
Setting the Sun on US Neo-Liberal Practices in Latin America

-Why the Accession of Bolivia to ALBA was an Inevitable Happening-

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Abstract

The present Master Thesis advances our understanding surrounding Bolivia's participation in the radical and leftist tripartite alliance called Bolivarian Alternative for the Americas (ALBA). This pact originated in 2004 on the initiative of Cuba and Venezuela as a counteroffensive to North American predominance, and was recently enlarged by the country of Bolivia. By scrutinising the issue on a macro, semi-micro and microscopic level, it will be demonstrated that Bolivia's signing of the pact had been historically predetermined. Its political tradition of excluding the indigenous majority amongst other things paved the way for a radical movement to take the upper hand. As such, this study delivers us a perfect precedent for countries which might adhere in the future along similar lines. Hence, the dissertation at hand enables us to unravel the rationale which spurs countries to participate in an alliance as contested as ALBA. Moreover, it allows us to revoke prejudices and in turn redirect energies at the core of problems afflicting politics in Latin America.

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Table of Contents

	<u>Page nr.</u>
Abstract	ii
Acknowledgements	iii
Table of Contents	iv
List of Figures, Tables and Maps	vi
List of Abbreviations.....	vii
Chapter 1	
<i>Introduction</i>	1
Chapter 2	
<i>A Taste of Latin American Dynamics</i>	4
2.1 Latin America after World War II: Towards Anti-Globalist Sentiment	4
2.2 Exploring US-engineered Neo-liberalism in Latin America.....	5
2.3 A Change of Winds: the domino-Effect of Left-Wing Politics.....	6
2.4 The Come-Back of Latin American Populism	7
2.5 President Evo Morales: a Truly-Born Populist Leader	9
2.6 The Constellation of Integrationist Organisations in the Americas	10
Chapter 3	
<i>ALBA through the Looking Glass</i>	12
3.1 The Launch of ALBA: Castro and Chávez' Joint Declaration	12
3.2 ALBA Extended: The People's Trade Agreement.....	13
3.3 ALBA in Practice: Repercussions on Bolivian Politics	14
Chapter 4	
<i>Bolivia's One-Way Street towards ALBA Membership</i>	17
4.1 Perpetual Dividedness: Bolivia's Societal Organisation.....	17
4.2 Bolivia's Radical Stance: a Product of History's Lead.....	18
4.3 The US as a Watch-Dog over Bolivia's Centralised Republic	21

Chapter 5

Conclusive Remarks 23

Complementary Illustrations 25

Bibliography..... 36

Appendices

Appendix A: Full text of the ALBA as Signed between Cuba and Venezuela..... 43

Appendix B: The People’s Trade Agreement. 48

List of Figures, Tables and Maps

<i>Figures</i>	<u>Page nr.</u>
Figure 1. Latin America's economic organisation viewed historically	26
Figure 2. Organisation of the Left in Latin America.....	27
Figure 3. Overview of classical and contemporary Latin American Populism.....	28
Figure 4. Areas of integration in North and Latin America	30
Figure 5. The world's proved gas reserves.....	31
Figure 6. World gas production.....	32
Figure 7. Natural Gas: Latin America's Proved Reserves at the end of 2005	33
Figure 8. Latin America's Gas Production at the end of 2005.....	33
Figure 9. Bolivian governmental organisation	35
 <i>Maps</i>	
Map 1. Map of Bolivia's administrative division	29
 <i>Tables</i>	
Table 1. Self-identification by Bolivians with traditional or indigenous groups	34

List of Abbreviations

ADN	= <i>Acción Democrática Nacionalista</i>
ALBA	= <i>Alternativa Bolivariana para las Américas</i> / Bolivarian Alternative for the Americas
ALCA	= <i>Área de Libre Comercio de las Américas</i> / Free Trade Area of the Americas
CAN	= <i>Comunidad Andina de Naciones</i> / Andean Community of Nations
COB	= <i>Central Obrera Boliviana</i> / Bolivian Labor Federation
CONDEPA	= <i>Conciencia de Patria</i>
CSN	= <i>Comunidad Sudamericana de Naciones</i> / South American Community of Nations
FTA	= Free Trade Area
FTAA	= Free Trade Area of the Americas
IMF	= International Monetary Fund
MAS	= <i>Movimiento al Socialismo</i> / Movement towards Socialism
MBL	= <i>Movimiento Bolivia Libre</i>
MERCOSUR	= <i>Mercado Común del Sur</i> / Southern Common Market
MIP	= <i>Movimiento Indígena Pachakutik</i>
MIR	= <i>Movimiento Izquierda Revolucionario</i>
MNR	= <i>Movimiento Nacionalista Revolucionario</i>
MNRA	= <i>Movimiento Nacionalista Revolucionario Auténtico</i>
MPC	= <i>Movimiento Popular Cristiano</i> / Popular Christian Movement
Petrobrás	= Petróleo Brasileiro
PTA	= People's Trade Agreement
TCP	= <i>Tratado de Comercio de los Pueblos</i> / People's Trade Agreement
TINA	= There Is No Alternative
UCS	= <i>Unión Cívica Solidaridad</i>
WSF	= World Social Forum
YPFB	= <i>Yacimientos Petrolíferos Fiscales Boliviano</i>

Chapter 1

Introduction

The international constellation of states is currently facing a drastic change within its organisation of intercontinental relations. That is to say, traditional super powers such as the United States of America (USA) and the European Union (EU) are being confronted with the upsurge of a completely new and revolutionary phenomenon: the rise of a Latin American Union. Although the notion of such a Union is still in a very embryonic state and there are numerous reasons one could think of to question the actual realisation of such a Latin American mechanism, the impact and scope of initiatives recently taken should not be neglected. As a matter of opposition to the foregoing, one could recall for instance the summit between the EU and Latin America which was held in Vienna in May this year. These talks were overshadowed by the dividedness between the Latin American countries which obscured and prevented a smooth intercontinental dialogue (NRC Handelsblad, May 12, 2006, p.1). Moreover, one could also refer to the latent state of the South American Community of Nations (CSN) which aims at the unification of the two Southern American trade blocs MERCOSUR and the Andean Community of Nations (CAN). Hence, there are plenty of reasons to argue that such a Latin American Union is an absolute illusion or Utopia or, at its very best, represents a merely fragile construct.

On the other hand, however, one can indeed discern several signs anticipating the gradual loss of the conventional grip the EU has on Latin America through its bridging and formerly colonising Member State Spain. Apart from that, a shift in US - Latin American relations is also noticeable with several Latin American countries adopting a more and more independent stance from its North American economic giant. Where in the past Latin America used to be disdainfully called the backyard of the USA (Koopman, May 11, 2006, p. 1), today a process of radical political change is being set into motion in order to combat this imposed age-old sense of inferiority and imperialist power the latter has over the former. This process has been intelligently worded by professor Mignolo, who terms the election of Bolivia's new radical President for instance as a "de-colonial shift" (2006, p. 1). What is more, concerns have already been expressed on the multiplier effect of this radical political change which translates itself into anti-American leftist nationalism. More particularly, it seems that a battle is being waged by several Latin American countries against the neo-liberal practices

promoted in the 1990s by the USA as an alleged remedy for Latin America's chronic state of backwardness, under the banner of the 'Washington Consensus'. Capitalist and liberalist policies implemented in accordance with this Consensus, under the forces of globalisation, are believed to have merely reinforced Latin America's inequalities and perpetuated its misery.

Against this backdrop, populist leaders have risen to the forefront, winning the hearts of the majorities by repudiating the *status quo* and promising compliance with the demands of the marginalised and impoverished masses. Apart from a pressing need to reassert one's sovereignty, this anti-American sentiment is being accompanied by a peculiar sense of Latin American unity, or, a better word perhaps, 'conspiracy' against its exploiter. Paraphrasing the words of Ollanta Humala, a left-leaning nationalist politician who was almost elected President of Peru in June of this year, the progressive powers, comprising Kirchner of Argentina, Lula of Brazil, Vázquez of Uruguay, Evo of Bolivia, Chávez of Venezuela and Bachelet of Chile, are building a big Latin American family (Zoon, 2006, p. 2). The present dissertation is concerned with one such alliance which was formed in reaction to North American predominance: ALBA or the Bolivarian Alternative for the Americas. This Pact was originally signed in 2004 between the countries of Cuba and Venezuela, but recently enlarged by the country of Bolivia in April 2006. The deal is unique in the sense that it was created as an antithesis to the Free Trade Area of the Americas (FTAA) and underpinned by equally dissimilar principles, such as complementarity, reciprocity and barter trade.

Interesting moreover is that one of the brains behind the project, Fidel Castro, aims at the creation of a Latin American political union. On April 29, he stated that "Now, for the first time, there are three of us", continuing with "I believe that, one day, all [Latin American] countries can be here" (BBC News, p. 1). Furthermore, ALBA, which is an acronym of *Alternativa Bolivariana para las Américas*, also means 'dawn' or 'sunrise' in Spanish. Hence, the implementation of its clauses in fact implies a simultaneous 'sunset' or obscuring of the neo-liberal practices which the United States have imposed on these countries. Though entered into effect just recently, the stipulations of the deal have already had major repercussions on the political organisation in Bolivia. Its President Evo Morales has announced drastic reforms, such as the nationalisation of the country's natural resources, which was brought to the attention a day after he signed the agreement, and the proclamation of an agrarian revolution just about one month later. Bolivia, being Latin America's poorest nation, therefore represents an interesting case study as one of the participating countries of ALBA. More specifically, the Master Thesis at hand will be permeated by a detailed analysis

of this particular country, in order to uncover the concurrence of events which explain why Bolivia eventually chose to take part in this Bolivarian deal.

As a matter of recapitulation, the present dissertation hypothesises that Bolivia's participation in ALBA could have been predicted from the outset when taking into account its political tradition. As such, it constitutes a revolutionary move which could not have been prevented from happening and which moreover delivers us a perfect model for countries which might adhere in the future along roughly the same lines. In order to support this hypothesis, the dissertation will be structured as follows. First of all, the issue will be discussed on a macro-level, as Bolivian politics are heavily reliant on and intertwined with the dynamics of overall Latin American political affairs. Therefore, the most important events which have hampered Latin American society in the post World War II era will be articulated, with particular emphasis on the birth of neo-liberalism and the responsive rise of Leftism, and its populist embodiment.

Furthermore, Chapter 3 will further elaborate on this peculiar tendency to the Left, which is accompanied by anti-American sentiment or a resentment of neo-liberalist practices, on a semi-micro level. More specifically, the tripartite ALBA alliance will be examined in detail, from its initial stage as a bilateral deal between Cuba and Venezuela through to the inclusion of Bolivia, until its coming to fruition in current Bolivian political affairs. The central focus of the penultimate Chapter will in effect be a case-study of the country of Bolivia, and as such the issue will be considered on a microscopic level. This is necessary, moreover, in order to understand how Bolivia was steered in the inevitable direction of ALBA partnership. From this angle, the country's societal divisions and its political organisation will be explored, along with its long history of political upheavals and the position taken by the US through it all. Finally, Chapter 5 will digest the information presented throughout this document and is hence reserved for the drawing of inferences which flow from the Master Thesis at hand.

Chapter 2

A Taste of Latin American Dynamics

In order to better apprehend recent developments in Bolivia, it is necessary to view the country within its broader context, i.e. as a constituent part of a dynamic Latin American continent. This chapter will therefore first give a concise historical overview of the economic and political developments of the post-WWII era that have impacted on Latin American politics and its societal organisation. Then, the rise of neo-liberalism and the subsequent reactive emergence of a Leftist movement will be discussed in more detail in two separate sections. After that, particular emphasis will be given to the resurgence of populism throughout the continent, followed by a thorough discussion of Bolivian President Evo Morales, scrutinising his profile as a populist leader. Finally, a brief summary will be given of recently founded integrationist organisations across and with Latin America, in order to create more clarity and eliminate confusion with regard to the Bolivarian deal called ALBA, which will be the topic of chapter 3.

2.1 Latin America after World War II: Towards Anti-Globalist Sentiment

In broad lines, the following section will shed more light on how Latin American anti-globalist sentiment of the present day, implicitly denoting a movement to the Left everywhere, was cultivated. In the aftermath of the disastrous Second World War, the countries of the world, who were charged with the difficult task of rebuilding their disrupted and fragile economies, responded to this assignment in a number of different ways. The countries of the First World, for instance, developed social democratic states, underpinned by Keynesian ‘New Deal’ policies; The Second World on the other hand resorted to the creation of socialist-oriented redistributive states, whereas the Third World was featured by a proliferation of developmentalist states. Yet, what these countries all had in common was the installation of regulatory and redistributive mechanisms. Drawing further on the Latin American experience, which formed part of the Second World, the focal point of these nations was centred on accumulation and the expansion of productive capacity (Robinson, 2004, p. 137). However, the oil crises of the 1970s, and the world-wide sluggish growth associated with it, revealed the model’s unworkability. After its breakdown in the late 1970s it was

replaced by the neo-liberal model which mercilessly integrated the vulnerable Latin American economies into the global economic system, throwing them prey to the ruthless forces of capitalism and globalisation.

This neo-liberal model, which furthermore aimed at the complete liberalisation of markets, creating a *laissez-faire* state and focusing on export-led development, turned out to have generated an illusion of recovery. That is to say, ‘recovery’ referred solely to the gains made by the capitalist elites and foreign capital owners, eclipsing the impoverished state of the deprived masses. More specifically, the new model had produced an ever increasing polarisation between the rich and the poor, featured by an escalation of inequalities, marginalisation and deprivation. It followed that Latin America inescapably entered its so-called ‘Lost Decade’, which took off in the 1980s and represented another period of ravaging stagnation on the continent. During this period, Latin America’s share of world trade was cut by half; its terms of trade deteriorated drastically; incomes and economic activity contracted; and social conditions worsened (pp. 138-139). The latter development was a direct consequence of austerity measures taken through the privatisation of health, education, and other social programs. This, in turn, sparked off an explosion of the informal sector. What is more, its reverberations continued to be felt until well into the twenty-first century. On the whole, taking also into account the fact that Latin America is the world’s most unequal region, one could perfectly agree with Professor W. Robinson, who contends that “the social crisis in Latin America ... is not as much a crisis of production as it is of distribution” (p. 142).

In response to these adverse developments, in the 1990s the anti-globalisation movement took root, engendered by social discontent with the current state of affairs. The creation of the World Social Forum (WSF) in Brazil, under the banner ‘Another World is Possible’ (p. 150), signalled the firm embedment of anti-neo-liberal or anti-globalist sentiment in Latin American society. As a matter of resumption, Figure 1, which can be found at the end of this document, brings the events described in this section into a brighter perspective. In the section that follows, however, more particular attention will be drawn to the neo-liberal period.

2.2 Exploring US-engineered Neo-liberalism in Latin America

Although the previous section has already depicted a general idea of how neo-liberalism entered the Latin American scenery and what it involved, it is desirable to know some more

particularities on the neo-liberal ideology as promoted by the US, which is momentarily being heavily called into disrepute. This section will therefore focus mainly on the Latin American acquaintance with neo-liberal policies through the operations of its northern neighbour. Hence, in this context, the birth of neo-liberalism in Latin America can be traced back to the 1990s, when the Washington Consensus was drawn up. This Consensus consisted of a package of policies which were thought to boost lagging economies in several parts of the world, including those of Latin America. The idea was first introduced by John Williamson, an economist of a Washington-based think-tank, the Institute for International Economics. As has been briefly mentioned in the preceding section, the package more or less revolved around “fiscal and monetary discipline, opening up to foreign trade and investment, and large-scale privatisation and deregulation” (The Economist, April 24, 2006, p. 2). Furthermore, the agreement owes its name to Washington-based institutions, such as the International Monetary Fund (IMF), World Bank, and US Treasury Department, which all transmitted policy advice of a similar nature (Wikipedia, 2006).

It is interesting to note, moreover, that neo-liberalism was exalted by the US as the only solution to the economic hardships of the time. As such, it was often accompanied by the central slogan TINA, the acronym of ‘There Is No Alternative’, implying that complete submission to capitalist globalisation was the only way to break the chain of persevering economic downturns (O’Keefe, 2005, p. 1). This also helps explain why the World Social Forum developed in their defence the phrase ‘Another World is Possible’. Considering this, it has become clear by now that the neo-liberal model failed to offer a viable solution to Latin America’s everlasting malady, with poverty and social inequality still being on the increase even today. Instead of having provided a panacea to Latin America’s problematic, it has made way for the Leftist movement to emerge. The next section will scrutinise the particularisms of this counteractive current.

2.3 A Change of Winds: the domino-Effect of Left-Wing Politics

It was highlighted before that social discontent with the baffling *status quo*, which was believed to have been caused by the US-promulgated neo-liberal policies and aggravated under the forces of globalisation, triggered the Leftist movement. Foreign Affairs columnist Jorge Castañeda explains this trend by arguing that “the combination of inequality and democracy tends to cause a movement to the left everywhere” (2006, p. 2). Although at present Latin American politics is characterised by an unrestrained proliferation of leftist

leaders, sprouting up like mushrooms throughout the continent, a refined distinction can be made between two very diverging Lefts. As can be seen in Figure 2 at the end of this document, the Latin American Left divides itself into a social democratic and economically responsible left on the one hand, and a left consisting of radical anti-American populists on the other (The Economist, Jan 19, 2006, p. 2). Whereas the first refers to a group of leaders with a modern, open-minded, reformist and international outlook, the latter is all about nationalism, stridence, and close-mindedness. More specifically, the former is the legacy of the hard-core left of the past, and the latter stems from the great tradition of Latin American populism (Castañeda, 2006, p. 1).

Broadly speaking, the policies advocated by all of these left-hanging leaders boil down to the incorporation of enhanced state intervention in the economic realm, which is believed to cure a lasting state of stagnation, restoring to the population at large what has been taken from them in the past. Despite these auspicious measures, there are many who express concerns about the alluring vows and promises made by several leftist leaders: the Dutch newspaper *Eindhovens Dagblad*, for instance, labels Castro, Chávez and Morales “false prophets” (Holtkamp, 2006, p. 11). Next to that, another Dutch newspaper *de Volkskrant* warns about a degeneration of recent initiatives of the Left into “dictatorial Communism” (Zoon, April 6, 2006, p. 5). In Figure 2, moreover, it can be seen that moderate social democratic leaders such as Lula da Silva of Brazil and Michelle Bachelet of Chile are separated from their radical counterparts, such as the three notorious ALBA participants. Since this Master Thesis is primarily concerned with the radical part of this bifurcation, which is prone to populism, the subsequent section will underscore and discuss the re-emergence of populists in detail.

2.4 The Come-Back of Latin American Populism

As the foregoing already suggested, the emergence of populism in Latin America was not a new phenomenon. In fact, the entire twentieth century has seen populist leaders appear and disappear on the political stage. If one looks at Figure 3, one sees that populism, in its classical form, was a fact of the day from the 1920s through to the 1960s. Professor Paul Cammack asserts that the rise of populism is a direct consequence of “the failure of pre-existing governing groups to accommodate additional social elements, which thereupon seek the destruction of the old ruling groups and the institutional basis for their authority” (2000, p. 154). In the case of classical populism, it had made its appearance in reaction to the economic

liberalism and oligarchy of the time. It is important to note, moreover, that populism had played a decisive role in incorporating the urban masses into the political system, due to the absence of well-functioning social-democratic parties and of powerful trade unions (The Economist, April 12, 2006, p. 2). After the 1960s, however, classical populism had to make way for Marxism, Christian democracy, and military dictatorships.

Contemporary populism on the other hand, appeared on the front stage as a counteroffensive to neo-liberalism. Although it made its come-back in a muted form, introducing several new elements, it still encompassed many features of the classical model. The profile of a populist leader for both models contains amongst other things the following criteria: 1. a populist is a charismatic, personalist leader, who seeks the support of the masses; 2. he makes direct appeals to the people, by-passing existing political institutions and making solemn promises; 3. he is a nationalist; 4. he is led by an anti-*status quo* ideology; and 5. he often seeks to form a cross-class political alliance, incorporating the urban class. In addition, populists are often said to use their power in an undemocratic way, blurring the distinction between leader, party, government and state. Finally, most of them have been military officers, and they direct their policies against the existing elites. All in all, the image depicted in this paragraph would seem to suggest that Latin America is heading towards its downfall. Whether this is true however depends, in the eyes of Professor Paul Cammack, on the ability of populist leaders “to move from a reactive ... posture through a direct appeal to the people to a foundational project which gives rise to the creation of a new institutional order” (2000, p. 152).

Returning again to contemporary populism, its re-entrance went hand in hand with the introduction of several renewing elements. First and foremost, today’s populists have an inclination to rely on the politics of ethnic identity. Outstanding examples are Venezuela’s Hugo Chávez and Peru’s Ollanta Humala, who are both *mestizos* or of mixed origin, and Bolivia’s Evo Morales, who is of Indian origin. Second, they tend to base their coalitions not only on the rural, but also on the urban poor, and more particularly on those people labouring in the informal sector. Finally, they focus on people who have been disadvantaged by the ravaging forces of globalisation, instead of industrialisation (The Economist, April 12, 2006, p. 4). Figure 3 furthermore might create more clarity on this particular issue. How Bolivian president Evo Morales actually meets this profile of a populist leader, will be the topic of the next section.

2.5 President Evo Morales: a Truly-Born Populist Leader

In many respects, Bolivia's *de facto* president Evo Morales fits perfectly into this description of a (radical) populist leader. In order to understand what is exactly meant by this, the following section will focus mainly on how Evo Morales actually rose to the forefront as a prominent political actor. By doing so, the name of the MAS party should be raised, of which Morales figured (and still does) as a union leader. MAS or *Movimiento al Socialismo*, which moreover means Movement towards Socialism, originated from the association of *cocaleros* or coca farmers in defence of a law imposed by the US government in 1988 which limited Bolivian coca production. It should be added moreover that Bolivia's relations with the US have always depended on this conditional exchange of aid in return for an effective reduction in coca crops. In the course of time, however, MAS came to include not only coca farmers, but also numerous other indigenous people, activists, intellectuals and socialists. Its political vision, i.e. as it is the way it has evolved until this day, could not have been better captured into one single sentence than was done by the on-line magazine South America, stating that it is a "coca growing indigenous movement poised to overthrow capitalism by forcefully nationalising industry" (March 16, 2005, p. 2).

When Evo Morales was elected president in December 18, 2005, he did so with not less than 54 percent of the vote. More importantly, his installation as the president of Bolivia on January 22, 2006 merits to be labelled an 'historic event' as it represents the debut of an Indian head of state. Himself being of Aymaran Indian origin, he is the perfect representative of a party which is built on the "historical identity of indigenous people and their marginalised experience in relation to the political parties of the white elite in power" (Mignolo, 2006, p. 1). Citing again professor Mignolo, it becomes clear that the importance of an indigenous president in a highly endemic society should not be undervalued: "the electoral competition between Morales and his opponent [Jorge Quiroga, who took a pro-US position] replayed, almost 500 years later, the confrontation between the Spanish and the indigenous people in the Inca territory of Tawantinsuyu". What is in fact expected of Evo Morales as a president, is the almost unfeasible reconciliation of the divided highlands, where the impoverished indigenous people live, and the lowlands, where the relatively wealthier European and mestizo population live. For a better understanding of strategic locations, including the position of the coca plantations in the area surrounding Cochabamba, reference is made to map 1 at the end of this document, which brings Bolivia's administrative division into perspective.

Drawing again on how Evo Morales conforms perfectly to the previously mentioned criteria of a true populist leader, one could advance several arguments in favour. First of all, one could argue that Evo is using his Indian roots to gain popularity with the indigenous masses: not less than 60 percent of the entire population is of autochthonous origins (Madrid, 2005, p. 692). Besides that, he is concerned with their age-long experience of exploitation by the wealthier elites and the exacerbation of their living conditions due to liberalist policies in a globalising world. Hence, his electoral campaign was pervaded by solemn promises to change the *status quo* to be achieved by means of ruthless policies of nationalisation and redistribution. As will be seen in Chapter 4, Bolivia's political structure, with its weak functioning institutions and most of the power vested in one single head of state, allowed for Evo Morales to make direct appeals to his public. His MAS party moreover, uniting the indigenous, activists, intellectuals and socialists alike, is again an exact reflection of a cross-class political alliance which is so characteristic of populism. Finally, Morales as a leader of Bolivian coca growers represents a good example of a contemporary populist who directs his policies in favour of the informal sector: in this case the coca industry.

2.6 The Constellation of Integrationist Organisations in the Americas

Before embarking on an exploration of the ALBA agreement, which will be the topic of Chapter 3, it is desirable to point out which most important international or supranational organisations exist to date across and with Latin America. This will be done in order to eliminate confusion with regard to the Bolivarian deal and to understand in what way it differs from the other attempts at integration between Latin American states. Reference is made to Figure 4 at the end of this document for a visualisation of the constellation of these organisations. In this context, it should not be forgotten that ALBA was developed as a counter initiative to the Free Trade Area of the Americas (FTAA). This counter opposition becomes clear when juxtaposing both Spanish acronyms: ALBA as against ALCA or *Área de Libre Comercio de las Américas* (FTAA in English). The idea for a FTAA was already born in 1994 and it seeks to integrate both American continents by reducing or eliminating tariff barriers between participant countries. As such, it functions as an extension of the North American Free Trade Agreement (NAFTA), between Canada, Mexico, and the United States. However, as yet this amalgamation of continents has not been accomplished, due to firm disagreement between the adherent states.

In the introduction moreover, brief mention was made of a South American Community of nations or *Comunidad Sudamericana de Naciones* (CSN) which merges the two economic regions of MERCOSUR and the Andean Community of Nations (CAN), together with the remaining countries of Chile, Guyana and Suriname. It is important to note that, citing Professor Paul Kellogg, “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” (2006, p. 2). Considering this, ALBA therefore is underpinned by principles which contrast sharply with those of the EU. As can be understood from Figure 4, which lists the participating nations of each trade bloc, apart from ALBA, Bolivia forms also a constituent part of CAN and is an associate member of the Southern Common Market or *Mercado Común del Sur* (MERCOSUR). Of this latter bloc, Bolivia is taking into consideration full membership. Finally, it is important to add that ALBA participant Venezuela withdrew in April 2006 from CAN because of the recent conclusion of bilateral Free Trade Agreements (FTAs) with the US by Colombia and Peru. This, again, reflects the seriousness of anti-American sentiment on the South American continent and it definitely requires assertion because of Venezuela’s hold and influence over Bolivia. Chapter 3 will scrutinise the ALBA nations and its interrelations more thoroughly.

Chapter 3

ALBA through the Looking Glass

Now that we are equipped with sufficient background information on the dynamics of recent Latin American political events, and the position taken by Bolivia in the whole, we can better understand how an initiative for a pact such as the Bolivarian Alternative for the Americas was launched in the first place. What comes next on the agenda is a profound analysis of this Bolivarian deal known as ALBA. This Chapter will therefore explain amongst other things what exactly it entails. The first section will scrutinise the initial phase and rudimentary principles of the deal struck between Cuba and Venezuela in 2004. After that, an in-depth discussion will follow of the People's Trade Agreement (PTA), which provided for the official adherence of Bolivia to the project. Central to the final section will be an analysis of the corollaries which have already flown from the PTA at hand, with particular regard to the political situation in Bolivia. This will be done in order to provide a basis for Chapter 4, which seeks to establish how Bolivia inevitably came to take part in this deal.

3.1 The Launch of ALBA: Castro and Chávez' Joint Declaration

In the aforementioned paragraph, it was outlined that this section will primarily be concerned with the origins of today's Bolivarian Alternative. This will be done by tracing it back to its rudiments of 2004, when in an initial stage the leaders of Cuba and Venezuela gathered in the capital city of Havana in order to sign a joint declaration. It has already been mentioned that ALBA stands for the Bolivarian Alternative for the Americas and that it has been inaugurated in opposition to ALCA or the Free Trade Area of the Americas. Before drawing on its specificities, it is desirable to shed more light on the name of the deal in question; for the adjective 'Bolivarian' might be misinterpreted, and wrongfully confused with 'Bolivian'. More specifically, 'Bolivarian' in this context in fact refers to "El Libertador" or liberator Simon Bolívar Palacio (1783-1830), who led the South American Wars of Independence and in turn freed from colonial rule the areas of what are now the countries of Bolivia, Colombia, Ecuador, Panama, Peru, and Venezuela. What is more, when in 1999 Hugo Chávez rose to the prominence as the President of Venezuela, he changed the country's official name into *La República Bolivariana de Venezuela* or Bolivarian Republic of Venezuela (Waal, 2006, p. 3).

Hence, what the ALBA Pact actually all revolves around are the principles instituted by this famous nineteenth century liberator.

Returning again to the Joint Declaration signed between Fidel Castro and Hugo Chávez on 14 December 2004, the following issues stand out. For instance, the principles on which the agreement rests include amongst other things: compensated trade, solidarity, and reciprocal trust. Article 11 e.g. reads that “account was taken of the political, social, economic and legal asymmetries between the two countries” (The Freedom Archives, 2004, p. 2). The picture evoked when reading the full text of the agreement, is one of favouritism, one completely contrary to the economic principles on which the EU is constructed. In order to create more clarity on what the agreement was all about, some of the provisions will be enlisted in the following: Cuba e.g. will offer 2,000 university scholarships to Venezuelan students on a yearly basis; Cuba moreover will send 15,000 medical professionals to Venezuela; both Cuba and Venezuela will remove all tariff barriers on each other’s imports; and, finally, Venezuela will transfer to Cuba its technology in the energy sector. Altogether, the basic points of interest of the deal are matters concerning education, health, and energy supply. For a more detailed overview of this Joint Declaration it is suggested to consult Appendix A at the end of this document, which comprises the full text of the Cuban – Venezuelan agreement.

3.2 ALBA Extended: The People’s Trade Agreement

When on 29 April 2006 ALBA was enlarged by the Republic of Bolivia, this was achieved by the inclusion of a People’s Trade Agreement (PTA) or, in its Spanish variant, *Tratado de Comercio de Los Pueblos* (TCP). It is interesting to note that, at the moment the treaty was signed, again in Havana, the Nicaraguan politician Daniel Ortega was also present, who aims at winning the presidential elections at the end of this year in his country. The presence of a fourth potential future ALBA participant reinforces Mr Chávez’ vow to “create economic and political unity in South America without the help of Washington” (BBC News, April 29, 2006, p. 1). With regard to the previously mentioned complementary deal, Bolivia naturally comes out as the main beneficiary. That is to say, most of the TCP’s provisions are directed at reviving the economy of Bolivia, which represents the poorest country in Latin America. For instance, in accordance with the agreement, Venezuela has promised to yearly buy 200,000 tons of soy beans, which are Bolivia’s second biggest export and which moreover have no market due to the FTA recently concluded between Colombia and the US (Quixote Center,

2006, p. 2). In return, Bolivia is invited to buy from Venezuela 200,000 barrels of crude oil on a monthly basis at a very concessionary rate.

Other stipulated arrangements which are beneficial to Bolivia include the provision of 5,000 scholarships and 100 advanced internships for Bolivians who want to study in Venezuela. What has been of crucial importance for current developments in Bolivia, is the establishment that Venezuela will provide the country with a \$100 million loan for the implementation of its campaign promise to “redistribute some 12.4 million acres of state-owned property to indigenous people” (Lendman, 2006, p. 2). Of course, under the agreement all imports from Bolivia into the countries of both Cuba and Venezuela will be exempt from any tariffs or non-tariff barriers. Furthermore, Bolivia will be supported by the Venezuelan state oil company (PDVSA) in relation to its energy policy. For an extensive account on the TCP, reference is made to Appendix B which can be found at the end of this document. How these TCP provisions have impacted on Bolivia’s current state of affairs will be the topic of the next section.

3.3 ALBA in Practice: Repercussions on Bolivian Politics

At present, the political situation in Bolivia is one characterised by radical change, turmoil, and revolutionary moves. In short, it is a situation not very different from its experiences of the past. As we will see in the next Chapter, an analysis of Bolivia’s history reveals that upheavals and political unrest are not unfamiliar phenomena. Yet, recent developments in the country are of a peculiar nature, as the country’s sudden left turn went hand in hand with the introduction of drastic changes of the *status quo*. These changes, moreover, were sustained by and heavily related to the stipulations set out in the People’s Trade Agreement (TCP). One such very important revolutionary move e.g. is the proclamation of the nationalisation of the country’s natural resources as of 1 May 2006. Although this nationalisation in fact redeems a campaign promise, already made in December 2005, action was not taken until a day after Evo Morales had signed the PTA. On this date, the announcement was made that all oil and gas production should be handed over by foreign companies to the Bolivian State Company *Yacimientos Petrolíferos Fiscales Bolivianos* (YPFB). Where foreign companies used to possess 50 percent of all revenues, under the new legislation they would have to hand over 82 percent of the total economic value, leaving them with a meagre and consoling 12 percent of the total. Furthermore, the companies are required to bring their businesses in line with the new legislation within a period of 180 days. If they fail to do so, expulsion will await them.

Apart from the support received from his allies Venezuela and Cuba, Morales was guided in his decision by two other major factors. On the one hand, the nationalisation of hydrocarbons is what peasants, workers and many indigenous people have long desired and called for. Several uprisings of October 2003 and May and June 2005 were stirred by clear demands for restoring to the impoverished population what the foreign investors had taken from them (Webber, 2006, p. 1). Hence, the strength of the militancy of the population at large was such that it could not be ignored by the new President. On the other hand, it were the FTAs concluded between the two Andean countries of Colombia and Peru with the United States, which gave a further economic blow to the already fragile Bolivian economy, by absorbing Bolivian exports to other Andean nations (Burbach, 2006, p. 1). The dissatisfaction of the majority of the Bolivian inhabitants with the presence of private foreign gas companies, and their associated resentment against the so-called 'exploiters' becomes understandable when several factors are taken into account. For instance, Bolivia has the second largest proved gas reserves on the Latin American continent, after Venezuela, but only a minimal part of the population actually enjoys the benefits deriving from it. As such the country is also known as "the poor wretch, who lives on a gold mine" (Zoon, 2006, p. 9).

Entering further into details, it is worth mentioning that at the end of 2005 Bolivia ranked 29th on a world scale with approximately 0.74 trillions of cubic metres of proved natural gas reserves, producing moreover 10.4 billions of cubic metres of the same. See Figures 5 and 6 at the end of this document for a more extensive overview. Paradoxically, the country disposes of the worst distribution and industrialisation methods for its own citizens, and consequently less than one percent of the entire population is connected to the gas main. What is more, the gas supplies are located in the eastern region of the country, where agriculture is also well developed and large-scaled, and where the whiter middle class lives. Hence, Morales' conviction that particularly the foreign companies and the white upper class unfairly profit from this wealth, reaches a reasonable level of plausibility (Haenen, 2006, p. 2). Yet, the question remains whether this nationalisation project not merely represents a repetition of the past: it is the third time that Bolivia nationalises its oil industry. Before, the industry had been nationalised in 1937 and 1969 by military regimes. What is new however is that the present nationalisation has been proclaimed by a democratically elected government. It should be added that the new law aims to reverse the privatisation project of 1997-1999, which was carried out without the consent of Congress and as such is considered to be unconstitutional (Dangl, 2006, p. 1).

Doubts have been cast on the remedial effects of the nationalisation project on Bolivia's present social conditions. Critics for instance argue that Bolivia has indeed a lot of gas underground, but it is an unsuccessful exploiter. Figures 7 and 8 at the end of this document indicate that just a small portion of its entire gas reserves is actually extracted for production. By diminishing revenues for private companies, investment by foreign companies, together with their technological expertise, is very likely to decrease. The Brazilian state company *Petrobrás* for instance, which is Bolivia's greatest foreign investor, has already halted its investments after it was notified of the nationalisation project and its consequences. Relations with Argentina have also been delicate ever since the announcement, for the Spanish – Argentinian company *Repsol – YPF* is Bolivia's second major investor (The Economist, May 4 2006, p. 1). Apart from these adverse consequences, sceptics contend that state-run oil companies are inefficient: they often become politicised, corrupt or underinvested, as was already mentioned earlier on. In addition, they argue that caution should be had in order to prevent the multiplier effect from being set into motion: when production falls due to underinvestment, oil prices will take a leap, wages tumble, and subsequently unemployment will rise (Charles, 2006, p. 1).

In the act of outlining the corollaries of the TCP on Bolivia's present state of affairs, the "agrarian revolution" must not be overlooked. On the third of June 2006, Evo Morales committed to a redistribution of 20 million hectares spread over a period of five years in order to "rectify the country's current inequitable land distribution" (Morales Peña, 2006, p. 1). Another crucial development which was speeded up by the TCP is the redemption of Morales' promise to install a new Constituent Assembly on August 6, charged with rewriting the Constitution. The main purpose of this important constitutional revision is to give more power to the impoverished indigenous majority. Apart from that, through the unmediated and direct participation of unions, social movements, and indigenous groups in the Constituent Assembly process, the opposing parties must reach an accord as regards the request on the part of regions such as Santa Cruz to receive greater autonomy (Weinstein, 2005, p. 2). All in all, it is clear that the present political situation in Bolivia is pervaded by radical changes which are rapidly succeeding one another. The following Chapter will seek to explain these developments by taking a dive into the country's political tradition.

Chapter 4

Bolivia's One-Way Street towards ALBA Membership

In light of these whirling events which are currently afflicting on Bolivian politics, the present Chapter seeks to explain what exactly led up to this propulsive situation. In order to be able to establish this, several issues require examination. First of all, it is necessary to understand the way Bolivian society is and has been organised for centuries on end. Therefore, the first section will focus on societal divisions and the related gravity of social cleavages and dislocations. Subsequently, section two will place the events of the present day in a historical context. In this way it will be shown that a number of past experiences and an accumulation of events have pushed Bolivia towards inevitable leftist leaning practices and directly into the arms of fellow ALBA 'brothers' Castro and Chávez. Finally, for a further clarification of recent developments, Bolivian relationships with the United States and the country's governmental organisation will be scrutinised and underscored. Chapter 5 will ultimately digest the information presented here, and draw inferences from the dissertation taken in its entirety.

4.1 Perpetual Dividedness: Bolivia's Societal Organisation

"Bolivia is totally incapable of being governed". These were the wise words of President Belzú who governed Bolivia from 1848-55 (The Library of Congress, 2005 p. 10). Already in his age he perfectly recognised the irreconcilability of the various strands of Bolivian society. Nowadays, the population of approximately 8.4 million people represents the most ethnically diverse on the entire South American continent (Veillette, 2005, p. 4). In addition to this, viewed in proportion to its other populations, Bolivia presents the highest concentration of Indians on the continent. It has already been mentioned in Chapter 2 that around 60 percent of Bolivia's population is indigenous. In Table 1 at the end of this document one will find that most of the indigenous Bolivians are descendents of Quechuan or Aymaran tribes: the country's two largest Indian groups. More specifically, these tribes have always kept their own specific cultures alive, refraining from intermarrying and mixing their languages, physical characteristics and social traditions (The Library of Congress, 2005, p. 7). This was mainly due to the fact that they populated different areas: whereas the Quechua occupied the

eastern part of the *Altiplano* and the temperate valleys, the Aymara dominated the northern part of the highlands and Yungas. Apart from these groups, 30 percent of Bolivian society consists of *mestizos*, i.e. those of mixed European and Indian ancestry, and the remaining 15 percent is constituted by the white minority, who are predominantly descendants of the Spanish colonists (The World Fact Book, 2006, p. 2).

Returning to Belzú's frequently quoted utterance, it should be emphasised that from the outset the country has been difficult to govern and hold together. An obvious explanation would be that "its heterogeneous, illiterate population lacked any sense of national self-identity or patriotism" (The Library of Congress, 2005, p. 9). Ironically, due to the cultural and physical isolation and illiteracy of the Indian population, until recently most of them did not even know that the area they inhabited formed part of a country called Bolivia. Yet, it were not merely ethnic cleavages which prevented the country from obtaining political stability. Throughout the country's history, social inequalities have proliferated, with the white minority population, along with the foreign investors, owning most of the country's wealth. That is to say, the resource-rich eastern area of Santa Cruz, which is home to the white elites, was and still is inequitably counterbalanced by the impoverished indigenous majority of the highlands. As a result, secessionist movements based on Santa Cruz have entered the scenery, demanding regional autonomy and the devolution of power to elected governors and regional assemblies (Veillette, 2005, p. 7). As a matter of recapitulation, due to these internal divisions the government now has to cope with political polarisation over irreconcilable issues such as the nationalisation of resources, coca leave production, regional autonomy, and constitutional reform (p. 2).

4.2 Bolivia's Radical Stance: a Product of History's Lead

Bearing these social circumstances in mind, the following section will examine how this situation, which in itself is conducive to friction, has been dealt with in the past. To this end, the most important political happenings will be filtered and viewed in relation to Bolivia's contemporary state of affairs. In this way, it will be possible to grasp how the country's present state of mind has been shaped by an accumulation of historical events, which moreover have culminated in an explosion of radical expressions and revolutions. Starting out with the achievement of independence from the Spanish viceroyalty of the Río de la Plata, the country, until then known as 'Upper Peru', became an independent republic in August 1825. From this year onwards the territory became known as Bolivia, named after its liberator

Simon Bolívar Palacio. A subsequent event which still lingers on in the country's collective historical memory is the War of the Pacific (1879-1884) during which Bolivia lost its access to the sea to Chile (The Library of Congress, 2005, p. 17). This defeat has had a lasting impact on Bolivia's relationships with Chile, which have been hostile ever since. In a similar fashion, Bolivia lost great part of the Gran Chaco region to Paraguay in the course of the devastating Chaco War (1932-1935).

At the end of the war with Paraguay, order was maintained through a succession of military regimes which imposed a program of military socialism by invoking social justice and the control of Bolivia's natural resources (p. 18). To a certain extent, today's political situation is very reminiscent of the practices of this period between 1936 and 1939. Leaving out militarism, the upheavals hampering Bolivia in this precise moment seem to be an exact reiteration of this particular epoch with a return to state control and policies of redistribution. As such, the Bolivian *status quo* could be seen as a democratic version of the authoritarian political organisation of the time. Yet, when considering the repetition of events, this specific era should not be viewed in isolation: in a similar vein, the 1952-1964 National Revolution seems to be an exact duplication of present events. In this context, the National Revolution refers to one of the century's three most earth-shaking agrarian revolutions in Latin America. More specifically, it was led by then President Víctor Paz Estenssoro who had founded the Nationalist Revolutionary Movement (MNR or *Movimiento Nacionalista Revolucionario*) and President Hernán Siles Zuazo respectively. Just like today land is being redistributed to the dispossessed indigenous, so the 1952 Revolution raged against the 6 percent of the landowners who owned 92 percent of all cultivated land (p. 11).

With further regard to the aforementioned Revolution one could argue that it has been effective and disappointing at the same time. On the one hand, it has been very effective in the sense that the Revolution resulted amongst other things in sweeping land reform measures, involving the restoration of land to the Indian population; the installation of universal suffrage; and the nationalisation of tin mines. Through it all, moreover, the Bolivian Labour Federation (COB or *Central Obrera Boliviana*) was brought to life, which enabled workers to exert influence on the government by being collectively organised into a forceful interest group. On the other hand, however, the Revolution has been considered by many people as unfinished. Political scientist James M. Malloy for instance has used the phrase "uncompleted Revolution" (p. 11), when referring to the fact that its impetus weakened drastically due to sharpening divisions in its power base (the MNR), and it finally ended with the party's collapse in 1964. Until its transition to democracy in 1982, the country was continuously

subjected to the rule of military dictatorships which moreover received support from the United States.

In light of ever worsening social and economical conditions, due to several external factors such as the oil crises, Bolivia in the mid 1980s drastically changed course and implemented the neo-liberal policies promoted by the United States as outlined in section 2 of Chapter 2. In accordance with the Washington Consensus, Víctor Paz Estenssoro, who served his fourth and last term as President, hastily recurred to measures of privatisation by selling out numerous public enterprises. As has already been postulated from the outset, these policies have provided no economical relief from the veil of persevering poverty. Even worse still, these measures have actually reinforced social inequalities by squeezing the poor and remunerating the already well-to-do. By the turn of the century the implementation of these supposedly remedial measures had taken its toll and the mobilisation of the disadvantaged began to take on ever greater dimensions. The failure of traditional parties such as the MNR to adequately represent the indigenous populations allowed the MAS party to rise to the forefront and its leader Evo Morales to effectively seize power. As a consequence, the country embraced a package of anti-American leftist policies and irreversibly entered the tripartite alliance called ALBA.

Though in reality Bolivia's political history is much less simplistic than presented here, with many intermittent periods of coups and power struggles, it should be remembered that the present account is primarily concerned with an articulation of the most conspicuous political events. On the whole, one can discern a linear upward movement towards enhanced political involvement of the indigenous peoples. Put differently, in the course of history the Indians gradually came to be incorporated in the political system, albeit by force or without. Where prior to the 1952 National Revolution the Indian population had no legitimate rights whatsoever, the conferral of voting rights eventually resulted in the piecemeal emergence of small indigenous parties in the 1970s. However, the indigenous population had no significant political voice until the emergence in 2002 of two influential parties: viz. Morales' *Movimiento al Socialismo* and Felipe Quispe's *Movimiento Indígena Pachakutik* or MIP (Madrid, 2005, p. 695). Preceding this year, three parties prevailed on the political spectrum, namely the already mentioned MNR, together with the *Acción Democrática Nacionalista* (AND) and the *Movimiento Izquierda Revolucionario* (MIR). It followed that in absence of proper representative parties for the indigenous people, party system fragmentation increased dramatically in this period.

Professor Raúl Madrid explains this trend by stressing the tendency of these indigenous peoples to divide their votes over the existing leftist and populist parties, when there are no other functioning parties reflecting their interests (2005, p. 701). Hence, parties such as the leftist MIR and populist *Conciencia de Patria* (CONDEPA), *Unión Cívica Solidaridad* (UCS), and the *Movimiento Bolivia Libre* (MBL) attracted a large part of the indigenous electorate. Alongside these developments, it is important to note that already in 2002 Evo Morales scored high in the Presidential elections: with a 20.9 percent of the vote, he came second after his MNR competitor Sanchez de Lozada who took off with a 22.5 percent share of the vote (Bureau of Western Hemisphere Affairs, 2006, p. 3). More specifically, this unforeseen popularity was mainly attributable to articulate calls on the part of the American embassy to abstain from voting on coca-leader Evo Morales (Koopman, 2006, p. 5). This, again, is indicative of the magnitude and firm embedment of anti-American sentiment in the country. In order to gain more insight into this discussion, the following section will unveil the nature of US - Bolivian relationships and dwell on the current political structure in Bolivia which, in combination with the social circumstances of the present-day, has facilitated the rise to power of a radically-oriented President.

4.3 The US as a Watch-Dog over Bolivia's Centralised Republic

In the preceding Chapters it has become clear that the country of Bolivia is experiencing a drastic turn in its political outlook, overturning conventional practices by adopting radical policies and igniting a second Revolution, similar to that of the year 1952. Partnership of ALBA is not an unimportant expression of this U-turn. Political commentator Vinay Jawahar attributes these developments amongst other things to “the collapse of the neo-liberal model of development and political organisation put in place in 1985” (2006, p. 1). It has been shown that this model was invented and implemented under the supervision of the United States. Yet, US meddling with Bolivian affairs has not only been centred on the espousal of the correct policies. Apart from the assistance given to military regimes in the past, as has been briefly mentioned before, the US have predominantly been concerned with the curtailment of coca leave production. Taking into account that Bolivia is the second largest cocaine producer in the world, and the US the principal cocaine-consuming country, the latter have shrewdly made use of their economical dominance by letting the provision of development aid depend on the effective reduction in coca leaf production. Now, however, with a coca-leader as President, who has no intention whatsoever to cut down on the

cultivation of coca crops and has already proceeded to legalise coca production in the Chaparé region, US – Bolivia relationships are worse than ever before (Arostegui, 2006, p. 1).

Another cause of Bolivia's political transition as asserted by Jawahar is "the structural crisis of the republican state, founded in 1825" (p. 1). He goes on stating that it was "exclusionary and overly centralised, and thus lacked legitimacy right from the outset". In this respect it becomes helpful to invoke Figure 9 at the end of this document, which depicts the traditional framework on which political affairs in Bolivia rest. As can be seen, most of the power is vested in a single all-powerful President of the Republic who is elected by majority popular vote to serve a four-year term of office. In absence of an effective majority, National Congress will appoint a President among the top three candidates. Where the President is endowed with executive power, presiding over the Council of ministers, the Congress is charged with legislative matters. More specifically, consisting of the Chamber of Deputies and the Senate, the National Congress is concerned with the passing or modification of legislation and the approval of amongst other things the annual budget, economic policy, government loans and internationally concluded treaties. History has taught us that this political model has been hard to uphold in a country as divided as Bolivia. Where in the past order could not be maintained, the government simply resorted to military suppression. Moreover, the exclusion of the indigenous majority from having a say in political affairs has not gone unscathed.

What we see now in Bolivia is the rise of an untamed political force consisting of all the people who have been unaccounted for in the past. Centuries of suppression, relentless poverty, and deprivation have interacted to instil an explosion of dissatisfaction, to say the least, with the *status quo*. The 1952 Revolution had accomplished just a minor fraction of long demanded equitability. The outcry for justice on the part of the indigenous has fallen on deaf ears for such a long time, that it has become uncontrollable. Today, the various echelons of Bolivian society have found unison in the MAS party, whose leader gives voice to their anger and despair. However, as much as one can understand their state of mind, the question remains whether recourse to radical policies is the solution *par excellence* to Bolivia's chronic disease.

Chapter 5

Conclusive Remarks

Retrospectively speaking, the present dissertation has sought to demonstrate that Bolivia's adherence to the ALBA pact has been predetermined by historical events, and as such could not have been prevented from happening. Instead, had one taken into account the country's political tradition and societal organisation, then one could have predicted that an initiative such as ALBA participation, encompassing drastic measures of nationalisation and an agricultural revolution, was on the verge of happening. It has been shown that Bolivia, as Latin America's poorest nation, was severely affected by political trends on the continent. As a constituent part of a dynamical construct where the neo-liberalist model promoted by the United States had failed to boost lagging economies, Bolivia was infected with anti-American sentiment and irrevocably involved in the domino-effect of left-wing politics. Its President Evo Morales proved to be the exact embodiment of radical populism, which represents one of the responses to post World War II happenings, as opposed to their moderate social democratic counterparts. By relying on his Aymaran Indian origins, talking to the hearts of the *cocaleros*, and moreover making direct appeals to the impoverished indigenous majority, he succeeded to rise to the political prominence and implement his radical policies.

Yet, it was not merely Bolivia's strategic location at the epicentre of a continent overridden by political turmoil and upheavals which channelled the country towards ALBA participation. In fact, it was a contingency of both external and internal factors which provided a fertile ground for the anti-globalist movement, and its related emphasis on state intervention, to take root. With regard to the external factors, the seemingly eternal recessive state of the economies of Latin America which complicated politics should be recalled, together with the bilateral FTAs recently concluded between Colombia and Peru with the United States, which gave a further blow to the already fragile Bolivian economy. We have seen that in Bolivia the implementation of neo-liberal policies in accordance with the Washington Consensus went hand in hand with an aggravation of social inequalities. That is to say, the insertion of the country into the global economy without restrictions and protection led to the remuneration of the elites and foreign investors on the one hand, and the marginalisation and deprivation of the poor on the other. An interaction of these

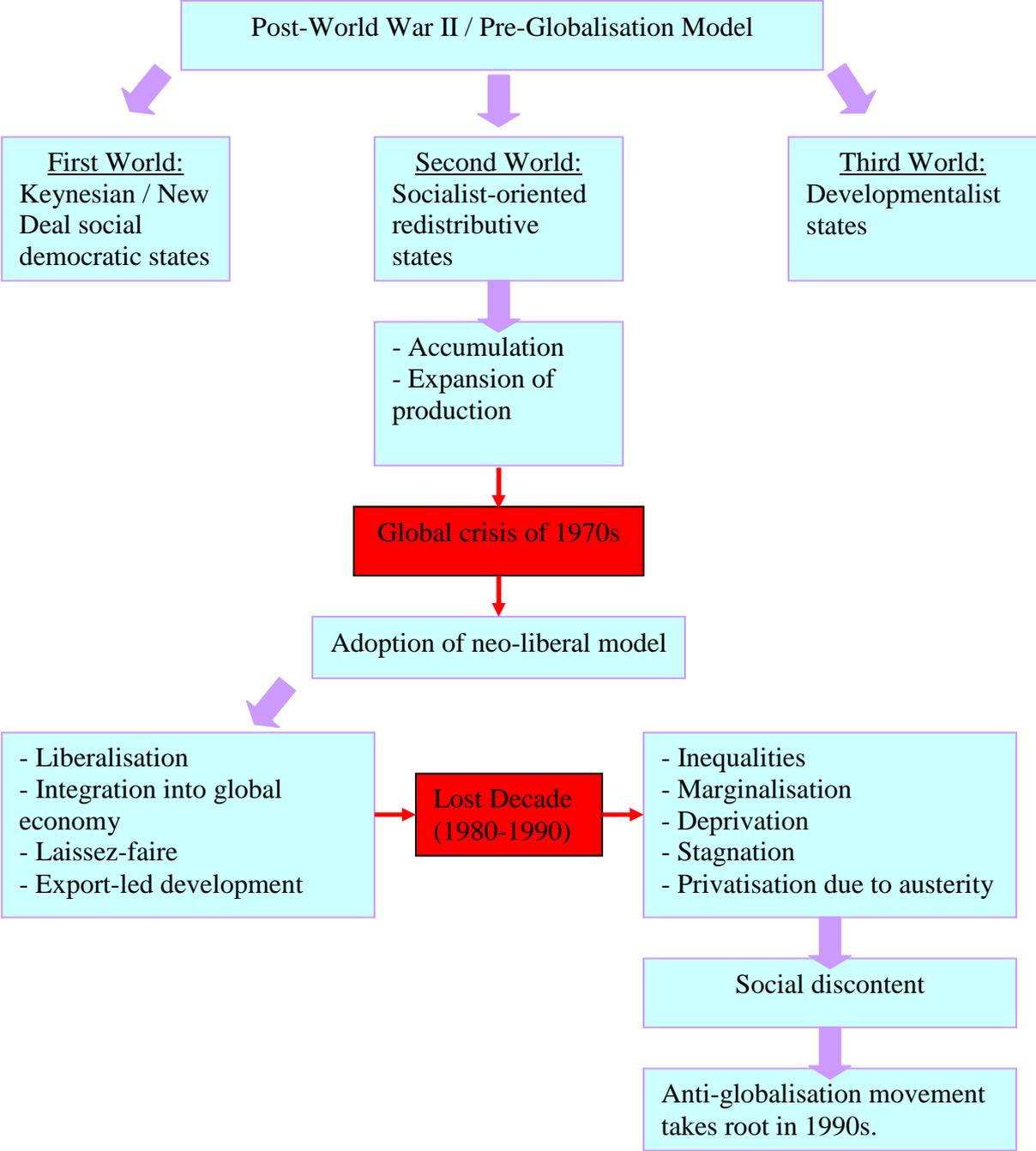
circumstances with internal factors, such as a legacy of social exclusion of the indigenous majority, prepared the stage for radical politics to gain the upper hand.

With respect to the country's political tradition, we have found that from the outset, i.e. as of the creation of a Republican State in 1825, the country has been ungovernable due to its social dislocations and the absence of a sense of unity. With a society divided between an impoverished indigenous majority and *mestizos*, and a white and relatively wealthy minority, throughout history several attempts at establishing political stability have failed. In other words, neither the military dictatorships of the past, nor the democratic governments after 1982 could restore political order. This was particularly due to the political structure which appeared to be exclusionary and excessively centralised. Before, this experience of accumulated tensions already resulted in a revolutionary explosion during the National Revolution of 1952. However, since this U-turn signalled just a minor fraction of progress for its instigators and moreover has been termed "unfinished", dissatisfaction with the *status quo* has continued to haunt the country up to the present day. Against this backdrop of age-old political vulnerability, the need for drastic change was pressing. Taking several social indicators into account, including the misery in which the major part of the population has been ceaselessly living, one can understand that the temptation for radical change could not be resisted any longer. In this sense, the Bolivarian Alternative provided the exact outlet needed.

In order to recapitulate, the present Master Thesis, by incorporating a case-study on the country of Bolivia, has delivered a precedent for countries which are potential future adherents of the Bolivarian Alternative. More specifically, these countries are bound to participate in the ALBA pact along roughly the same lines as the way in which Bolivia became involved in the matter. As such, the dissertation at hand provides more understanding on the rationale which spurs Latin American countries to participate in an alliance as radical as ALBA. Created as an antithesis to the FTAA, and based on principles squarely opposed to those underpinning the EU, this relatively new South American alliance, when expanded, just might have the potential to become a very real political actor on the international scene in the near future. Therefore, initiatives recently taken merit attention and their scope should not be neglected but taken seriously instead. Finally, the elaborations presented in this Master Thesis might provide a different perspective for dissenters who condemn the Bolivarian Alternative outright, disapproving its stipulations, without looking at the participating countries' severities. Hence, instead of assailing the three Bolivarian leaders, energies should be redirected at the core of the problems.

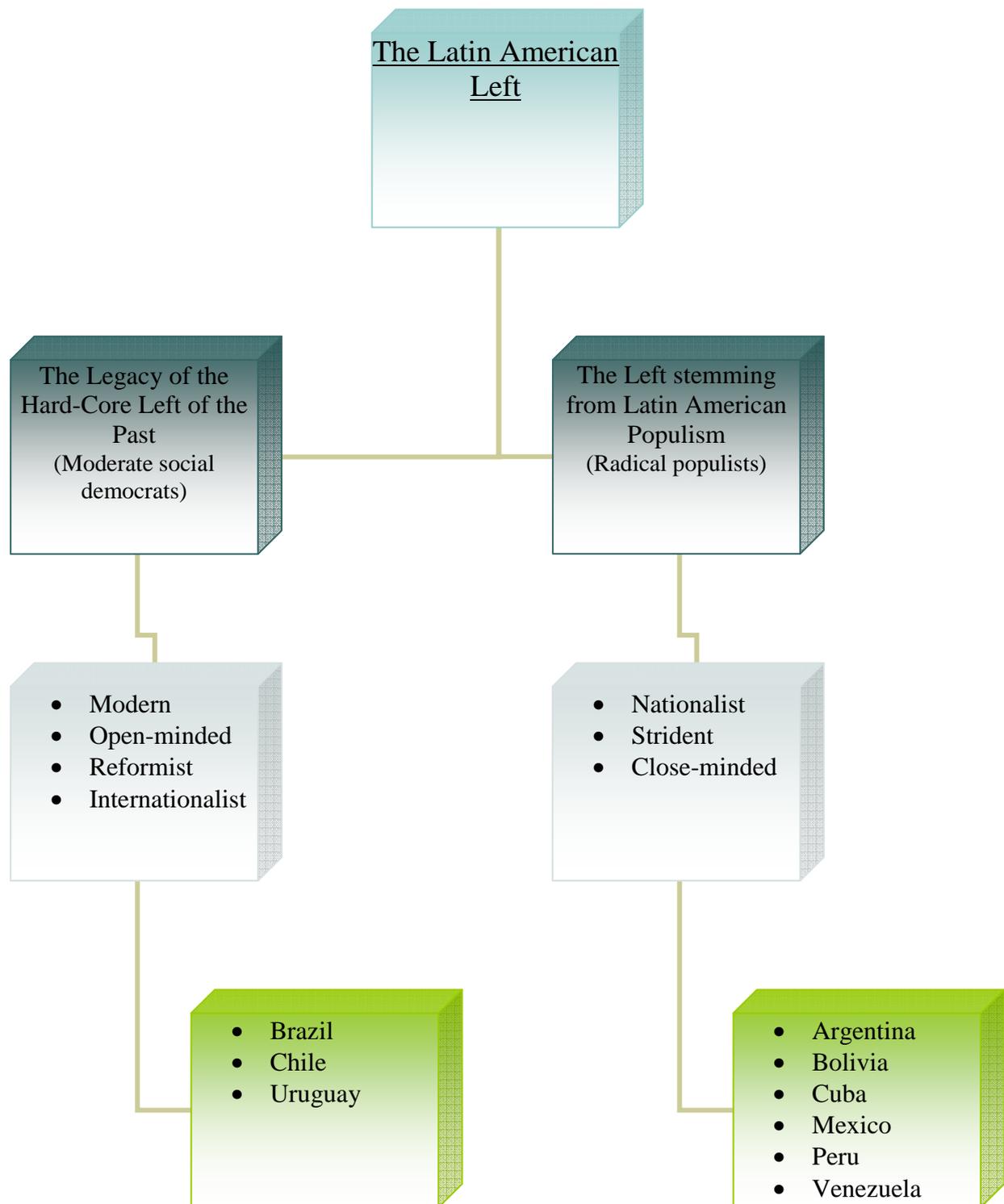
COMPLEMENTARY ILLUSTRATIONS

Figure 1 Latin America’s economic organisation viewed historically



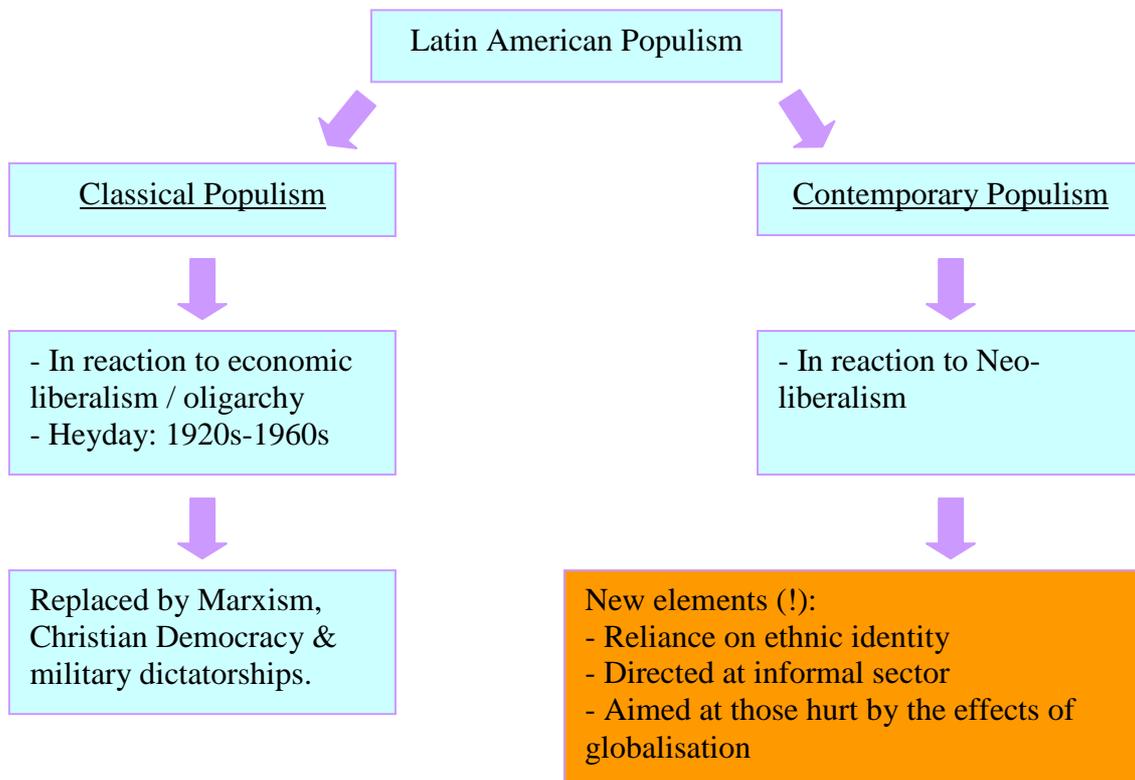
Source: Bulletin of Latin American Research, 2004, pp. 135-153.

Figure 2 Organisation of the Left in Latin America



Source: Castañeda, 2006, p. 1 & The Economist, May 18 2006, pp. 1-3.

Figure 3 Overview of classical and contemporary Latin American Populism



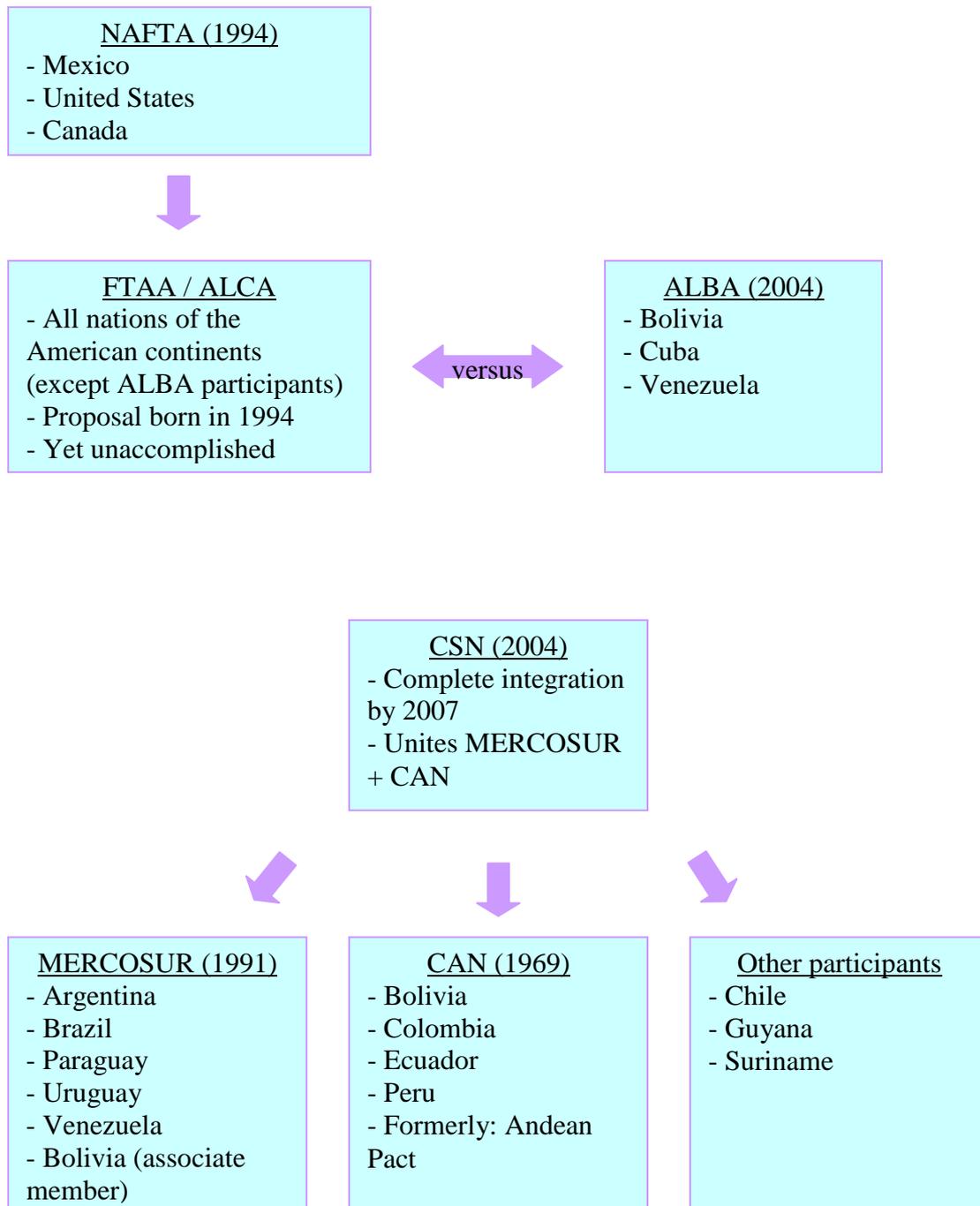
Source: Cammack, 2000, pp. 149-161 & The Economist, April 12, 2006, pp. 1-4.

Map 1 Map of Bolivia's administrative division



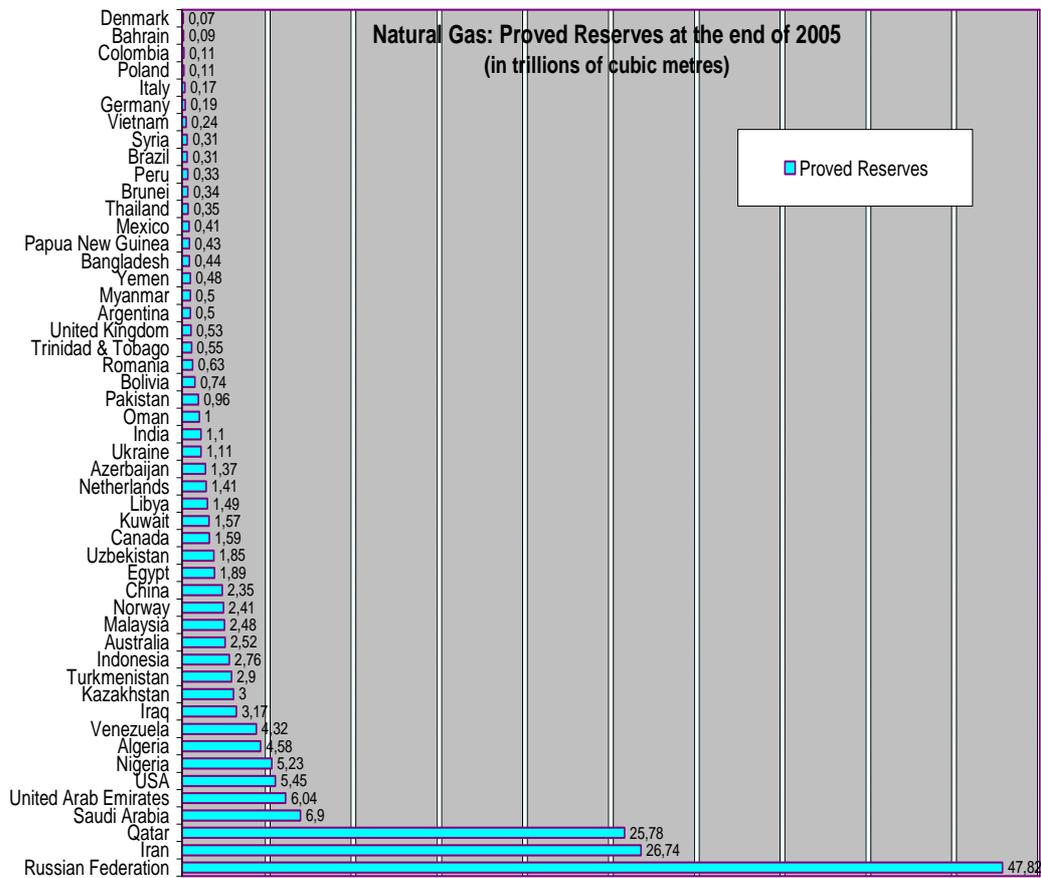
Source: INE: Instituto Nacional de Estadística – Bolivia, 2006.

Figure 4 Areas of integration in North and Latin America



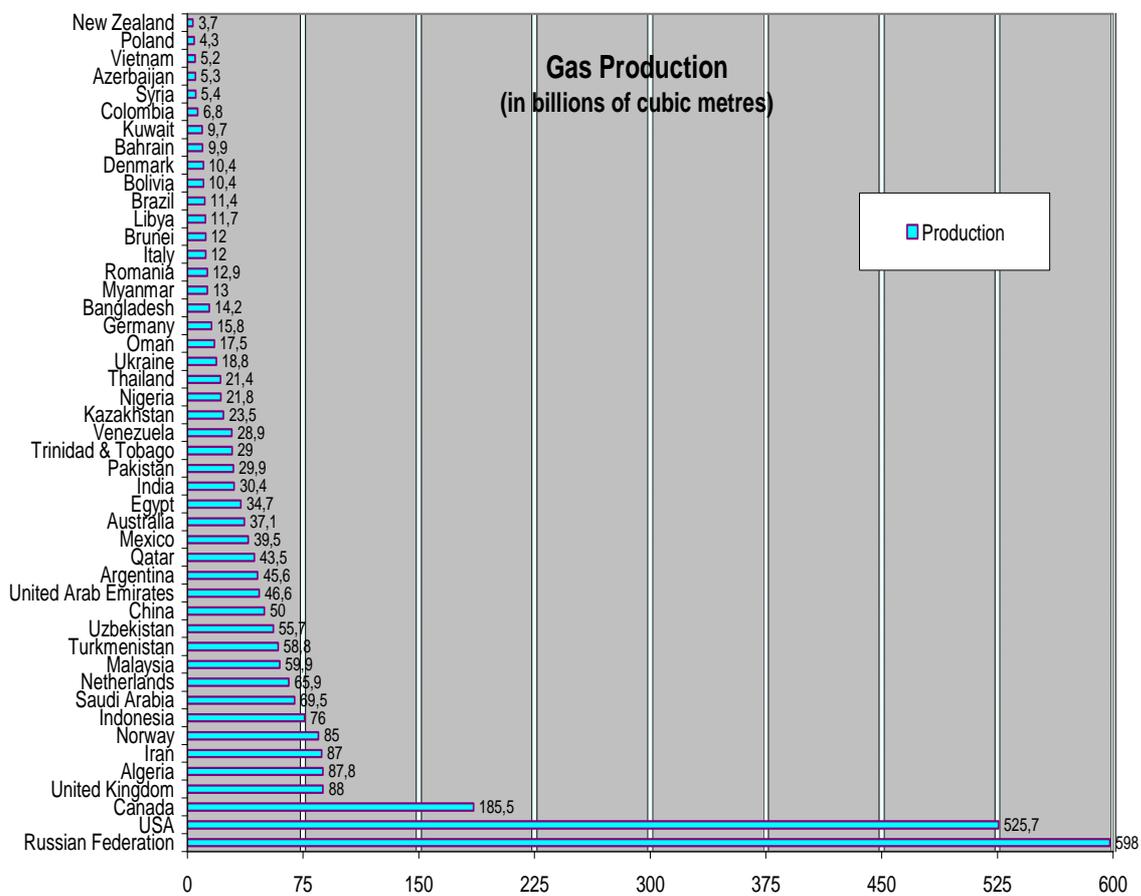
Source: Wikipedia, 2006.

Figure 5 The world's proved gas reserves



Source: BP Statistical Review of World Energy 2006, p. 22.

Figure 6 World gas production



Source: BP Statistical Review of World Energy 2006, p. 24.

Figure 7

**Natural Gas: Latin America's Proved Reserves at the end of 2005
(in trillions of cubic metres)**

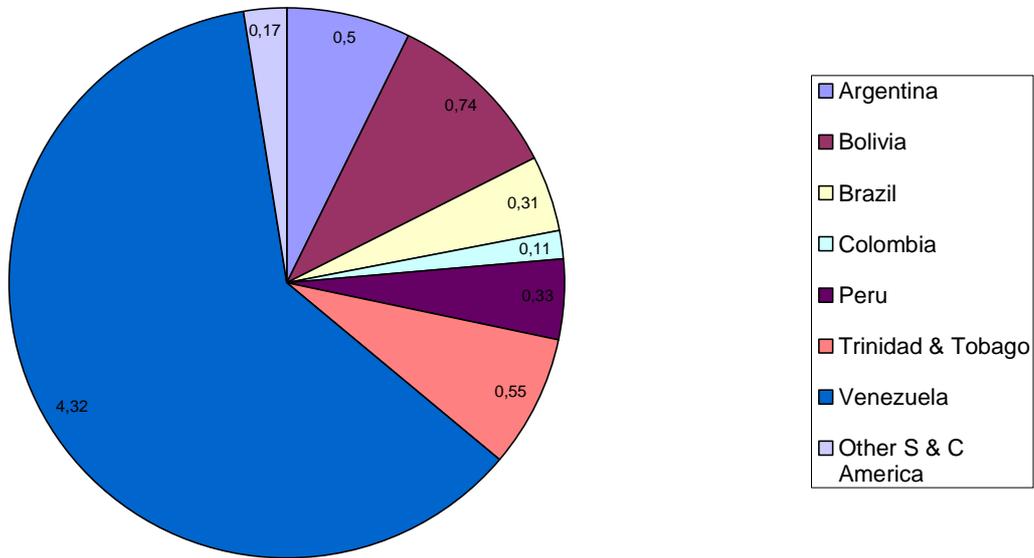
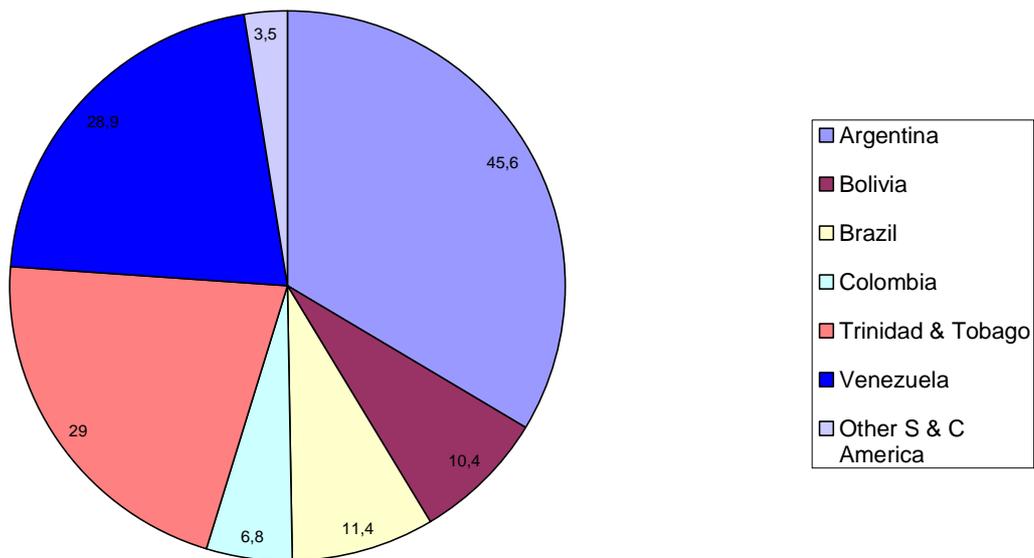


Figure 8

**Latin America's Gas Production at the end of 2005
(in billions of cubic metres)**



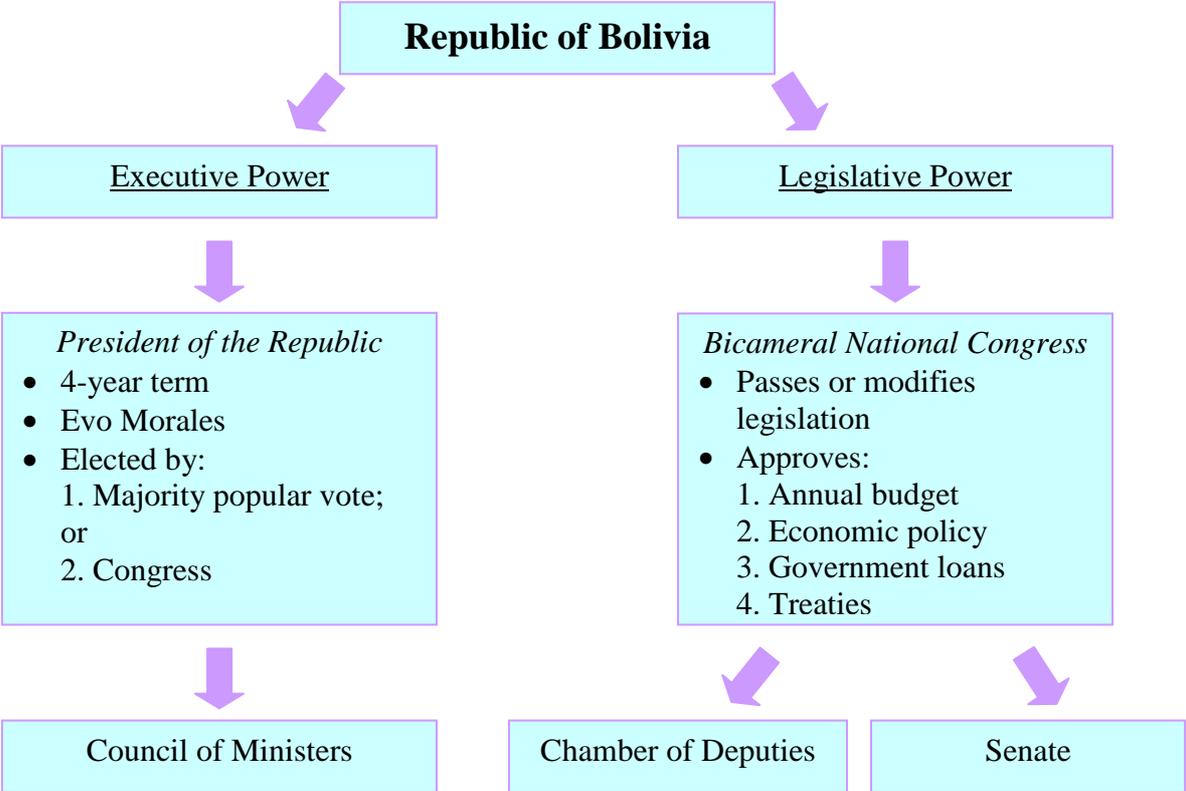
Source: BP Statistical Review of World Energy 2006, pp. 22 & 24.

Table 1 Self-identification by Bolivians with traditional or indigenous groups

Category	Cases	%
Not applicable	1444927	28.46
Quechua	1343467	26.47
Aymara	1221786	24.07
Guaraní	22357	0.44
Chiquitano	4382	0.09
Mojeño	4080	0.08
Other Natives	23399	0.46
No-one	1011853	19.93
Total	5076251	100.00

Source: INE: Instituto Nacional de Estadística – Bolivia, 2006.

Figure 9 Bolivian governmental organisation



Source: The Library of Congress, 2005, p. 9.

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APPENDICES

Appendix A: Full text of the ALBA as Signed between Cuba and Venezuela

Agreement between the President of the Bolivarian Republic of Venezuela and the President of the Council of State of the Republic of Cuba for the implementation of the Bolivarian Alternative for the Americas

December 14, 2004

For one party, President Hugo Chavez Frias, in the name of the Bolivarian Republic of Venezuela and, for the other, the President of the Council of State of the Republic of Cuba, Fidel Castro Ruz, in the name of the Republic of Cuba, meeting in Havana on December 14, 2004 on the occasion of the 180th anniversary of the glorious victory at Ayacucho and of the Convening of the Panama Amphyctionic Congress, have examined the possibility of extending and modifying the Comprehensive Cooperation Convention between Cuba and Venezuela signed on October 30, 2000. This being the aim, they have decided to sign this agreement on the tenth anniversary of the meeting between President Hugo Chavez and the Cuban people.

Article 1: The governments of Venezuela and Cuba have decided to take concrete steps towards the process of integration based on the principles contained in the Joint Declaration signed this day between the Bolivarian Republic of Venezuela and the Republic of Cuba.

Article 2: Given that the Bolivarian process has placed itself on a much firmer footing after the decisive victories in the revocatory referendum of 15 August 2004 and the regional elections of October 31, 2004 and since Cuba is in a position to guarantee its own sustainable development, cooperation between the Republic of Cuba and the Bolivarian Republic of Venezuela will be based from this date forward not only on principles of solidarity, which will always be present, but also, and to the highest possible degree, on the exchange of goods and services which best correspond to the social and economic necessities of both countries.

Article 3: Both countries will draw up a strategic plan to secure the most advantageous productive complementarity on the bases of rationality, using the comparative advantages that already exist in both countries, saving resources, expanding useful employment, promoting access to markets and other considerations based on true solidarity which adds force to the strengths of both countries.

Article 4: In areas of common interest and based on principles of mutual benefit, the two countries will exchange comprehensive technological packets developed by the parties, which will be made available for use and implementation.

Article 5: Both parties will work together and in coordination with other Latin American countries to eradicate illiteracy in third countries using

methods that can be applied on a large scale, are proven to be effective, to give swift results and have been successfully applied in the Bolivarian Republic of Venezuela. They will likewise cooperate on healthcare programs for third countries.

Article 6: Both parties agree to make investments in which they are both interested under the same conditions as those executed by domestic institutions. These investments can take the form of joint ventures, joint production agreements, joint management projects and any other forms of association that they decide to create.

Article 7: Both parties can agree to open subsidiaries of each country's state-owned banks in the national territory of the other country.

Article 8: In order to facilitate payments and encashment arising from trade and financial transactions between the two countries, it is agreed to sign a Reciprocal Credit Convention between the banking institutions assigned to this task by their respective governments.

Article 9: Both governments are open to the possibility of practicing compensated trade to the extent that this is mutually convenient as a way of expanding and increasing trade.

Article 10: Both governments will promote the development of joint cultural plans which take into account the specific characteristics of the various regions and the cultural identity of the two peoples.

Article 11: When this agreement was drawn up, account was taken of the political, social, economic and legal asymmetries between the two countries.

Cuba, over the course of more than four decades, has created mechanisms to withstand the blockade and continued economic aggression; this gives it great flexibility in its economic and trading relations with the rest of the world. Venezuela, for its part, is a member of international institutions Cuba does not belong to, all of which must be taken into consideration when applying the principle of reciprocity in any trade and financial agreements made between the two countries.

Article 12: As a result, Cuba proposed the adoption of a number of measures aimed at expanding the integration between the two countries and as an expression of the spirit of the joint declaration on the Bolivarian Alternative for the Americas signed on this day. Considering the solid arguments put forward by the Cuban party and their relevance as an example of the integration and economic union to which we aspire, this proposal was understood and accepted in a fraternal and friendly manner by the Venezuelan party as a constructive gesture which demonstrates the great reciprocal trust which exists between the two countries.

The measures proposed by the Cuban party are as follows:

1st: The Republic of Cuba will immediately remove tariffs or any kind of non tariff barrier on all goods made in the Bolivarian Republic of Venezuela

imported by Cuba.

2nd: All state investments, investments by Venezuelan joint ventures and even investments by private Venezuelan capital in Cuba shall be exempt from all taxes on profits during the period of recovery of the investment.

3rd: As part of the trade and cooperation relations existing between the two countries or between Cuba and other countries, Cuba grants the same treatment to ships sailing under the Venezuelan flag as it gives to ships sailing under the Cuban flag in all transactions carried out in Cuban ports and offers the opportunity to take part in cabotage services between Cuban ports under the same conditions as ships sailing under the Cuban flag.

4th Cuba offers Venezuela airlines the same treatment accorded to Cuban airlines in matters of transporting passengers and cargo to and from Cuba and offers the use of airport services, buildings and any other facilities. These terms also apply to the transportation of passengers and cargo in Cuban territory.

5th The price of oil exported by Venezuela to Cuba will be fixed on the basis of prices in the international market as per the provisions in the current Caracas Agreement that is in effect between the two countries. Nevertheless, considering the traditional volatility of oil prices which on occasions have made the price of Venezuelan oil fall below \$12 per barrel, Cuba offers Venezuela a guaranteed price of no less than \$27 per barrel, always respecting the commitments assumed by Venezuela in the Organisation of Petroleum Exporting Countries.

6th: Concerning investments by Venezuela state bodies in Cuba, the Cuban party shall remove any restrictions that might prevent such investments from being 100% owned by the Venezuelan state investor.

7th: Cuba offers 2,000 scholarships per year to young Venezuelans so they can pursue their post secondary education in any area that may be of interest to the Bolivarian Republic of Venezuela, including that of scientific research.

8th: Goods and services originating in Cuba imported into Venezuela can be paid for with Venezuelan products, in Venezuelan domestic currency or in any other mutually acceptable currency.

9th: With regard to sporting activities which are having such a boom in Venezuela as a result of the Bolivarian process, Cuba offers the use of its installations and teams for anti-doping control under the same conditions as those accorded to Cuban athletes.

10th: Cooperation in the educational sector will be expanded to offer assistance in those methods, programs and techniques used in the educational process which are of interest to Venezuela.

11th : Cuba places at the disposal of the Bolivarian University the support of more than 15,000 medical professionals involved in the =93Into the Neighbourhoods Mission=94 so that they may train as many general practitioners and healthcare specialists as Venezuela may require, including Venezuelans aspiring to university degrees in scientific subjects, and

support for as many students of the =93Sucre Mission=94 as wish to study medicine and then graduate as general practitioners; the combined total of these two groups could reach tens of thousands in a period of no more than ten years.

12th The comprehensive healthcare services offered by Cuba to the Venezuelan people treated under the =93Into the Neighbourhood Mission=94, and whose numbers total more than 15 million people, shall be offered under highly preferential economic terms and conditions, which must be mutually agreed upon.

13th: Cuba shall facilitate the advancement of multi-destination tourist products originating in Venezuela without imposing surcharges or other kinds of restrictions.

Article 13: The Bolivarian Republic of Venezuela, for its part, proposed the following measures which seek to achieve the same objectives as were set forth in Article 12 of this agreement.

1st: Transference of its own technology in the energy sector.

2nd: The Bolivarian Republic of Venezuela shall immediately remove any kind of tariff barrier on the importation into Venezuela of all goods originating in Cuba.

3rd: All state investments and investments by Cuban joint ventures in Venezuela shall be exempt from all taxes on profits during the period of recovery of the investment.

4th Venezuela offers the scholarships that Cuba may require for Cubans to study in the energy sector or in other sectors in which the Republic of Cuba may have an interest, including the areas of science and research.

5th Financing for productive and infrastructure projects: these may include, the energy sector, the electricity industry, asphaltting roads and other highway projects, development of ports, aqueducts and sewage systems, the agro- industrial and the service sectors.

6th: Fiscal incentives for projects of strategic importance to the economy.

7th: Preferential treatment for ships and aircraft flying the Cuban flag in Venezuelan territory, within the limits permitted by Venezuela=92s laws.

8th The promotion of multi-destination tourist products originating in Cuba without imposing surcharges or other kinds of restrictions.

9th Venezuela shall place at Cuba=92s disposal its air and maritime transportation infrastructure and equipment on a preferential basis in order to support the social and economic development plans of the Republic of Cuba.

10th Facilities so that joint ventures with Cuban capital can be set up to process raw materials, down river.

11th Collaboration with Cuba on bio-diversity research.

12th Cuba=92s involvement in the strengthening of endogenous bi-national groups.

13th Venezuela shall develop agreements with Cuba in the area of telecommunications, including those requiring the use of satellites.

Fidel Castro Ruz
President of the Council of State
of the Republic of Cuba

Hugo Chavas Frias
President of the Bolivarian Republic of Venezuela

Source: The Freedom Archives, 2004.

Appendix B: The People's Trade Agreement.

AGREEMENT FOR THE APPLICATION OF THE BOLIVARIAN ALTERNATIVE FOR THE PEOPLES OF OUR AMERICA AND THE PEOPLES' TRADE AGREEMENTS

Presidents Hugo Chávez Frías, on behalf of the Bolivarian Republic of Venezuela, Evo Morales Ayma, on behalf of the Republic of Bolivia and Fidel Castro Ruz, on behalf of the Republic of Cuba, meeting in Havana on April 28 and 29, 2006, have decided to sign the present Agreement for the creation of the Bolivarian Alternative for the Peoples of Our America (ALBA) and the Peoples' Trade Agreements of our three countries.

General Provisions

Article 1: The governments of the Bolivarian Republic of Venezuela, the Republic of Bolivia and the Republic of Cuba have decided to take concrete steps toward implementing the process of integration, based on the principles contained in the Joint Declaration, signed on the December 14, 2004, between the Bolivarian Republic of Venezuela and the Republic of Cuba, which are hereby accepted and embraced by the Government of Bolivia.

Article 2: The countries shall elaborate a strategic plan in order to guarantee complementary products that can be mutually beneficial based on the rational exploitation of the countries' existing assets, the preservation of resources, the expansion of employment, market access and other aspects inspired in the true solidarity fostered by our peoples.

Article 3: The countries shall exchange comprehensive technology packages developed in their respective nations by the parties, in areas of common interest, which shall be provided for their use and implementation, based on the principles of mutual benefit.

Article 4: The countries shall work together, in coordination with other Latin American countries, to eradicate illiteracy in these nations, using efficient, tried and tested methods of mass application, which have been successfully used in the Bolivarian Republic of Venezuela.

Article 5: The countries agree to make investments of mutual interest which could take the form of public, binational, mixed or cooperative companies, joint management projects or any other form of association that they decide to establish. Priority shall be given to the initiatives which strengthen the capacity for social inclusion, resource industrialization and food security, in a framework of respect and preservation of the environment.

Article 6: In the case of strategic binational or trinational companies, the parties shall do everything possible, the nature and cost of the investment permitting, to ensure that the host country hold at least 51% of the shares.

Article 7: The countries may agree to the opening of branches of state banks of one country in the national territory of another.

Article 8: In order to facilitate the payments and charges relating to the commercial and financial transactions between the countries, Reciprocal Credit Agreements shall be arranged between the banking institutions appointed by the governments to this effect.

Article 9: The governments may use commercial compensation mechanisms of goods and services, if and when this is mutually convenient for the extension and reinforcement of the commercial exchange.

Article 10: The governments shall promote the development of joint cultural projects which take into account the particular characteristics of the different regions and the cultural identity of the peoples.

Article 11: The governments shall reinforce cooperation in the field of communication, by taking any action necessary to strengthen their infrastructure capacities in respect of transmission, distribution, telecommunications, etc; and in respect of their informative, cultural and educational contents production capacities. In this regard, the governments shall continue to support the space devoted to integrationist communication created by Telesur, by increasing its distribution in our countries, as well as its contents production capacities.

Article 12: The governments of Venezuela and Cuba acknowledge the special needs of Bolivia as a country whose natural resources were exploited and plundered during the centuries of colonial and neo-colonial rule.

Article 13: The Parties shall exchange scientific and technical know-how with the aim of aiding the economic and social development of the three countries.

Article 14: Taking into account all of the above, the Government of the Republic of Cuba, the Government of the Bolivarian Republic of Venezuela and the Government of the Republic of Bolivia, have agreed upon the following actions:

Actions to be implemented by Cuba as part of its relations with Bolivia in the framework of the Bolivarian Alternative for the Peoples of Our America and the Peoples' Trade Agreements

FIRST: To create a non-profit Cuban-Bolivian entity which will provide free high quality ophthalmologic surgeries to all Bolivian citizens lacking the financial resources needed to cover the high cost of this service, thus preventing tens of thousands of poor Bolivians from losing their sight or serious and often crippling limitations to their sight each year.

SECOND: Cuba shall supply the most advanced technology equipment and the ophthalmologic specialists required in the initial stage who, with the support of young Bolivian doctors trained in the Latin American School of Medical Sciences (ELAM), working as doctors in residence, or other doctors and residents from Bolivia or other countries, shall offer attentive care to the Bolivian patients.

THIRD: Cuba shall pay the wages of the Cuban ophthalmologic specialists working in the framework of this action program.

FOURTH: Bolivia shall provide the facilities necessary to render this service, be they buildings already used to provide healthcare or others adapted to this purpose. Cuba shall increase the number of ophthalmologic centres donated from three, the number initially offered in the Bilateral Agreement signed on December 30 of last year, to six.

FIFTH: The six centres shall be located in La Paz, Cochabamba, Santa Cruz, Sucre, Potosí and the town of Copacabana in the La Paz region. Together they shall have the capacity to operate on at least 100 thousand people each year. This capacity may be increased should the need arise.

SIXTH: Cuba hereby reaffirms its offer to provide Bolivia with 5 thousand scholarships to train doctors and specialists in General Integral Medicine or other areas of Medical Science: 2 000 in the first quarter of 2006, who are now receiving basic training here in Cuba; 2 000 in the second semester of this year, and 1 000 in the first quarter of 2007. Over the subsequent years the established quota shall be replenished with new students. Included in these new scholarships are some of the 500 young Bolivians who are already studying Medicine in Schools of medical Science al over Cuba.

SEVENTH: Cuba shall prolong the stay of the 600 medical specialists who travelled to Bolivia as a result of the serious natural disaster which occurred in January of this year, affecting all the regions of the country, for as long as this sister nation deems necessary. Furthermore, it will donate 20 field hospitals equipped with surgical facilities, intensive care units, emergency services for patients suffering of cardiovascular accidents, laboratories and other medical resources, to be sent to the areas hardest hit by this disaster.

EIGHTH: Cuba shall continue to provide Bolivia with the experience, didactic material and technical resources necessary to implement the literacy program in four languages: Spanish, Aymara, Quechua and Guaraní, to be made available to all sectors of the population in need.

NINTH: With regards to the education sector, the exchange and collaboration plan shall be extended to offer help in the methods, programs and techniques of the educational process of interest to the Bolivian party.

TENTH: Cuba will share its energy-saving experiences with Bolivia and shall cooperate with this country on an energy-saving program that could yield significant convertible currency resources.

ELEVENTH: During the investment recovery period, any state investment, investments made by Bolivian mixed companies or even those made with Bolivian private capital in Cuba will be tax-exempt.

TWELFTH: Cuba shall grant Bolivian airlines the same facilities provided to their Cuban counterparts, with regard to passenger transportation, freight to and from Cuba and the use of airport services or any other facilities, as well as the internal transportation of passengers and freight within Cuba.

THIRTEEN: The exportation of goods and services from Cuba may be paid for with Bolivian products, in the national currency of Bolivia or in other currencies mutually agreed upon.

Actions to be implemented by Venezuela as part of its relations with Bolivia in the framework of the Bolivarian Alternative for the Peoples of Our America and the Trade Agreements between the Peoples

FIRST: Venezuela shall encourage extensive collaboration in the energy and mining sector, including: the institutional consolidation of the Ministry of Hydrocarbon and Energy and of the Ministry of Mining and Metallurgy of Bolivia, by way of technical and legal assistance; the increase in the supply of crude oil, refined products, LPG and asphalt, envisaged in the Energy Cooperation Agreement of Caracas, by the amount needed to satisfy the internal demand of Bolivia. Compensation mechanisms shall be established with Bolivian products so as to completely cancel all debts created by these services. Technical assistance for the Bolivian Fiscal Oilfields (YPFB) and COMIBOL shall also be established, as shall the development of projects to adapt and extend infrastructures as well as petrochemical, iron and steel and chemical and industrial projects, and any other form of cooperation agreed upon by the parties.

SECOND: During the investment recovery period, any state investment or investments made by Bolivian mixed companies in Venezuela shall be tax-exempt.

THIRD: Venezuela hereby reaffirms its offer to provide Bolivia with 5 000 scholarships in the different areas of interest for the productive and social development of the Republic of Bolivia.

FOURTH: Venezuela shall create a special fund of up to 100 million dollars for Bolivia to use to finance productive and associated infrastructure projects.

FIFTH: Venezuela will donate thirty million dollars to look after the social and productive necessities of the Bolivian people as decided by their Government.

SIXTH: Venezuela will donate asphalt and an asphalt mixing plant to contribute to road construction and maintenance.

SEVENTH: Venezuela will notably increase the imports of Bolivian products, especially those that contribute to the increase of its strategic foods reserves.

EIGHTH: Venezuela will provide fiscal incentives in her territory to projects of strategic interest to Bolivia.

NINTH: Venezuela will provide preferential facilities to Bolivian aircraft on Venezuelan territory within the permissible limits of her legislation.

TENTH: Venezuela will place at Bolivia's disposition the infrastructure and equipment for air and sea transportation in a preferential manner in order to support the economic and social development plans of the Republic of Bolivia.

ELEVENTH: Venezuela will provide facilities for Bolivian public or joint companies to establish themselves for the transformation of raw materials, down river.

TWELFTH: Venezuela will collaborate with Bolivia in research projects on biodiversity.

THIRTEENTH: Venezuela will support Bolivia's participation in the promotion of endogenous development nuclei, using the experience of Mision Vuelvan Caras.

FOURTEENTH: Venezuela will develop agreements with Bolivia in the field of telecommunications, which may include the use of satellites.

Actions to be developed by Bolivia in its relations with Cuba and Venezuela within the framework of ALBA and TCP

FIRST: Bolivia will contribute the export of her mining, agricultural, agro-industrial, livestock and industrial products as required by Cuba or Venezuela.

SECOND: Bolivia will contribute to the energy security of our nations with its available surplus production of hydrocarbons.

THIRD: Bolivia will not charge utility taxes on any state or mixed venture investments formed between Bolivia and the Venezuelan and Cuban States.

FOURTH: Bolivia will contribute its expertise in the study of native peoples, both in theory and in research methodology.

FIFTH: Bolivia will participate together with the governments of Venezuela and Cuba in the exchange of experiences in the study and recovery of ancestral knowledge in the field of natural medicine.

SIXTH: The government of Bolivia will actively participate in the exchange of experiences in the scientific research on natural resources and genetic agricultural and livestock patterns.

Actions to be jointly developed by Cuba and Venezuela in their relationship with Bolivia within the framework of ALBA and TCP

FIRST: The governments of the Bolivarian Republic of Venezuela and the Republic of Cuba will immediately proceed to remove tariffs and other non-tariff barriers that apply to all imports within the tariff universe of Cuba and Venezuela whenever they apply to products originating in the Republic of Bolivia.

SECOND: The governments of the Bolivarian Republic of Venezuela and the Republic of Cuba will guarantee the purchase of amounts of oil-based products and other agricultural and industrial products exported by Bolivia, that may not have a market as a result of the application of a Free Trade Treaty or Treaties initiated by the government of the United States or by European governments.

THIRD: The governments of Venezuela and Cuba offer financial, technical and human resource collaboration to Bolivia so that a genuine national Bolivian State airline may be established.

FOURTH: The governments of Venezuela and Cuba offer Bolivia their collaboration in the development of sports, including facilities for the organization and participation in sports competitions, and training centres in both nations. Cuba offers the use of her facilities and equipment for the control of anti-doping in the same conditions that are offered to Cuban athletes.

FIFTH: The governments of Cuba and Venezuela, in coordination with Bolivia, will promote actions needed to support the just Bolivian demand for the unconditional cancellation of her foreign debt, since it constitutes a serious obstacle to Bolivia's struggle against poverty and inequality.

New economic and social measures may be added to this present Agreement by the three signing Parties.

Bolivia, Venezuela and Cuba will struggle for the unity and integration of the peoples of Latin America and the Caribbean.

Bolivia, Venezuela and Cuba will struggle for peace and international cooperation.

Evo Morales Ayma
President of the Republic of Bolivia

Hugo Chávez Frías
President of the Bolivarian Republic of Venezuela

Fidel Castro Ruiz
President of the Council of State of the Republic of Cuba

Havana, April 29, 2006.

Source: Quixote Center, April 29, 2006, pp. 1-6.