

ALBA AND THE BANK OF THE SOUTH¹

Martin Hart-Landsberg
Department of Economics
Lewis and Clark College
Portland, Oregon, USA

ABSTRACT

Neoliberalism's failure has helped generate strong anti-neoliberal movements in Latin America and Sub-Saharan Africa. Recent developments now make it possible to build support within these movements for an anti-capitalist perspective, a critical change if we are to succeed in promoting a socialist alternative. Perhaps the most important development is the effort by a number of Latin American governments to advance two new regional initiatives that have the potential to encourage and strengthen socialist-inspired development alternatives: the Bolivarian Alliance for the Americas and the Bank of the South.

KEY WORDS: economic development, neoliberalism, regionalism, socialism,

INTRODUCTION

The current period is marked by three overlapping developments: the failure of neoliberalism, the exhaustion of the East Asian export-led growth model, and Latin American efforts to advance an alternative regional development strategy. The combination has created a political environment offering important opportunities for those committed to the international struggle to supplant capitalism.

The failure of neoliberalism to deliver its promised growth has led to the creation of anti-neoliberal political movements throughout Latin America and sub-Saharan Africa. Although a welcome development, their emancipatory potential has remained limited, in part, because many activists and intellectuals continue to draw a sharp distinction between neoliberalism

and capitalism: while they strongly oppose the former, they remain unwilling to reject the latter.

Most tend to blame the development failures of their respective nations on government policies that liberalized, deregulated, and privatized economic activity. Many believe that the East Asian experience demonstrates that active state direction of economic activity can produce successful capitalist development. Therefore, they have often directed their efforts at enhancing the capacities of their respective states in an attempt to recreate East Asian economic successes.

However, we are now at a point where it may be possible to win a majority of these activists and intellectuals to an anti-capitalist perspective, a critical change if we are to build the movement clarity and strength needed to advance a socialist alternative. One reason is that the exploitative nature of East Asian growth is becoming clearer. Another is that the region's export-led growth strategy finally appears to have run up against its own limits as structural weaknesses in the economies of the United States and Europe cannot help but reduce the future demand for East Asian goods.

Perhaps most importantly, at the same time capitalism's credibility as an engine of development (in both free-market and state-directed forms) has been weakened, the governments of a number of Latin American countries are working to advance new regional initiatives that have the potential to promote and strengthen socialist-inspired development alternatives—the most significant are the Bolivarian Alliance for the Americas (ALBA) and the Bank of the South.² Although these two initiatives do not have the explicit mission of promoting socialist transformation, they are important because they concretize the existence of alternatives to capitalist growth strategies and, in the case of ALBA, offer support to governments that are themselves pursuing a socialist-inspired process of transformation.

In what follows, I first highlight the failure of neoliberal policies and the shifting political orientation of many of the popular movements that oppose them. Then, I consider, in some detail, the possibilities and challenges that ALBA and the Bank of the South present to those of us working to build a more egalitarian, democratic, and sustainable world. I conclude with six lessons drawn from this examination that can help increase the effectiveness of our efforts.

The Neoliberal Experience

Beginning in the late 1970s, a number of advanced capitalist governments (led by the United States) sought to help their corporations gain greater access to third world markets. Among other things, they wanted third world governments to halt their efforts at import-substitution industrialization (ISI), which often involved state regulation of foreign trade and investment.

Their ability to impose their “free market” agenda on third world governments was greatly strengthened by the debt-triggered economic crises experienced by the majority of Latin American and sub-Saharan African countries beginning in the early 1980s. By the end of the decade, over seventy countries were forced to accept International Monetary Fund (IMF) and World Bank structural adjustment programs requiring privatization, deregulation, and trade liberalization (Bello 2005: 43).

The top concern for most third world governments during this period was to avoid defaulting on their international debts (most of which were incurred from past borrowings to finance ISI efforts and greatly increased by soaring international interest rates). This required pursuing policies designed to achieve a trade surplus. IMF and World Bank-mandated market openings made this task even harder by boosting imports (often leading to the bankruptcy of many domestic firms). The result was the “lost decade,” as governments were forced to suppress domestic consumption to generate the surpluses needed to meet debt obligations. Eventually, most found themselves forced to enter the competition to attract export-oriented transnational corporations, hoping that their investments would generate both growth and the necessary export earnings for debt repayment.

The failure of these policies is easily demonstrated. For example, over the 1980s and 1990s, most Latin American and sub-Saharan African countries continued to import more than they exported, resulting in ever growing trade deficits that forced their respective governments to restrain growth (UNCTAD 1999: Chapter IV). The period was also marked by “reduced progress on social indicators for the vast majority of low- and middle-income countries” (Weisbrot, Baker, and Rosnick 2005: 1).

As a consequence, neoliberalism has been discredited among majorities in most Latin American and sub-Saharan countries and popular movements in those countries are

demanding a change in policies. However, most participants in these movements believe that development failures are best explained by the nature of state policies rather than capitalist dynamics. They are encouraged to do so because many activists and academics believe and argue that East Asia's growth record demonstrates that success under capitalism is possible if economic activity is shaped and directed by strong states rather than free markets.³

Unfortunately, their understanding of the East Asian experience is seriously flawed. While they are right to stress the importance of state action, their desire to find a positive model of capitalist development led them to ignore the historically unique conditions which allowed the strong states of East Asia to form, and which encouraged core country governments to (temporarily) support them. It also led them to overlook the high (and rising) political, social and ecological costs underpinning East Asia's economic growth (Hart-Landsberg and Burkett 2007). Finally, it led them to disregard the now obvious imbalances and contradictions generated by the region's export-dependent growth strategy (Hart-Landsberg 2010).

There is reason to be hopeful that the struggle to overcome the limitations of anti-neoliberalism is gaining traction. One participant in the 2009 World Social Forum (WSF) in Belem, Brazil, highlights developments as follows:

In its first paragraph, the Declaration of the Social Movements Assembly stressed that "anti-imperialist, anti-racist, anti-capitalist, feminist, environmentalist and socialist alternatives are necessary to surpass the current crisis." This was the result of negotiations between two main groups: those in favor of neo-Keynesianism and those supporting a strong rupture with the bases of the different forms of the capitalism system. The outcomes of the WSF clarified the debate: now there is a more explicit inclination by the composing organizations to support a rupture with the notions of economic progress, consumerism and commoditization of everyday life that have framed recent developments in capitalism. (Morais 2009)

The cause of this shift in majority opinion is not yet clear. Perhaps it is due to greater clarity about the nature of the East Asian experience (thanks in part to the work of various international social fora like the WSF). Perhaps it is due to the ways in which the world-wide economic crisis that began in 2008 has revealed the problematic nature of capitalist accumulation dynamics. Perhaps it has been encouraged by recent Latin American efforts to

advance a socialist-inspired development alternative, efforts which have likely stimulated critical thinking about the social and environmental aims and consequences of development itself.

What is clear is that this change in political perspective could well prove temporary. For example, if economic conditions remain depressed, activists might once again be encouraged to embrace a more reformist agenda, viewing it as the most effective way to help working class majorities obtain relief. We must continue to take this ideological struggle within the international progressive community seriously.

Latin American Alternatives

What makes this a most auspicious historical moment for supporters of socialism is that, while capitalism is rocked by economic crisis (Foster and Magdoff 2009), several Latin American governments are involved in advancing two new regional institutions with the potential to promote an alternative process of development: ALBA and the Bank of the South. Three of these governments—Cuba, Venezuela, and Bolivia—explicitly support the construction of socialism (although defined and pursued differently). This is a critical development, since isolated national efforts to build socialism are unlikely to succeed, especially when they are aggressively opposed by more advanced capitalist countries. That said, ALBA and the Bank of the South are not explicitly socialist vehicles.

ALBA

ALBA is the more far-reaching of the two initiatives. It was proposed by the Venezuelan government in 2001 as an alternative to the U.S.-promoted Free Trade Area of the Americas, and became operational in 2004, when Venezuela and Cuba signed the first ALBA exchange agreement. Seven other countries have since joined: Bolivia in 2006; Nicaragua in 2007; Dominica and Honduras in 2008; and Ecuador, St. Vincent and the Grenadines, and Antigua and Barbuda in 2009. Tragically, a U.S. supported coup in Honduras installed a right-wing government, which withdrew the country from ALBA in 2010.

ALBA is committed to a development strategy that is, in broad brush, anchored by state-centered collaboration and designed to enhance the ability of participating governments to

meet the needs of their working class majorities. Its work is shaped by decisions made by a presidential council which are then formalized and implemented according to terms set by a ministerial council. ALBA's emphasis on state-directed activity was underscored by Venezuelan's vice-minister of Foreign Relations, Rodolfo Sanz, who declared that the key to ALBA's success will be the creation of "Grand-National Enterprises," by which he meant both new regional public enterprises formed through agreements by national state enterprises, as well as joint state collaborations based on partnerships between national state enterprises (Carlson 2007). ALBA also has an advisory council of social movements that is supposed to provide direction to and oversight of the work of the other two councils.

In January 2008, ALBA countries created an ALBA Bank with a capital of \$1 billion. In contrast to the IMF and World Bank, the Bank of ALBA does not impose loan conditions and functions on the basis of consensus. Its "stated aim is to boost industrial and agricultural production among its members, support social projects as well as multilateral cooperation agreements among its members, particularly in the field of energy" (Bendana 2008).

Underpinning ALBA's operation is recognition of the fact that each member nation, regardless of its level of development, has its own unique economic, social, and cultural strengths. Therefore, ALBA provides a framework for governments to negotiate planned exchanges of the goods and services that reflect their respective nation's strengths. These exchanges allow each nation to pursue its own development objectives in a far more sustainable and equitable way than if it were forced to rely solely on its own resources or respond to global market imperatives.

Although still in its infancy, ALBA has already encouraged a number of important agreements and initiatives. For example, Venezuela provides Cuba with oil in exchange for the services of Cuban doctors and teachers. Venezuela and Cuba also have several joint agricultural projects involving the production of soy beans, rice, poultry, and dairy products. "Venezuela has also supplied Cuba with buses to improve its public transport system, assisted Cuba with the construction of a massive aqueduct to improve its water supply, and has helped Cuba revamp its main oil refinery" (Hattingh 2008). The two countries have created a joint venture transportation company, ALBA Transport, which has built two ships for transporting

oil within the region. They are also pursuing the creation of jointly owned Cuban-based enterprises to produce stainless steel and nickel.

Venezuela and Cuba have several trade agreements with Bolivia. One of the most important involved the purchase of Bolivian soy beans after the United States signed a trade agreement with Colombia that resulted in a decline in U.S. demand for the Bolivian crop. Cuba is also helping Bolivia strengthen its education and health care systems. Cuba and Venezuela are also working with the Bolivian government to modernize and expand its natural gas industry. In return, Bolivia is providing natural gas and “mining, agriculture, agro-industrial, livestock and industrial products” as well as “knowledge on indigenous affairs and traditional medicine” (Harris and Azzi 2006). The governments of Venezuela and Bolivia are also planning new joint ventures for the production of steel, cement, and extraction of iron ore.

Dominica, too, has benefited from ALBA-organized cooperation. Cuba and Venezuela are helping modernize the country’s international airport and expand its oil storage and refining capacities. Discussions are underway over terms of payment, which are likely to involve return flows of Dominica goods and services. Thousands of Dominicans have received free eye surgery in Cuba, and Dominican youth are studying medicine at the Latin American School of Medicine in Cuba.

Venezuela, Nicaragua, Ecuador, Bolivia, Honduras, and Dominica have established a joint food production company with the aim of securing food sovereignty for member nations. The new “supranational” company will oversee a series of enterprises that “will promote technological cooperation and training, invest in rural infrastructure, and integrate regional food distribution” (Suggett 2009). The project is being funded by a loan from the ALBA food security fund managed by the ALBA bank.

ALBA sponsors a number of important cultural initiatives. For example, several member countries have established ALBA Houses and are promoting exchanges between them. According to Jose González, president of the ALBA House in Caracas, these houses “will serve as centers for creativity, artists, cultural promoters, social movements—to generate a movement that allows the knowledge of values that at times are not recognized because the mechanisms of the market are not interested in them” (Janicke 2008).

Although ALBA has so far failed to attract wide regional membership, it remains committed to its initial vision of a broader Latin American process of integration and transformation through the creation of “Grand-National Enterprises.”⁴ In doing so, it represents “the first attempt at regional integration that is not based primarily on trade liberalization but on a new vision of social welfare and equity” (Harris and Azzi 2006). The following is a partial list of the public corporations that ALBA countries, in particular Venezuela, hope to expand or create:

- TeleSur (a pan-Latin American television network financed by Venezuela, Cuba, Uruguay, and Brazil)
- PetroSur (an association of state oil companies from Brazil, Argentina, and Venezuela for exploration, technological development, construction of refineries, and distribution)
- PetroCaribe (a Venezuelan program to provide subsidized oil to fourteen Caribbean nations)
- The Latin American and Caribbean Airline
- The Insurance Company of the South
- The Latin American and Caribbean Radio Network

The global economic crisis has intensified ALBA efforts to move beyond its current emphasis on bilateral trade and investment agreements to promote a full-blown regional development process. In November 2008, member countries approved a decision to create an ALBA Peoples Trade Agreement, with the goal of establishing an integrated economic and monetary zone with its own new currency to be called the Sucre. While negotiators continue to discuss operational principles for the zone, the Sucre is now being used in targeted trade, although only as a unit of account.

Several countries have deposited agreed upon amounts of their respective national currency into a special Sucre bank. These funds were then revalued using the Sucre as the unit of account.⁵ The first Sucre-denominated transaction, involving Venezuelan rice exports to Cuba, occurred in January 2010. Bolivia, Nicaragua, and Ecuador also have plans to

engage in Sucre-denominated trade. ALBA's long-term vision is for the Sucre to become an international reserve currency much like the Euro.

ALBA's emphasis on public rather than private ownership, domestic rather than export orientation, social rather than profit motivation, and solidaristic rather than competitive relationships provides an important (ideological and material) counterweight to capitalist imperatives. It also represents an example of how states can create regional institutions that are capable of strengthening nationally-centered development efforts. In fact, by providing a framework for state authorities to achieve popular goals through collective actions, ALBA ensures that gains in one country work to the benefit of others.

To this point, ALBA's promise remains greater than its achievements, although as highlighted above, these are not inconsequential. To some extent, this gap is understandable, given that the organization has been in existence for a relatively short time. Another reason is that few countries have joined, and most that have bring great needs but limited resources to contribute to the collective development effort.

At the same time, there are reasons for concern about ALBA's future. One is that ALBA remains heavily dependent on the decisions of the presidents of the participating countries. This means that actions are decided upon and implemented from the top down; at present, the social movement advisory council plays a very marginal role. This structure produces a bias towards large-scale mega projects, many of which raise environmental concerns. Perhaps this will change. At the Ninth ALBA Summit, held in April 2010, ALBA presidents committed to the organization of councils of social movements in each of their respective countries as a way of strengthening the ALBA council of social movements.

The top-down operation of ALBA also means that there is often no opportunity for popular discussion over how best to implement ALBA projects. This makes it harder to institute effective forms of worker participation in newly created public enterprises; ensure that educational, health, and media systems are responsive to the communities they serve; and establish planning mechanisms capable of directing social production in response to social needs. As a consequence, the transformative (socialist) potential of the overall ALBA effort is weakened.

A second concern relates to ALBA's heavy reliance on Venezuela. There can be no doubt that ALBA's progress to this point is largely due to the government of Venezuela's leadership and financial generosity. But there are also dangers (perhaps unavoidable) from the organization's dependence on one country. One is that Venezuela could end up overwhelming and therefore undermining ALBA's decision-making process and organizational coherence.

Another is that too much weight could end up being placed on Venezuelan financial capacities. Many ALBA projects were initiated during the period of Venezuela's oil boom, when oil sold at almost \$150 a barrel. Oil prices are now far lower and there are indications that Venezuela may not be able to fulfill all its commitments. For example, Venezuela is behind in its promised deliveries of oil to several Caribbean countries. Some oil and gas infrastructure projects are also being delayed (Neary 2009). For its part, Venezuela has publicly affirmed its commitment and ability to meet its obligations to the countries involved. Certainly, many important oil-related projects remain on schedule, including the construction of refineries in Manabi, Ecuador and Cienfuegos, Cuba.

Such concerns suggest that the world economic crisis may represent a doubled-edged sword for ALBA. The collapse of world markets and currency instabilities give ALBA new legitimacy and add credibility to its call for the creation of new regionally based systems of planned trade and investment. At the same time, the resulting decline in oil prices threatens Venezuela's ability to sustain many of ALBA's existing programs.

Bank of the South

The Bank of the South is the region's other major effort to advance an alternative development process. Although the Bank's stated agenda is more limited than that of ALBA, its potential to promote regional integration is in some ways greater because it includes most of the countries of South America.

The creation of the Bank of the South owes much to a common concern for regional independence by two different groups of South American countries: those led by governments that embrace a more radical project of social transformation (Venezuela, Bolivia, and Ecuador) and those led by governments that are largely committed to a capitalist project but who believe that success requires financial independence from the U.S. (Brazil and

Argentina). A third group of countries, led by governments that continue to embrace free-trade integration with the United States, has so far rejected participation (Chile and Peru). Colombia, although also close to the U.S., has given mixed signals about its interest in membership.

Key to the Bank's founding was the growing financial strength of South American countries, fueled by the rapid post-2002 rise in commodity prices (largely driven by demand from East Asia). Supporters of the Bank hoped that it would prove able to "[centralize] the savings of [member] countries, thus turning them into productive investments and reducing the vulnerability of the region to international economic cycles. This would be then laying the foundations for a truly autonomous financial system, which would contribute to the reduction of power asymmetries between countries in the region, and would cut their dependence on international flows of capital" (Strautman 2008).

A February 2007 Venezuelan-Argentinean initiative launched the process to create the Bank of the South; a formal proposal followed one month later. Bolivia soon committed to the effort, followed in relatively quick succession by Ecuador, Paraguay, Brazil, and finally Uruguay. The Bank was formally established on December 9, 2007, and includes the seven countries as members.

The bank is not yet operational, largely because, as noted above, the effort to create it grew out of an alliance between countries that did not share a similar political project. Intense debates and disagreements over a number of critical issues began immediately after the start of negotiations. Among the most important: would the Bank serve as both a monetary stabilization fund and development bank or just the latter? Would decisions be made on the basis of one country, one vote, or would voting power be based on the size of a country's contribution (which would be based on economic size)? Would the Bank rely solely on member nation contributions or would it be free to raise money in international capital markets and from established international financial institutions that would participate as non-voting observers--with the latter two options dictating market-based lending rates and repayment terms?

Consensus was eventually reached on the most pressing issues, which made the Bank's December 2007 establishment possible. The key points of agreement were as follows:

- The Bank will operate solely as a development bank.
- Its headquarters will be in Caracas with regional branches in La Paz and Buenos Aires.
- Major decisions at the annual meetings of the Bank's Board of Directors will be made according to the principle of one country, one vote.
- Subscribed capital will be \$7 billion; required capital contributions are \$2 billion from Brazil, Argentina, and Venezuela, \$400 million from Ecuador and Uruguay, and \$100 million from Paraguay and Bolivia.

The seven presidents agreed that they would settle all remaining issues within 60 days. That deadline was not met. It was not until September 2009, that the seven presidents approved the Bank's Articles of Agreement which "contains rules that were negotiated by committees at the level of ministries of economy and finance, and include capital investments, a voting mechanism, recruitment of staff, case law, tax and legal considerations of officials and the functionality of the bank" (Ugarteche 2009).

Most importantly, it was decided that the Bank will employ a hybrid voting model for credit decisions. Votes on loans of less than \$70 million will be made according to the principle of one country, one vote; for loans over that amount, votes will be weighted in proportion to subscribed capital. It was also decided that the Bank will only make loans to member countries for the execution of projects within South America. Finally, it was agreed that once operational, the Bank could increase its capital to \$20 billion.

Still undecided are questions about the Bank's organizational structure (by department or areas of activity such as health or transport); the selection process for specialists (by country or expertise); the criteria to be used in selecting projects (countries, activities, need); interest rates and payment terms; the existence or absence of conditionality requirements; participation (limited to member nations or expanded to include non-voting observers such as international financial institutions); sources of funding (limited to subscribed capital or expanded to allow for international borrowing and/or contributions from observers).

The answers to these (and other) questions will go a long way towards shaping the Bank's mission. They will largely determine whether its loans will be used to "finance large infrastructure projects which have huge socio-economic impacts and meet the expansion needs of the main economic groups" or "favor the funding of solidarity projects aimed at the reduction of asymmetries in the living conditions of and among the different South American countries" (Strautman 2008)

To this point, the main axis of contention over the future of the Bank of the South revolves around Brazil on one side and Venezuela and Ecuador on the other. Brazil remains an unenthusiastic supporter of the Bank; as the main regional economic power it is reluctant to accept limits on its ability to exploit that strength. Brazil has its own National Bank for Economic and Social Development, which in 2009 provided loans and lines of credit totaling more than \$57 billion to support the domestic and international activities of Brazilian companies (Elizondo 2010).

Despite its opposition, Brazil apparently joined the Bank of the South because it feared remaining on the outside; inside, it had the ability to shape the workings of the institution. Brazil is strongly in favor of voting rights weighted by contributions and the use of market criteria in raising and loaning funds. Its vision of regionalization appears strongly influenced by the experience of the European Union; it wants to use the Bank to encourage a regionalization process that will eliminate barriers to the free movement of capital, labor, and goods so as to help large national firms (most of which it expects to be Brazilian) become highly competitive multinational corporations (Toussaint 2008).

Despite Brazil's resistance to an alternative political project, the governments of Venezuela and Ecuador have been reluctant to push negotiations to the breaking point, fearing that Brazil might withdraw its membership. As the region's most important economy, they view its participation critical to the Bank's ability to achieve its goals. This situation has led to long and often inconclusive negotiations, leaving the bank's future in limbo. The Brazilian government may well be satisfied with this outcome.

Governments are not the only participants in this struggle over the Bank's future. Latin American social movements were among the earliest supporters of the initiative and are actively engaged in efforts to force a conclusion to the talks on terms favorable to their more

radical vision. In particular, they want strong criteria developed to ensure that the Bank adopts an investment priority that supports, among other things:

projects oriented towards food and energy sovereignty; the research and development of appropriate technologies for an endogenous and sustainable development of the region, including free software; the programmed and complementary production of generic medicines; the recovery of ancestral wisdom, systematized and accepted as an agroecologic science . . . and infrastructure that is based on different logics of spatial organization as implemented by local solidarity and self-managed development communities. (Jubilee South et al. 2007)

In addition to national organizing, dozens of organizations from throughout Latin America have signed two different letters addressed to the presidents of the Bank's seven member countries. Regional meetings have also been held to discuss strategy.

This interest and involvement in the struggle over the future of the Bank stands in sharp contrast to Latin American civil society's lack of engagement with ALBA. As two researchers commented, "Consciousness of ALBA is not yet particularly high within the region's social movements and political leadership. There are very few serious analytical documents on the topic and even fewer that present concrete proposals from civil society groups for the process" (Harris and Azzi 2006). This is puzzling and disappointing. One possible explanation is that the Bank includes more countries, in particular Brazil and Argentina, both of which have very active and regionally linked social movements. Another is that many social movement activists view ALBA as a state-dominated institution, and they remain distrustful of states.

Unfortunately, the ongoing global crisis also threatens the promise of the Bank of the South. The resulting decline in world trade and investment has created financial problems for a number of Latin American countries, including some that are members of the Bank of the South. In response, the major international financial institutions (hoping to re-establish their influence), quickly established new lending facilities specifically targeted at the region. While Bank of the South member countries have so far rejected any new dealings with the IMF, several have sought and received significant new loans from the Inter-American Development Bank and other multilateral financial institutions such as the World Bank.

If the Bank of the South had been operational before the start of the crisis, it is possible that it could have helped its member countries better withstand the crisis and avoid renewed pressures to adopt neoliberal policies. “At the Mercosur Summit [in January 2009], [Ecuadorian President] Correa spoke of the failure of the Bank of the South to help buffer the negative effects of the global economic crisis as a major issue, noting that, if it were more consolidated, its funds would have 'coordinated savings' and generated resources to compensate for the loss of foreign investments in the region. [Venezuelan President] Chavez has also reportedly commented that Banco del Sur will remain 'on ice' for the moment” (Neary 2009).

Final Thoughts

The fight to supplant capitalism will not end soon. But there is reason to believe, as argued above, that we are living in a time not only of great challenges but also of great possibilities. How should we respond? I offer the following six lessons, drawn from the above work, as guideposts for future political activity:

First, we must redouble our efforts to shift the political weight within progressive communities from anti-neoliberal to anti-capitalist. One way is to guard against uncritically promoting the anti-neoliberal critiques of liberal mainstream economists, such as Paul Krugman, Joseph Stiglitz, and Jeffrey Sachs, as if they were our own. Another is to deepen our own theoretical understandings of capitalism to better establish that neoliberalism is not simply a set of policy tools that governments are free to use or discard, but rather it represents the historically specific form that capitalism takes in certain regions and at certain times. We also need to deepen and strengthen our critical analysis of the East Asian experience so as to discredit the false belief in the potential of (state) capitalism to serve majority needs.

Second, we should maintain a cautiously supportive stance towards regionalization. While Latin American social movements have good reason to support initiatives designed to promote it, struggles within the Bank of the South highlight the fact that regionalization has a contested meaning. We need to pay careful attention to what its proponents declare to be its aims and critically examine whatever processes are proposed to achieve it.

Third, we must take state power seriously. Despite the beliefs of many social movement activists that structural transformation will best be achieved through grassroots, cross-border efforts, the most promising gains continue to be made by states, whose actions are largely a response to distinctive national political processes (most of which remain disconnected from world and regional social forum discussions and initiatives). ALBA is a case in point. It remains the most promising effort to promote an alternative development process, and its structure and policies are largely shaped by the policies of three nations (Venezuela, Cuba, and Bolivia), each of which is led by a government which proclaims its commitment to the building of a socialist-oriented political economy.

The Bank of the South represents a different project. It enjoys strong social movement support because those movements believe that it can eventually become powerful enough to “force” states to adopt policies that strengthen an alternative regional development process. However, the Bank remains nonfunctional precisely because there are dominant states that oppose this outcome, and it appears doubtful that these states can or will be forced to change their political orientation because of regional grassroots pressure. In short, national struggles and state power remain critical to achieving change.

Fourth, it appears that the most appropriate regional structures (at least for the present period) are those that have the fewest binding constraints on participating countries. Again ALBA and the Bank of the South provide an instructive contrast. ALBA does not exist as an “independent” institution with its own vision of, or mandate to, advance socialism (however defined). In fact, it includes member nations led by governments that are not pursuing this goal. These governments participate because they believe that their respective populations (or perhaps their political legitimacy) will benefit from the terms and forms of the negotiated collaboration.

ALBA is not hobbled by the same constraints as the Bank of the South because its structures are designed to afford participating governments maximum flexibility, thereby supporting those desiring a faster and deeper social transformation without forcing that transformation on less radically inclined ones. If socialist alternatives to capitalism are to develop and prosper it will be because of the outcome of ongoing political struggles in those

nations already committed to this goal, with the shared processes promoted by ALBA providing invaluable material and political assistance.

Fifth, state power alone is unlikely to produce the transformation in social relations required for a meaningful advance towards socialism. Latin American social movements are right to be wary of a state-directed process of change. Because the ALBA project is state driven, there is reason for concern that the transformations encouraged in most member nations will be more bureaucratically than popularly oriented. ALBA collaboration can help strengthen state control and direction of the economies of member nations, but there is no guarantee that the resulting state planning and production will be structured to ensure meaningful worker and community participation in relevant decision making.

Building strong, democratic, and collaborative worker-community organizations and structures of planning is no simple matter. But, there is a wealth of experience to be found in the cross-national discussions and collaborations that are nurtured at world and regional social forums and the organizing work that they generate and support. We need to find ways to strengthen these efforts and integrate the lessons learned into the processes of national change that are underway in the countries most committed to building socialism. This is a large challenge, but one that we must surmount if we are to make meaningful progress in building alternatives to capitalism.

Finally, we must develop a more nuanced understanding of the consequences of capitalist crises. It is easy to believe that a structural capitalist crisis such as the one we are currently experiencing will automatically strengthen our efforts to replace capitalism. However, although the crisis is indeed delegitimizing capitalism as an engine of “progress,” the weakening global economy is, as noted above, greatly complicating, if not weakening, efforts to advance ALBA as well as the Bank of the South.

We cannot simply rely on capitalism’s contradictions to do the work of building support for a socialist alternative. No country is immune from the consequences of the crisis. That makes it ever more important that we commit to deepen our educational work—work that makes clear that socialism represents more than a promise to produce more goods and services than capitalism. Socialism represents the possibility of a new way to live and work

that brings with it a deeper satisfaction, in large part because of its ability to shape more mutually rewarding and sustainable human connections.

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¹ This is a revised and updated version of Hart-Landsberg (2009).

² In 2009, the member countries of the Bolivarian Alternative for the Americas changed the name of the organization to the Bolivarian Alliance for the Americas.

³ See for example Gallagher and Zarsky (2007) and Peters (2005).

⁴ ALBA is also working to create new regional institutions. For example, an ALBA working group is developing plans for a regional arbitration center to handle disputes with foreign investors; several ALBA countries have already withdrawn from the World Bank sponsored International Center for Settlement of Investment Disputes. ALBA nations are also considering the establishment of an ALBA commission on human rights to investigate charges of human rights violations as well as foreign-funded attempts to destabilize member countries.

⁵ The Sucre has an exchange value of \$1.25.