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# The Bolivarian Alliance for the Americas: The Destabilizing Impact on Latin America

## Abstract

The Bolivarian Alliance for the Americas (ALBA) is an international cooperation organization based upon the idea of social, political, and economic integration between the countries of Latin American and the Caribbean. The ALBA Bloc was started by the Venezuelan President, Hugo Chavez, as an alternative to the proposed Free Trade Area of the Americas (FTAA), in 2004. Its main objective is to counter United States hegemony in Latin America. It started off as a trade agreement between Cuba and Venezuela and has grown to include the following members: Antigua and Barbuda, Bolivia, Dominica, Ecuador, Honduras, Nicaragua, and Saint Vincent and the Grenadines. The alliance seeks to create regional economic integration through mutual economic aid. ALBA is rooted in the belief that globalization cannot be left to the private sector, but must be overseen by the state in order to maximize the welfare of its citizens. The ALBA Bloc has led to Latin American economic integration that depends on Venezuela to fund its initiatives; this dependency destabilizes Latin America because Chavez politically influences the members of ALBA. The ALBA Bloc is important to examine because of its growth and influence in Latin America. The growth of the bloc has increased the tension between the US and the members of ALBA. The tension has been driven by Chavez, as he launched his anti-American crusade throughout the world. His efforts have the potential to upset the balance of power in the Western Hemisphere by creating a divide between "pro-US" and "anti-US" countries in Latin America.

## Document Type

Thesis

## Degree Name

M.S. in International Studies

## Department

International Studies

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St. John Fisher College

**The Bolivarian Alliance for the Americas:  
The Destabilizing Impact on Latin America**

A Master's Thesis submitted to

The Faculty of the Master of Science in International Studies Program

In Candidacy for the Degree of

Master of Science in International Studies

By

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January 2010

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## 1. Introduction

The Bolivarian Alliance for the Americas (ALBA) is an international cooperation organization based upon the idea of social, political, and economic integration between the countries of Latin American and the Caribbean. The ALBA Bloc was started by the Venezuelan President, Hugo Chavez, as an alternative to the proposed Free Trade Area of the Americas (FTAA), in 2004. Its main objective is to counter United States hegemony in Latin America. It started off as a trade agreement between Cuba and Venezuela and has grown to include the following members: Antigua and Barbuda, Bolivia, Dominica, Ecuador, Honduras, Nicaragua, and Saint Vincent and the Grenadines. The alliance seeks to create regional economic integration through mutual economic aid. ALBA is rooted in the belief that globalization cannot be left to the private sector, but must be overseen by the state in order to maximize the welfare of its citizens. The ALBA Bloc has led to Latin American economic integration that depends on Venezuela to fund its initiatives; this dependency destabilizes Latin America because Chavez politically influences the members of ALBA.

The ALBA Bloc is important to examine because of its growth and influence in Latin America. The growth of the bloc has increased the tension between the US and the members of ALBA. The tension has been driven by Chavez, as he launched his anti-American crusade throughout the world. His efforts have the potential to upset the balance of power in the Western Hemisphere by creating a divide between “pro-US” and “anti-US” countries in Latin America.

The supporters of ALBA argue that it has helped to foster development and integration of its members through fair trade and cooperation, rather than exploitation and competition. Arthur Shaw describes ALBA as an “astonishing success.”<sup>1</sup> Shaw views the growth of the Venezuela and Cuba alliance to include seven new member states as an extraordinary achievement.

Supporters of ALBA believe the organization led by Chavez is taking steps to combat the damaging effects of globalization. Kaitlin Baird explains that:

*“Latin American nations have significantly less developed industries compared to the US and because of this the only people who have benefited from these trade agreements are the wealthy government and corporate elites, leaving the majority of these countries’ populations to suffer in poverty.”<sup>2</sup>*

Supporters like Baird, view international organizations like the World Trade Organization (WTO), International Monetary Fund (IMF), and World Bank as a scheme impose neoliberal ideas and policies upon under-developed countries. They also view US-backed trade agreements such as FTAA, North American Free Trade Association (NAFTA), and Central American Free Trade Association (CAFTA) as a way to maintain US hegemony over the Western Hemisphere.

Those who oppose ALBA view the bloc as being anti-democratic. Former US Speaker of the House Newt Gingrich argues that ALBA is part of the undemocratic tide that is taking place in Latin America. Gingrich believes that ALBA’s reason for being is

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<sup>1</sup> Shaw, Arthur. “ALBA- An Extraordinary Achievement!” Axis of Logic, April 27, 2007. [http://www.axisoflogic.com/artman/publish/article\\_24427.shtml](http://www.axisoflogic.com/artman/publish/article_24427.shtml).

<sup>2</sup> Baird, Kaitlin. “The Bolivarian Alternative for the Americas, a Fair Trade Association,” September 24, 2009. <http://www.venezuelanalysis.com/analysis/4816>.

to create Latin American authoritarian governments on the model of Castro's Cuba. He explains that:

*"Although Chavez was democratically elected, he has subverted democracy in Venezuela to ensure rule will be uncontested for decades. And one by one, each of the members of ALBA have followed Chavez's lead and changed their constitutions to remove limits on the number of terms their presidents can serve."*<sup>3</sup>

This trend is restricting basic freedoms for the people in Latin America. In

Venezuela, Chavez has managed to wipe out political opposition by instilling fear and terrorizing potential "enemies."

Danielle de Bruin describes ALBA as a Socialist plan to undermine the US "disguised as an aid and development program."<sup>4</sup> de Bruin argues that ALBA member states do not understand the consequences of turning their back on the US and aligning with Chavez. These countries depend on foreign investment and tourism for their economic development, and a relationship with Chavez will hinder their progress.

Alejandro Bendaña, President of the Center for International Studies, Managua, Nicaragua, and former Nicaraguan Ambassador to the UN, views ALBA as a collaboration scheme. Bendaña is in general support of ALBA's initiatives and its anti-imperialist stance but, is concerned that ALBA's objective of reversing Latin America's dependency on the US is being replaced with a dependency on Venezuela. This dependency is evident by the Petrocaribe agreement, whereby the agreement cuts the

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<sup>3</sup> Gingrich, Newt. "An Undemocratic Tide in the Americas," The Examiner, September 25, 2009. <http://www.washingtonexaminer.com/opinion/columns/An-undemocratic-tide-in-the-Americas-8292299.html#atuid-4a81d9eb3aa33411>

<sup>4</sup> de Bruin, Danielle. "The Chavez ALBA Initiative is the Dawn of Trouble for the Americas" The Henry Jackson Society, June 13, 2008. <http://www.henryjacksonsociety.org/stories.asp?pageid=49&id=688>.

cost for Petrocaribe members, but it increases the dependency and consumption of oil. Bendaña argues that the money owed to Venezuela as a result of Petrocaribe agreements places Chavez in a position to use its members as instruments to gain social and political control.<sup>5</sup>

The ALBA Bloc has led to Latin American economic and social integration, at the same time causing political instability. The ALBA Bloc has led to economic integration, which will result in short-term fixes. The ALBA governments will enable their people to accept assistance, without seeking ways to improve upon their situations. The economies are more integrated, but without the benefit of financial growth. The ALBA Bloc appears to be dividing Latin America and the Caribbean, which is creating a hostile situation. The ALBA Bloc is also leading to a decline of democracy, which has created political instability.

## **2. The Origins and Ideology of ALBA**

In the early 1980s, the capitalist governments of the West were able to inflict their “free market” agenda on the Third World as a result of an economic crisis. In the late 1980s, over seventy-percent of the Third World was forced to accept IMF and World Bank structural adjustment programs requiring privatization, deregulation, and trade liberalization.<sup>6</sup> Throughout the 1990s these programs pushed Latin America further into debt and reduced the progress on social indicators for the vast majority of low- and

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<sup>5</sup> Bendaña, Alejandro. “*Nicaragua’s Illegitimate Debt to Venezuela?*” June 15, 2008. <http://alejandrobendana.blogspot.com/>

<sup>6</sup> Walden, Bello, *Deglobalization* (New York: Zed Press, 2005), 43.

middle- income countries. In the late 1990s, a number of advanced capitalist governments, led by the United States, sought to help their corporations gain greater access to Third World markets. They wanted to persuade the Third World governments to minimize their State regulations on foreign trade and investments.

The failure of neo-liberalism led Latin American countries to seek an alternative. The recent electoral victories for “leftist” parties in a number of Latin American countries, along with the arrival of socialist change mechanisms, can be attributed to the failure of neo-liberalism.

In 2001, a number of Latin American countries banded together to block the FTAA, under the leadership of Chavez. From this point, Chavez emerged as the voice of Latin American rejecting neo-liberalism and US hegemony. Not only is Chavez the voice, he also serves as the originator and leader of the regional alternative to neo-liberalism, the Bolivarian Alliance for the Americas (ALBA). ALBA serves as a viable regional alternative to “free trade,” by integrating Latin American member states both economically and politically.

ALBA was designed to serve as an alternative to the neo-liberal model. In Spanish, the word alba means “the dawn.” It is the name given to this bold plan for Latin American integration because it represents a new dawn of an era, an era that is based on Chavez’s aim for *Latin American Unity* and the promotion of a Regional Socialist Agenda.

The concept of *Latin American Unity* was pioneered by the 19th century independence leader Simón Bolívar, and succeeding Latin American leaders have

repeated his call to build a political and economic union. ALBA is named after Simon Bolivar because he symbolizes the independence movements against Spanish colonial power. Chavez's contemporary "Bolivarian Revolution" goals include: the defense of Latin American sovereignty, enabling equitable global development and empowering poor countries to face their primary enemy, poverty.<sup>7</sup> To meet these goals, Chavez argues it is necessary to create a multi-polar rather than a uni-polar system of world order. Under this system, power would not rest solely with the US; instead power would be shared amongst the world.

Chavez views the FTAA as an effort by the US to exploit the people of Latin America, like Spanish colonizers did throughout South American history. He is able to use his charisma to remind his Latin American neighbors of the similarities between the Spanish and US imperialism over the region. He urges the countries of Latin America and rivals of the Western powers to band together to liberate the region from American hegemony.

In recent years, growing support for regional integration has led to the development of smaller economic alliances such as Southern Common Market (MERCOSUR) and Caribbean Community (CARICOM). Venezuela's ALBA project, however, is comparable to the historical and enduring aspiration for progressive regional movements for economic, political and social integration.

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<sup>7</sup> Lendman, Stephan. *"Hugo Chavez's Socialist Democratic Agenda."* February 22, 2007. <http://www.venezuelanalysis.com/analysis/2238>

### 3. Cuba-Venezuela Bilateral Trade Agreement

ALBA was created by Chavez and Fidel Castro, the Communist leader of Cuba. The two member states signed the *Cuban-Venezuelan Agreement* on December 14, 2004. This agreement called for the exchange of medical resources and petroleum between both nations. Venezuela exports about 96,000 barrels of subsidized oil a day to Cuba. In exchange Cuba has sent 20,000 state-employed medical staff and thousands of teachers to Venezuela's poorest states.<sup>8</sup>

The final declaration for the application of the Bolivarian Alternative for the Americas (ALBA) was held on April 27 and 28, 2005. During this meeting both Chavez and Castro signed a joint declaration, which laid out the following principles and cardinal bases for ALBA:

- *“Trade and investment should not be ends in themselves, but instruments to achieve just and sustainable development.*
- *Special and differential treatment, that takes in to account the level of development of the diverse countries and the dimension of their economies.*
- *Economic complementarity and cooperation between the participant countries and not the competition between countries and productions.*
- *Cooperation and solidarity that is expressed in special plans for the least developed countries in the region.” Including a Continental Literacy Plan; a Latin American plan for free health treatment for those in need and a scholarship plan in areas of largest interest for the “economic and social development.*
- *The creation of a Social Emergency Fund*
- *Integrated development in communications and transportation between the Latin American and Caribbean countries” including plans for highways, trains, shipping and airlines, telecommunications and others*
- *Actions to sponsor sustainable development through norms that protect the environment.*
- *Energy integration between the countries of the region, in order to insure the supply of stable energy products to the benefit of the Latin American and Caribbean societies. Including Venezuela’s proposal of the creation of Petroamerica.*

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<sup>8</sup> <http://www.mltoday.com/Pages/NLiberation/Cuba-VenezPact.html/initial> Cuba-Venezuela TCP

- *Promotion of investment of Latin American capital in Latin America and the Caribbean itself, with the objective of reducing the dependency of the countries of the region on foreign investment." In order to do so, the creation, among others of the Latin American Investment Fund, the Development Bank of the South, and the Society of Latin American Reciprocal Guarantees.*
- *Defense of Latin American and Caribbean culture and the identity of the people of the region, with particular respect and promotion of the autonomous and indigenous cultures. Including the creation of TELESUR.*
- *Measure for the norms of intellectual property, while protecting the heritage of the Latin American and Caribbean countries from the veracity of the transnational corporations.*
- *Coordination of positions of the multilateral sphere and in the processes of all negotiations with countries and blocks from other regions, including the struggle for democratization and transparency in international organisms, particularly in the United Nations."*<sup>9</sup>

#### 4. ALBA Member States

Within five years ALBA grew from two to nine member states. The members include: Venezuela, Cuba, Bolivia, Nicaragua, Honduras, Dominica, Ecuador, Antigua and Barbuda, and Saint Vincent and the Grenadines. All of these countries have been weakened by capitalism. The explicit aim of ALBA is to promote the "social" side of development, by eliminating poverty, and fight social injustice.<sup>10</sup> This is a cooperative not competitive organization. ALBA's strength lies in its ability to develop projects that alleviate and overcome challenges such as poverty and illiteracy.

The first member to join Venezuela and Cuba was Bolivia. Bolivia joined ALBA on April 29, 2006. President Evo Morales is a part of the "Movement toward Socialism" (MAS) political party, whose principles have become essential in the

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<sup>9</sup> "Final declaration From the First Cuba-Venezuela Meeting for the application of the Bolivarian Alternative for the Americas (ALBA), signed by Hugo Chávez Frías, president of the Bolivarian Republic of Venezuela, and President Fidel Castro Ruz, president of the Council of State and Ministers," April 27 and 28, 2005. <http://www.bolivariancentre.com/leftframe/cubavenezuela.htm>

<sup>10</sup> Ibid, 6.

construction of ALBA. Like Chavez, Morales seeks to decrease the US economic hegemony in his country through Latin American economic cooperation and integration. On May 12, 2006, he declared the nationalization of all hydrocarbon resources in Bolivia. This is similar to Chavez's government takeover of the oil industry in Venezuela.

During the first meeting between Bolivia and Venezuela the leaders signed eight agreements of bilateral cooperation. These agreements included: cooperation in energy, agriculture and rural development, higher education, social development, sports and educational areas, technical enhancements in health and medicine.

Bolivia is one of the poorest and least developed countries in Latin America. With the lack of foreign investment in the mining and hydrocarbon sectors, and the suspension of trade benefits with the US, Bolivia's economy has been challenged in recent years. The tension between the US and Bolivia are a direct result of the election of leftist leader Morales, and Bolivia's membership in ALBA.

President Daniel Ortega of Nicaragua joined ALBA on February 23, 2007. Venezuela agreed to forgive Nicaragua's US\$31 million debt as a result. Nicaragua, one of Latin America's poorest countries, faces low per capita income, massive unemployment, huge external debt, the second lowest per capita income in the Western Hemisphere, and the distribution of income is one of the most unequal on the globe.<sup>11</sup>

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<sup>11</sup> CIA Factbook, "Nicaragua Economy," 2009.  
[http://www.classbrain.com/art\\_cr/publish/nicaragua\\_economy.shtml](http://www.classbrain.com/art_cr/publish/nicaragua_economy.shtml)

President Rafael Correa of Ecuador joined ALBA in June 24, 2009. Correa states the reason he joined was “so that our voices can be heard at international forums saying that we are determined to change the current unjust international order.”<sup>12</sup> The economy of Ecuador is largely dependent on its petroleum resources. In 2006, the government imposed a windfall revenue tax on foreign oil companies, which led to the suspension of free trade negotiations with the US. This has generated economic uncertainty causing private investment to decrease and economic growth to slow down.

On January 22, 2008, Dominica joined ALBA. Dominica was the first Caribbean Island and CARICOM member to join the bloc. Dominica’s economy is highly dependent on banana and other agricultural production. Its economy is unstable due to weather conditions and external events affecting commodity prices.

Honduras joined ALBA on October 9, 2008. President Zelaya joined ALBA because he believed the trade bloc would solve problems caused by capitalism. Chavez promised better trading conditions for the coffee-producing nation under the new agreement. In a speech to 50,000 people in Tegucigalpa he told the people:

*“You, the Honduran producers and businessmen, should get ready because Honduras’ trade will increase under ALBA, I assure you that it will rise with the ALBA countries.”<sup>13</sup>*

On June 24, 2009, both CARICOM members, Saint Vincent and the Grenadines and Antigua and Barbuda joined ALBA. Both countries have extremely high unemployment rates. Tourism dominates their economies, accounting for more than

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<sup>12</sup> “Correa Highlights Importance of Ecuador Joining ALBA/Mtg. in Carabobo, VEN.”

[http://www.democraticunderground.com/discuss/duboard.php?az=view\\_all&address=405x16513](http://www.democraticunderground.com/discuss/duboard.php?az=view_all&address=405x16513)

<sup>13</sup> “Honduras joins Venezuela-led ALBA,” August 26, 2009. [www.presst.ir/detail.aspx](http://www.presst.ir/detail.aspx)

half of the GDP. Weak tourist arrival numbers since early 2000 have slowed down their economies.

The member states of ALBA share similar characteristics. The first similarity is they are poverty stricken countries. Most members depend on one export to keep their economy afloat. With this dependency they often rely on the US to aid their weak financial institutions. They also believe that US hegemony in the region has hindered their economic progress and stability. Based on the similarities of the member states, the appeal of ALBA is clearly understood. ALBA assures an alternative to US trade and assistance. The bloc also provides its members with aid to alleviate the social conditions that plague Latin America such as: poverty, illiteracy, and corruption.

### ALBA MEMBER STATES

Common name	Date joined	Population	Population below poverty line	Unemployment Rate	Inflation Rate	Main Export
Venezuela	14 December 2004	28,199,825	37.9%	7.4%	30.4%	petroleum
Saint Vincent and the Grenadines	24 June 2009	120,000	NA%	15%	6.1%	bananas
Nicaragua	23 February 2007	5,891,199	48%	5.6%	19.8%	coffee
Honduras	9 October 2008	7,483,763	50.7%	3.5%	11.4%	bananas
Ecuador	24 June 2009	14,573,101	38.3%	7.3%	8.3%	bananas
Dominica	20 January 2008	72,660	30%	23%	2.7%	bananas
Cuba	14 December 2004	11,451,652	NA%	1.6%	3.4%	Medical products
Bolivia	29 April 2006	9,119,152	60%	7.5%	14%	soybeans
Antigua and Barbuda	24 June 2009	85,632	NA%	11%	1.5%	petroleum products
<b>ALBA Total Members= 9</b>	-	<b>73,453,238</b>	<b>Source: CIA World Factbook- <a href="https://www.cia.gov/index.html">https://www.cia.gov/index.html</a></b>			

## 5. Economic and Social Integration Programs

The member states are involved in meeting the objectives of ALBA. There are three councils that oversee its operations. The first two councils are the presidential and ministerial councils, and the third is made up of social movements. The four main institutions organized under ALBA include: Petroamerica, the Bank of ALBA, the ALBA Peoples' Trade Agreement and the ALBA Cultural and Sports Initiatives. These projects are in various stages of development.

Petroamerica is an OPEC-style enterprise that is comprised of oil agreements that include: Petrosur, Petrocaribe, and Petroandina. Petroamerica is a mechanism for member states to finance their oil purchases on a long-term, low-interest basis, of which a portion can be repaid with goods and services.<sup>14</sup> ALBA seeks to replace multinational companies with state oil companies from Venezuela (PDVSA) and Bolivia (YPFB). An example of this agreement in action is the trade between Dominica and Venezuela. Venezuela supplies oil to Dominica at a discounted price in exchange for bananas or sugar. Within the oil agreement is a project that sees twenty-five percent of every oil receipt accumulate in the ALBA fund. The fund is designed to assist member states to improve public schools, healthcare, and other social services.<sup>15</sup>

Petrocaribe is an oil trading agreement between Venezuela and other Caribbean nations. Petrocaribe's members include Antigua and Barbuda, the Bahamas, Belize, Cuba, Dominica, the Dominican Republic, Grenada, Guyana, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Suriname, Saint Lucia, Saint Kitts and Nevis, and Saint Vincent and the Grenadines. Under the general terms of the agreement, Venezuela supplies oil to member countries at low prices. Venezuela agrees to guarantee one-hundred percent of its fourteen members' energy requirements, at market price, with forty to fifty-percent payable within ninety days and the remainder at an average of twenty five years with two-percent interest.<sup>16</sup>

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<sup>14</sup> Ahmed, Faiz, "*The Coup in Honduras, ALBA, and the English-Speaking Caribbean.*" A Project of the Monthly Review Foundation. August 13, 2009. <http://www.monthlyreview.org.mrzine/ahmed13.html>

<sup>15</sup> Ibid.

<sup>16</sup>Bendaña, Alejandro. "*Nicaragua's Illegitimate Debt to Venezuela?*" June 15, 2008.

Petroamerica initiatives have suffered as a result of a decrease in production. The decline of oil production can be attributed to the lack of PDVSA investment and rising oil consumption at home.<sup>17</sup> Venezuela has not been able to keep up with current quotas. Member countries of Petrocaribe are only receiving around 86,000 barrels per day, significantly less than their quota of 125,000 barrels per day.<sup>18</sup>

Another program funded by the bloc is the Bank of ALBA also known as the Bank of the South (2008). The Bank of ALBA is designed to counter the World Bank and the IMF. Chavez has campaigned against these large financial institutions that are influenced by the US. He was able to pay off all of Venezuela's debt to the World Bank and the IMF and hopes other Latin American countries will do the same.<sup>19</sup> It is his belief that these institutions are intended to keep the US and Europe in power, by exploiting the Third World. The Bank of ALBA provides member states access to capital to pursue social development projects. At one point the Bank had more than \$1 billion in capital to loan to its member states.<sup>20</sup>

The Bank of the South's first project is a food-distribution company. The goal of the company is to efficiently distribute food and create a regional food-production fund to be allocated to ALBA member states, assisting them with domestic agricultural initiatives. Both projects have helped to generate regional food security.

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<http://alejandrobendana.blogspot.com/2008/06/albapetrocaribevenezuelanicaraguadebt.html>

<sup>17</sup> "A Storm Brewing," *The Economist*, 5 April 2008.

<sup>18</sup> *Ibid.*

<sup>19</sup> Kozloff, Nikolas. *Revolution! South America and the Rise of the New Left*. Palgrave Macmillan, 2008.

<sup>20</sup> Janicke, K. "Summit of the Bolivarian Alternative (ALBA) Concludes in Venezuela, 2008." [Venezuelanalysis.com](http://Venezuelanalysis.com)

Due to the economic crisis, the Bank of the South has stalled because of a decrease in funding by its members. Chavez said that the “Banco del Sur will remain ‘on ice’ for the moment.”<sup>21</sup> This is a major problem for ALBA because their objective states: “a reduction on dependency of the countries of the region on foreign investment. In order to do so, the creation...the Bank of the South...”<sup>22</sup> The freeze on the Bank of the South threatens the credibility of the institution.

In connection with the Bank of ALBA, a virtual currency was approved by the ALBA members on October 17, 2009. The SUCRE (Unified System for Regional Compensation) is for the ALBA member states. It is intended to be used as virtual currency by early 2010, and eventually used as hard currency.<sup>23</sup> This measure will assist the economic integration of the member states. It is designed to remove the use of the US dollar in Latin America.

The value of the SUCRE will be based on a basket of currencies from the member countries, weighted according to the relative size of their economy. This serves as a problem since the majority of the ALBA countries are deep into debt and experiencing high inflation rates. Another problem is that the CARICOM members, Dominica, Saint Vincent and the Grenadines and Antigua and Barbuda use the East Caribbean dollar.

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<sup>21</sup> Barbel, Marion. *World Markets Research Centre*, November 27, 2008.

<sup>22</sup> “Final declaration From the First Cuba-Venezuela Meeting for the application of the Bolivarian Alternative for the Americas (ALBA), signed by Hugo Chávez Frías, president of the Bolivarian Republic of Venezuela, and President Fidel Castro Ruz, president of the Council of State and Ministers,” April 27 and 28, 2005. <http://www.bolivariancentre.com/leftframe/cubavenezuela.htm>

<sup>23</sup> Venezuelanalysis, “ALBA Summit Ratifies Regional Currency, Prepares for Trinidad,” April 17, 2009. <http://www.venezuelanaysis.com/new/4373>.

The SUCRE will interfere with CARICOM's monetary system if their members choose to use ALBA's currency.

Another economic program is ALBA Peoples' Trade Agreement (ALBA-TCP) which was proposed by Bolivia's President, Morales. The purpose is to promote fair trade and integration based on unity among the member states. The ALBA-TCP is designed to counter free trade agreements promoted by the US.

The ALBA-TCP poses a problem for CARICOM members that belong to ALBA. The main purpose of CARICOM is to promote economic integration through regional trade. When Chavez expanded ALBA to include Caribbean members from Antigua and Barbuda, Dominica, and St. Vincent and the Grenadines, many Caribbean leaders grew uncomfortable. Leaders from Jamaica, Guyana, and Grenada have vocalized their concerns over ALBA's growing influence in the Caribbean. They share a common fear that ALBA will hurt CARICOM's power in the region. The leaders also question Chavez's motives in the region. Jamaican Prime Minister Bruce Golding says that ALBA threatens the strength of CARICOM. Golding states that:

*"I believe that the membership of ALBA which now engages three CARICOM countries is going to have a destabilizing effect on CARICOM."*<sup>24</sup>

Golding views Chavez as an outsider trying to undo CARICOM's progress to integrate the islands.

Evidence suggests that Chavez is using Caribbean members for his own agenda. Proof of this is Dominica's acknowledgement of Venezuela's claim to Bird Island.

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<sup>24</sup> Richards, Peter. *"Undesired Consequences: Golding says CARICOM Under Threat,"* June 10, 2009. [www.cananew.net](http://www.cananew.net).

Chavez seeks to turn Bird Island, which is six-hundred miles off its coast, into a naval base. This is a claim that Caribbean states have denied for decades. With CARICOM's growing support of Dominica in its claim for the island, Chavez has poured more money into the country. In 2009, Chavez pledged over EC \$29.4 million to a "housing revolution" in Dominica, with funds used to build homes in the Caribbean Territory.<sup>25</sup> With the increase in resources imported from Venezuela, Prime Minister Skerrit has not fought Chavez on his claim.

One of ALBA's first social integration programs was *Operation Miracle*. This program has restored eyesight for almost 500,000 in Latin America and the Caribbean. This program aims to provide free eye operations, plus transportation and accommodation, to 600,000 citizens of Latin America and the Caribbean each year.<sup>26</sup> More than 1.5 million people from thirty-five countries, including Cuba, have benefited from *Operation Miracle*.<sup>27</sup>

Another success is Cuba's "Yes, I Can" program which has helped to wipe out illiteracy in Bolivia, Venezuela, and Nicaragua. This program utilizes reading and writing strategies that decrease the achievement gap between the wealthy and the poor citizens. ALBA hopes to implement this program throughout Latin America.

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<sup>25</sup> Richard, Jason, "President Chavez and Prime Minister Skerrit: The relationship that keeps giving?" October 24, 2009. <http://www.thedominican.net/2009/10/president-chavez-and-prime-minister.html>

<sup>26</sup> Azzi, Diego and Harris, David. "ALBA: Venezuela's Answer to "Free Trade": The Bolivarian Alternative for the America,". The Occasional Paper Series, 2006. Focus on the Global South. Page 3.

<sup>27</sup> Penalver, Juan Diego Nusa. "Operation Miracle Advances around the World," March 13, 2009. <http://embacu.cubaminrex.cu/Default.aspx?tabid=11188>

As a result of lowering oil prices and the current economic crisis ALBA is having problems financing many of its initiatives. Many of the projects were established during Venezuela's oil boom of 2008, when oil peaked at \$150 per barrel. The current cost of oil is \$78 per barrel.<sup>28</sup> Because ALBA is almost solely financed by Chavez's subsidized oil exports, the survival of ALBA has now rested on Venezuela alone through the economic crisis.<sup>29</sup>

A major economic problem is that ALBA has created unhealthy dependence on low-cost oil and welfare handouts from Chavez. The high oil prices in 2007-2008 put Chavez in the position to pour money into ALBA's member states; as a result these countries became dependent on Venezuela to help cure their economic despair (refer to the chart below). With the current global economic crisis, the decrease in oil demand; Venezuela is no longer in the position to lend a hand to the ALBA dependent countries.

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<sup>28</sup> Published: Wednesday, November 04, 2009

Bylined to: "*Reuters* Venezuela wants minimum oil price of \$80 per barrel for 2010 "  
<http://www.vheadline.com/readnews.asp?id=85756>

<sup>29</sup> Neary, Jodie. "Venezuela's ALBA in the Face of the Global Economic Crisis. *Covering Activism and Politics in the Latin American World.*" <http://upsidedownworld.org/main/content/view/1642/35/>

**ALBA Funds**  
**Venezuelan funds destined to the countries of the ALBA (2008)**  
**(In millions of US \$)**

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

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

The Venezuelan economy is in poor condition. The inflation rate is currently 30.4 percent, one of the highest inflation rates in the world.<sup>30</sup> Chavez has announced major spending cuts, a sales-tax hike, and an increase in domestic debt from \$5.6 billion to \$16 billion.<sup>31</sup> ALBA members such as Nicaragua and Bolivia will not be able to rely on large aid packages from Venezuela because of their crumbling economy.

## **6. Cultural and Political Integration Programs and Democracy**

One of ALBA's objectives is to strengthen Latin American integration through programs that emphasize the region's culture. The ALBA Cultural and Sports Initiatives consist of programs that have been developed to meet this objective. ALBA

<sup>30</sup> "Venezuela Inflation Rate," October, 2009. <http://www.tradingeconomics.com/Economics/Inflation-CPI.aspx?symbol=VEB>

<sup>31</sup> Daremblum, Jaime, "Bailing Out Nicaragua," Hudson Institute, April 3, 2009. [www.hudson.org](http://www.hudson.org).

Cultural and Sports Initiatives are aimed at developing independent media outlets and increasing cultural exchange through sports. The most developed of these initiatives is the ALBA games project, which has been held on a biannual basis since 2005 and is meant to facilitate competition and training.

The Cultural Initiatives includes “ALBA Houses.” The ALBA Houses are used as stations to disseminate information to the masses especially the indigenous groups in the area. This information is used to meet ALBA’s main political objective, which is to help elect leftist anti-US leaders. This objective has resulted in their intervention in Latin American elections. They have intervened in elections by building ALBA Houses throughout Latin America.

The reason ALBA seeks to interfere in the political affairs of their neighbors is to attempt to gain alliances within the region. The purpose of the houses is to create “potential parallel government-like structures that could be used to destabilize democratic mechanisms and construct new hierarchic and autocratic political regimes.”<sup>32</sup> They were used to help return authoritarian leader Daniel Ortega to power in Nicaragua in 2006. Currently Peru’s government is investigating the organization and financing of the ALBA Houses because the Peruvian Congress believes that they are being used to tamper and sabotage the government.

TeleSUR, a Latin American television network, is also a part of the ALBA’s cultural initiatives. The purpose of TeleSUR is to develop independent media outlets

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<sup>32</sup> Excalante, Enrique Edwar, Roberts, James M. *“Fighting for Freedom in Rural Peru: ALBA Houses Threaten Democracy.”* Published by The Heritage Foundation, August 18, 2008.

run by the State. The network has been up and running since October 2005. It is financed by Venezuela, Argentina, Cuba, Bolivia, Ecuador, Nicaragua and Uruguay. Its main objective is to strengthen the “21<sup>st</sup> Century Bolivarian Revolution” through the entire continent.

Chavez believes in order to spread his revolution the State must restrict and control the media. Chavez has clamped down on the media in Venezuela in an effort to silence his critics. He recently closed down thirty-two radio stations and two television broadcasters because they criticized the government’s policies. Chavez has also proposed a law to punish “media crimes.” This legislation supports a prison sentence for people who “use” the media to create opposition against the government.

Chavez’s goal can be described as a three-point strategy: to control the flow of information, stop critical reports and disseminate pro-government propaganda.<sup>33</sup> Chavez’s strategy is worrisome because of his influence over ALBA leaders in the region. Evidence of his influence is President Correa’s decision to close radio stations in Ecuador for a technical infraction just days after Chavez shut down Venezuelan radio stations. Placing restrictions on the media ignores one of the main principles of democracy, freedom of the press.

The increased violations committed against the basic principles of democracy, reveal that ALBA leaders are more concerned with indefinite rule than the welfare of its citizens. The members are replacing their once democratic governments with “Chavez

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<sup>33</sup> Castillo, Mariano. “U.S. Report: Chavez Moving to Silence the Media Critics.” Cnn.com August 18, 2009.

style” authoritarian leadership. Brazilian Senator, Tasso Jereissati, calls Chavez’s rule “almost dictatorial.”<sup>34</sup> He also argues that Venezuela is being overwhelmed by:

*“a forceful dismantling process of democratic freedoms with the purpose of perpetuating the president in office, militarization of the country, promotion of a political/ideological regional expansionist project with constant provocative intervention in internal affairs of other countries...Chavez’s Venezuela is an instrument of division and disintegration for South America.”<sup>35</sup>*

Jereissati along with leaders from Paraguay, Argentina, and Uruguay view Chavez and his “expansionist project” as detrimental to Latin American integration and the survival of democracy in the region.

This argument is also supported by the current trend of Latin American leaders holding referendum votes that would allow the leader to serve additional terms in office beyond the constitutional limits. If the leaders do not win the vote, they then install measures to ensure an outcome that is more favorable. These measures include: restrictions on the media, silencing the opposition, and intimidation.

On February 16, 2009, Chavez won a constitutional referendum that would allow him to run for a third six year term in 2012. The elimination of term limits in Venezuela has established a movement that will carry Latin America back to its authoritarian past.

In Ecuador, President Correa won a constitutional referendum in 2006 that will allow him to govern until 2017. Ecuador’s new constitution allows him to run for a four-year term in a special election in 2009, and then in 2013.

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<sup>34</sup> “Venezuela’s Chances in MERCOSUR Dim After Chavez Called Quasi-Dictator in Brazil Senate,” October 1, 2009. [www.brazzilmag.com/content/view](http://www.brazzilmag.com/content/view)

<sup>35</sup> Ibid.

Bolivia held an election similar to Ecuador's. On January 25, 2009, Bolivian President Morales' referendum was ratified by sixty-percent of the voters. The referendum will call for a new constitution that will allow Morales to run for reelection after his term limit. The constitution also grants him tighter control over the economy.

Nicaraguan President Ortega's political path was cleared, when the country's Supreme Court ruled to lift a constitutional ban on reelection. Ortega can now run for another term in 2011.

Prime Minister Ralph Gonsalves of St. Vincent and the Grenadines is also seeking to reform the constitution. On November 25, 2009 the referendum was conducted. The electorate voted 55.64 percent to 43.13 percent not to change the constitution.<sup>36</sup> Gonsalves wants to remove the British Monarchy and the Privy Council because he wants to eliminate all traces of the countries' colonial roots. The proposed constitution stated that the President will be elected by the National Assembly instead of the people of St. Vincent and the Grenadines. Gonsalves plans on conducting another referendum vote within the next year.

ALBA Bloc member, Honduras is currently experiencing political upheaval due to the overthrow of President Zelaya. Like Chavez, Zelaya hoped to win a referendum for unlimited term limits. Zelaya was unable to hold the vote because the Supreme Court declared the referendum unconstitutional. Zelaya decided to ignore the ruling.

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<sup>36</sup> "Constitutional referendum rejected in St Vincent," November 27, 2009.  
[http://www.caribbeannetnews.com/stvincent/stvincent.php?news\\_id=20106&start=0&category\\_id=15](http://www.caribbeannetnews.com/stvincent/stvincent.php?news_id=20106&start=0&category_id=15)

His opponents arrested and ordered him to depart Honduras. The interim government is accusing Zelaya of using constitutional referendum to extend his rule like Chavez.

The Honduran Crisis is a direct result of Chavez's ALBA backing of Zelaya's political ambitions. As the likelihood of a constitutional confrontation grew in Honduras, Zelaya received abundant support from the bloc. According to Ray Walser:

*"Following Zelaya's, June 28, 2009 expulsion, ALBA worked overtime to make him the poster child for the "new democracy" in Latin America, portraying him as a humble reformer standing up against corrupt elites, outdated institution, and the evil military of Honduras. The truth, however, is that Zelaya has become a stalking horse for those advocating populist, polarizing agendas aimed at splitting Honduras politically and promoting a violent confrontation between the haves and the have-nots, between pro-and anti-Chavez forces."*<sup>37</sup>

The proposed actions of Zelaya to abolish the 22<sup>nd</sup> Amendment of Honduras constitution, ending term limits, was ruled both illegal and unconstitutional by Honduran Congress, Supreme Court, the Attorney General, and his own political party. Zelaya's act of defiance against the Honduran democratic institutions was supported by ALBA. This support started with Chavez distributing the illegal ballots that were going to be used for the referendum vote.

To make matters worse, ALBA members issued a joint statement regarding the Honduran crisis which stated that:

*"no member country will allow any representative of the de facto government to enter their country, and again demanded the restitution of President Manuel Zelaya."*<sup>38</sup>

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<sup>37</sup> Walser, Ray. "Crisis in Honduras: A Diplomatic Balancing Act for the United States." July 7, 2009. <http://www.heritage.org/research/latinamerica/wm2527.cfm>

<sup>38</sup> Pearson, Tamara. "Seventh ALBA Summit Prioritizes the Planet and Developing Nations." October 19th 2009, <http://www.venezuelanalysis.com/news/4874>

Chavez has also threatened to shut off vital oil sales to Honduras. This threat was followed by ALBA member states threatening to cut off trade with Honduras. Latin American leaders Ortega and Correa joined Chavez in threatening military action against the interim government. This threat was followed by the Venezuelan military being put on standby.

The number one political goal of ALBA:

*“...is to promote the principles of solidarity, cooperation, complementarity, mutual respect for the sovereignty of our countries, justice, equality, respect for cultural diversity and harmony with nature, and plays a key role in the revolutionary and progressive process in the world becoming an alliance that promotes solidarity among the countries of the South.”<sup>39</sup>*

By supporting Zelaya and other anti-democratic practices in Latin America such as: leaders’ attempts for unlimited term limits, restrictions over the media, ignoring the popular sovereignty of the people, ALBA is violating its own political principles. This violation not only weakens the credibility of the bloc, it also creates political instability. The instability is caused by the organized and popular support of anti-democratic and pro-authoritarian practices.

## **7. ALBA Raises Security Concerns**

The proposal for a Joint ALBA Military Force is raising security concerns.

Chavez suggested a *National Security Council of ALBA*, and this plan was supported by

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<sup>39</sup> *“Official Declaration: VII SUMMIT OF HEADS OF STATE AND GOVERNMENT OF THE BOLIVARIAN ALLIANCE FOR THE PEOPLES OF OUR AMERICA-PEOPLES’ TRADE TREATY (ALBA – TCP)”* Issued by the Heads of State and Government of the ALBA-TCP member countries. Translated by the Permanent Mission of Bolivia to the UN, October 19, 2009.

member states Bolivia, Ecuador, and Cuba. Morales suggested the creation of a “military school in the dignity and sovereignty of ALBA for the development of a new military doctrine.”<sup>40</sup> CARICOM countries that are ALBA members will not be a part of this initiative because of their membership in the Regional Security System (RSS) of the Eastern Caribbean.

This proposal is a result of the Honduran political crisis. Chavez explains why he supports Morales suggestion:

*“We cannot sit back because there is a latent threat there and it is the most prevalent in Honduras, I think we should take this proposal to create a military organization of the ALBA countries.... We should even increase the work of all that is training and joint training. We should cover land, air, and sea...I do not know what will happen in Honduras but people have the right to resistance even armed.”<sup>41</sup>*

This quote suggests that Chavez is not interested in peace and stability in the region; instead he is seeking to instill fear in region. The creation of a unified ALBA Force will intensify divisiveness in the region between member and non member states. President Ortega when commenting on the function of the proposed Army of ALBA, said, "an attack on any member country of ALBA would be considered an attack against all countries."<sup>42</sup> This quote is evidence that there is potential for an alliance system to emerge.

Under the leadership of Chavez, ALBA member states have been building up their arms. This has the potential to create a Latin American “arms race.” Uruguay

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<sup>40</sup> “ALBA Proposes Creation of Military Forces,” October 17, 2009. [www.hondurasnew.com](http://www.hondurasnew.com)

<sup>41</sup> Ibid, Chavez speech.

<sup>42</sup> Eastwind, Utilla. “Hugo Chavez and his War on The Empire.” October 29, 2008. <http://www.nowpublic.com/world/hugo-chavez-and-his-war-empire>

President Tabare Vasquez commented on this matter during a visit to Washington, D.C., "The arms race is there. It is a reality."<sup>43</sup> A new wave of weapons purchases by Latin American nations is causing neighbors to watch each other with growing mistrust and fear. Weapon sales around the region have increased from \$24 billion in 2003 to \$60 billion in 2008.<sup>44</sup> In October of 2009, Paraguayan Minister of Foreign Affairs Hector Lacognata submitted a letter to the Organization of American States (OAS), expressing his country's concerns over a regional arms race. Peruvian President Alan Garcia also has shown concern over this issue when he urged the United Nations and the OAS to help stop excessive military spending in the region.

Another area of concern is Russia's relationship with ALBA. Russia serves as an observer member. Russia loans money to ALBA states in return for their recognition of Abkhazia and South Ossetia. For Venezuela's recognition they were loaned \$2.2 billion to buy weapons from Russia. Venezuela has purchased more than \$4 billion worth of arms from Russia. In September of 2008, Russia sent Tupolev Tu-160 bombers to Venezuela to carry out training flights. In November of 2008, both countries held a joint naval exercise in the Caribbean.

In exchange for Nicaragua's recognition of Abkhazia and South Ossetia, Russia promised to help the country construct power plants. Bolivia and Russia agreed upon energy cooperation, joint production of hydrocarbons, military-technical cooperation, and the sale of an AN-148.

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<sup>43</sup> Tamayo, Juan O. "In Latin America, Weapons Buying Spreads Mistrust." November 1, 2009. The Miami Herald.com.

<sup>44</sup> Ibid.

The recent US-Colombian military agreement that allows the US to set up bases in Colombia has caused Ecuador to negotiate with Russia. The countries are in the process of signing military contracts which will deliver MI-171 helicopters, SU-30 aircraft, Igla shoulder-fired SAM rocket launchers, and an air defense system. Ecuador plans on announcing its recognition of Abkhazia and South Ossetia.

Another security concern is ALBA's alliance with Iran. In July of 2007, the President of Iran's official website stated that the Islamic Republic would join ALBA with observer membership.<sup>45</sup> This action stems from Chavez's nontraditional economic and political alliance with Iran. Chavez has paved the way for the Iranian leader to seek ties with other South American nations. Iran has formed trade relations with Bolivia, Ecuador, and Nicaragua. Chavez is in support of Iran's nuclear ambitions, and agrees that Israel is the aggressor in the Middle East region. Iran is helping Venezuela to explore for uranium to aid the development of nuclear energy.<sup>46</sup>

The increase in arms and ALBA's alliance with Iran and Russia create instability in the region. The association with Iran is due to cause political conflict in Latin America because of the recent election controversy and their efforts to become a nuclear power. Historically, Russia has used Latin America as a means to support their own political and economic agenda, which has resulted in conflict in the region.

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<sup>45</sup>"Bolivarian Alternative for the Americas." TripAtlas.com

<sup>46</sup> Cespedes, Teresa, "*Chávez: Iran Helping Venezuela Find Uranium*," October 18, 2009. <http://www.mg.co.za/article/2009-10-18-chvez-iran-helping-venezuela-find-uranium>

## 8. Conclusion

*"It is necessary to advance towards the stability of the Continent: in politics, in economic, and in social matters. This model, El ALBA, aims towards Latin American stability."<sup>47</sup>*

*-- Hugo Chavez*

In closing, Chavez's "aim" towards Latin American stability is far from reach. The ALBA Bloc has put economic and political stability into jeopardy. Economically, ALBA has created a dependency on Venezuelan oil to finance its initiatives. With a decrease in the price of oil the social programs are losing its funding. Politically, ALBA member states are influenced by Chavez's agenda. Chavez's agenda includes: the promotion of socialism, an increase in defense spending, and spreading his anti-US message.

The ALBA model has linked its members through trade agreements and social programs. Socially the programs have been successful in decreasing poverty, illiteracy, and providing health care. However, the social programs are only there to provide temporary cure for the harsh economic conditions the people in Latin America face.

The current economic crisis has caused Chavez to reduce the amount of money used to finance ALBA's social programs. Because the member states are dependent on Venezuelan low-cost oil and welfare handouts the current crisis is putting the initiatives of ALBA in danger. ALBA has reached its objective by creating a trade network between ALBA members; however this linkage is only constructive when oil prices are

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<sup>47</sup> Frias Chavez, Hugo, Speech, "*Ministro de Estado para la integracion y Comercio Exterior.*" [www.alternativebolivarian.org](http://www.alternativebolivarian.org)

high. In order for ALBA to be an effective economic integration model the leaders must figure out a way of financing its programs through other means.

ALBA has the potential to generate economic instability. If ALBA member states are unable to receive the subsidized oil from Venezuela, they will face a harsh reality with the chance of a reemergence of the role of already existing neoliberal institutions such as IMF and bailouts. This is counteractive to ALBA's desire for a multi-polar world where the US plays a less dominant role. Latin American countries will have distrust in effectiveness of integration programs that exclude the US.

It is evident that ALBA is an instrument used by Chavez to exert his power throughout the region. He is willing to exploit Venezuela's people and their resources to have Latin American supremacy. He has kept the majority of Venezuelans satisfied by introducing social welfare programs when his popularity slips. These programs create a dependency on the government to supply its citizens with their basic needs. Chavez has used the same formula in his own country on ALBA member states. He has turned the member states into "Chavez-dependent" countries. In effect he has driven the ALBA leaders to reproduce anti-democratic policies in order to maintain their power.

Out of fear of losing power within his own country he has squashed democracy in Venezuela. In turn he has managed to create an authoritarian socialist state. This style of government has been replicated by ALBA member states; Ecuador, Bolivia, Dominica, and Nicaragua. This puts democracy at risk in the region. A decline of

democracy will lead to political instability in the region and coups d'état' will likely follow.

Currently, Venezuela is being plagued by the following problems; recurring food shortages, infrastructure problems, housing shortages, increased crime, and corruption. Many Venezuelans are starting to demand change. This will force Chavez to turn his attention on Venezuela. Without Chavez's leadership and financial support of ALBA the bloc will collapse.

The most concerning aspect of ALBA is the issue of security. It is creating a divide between pro and anti-US Latin American countries. This divide has Cold War undertones. As in the Cold War, Latin America is moving towards an arms race. An arms race and ALBA embracing both Iran and Russia has created controversy in the region.

Ultimately, ALBA is a result of Chavez's ideological vision for the region. He seeks to remove US influence over the region and replace it with socialist programs. The problem that Chavez faces is that Latin America is dependent on the US for trade and financial assistance. Creating a bloc that is anti-US puts its member states' economies in danger. This is especially true for the Caribbean member states because their economies are dependent on the US for its tourism industry. It appears that Chavez is willing to put ALBA member states' national interest in danger for his own personal agenda.

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## **Abstract**

The purpose of this paper is to examine the impact of the integration organization, Bolivarian Alliance of the Americas (ALBA), on Latin America. ALBA links nine member states from Latin American and the Caribbean through various economic, social, and political programs. ALBA was founded by Venezuela President, Hugo Chavez, to counter the United States hegemony in the region. The research provides evidence that ALBA destabilizes Latin America because Hugo Chavez politically influences its members. Factors that are contributing to the destabilizing effects include: a dependence on Venezuelan oil, a decline in democracy, a potential arms race, and an emerging Latin American alliance system. By analyzing the various economic, political, and social integration programs one can assess the consequences ALBA will have on the region. The research can assist leaders in the region to evaluate the positive and negative aspects of joining ALBA.