common Market (1, 8%)	Latin America (15, 9%)

a) Includes Venezuela

b) Only includes merchandise trade

c) Includes South Korea, China, India and Japan

**Note:** The numbers show in each case represents the percentage of exports towards the country or region.

**Source:** Elaboración propia con datos de: ALADI. Sistema de Informaciones de Comercio Exterior. En: [www.aladi.org](http://www.aladi.org) SIECA. Estado de Situación de la Integración Económica Centroamericana. Julio, 2008. En: [www.sieca.org.gt](http://www.sieca.org.gt) Secretaría de la Comunidad Andina. Exportaciones Intra y Extra Comunitarias 2007. Documento Estadístico. Junio, 2008. En: [www.comunidadandina.org](http://www.comunidadandina.org) DIRECON. Comercio Exterior de Chile Segundo Trimestre 2008. En: [www.prochile.cl](http://www.prochile.cl) Instituto Nacional de Estadística, Geografía e Informática. Grupo de trabajo integrado por: Banco de México, INEGI, Servicio de Administración Tributaria y la Secretaría de Economía. En: [www.inegi.gob.mx](http://www.inegi.gob.mx); Caribbean Community Secretariat Statistics. En: [www.caricomstats.org](http://www.caricomstats.org)

Trade agreements or treaties with the US are an important aspect of the overseas agendas of the countries of the region. Washington has devised a kind of commercial diplomacy with a strong ideological component stressing unilateral action following the failure of the Free Trade Area of the Americas proposal. Lively debate has swept the region in relation to free trade accords that prompted serious conflicts in some sub–regional integration entities, such as Venezuela’s withdrawal from the Andean Community of Nations in April 2006 and the decision by Uruguay and Paraguay to start talks with the US on possible trade treaties due to the asymmetries in MERCOSUR and the limited benefits they obtain from belonging to that bloc. Venezuela has threatened to pull out of MERCOSUR because of a trade focus that Chavez says ignores social issues. Costa Rica has gone so far as to suffer a parliamentary and governmental paralysis because of pre– and post–referendum debate on the free trade agreement between Central America, the Dominican Republic and the US. While this agreement was based on the policy of *trade, not aid*, ALBA is anchored more on the idea of a barter system rather than free trade.

In this context, integration processes in Latin America are mired in doubt, as shown in the region's growing fragmentation. Rather than a rise of the left, as some observers suggest, what is occurring is resurgence of populism in some leaders and of fragility in democratic systems. Everything points to problems in terms of weak mechanisms for political agreement, fights over leadership and differing versions of regional integration. Latin America has achieved a functional democracy without at the same time improving its democratic governability. Economic integration becomes a point of contention between the regional blocs because of trade disputes and different perceptions of how to link up with the international system, even more so these days with the possibility of a global economic vision.

### **ALBA and the People Trade Treaty**

The Peoples' Trade Treaty was signed in Havana on 30 April 2006 by Venezuela and Bolivia –the two countries of Latin America with the largest energy reserves– and Cuba, giving an excessive ideological slant to political and economic relations in Latin America. It was also the seed of ALBA, a regional integration proposal made in December 2001 in Isla Margarita by the government of Venezuela in response to the Free Trade Area of the Americas proposal that arose at the summit of the Americas in Miami in 1994. ALBA offers an alternative to free trade accords, on the basis of three principles: (1) opposition to free-market economic reforms; (2) not limiting the regulatory action of the State in favor of economic liberalization; (3) harmonizing relations between the State and the market.

President Chavez is of the opinion that, although the countries of Latin America agree on the fundamentals of regional integration, they lack an adequate strategy for implementing it. He says it is also necessary for integration projects to 'stop serving imperialism and national oligarchies' and become a tool for economic development among social sectors of the peoples of Latin America.

Even though ALBA is an ideologically charged plan, it merits examination. Since it was announced in 2001, it has taken shape in the programs of the Venezuelan government, especially through links with the strategies spelled out in the National Development Plan for 2001–07, which seeks a balance in five areas: social, economic, political, territorial and international. This is how the Chavez government is pursuing a kind of endogenous development, both national and regional.

Another feature of ALBA is its focus on social, cultural, historical, economic and environmental issues. These are the main topics over which ALBA is at odds with the ALCA free trade agreement proposition. ALBA makes a nine-point proposal based on criteria that it is more sensitive and socially oriented in terms of the relationship between the State, society and the environment. The proposal is based on respect for human rights, labor and gender civil rights, plus biodiversity. It places a special emphasis on a differential treatment for the poorest countries by creating a Structural Convergence Fund as tool for reducing regional asymmetries.

The efforts stemming from ALBA take concrete shape in two strategies. The first is the creation of a television station, Telesur, which is a political project that seeks to fortify the “Bolivarian Revolution” through the entire continent. Its main goal is to become a multi-state company which initially started between the governments of Venezuela, Argentina, Uruguay and Cuba, but with the possibility of taking on new members. In the case of Uruguay, the contract to form part of Telesur was signed in 2005; however the law to approve its unifying the organization has not yet been approved by the Uruguayan Congress.<sup>iv</sup>

The second strategy is aimed at using oil as a foreign policy tool by associating it with the process of consolidating ALBA through the Petrocaribe Cooperation Agreement, established in 2005. This is a Venezuelan initiative with the Caribbean countries whose main objective is to contribute to energetic security. In the context of Petrocaribe, energy agreements between the ALBA member countries and the Caribbean and Central American countries has also contributed to draw other countries closer to the policies and initiatives set up in the framework of ALBA.

Petrocaribe has become ALBA conduit for implementing energy policy. Clear evidence of this is a scale for financing oil sales on the basis of crude prices. If oil prices exceed US\$50 a barrel, for instance, 40% of this is financed, the payment period is extended to 25 years and the interest rate is reduced to 1%; and if it is a short term payment, the period is extended from 30 to 90 days.

Other approaches that have laid the foundations in new scenarios for regional cooperation and integration are the creation of major national projects (*proyectos Grannacionales* or PG) and companies (*empresas Grannacionales*, or EG) in which two or more countries members of ALBA participate. On February 27, 2009, during the VIII Reunion of ALBA-TCP Permanent Political Commission, held in Caracas, a new commission was established to follow up the results and impacts the Grannacional Projects have had. As of today, there are energy, food, cultural, health, communication, commercial, industrial and educational projects<sup>v</sup>.

The Bank of the South (*Banco del Sur*) was founded on 9 December 2007 by six South American countries (Argentina, Bolivia, Brazil, Ecuador, Paraguay and Venezuela). The idea was to devise an alternative to the International Monetary Fund and the World Bank, with ‘financial sovereignty’ to control resources and above all set terms for loans in South America. The plan is for the member countries to come up with a total of US\$800 million, but it has not been decided how much each will contribute and where the money will come from. Finally, the ALBA Bank was created on 26 January 2008, with initial reserves of US\$1 billion and the authorization for this sum to double. Its goal is 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.

## **The oversupply integration proposals**

Nowadays, the Latin American situation has been debilitated due to the oversupply of integration processes<sup>vi</sup>. There are a lot of initiatives and even more the actors involved in a great array of proposals in issues such as economic, cultural, commercial, and political insertion, and even in security-related issues.

Among all of these initiatives, three greater processes concentrate the principal commercial and integration proposals of the region: First, the Mesoamerican Project—last known as Puebla Panama Plan-. It extends from Mexico to the south, including Colombia and has even reached out to Ecuador. Second, the ALBA, which includes countries from South America, Central America and the Caribbean. And third, the Union of South American Nations (UNASUR after its initials in Spanish) that it is made up of 12 countries of the region. All these initiatives are superposed over the different formal and institutionalized multilateral mechanisms of integration that have been established on each of the sub-regions: the Caribbean Community (CARICOM), the Central American System of Integration (SICA), the Andean Community of Nations (CAN) and the South Common Market (MERCOSUR). They are also superposed to other mechanisms that strive for cooperation like the Amazon Cooperation Treaty Organization (OTCA), the Association of Caribbean States (AEC), and organizations like the Latin American Integration Association (ALADI). Finally, the only regional initiative that includes all of the countries of Latin America and the Caribbean, which in spite of its obstacles and problems through its history, still maintains the potential for continued development, is the Rio Group.

This oversupply of proposals and integration initiatives leads to three negative consequences that end up debilitating the integration processes. First, it generates a strong demand on the Heads of State and Government agendas, which have to schedule and attend meetings about every three months, in what can be called a context of “meetings diplomacy”. Second, the oversupply leads to a lack of coordination. It ends up reducing the opportunities of convergence and the search for common interests and perspectives. Third, the multiple proposals possess a weak institutional structure because some countries don’t wish to transfer part of their sovereignty and autonomy to greater supranational structures.

This reality has been made clear in multiple statements. The ALADI, for example, stated that since 2004 “the integration efforts have begun to disintegrate with the creation of different proposals that have dispersed the attention and resources, and furthermore, none has achieved a relevant impulse”<sup>vii</sup>. As a result of this oversupply, and in spite of the political relevance that each integration initiative acquires in the presidents’ declarations, up until now none of them has had the capacity to articulate a global view of the region, quite the opposite in fact, this situation has tended to fragment the Latin American and Caribbean region into “many” Latin Americas.

## Poverty and exclusion in Latin America helps ALBA

Poverty and exclusion continue to be Latin America and the Caribbean great problems, as it is showed in Table 1. Even though since the 90s poverty was reduced as a result of the end of political instability, the total number of poor people has increased. In any case, the incidence of poverty is high in almost all of the countries, with the exceptions of Chile, Uruguay and Costa Rica. In Bolivia, Guatemala, Honduras and Nicaragua poverty represents almost two thirds of the population, or even more. This incidence is higher than the Latin American average of 34,1 % in 2007. Also, except in the cases of Chile, Uruguay and Costa Rica the gap between extreme poverty is significant.

**Table 3**  
**Latin America: Poverty and extreme poverty**  
**(Percentages)**

Country	Year	Poverty	Extreme poverty
Argentina a)	2006	21,0	7,2
Bolivia	2007	54,0	31,2
Brazil	2007	30,3	8,5
Chile	2006	13,7	3,2
Colombia	2005	46,8	20,2
Costa Rica	2007	18,6	5,3
Ecuador	2007	42,6	16,0
El Salvador	2004	47,5	19,0
Guatemala	2006	54,8	29,1
Honduras	2007	68,9	45,6
Mexico	2006	31,7	8,7
Nicaragua	2005	61,9	31,9
Panama	2007	29,0	12,0
Paraguay	2007	60,5	31,6
Peru	2006	45,5	16,1
Dominican Republic	2007	44,5	21,0
Uruguay b)	2007	18,1	3,1
Venezuela	2007	28,5	8,5
Latin America	2007	34,1	12,6

a) The data corresponds to only 28 urban agglomerations.

b) Urban total

**Source:** ECLAC. *Social Panorama of Latin America. 2008*. In: [www.eclac.org](http://www.eclac.org)

However, poverty is not the only problem. Significant differences in the distribution of wealth continue to make Latin America an incredibly unequal region. This is true not just among the different countries, but also *within* each country (see Table 4). On average, the poorest segment of the population just possesses less than 5% of

the total wealth, while the richest segment of the population possesses more than 50%.

**Table 4**  
**Latin America: Distribution of wealth in the**  
**wealthiest and poorest segments of the population**  
**(Percentages)**

Country	Year of the study	Poorest segment	Wealthiest segment
Argentina a)	2006 b)	3,6	56,4
Bolivia	2007	2,0	60,5
Brazil	2007	2,6	63,3
Chile	2006	4,1	57,7
Colombia	2005	2,9	63,0
Costa Rica	2007	4,3	53,9
Ecuador	2007	3,5	59,0
El Salvador	2004	3,5	53,5
Guatemala	2002	3,7	59,3
Honduras	2007	1,9	61,1
Mexico	2006	4,2	56,0
Nicaragua	2005	3,5	58,3
Panama	2007	3,0	56,3
Paraguay	2007	3,1	58,4
Peru	2003	3,8	55,2
Dominican Republic	2007	2,8	59,9
Uruguay a)	2007	4,9	50,3
Venezuela	2007	5,1	48,3

a) 31 urban agglomerations

b) Urban total

**Source:** ECLAC. *Statistical yearbook for Latin America and the Caribbean 2008*. Santiago, Chile. 2009. In: [www.eclac.org](http://www.eclac.org)

### **ALBA and Petrocaribe funds**

As mentioned before the efforts of ALBA have manifested themselves in two strategies: the first is the continental station Telesur, today made up of six countries—Argentina, Bolivia, Cuba, Ecuador, Nicaragua and Venezuela. This multi-state enterprise is considered as the instrument to aid the Latin American integration process, even though its messages always have a clear ideological tone.

The second strategy is oriented to the use of oil as an instrument of foreign policy. The signing of the Energy Agreement of Caracas in 2001, the creation of Petrocaribe in 2005 and the project of creating a South American Energetic Cone

presented on the Mercosur Meeting of June 2005 set the base for the creation of new spaces for cooperation and regional integration.

The Fourth meeting of Petrocaribe that took place in Cuba in 2007 made it clear that the Venezuelan policy of barter and inexpensive loans is generating important proceeds. The creation of a basket of local products and services of the member countries that works as an instrument of compensation for the paying of the oil expenses has allowed many countries to incorporate themselves to Petrocaribe. With the welcoming of Honduras and Guatemala, plus the formal request from Costa Rica, Petrocaribe will be made up of 19 countries: Antigua and Barbuda, Bahamas, Belize, Costa Rica, Cuba, Dominica, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Dominican Republic, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Surinam and Venezuela.

In sum, the discourse that relates the ALBA with an alternative for “the peoples” makes the adherence to Petrocaribe much more flexible. Independently from the regional articulations or other prior commitments that each government has engaged in, the membership to the ALBA, in theory, doesn’t suppose an obstacle for the advances in other integration projects. And even though in practice the strong ideological tone of these proposals has generated some frictions and divisions in each country, Latin America is responding to the proposals made by the ALBA, and more specifically, by Petrocaribe, as part of a process of searching for commercial agreements that offer additional advantages to the region<sup>viii</sup>.

Under this state of affairs, Petrocaribe has turned into one of the major sources of cooperation for Central America and the Caribbean. Much of the fears that the initiative generated were related to the perception that the adherence would necessarily imply a commitment to the political and ideological project that its founders defend. However, it has been possible to note that, in the case of a few countries, the adherence to Petrocaribe and the ALBA is explained more by the economic benefits generated by the agreement than by any ideological affiliations.

According to the data of the Venezuelan Center for Economic Research (Cieca after its initials in Spanish), the funds that this country has destined to the member countries of the ALBA, from its foundation up to September 2008, ascend to US\$ 32.952 million, a number that represents 23,51% of the taxes collected by the Venezuelan government. This amount includes the total funds of the ALBA, including Petrocaribe, and the estimate is based on official announcements from the government. However, it is important to consider that in some occasions this announcement might not have been put into practice, and that in other cases, in the formal announcement of the destination of resources to a certain country, the specific sum hasn’t been specified, which is why the estimate could be even larger. In any case, these are large sums of money for every country, as can be observed in Table 5.

**Table 5**  
**Venezuelan funds destined to the countries of the ALBA**  
**(In millions of US \$)**

Destination	Amount
Cuba	18776
Bolivia	6724
Nicaragua	5523
ALBA Bank	1350
Haiti	440
Honduras	130
Dominica	8

**Source:** Data from Cieca in «Cuánto cuesta el alba» en *El Universal*, 28/9/2008, Caracas, available in [www.eluniversal.com](http://www.eluniversal.com)

As it was already stated, the economic aid given by Venezuela constitutes an important source of income. This can be seen in Central America for example, where the cooperation from the United States and the European Union has diminished considerably. According to the president of Costa Rica, Oscar Arias, the Venezuelan aid to the region is four or five times larger than the one received from the United States<sup>ix</sup>.

The Costa Rican president is referring to both the funds of the ALBA and the benefits obtained from Petrocaribe. The funds of Petrocaribe are also considerable. Between June 2005 and December 2007, the total of credit given to member countries reached US \$ 1.170 million; annually this represents US \$ 468 million in credit lines. According to the International Monetary Fund (IMF), it is estimated that in countries like Guyana, Jamaica and Nicaragua, the financing from Petrocaribe represents about 5% or 6% of the Gross Internal Product. The relevance of these sums is made clearer when it is compared to the US \$ 100 million destined by the Interamerican Development Bank (IDB after its initials in Spanish) to the member countries of Petrocaribe in 2005-2008.

### **ALBA and Petrocaribe in Central America and the Caribbean**

Both Cuba and Nicaragua are the main beneficiaries of the ALBA. In Nicaragua, aside from the economic benefits, there are shared ideological conceptions, self-proclaimed as “anti-imperialist” and “anti-American”. However, even with the constant invoking to these adjectives on behalf of President Daniel Ortega, the truth is that the relationship between Nicaragua and the United States still stands, the Free Trade Agreement is still in force, and the main market for the Nicaraguan entrepreneurs continues to be US.

Despite its association with the integration initiatives promoted by Venezuela and in spite of the signing of agreements with Iran, the status of Nicaragua in other

integration systems has suffered no alterations. Neither did the relationship between this country and the United States, the main “enemy” of the Venezuelan proposals, suffered. In fact, the American Undersecretary of Foreign Commerce, Christopher Padilla, visited Nicaragua in early 2008 and expressed that the relationship with Venezuela through the ALBA and Petrocaribe is not a problem for Washington<sup>x</sup>.

Almost two years after first joining the ALBA, the benefits and outcome obtained by Nicaragua depend on who is judging the situation. For some detractors, the benefits that have been generated in the social sphere have been very limited and they mainly are related to issues of energy and transport. The Venezuelan energetic aid is considered with doubtfulness by these same groups, who state that the high dependency on oil has caused the energy prices in that country to be some of the most elevated of the region. On the other hand, the defenders of the ALBA state that important social aid has been achieved due to the agreement, and that oil shortages are now in the past.

Looking upon Honduras, the other Central American country that has joined the ALBA, a point of view emphasizing the economic benefits explains why the government of Manuel Zelaya, whose ideological orientation, is far from the rest of the member countries, decided to join on August 25, 2008. At first, the government of Zelaya seemed to approximate the position of the rest of the member countries, especially when he manifested his solidarity with Bolivia when this country expelled the American ambassador after accusing him of interfering in the domestic affairs. As a result, Zelaya delayed the reception of the credentials of the new ambassador from the United States in Honduras, Hugo Llorens. However, the government has gradually softened its position which leads to doubts as far as the real ideological adherence to the ALBA.

In fact, on September 19, 2008, President Zelaya explained before a group of Honduran entrepreneurs that the decision to adhere to the ALBA was a response to the scarce resources. According to him, the Honduran private sector didn't help him and the cooperation received from the World Bank (WB) or the Interamerican Development Bank was insufficient. While the World Bank offered to loan Honduras US\$ 10 million, the Venezuelan government gave them credit for US\$ 130 million after the country joined the ALBA. The economic, rather than political, tone of the adherence of Honduras to the ALBA can also be observed in the ratification of the agreement voted by the Honduran Congress on October 9, 2008. The ratification included a series of restrictions related with the use of the resources and the choice to reject any military and political commitment that could be derived from the ALBA.

In the cases of Costa Rica and Guatemala, the relationship with the Venezuelan projects is limited to Petrocaribe. Guatemala incorporated on July 13, 2008, and Costa Rica waits for its adherence to be concreted in brief. None of these countries has shown a desire to construct a political-ideological alliance with Venezuela through its adherence to the ALBA.

After the incorporation of Honduras to the ALBA and the announcement of the possibility of Costa Rica joining Petrocaribe, the attention has turned to El Salvador, the only Central American country that has not built any type of alliance with Venezuela. On October 6, 2008, President Elías Antonio Saca stated his respect for the choices of the other Central American countries, but added that in the case of El Salvador, he did not find any benefit in joining any of those initiatives. The El Salvador's president elected, Mauricio Funes, has still to expressed his intentions as to be part or not of Venezuela's initiatives, although he already expressed his willingness to strengthen his country's relations with the US as well as with Venezuela.

In regard to the ALBA and the political-ideological implications of the Venezuelan projects in Latin America, it is important to understand that these haven't manifested themselves, with the exception of Nicaragua and Bolivia. But even in Nicaragua, as was previously stated, the anti-American discourse of Ortega hasn't had serious consequences in the relationship with this country. Threats like the one formulated in January 2008, that due to a hypothetical aggression from United States to Venezuela the member countries would constitute a military alliance, haven't transcended the mere discourse.

### **What's next?**

In building a stronger regional integration, Latin America faces a series of important challenges in many areas, some related with the asymmetries between the countries, others related to the absence of the necessary funds to eradicate those asymmetries, plus the lack of political will to generate advances in the regional articulation and the weakness of the national and regional institutions, among other issues.

The threat to democratic governance generated in some countries of the region, like the one recently created in Nicaragua after the municipal electoral process of November 2008, added an additional worry in respect to the Latin American challenges in strengthening its democratic systems. In this scenario, it should be underlined that in Venezuela the electoral results have not been questioned. It is also preoccupying the perspective shared by many analysts, that the Obama Administration won't produce significant changes in the relations with Latin America, at least not in the short run. These perception took force after the visit of US Vice-president John Biden to Chile and Costa Rica in March 2009, where even though he acknowledged that unilateral actions from the United States had ended, and that they were now willing to listen more, he asked the region to be patient in expecting US responses to regional demands, due to the difficult situation the country is confronting as a result of the global crisis. These are not good news for many Latin American countries, among other things, because of the interconnectivity of the economies of the sub-region with the American economy, and also because of the challenges this country faces due to the international

financial crisis, and other problems like unemployment, migration and its impact on remittances. All these imply a hard blow to the international economy as well as to the Latin American economies, which had been experiencing a gradual process of recuperation before the financial crisis.

In the last Summits of Heads of State and Government of the different sub regional blocs the decision to strengthen the efforts in order to capture other markets aside from the EE.UU market has been made. Therefore markets like China, Asian – Pacific and the Latin American countries gain new relevance to the region.

In this context the projects promoted by Venezuela represent a viable option for obtaining new cooperation resources and facing some of the consequences caused by the new international situation. Petrocaribe has helped to soften the *shock* of the financial crisis in its members. However, the sustainability of this mechanism depends on how Venezuela confronts the effects of the lowering of the oil prices: despite Chavez's discourse, many specialists consider that Venezuela won't be able to maintain its levels of expenditures if the oil prices go lower than US\$ 75.

The international financial crisis, the policies of the new US government to the region, plus the changes produced in Latin America open a new political cycle characterized by great polarizations and the appearance of different types of leadership.

Even though the urge for integration manifests itself in political dissertation and public acts, the difficulties on making it real limits the possibilities of Latin America to deal with common problems, especially the ones derived from the globalization processes. With greater difficulties to face in an integrated manner the regional and global challenges in areas such as security, global warming, pandemics and other emerging threats, Latin America faces important obstacles in achieving a better development for the majority of its population. The absence of "one voice" not only inhibits any advance, but also favors the fragmentation in many cases.

In this context, the spirit that leads the agreements approved by the six ordinary meetings of the ALBA, the four extraordinary meetings of the Heads of State and Government of the ALBA-TCP and the five meetings of Petrocaribe should be underlined. All of them emphasize the need to find new ways of commercial cooperation and to secure the strengthening of the economies of the member countries. So even if the political-ideological proposal of the ALBA hasn't had the impact hoped by its promoters, its proposals of cooperation are considered valuable opportunities for developing countries. In fact, they count with important support from different segments of the population. The greatest challenge of the ALBA is striving to attract to its proposal the same number of countries that make up Petrocaribe and to be capable of developing some of the mega projects announced since its creation.

**Table 6**  
**ALBA and Petrocaribe Summits**

<b>ALBA</b>		<b>Petrocaribe</b>	
<b>Meeting</b>	<b>Date</b>	<b>Meeting</b>	<b>Date</b>
Agreement between Venezuela's president and Cuba's president for the ALBA's application	Dec 14, 2004	II Summit of Montego Bay	September 6, 2005
I Cuba- Venezuela Meeting for the ALBA's application	April 28, 2005.	III Summit Petrocaribe	August 10, 2007
Meeting of the agreement for the ALBA's and TCP's applications	April 29, 2006	IV Summit Petrocaribe	Dec 21, 2007
Signing of agreements between Cuba and Venezuela	January 24, 2007	V Extraordinary Summit	August 13, 2008
V ALBA Summit	April 29, 2007		
VI ALBA Summit	January 26, 2008		
Extraordinary Summit	April 22, 2008		
Presidential Summit, sovereignty, and food security: Food for life	May 7, 2008		
III Extraordinary Summit	Nov. 26, 2008		
IV Extraordinary Summit	February 2, 2009		

## Conclusions

The predominant discourse at ALBA, strictly derived from Venezuela and Cuba, seems to favor more autocracy and strictly endogenous forms of development as opposed to other methods. The viability of development in the context of globalization seems to be linked to a greater extent to the major international markets, which drive economic development with effective social policies that help ease poverty, inequity and inequality in a democratic context. ALBA discourse seems to have hit home in the region. But its proposal for integration –including its military project– is not viable. However, its effective actions through mechanisms such as Petrocaribe display a viability and impact that are greater than those attributed to it by the main international players.

To sum up, new factors in Latin America are opening a new political cycle in the region, characterized by a significant polarization and different kinds of leadership. The current status of the integration processes gives the impression of a region that is increasingly splintered and lacking a clear direction on issues of integration and political agreement.

Even though in recent years various integration proposals have emerged or re-emerged –such as ALBA, UNASUR, Mesoamerican Plan or even the Rio Group, to cite just a few– none has managed to consolidate and serve as a regional model

for all of Latin America. For this reason, it is necessary to debate whether the proposals should be for all countries or, to the contrary, simply accept that there are several Latin Americas that have increasingly diverged. In this debate ALBA appears to be an alternative project for Latin America and the Caribbean.

## Notes

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- <sup>i</sup> This paper is based on various investigations realized by the author on the subject
- <sup>ii</sup> FLACSO. *Dossier ALBA*. In [www.flacso.org](http://www.flacso.org) Also at [www.alternativabolivariana.org](http://www.alternativabolivariana.org)
- <sup>iii</sup> Altmann, Josette. *The ALBA Bloc: An Alternative Project for Latin America? (ARI 17/2008)* In: [www.realinstitutoelcano.org](http://www.realinstitutoelcano.org)
- <sup>iv</sup> «Uruguay no se integra a Telesur » In [www.eluniversal.com/2009/02/25/pol art Uruguay-no-integra\\_1280633.shtml](http://www.eluniversal.com/2009/02/25/pol_art_Uruguay-no-integra_1280633.shtml)
- <sup>v</sup> V Cumbre del ALBA. *Proyecto Grannacional*. In: [www.alternativabolivariana.org](http://www.alternativabolivariana.org)
- <sup>vi</sup> The FLACSO General Secretariat has made many works on this issue. See for example, Rojas Aravena, Francisco. *Integration in Latin America: Actions and Omissions; Conflicts and Cooperation*. IV Report of FLACSO's General Secretary. 2009. In: [www.flacso.org](http://www.flacso.org)
- <sup>vii</sup> ALADI: «Informe del Secretario General de la ALADI sobre la evolución del proceso de integración regional durante el año 2007», Montevideo, 7 de marzo de 2008, [www.aladi.org](http://www.aladi.org)
- <sup>viii</sup> Ricardo Castillo Argüello: «CA: entre CAFTA y Petrocaribe» en *Confidencial, Semanario de Información y Análisis Político* año 12 No 605, 12-18/10/2008, available in [www.confidencial.com.ni](http://www.confidencial.com.ni)
- <sup>ix</sup> «Arias afirma que cooperación venezolana en Latinoamérica es mayor a la de EEUU» in *Unión Radio*, 29/9/2008, [www.unionradio.com.ve](http://www.unionradio.com.ve)
- <sup>x</sup> Altmann Borbón, Josette. *El Alba, Petrocaribe y Centroamérica: ¿intereses comunes?* Nueva Sociedad N° 219. Buenos Aires, Argentina, 2009. Also at [www.nuso.org](http://www.nuso.org)