

**T.C.**  
**DOKUZ EYLUL UNIVERSITY**  
**GRADUATE SCHOOL OF SOCIAL SCIENCES**  
**DEPARTMENT OF INTERNATIONAL RELATIONS**  
**INTERNATIONAL RELATIONS PROGRAM**  
**MASTER’S THESIS**

**POST-NEOLIBERAL REGIONALIZATION IN SOUTH  
AMERICA: ALBA-TCP AND THE FAILURE OF THE  
‘PINK TIDE’**

**Taşkın Toprak İPEK**

**Supervisor**

**Assist. Prof. Dr. Elif UZGÖREN**

**İZMİR-2020**

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## APPROVAL PAGE



## DECLARATION

I hereby declare that this master's thesis titled as "Post-Neoliberal Regionalization in South America: ALBA-TCP and the Failure of the 'Pink Tide'" has been written myself in accordance with the academic and ethical conduct. I also declare that all materials benefited in this thesis of the mentioned resources in the reference list. I verify all these with my honor.

15/06/2020

Taşkın Toprak İPEK

**ABSTRACT**  
**Master's Thesis**

**Post-Neoliberal Regionalization in South America: ALBA-TCP and the Failure  
of the 'Pink Tide'**

**Taşkın Toprak İPEK**

**Dokuz Eylül University**

**Graduate School of Social Sciences**

**Department of International Relations**

**International Relations Program**

Regional integration models have been crucial to influence political atmosphere. Existed integration models mostly have had a mainstream (realist/neoliberal) character. In this context the first two regionalism generations ('old' and 'new' regionalisms) reflected their era's dominant paradigms: First wave based on a state-centric, closed structure and prioritized security needs. Second wave ('new' regionalism) created a pro-market regional organization model. It is deeply fed from neoliberalism that started to influence the entire world since late-1970s. Neoliberalism was implemented by different dynamics in core and periphery countries. Its fundamental logic is deregulation, liberalization and privatization of public resources and services. These actions paved social uprisings organized against pro-market governments and principles. South America has been one of the places that have experienced such protests and reflective actions. From late-1990s, lots of South American countries have witnessed left-wing (radical or reformist) social democratic parties came to power; this trend was called the 'Pink Tide'. The biggest contribution of the Pink Tide to the South American integration is their alternative initiative against neoliberal regionalization: ALBA-TCP (Allianza

**Bolivariana para los Pueblos de Nuestra America-Tratado de Comercio de Pueblo). This work examines ALBA's structure and dynamics along with the post-neoliberal regionalization (third wave regionalism) that came into existence with ALBA. It also assesses whether the Pink Tide governments and ALBA organized an alternative order to neoliberal regional integration. In this direction, ALBA's intergovernmental base and its shortcomings are analyzed.**

**Keywords: Regionalization, ALBA, neoliberalism, Pink Tide, South American integration**



**ÖZET**  
**Yüksek Lisans Tezi**

**Güney Amerika’da Post-Neoliberal Bölgeselleşme: ALBA-TCP ve ‘Pembe  
Dalga’nın Düşüşü**

**Taşkın Toprak İPEK**

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**Sosyal Bilimler Enstitüsü**

**Uluslararası İlişkiler Anabilim Dalı**

**Uluslararası İlişkiler Programı**

Bölgesel bütünleşme modelleri siyasal atmosferi etkilemekte etkili olmuştur. Var olan bütünleşme modelleri çoğunlukla ana akım (realist/neoliberal) karakter taşımaktadır. Bu bağlamda ilk iki bölgeselleşme kuşağı (‘eski’ ve ‘yeni’ bölgeselcilikler) kendi dönemlerinin hâkim paradigmalarını yansıtıyordu: Birinci kuşak devlet-merkezli, kapalı bir yapıya dayanıyordu ve güvenlik ihtiyaçlarını önceliyordu. İkinci kuşak ise (‘yeni’ bölgeselcilik) piyasa yanlısı bir bölgesel örgütlenme modeli oluşturdu. Bu kuşak 1970lerin sonunda tüm dünyayı etkilemeye başlayan neoliberalizmden derinlemesine besleniyordu. Neoliberalizm merkez ve çevre ülkelerde farklı dinamiklerle uygulandı. Temel mantığı kamu kaynaklarının ve hizmetlerinin denetimlerinin azaltılması, liberalleştirilmesi ve özelleştirilmesiydi. Bu eylemler, piyasa yanlısı hükümetlere ve ilkelere karşı düzenlenen toplumsal başkaldırıları giden yolu açtı. Güney Amerika böylesi protestoları ve tepki eylemlerini deneyimleyen yerlerden biri olmuştur. 1990ların sonundan itibaren, pek çok Güney Amerika ülkesi sol kanat (radikal veya reformist) sosyal demokratik partilerin iktidara gelişine tanık oldu; bu eğilim ‘Pembe Dalga’ olarak adlandırıldı. Pembe Dalga’nın Güney Amerika bütünleşmesine en büyük katkısı onun neoliberal

**bölgeselleşmeye karşı alternatif girişimidir: ALBA-TCP (Alianza Bolivariana para los Pueblos de Nuestra América-Tratado de Comercio de los Pueblos). Bu çalışma ALBA'nın yapısını ve dinamiklerini, ALBA'yla vücut bulmuş post-neoliberal bölgeselleşme (üçüncü kuşak bölgeselcilik) ile birlikte incelemektedir. Ayrıca Pembe Dalga hükümetleri ve ALBA'nın neoliberal bölgesel bütünleşmeye alternatif bir düzen örgütleyip örgütlemediklerini değerlendirmektedir. Bu doğrultuda, ALBA'nın hükümetlerarası temeli ve bunun yetersizlikleri incelenmektedir.**

**Anahtar kelimeler: Bölgeselleşme, ALBA, neoliberalizm, Pembe Dalga, Güney Amerika bütünleşmesi**





**POST-NEOLIBERAL REGIONALIZATION IN SOUTH AMERICA: ALBA-  
TCP AND THE FAILURE OF THE ‘PINK TIDE’**

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## **ABBREVIATIONS**

<b>ALBA:</b>	Alianza Bolivariana para los Pueblos de Nuestra America
<b>ECLAC:</b>	Economic Commission for Latin America and the Caribbean
<b>EU:</b>	European Union
<b>FSLN:</b>	Frente Sandinista de Liberación Nacional
<b>GNE:</b>	Grand National Enterprise
<b>GNP:</b>	Grand National Project
<b>ISI:</b>	Import-substitution industrialization
<b>MAS:</b>	Movimiento al Socialismo
<b>MERCOSUR:</b>	Mercado Comum do Sul
<b>MVR:</b>	Movimiento Quinta República
<b>NAFTA:</b>	North American Free Trade Agreement
<b>OAS:</b>	Organization of the American States
<b>PAIS:</b>	Patria Altiva i Soberana
<b>PSUV:</b>	Partido Socialista Unido de Venezuela
<b>TCP:</b>	Tratado de Comercio de los Pueblos
<b>UNASUR:</b>	União de Nações Sul-Americanas
<b>WC:</b>	Washington Consensus

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## INTRODUCTION

In the 21<sup>st</sup> century the world's nations have experienced great transformations that have been influencing governments, societies, institutions and individuals as quickly as they appear. On the one hand, these new 'upgrades' have been deadening old orders, while on the other they seek for a new area of influence. This is clearly illustrated by South American politics, wherein the emerging effect of the left/social democratic wave in the early-2000s came to an end. It could not produce a strong socio-economic transformation beyond several local experiences. Additionally, the actors within that wave could not handle crisis processes well. One should consider this from two perspectives: In addition to internal failure, these Southern governments were not able to meet the challenges that derived from international actions.

During the 1980s, South American countries were wavering due to debt crises. The governments could not find cash to pay their debts, and the financial situation was sharply slowing their movements toward development. Through such crises, the governments found 'the solution' that they had been seeking for at the International Monetary Fund (IMF) and the World Bank (WB), the admirals of international money circulation (Cole, 2010). It was not only a solution of ordinary money borrowing, but also it was the second round of neoliberal implementations that had recently started, having first been tried in Chile after the coup in 1973. The 'Chicago Boys' then recommended that it be spread throughout the peripheral countries. The Washington Consensus -appeared in these times- was the result of extreme liberalization decisions in accordance with the US, the UK, and Western Europe in general and Wall Street specifically. This was the end of first generation ('old') regionalism. Liberalization and deregulation of policies and economies brought second wave regionalism together, which was also called 'new regionalism'. Whereas 'old' regionalism was the trend of the interwar period, the 'new' was an aspect of multi-polar and transnational processes. It was directly related to globalization and structural transformation (Hettne, 2003: 24). This transformation

period has included many problems for the peripheral countries. Contrary to what was claimed, South American countries did not show progress; instead they showed instability, social uprisings and newly emerging financial problems (Harvey, 2007; Bulmer-Thomas, 2003). The transformation from import subsidized industrialization to export-based industrialization in South America entailed a major neoliberal restructuring in many sectors. Thus, efforts were made to adopt the economies into the global market. Several outcomes such as privatization of state-owned industries, the shrinking of state bureaucracy, efforts for price stability and the opening of the banking system to private ownership, demonstrated the characteristics of the 'new' era (Albo et. al, 2010: 25-28).

With the end of the 2000s, the conditions have changed. Since the late-1990s left/social democrat, and even socialist, figures have risen with the support of local people. In spite of dependency on the core countries, these parties and movements tried to alter the situation. It is certainly necessary to say that these popular left/social democrat/social liberal political parties and organizations were not initiatives that aimed to radically change the order. Due to that, they were called the 'Pink Tide'. As we have seen in the cases of Nicaragua, Bolivia, Ecuador and Venezuela, they were able to seek a deal with the system by giving more priority to public services and increasing state-based organizations. On the other hand, some Southern countries have experienced clashes with the capitalist order and took the side of the locals, as in Bolivia and Venezuela. These situations have mostly targeted a transformation of public-private partnership. From the mid-2000s, the Pink Tide countries have shaped the political and economic space. In Bolivia, indigenous president Evo Morales took crucial steps on land reform and natural resources that were vital for Bolivian rural area. In Venezuela, popular president Hugo Chavez followed a program that prioritized public services and tried to spread the wealth to the bottom as well. Ecuador and Uruguay, thanks to their social democrat administrations, focused on similar social policies, while Nicaragua saw a former socialist guerilla leader, Daniel Ortega, come to power.

With this emerging wave across the continent, the top left governments of Venezuela, Nicaragua and Cuba founded ALBA-TCP (*Alianza Bolivariana para los*

*Pueblos de Nuestra America- Tratado de Comercio de los Pueblos/ Bolivarian Alliance for the People of Our America- People's Trade Treaty*). This alliance was born from the need for an independent regional union in order to build a counter-hegemonic structure, as the political leaders of those governments thought the North American and European dominance in South America had hindered the economic development, local culture and free decisions about their countries' own futures. It was clear that the West had intervened in domestic affairs via financial manipulation, military threats or their proxy countries like Colombia. Therefore, on this continent which was famous for military acts (Long, 2015; Smith, 2007), it was necessary and even obligatory to design an original approach to development way. That was possible by protecting and progressing '*Nuestro America*' (Cole, 2010; 2011). Along with these aspects, there was another wave of integration studies: Third generation regionalism (or post-neoliberal regionalism), differentiated from its predecessors, by its focus on political and economic autonomy (Cusack, 2019). It prioritizes a developmentalist social welfare policy rather than free market-based development. Moreover, as ALBA has tried to do, the post-neoliberal regional model focuses more on civil society more, even applying the description of 'organized society' (Muhr, 2012).

Starting from these points, this work will analyze the development of fourth generation regionalism with the case of ALBA-TCP and the situation of the 'Pink Tide' throughout the years. As a regional project, third generation regionalism may be conceptualized in the sense that it is a useful tool to create an alternative economic integration and independent foreign policy against the dominant states, or in other words against the 'other America' (Cole, 2010: 254). The member states of ALBA, since the late-2000s, had started to receive blows related to both their domestic/foreign policies and economic-financial relations. This declining momentum undoubtedly influenced the decision to establish an integrated union. In conjunction with that, the possible effects of withdrawal and setbacks of the member states on ALBA-TCP will be investigated in this work. Post-neoliberal regionalism will be the theoretical focus point of this thesis and will be used for mapping the cases. Due to their long development processes and lack of relation with the topic, other integration theories (the first, second and third generations of regionalism) will



not be detailed. Hence, this research is limited to the organizations located within the relevant context and countries. Lastly, this work will demonstrate the current situation of neoliberal programs in South America, and in this respect, the hegemonic states' moves and interventions will be particularly emphasized.

This thesis seeks responses to this essential question: Is ALBA-TCP a regional alternative model to neoliberal restructuring? The efforts to address this question will include evaluations of the current political history of Southern countries, neoliberal actions and reactions against them, the hegemony of the United States and structural transitions in the ALBA member states. Additionally, the work also asks whether such a project is alternatively applicable for countries that aim to break out of the neoliberal cycle. Besides that, the work will evaluate regional projects in accordance with integration theories; in particular post-neoliberal regionalism will be taken into consideration along with some references to critical theory because post-neoliberal regionalism has the ability to explain and frame integration projects like ALBA-TCP. Another crucial goal of this work is to demonstrate the relations of member countries with ALBA. The critical reason is that they have similar influences on each other periodically.

In addition to that, the following sub-question will be analyzed in this thesis:

What are the distinguishing features of post-neoliberal regionalism? To what extent is the Pink Tide an alternative? In which context does ALBA-TCP try to resist neoliberal globalization?

Despite the variety and deepness of the subject, regional integration processes have only been discussed since the late 1980s. In that sense, it might be said that the research on making a regional union is quite new. There are, however, obviously some thoughts on this topic that can be traced back to the early 1960s. One of them is undoubtedly regional integration. Since the middle of the century, state behaviors in international relations began to be investigated within the framework of regional and global rather than individual acts. Efforts for creating 'limitless' regions and trade/financial relations have meant that the studies emphasize integration theories more.

Some of the main debates have centered on ‘old’ or first generation regionalism. In terms of its structure, it can be said that it was the result of the power/security-seeking of each state. Hettne (2003: 24) claims that the old regionalism was a process derived from above. In fact, it was a state-based model and focused on relations among nation-states (2004: 25). Additionally, it mostly concentrated on interaction among political forces (Wunderlich, 2007). Besides that, ‘new’ or second generation regionalism began to refer to global economic tools and institutions. As it entered the global stage, transnational linkages were strengthened and free trade sovereignty was consolidated in respect to neoliberal integration. Additionally, diplomacy and foreign politics had started to be organized together with private actors such as multinational companies and lobbies. New regionalism was born as a child of that deregulation process (Wunderlich, 2007: 33-36). It opened the doors to flows of information, resources and capital (Mistry, 2007: 118). With the ‘open’ or second generation regionalism neoliberal regional tools remained sovereign. Hence, the focus point of this work is on post-neoliberal or fourth generation regionalism. As Cusack (2019) has claimed, the post-neoliberal project goes beyond trade-based integration moves, shaping political space and introducing trans-societal welfare programs. In other words, it tries to take socio-cultural and human-based aspects into account. This work will theorize and examine its concepts within that framework.

Concerning the structure and actions of ALBA-TCP, limited research has been performed in the past. As time passed, however, foreign policy experts and scholars started to focus on this regional integration attempt. Muhr (2010a; 2010b; 2012; 2013) described the domestic structure and related organizations of ALBA. He clearly analyzed its political and social background, presenting its original approaches (2010a). Against neoliberal globalization, ALBA has remained focused on social welfare and has tried to establish major projects like its multi-state Grand National Projects and Grand National Enterprises (Muhr, 2012). These were challenges to multinational corporations’ dominance. They also were designed to provide basic human services (Emerson, 2014).

Foreign relations also have a crucial role in comprehending ALBA. Cole (2011) discussed the military interventions in South American history. It can be seen that military coups have been parts of the 'routine' of Southern countries. This is the unlucky heritage of the zone. Thus, the hegemonic powers or more recently their power-pushing power multinational corporations have benefited from such political disasters. ALBA, in that sense, has tried to form more local (South American) and independent policy across the continent. La Barra and Bueno (2012) argued that it was a unique project that aimed to build a system in the post-capitalist future and put participatory democracy at the forefront.

Another contribution to this literature concerns the economic dimension. As a reaction to the Free Trade Area of the Americas (FTAA), ALBA composed its own trade partnership the People's Trade Agreement (*Tratado de Comercio de los Pueblos*, TCP). Depending on the member states' interests, it aims to ensure trade integration for the benefits of society, instead of firms and corporations (Tahsin, 2009). It not only expedited trade relations, it also availed in fulfilling needs such as the 'doctors for oil' exchange (Cusack, 2019: 95). However, even though the first years of ALBA could be counted as relative successful and it looked out for public welfare more so than other regional projects, as Tahsin (2009) cites, later its performance fell into decline. In addition to foreign reasons such financial crises and changing trade balances in both Americas, some internal factors also came into play.

In summary, this work will examine the structure and implementations of ALBA from three points of view. In the political sense, it will be studied in terms of the Pink Tide's effect and its development. Within that context, several country cases including Nicaragua, Venezuela, Ecuador and Bolivia will be presented. Cuba will not be included here, because first of all, Cuba is not a 'Pink Tide' government that took political power thanks to the anti-neoliberal wave the in early-2000s, it has had a socialist administration since the 1960s. Secondly, and related to the first point, the changes and transformations in the Pink Tide will be analyzed in detail in this work and Cuba has experienced a different kind of transformation than the other mentioned countries. This thesis thus aims to contribute to the literature on South

American politics and regionalization in the framework of a post-neoliberal integration model.

This work substantially uses a qualitative research method throughout the chapters. On regionalism and integration theories, a large literature review is utilized. From first generation regionalism to the third generation, some theoretical studies are investigated to comprehend the main debates on regionalization processes. However, third generation/ post-neoliberal regionalism is the primary focus of the structure of this work. Marketization in the Americas will then be outlined with a detailed historical analysis. Debt crises in the 1960s and the end of the Bretton Woods monetary system will be explained and analyzed. Furthermore, financial depression and political conditions must be investigated comparatively in order to observe the consequences of neoliberalism on the continent.

As stated, this study will present the cases of the 'Pink Tide'. In this respect, the selected countries of Venezuela, Nicaragua, Bolivia and Ecuador- the leaders of the 'Pink Tide' will be subjected to content analysis. The major changes in their economic balance of income and expenditures, results of political elections and social welfare situations will be analyzed in detail. These countries have had crucial importance due to the fact that they were the founders of ALBA. One more common feature of these governments has been sharing programs on social welfare and non-neoliberal developments. Lastly, this work will concentrate on ALBA's structure and relations with the 'Pink Tide' governments. In that sense, existing statistics will be used to support some basic arguments. Current data acquired via articles, newspaper columns and textbooks will be presented.

In Chapter 1, old and new integration theories are described from a general perspective and then post-neoliberal regionalism is introduced as the core theory of this work. In Chapter 2, the foundation and spread of neoliberal capitalism is explored to form the historical context. Relatedly, Chapter 3 demonstrates neoliberal restructuring and the Pink Tide as a reaction to this marketization. Finally, the alternative model attempted by ALBA is discussed in light of its possibilities and limits. Thus, post-neoliberal integration theory will be analyzed in the case of ALBA

within the framework of a regional development model that offers an alternative to neoliberalism.



## **CHAPTER ONE**

### **THEORETICAL FRAMEWORK: INTEGRATION THEORIES**

This first chapter will argue the origins of the integration theories while referring to various approaches. In order to comprehend the South American dynamics of regional integration, one particular critical theory will be utilized for contextual support: Post-neoliberal regionalism. Unlike the other waves, the post-neoliberal or third wave regionalism presents a relevant stance for post-2000 South American integration. Related to this, this chapter will try to answer the following questions: How have integration theories evolved historically and what are the critics of post-neoliberal regionalism towards the first two waves and where does its originality lie? In this chapter, I will assert that while the first two regionalism waves were shaped through mainstream bureaucracy and non-governmental market-oriented institutions, the third wave of regionalism tried to offer an alternative to the prior understanding of regionalism with its humanitarian and social-welfare tendencies. Due to their natures, the first and second waves will be analyzed mostly in the context of the European Union while the third wave is applied to South America.

After short descriptions, the integration theories will be presented chronologically. The first wave has two sub-sections: Intergovernmental and supranational approaches. The second wave has a theoretical (but not practical) connection with the prior one. Lastly, although the third wave has some similarities with the others, it tries to present its own agenda. The crucial question of whether it is successful in presenting an alternative will be argued in the third chapter as this question must be answered in the context of the evolution of current South American politics.

Undoubtedly one of today's essential problems from the perspective of political science is locating the regional integration process on the correct grounds. As can be observed from the examples of the European Union, the African Union, ASEAN, and the Shanghai Organization of Cooperation, among others, economic

and political tools have played vital roles. Depending on the time and context; it can be seen more specifically whether they reached their targets or whether they could not drive the expected processes. In general, though, one way or another, the integration processes that aimed to build up a common market, create a security zone, or spread its political/legal rules have influenced both internal factors (legal order, sovereignty and market) and external factors (diplomatic tools, agreements). Related to making new alliances, regional projects have helped countries direct new ties even though not all of these projects could be achieved. Furthermore, a remarkable fact is that mostly all of the projects were based on economic or more specifically financial relations. The mutual relations that were hoped to catalyze capital circulation among the member states and to relieve the markets were sometimes accomplished but sometimes saw dramatic crises and failures (see Albo et. al, 2010: 13-27).

Before explaining the current debates on regionalization in South America, it is necessary to mention the main theories concerning regionalism. In order to comprehend these, it will also be useful to divide them into three categories, or in other words, into three generations: First wave regionalism (the 'old' type) (Wunderlich, 2007), second wave regionalism (the 'new' type) (Söderbaum, 2003: 3-5; Muhr, 2011: 99-101) and third wave (post-neoliberal type).

Regionalism theories or generations have not yet had a long history. They were grounded in parallel with global economic progress. During the interwar period and later, first wave ('old') regionalism found a sphere of influence. It developed until the late 1960s, taking the approach that states were main actors in spite of some non-governmental organizations that tended towards slower growth. From the mid-1970s, the 'new' regionalism theory began to have a voice in both theory and practice. The distinctive aspect of this process was the spread of the effects of neoliberal globalization and deregulation (Falk, 2003: 64-69). With the failure of the Bretton Wood system and later the collapse of the Soviet Union, the international monetary system underwent fundamental structural changes, and; under these conditions, capital found more room to integrate with other markets around the world, particularly peripheral ones (Harvey, 2005: 87-88). New regionalism, in this

era, gained vital significance and accordingly helped shape the new world order in respect to neoliberal enlargement process (Gamble and Payne, 2003: 50-51). This point represents the beginning of new regionalist dominance. However, since the late 1990s, a different type of integration theory, that of third wave regionalism ('post-neoliberal'), has grown. Unlike its predecessors, it has presented more deregulative aspects and is based on free trade or a lack of barriers. Thus, it could hinder the formation of elite-based structures (Muhr, 2013: 773).

In addition to this overview, the phases of these integration theories should be addressed in detail. According to Diez and Wiener (2009), the phases of integration theories can be divided into three main categories, as outlined in Table 1.

**Table 1:** Phases of integration theories

	Phase	When	Main themes	Main Theoretical Reference Points
Old Regionalism	Explaining integration	1960s onwards	How can integration outcomes be explained? Why does European integration take place?	Liberalism, realism, neoliberalism
	Analyzing governance	1980s onwards	What kind of political system is the EU? How can the political processes within the EU be described? How does the EU's regulatory	Governance, comparative politics, policy analysis



New Regionalism			policy work?	
	Constructing the EU	1990s onwards	How and with which social and political consequences does integration develop? How are integration and governance conceptualized? How should they be?	Social-constructivism, post-structuralism, international political economy Normative political theory Gender approaches

Source: Diez and Wiener, 2009: 7

In the following sub-sections, I analyze these three core generations of regionalism and thus establish the analytical framework of the present study.

### 1.1. FIRST WAVE: THE OLD REGIONALISM

As it is thought in the context of international development, first wave regionalism theories have a important place. Not only because of the efforts for an economic common market, but additionally for reasons of political and social harmony, statesmen and experts have applied these approaches in order to explain the logic of regionalization. These were obviously the mainstream approaches from the 1960s to 1980s. The great scale of first wave/old regionalism comprises different approaches, from supranational to intergovernmental (Wunderlich, 2007: 8-9). Despite these sub-categories representing different methodological approaches, they share common political ground. However, it is necessary to remember that the beginning and the peak periods of these different approaches are not definite. Some writers like Hettne (2003: 23) and Söderbaum (2003: 3-4) claim that old regionalism

began in the late 1930s and died in the late 1960s, while others such as Wunderlich (2007: 10) argue that it was born at the end of the Second World War and lasted until the late 1980s. In spite of these disagreements, most scholars agree on the Eurocentric structure and state-based understanding of old regionalism (Hettne, 2003: 24). These aspects helped to describe new alliances and partnerships in Europe. In addition, even if the approaches of old regionalism aim to identify integration by different methods, it is clear that they select the same *raison d'état* as their baseline (Wunderlich, 2007: 7). Thus, public actors are not the only agents but are more crucial agents through these approaches. This is an understandable situation due to the fact that the inter-war period in Europe was a time of major depressions and emerging crises, such as the possibilities of another war. In such places, state-centric trends like realism that focus on security and survival, liberalism that seeks for cooperation and mutuality, and federalism that tries to ensure a supreme authority that local regions deal with all stepped forward. This paved the way for the emergence of the essential school of thought groups within first wave regionalism. As Wunderlich (2007) states, these included supranational approaches and intergovernmental approaches.

#### **1.1.1. Supranational Approaches**

After the Second World War, European politics began to rebuild itself in the respect that it tried to regain its powerful situation from the inter-war period. Wilsonian liberalism had failed with the rising wave of fascism all around Europe and then the Second World War. Additionally, the European states were now weaker and did not even have the ability to relatively protect themselves. In such an atmosphere, vital issues like security and trade had to be overseen with cooperation among the states. Thus, through the middle of the century these states made efforts to form hegemonic regional alliances. They would improve these projects over several decades with the help of neoliberal enlargement (Hveem, 2003: 85). During the

1950s and 1960s, supranational approaches became significant for European integration in contrary to the realist paradigm (Wunderlich, 2007: 8).

**Federalism:** As one of the crucial theories among regionalization concepts, federalist theory aims to establish a political community characterized by a strong constitutional and institutional framework (Wunderlich, 2007: 9). Federalism may be described as a process to attempt leading a state of federation, as Dosenrode (2010) says. It is based on the opinion that nationalism presents a one way street for states, because nation-states have to be given less power. It has been construed as a path of bringing together former autonomous or separated territorial units (Burgess, 2009: 26). Based on the liberal tradition, federal thought is European-based and is often viewed as a supportive theory in order to promote European integration or to clarify the structure of federations (Dosenrode, 2010: 2). The body of federal thought has been built upon the fact that all partners, participants, or states are represented collaboratively. That unity is grounded on certain federal values which are formed by common consent and written in the constitution. During the evolution of federations, changing situations are also able to generate new regulations with the observation of the interests and identities within the federal structure (Burgess, 2009: 27). Several federations founded in countries around the world such as Switzerland, Germany, India, and Canada can be mentioned as examples. According to Burgess (2009: 31), federalism has three strands of Spinelli's 'democratic radicalism', Monnet's 'federalism by installments' and Proudhonian federalism:

“Spinelli's federalist strategy was what he called 'democratic radicalism', being built upon the idea of a major role for a parliamentary assembly in drafting a new treaty for Europe. This came to be known as 'the constitutional method' whereby an elected European Assembly would act as the embryonic constituent voice of the European peoples and serve to mobilize a dynamic European public opinion in the quest to establish a popular European federation.”

From different perspectives, federalism is able to be interpreted in accordance with different and even opposite understandings. While Eurosceptics illustrate federalism as a centralized political administration and authority, other scholars or

experts emphasize the features of the communization and decentralization of federalism (Wunderlich, 2007:10). Depending on whether its instruments are functional or not, states are able to use it for increasing possibilities or enabling coordination among agents/sub-units. Federal states are able to provide transparency and decentralization by transforming some of its authorities. This system, as long as it runs well, allows effective administration at local and national levels and allows of lower costs or well-balanced financial situation. While major issues such as foreign policy, security and military within the purview of the federal government, other issues are overseen by local decisions. In another words, the central government deals with global affairs and sub-national units deal with regional/local affairs (Warmington-Granston, 2012: 3). Presently, the great Anglo-Saxon countries, excluding the United Kingdom, have regulated their governmental bodies in accordance with the federal structure. South American governments, too, have been administrated by federal rules. However, in contrast to their Anglo-Saxon counterparts, some Southern countries have experienced problems, like Venezuela (Guerrero, 2007). According to some analyses, as one of the major powers in Central and South America, Mexico has succeeded in adopting a more democratic federative structure, while another oil power, Venezuela has not and has directed its growth in an authoritarian way. Additionally, rigid constitutional rules could be violated in these Southern countries by political authorities for the sake of keeping power (Warmington-Granston, 2012: 9-20).

**Functionalism:** The functionalist school started in the 1940s with David Mitrany's works. Mitrany clearly expressed that functionalism is historically included in the liberal approach (Mitrany, 1971: 539-40). He believed the weak position of the anarchical system was derived from sovereign states (Wunderlich, 2007: 11). In order to overcome it, states need to trust each other and engage in multilateral cooperation. He, in that context, viewed the League of Nations as positive but not sufficient (Wunderlich, 2007: 12). According to Mitrany, states begin to cooperate in a certain field one time, and that; will spread towards other sectors and provide integration. This is called functional spillover (Wunderlich,

2007: 11). The functionalist theory sees the integration process as an international process with its own dynamics. The spillover effect spontaneously creates new collaboration among the parties of the agreement. Furthermore, as McLaren (1985) summarizes, functionalism presents five essential assumptions: First, functionalism proposes that it is possible to identify the responsibilities of the national government in the field of welfare and technical administration that can be more efficiently organized through inter-governmental co-operation. Second, functionalism proposes the foundation of inter-governmental organizations, each mandated to undertake the specific and limited responsibilities assigned to it by the express instruction of the member governments. Third, the authority of the organization will be extended by the member states consenting to be bound by such rules and operating procedures as may be adopted by the organization in the furtherance of its mandate. Fourth, functionalism proposes that each international organization be endowed with enforceable sanctions by means of which those member states that act in breach of the rules and procedures of the organization may be penalized. These sanctions will take the form of debarring states from the benefits of membership. Fifth, functionalism proposes that the successful implementation of each organization's mandate will create positive incentives for each member state to refrain from threats or use of force in conducting relations with other member states.

The functionalist approach obviously demonstrates another state-centric view in accordance with its liberal origin. Nonetheless, it emphasizes mutual responsibility and suggests an administration based on functional integration. Mitrany distinguished the political and functional spheres and that would be one of the different points between functionalism and neo-functionalism.

**Neo-functionalism:** The neo-functionalist approach, which was formed by Ernest Haas and Leon Lindberg, played a significant role for particularly the European regionalization process. Neo-functionalism draws a more complex and positivist framework than functionalism as Wunderlich (2007) says. It emphasizes political actors' decisiveness, and in doing so, it says that a key factor behind regional integration, albeit not the only aspect, is the interaction of political forces (Wunderlich, 2007: 13). Haas tried to combine functionalism with Monnet's

integration theory. In that context, it is unavoidable to claim that neo-functionalists find some of their theoretical roots in Monnet's European integration thought (Dosenrode, 2010: 22). Neo-functionalists tried to build a general theory of integration that would apply to diverse examples but they could not achieve that goal. According to them, integration is to be read as a process. As Niemann and Schmitter (2009) claims, neo-functionalism grounded on states as the primary actors.

Undoubtedly, to describe its progress, the 'spill-over' effect should be explained. It is claimed that an agreement of integration in one economic area would generate another integration process in an economic policy area and therefore it would become political (Dosenrode, 2010: 22). In another words, it is a process in which political cooperation conducted with a specific goal leads to new goals to guarantee the success of the original goal (Stroeby Jensen, 2009: 75). One example is the transformation from a single market to an economic/monetary union in Europe. It can possibly be said that the spill-over effect is able to happen if some certain changes occur such as increased interdependence among participants/states, a crisis of a certain size, development of a powerful regional bureaucracy, or development of independent, regional interest organizations capable of acting in the region (Dosenrode, 2010: 23).

Another important area is the behaviors of non-governmental elites. Apart from the relations between states, these elite groups (or interest groups) are able to contribute to the integration process by enhancing cooperation among themselves. The European integration process could run with the support of elite groups. These elites could convince other elites to pursue supranational cooperation. That mobility is known as 'elite socialization' (Stroeby Jensen, 2009: 77). Additionally, the elites exercise power over governments from time to time. Thus, they can ensure the common values like Europeanization can be spread, and they can have a voice in regional politics by building up new supranational institutions or supporting existing institutions. Although the essential administration belongs to the governments, elites may have the power to direct it. This is referred to 'the formation of supranational interest groups' (Stroeby Jensen, 2009: 78).

The federalist and neo-functionalist schools of thought show similarities but they are quite different. Contrary to federalism, neo-functionalism has a theoretical position. It examines the existing process, while federalism mostly investigates the normative aspects, asking (what there is and- what there should be). As Dosenrode (2010: 25) says, federalism tries to explain 'big bang' integration like that seen in the USA, Canada, or Australia but not the slow 'organic' processes. This is one of the core features of neo-functionalism.

### 1.1.2. Intergovernmental (Sovereignty-Centric) Approaches

The second subfield of old regionalism refers to the classical dominant views in the literature on international relations. These views put the nation-state at the centre of their analysis. Besides their roles as decision-makers, states have the authority to determine what is legal or not, which social classes or groups will be supported or not and who will be protected or not. States can and must cooperate with other states or other international agencies like multinational corporations, civil society institutions and elite groups. Therefore, struggles and attempts at interest maximization will never end. As Wunderlich (2007: 17) explains, even though intergovernmental approaches include several variations, they compromise on two claims: A monopoly of power in domestic affairs and no recognition of an external superior. This specific condition is called 'international anarchy' according to the two essential approaches of neorealism and neoliberal institutionalism (Jervis, 1999: 3-6). While neorealism prioritizes the continuing struggle for the core aims of states, neoliberalism focuses on cooperation and transparency among states. As intergovernmental approaches, both have maintained their critical position on regional integration processes.

**Neo-realism:** As one of the most dominant approaches in the field of international politics, the realist/neo-realist tradition has a long background that can be traced back to Thucydides, Hobbes and Locke. Realism emphasizes the power and security that come from human selfishness. Humans always protect their lives,

whatever it takes and as a consequences they need to struggle fiercely against others or 'enemies'. In the classical variation of realism, it is believed that humans' essential aim is to survive, they seek power in order to realize their aim and they have to be competitive (Donnelly, 2001: 32). However, the emerging and most used type of realist school is structural realism. This, as described by Kenneth Waltz, adds 'international anarchy' to its analysis. Anarchy signifies the lack of a supreme authority among states in contrast to hierarchy; thus, there is always a competitive power struggle in international order (Wunderlich, 2007: 18). Order is formed by states' own natural behavior, fighting for their survival. Units (or states), as Donnelly says (2001: 35), either stand in relations of subordination (hierarchy) or they do not (anarchy). Due to states' existing situations, they are maximizers of security and power. From this point of view, it is a necessity to map regionalization properly in the realist school. Realists view regionalization as a security-based issue. When one among regional countries gains too much power, be it military or economic, other states are able to unite with the aim of preventing the anarchic order. Hence, they build up a cooperation that can be either permanent or temporary depending on the existing conditions. In that context, states champion regionalism as a consequence of their national political, economic and military objectives (Gilpin, 2001: 356). Filling the security gap and seeking external interests are the determinative strategies of the realist regionalization model. This explains the characteristics of the international system and relations among its major agents, the nation-states. The distinction between the two realist approaches, classical realism and neorealism, is that while classical realism locates the reason for conflict at the micro level, neorealism put the security dilemma in the anarchical structure of international relations (Wunderlich, 2007: 18).

**Neo-liberal Institutionalism:** Like other intergovernmental approaches, liberalism has many similarities with and differences from the realist school. It draws attention to international cooperation to minimize disadvantages despite also accepting the anarchic conditions of the global system. The existing competitive processes in inter-state relations push countries to take relevant measures. Liberals think that a peaceful system is possible around the world by reducing political 'cost'



and cooperating. The focus, like in realism, remains on nation-states and agencies in integration processes (Wunderlich, 2007: 21). In spite of this, liberals see long-term cooperation in international politics. This can be interpreted as a permanent peace among 'democracies' in the sense of Mitrany or as the supporting and determining power of non-governmental institutions in the sense of Keohane; thus, the liberal school expands the borders of states (see Burchill, 2001: 64). International regimes are able to help in order to institutionalize diplomacy and inter-state relations according to the regime theory; this is because the principle of 'cooperation under anarchy' is usable (Jervis, 1999: 52). Besides that, due to the fact that deregulation and privatization have accelerated since the 1980s, the neoliberal school has gained importance. In such a globalized free trade-based world, integration models have been influenced by neo-liberalism. Other first wave integration theories, federalism, neo-functionalism and even neo-realism in some regards bear traces of the neo-liberal approach (Wunderlich, 2007: 22-24). In addition, there is one more significant approach, intergovernmentalism which can be examined under the framework of liberal approaches. In fact, it is generally referred to as liberal intergovernmentalism due to its similarities with liberalism (see Cini, 2009).

In summary, both supranational and intergovernmental approaches have affected regionalization models in various ways all around the world. However, they have several differences. Intergovernmental approaches have been formed with the effect of debates on realism and liberalism. For realism, it is not wrong to say that there is too much focus on state and governments. In such a framework, non-governmental actors would be excluded. In Wunderlich's words (2007: 25), "...the impact of structure on agency and the role of agency in changing structures are often ignored." Furthermore, there is a certain distinction between the domestic and international level in neorealism. Realism's contribution to regionalization can be comprehended in its historical and geopolitical context, particularly during the Cold War (Wunderlich, 2007: 26). Similarly, although neo-liberal institutionalism emphasizes international cooperation by underlining institutions and international regimes, it denies the importance of the role of ideas and identities. On the other hand, supranational approaches show similar differences within their structures.

Federalist theory concentrates on state-building and national integration, as Burgess (2009: 26) says. It has been criticized due to the impossibility of a flawed system of nation-states at the international level. From that point, the functionalist perspective starts to develop. The functionalist approach focuses on aspects of the post-national regionalization process, but it is criticized for assuming that regionalization is “a linear movement based on the abilities of people and governments to make rational decisions” (Wunderlich, 2007: 27). It also makes a distinction between technocracy and politics. Finally, neo-functionalist theory is vilified for underestimating the power of the nation-state and its failed efforts to spread the European model to other places (Niemann and Schmitter, 2009: 63). Moreover, both intergovernmental and supranational approaches emerged in the context of the post-Cold War period in real terms, even though some of them were theorized long before that.

In conclusion, the old regionalist approaches came to an impasse due to their state-based views that do not attribute agency to non-governmental actors. However, since the mid-1980s, with neo-liberal capitalism growing rapidly, regional integration models also started to change and transform. This represented a ‘new’ type of regionalism.

## **1.2. SECOND WAVE: THE NEW REGIONALISM**

The second wave of regional integration started appearing in the literature after the 1980s, as globalization and free market capitalism started to destroy the borders between core and peripheral countries. New regionalism can be described as the new pathway of a regional integration model with the effect of globalization. It promotes less government and bureaucracy and more private networks (Hettne, 2003: 6-8). However, there is no consensus regarding the location of new regionalism in the literature. Wunderlich (2007), Hettne (1999; 2003) and Muhr (2011) all explain it as a second wave of regionalization models, while some scholars such as Jayasuriya (2003) call it ‘open regionalism’. However, it is certain that new

regionalism revealed a market-based and multilateral perspective that can be differentiated from the state-based model of old regionalism.

New regionalism is mostly concerned with new forms of communication, knocking-down borders and the formation of trans-boundary cooperation (Obydenkova, 2006: 10). It is different from mainstream approaches because of two aspects, according to Gomez-Mera (2008). The first one is epistemological; the mainstream theories (in this case, those of old regionalism) are mainly positivist and hold a problem-solving position, while new regionalism presents an anti-foundational perspective by uniting reflectivist and constructivist aspects. The second one lies in the focus points; new regionalism is interested in globalization and regionalism, and it stands against old regionalism whose origins are said to be state-centric, one-dimensional and a product of the post-World War II era (Gomez-Mera, 2008: 284-285).

Beyond that, there is disagreement among the scholars who study regionalization theories. Gomez-Mera (2008: 285), for example, regards new regionalism as having two sub-fields, the first of which is the World Order Approach. It claims that regionalism is a tool for preserving the regional hegemony of neo-liberal ideology. In that sense, the North American Free Trade Agreement (NAFTA) and the Organization of American States (OAS) can be understood as institutions serving to maintain the United States dominance in the Americas. The second is one that other scholars generally use in their works, and so I also take it as a reference. This perspective, defended by Hettne and Söderbaum, focuses on the multidimensional and complex structure of regionalism, particularly with its emerging harmony with the globalization process (Gomez-Mera, 2008: 284). Even though Gomez-Mera, and also Gamble and Payne (2003), have tried to show two ways of new regionalism, many other scholars do not include the World Order Approach in their analyses. They mostly put the regionalization process within a neo-liberal framework. It is based on market-based moves, non-governmental actors' existence and other institutions (Hettne, 1999: 8-9).

**Table 2:** New regionalism vs. old regionalism approaches

Aspect of regionalism	New Regionalism Approaches	Mainstream Approaches	
		Realism/Neo-realism	Neo-liberal Institutionalism
<b>Conceptualization</b>	Regionalism(s) and regionalization	Regional inter-state cooperation	Regional inter-state cooperation
<b>Main explanatory factors</b>	Globalization and global transformation	Power and strategic considerations	Interdependence, institutions
<b>Main actors</b>	States and non-state actors	Rational, unitary states	Rational, unitary states
<b>Scope</b>	Multidimensional, formal and informal	Narrow, formal institutions	Formal, issue-specific institutions

*Source:* Gomez-Mera, 2008: 287

For Obydenkova (2006), in new regionalism the transnational and inter-state side should be emphasized. She refers to ‘constituents units’ (CUs) as a crucial point in order to underline difference between the two regionalism model, the old and the new. While in old regionalism, CUs are represented by sub-national units, in new regionalism the CUs are characterized by transnational actors (Obydenkova, 2006: 10). Old regionalism also restricts the action zone of the CUs whereas new regionalism carries them ‘beyond borders’. International environmental problems are an example in the simplest terms (Obydenkova, 2006: 10). In this context, it can be noted that new regionalism combines formal and informal networks with the effects of social interactions. Multilateral agreements and shared values are able to ensure new opportunities and find structural solutions to global problems. According to Obydenkova (2006: 11), the following possible common projects can be pursued: Cultural projects; academic exchanges; conferences and expert exchanges; newly formed and developed trade links; construction projects; environmental projects.

Obydenkova (2006) underscores some other important points. First, the new regionalism process includes both unification and diversification. For example, a new region may be formed out of ‘old’ regions, and regions may also be distinguished as political actors in domestic and foreign arenas. Secondly, there can be more than one process of regionalization on a continental scale and ‘neighboring’ regionalization can appear. For instance, regional integration has created self-sufficiency and democratic government on regional levels. In addition, neighboring regionalization has increased autonomy within Eurasian post-Soviet states. Thirdly, there can be the phenomenon of geographic overlap among different process of regionalization. In this sense, the Northern Dimension policy overlaps with the regionalization process within the Russian Federation (Obydenkova, 2006: 14).

**Table 3:** Gomez-Mera’s description of new regionalism

Theoretical Approach		Hypothesis
<i>New Regionalism</i>	World Order Approach	<ul style="list-style-type: none"> <li>- Regionalism is a mechanism for spreading and consolidating the hegemony of neoliberal ideology.</li> <li>- Regionalism is a defensive response to the competitive pressures posed by economic globalization. It is an intermediate step to full participation in the global economy and/or an alternative to dysfunctional multilateralism.</li> </ul>
	Hettne School	<ul style="list-style-type: none"> <li>-Regionalism is the regional dimension of global transformation; it is open and inclusive and its evolution is tied to the logic of global capitalism.</li> <li>-Regionalism is driven by transnational coalitions of state and non-state actors interacting at multiple levels to construct</li> </ul>

		formal and informal types of regionalisms.
<i>Mainstream Approaches</i>	Realism/Neo-realism	<ul style="list-style-type: none"> <li>- Regionalism is more likely to emerge and to succeed in the presence of a regional hegemonic country.</li> <li>- Regionalism is a response to extra-regional security or political threats.</li> </ul>
	Neo-liberal Institutionalism	-The establishment of regional institutions is a response to increased levels of regional interdependence; these institutions work to promote further regional cooperation.

Source: Adopted from Gomez-Mera, 2008: 288

In spite of some small differences, Hettne's conception has been the most agreed upon one among the scholars who study new regionalism (Hettne, 1999). According to him, new regionalism is able to provide a route to globalism. It is possible to consider that phenomenon as a reflection of a post-Westphalian/non state-centered system (Hettne, 1999: 6). Regionalization is a more varied process than globalization and implies a homogenization of the global space. It makes regional space homogenize and alters the role of nation-states. In his principal interpretation, Hettne explains the differences between old and new regionalisms (Hettne, 1999: 7-8): First of all, while old regionalism was shaped in the Cold War era by bipolarism, new regionalism arose in a multipolar world order. Therefore, regionalism and multipolarism can be regarded in the same way. Secondly, old regionalism was built from above but the new one tries to create integration from below. Thirdly, whereas the old model was inward-oriented and quite protectionist, the new one is 'open' and compatible with the global economy. Fourthly, old regionalism was much more single-way, while the new one is more multidimensional. Finally, the old model was based on relations among sovereign states, but the new model is also grounded on non-governmental and international organizations (Hettne, 1999: 8).

Hettne underlines that regionalization is the process of increasing 'regionness' a word able to refer to a single region as well as a world system. Besides this, the regional model does necessitate development of a regional civil society. If

this can be achieved successfully, it will contribute to integration. At the global scale, a current example is the creation of Nordic civil society. After the Cold- War, thanks to security and economic issues, at regional population converged towards a Nordic community for a long of time (Hettne, 1999: 10). In that sense, Hettne (2003: 29-29) attempts to name some elements concerning 'regionness': A *regional space* is a geographic area, delimited by more or less natural physical barriers. A *regional complex* implies ever-widening translocal connections between human groups. A *regional society* can be either organized or more spontaneous and this can be seen in cultural, economic, political and military fields. A *regional community* takes shape when an enduring organizational framework facilitates and promotes social communication and convergence of values and actions throughout the region. A *regional institutionalized polity* has a more fixed structure of decision-making and stronger actor capability.

New regionalism approaches divert the focus from the state, struggle and security dilemmas towards contemporary forms of transnational cooperation and cross-border flows (Wunderlich, 2007: 34). The essential distinction for second wave regionalism, in fact, is its concentration on a multitude of actors, including both public and private actors (Hettne, 2003: 24-25). As will be explained below, these features can be seen in various theories of new regionalism. They also have a close relationship with the globalization process, which has been *sine qua non* for mapping the new regionalism. Before explaining these theories, however, it is necessary to mention the dynamics of second wave theorizing. According to Hettne (1999: 11), the regionalization model of the second wave has gone between dimensions inherent in the process and between levels of the world system.

One of the different dimensions within the heterogeneity of regionalization is culture. Throughout history, that element was formed thanks to geographical and social conditions. It creates an adjuvant effect for combining local, national and regional populations. Nordic societies can be given as an example again. Contrarily, South Asian nations have retained their historical problems even though they have had relative similarities (Hettne, 1999: 12). Another dimension is security. Related to making alliances and unions, security complexes are able to canalize regionalization

in a powerful way or vice versa. The need for security is not a determinative but rather a latent factor together with the others. It is also crucial to add economic policies to this basket. A different model for a certain state (for instance an autarkic model) will possibly yield quite different results in a different region. On the global level, credit institutions like the IMF and the World Bank have succeeded in forming a global market-based economy and determining its rules; on the regional level, these rules are adopted into the regional interest by not harming capital flows and not 'scaring' the markets (Hettne, 1999: 13). This is why this is also referred to as 'open regionalism' (Muhr, 2011: 101). The final dimension is described as the political regime. Due to emerging global forces that have pushed the states to democratize (if only on paper), the numbers of 'democratic' states have increased over time. Thus, regional integration systems have found new ways to accelerate the process.

For the second element, the levels on which regionalization happens are of four kinds: The structure of the world system, interregional relations, the region itself and the subnational level. The structure of the world system is able to make room for regionalism to extend zones of influence. Since the Cold War ended, integration models have played an unavoidable role both at national and international levels. That result was a symptom of a change within the structure of the new world order (see Gamble and Payne, 2003). Interregional relations are able to be determinant of other states' movements, sometimes positively (promoting regionalization) and sometimes negatively (provoking regionalism by making a threats) (Hettne, 1999: 14). On the regional level, homogenization processes become involved and eliminate extremes in political regimes, cultures, economies and other spheres. On the subnational level, regionalism can be affected by microregional factors like ethno-national movements.

Another interpretation comes from Hurrell (1995). According to him, the new form of regionalism model has four characteristic features. First, he speaks of the formation of 'North/South regionalism', which can be seen in the example of NAFTA. Second, there is a huge amount of variations in the levels of institutionalization, with many regional groupings avoiding the bureaucratic structures of traditional global organizations. Third, as long as new regionalism has a



multidimensional character, the division between political and economic regionalism becomes indistinct. Fourth, in various parts of the world, regional awareness or consciousness has increased over time (Hurrell, 1995: 332).

These fundamental features reinforce the relation between regionalization and globalization, particularly beyond the nation-state structure. Like in old regionalism, the new one includes some different approaches. The number of actors and their contexts, in the second wave are diversified. These will be briefly explained below in terms of the most essential points.

**Multilevel Governance Approach:** This has been one of the most frequently used terms within European integration studies. It is defined as a ‘dispersion of authoritative decision-making across multiple territorial levels’ (see Rosamond, 2009: 115). It presents the view that integration models, like the EU, are not only international institutions, but beyond that, they are political systems. It emphasizes that authority moves away from national government and is dispersed among private and public structures (Rosamond, 2009: 116). The control mechanism eventually is transformed into the ‘soft’ form of intervention. Thus characteristics such as the variety of actors, transparency, network relations and relative autonomy have found a relevant atmosphere. For European politics, the term ‘multilevel governance’ has been used in order to describe extensive definitions and actions.

**Policy Networks Analysis:** In the literature of public administration, policy networks analysis has been found favorable to understand actors’ relations among each other. The term ‘network’ signifies the variety of sectors. The analysis is based on three hypotheses. First; modern governance is non-hierarchical. Governance has mutuality and interdependence between public and non-public actors (Peterson, 2009: 107). Second; the policy process needs to be disaggregated due to the relations between groups and government. Third; the policies are beyond the government. They depend on bargains between governmental actors and others (Peterson, 2009: 107). One of the most effective models within policy network analysis is that of Rhodes, which is called ‘Rhodes Model’. According to him (2007: 3), any organization needs to exchange resources to reach its targets. The dominant coalition

remains at its discretion, although decision-making in the organization is constrained by other organizations.

Rhodes (2007: 5-6), grounding his work on 'power dependence', claims that the distribution of the resources in a network describes the power of the actors.

**New Institutionalism:** Once again, the new regionalist model concerns European enlargement. The new institutionalist approach, in contrast to 'old' institutionalism, is based on neo-classical economy. It similarly tries to adopt rational choice and the "utility-based neo-classical model by relaxing its assumptions" (Hira and Hira, 2000: 269). The zero transaction costs in neo-classical models are counted as a gap and for this reason the new institutionalists endeavor to integrate institutional analysis within a neo-classical framework by setting standard rules of action (Hira and Hira, 2000). The state, in this sense, is located within an autonomous position. Thus, different interest groups are formed and negotiate. New institutionalism has three sub-categories: Rational choice institutionalism, historical institutionalism and sociological institutionalism. Rational choice is shaped around the assumption that humans behave rationally and strategically. The aims of political actors are organized hierarchically. Institutions do not change the preference functions but have an effect over the ways which the actors pursue those preferences (Rosamond, 2009: 110). Changes in institutions make actors recalculate their paths. Historical institutionalism focuses on how institutional options have long-term effect. The institutions are designed for certain aims. If they interact with each other in the process of meeting their aims, then patterns can become ongoing (Rosamond, 2009: 111). Finally, sociological institutionalism calls attention to the culture of institutions. On the other hand, it also emphasizes the roles of communication and persuasions as being quite significant, like in other European-oriented studies.

**Social Constructivism:** Even though the main debate in international relations is between neorealism and neoliberal institutionalism, social constructivism has started to show its emerging influence. It properly belongs to the sociological approaches; however, it has also gained recognition among studies on regionalization. As an approach between rationalist and critical theories, social constructivism views interests as socially constructed rather than pre-given

(Rosamond, 2009: 117). It emphasizes that the utilities of various actors within regional projects are not exogenously given (Wunderlich, 2007: 38). Constructivists try to understand the identity base that lies behind these regionalization models. Because a common identity or feature is constructed via norms, institutions and shared values strongly support integration. According to Risse (2009: 151) the constructivist approach makes three major contributions specifically to European integration: First, building up the mutual consecutiveness of agency and structure assists in comprehending Europeanization. Second, emphasizing the constitutive effects of European law and rules enables the studying of how European integration shapes social identities. Third, focusing on communicative practices opens a path to examine how the European Union is constructed discursively. In addition, the approach draws attention to the extent to which European-level forms and ideas spread towards national policies that constitute the European Union. Another in which that the actors improve the interests by promoting particular identities is ASEAN.

In summary, the second wave of regionalism represents a different but related approach compared to the first wave of regionalism. This relationship should be comprehended as continuity with the addition of more inclusive tools in this sense. New regionalism is based on a less state-centric stance and underlines private actors and networks among sectors. Norms, identities and values, like social constructivism stresses, are assessed as the glue of the model. It is obvious that, in the literature on regionalization, the new regionalism is Western-based. There are some studied cases outside of Europe, but studies not Europe-focused are limited. In one of them, Bulmer-Thomas (2001: 361) describes how new regionalism led South American and Caribbean countries to adapt in the world markets. Katzenstein (2002) examines the emerging integration models in Asia, comparing them with European and American examples. Shaw (2002) challenges different sectors' cases in Africa, from civil society to NGOs. As will be shown in the next sub-section of this chapter, post-neoliberal regionalism should be assessed as an original tendency that is fed from similar sources. The next sub-section will introduce the central theoretical point of this work.

### **1.3. THIRD WAVE: THE POST-NEOLIBERAL REGIONALISM**

Among definitions of the generations of regionalism, post-neoliberal regionalism may be the most difficult one. Although it is quite easy to divide it from the others, there is considerably less literature about it. This can be attributed to two reasons: First, academics have only recently addressed the new generation of regionalism, so the numbers of studies remain small. Also, recent studies (see Hettne, 2003 and Söderbaum, 2003), like some approaches within new regionalism, seem to focus on particular regions. As stated in the previous sub-section, the third wave is not wholly an epistemological break. It represents, rather, a complex model of state-society and inter-state relations. While the second wave endeavors to make bureaucratic structure more transparent and adapted to private actors, the third wave attempts to make the public sphere enlarge and to increase social actors.

It is necessary to emphasize that the second generation of regionalism is based on macroeconomic foundations that aim at free market-oriented targets. Existing integration efforts have been useful tools in order to identify these targets and reach them. As in the EU example, integration tries to accomplish these aims step by step. Malamud (2013: 2) summarizes the common economic aims as free trade zones, customs unions, single markets and economic unions. In the first stage, domestic constraints are abrogated, so custom tariffs cannot obstruct the products of member countries. After creating free a trade area, a customs union is established. Therefore, the products coming from non-member countries are subjected to tariffs. With the third stage, the members make a single market that provides free mobility of products within member states. Lastly, an economic union enables the creation of common financial institutions and monetary policy.

It should be noted that the basic point of the new regionalist models, with some differences, is the Washington Consensus and its principles. Apart from the unilateral bureaucratic government model, it proposes 'flexible management' in which weight is transferred to non-governmental actors. In this case, it is clear that governmental works have been downgraded to the interests of smaller groups that

control them (see Harvey, 2005). This is the point with which post-neoliberal regionalism has put or tried to put distinctness between itself and the neo-liberal tradition. It can be understood, according to Macdonald and Ruckert (2009: 6), as a progressive policy alternative that emerges from within neo-liberalism in reaction to many contradictions of neo-liberal governance. Postulating the thought that neo-liberal orthodoxy has made deep wounds and caused catastrophes on national and regional levels, post-neoliberal/post-hegemonic regionalism tries to replace it with public and social models (Briceno-Ruiz et. al, 2017).

Post-neoliberal (third wave) regionalism developed in the end of the 1990s and reached its peak during the 2000s. Its crucial point has been criticism of the wild results of global neo-liberal policies in various sectors from health and education to finance and social security. Although it has been referred to by different names like ‘post-liberal’ (Sanajuha, 2009) or ‘post-hegemonic’ regionalism (Riggirozzi and Tussie, 2012), the points that it signifies remain similar. Grugel and Riggirozzi (2011: 3) argue that post-neoliberal regionalism is the result of a reaction against high levels of marketization and elitist and technocratic ‘democracies’ that accompanied market restorations. In addition, this third wave poses a more ideological stance rather than economic (Malamud, 2013: 5; Malamud and Gardini, 2012: 123). It is also the turning point for the third wave because it includes another division: While the ‘soft’ wing of the post-neoliberal integration model is represented by the Brazilian-led Union of South American States (UNASUR), the ‘radical’ wing is represented by the Venezuelan-led Bolivarian Alliance for the Peoples of Our America (ALBA). UNASUR has a regional structure that aims to improve dialogue and cooperation beyond trade, addressing defense, protection of democracy and peace among members (Briceno-Ruiz et. al, 2017: 181). It is not an institution aiming to become an alternative against Western-based organizations or US hegemony (Briceno-Ruiz et. al, 2017: 189). Rather, UNASUR can be described as a moderator organization that provides consensus among regional countries and strengthens Brazil’s role and bargaining power regionally and globally (Malamud and Gardini, 2012: 123; Briceno-Ruiz et. al, 2017: 189). Interestingly, it is not possible for it to adopt any economic model because of its members’ various structures (Malamud and Gardini, 2012: 123). In contrast, ALBA follows an anti-neoliberal (and anti-North

American) integration strategy referring to social developments by challenging NAFTA and FTAA. Practically, it puts ‘trans-nationalized welfarist projects’ into practice (Riggirozzi, 2011: 434). ALBA supports what it calls ‘interpresidentialism’ which is based on strong dialogues between popular presidents (Malamud and Gardini, 2012: 123). Also, ALBA’s understanding of political economy is based on “endogenous development and a new internationalism based on the exchange of human capital” (Riggirozzi, 2012: 26). These differences will be addressed in Chapter 3 in detail.

Macdonald and Ruckert (2009: 7) claim that the countries that are involved in the post-neoliberal model have an original characteristic owing to the fact that they use state power in order to stimulate the economy, to deepen democracy by engaging citizens more directly, to activate state institutions for reducing social inequalities and to renationalize some part of the economy. The states of the region also observe an emerging role for themselves to provide ‘social investment.’ On the one hand; this will prepare people for being involved in market transactions; on the other, it means that it is not a complete break from the values of the liberal economy. One significant point to be noted here is that Macdonald and Ruckert (2009: 8) highlight the differentness of the Keynesian model and post-neoliberal integration by observing that the post-neoliberal model creates active (i.e., labor market participating) citizens rather than passive welfare-dependent ones and interventions are shaped within the boundaries of the market model. Also, social investments are targeted toward the poor instead of universalistic, as in cases based on social citizenship. Therefore, the social has returned to the agenda of the state as a key factor, but it has still strong connections with the market.

Yates and Baker (2014) attempt to give shape to the elements of post-neoliberal regionalization in South America. Before analyzing country cases, they propose a prototype of the main features of this model. In that context, they highlight some important aspects. The post-neoliberal approach is generally in harmony with the empowering of local administrations and community organizations. It prioritizes ensuring more autonomy and participatory mechanisms for them to work with civil society institutions. Relatedly, the summaries of Sanahuja (2010) and Briceno-Ruiz

(2017) concerning the third wave include these points: The predominance of political agendas and the weakness of economic aspects, the return of the development agenda, promotion of integration processes, better articulation of regional markets and rising concerns of energy security.

**Table 4:** Principles and practices regarding post-neoliberalism in the South American case

Principles		Practices
<b>Resocialization</b>	Refounding the state	<ul style="list-style-type: none"> <li>-Reregulation of the social sector and social services</li> <li>-Nationalization</li> <li>-Regulation of big business</li> <li>-Domestic market stimulation and the regulation of capital</li> <li>-Building a solidarity economy</li> <li>-Strengthened labor relations</li> <li>-Decommodification</li> <li>-Reestablishing common property rights</li> <li>-Participatory budgeting</li> </ul>
	Resocialization of the market economy	
<b>Deepened democracy</b>	Repoliticization of civil society	<ul style="list-style-type: none"> <li>-Spaces of consensus building (place-based, identity-based, etc.)</li> <li>-Institutionalization of participatory decision-making mechanisms</li> <li>-Pluri-nationalism and pluri-culturalism</li> <li>-Social mobilization as ‘politics-as-usual’</li> <li>-Regional co-operation</li> <li>-Financial autonomy (from international financial institutions)</li> <li>-Regional political autonomy (anti-imperialism)</li> </ul>
	Regional integration	

Source: Yates and Bakker, 2014: 71

Through this ongoing debate, Riggiorozzi and Tussie (2012) make a crucial contribution and give a new description regarding ‘post-hegemonic regionalism.’ According to them (2012: 12), it can be explained as “regional structures characterized by hybrid practices as a result of partial displacement of dominant forms of US-led neoliberal governance” as a consequences of alternative political and economic governance of common goods. Their reason for using the term ‘post-hegemonic’ is that, with the new millennium, the sovereignty of neo-liberalism has ended and new dimensions of regional integration beyond free trade and market have emerged. Thus, the hegemony of neo-liberalism started to weaken and has lost

its feature of being without alternatives (Briceno-Ruiz, 2017: 76). However, this does not mean that neoliberalism-based integration disappears; its centrality has just been displaced (Riggirozzi, 2012: 35).

Riggirozzi and Tussie (2012: 11) divide the regional integration models in South America into three categories:

1. “Projects with a strong emphasis on commercial integration as a transit to broader multilateralism, with low socio-political content (i.e. the so-called Pacific Rim with Mexico under NAFTA, Chile, Colombia and Peru in the Andean Community);
2. Projects that advance trade at its core, deepening linkages with neighboring countries, yet seeking alternative and autonomous trade and post-trade political projects, even reaching outside the region (i.e. Central American Common Market, Caribbean Community (CARICOM), Southern Common Market (MERCOSUR), Andean Community (CAN), Union of South American Nations (UNASUR);
3. A model that more radically emphasizes political and social aspects of integration, with new economic and welfare commitments, reclaiming the principles of socialism in direct opposition to neoliberal globalization (such as the Venezuela-led ALBA grouping Cuba, Bolivia, Ecuador, Nicaragua, Dominica and Honduras).”

**Table 5:** Integration models in the Americas

Logic of Regional Governance	Integration Projects
<b>-A strong emphasis on commercial integration in support of broader multilateralism, with low sociopolitical content</b>	Pacific Rim with Mexico under NAFTA (1994) Andean Community (1969)
<b>-An emphasis on trade while seeking alternative and autonomous political projects and developmental goals deepening linkages with neighboring countries</b>	Central American Common Market (1961) Caribbean Community (CARICOM, 1973)



<b>-New regional coordination to share, consolidate, sustain and protect natural resources and infrastructure development</b>	Southern Common Market (MERCOSUR, 1991) Andean Community (CAN, 1969)
<b>-Reaching outside of the region</b>	Union of South American Nations (UNASUR, 2008)
<b>-A radical emphasis on political and social aspects of integration</b>	
<b>-New economic and welfare commitments</b>	Bolivarian Alliance for the Peoples of Our America (ALBA, 2004)
<b>-Strong emphasis on distributional policies</b>	
<b>reclaiming and redefining the principles of socialism in direct opposition to neoliberal globalization</b>	

Source: Riggirozzi, 2011: 431

Even though they count the UNASUR as a post-hegemonic regional model, they put it among the free trade-based integration models. However, as a whole, UNASUR and ALBA are perceived as two post-neoliberal/post-hegemonic organizations in South America. In order to comprehend the developments on the continent in the new millennium, post-neoliberal regionalism is able to lead the way. As will be shown in the following sections, this new organization model forms the basis of both national development processes and regional integration among states. Some countries have been put some implementations into practice that are in accordance with post-neoliberalism. Beyond particular examples, however, there is also a regional move together. Regardless of the revisions of the political-economic process during the first decade of the 2000s, this move cannot be understood correctly in isolation. The background of continental developments is necessary. The nature of post-neoliberal regionalism can then be connected to its practitioners in South America throughout the new era of Pink Tide governments. The main problem here is that the scale of the post-neoliberal model has been quite narrow, raising its limitations.

#### **1.4. CONCLUSION**

Since the 20<sup>th</sup> century, integration attempts within various sectors and countries have increased and become frequent. Despite the leading moves having usually come from Europe, the rest of the world inevitably participated in this process. Integration was not merely a new thing due to the alliances among European states during the 20<sup>th</sup> century; it gained shape and detail, and it expanded into other macro areas beyond politics and economy. Undoubtedly, the two great wars of that century and then the irresistible globalization era substantially affected regional integration, but every continent has experienced unique regionalism according to their original conditions.

This chapter has had two aims in demonstrating how integration theories have evolved in time and identifying the critical and unique aspects of third wave regionalism. Regarding the first aim, efforts were made to show the three stages of the main integration theories. These are old regionalism (the first wave), new regionalism (the second wave) and post-neoliberal/post-hegemonic regionalism (the third wave). It has to be said that all three generations have included similarities and continuities in spite of their contrasts; in another words, they are different branches of the same tree.

First wave regionalism was shaped in the post-Cold War context and had a more bureaucratic structure. It was created 'from above' and concerned the relations of sovereign states (Hettne, 1999: 7). It can be examined within two sub-categories: Intergovernmental and supranational approaches. Intergovernmental approaches maintain the traditional inter-state affairs regarding regional integration. They focus on security-related issues, claiming that the hegemonic side is determinant in regional arrangements (Hout, 1999: 4). Intergovernmental approaches such as neo-realism and neo-liberal institutionalism have sustained the debates of absolute and relative gains. Supranational approaches, on the other hand, have been those that formed European integration and contribute to the literature as the mainstream. They are more similar to new regionalism than intergovernmental approaches. Neo-functionalist and federal views of them have been the most used in practice (see Söderbaum, 2003).

Second wave regionalism shifts the focus to international trade and ‘free market’ principles. Integration is discussed in financial terms with respect to cooperation and reconciliation. Regionalism is driven by transnational forces grounded on multidimensional processes and non-governmental organizations (Hettne, 1999: 8). The private sector gained more importance in accordance with the structure of civil society. European integration led this process on a macro scale with trade liberalization and privatization (Dabene, 2012: 16). The best description of the stance of second wave regionalism is ‘good governance is less government’ (see Hettne, 2003: 30).

Third wave regionalism takes a different approach compared to the previous two models. It tries to create contacts among integrated states not in commercial but in social and ideological terms. The reference points for the economy are nationalization and solidarity economy; for politics, participatory democracy; for socio-cultural issues, social welfare and pluri-culturalism; for foreign policy autonomous regional decision-making and anti-imperialism (Riggirozzi, 2011: 434-435; Malamud and Gardini, 2012: 124; Yates and Baker, 2014: 71). For ALBA, the most relevant example of post-neoliberal regionalism, it is not wrong to claim that it creates counter-hegemony against any foreign intervention, particularly against US imperialism (Muhr, 2010: 40). However, even though the third wave is a model that entails contrasts and more original features than the other two regionalisms, it is not possible to divide the three with strict borders. All of these generations or waves feed each other, and a state could apply various models stemming from different generations of regionalism. In general terms, post-neoliberal regionalism has had a structure focused on social development, regional solidarity, respect for indigenous rights and an anti-neoliberal and anti-imperialist stance.

**Table 6:** Key concepts of the three waves of regionalization

<b>Regionalisms/Ma in Features</b>	<b>Old Regionalism (1<sup>st</sup> Wave)</b>	<b>New Regionalis m (2<sup>nd</sup> Wave)</b>	<b>Post-Neoliberal Regionalism (3<sup>rd</sup> Wave)</b>
<b>Paradigm</b>	Developmentalis m and structuralism	Neo -liberalism and open regionalism	Neo developmentalism/Welf are regime
<b>Key Actors</b>	ECLAC (South America), EU, US	ECLAC, US	Brazil and Venezuela
<b>Agenda</b>	Economic integration, import- substituting industrialization (ISI)	Trade liberalizatio n	Post-trade issues
<b>Methodology</b>	Planning	Tariff reduction	Flexibility and functional cooperation
<b>Convergence</b>	Lessons learned from the 1930- 1945 period	Economic crisis, lessons learned	Economic crisis, lessons learned from previous waves
<b>Diffusion</b>	ECLAC's doctrine	Washington Consensus	Sao Paulo Forum, Buenos Aires Concensus

Source: Dabene, 2012: 10-26

## **CHAPTER TWO**

### **THE EVOLUTION OF NEOLIBERALISM IN SOUTH AMERICA**

In this chapter, the political and economic situation of the world in general and of South America in particular will be examined. After addressing theoretical conceptions, it is now time to follow the systematic actions in practice. South American history includes social events and political movements as much as economic changes in the international monetary system. As in other parts of the Third World, South America has been influenced by the current mode of capitalism that focuses on open market rules, low tariffs and flexible bureaucracies namely, neoliberalism. The greatest events that have affected world trade and order, like the creation of the Washington Consensus and the spread of structural adjustment programs, came to life either focusing on this continent or influencing it. From this point, I seek responses to two questions: What are the effects of neoliberal transformation on world economics and the public sphere and how has neo-liberal model changed the development strategies in South America? In the following sections, I will thoroughly examine what neo-liberal ideology is and will analyze it in economic, political and cultural senses. I will then shift the focus to South America in order to demonstrate the situations there since neo-liberalism was adopted.

South American countries have experienced turbulent eras during these processes. As long as the macro-economic models were changing, development strategies also went through changes. First, the import-substitution model was integrated throughout the continent. Thus, some semi-peripheral states were able to raise their production and build up trade centers. However, the reopening of barriers, deregulations of markets and eventually austerity policies brought the colonization logic back again. South America thus became a test area for the neo-liberal renaissance.

In this chapter, I explain the dynamics of neo-liberal globalization around the world and then shift the focus to South America to examine the political economy of the continent.

## **2.1. END OF THE BRETTON WOODS SYSTEM AND THE DAWN OF NEO-LIBERALISM**

In pathways of neo-liberal economies, the processor of the system has become a significant issue. Considering this makes it easier to comprehend the structures of world economic tendencies at different dates. After World War II, states came together in order to recover from their damage, to regulate financial issues and, maybe more importantly, to hinder any future potential war attempts on such a major scale. Depression began to influence all sides that had participated in the war. This is why most of them would not attain the growth and productivity that they used to have. They also encountered a bigger crisis threat than they had experienced in the inter-war period. To negotiate these issues and provide stability in the world economy, a new monetary system was agreed upon: Bretton Woods. It would leave its mark on the period but would collapse because of its structural deadlocks. Before exploring each subsequent era in detail, one has to draw a general framework regarding the advancement of capitalist development in the 20<sup>th</sup> century.

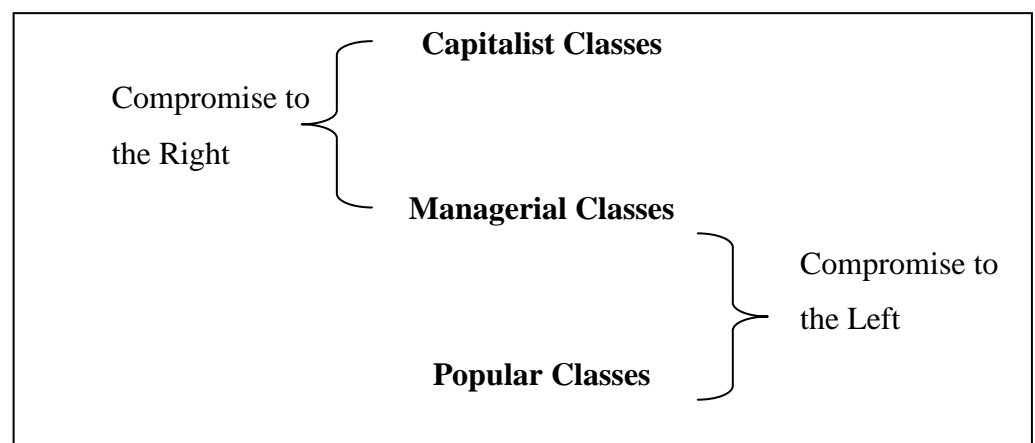
Focusing on the shift of paradigms on capitalism will help to comprehend the transition periods. Keynesianism, in the era of Bretton Woods left its mark on post-war macroeconomics. In spite of the severe results of the Great Depression, the Keynesian model tried to overcome those problems by creating employment, and enhancing public authority in the market. The model predicted that there is no automatic mechanism to ensure full employment or to avoid periodical crises (Kotz, 2015: 10). State intervention limited private capitalism, and regulated the market and trade (Lapavitsas, 2005: 42). National governments controlled the money flow, while a high rate of taxation on wealthy groups and increasing wages ensured better conditions for workers (Steger and Roy, 2010: 7). This era could be described as 'controlled liberalism' because of its regulations and limitations on the redistribution of wealth (in favor of middle classes) and the regulation of market. Keynesian macroeconomics was surprisingly successful at overcoming the crisis. Newly created job opportunities and relatively planned economies softened the damage in the post-war era. Relevant models can be diversified from the planning models of Japan and France, and corporatist partnerships in Austria, Germany and Scandinavia to the

mixed models of Britain and Italy (Howard and King, 2008: 205). Other countries, such as the USA, encouraged social democratic administrations, or, even if not, they maintained adherence to the ‘Deal’ (Howard and King, 2008: 206). It should be pointed out here that ‘the New Deal’ or ‘the Keynesian compromise’ was based on harmony and cooperation among classes. As in other relations of production throughout history, this period was not independent of social classes and groups. Dumenil and Levy (2011: 13-18) explain this situation by estimating it existing power configurations. They divide modern capitalism into three phrases:

1. **First financial hegemony** from the 1890s to the Great Depression,
2. **Keynesian compromise** from the Great Depression to the crises of the 1970s,
3. **Neoliberalism as the second financial hegemony** from the crises of the 1970s to the present.

Before describing these phases, Dumenil and Levy (2011: 13) explain that the mechanism of social order derives from a ‘tripolar class configuration’: In this schema, there are mutual relations between capitalist classes, managerial classes and popular classes. Managerial classes contain both managerial and clerical personnel. To state Dumenil and Levy’s idea briefly, for whichever classes’ cooperation is dominant on a socio-economic basis, their politics/ideologies are also sovereign.

**Figure 1:** Political compromise among classes



*Source:* Dumenil and Levy, 2011: 19

The first phase in the modern capitalism saw the rapid increase of the bourgeois classes. Competition that had been high until the 1890s began to give way to monopolized corporations with the effects of elimination of rivals in the market. Struggle among the bourgeois classes and other classes had not sharpened yet. Therefore, the struggle meant that some upper classes became eliminated and others were transformed (Dumenil and Levy, 2011: 15). Towards the end of the century, the balance of national and multinational corporations changed in favor of the latter. The internationalization of capital enhanced foreign investments, but also accelerated labor exploitation. However, financial institutions were not dominant over non-financial institutions. They would need to wait for the post-war era. Financial institutions stayed in touch with managerial classes.

The second phase of modern capitalism started after the Great Depression of the 1930s. As the macroeconomic and political aspects of this period were described above, here I will stress the class dimensions that formed it. One of those dimensions was the rise of managerial autonomy against capitalist classes during the ‘New Deal’. The cooperation between managerial classes and popular classes made that possible. In short, within the relation between these two, the Keynesian side of ‘the compromise’ was formed. The third phase will be examined after explaining the crisis of the ‘New Deal’ order and the rise of neoliberal globalization.

**Table 7:** Growth between 1950 and 1973

		Contribution of factor (%)			
Bloc or country	Growth of GDP	Land	Labor	Capital	Contribution of total productivity factors



<b>OECD</b>	5.4	0	12	26	62
<b>USSR</b>	5.1	3	35	51	10
<b>Asia</b>	5.6	1	41	33	26
<b>Latin America</b>	5.2	3	35	27	34
<b>Japan</b>	9.3	-1	16	26	59
<b>USA</b>	3.7	0	31	28	41
<b>UK</b>	3.0	0	2	33	66
<b>Germany</b>	5.9	0	2	27	70
<b>France</b>	3.1	0	7	21	72

*Source:* Carreras, 2006b: 316

Table 7 shows the rates of the GDPs of selected countries and continents according to the contributions of the factors of production. While in the Western bloc Japan and Germany took the lead by far, in the Eastern bloc the USSR was about to reach the OECD average by itself.

The Bretton Woods era ended in the 1970s, owing to several crises mostly derived from economic developments on a global scale. The first oil shock rocked the world's economy along with rises in oil prices so that they were quadrupled (Steger and Roy, 2010: 9). In addition, the downward trend of the profit margin pushed capitalists (owners) to take new measures and seek new solutions. While on the one hand, profit rates were diminishing and accumulation was slowing down, on the other, the tensions between waged workers and owners were exacerbated (Dumenil and Levy, 2011: 20). In short, capital was under pressure against labor and these relations on socio-economic bases posed a dilemma. The response to this Keynesian crisis came from 'neo' liberalism (Clarke, 2005: 58).

**Table 8:** World economic growth among selected regions

<b>Regions/Growth per year</b>	<b>1870-1913</b>		<b>1913-1950</b>		<b>1950-1973</b>	
	<b>GDP Growth</b>	<b>GDP Growth per capita</b>	<b>GDP Growth</b>	<b>GDP Growth per capita</b>	<b>GDP Growth</b>	<b>GDP Growth per capita</b>
<b>Western Europe</b>	2.1	1.3	1.4	0.9	4.7	3.9
<b>Western offshoots</b>	3.9	1.8	2.8	1.6	4.0	2.4
<b>Southern Europe</b>	1.5	1.1	1.3	0.4	6.3	4.9
<b>Eastern Europe</b>	2.4	1.0	1.6	1.2	4.7	3.5
<b>Latin America</b>	3.3	1.5	3.4	1.5	5.3	2.5
<b>Asia</b>	1.1	0.6	1.0	0.1	6.0	3.8
<b>Africa</b>	1.1	0.4	3.0	1.0	4.4	2.0
<b>World</b>	2.1	1.3	1.9	0.9	4.9	2.9

*Source:* adopted from Cardenas, Ocampo and Thorp 2000: 7

Now it will be helpful to give details on both eras. In July 1944, an agreement signed at Bretton Woods, New Hampshire drew new monetary rules based on pegged exchange rates. Before the neo-liberal paradigm, the Bretton Woods monetary order would be the determinant of the global financial system. This can be assessed as

either a golden age of capitalism or an obligation used to cover for international finance.

The system, in brief, pegged the values of other states' currencies to the US dollar while the dollar was pegged to the price of gold at 35 dollars an ounce. Before that, the gold standard, which had regulated financial flows through national currencies, was determined within mercantilism. It depended on the accumulation of gold (and silver). This standard was now changed. In a sense, the Bretton Woods system presented three main approaches that differed from the golden standard. Controls were able to limit global capital flows, the International Monetary Fund (IMF) and the World Bank (WB) were established to observe national economic policies to 'fund or improve' it, and pegged exchange rates became adjustable (Eichengreen, 2008: 91). The IMF could give financial assistance under certain conditions to gain competitiveness abroad and improve the commercial balance (Carreras, 2006b: 309). On the other hand, the WB was to co-operate in the economic reconstruction of countries that had suffered in the war (Carreras, 2006b: 308). These three features complemented each other by increasing controllability.

The Bretton Woods system, however, had its difficulties. The post-war financial agreement was planned by two crucial economists, John Maynard Keynes, a British economist for whom the system would be named, and Harry White, who was from the US Treasury. Those two men would later shape the macroeconomic programs of the two most industrialized countries, with the former exerting more weight (Eichengreen, 2008: 94). With tight fiscal policies and controls, in the following years the core countries could pass through the recession and improve their conditions. The IMF entered history as a primary actor along with the World Bank. The core countries recorded remarkable progresses. In comparison with other eras, some of them were able to achieve top growth and the lowest unemployment rates (Cameron and Wallace, 2002).

In fact, it is possible to say that the Bretton Woods era can be regarded as 'the golden age of New Deal Keynesian economics' (Cameron and Wallace, 2002: 482). After WWI, the crisis years of the 1930s got the ball rolling for political and economic constraints. The fascist movements in the Weimar Republic, Italy and

Spain began to manipulate people against the establishments. The Nazi Party captured power in an election with the support of the German bourgeois, the Italian Blackshirts were threatening the Royalty and the Falange was consolidating power in Spain. The economic conditions stemming from the effect of the 1929 crisis triggered these developments. Within that atmosphere, the Keynesian doctrine was vital to hinder the collapse of capitalism. Due to that, this period was one in which Keynesian intervention programs had a dominant position.

As is seen, the Keynesian era was a time of full employment efforts and direct state interventions into the market in addition to high salaries and relevant work possibilities. Keynes linked unemployment to the shortage of private capital investment and spending in the market (Steger and Roy, 2010: 6). Keynesian views include state control over national enterprises, mass production promoting the wealth of the middle classes and regulated markets (Stager and Roy, 2010: 7). These ideas remained in play for long years in the North Atlantic bloc, particularly in Britain under C. Atlee and in the USA under F.D. Roosevelt. However, with the end of the Bretton Woods monetary order and the two major oil shocks in the 1970s, Keynesian macroeconomics came to an end. Behind those events, power elites or capital groups were seeking a new socio-economic order that could enhance their interest rates and better control the working classes. Thus, the overall effects of low profit rates, ongoing stagflation, and oil shocks led to the making of the neoliberal order.

Deriving from the interventions into market structure, this era contained apparatuses concerning monetary policy, such as control of interest rates, and fiscal policies, such as control of government spending and taxes (Palley, 2005: 29). Similarly, it also contained its own weaknesses. Depending on contexts, it shows variation. In an economic sense, Keynesian programs created a needlessness by providing social welfare, prosperity among classes and an investable atmosphere. Mass employment and problems in income distribution were reduced and thanks to that, public opinion might think that some institutions of labor power like unions were unnecessary (Palley, 2005: 21). In a cultural sense, the US government had always promoted radical individuality in favor of liberal free market principles. Eventually, social and public actors were removed from the market. However, it

might be easily said for the nearly thirty years free market capitalism enjoyed some of its best years.

Thus, one can see the circumstances under which the neoliberal paradigm has risen and improved. Now, how can we describe that system? What are its characteristics and to which needs were neoliberalism a response? In this section, I will try to answer these questions based on critical theory. Beyond all other aspects, it is a measure regarding class power and social formation.

Neoliberalism has been studied in accordance with various approaches that prioritize different aspects. These analyses evaluate different economic, historical and political positions. From a wide perspective, as Cahill et. al. (2018: xxvii) show, they can be listed as follows:

- “An ideational analysis that regards neoliberalism as the result of neoliberal doctrines expounded by institutions and intellectuals such as F. von Hayek and M. Friedman,
- A Marxist analysis that assesses the neoliberal paradigm as a hegemonic, class-based project benefiting capital at the expense of labor,
- A Foucauldian approach that views neoliberalism as a historically specific form of governmentality,
- An institutional perspective in which institutions have key roles for shaping neoliberalism in different variants,
- A history and philosophy of economics that examines neoliberalism through a deep analysis of the evolution of liberal economic thought,
- A regulation theory approach that views neoliberal thought as the institutional ensemble that addressed the economic crisis after the crisis of the 1970s.”

As addressing all of these perspectives would be beyond the scope of this thesis, I will focus on the critical and radical approaches. Another reason for this is

that the Marxist and neo-classical explanations of neoliberalism have remained the most popular views in the literature. Because the neo-classical explanation ignores the shaping of international political economy, in this section I will concentrate on elements historical materialist views, with different variations. In this regard, three views regarding the origins of neoliberalism will be considered: Those of Harvey (2005), Dumenil and Levy (2004; 2010) and Connell and Dados (2014; 2018).

There are many scholars who study the bases of this international order, but it will be more useful to concentrate on three views. First, David Harvey plays a significant role in this literature. According to him (2005), neoliberalism is currently the dominant ideology of capitalism, which has spread since the 1970s. This process was begun via a group of right-wing economists, called the 'Chicago School' due to their academic origins (Harvey, 2005: 8). They and their group, 'Mont Pelerin Society', were supported by several foundations and colleagues. Alongside mainstream politicians, as Britain and the USA deregulated the markets in favor of top economic elites, the Chicago economists found space to spread their theories. Even before that, in Chile in 1973 testing ground for the theory appeared. The military regime captured the power from the socialist Allende government, materializing neoliberal principles of privatization, deregulation, oppression of working classes and control over unions and organizations for the first time in a peripheral country. The new market ideology's most crucial defenders, R. Reagan in the USA and M. Thatcher in Britain contributed to it as the new era's new ruler types, as politicians with strong relations with private companies and 'foundations.' They would be later followed by the 'softer' neoliberals Clinton and Blair. Financial institutions also developed the hegemony of finance-based relations and made other real sectors dependent on financial capital (Babb and Kentikelenis, 2018; Lapavistas, 2005).

Secondly, Dumenil and Levy (2001; 2004) approach this paradigm as an economic mechanism and a model of current capitalism. According to them (2001:6-7), neoliberalism occurred thanks to strong financial developments in the Western world. By decreasing the affective power of labor and by increasing the financialization of the state, institutions and productive relations, the 'neoliberal

revolution' posed a serious challenge to organized labor. They also rightfully emphasize the important separation between business management and ownership, referred to as the 'managerial revolution' (Dumenil and Levy, 2001: 582-585; Dumenil and Levy, 2011: 8). This separation did not occur with the rise of neoliberalism, but it did become clarified with it. All major corporations were being run in accordance with it. Thus, a wealthy class of upper managers ('professionals') started to take a share of corporate income. In addition, multinational corporations needed financial institutions to direct funds on a global scale (Dumenil and Levy, 2001: 587). Cooperation among finance giants and private sector firms accelerated the deregulation and privatization, while organized labor lost its balance against capital groups. In the following years, financial capital mostly remained able to determine the future of investments and profit rates and to suppress waged workers.

Even though these views approached neoliberal globalization with different tools, their perspectives both put the North at the center of their analyses. While Harvey (2005: 19-31) explain that Anglo-Saxon/American based thoughts formed the ideology theoretically, Dumenil and Levy (2001; 2011: 9-32) stress the central role of financial hegemony. Apart from those stances, thirdly, a counter-view comes from Connell and Dados (2014). They ground neoliberalism on a development strategy that has mostly demonstrated its effects in the global South (that is to say in the periphery and semi-periphery). The neoliberal paradigm, according to them (2014: 124), "cannot be understood as a by-product of the internal dynamics of the global North... Neoliberalism is not a projection of Northern ideology or policy, but a re-waiving of worldwide economic and social relationships." Southern governments were to be integrated into the world market with the structural adjustment programs. How could these programs be implemented? For the global South, this experience was exceedingly painful, involving coups, interventions and embargos. From the theoretical origins founded with the Washington Consensus, the order of deregulation, privatization and elite administration continued. Connell and Dados (2014: 133) stress that neoliberalism should be a development strategy particularly for the semi-peripheral countries, in which key factors such as agriculture and social effects are transformed and changed (Connell and Dados, 2014: 133).

Considering these three views in harmony will provide a large scale perspective. While they emphasize different fields of the issue, they also share many aspects and represent a common feature of neoliberal globalization: Exploitation of lower classes and alienation of the public.

Neoliberalism, as noted above, appeared as an ideology adapted from neoclassical economics and occurred as a mode of modern capitalism. Despite being controversial, one answer to the question of why this mode of capitalism was delayed in appearing is the results of major crises such as the Great Depression and the world wars (Howard and King, 2008: 194). It was based on global economic integration, large scale financialization (which has been especially vital), market-driven rules and limited but undeniable state formation (Peck et. al, 2018: 6). Related to classical liberalism but with a different mode, neoliberalism corresponds to the freedom of entrepreneurs more than the freedom of individuals (Dumenil and Levy, 2011: 18). It aggressively took the positions of the welfare state by attacking alternative models in core countries. The New Deal structure lost power even though in some parts of Europe some of its aspects were still protected. Methods such as the privatization of public firms, weakening of institutions in public service, cutting of top tax rates, opening of capital markets and elimination of labor organizations were implemented or suggested to be implemented by capital groups and power elites (Palley, 2005: 25).

At this point, it is necessary to explain how neoliberal policies transformed social life, economic development and international trade. To carry those policies into effect, the neoliberal paradigm needed, one way or another, a state organization. Within this context, the structure of the state in the neoliberal order is debatable. Although the origins of this free market view claimed that it represented the minimum state structure in theory (Hayek, 2001 [1944]: 91-104), reality signifies something else.

In most countries, the state or public sector has kept playing a significant role for the maintenance of socio-economic order even today. Despite the call for restraints on the state, efforts to minimize its impacts and trend of liberalization, the state structure has protected its existence with strong bases. Dumenil and Levy



(2011: 88) say that “Neoliberalism rejected the state of the social democratic compromise, *not the state in general* [emphasis added].” MacEwan (2005: 172) completes the picture with a similar statement: “Neoliberalism requires a strong state that can ensure the primacy of private property, preserve the dominance of market over social control... Also neoliberalism often requires a strong state, sometimes a dictatorial state, for its implementation.” What is meant here is obviously the Chicago School of neoliberalism. The other type of liberal model that prioritizes the social market was defended and applied throughout the 1950s in Germany. Ordoliberalism, as Davies (2018: 274-75) argues, was the name of a national development benefiting from state intervention but not letting it directly control the market. As was seen, in the 1980s’ state of market existed in order to provide more profit to a powerful minority by ‘minimalizing’ (on paper) but not demolishing itself. Kotz (2015: 9) expresses the needfulness of the state within the free market system:

“The concept of neoliberal, or free-market, capitalism does not mean that the state plays no role in the economy. Market relations and market exchange require a state, or state-like institution, to define and protect private property and to enforce the contracts that are an essential feature of market exchange. Every large-scale society requires a state, or a state-like institution, to preserve order. The maintenance of a strong military is fully consistent with the neoliberal view of the proper role of the state. The meaning of “free-market” in this context is that the state role in regulating economic activity is limited, apart from the preceding essential state functions, leaving market relations and market forces as the main regulators of economic activity—but of course operating within a framework provided by the state.”

In this situation, another question is how the neoliberal state used this mechanism. Ironically, the representatives of neoliberalism (power elites, capital groups) manipulated state power on behalf of terminating state power. In the cases of both core and peripheral countries, these policies became real. Rather than the extinct Keynesian (social democratic) compromise, the neoliberal ‘compromise’ was based on the consensus between capitalist classes and managerial classes in favor of the former (Dumenil and Levy, 2011: 85). Regarding marketization, the government is a usable tool in the sense that it prevents mechanisms on economic liberalism such as competition law, property rights, or a culture of enterprise and suppresses on the opposition to the market agenda via police and judicial power (Davies, 2018: 273). It

was rapidly updated in light of less bureaucracy and more auditing, outsourcing and competitiveness (Davies, 2018: 281).

In spite of some right libertarian criticisms concerning the extreme minimalizing of the state's central role, free market economies have actively been using and benefiting from the state's possibilities. Beyond that, they have been forced to apply the state's tools-military, bureaucracy, primary and higher education, judiciary and competition authority- in their favor. The military is essential to protect private property and push other countries to 'open their borders' to the free market. Bureaucracy is effective for the distribution of tenders and carries out patronage relations with bourgeois classes. The education system meets the employment needs of the private sector. The judiciary system solves possible problems between the popular and capitalist classes. Competition authorities, though their names differ from country to country, aim to maintain the competition and hinder any kind of ill-gained monopoly, at least on paper. However, the monopoly is the biggest reality of the modern capitalist order.

Essential actions to transform both society and the public sphere in accordance with the new market regime are best comprehended with the so-called D-L-P formula: Deregulation (of the economy), liberalization (of trade and industry) and privatization (of state-owned enterprises) (Steger and Roy, 2014: 14). Extreme return on state-based development, relative abolishment of social protection and intense consumption culture in society are the main characteristics in domestic policy; in foreign relations, separation of free market ideology all around the world and absolute control of financial institutions can be observed. As a more specific discourse, Kotz (2015: 14) emphasizes these actions from the perspective of a core country: Renunciation of the social democratic developmental state, intensive deregulation of basic industries and financial institutions, reduction of enforcement of anti-trust laws, privatization of the contracting out of public functions, elimination of social welfare programs, and enactment of tax cuts for businesses and wealth households.

In fact, these privatization and deregulation trends highlight a welfare transfer from the majority of society to the minority. Like the end of the 19<sup>th</sup> century,

dispossession for private interest accelerated. The structural crisis of the 1970s put an end to the Bretton Woods economics, but this did not mean an upheaval. Before that, the capitalist classes had continued gaining, but with the rise of the new market discipline, it brought unprecedented rules to working life rules and patronage relations. Bosses started to take revenge on workers for the Keynesian welfare state.

One significant point concerning the structure of neoliberalism is its evaluation process in the core and periphery. Even though it applied similar policies in both, the tools and methods showed differences. Two dominant countries in this process, the USA and Britain, played vital roles. The USA, which gained financial superiority thanks to Bretton Woods institutions like the IMF and the World Bank, had its neoliberal prescriptions accepted by others, particularly semi-peripheral states. Britain, on the other hand, had an irrefutable share in locating neoliberal views in 'social' Europe. In basically the same time period, US president Ronald Reagan (1981-1988) and British Prime Minister Margaret Thatcher (1979-1990) are known for putting an end to welfare state programs. Australian Prime Minister Malcolm Fraser (1975-1983) and Canadian Prime Minister Brian Mulroney (1984-1993) can also be incorporated into this group of Anglo-Saxon neoliberal speakers. During their rule, many fields from education and telecommunications to the financial sector were privatized and deregulated within respect to free trade principles. Although the welfare state base was quite strong in Europe, absolutely more so than in the USA, the first wave of neoliberalism was able to shatter it. In this respect, it should be accepted that the transformations that the British and US administrations actualized had the characteristics of a revolution. They also represented together a new direction in the political spectrum. In addition to their neoclassic macroeconomic views, their conservative perspectives opened a new stage in world politics: The New Right began its rise approximately from these times.

Although the Carter administration took definite actions towards terminating the 'New Deal system,' the neoliberal era began with the Reagan administration by reason of its fundamental transformations. Reagan's USA extensively moved toward supply-side economics as a response to the demand-side economics of the Keynesian compromise. This aspect, based on the thoughts of Arthur Laffer, predicted that cuts

on heavy taxes would increase tax income overall. Naturally, implementation of this principle by neoliberals focused on the wealthier classes. Thus, profit rates of the top minority continued to increase fast. Reagan's era was a turning point owing to the state's shrinking role and inflation targeting. Often called 'Reaganomics,' this approach focused on reducing marginal tax rates (Steger and Roy, 2010: 26). One should note, however, that the withdrawal of the state did not signify that public expenditures had entirely decreased. Rather, key sectors in the USA had maintained and even enhanced expenditures, such as the military (Frank, 2007 [1982]: 101-102). A specific reason for this was the perceived necessity of sustaining the Cold War against the Soviet Union.

**Table 9:** The ideas and intuitions of neoliberal and Keynesian capitalism comparatively

<b>Keynesian Capitalism</b>	<b>Neoliberal Capitalism</b>
1. Dominance of Keynesian ideas and theories	1- Dominance of neoliberal ideas and theories
2. The Global Economy a. The Bretton Woods system with fixed exchange rates b. Gold-backed U.S. dollar as a world currency c. Some tariffs and obstacles in world economy	2- The Global Economy a- Removal of economic barriers b- Mobility of capital across national boundaries
3. The Role of Government in the Economy a. Keynesian fiscal and monetary policy b. Government regulation of basic industries and financial sector	3- The Role of Government in the Economy a- Renunciation of aggregate demand management b- Deregulation of basic industries and

c. Social regulation	financial sector
d. Strong anti-trust enforcement	c- Cutbacks in social welfare programs
e. Provision of public goods	d- Privatization and contracting out of public goods and services
f. Progressive income tax	e- Tax cuts for businesses and the rich
4. Capital-Labor Relations	4- Capital-Labor Relations
a. A major role for collective bargaining between companies and unions	a- Marginalization of collective bargaining
b. Large proportion of long term jobs	b- Casualization of jobs
5. The Corporate Sector	5- The Corporate Sector
a. Co-respective competition	a- Unrestrained competition
b. Bureaucratic principles govern relations within corporations	b- Market principles penetrate corporations
c. Financial institutions mainly provide financing for non-financial business and households	c- Financial institutions become relatively independent from the non-financial sector

*Source:* Kotz, 2015: 42-51

Reaganomics, posed against the wage-working masses, had to re-design economic and social life. In fact, the state would once again play one of its vital roles for capital in the USA. It made several counter-moves on economic issues: Thanks to its tight money policy, it slowed the growth. This move hindered labor from taking a stand strongly against capital. It caused a drop in real value by allowing the minimum wage. The labor law was redesigned in favor of capital. It extensively kept down labor by union busting and a two-tiered wage system. By reducing trade

adjustment assistance substantially, it weakened the welfare state's safety net (Campbell, 2005: 197).

The US Federal Reserve enjoyed relatively independent money policy without any regulation. With the aggressive move towards inflation in 1986 by Paul Volcker -the Chairman of the Federal Reserve, he had succeeded at this, but the prices sharply increased. In 1988 the US dollar reached its lowest point. This volatility was the consequence of tax cuts. Another aspect that accompanied the fiscal policy was reforms for the 'New Federalism' of Reagan (Steger and Roy, 2010: 30). In this direction, he started to authorize states to have more regulatory power. New Federalism is a theory based on the principles and actions of decentralization and individual choices. Like public choice theory, it aims to shift the power from the central government to local administrations. Moreover, it advocates liberalization in public services to create competition (Olssen, 2018: 387). Smaller and decentralized government is able to meet the needs of the people better. For neoliberals, smaller public authority is more preferable than strong public authority (Steger and Roy, 2010: 30).

Under the Reagan administration, with the real beginning of neoliberalism in the USA, some corporations preferred to merge. They could solve the problems in front of them with the special assistance of the same state that they had been complaining about and took care of lobbying activities inside and outside of Congress. Some major corporations that would come to dominate the world market in their own fields grew in those years. 'Reaganomics' became the guide for other countries on a new neoliberal pathway owing to its strong steps backed by capital groups.

**Graph 1:** Annual growth rates of wages and salaries and corporate profits in the USA



*Source:* Adopted from Kotz, 2015: 99

Graph 1 demonstrates the real growth in wages and corporate profits over the years. It can be easily said that during ‘the Golden Age of capitalism’ both wages and corporate profits increased. Through Keynesianism’s crisis, corporate profits converged to zero and with the beginning of the neoliberal era, those profits increased incrementally more than real wages. In the globalization era of the 2000s, wages seemed to be repressed.

The other core country that was one of the leaders of neoliberal programs in the world scale was Britain. However, it is possible to state that Britain demonstrated the features of a different kind of neoliberalism. Unlike in the USA, neoliberalism in Britain, which appeared by the end of the 1970s with Margaret Thatcher’s rule, was based on a free market-centralized state (Gamble, 1989; Arestis and Sawyer, 2005b: 199-200). This was suitable for the new right ideology; the state was able to withdraw from the market while also creating space in favor of private enterprises, a dual function. As outlined above, neoliberalism does not entirely reject the role of the government, but pushes it into a limited zone. The Thatcher administration

experienced a hard process in order to achieve that, due to the social dynamics of Europe. However, in the end, the 'neoliberal revolution' could build up the sovereignty of capital.

The essential aim of the Thatcher administration was to roll back the state by reducing public expenditures, transforming public services into private sector services and supporting capital groups (Gamble, 1989: 6). In this direction, many national enterprises were privatized, government intervention in the industry sector was dropped, some public assets were sold, a struggle began against organized labor, and share ownership was encouraged (Arestis and Sawyer, 2005b: 200). Four privatization methods were used: Charging, contracting out, liberalization and withdrawal (Gamble, 1989: 10). Charging involves making a public service priced. It has usually been seen in the first steps of the privatization process and has been one of the losses of the old Keynesian state. Education, health and housing could be given as examples. Contracting out involves having periodic public work done by the private sector. It has been often done by initiating a tender for private firms. The state applies contracting out primarily in the housing sector. Liberalization means the introduction of competition in order to hinder or to break up monopoly power in the market. To achieve this, all firms should "submit market criteria" (Gamble, 1989: 11), but it remains an enigma how to fully succeed. Withdrawal is the movement of the state in a negative way; it pulls back from some services in favor of the private sector and corporations. The social security system could be given as an example. The Thatcher administration had benefited from all these aspects by the 1980s to weaken the state's role and strengthen capital groups.

Moreover the Thatcher administration carried out a large scale privatization program to emplace supply-side economics. The first step was to sell the council houses. These houses that had been a part of the implementations of the welfare state were sold to new tenants. Thus, the rate of house ownership rose sharply. At the same time, major sectors experienced privatization (Garrett, 1992: 365-6). Either totally or partially the sold firms provided great profits for buyers. Also, similar to the USA, an intense attack on organized labor extensively reduced the rate of union membership (Garrett, 1992: 367). The Conservative government collected power for itself in



order to enable a free market. Compared with neoliberalism in the USA, the British example shows clearer characteristics of neoliberalism with the government's effect in an authoritarian way on labor organizations and its facilitator role for capital groups.

## **2.2. MARKETIZATION IN SOUTH AMERICA: THE WASHINGTON CONSENSUS and AFTER**

The process of evaluation of neoliberalism in peripheral countries followed a different and more forceful path. It could even be said that neoliberal administration had taken the power in peripheral and semi-peripheral countries before core countries in North America and Western Europe had begun marketization policies. To do so, the neoliberal compromise that Dumenil and Levy (2011) described between the two upper classes needed to be accepted by the lower classes by consent or force. Here one is able to observe the impacts of underdevelopment; because the relations of production had not yet improved sufficiently, the transition materialized mostly by military force in peripheral and semi-peripheral countries. In some scholars' opinions, including Connell and Dados (2014: 6), neoliberalism in the periphery attacked other development strategies: Import substitution industrialization (ISI) was extensive in many semi-peripheral countries and Soviet-inspired state-centered industrialization was seen in Arab states and Southeastern Asia. Rather than these, neoliberally driven administrations pushed export-oriented industrialization by promoting educated workforces with low costs. Interestingly, this story began with military coups in many countries such as Chile, Argentina and Uruguay. Most of them were planned or backed by the USA (Williams and Disney, 2015). Although the neoliberal development strategy included some advantages of integration into world markets, the negative effects deepened the socio-economic structure. With South Europe and Asia, South America was one of the areas illustrating the best performances.

It is essential to consider that the South American development model has passed through many phases. These models and their supporting theories presented an action plan to provide a more independent and structural development program. Like in Europe and the USA, neoliberal principles had to intensively crush the Keynesian macroeconomic view and social democratic reforms. Two eras gained importance in this regard. First, the 1970s represent the military coups; they helped neoliberalism to mature its necessary conditions for it. Second, the end of the 1980s was the time of the Washington Consensus (WC). In brief the WC advocated free-market oriented and minimum state (neo-liberal) principles (see Steger and Roy, 2010: 19-20). Following privatization, liberalization and deregulation principles, the developmental state was attacked and welfare programs were damaged (Grugel et. al. 2008: 500-501).

In South America, the Economic Commission for Latin America and the Caribbean (ECLAC) was an important actor. The ECLAC was founded within the United Nations in 1948. Besides being a commission, it worked as a sort of think-tank and helped in shaping new socio-political ideas. The ECLAC particularly made significant contributions to shaping the development of the ISI model (Nef, 1994: 407).

South American countries had used the ISI model (ISI) approximately between the 1930s and the 1980s; during these years the economic programs that were implemented showed harmony with the worldwide Keynesian principles (Saad-Filho, 2005b: 222). Two essential factors could best describe the model: Strong state intervention (high rate of public expenditures, state-led firms and extensive regulations) and a relatively closed economic structure (high tariff barriers and quotas). This served the purposes of national development with national resources as well (Stallings and Peres, 2000: 36). It was based on the sequenced expansion of manufacturing industry to replace imports. Its production scale could reach from non-durable goods to technological complex goods. This kind of industrialization included specific relations of production. Usually, non-durable and capital goods were manufactured by domestic capital. Durable goods were produced by transnational corporations; on the other hand infrastructure and basic goods were

procured by state-owned entrepreneurs (Saad-Filho, 2005b: 223). Nonetheless, ISI was a model that fit the developmental state. The developmental state view was based on the relationship of business and state. Rather than free-market capitalism and planned socialism, the developmental state presented a mixed model that, in South American case, combined “authoritarian technocracy and egalitarian distribution of income and welfare” (Radice, 2008: 1154). It had three significant necessities, considering the conditions in which it appeared. First, external constraints were attributed to the declining aspects of trade of primary products and lack of market access, so it required a domestic source for growth. Second, it had an obligation to reduce the unemployment rate. Third, rapid technological improvement need to be realized fast (FitzGerald, 2000: 60-61). ISI had both positive and negative aspects; it provided major growth rates for some South American countries, and generally across the continent, as shown above. However, it failed due to some limitations. Primarily, it could not deal with the scarcity of foreign exchange. Its fragile financial system could not back up domestic financial assistance for industrial development. Furthermore, fiscal fragility and inflation created gaps in the accumulation system and disrupted the social balance (Saad-Filho, 2005b: 223). In addition to these issues, the crisis of profitability and low support on transnational capital did not make it attractive (Gwyane and Kay, 2000: 143-4).

In this regard, it became necessary to revise the conditions throughout the 1970s and 1980s. A dramatic dual event, unsettled the continent’s economy. The first and second oil shocks drove up the prices of oil. In the first oil shock (1973), the price increased from approximately \$4 to \$12 per barrel, and in the second one (1979), it increased from nearly \$15 to \$32 per barrel (Edwards, 2010: 61). Those major developments altered balances and depolarized economies. Export incomes were reduced and fiscal deficits were normalized. As soon as governments relied on printed money, inflation increased to high levels. The Mexican government had to darken the IMF’s door early on (Edwards, 2010: 62). Hyperinflation would be the most vital problem on the continent during this ‘lost decade.’ Towards the end of the 1980s, the Southern countries faced a debt crises related the reasons above. The existing system, ISI, failed to solve the major problems. A solution proposal that would shape the future of the peripheral countries was announced in the USA, The

Brady Plan. The plan was based on two principles: Debtors were granted debt relief and creditor banks would provide fresh funds to the countries. In return, the countries were supposed to deregulate their economies and open to competition (Edwards, 2010: 64). It was not an officially sponsored plan; rather, it was a collection of ideas aiming at liberalization, deregulation, marketization and open economy. It was first suggested to the South American governments, but then it expanded its influence to other peripheral countries and evolved into 'a general formula' for the neoliberal transformation of these countries (see Steger and Roy, 2010: 19-20; Saad-Filho, 2005a: 113-15). Although before the WC fierce transformations in light of the neoliberal principles like military coups in Chile, Argentina or Uruguay, the WC had both total and systematic implications within the continent. According to Steger and Roy (2010: 19-20), the ten principles of the WC were as follows: A guarantee of fiscal discipline, a reduction of public expenditure, tax reform, financial liberalization, competitive exchange rates, trade liberalization, promotion of foreign direct investment, privatization of state firms and enterprises, deregulation of the economy and protection of property rights. These points, obviously indicators of a free-market order and financial hegemony, organized a step of US financial hegemony on a global scale. In the following years, these principles would be implemented into by national economies by the governments that had been demanded to approve new programs by national capital groups. Even though they ensured some advantages in the short term, the long-run results would be devastating, particularly for countries not ready to accept the structural adjustment programs of the WC.

**Table 10:** The principles of the original Washington Consensus

<b>Fiscal Discipline</b>	Large and sustained fiscal deficits contribute to inflation and capital flight. Therefore, governments should keep them to a minimum.
<b>Reordering Public Expenditure</b>	Subsidies need to be reduced.

<b>Priorities</b>	Government spending should be redirected toward education, health and infrastructure development.
<b>Tax Reform</b>	The tax base should be broad and marginal tax rates should be moderate.
<b>Liberalizing Interest Rates</b>	Domestic financial markets should determine a country's interest rate. Positive real interest rates discourage capital flight and increase savings.
<b>Exchange Rates</b>	Developing countries must adopt a competitive exchange rate that will bolster exports.
<b>Trade Liberalization</b>	Tariffs should be minimized and should never be applied toward intermediate goods needed to produce exports.
<b>Liberalization of Inward Foreign Direct Investment</b>	Foreign investments can bring capital. Therefore, they should be encouraged.
<b>Privatization</b>	State-owned properties should be privatized properly.
<b>Deregulation</b>	Governments should deregulate the economy to ease barriers to entry and exit.
<b>Property Rights</b>	Property rights need to be enforced. Weak judicial systems reduce incentives to save and accumulate wealth.

*Source:* adopted from Williamson, 2003 and Naim, 2000

According to Saad-Filho (2005b: 225-27), five key issues could help to explain the practices of neoliberalism in South America. Primarily, import liberalization played a significant role. During ISI, national firms were able to benefit from limitations on imports. With that help, they could build constitute their power in the domestic economy, and so they could monopolize. However, after tariffs were reduced, prices were pushed down. Meanwhile, workers' wages also fell. Second, exchange-rate overvaluation decreased the local currency prices of imports and increased trade liberalization. Third, domestic financial liberalization, contrary to popular belief, reduced the savings and investments in many countries through the 1990s and 2000s. Fourth, fiscal reforms provided cuts on expenditures and tax reforms. Fifth, liberalization of the capital accounts of balance of payments was hoped to attract foreign investments. On the contrary, however, cheap import goods entered the countries and damaged local production (Saad-Filho, 2005b: 225-26). Table 11 is helpful for comprehending the economic performance depending on GDP per capita. The first years of neoliberalism' implications experienced low and even negative growth numbers. After the WC, except for some exceptions, the continent experienced to low rates. The best economies like Mexico, Argentina and Brazil showed stable performances.

**Table 11:** Growth of GDP per capita, 1981-2001 (US\$ at 1995 prices)

Country/Year	1981-1990	1991-2001
<b>Argentina</b>	-2.1	2.1
<b>Bolivia</b>	-1.9	1.0
<b>Brazil</b>	-0.4	1.1
<b>Chile</b>	1.4	4.2
<b>Colombia</b>	1.6	0.6
<b>Costa Rica</b>	-0.7	1.8

<b>Cuba</b>	2.8	-1.6
<b>Dominican Republic</b>	0.2	3.8
<b>El Salvador</b>	-1.5	2.0
<b>Guatemala</b>	-1.6	1.2
<b>Haiti</b>	-2.9	-2.8
<b>Honduras</b>	-0.8	0.3
<b>Mexico</b>	-0.2	1.5
<b>Nicaragua</b>	-4.1	0.5
<b>Panama</b>	-0.7	2.4
<b>Paraguay</b>	0	-0.9
<b>Peru</b>	-3.3	1.8
<b>Uruguay</b>	-0.6	1.8
<b>Venezuela</b>	-3.2	0.3
<b>Latin America</b>	-0.9	1.2

*Source:* Bulmer-Thomas, 2003: 383

At this point, it should be stressed that the neoliberal reforms in South America started after the debt crisis of the early-1980s. What this means is roughly that the neoliberal strategy arose as a development strategy and was replaced social market capitalism. In other words, it was a response to the developmental state and the ISI model in South America. Additionally, the foreign factor was quite effective in neoliberal reforms. These reforms are classified into three cycles according to Petras and Veltmeyer (2007: 31). The first cycle was tried to be implemented via the military dictatorships in Chile, Uruguay and Argentina. These countries, which had

many Southern students of the ‘Chicago boys’, were the first examples of macro-economic transformation in South America. The second cycle was experienced under the conditions of debt crisis towards the late-1970s (Petras and Veltmeyer, 2007: 31). The third cycle exerted itself authority in the 1990s, when the WC was being backed up by the global ‘capital watchmen’ of the IMF and the WB. Because dominant international financial institutions shaped the reform agenda in the Southern hemisphere, it is straightforward to say that the production in these countries was more dependent on global markets and trade relations. In accordance with the model, the public sector was restricted, social expenditures were limited and export-promotion was spread. The power necessary to actualize all these programs was obtained militarily. Briefly, neoliberalism located itself against the crisis of the dirigiste model based on a relatively closed economy, or in other words, ISI, and its political reflection of the developmental (popular) state (Panizza, 2009: 14).

**Table 12:** Total disbursed external debt, as million \$ between 1990 and 2000

<b>Country/Year</b>	<b>1990</b>	<b>1995</b>	<b>2000</b>
<b>Argentina</b>	62,233	98,547	146,200
<b>Bolivia</b>	3,768	4,523	4,461
<b>Brazil</b>	123,439	159,256	236,157
<b>Chile</b>	18,576	22,026	36,849
<b>Colombia</b>	17,848	24,928	35,851
<b>Costa Rica</b>	3,924	3,889	4,050
<b>Cuba</b>	8,785	10,504	11,100
<b>Dominican Republic</b>	4,499	3,999	3,676



<b>Ecuador</b>	12,222	13,934	13,564
<b>El Salvador</b>	2,076	2,168	2,795
<b>Guatemala</b>	2,487	2,936	3,929
<b>Haiti</b>	841	902	1,170
<b>Honduras</b>	3,588	4,242	4,685
<b>Mexico</b>	101,900	165,600	149,300
<b>Nicaragua</b>	10,616	10,248	6,660
<b>Panama</b>	3,795	3,938	5,604
<b>Paraguay</b>	1,670	1,439	2,491
<b>Peru</b>	19,996	33,515	28,353
<b>Uruguay</b>	4,472	4,426	5,492
<b>Venezuela</b>	36,615	38,484	31,545
<b>South America</b>	<b>434,565</b>	<b>609,504</b>	<b>733,932</b>

*Source:* adopted from Bulmer-Thomas, 2003: 361

Chile, as one of the first implementers of neoliberal programs before the WC had entered the agenda of the South, experienced the ‘opportunities’ of an absolute military junta. In addition to that, Chile also had a large economy team of individuals who had studied in US universities, particularly at the famous University of Chicago. Those economists contributed to the beginning of a new era in Chile by bringing their works to this peripheral country but in fact the reforms were pushed by the military regime and included major problems. As might be expected, Chile would become one of the most unequal countries in the world (Steger and Roy, 2010: 101). The military junta tried to replace ISI with the export-promotion industrialization model; in doing so, it could reverse the direction of spending in favor of wealth

minorities (Panizza, 2009: 14). As soon as the military took power, USA-backed Chilean neoliberal economists (the students of the 'Chicago boys') assumed significant positions in the economy (Teichman, 2001: 68-69). In the following years, the actions of the new government, which relied on a military-technocratic-conglomerate network, were aimed at keeping capital groups alive, deregulating the market and removing economic barriers (Teichman, 2001: 74). Two men, Sergio de Castro and Roberto Kelly, were key actors to persuade the military regime's governors to put radical market reforms into practice. De Castro later became the Minister of Economy. The plan developed in 1975, 'the Shock Plan' (mostly known as '*El Ladrillo*' in Spanish), began to liberalize the old welfare state rapidly. While trade openness was rising, social expenditures were reduced year by year. In that context, Chile represented the first and most obvious example of a shift from the ISI model to an export-oriented model (or open economy) in South America (Segura-Ubiergo, 2007: 192). Since 1974, the nominal tariff was decreased, most price controls were removed, government expenditures were restricted and social security was privatized, and financial markets were deregulated. With the De Castro era in the economy, financial borrowing from foreign resources was eased, suppression of trade unions was intensified and social security was transferred to the private sector (Teichman, 2001: 74). On the one hand real wages and social spending were shrinking, while on the other, capital mobility and trade openness were emerging (Segura-Ubiergo, 2007: 194). Unemployment climbed almost 15% and the share of wages declined from 52.2% to 36.7% within 15 years (Taylor, 2006: 77). Not only in the economy but in administrative areas, marketization processes started to rule. State-owned companies and the structure of bureaucracy were redesigned in accordance with market reforms. In addition, Chilean workers flocked from the manufacturing sector to services and agriculture; the diminishing on state support was quite effective for this (Segura-Ubiergo, 2007: 197).

With the referendum in 1990, Chile retrieved full civil rule. Even though this created a shock effect among military elites, the Chilean capital groups had already obtained what they wanted: The economy was exceedingly deregulated and financial openness was provided. Furthermore, labor was suppressed under the military rule. The elections in 1990 put the Concertacion (*Concertacion de Partidos por la*

*Democracia*: Coalition of Parties for Democracy) into power. Concertacion, as a coalition of different parties from socialists to conservatives aimed at a transition to a democratic regime as fast as possible and the maintenance of the reforms. In contrast to the neoliberal military regime, the democratic government sought to enhance public expenditures while it continued to abide by free market principles and this was called a ‘social market program’ by the new government (Segura-Ubiergo, 2007: 199). Concertacion tried to rearrange the tax system by increasing the corporate income tax from 10% to 15% and also increasing income tax rates for the upper classes. New reforms for working life were accepted in favour of employees and their trade unions, which had been inactive since the military junta. The era of Concertacion’s first president, Patricio Aylwin, strengthened public services like education, transportation and health. However, the social spending rate, which was almost 70% of the budget when the second Concertacion president Eduardo Frei, came to power in 1994, dropped to 40% in 1996 (Teichman, 2001: 85). Privatizations continued under both presidents in strong harmony with the private sector. Until the 2000s, the democratic regime maintained its power by prioritizing the support of capital groups and acting in that way but also valuing some public-based choices and practices. In relative comparison to other cases of the marketization era in South America, Chile can be considered as the most relevant example of implementation of the neoliberal transformation, or the WC (Edwards, 2010: 120-121). However, the cost of this was high, as in other cases.

**Table 13:** Dimensions of reform in Chile under two different governments

	<b>Chile (Military rule)</b>	<b>Chile (Concertacion)</b>
<b>Preexisting conditions</b>	Political and economic crises, polarization, strong labor movement, isolated military	Institutional legacy of elite rule, elite consensus on neoliberal model
<b>International policy networks</b>	Tightly integrated, hierarchical	Not applicable

<b>Geopolitical factors/debt strategy</b>	Model debtor strategy	Careful economic management to maintain investor confidence
<b>Participants in market reform core and networks</b>	Military, Chicago technocrats, conglomerates  Private sector	Political technocrats, finance minister technocrats  Private sector
<b>Opposition management</b>	Repression of labor and other opposition	Isolation from the socialist militants of Concertación and labor  Negotiations and concessions
<b>Market reform program</b>	Privatization, extreme labor, flexibilization, trade liberalization and financial deregulation	Privatization in strategic areas, increases in social spending, trade liberalization and financial control of capital inflows

*Source:* Teichman, 2001: 74-85

Argentina is also an example that must be studied in order to comprehend the structure of the crises within the transformation of the Southern Cone. This is for two specific reasons: First, Argentina was the country that experienced the most catastrophic crisis in the early 2000s, and second, even though it had been cited as one of the successful implementers of neoliberal programs (Panizza, 2009: 138), it would turn into a bad example. Like in Chile, a military junta had dominated the political and social atmosphere, but it collapsed upon the economic crisis of the 1980s (Teichman, 2001: 97). The army did not merely change the socio-economic structure, it transformed it. Such a move would be the basis of future marketization; in this regard, it established the need for Argentinean capital groups (Feliz, 2016:

351-52). Since Economy Minister Jose Martine de Hoz was bound by the junta's rules (*'Proceso'*), market rules began to be integrated into the bureaucracy and society. It was a heterodox program that accelerated privatizations but left behind key industries like transportation, underground resources and half of radio and TV programming (Teichman, 2001: 100). In 1985, the new currency regime and the new program came to life. The Austral Plan and then the Plan Australito provided trade liberalization, restructuring of state ownership and a new fiscal policy; they also imposed wages and price freezes (Teichman, 2001: 104). Despite all these programs in favour of the private sector, Carlos Menem can still be seen as the main figure of the Argentinean neoliberal model. During his administration, which lasted 10 years, he opened the country to international capital. As soon as the previous president, Alfonsín, resigned and Menem was elected, Menem, as a different type of Peronist, showed that he would adhere to neoliberal principles (Carranza, 2005: 68). Menem's program fixed Argentinean peso rate at one-to-one to the dollar. At first, high growth rates were achieved; it accelerated capital flows into the country. Nonetheless, the masses were wronged by major privatization moves, especially urban workers and public employees, who warned the government via protest demonstrations and strike actions. A closer look will illustrate that the protests focused on Economy Minister Domingo Cavallo's Convertibility Plan. It increased taxes, cut the public sector budget, and allowed huge privatizations of state-owned assets (Teichman, 2001: 112). In spite of the gains of capital groups, deindustrialization generated by open markets and increased unemployment rates and recession began in 1995, placing the country in a dilemma (Carranza, 2005: 68-69).

The political crisis reached its top levels in the late-1990s and with the effect of several corruption scandals and the cost of living, the elections signaled the end of the road for Carlos Menem. A moderate figure, Fernando De La Rúa, was elected with the support of two center-left parties in 1999. However, Argentina was still struggling; De La Rúa appointed Cavallo again as the Economy Minister. Within this era, the volume of loans obtained from the IMF increased the effect of the crisis waiting at the door (Edwards, 2010: 152). The crisis started along with the withdrawing of money of the depositors and the shock of international financial trust. Regardless of whether it was correct, the triggering move came from the De La Rúa

administration, with restrictions on banking and exchange transactions that caused demonstrations on the streets led by normal salaried people. Using their money for paying external debts of approximately \$142 billion paved the way for a great uprising and the numbers corroborated the catastrophe in Argentina: 18.3% of the workforce was out of work (neither work nor study) and 16.3% was unemployed (Carranza, 2005: 70). The administration resigned and the Kirchners' era began with the aim of recovery for the economy. Considering the marketization process in Argentina, it can be said that the Argentinean capital groups enjoyed their situations both in '*Proceso*' and '*Menemismo*'. What was quite strange is that during the high growth rates, the system was applauded by critics of neoliberalism, but in crisis moments they shifted responsibility to politicians. However, the structural or systemic problem of macroeconomic policy remained. In the Argentinean case, foreign debt put an end to high profit rates, but even worse, it also caused an economic collapse particularly for salaried employees by exposing them to one of the biggest crises in the late 1990s and early 2000s.

Mexico started its neoliberal transformation program in the late 1980s. President Carlos Salinas who had been the economy minister under the rule of the previous President Miguel de la Madrid, paved the way for this movement with the great support of 'reformer' technocrats (Teichman, 2001: 143-47). The program launched in 1988 included several milestones: The complete opening of the Mexican economy to international capital flows, a wide range of privatization and deregulation processes, a stabilization program aiming at control of inflation and a socio-economic agreement between the public sector, private sector, and trade unions (Edwards, 2010: 124). It foresaw that international capital could be drawn to the country by giving weight to privatization moves. Similar to other marketization process, the Mexican government reduced tariffs, eliminated quantitative controls, decreased social expenditures and sold some state-owned institutions during the Salinas era (Teichman, 2001: 133). Even though trade liberalization and open market rules exercised power over the economy, the first shock came in 1994. Emerging socio-economical problems and the debt burden in Mexico turned into an explosion that would rock both the government and capital groups. The negative effects of NAFTA, an agreement that Mexico had become a part of, should also be considered.

NAFTA represented a free trade zone among the North American countries and aimed at reducing trade barriers. Therefore, capital could move across the borders. Aside from its own objections, it was an obvious agreement based on pure neoliberal principles. In regards to Mexico, the organization also pledged economic growth grounded on free trade and deregulation, along with reduction of transaction costs (Morales, 1997: 131-132). However, the period in which NAFTA went in effect was also the period in which the crisis appeared. The Mexican currency account deficit had been worsening throughout the 1990s with the increasing foreign debt of the private sector (Teichman, 2001: 148). In that context, the uprising of the Zapatista Army of National Liberation (EZLN: *Ejército Zapatista de Liberación Nacional*) in Chiapas on January 1, 1994 challenged the government: Mexico had been a semi-periphery that could not spread the wealth towards the roots of the country and experienced social inequality. Mexico lost its reliability in the eyes of international financial institutions. The GDP declined 7% in one year, one-third of the the businesses were estimated to go bankrupt and the purchasing power of the peso diminished 34% within two years (Morris and Passe-Smith, 2001: 134). In addition, NAFTA did not yield the expected benefits, and the support for different income groups reduced over the years; this meant a high level of dissatisfaction among the lower classes (Morris and Passe-Smith, 2001: 137-42). The Mexican government's response to the crisis was more deregulation and privatization acts and this policy, which was fostered by NAFTA and foreign capital would later provide financial support for Mexico but not improve the conditions among ordinary Mexican people.

These increasingly huge debt rates can be seen in Table 8. Almost all countries went into deep debt trouble in a decade. In general, the continent had major external debt in both the public and private sectors.

**Table 14:** Dimension of reform in Argentina and Mexico

	Argentina	Mexico
<b>Preexisting conditions</b>	1983 and then transition to democracy	Economic crises, 1982 and 1985

	<p>Strong labor</p> <p>Military with social allies</p> <p>Heterodoxy fails - hyperinflation</p>	A liberalizing corporatist regime
<b>International policy networks</b>	<p>Large numbers, loose structure with the WB providing support</p>	<p>Controlled by radical technocrats</p> <p>Hierarchical, tightly integrated</p>
<b>Geopolitical factors/debt strategy</b>	<p>Moderate leverage with the USA</p>	<p>Importance to the USA gives leverage with the WB</p>
<b>Participants in market reform core and networks</b>	<p>Technocrats, conglomerates, collaborative trade union leaders</p> <p>Hierarchy in technocratic network</p>	<p>Dominant technocrats, big conglomerates</p> <p>Finance Ministry hegemonic</p> <p>Hierarchical, integrated</p>
<b>Opposition management</b>	<p>Selective compensatory rewards</p> <p>Corporatist control</p> <p>Negotiation with collaborative faction</p>	<p>Corporatist mechanism</p> <p>Political liberalization</p> <p>Clientelism</p> <p>Militarization of countryside</p>
<b>Market reform program</b>	<p>Major privatizations</p> <p>High degree of corruption</p>	<p>Privatization of strategic firms after 1989</p> <p>De facto labor</p>



	Labor flexibilization	flexibilization
	Trade liberalization	Peso crisis
	Peso tied to dollar	Further privatization
		Trade liberalization, NAFTA

*Source:* Teichman, 2001: 112; 137

### 2.3. CONCLUSION

This chapter has aimed to show how neoliberal capitalism was founded in the 20<sup>th</sup> century and the political and economic results of the spread of the neoliberal paradigm in the South American case. It has also aimed to show the paradigm shift in the socio-economic area in the Southern countries.

The economic atmosphere in the early-20<sup>th</sup> century illustrated ruined situations. Only the First World War was sufficient to change world history (see Carreras, 2006b: 310), and the world public experienced the results of the economic crises of advanced markets. Negative growth rates and stagflation left their mark in this era (Bairoch, 1993: 8). In the following years, the Second World War intensely destroyed social and economic orders particularly in Europe. This would undoubtedly create a crisis time for western capitalism. Regardless of whether each country participated in the war, they were all affected negatively. Resuming high growth and average income again would not be possible for several years (Harrison, 1998: 6). The collapse was so huge that the US administration had to assist some European countries both in order to rebuild their economies and to consolidate its dominant power completely.

The post-war era was formed in light of the Bretton Woods system in economics and the Keynesian compromise in the socio-political context. It is obvious that the United States became the world's most dominant power by improving its

great military power and spreading its financial sovereignty. However, this sovereignty saw some challenges come from the Eastern bloc. Moreover, the social atmosphere was bleak in Europe. To resolve the crisis and prevent social uprisings, global capitalism had to make concessions to labor. Thus, a Keynesian compromise that built up between managerial classes and popular classes (employees) entered the socio-political context (Dumenil and Levy, 2011: 80-85). The Keynesian compromise followed the first financial hegemony, and could successfully balance between supply and demand. But towards the early 1970s, with the impact of oil shocks and the withdrawing of a fixed exchange rate, the Bretton Woods system collapsed. Therefore, the compromise reverted to cooperation between capitalist classes and managerial classes.

Neoliberal doctrine appeared in the Anglo-Saxon world. This ideology, which found its roots in Friedman and Hayek's studies, posed that unlimited market rules should determine the political and economic zones. The Mont Pelerin Society was the organization of these intellectuals and they were highly effective at many universities. The famous University of Chicago and its department of economics enabled many students to be trained in accordance with new liberal principles. Those students, moving beyond the US, would be the guides of other countries' economic policies, as was best seen in the Chilean case. Harvey (2005) says that the major events in the late 1970s and early 1980s prepared relevant conditions for neoliberalism, such as growing crises, downward profit rates, the failure of the Soviet bloc and China's transformation to a liberal path. Meanwhile, the rise of neoliberalism meant the second financial hegemony of global capitalism (Dumenil and Levy, 2011: 13) that 'financialized' the public and private sphere. Neoliberalism could briefly be described with the principles of privatization, deregulation and liberalization. Core countries played the lead in forming the neoliberal paradigm in practice, especially Thatcherism in Britain and Reaganomics in the USA. They aimed to increase the domination of capital groups by suppressing organized labor.

Lastly, neoliberalism in South America showed development in compliance with the conditions in peripheral countries. The structuralist ISI model used to prioritize endogenous development in accordance with public-private cooperation

entered a crisis by the end of the 1970s. Furthermore, the debt crisis created the problems of the payment balance of South American governments. As a solution, international financial institutions' fiscal discipline instructions for public expenditures and deregulation plans brought the governments towards a neoliberal pathway, known as the WC (Saad-Filho, 2005b: 226; Panizza, 2009: 11-32). The essential elements of the program consisted of inflation-abatement, trade liberalization and privatization (Corrales, 2012: 139). While before 1980 the only countries that applied such neoliberal programs were Chile and Argentina by absolute power of military juntas, from the late 1980s almost all countries started deregulation and privatization (Steger and Roy, 2010: 98-110). Others began with civil administrations that were sometimes right-wing liberal and sometimes left-wing social democrat. Although payments of balance, corporate profits and debt burdens were relatively balanced in the short term, unfair distribution of wealth, social explosions and downward trends in public services were undeniable results in the long-run (Robinson, 2008: 237-54). Furthermore, marketization processes in semi-peripheral South American countries were experienced under difficult conditions. Some of them, like Argentina, brought neoliberalism to their countries as a result of military coups. Neoliberal-authoritarian administrations following the juntas helped to settle the global market rules. Countries such as Mexico had to suffer from both neoliberal impacts of global markets and uneven regional agreements with their neighbors. Chile can be assessed as a relatively successful example among these countries but it had difficulty in controlling emerging social movements. In conclusion, neoliberalism was a response to Keynesian social market capitalism in 1980s, and in South America a response to the ISI model development. It aimed to revive supply-side economics by promoting tight fiscal policy and minimum intervention of the state. It provided a strong international market network, and this accelerated the globalization process. Neoliberal capitalism helped to create macroeconomic stability in some countries and reduce bureaucratic issues, but owing to its limitations and the characteristics of unfair distribution it caused instability and new administrative problems in South America (Saad-Filho, 2005b: 228). Economic and social conditions would provoke mass reactions through the 1990s and 2000s. Therefore, new social movements and political organizations would take place in

South America. The WC system would be one of the factors that triggered the formation of a new anti-neoliberal process. That process, known as the ‘Pink Tide,’ would leave its mark on the 2000s’ waves of change.



## **CHAPTER THREE**

### **PINK TIDE GOVERNMENTS AND ALBA-TCP**

As in other areas of the world, South America also experienced the new politics of the new millennium stormily and had to adopt to the new scenario as fast as it could. Neoliberal capitalism followed a plan that would deregulate economies and strengthened the class power of capital groups. Thanks to reduced barriers, capital could move at will and made cheap labor forces mobilize; this was called globalization. While globalization became the dominant paradigm that spun its webs towards the second and third world and assimilated other ideologies within itself (but particularly the center-left) on one the hand, on the other hand the aggressive policy of the United States ('War on terror') strengthened hard power and high politics around the world. This authoritarian tendency of the USA placed its foreign policy in a dominant position.

South American countries entered the new millennium with emerging waves of protest triggered by the WC. From the Caribbean to the Southern Cone, the entire continent experienced these economic-based uprisings. Political corruption and impoverishment accelerated the crisis atmosphere. In the South American case, it should also be added that environmental issues and local movements played significant roles. Throughout the 2000s, the regional people would suffer from environmental pollution and natural resources being sacked by multinational corporations.

This chapter will demonstrate the counter-move of left-wing parties called the 'Pink Tide' and the social uprising against the neoliberal implications of right-wing governments. It also aims to show post-neoliberal regionalism's evolution with the specific example of ALBA-TCP. Structurally, ALBA-TCP will be located in the center of this analysis. Its internal design and political and economic dimensions will be examined. The limitations of post-neoliberal regionalism in the case of ALBA-

TCP will then be tested in accordance with relations of causality. In this context, this third chapter will seek the answers to some particular questions. While one of them is ‘How did the Pink Tide governments respond to neoliberalism in a political and economic sense and why did they fail to bring their aims into action?’, the other is ‘Could post-neoliberal regionalism create an alternative regional model in South America?’. These questions will steer the analysis into the political developments and macroeconomic alternative pursuits of the 2000s and their reflections on the 2010s. In this direction, ALBA countries such as Bolivia, Ecuador and Venezuela will be examined in detail in order to comprehend the social factors, political institutions, and economies in each country and their attempt for an alternative regional model. ALBA’s structure will then be analyzed. Lastly, the failure of the project will be discussed and concluding remarks will be made.

### **3.1. TWENTY FIRST CENTURY SOCIALISM: A PROGRESSIVE ERA with THE PINK TIDE**

The new millennium began with several upheavals across the third world. The social movements that had grown rapidly since the 1990s reached their peak in the Seattle Protests and others. New methods of struggle, tools and aims were discussed in important meetings like the World Social Forum that was established in diametrically opposition to the World Economic Forum of capital groups. Thus, rising globalization faced challenges both in core and peripheral countries. The financial crises within some semi-peripheral countries, the loss of social security and pressed wages are helpful points in understanding the reasons behind these uprisings. In SHORT, the structural adjustment programs pushed by the international financial organizations paved the way for the opposing social and political movements (Remmer, 2012: 951).

South American countries entered the new millennium similarly to social fluctuation across the world. In contrary to other examples that were absorbed exclusively, however, the Southern countries started a form of development that could be called unique to the periphery under the rule of neoliberal capitalism. The left (in this example, the populist left) began to win the elections throughout nearly

half of the Southern countries, one after another. Because of their leftist tendencies that did not include radical (or 'red') elements and supported a tamed capital order ('social capitalism'), these governments were called Pink Tide (*Marea Rosa*) in the 2000s. The idea of '21<sup>st</sup> century socialism' that fed these governments came from Venezuela. It referred to a communal system of production and consumption emphasizing collective property, protagonist democracy, and public interest, created by popular bases like grassroots and cooperatives (Wilper, 2007: 23-24). This 21<sup>st</sup> century socialism distinguished itself from 20<sup>th</sup> century socialism. Because socialism should sustain equality and also liberty and sustainability, 21<sup>st</sup> century socialism therefore should have a libertarian base (Wilper, 2007: 25).

The left wave rose up with the victory of Hugo Chavez and his party The Fifth Republic Movement (MVR: *Movimiento V Republica*). Chavez not only won the presidency but was also going to lead the cooperation among left-wing governments in South America. After one year, Ricardo Lagos a member of the Socialist Party in the Concertación alliance managed to take power in Chile. After the Argentinean crisis, the victorious Peronist party (even though it developed a different program than the Pink Tide) turned to the left and prepared public-supported implementations. The Kirchners left their mark on Argentinean politics while trying to balance the IMF and the wealth of the state. Another significant surprise came from Bolivia; for the first time with Evo Morales, an indigenous person came to power in South America. His group The Movement towards Socialism (MAS: *Movimiento al Socialismo*), broke new ground and moved forward with large-scale reforms in environment, agriculture and rural development with major support from indigenous people. Additionally, Daniel Ortega, a Nicaraguan former guerilla fighter, came to power decades after the Sandinista Revolution in 1979. Undoubtedly Ortega was not as radical as in the past and this would create both new opportunities and limitations on governing, but beyond these issues, the Sandinista National Liberation Front (*Frente Sandinista Liberacion Nacional*) became a close ally for the left-wing governments of South America. With regards to the potential of influencing international order, the victory of the Workers Party in Brazil (*Partido dos Trabalhadores*) and its presidential candidate, Luiz Inacio 'Lula' da Silva, provided more popular support for pink tide administrations. There were

also many cases in the Caribbean and the Southern Cone of a 'left turn.' Considering all these organizations together, it can be realized that the conditions in which they appeared were similar. Almost all of them seized the opportunity to emerge against neoliberal globalization and its impacts on the continent. However, this challenge included more moderate elements fed by a populist discourse, national development, and environmental issues; in short, it put 'soft politics' forward in comparison to the radical left opposition during the Cold War. However, they had different characteristics in terms of administration and methods. One division among South American governments in general, according to Petras and Veltmeyer (2007: 50), is between the pragmatic left, pragmatic neoliberals and doctrinaire neoliberals. First, the pragmatic left encompasses left-wing social democratic and socialist-biased movements, peasant federations and parties such as the PRD (Mexico), the FMLN (El Salvador), the Chilean Communist Party, some parts of the MST leadership (Brazil), the MAS (Bolivia) and the MVR (Venezuela). The reason for this classification is that these organizations do not reject or frontally attack the capitalist order; rather, they seek solutions within the order, moderating it like in the case of Keynesian capitalism (see Petras and Veltmeyer, 2007: 51; Ardit, 2008: 68). Despite their radical discourse against the imperial moves of the United States, they often turn to populism in domestic politics. Among this group, however, some governments like those of Venezuela, Bolivia and Nicaragua dissociate from the others with their high support of social-rural movements and their attempts for an alternative regional model for the South American left (Ellner, 2019: 12-13). Secondly, Petras and Veltmeyer call Lula (PT), Kirchner (PJ) and Vasquez (Broad Front) pragmatic neoliberals because of their business-based natures (2007: 53). They sometimes situate themselves as standing up against the USA but in fact this consists of a competitive race among big business classes and pragmatic neoliberals desire to put their own capital groups forward and benefit from global interest more than before, by looking out for their own lower and working classes. That is why Argentina and Brazil have maintained a balanced policy against the Atlantic powers for years. As will be noted in the following sections, this equal weight implication has been reflected in their regionalization understanding in the post-neoliberal era. Thirdly, doctrinaire liberals almost unconditionally follow the United States and



moves along the Atlantic line. Calderon (PAN) and Uribe (CLP) represent cases of effectively carrying out neoliberal formulas and continuing privatization. Another classification apart from that of Petras and Veltmeyer belongs to Castañeda (2006: 33) for the South American left, he sets a distinction regarding the origins of two leftist branches. One of them is, as I call it, the *Sovietic* left, which drew its power from the Third International and stayed in line with the USSR. The other one is the *populist left* that took part in the neo-structuralist tradition of South America and built its framework around nationalization, regulation and radical democracy. The first group was represented by parties like the Chilean, Brazilian and Uruguayan Communist parties while the second group was exemplified by Brazil's Vargas, Argentina's Peron and Ecuador's Ibarra (Castañeda, 2006: 32-33). However, this division contains several problems; it is controversial to incorporate some communist parties directly into the first group. In addition, populists can be divided into some sub-groups in accordance with their policy backgrounds.

**Table 15:** Dates and parties of elected left-wing presidents throughout South America between 1998 and 2019

Country	Election year	Candidate	Political party
<b>Argentina</b>	2003	Nestor Kirchner	Partido Justicialista
	2007	Cristina Fernandez	
	2011	Reelected	
	2019	Alberto Fernandez	
<b>Bolivia</b>	2005	Evo Morales	Movimiento al Socialismo
	2009	Reelected	
	2014	Reelected	
	2019	Reelected but suspended by a coup after the	

		elections	
<b>Brazil</b>	2002 2006 2010 2014	Luiz Inacio Lula da Silva Reelected Dilma Rousseff Reelected but suspended by impeachment in 2016	Partido dos Trabalhadores
<b>Chile</b>	1999 2006 2013	Ricardo Lagos Michelle Bachelet Michelle Bachelet	Partido Socialista
<b>Ecuador</b>	2006 2009 2013 2017	Rafael Correa Reelected Reelected Lenin Moreno	Alianza PAIS Alianza PAIS
<b>El Salvador</b>	2009 2014	Mauricio Funes Salvador Sanchez Ceren	Frente Farabundo Marti para la Liberacion Nacional
<b>Mexico</b>	2018	Andres Manuel	Movimiento Regeneracion

		Lopez Obrador	Nacional
<b>Nicaragua</b>	2006	Jose Daniel Ortega	Frente Sandinista
	2011	Reelected	de Liberacion
	2016	Reelected	Nacional
<b>Peru</b>	2011	Ollanta Humala	Gana Perú
<b>Paraguay</b>	2008	Fernando Lugo	Alianza Patriotica por el Cambio
<b>Uruguay</b>	2004	Tabare Vazquez	Frente Amplio
	2009	Jose Mujica	
	2014	Tabare Vazquez	
<b>Venezuela</b>	1998	Hugo Chavez	Movimiento V
	2000	Reelected	Republica
	2006	Reelected	Movimiento V
	2012	Reelected	Republica
	2018	Nicholas Maduro	Movimiento V
			Republica
			Partido Socialista Unido de Venezuela
			Partido Socialista Unido de Venezuela

*Source:* Adopted from Remmer, K. L. (2012). The Rise of Leftist-Populist Governance in Latin America: The Roots of Electoral Change. *Comparative Political Studies*. 45(8): 947-972

From the early 2000s to late 2010s, different Pink Tide governments won elections or they were re-elected (see Table 15). Apart from Brazil, the most stable Pink Tide governments were formed in Venezuela, Nicaragua, Bolivia and Ecuador, the ALBA countries. These results can be evaluated from several different perspectives. As seen above, the Pink Tide administrations played significant roles as a result of the crisis towards the end of the 1990s and early 2000s except in Mexico. Different reactions from different viewpoints and colors perspectives created that situation. Some derived from rural-local movements that aimed at major land reform to survive, such as in Bolivia and Brazil. Another viewpoint came from urban workers (both blue-collar and white-collar) against the three main pillars of neoliberalism: Privatization, deregulation and liberalization. It is claimed that broad masses across the continent demonstrated their discontent by voting for left-wing parties. It is also crucial to understand that the rate of success of the Pink Tide has been periodical. Some parties could maintain power through the next elections like in Brazil, Argentina, Bolivia, Venezuela, Nicaragua and Ecuador; contrarily some could stay in power for only one period, like in Paraguay and Peru. It is also concluded that the governments of the ALBA countries and their charismatic leaders were more successful at remaining in power than others.

The next sections will examine how the Pink Tide governments came to power and the transformation that they experienced. These are the governments of Bolivia, Ecuador, Nicaragua and Venezuela. Those four countries constitute the core of ALBA in many senses. In addition, they are the leading Pink Tide administrations. Their anti-neoliberal implications both paved an alternative regionalization and were fed by it. They will be analyzed according to their main political, economic, and socio-cultural programs.

### 3.1.1. Venezuela

It is quite interesting to study Venezuelan politics starting from the new millennium. While it seemed to be a success story for a long time, it interestingly but logically turned into a failure. The interesting point is that Venezuela achieved success in economic and political areas such as increasing the GDP, partly improving fair distribution, and uniting with alliance countries under within regional organization in a relatively short time, but most of these have achievements collapsed in a short time, too. The logical point is that all of these were based on socio-economic factors. In this section, the progress and setbacks will be discussed.

Before the Chavez era, Venezuela was administrated by the Punto Fijo Pact (*Pacto de Punto Fijo*) that marked its control over the country's politics for a long time. The Punto Fijo had effectively locked down the political-electoral system in the country for almost 40 years. By establishing a two-party system (Accion Democratica-AD and Partido Socialcristiano-COPEI) it did not give any chance to smaller or alternative parties. These two parties located on the center right and center 'left' ruled the country during the import-substitution era and the phase of neoliberalism. Beyond the political arena, the Punto Fijo was dominant in the economic zone; the oil company of Venezuela PDVSA was run by the Punto Fijo system and its shareholders. It seemed to be a typical clientelism relationship; the capital groups guaranteed the continuance of the status quo in exchange for a high profit margin. The companies contributed to the subordination of waged classes along with the state; the Venezuelan socio-political order was formed under this discipline power (Chodor, 2015: 94). It can be called a 'deal' among political parties, the church, economic elites, the military and trade unions (Buxton, 2009: 150). However, as it was influenced by the reshaping of economic and political conditions around the world, the deal started to crack in the 1980s mostly due to instability, reactions to the cost of living, the waves of oil prices and demands for the redetermination of the electoral system. This chaos brought an alternative movement that rose up from the bottom. *Movimiento V Republica* (MVR) interestingly found itself in power, thanks to its social resource and the charisma of its presidential candidate.

Hugo Chavez and the MVR along with Country for All (PPT) and the Venezuelan Communist Party (PCV) took power in the 1998 elections 5 years after the failed coup attempt by Chavez. He had thought he could put an end to the authoritarian elitist regime via a military intervention in which patriotic military officers would participate. After he was released from prison, he officially entered politics. While economic conditions were declining, the regime was bogged down. It was possible to see high growth rates in Venezuelan economics, but the worsening distribution of income triggered a crisis. The MVR and its allies gained significant election success with the aim and claim that they would end this chaotic order and would provide welfare for all (Chodor, 2015: 100-101).

How can Chavez's administration be described? In order to understand its political context, one should examine Bolivarianism, referring to Simon Bolivar ('*El Liberador*') who was a legendary general for the South American people in the history of the continent. Bolivarianism can be described as a liberal nationalist ideology that supports a welfare regime with populist elements. Apart from that, there are other descriptions for Chavez's era, including, left populism, social liberalism or competitive authoritarianism (Corrales, 2010: 29). To use the most correct terminology, however, *Chavismo* will be used to refer to the socio-political regime since 1998. Its represented principles can be listed as a pro-active civil society, social economy, solidarist regionalization, and social justice (see Buxton, 2009: 159). Despite its supports of suppressed and indigenous people, it is not correct to identify it as classical socialist approach. *Chavismo* rather presents a more moderate way that seeks a common point between popular classes and bourgeois classes. The MVR, in this direction, tried to gain the support of both lower and middle classes at first. Chodor discusses this rising as a counter-hegemonic move coming from the left; according to him, Chavez benefited from the organic crisis of the bourgeoisie very well (2015: 100). There are two important points here; as will be discussed in the following paragraphs, the Bolivarian government in its first phase sought a 'deal' but failed. After that, especially with the coup attempt, it started to toughen with time and established a dominant party rule. Thus, it can be said that it represented a break from past administrations (Corrales, 2010: 28), but it also could not avoid resembling them in this sense.

Another political factor that has to be underlined is the charismatic image of Hugo Chavez himself. From a broader framework, one should add that almost all left-wing governments on the South American continent have had a similar tradition of populist and charismatic leaders. There are several bases for this, but it can be best explained as follows: People bring the charismatic leaders forward and they believe these charismatic leaders may be the solution for recent economic/political crises (Stavrakakis et. al, 2016: 58-59). As we have seen in the Venezuelan case, a strong leader has enjoyed high electoral rates for years and became effective in governing. Left populism in Venezuela shows common features with other cases. Primarily, it is based on the division between ‘good people’ and ‘evil elites,’ which is to say the elites that have always suppressed the pure people with their power (Rhodes-Purdy, 2015: 417). Secondly, it foresees the leader as the solution of problems with popular support; in this case, it was Chavez and then Maduro. The leader has an image of having always been on the people’s side and against the oligarchs, forming the main core of the populist structure. It was relatively true that Chavez and the MVR (later PSUV-*Partido Socialista Unido de Venezuela*) put an end to the *puntofijismo* that had governed the country for long years; in addition, they launched a political mechanism via local organizations (*Consejos Comunales*) that could not have been imagined. The structure of this mechanism, however, was flawed and did not work. In the following years, the PSUV became authoritarian and concentrated power into the center (Maya, 2014: 69-71). Undoubtedly, the populist discourse fed the authoritarianization of Venezuela, but beyond that, dependency on oil and disappointment in foreign policy are some of the other elements facilitating the crisis in the country. The PSUV administration tried to overcome this crisis by tightening the relations of patronage and monopolizing power, especially within the bureaucracy and the military (see Corrales, 2010: 51; Gonzales, 2019: 50).

Examining the economic background of the *Chavista* ideology, the past must be considered in terms of close relations with the PSUV’s sample model grounded on ISI. The Venezuelan state’s economic attempts demonstrate how ISI was inherited for many left-wing movements in South America. The state kept playing a supportive role for investments. It also, like in the structuralist ISI model, focused its weight on key economic areas such as energy, communication and transportation. As Corrales

(2010: 40) states, the Venezuelan state preferred to implement a modified ISI model in the national economy in order to realize its 'social economy' design. The term Chavez and his supporters used for explaining their aims was 'endogenous development' which signifies a regulated market process; it aimed at saving the wage-working from the effects of high inflation and foreign capital and at backing up national capital groups (Chodor, 2015: 106-107). Despite intense claims that the Chavez administration followed a socialist plan, that was not true. Chavez did not 'socialize' the Venezuelan economy and always sought to maintain the capital groups that were close to him. Even in the following years, the Bolivarian government would keep its respect of private property and guarantee it (Figueroa, 2007: 208).

Beyond those economic aspects, the government depended on oil production to keep its sovereignty and still does. Thus, this case has a dual character: Despite its success in economics (for example, rising employment and improvement of living conditions), the high dependency on oil has limited its moves. Venezuela has enjoyed rising oil prices, and it accordingly found opportunities to fund projects and realize political transformation (Figueroa, 2007: 212). Aside from the subvention and assistance of the state for development in rural areas, the essential dynamic was seen in urban factories and capital investments. Corrales explains this choice as a state-weighted economic development (2010: 39-40). The aim of such a tendency was basically to replace the profit motive with human/society-centered economics; however, it did not work out. For instance, the state decreased tax rates for small and medium enterprises and backed up local production. More importantly, it encouraged cooperatives in local areas with low interest loans and tax rebates. Government officers hoped that the cooperatives could light the fuse of self-management of workplaces (Chodor, 2015: 107-108). Theoretically, it was a well-designed idea but it failed in practice. Apart from financial problems, one of the logical explanations is the state's top-down processes through local organizations. It could not spread through the whole country, except for relatively small successes like in *consejos comunales*. Furthermore, the government has the duty of price and tariff control, which encountered pressures from foreign multinational companies. Particularly in consequence of the insistence of US-based companies, the USA started to impose



many sanctions mostly in economic and financial areas (Chodor, 2015: 115). For a country that remains dependent on a single energy resource, such external sanctions and embargos pose inescapable trouble.

The social base of *Chavismo* shows similarities with other Pink Tide governments in the region. First, as could be predicted, the urban poor and peasantry constitute the center. There are also urban lower-middle and middle classes that have benefited from the socio-economic opportunities of the Bolivarian government. Second, the administration has been bolstered by the upper and upper-middle middle classes. As Lupu states, among four elections (1998, 2000, 2004 and 2006), only in 1998 could monolithic voting be observed; that means that the poor were likely to vote for Chavez and this rate was eventually declining (2010: 15-17). Bolivarianism, beyond containing many social and cultural groups, is based on low income groups as grassroots and indigenous movements at its base (Stavrakakis et. al, 2016: 57-59).

Perhaps the most radical act of the *Chavistas* was ‘the Missions’ (*los Misioneros*); they were a set of social welfare programs launched in 2003 aimed at poor slums (*barrios*) and peripheral settlements. Thus, the government found the chance to make direct contact with the lowest classes. These programs were carried out in cooperation with allied countries, particularly with the huge assistance of Cuba (Gonzales, 2019: 48). In exchange for receiving cheaper Venezuelan oil, Cuba sent its medical doctors to all corners of Venezuela. Those doctors contributed to improved health conditions for low-income and middle-income people. In addition, the Missions tried to resolve food scarcity, shortages of primary schools and general poverty. The other targets were increasing educational scholarships and improving working conditions and rights (Maya, 2014: 75-76). Chavez and the PSUV could keep power mostly thanks to the Missions, which succeeded in gaining the popular classes’ consent. When the Missions and the communal councils are considered together, it is easy to establish a connection between political society (state) and civil society (local organizations). However, that success was not maintained; in time they became dysfunctional.

Venezuela, compared to others, is an original case for both the Pink Tide governments and in terms of social bases. Although it experienced crises similarly to

other populist parties, it launched a new era for the future of the South American continent. A new political order started over with a clean slate in 1998 as a result of the unexpected success of the MVR and its presidential candidate, Hugo Chavez. Chavez, whose career had begun as quite a moderate, was strengthened and radicalized in the following years. The Bolivarian government maintained its anti-imperialist, patriotic and social democratic bases. What is interesting is that it gained a welfare state character while the extent of its populism was increasing. The *Chavista* left of Venezuela has also never claimed to be anti-capitalist, it has contributed to capital groups that respected its patronage relations and even sometimes those that did not have direct contact. Its efforts to form a social, environmentalist and participatory democratic welfare regime (in shortly ‘21<sup>st</sup> century socialism’) were relatively successful but the key problem, dependency on oil, plagued the regime, which could not find a substantial solution to maintain its order. That brought both political decline (polarization and authoritarianization) and economic decline (extreme inflation and inadequate production) together.

**Table 16:** Key elements of the Bolivarian regime in Venezuela

Areas	Key Features
<b>Political base</b>	<ul style="list-style-type: none"> <li>• Bolivarian communitarianism</li> <li>• Radical social democracy</li> <li>• Anti-neoliberalism (not anti-capitalism)</li> <li>• Anti-imperialism (post-hegemonic regionalism)</li> </ul>

<p><b>Economic base</b></p>	<ul style="list-style-type: none"> <li>• Welfare regime (endogenous development)</li> <li>• Modified ISI</li> <li>• Support of national enterprises</li> <li>• Intensive state intervention (with public-private partnership)</li> <li>• High quota and tariffs</li> <li>• Primary dependency on oil</li> </ul>
<p><b>Social base</b></p>	<ul style="list-style-type: none"> <li>• Encouragement of local organizing (communal councils)</li> <li>• Connection with grassroots movements (unions, indigenous, CSO)</li> <li>• High support by low and lower-middle classes</li> <li>• Social assistance programs (Missions)</li> </ul>

*Source:* produced from the author's own analysis

### 3.1.2. Bolivia

In comparison to the other countries of the region, Bolivia is a country in which indigenous people have made their effects be felt in national politics in recent

times. Approximately 60% of the population belongs to an indigenous group (see Postero, 2010: 19). Quechua, Aymara and other indigenous groups and their cultural codes have played significant roles both in decision-making and institutional structures, especially since the early 2000s. In addition, the classical problem of the Pink Tide governments can be noticed in the Bolivian case. The alienation between the political organizations that captured power and maintained it for more than one period and the socio-cultural base of these organizations (grassroots) brought affairs to a deadlock. The Bolivian government, like in Venezuela, suffered from the struggles for internal and external balances. Moreover, it turned toward an authoritarian populism as the famous president Evo Morales increased his authority exceedingly. Similarly to the previous section, the left-wing governments of Bolivia will be examined within the three contexts of political-administrative changes, economic structure and social profile.

It would not be wrong to claim that the Bolivian opposition gained its position by clawing its way to the top. The main process in the shifting paradigm was the marketization era that began in the 1980s (see Chapter 2). It worked, just like in other countries, via the wide privatization of state services and enterprises along with contracting out. In this sense, foreign capital attacked the Bolivian public assets (Rochlin, 2007: 1328), but what lit the fuse was the privatization decision for water resources in the Cochabamba region in 1999; the recipient was a US corporation. The Bolivian state, led by President Hugo Benzer, both guaranteed the profits of the corporation and imposed a burden on local people by legal regulations (Gonzales, 2019: 63). It was predicted that the cost of the water supply would reach one-third of the minimum wage (Gonzales, 2019: 64). This triggered huge protests and uprisings across the country; highways were blocked and masses of people walked to official institutions. In the following days there were many conflicts between the demonstrators and police forces. As a result of the ‘Water War,’ one was killed and many people were injured; the decision was then cancelled by the government (Rochlin, 2007: 1329). From a wider perspective this can be interpreted as the first meeting of oppressed people from different classes and statues; the indigenous groups marched shoulder to shoulder with workers, students, the middle-classes, coca farmers (*cocaleros*) and micro-entrepreneurs. This heterogeneous structure was

the key factor in achieving the aim similar to other historical examples, and it was the first victory over a big corporation. In 2003 a second protest wave appeared concerning privatization to a new natural gas pipeline to Chile. The emerging protests spread to the cities and many conflicts happened, but this time, nearly one hundred people were shot by the police. After that bloody confrontation, President Sanchez de Lozada escaped to the USA and vice president Gisbert tried to maintain control. The demonstrators, who were the suppressed people of Bolivia, would contribute to the overthrow of the neoliberal right government and would enable a new social organization to come to power two years later.

Thanks to these struggles, popular classes had their own grassroots organizations. One of them was the Movement toward Socialism (MAS: *Movimiento al Socialismo*) led by indigenous leader Evo Morales who was an Aymara. The MAS took shape in the Congress of the Assembly for the Sovereignty of People. It then turned into the Political Instrument for the Sovereignty of the People. Finally, it made itself a more organized structure and transformed into the MAS. Since its establishment, it is hard to consider it as a classically designed party; rather, one could describe it as a heterogeneous grassroots organization that had political discipline. In other words, it was the political organization of social movements (Postero, 2010: 23). The MAS received support from the Cochabamba protestors who had stood against the neoliberal state of the Lozada era. Regardless of their origins and views, these protestors met over the points of a fair life, justice, and protection of the environment. Thus, they encompassed many different sociocultural groups. The success of the MAS was its ability to solicit and utilize these reactions from popular classes. Morales blended this popular support with a social democrat welfare regime and populist discourse. Here, three main features of Morales can be identified, according to Postero: *indigenista*, socialist and populist (2010: 25). The first element, *indigenista*, refers to the political localism of Morales and the MAS. Just as Morales was a *cocalero* (coca farmer), he was continuing his political struggle via unions that advocated for the rights of peasants and rural workers. Since those times, Morales maintained a stance against multinational corporations, predatory state understandings and neoliberalism. The indigenous population was so significant that a new constitution was prepared in compliance with this unique

situation and was approved. Since 2009 the state has been called the Plurinational State of Bolivia, and indigenous cultures and their ecologically based political economy have been adopted into the government represented by Evo Morales and supporters in different times at political/administrative summits through the most recent years. However, it also generated strong opposition among capital groups and elites in the country. The second term 'socialist' is controversial in many regards. Even though Morales had a leftist discourse and the MAS included broad left-wing groups inside itself, it is not possible to call it socialist. Rather, like Hugo Chavez but to a lesser extent, Evo Morales acted along pragmatic lines (Petras and Veltmeyer, 2007: 51). He did not have a certain stance against capitalism or the weight of the private sector; he merely wanted to manipulate them in the direction of the bureaucratic structure and this may be the reason why the Bolivian type of macro-economics has been called 'state capitalism' or 'Andean capitalism' (Gonzales, 2019: 94). Third term, however, is quite correct as Morales described himself and his movement as a political movement based on social movements against oligarchy.

The economic-financial structure of the MAS was grounded on a welfare regime with state support. Its primary profound effect was nationalization (or renationalization) of the previously privatized sectors, beginning with natural resources. The MAS tried to expropriate private energy corporations in 2006 but faced with their resistance, it could merely increase taxes. The MAS was conscious of the sensitivity of the local people to the natural environment, and in this context it defended their rights as well as it could. In 2006, the government put the National Development Plan into action, which included elements similar to the ISI model along with local/indigenous components (Molina, 2010: 64). It is obvious that Morales aimed to use the state as buffer for popular classes against big capital groups. Nevertheless the economic elites came to establish a 'modus vivendi' with the left populist government (Ellner, 2019: 8). Thus, within years Morales tightened his economic links to the detriment of social movements. Even though the government nationalized the natural resources and promoted ecological production in Morales' first term, it transformed in favor of private firms and the elites in his following terms. Morales opened national parks for fuel exploitation and pipelines and launched new mining, highways and infrastructure without the consent of local

people (Hollender, 2016: 54). In more recent years, the MAS stopped hiding the agreements it signed with big corporations. The new development plan was protested even by the main supporters of the MAS, indigenous groups and lower classes. It also created new elite groups in the country called the 'indigenous bourgeoisie' who included agricultural farmers and traders; they grew under Morales's governance and became one of the elements supporting the 'left' government (Hollender, 2016: 60).

The social character of the MAS, as noted above, is quite heterogeneous and has a unique position among other countries in South America. The Cochabamba protests proved that the poor masses and peasants were the essential body of the MAS supporters. The lower middle classes also helped the MAS to constitute its hegemony. This mixed confederation backed the pro-indigenous administration for a long time. Under the leadership of Morales, their social and political rights were mostly recognized by the state. Aymara and Quechua people, coca farmers, urban workers, and some part of white-collar employees formed the backbone of this organization. Unfortunately, though, the rate of participation of grassroots leaders or indigenous people in the government gradually decreased. In contrast, the Morales government started to prefer professional (or technocratic) administrators (Kohl, 2010: 115-116). Considering these developments, it can be understood that the MAS government turned to 'state capitalism' more and increasingly became more populist and authoritarian.

The left-wing government in Bolivia, MAS, was born as a social movement and was fed by grassroots support. By the mid-2000s it played a role in anti-neoliberal and ecological demonstrations. It was able to organize the reaction of local people and the poor masses successfully. By changing the constitution, Bolivia established a more democratic and pro-indigenous legal base. Morales seemed to be quite an anti-imperialist and radical social democrat indigenous leader but not anti-capitalist. This appearance later transformed in favor of the Bolivian-type 'Andean capitalism' that created its own elites, the 'indigenous bourgeois' (Hollender, 2016: 59). However, the MAS had a fragile structure and it went through a crisis that disrupted the balance between capital groups and popular classes. In addition, international political and economic developments were driving Bolivia into a

corner. While the United States threatened to apply an embargo on Bolivia because of its close relations with Venezuela, the dependency on limited resources posed a major problem in domestic politics. Becoming more authoritarian shifted the MAS towards a less permissive position. The administration started to rely on its patronage relations rather than its grassroots origins. Therefore, Bolivia has kept experiencing an organic crisis for years. Bolivia's new tendency towards more liberal 'left' or even new right governments in the region could be assessed within this direction. However, it is one of the loyalist countries of ALBA. Since its foundation, the Bolivian government has supported the Bolivarian Project, in particular on social missions. It was willing to create ALBA-based enterprises.

**Table 17:** Key elements of the MAS administration in Bolivia

Areas	Key Features
<b>Political base</b>	<ul style="list-style-type: none"> <li>• Pro-indigenous politics</li> <li>• Anti-neoliberalism (not anti-capitalism)</li> <li>• Radical social democracy</li> <li>• Authoritarianism</li> </ul>
<b>Economic base</b>	<ul style="list-style-type: none"> <li>• Andean capitalism</li> <li>• Dependency on natural resources</li> <li>• Modified ISI model</li> <li>• Indigenous bourgeois class</li> </ul>



<p style="text-align: center;"><b>Social base</b></p>	<ul style="list-style-type: none"> <li>• Heterogeneous social structure of supporters</li> <li>• Cultural transformation</li> <li>• Grassroots movements</li> <li>• Promotion on local rights</li> </ul>
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*Source:* produced from the author's own analysis

### 3.1.3. Ecuador

Since the 2007 elections, Ecuador has been governed by leaders who claim to be 'leftist.' It is rather ironic that it was those same governments that eventually drove the country into a marketization process by a leftist rhetoric. Rafael Correa, who has been best known political figure of Ecuador, has impacted the last 11 years of the country. Even though he speaks one of the indigenous languages of the region, his implementations did not attract attention; on the contrary, he was protested regularly due to certain practices. Correa's era could be interpreted from different perspectives: For some, he was maintaining the traditional Pink Tide method emphasizing social spending, state intervention and support for indigenous people. For others he built a state-backed capitalist order. In this sub-section, Ecuador's socio-political changes, administrative dynamics and social base will be examined in this regard.

Ecuadorian politics from the Correa era represent a concentration of power towards the center, and the center was undoubtedly Rafael Correa. He was formerly the Minister of Economy in the previous government and in 2007 he was elected with a narrow margin as President. As a left-wing figure, contemporary developments assisted him generously: the 2007-2008 oil boom caused a price increase in the global market, China's rising effects in the region created new balances, the Pink Tide began to come to power in many countries and anti-neoliberal civil society (indigenous and environmentalist movements or grassroots)

were at their strongest level (Gamso, 2015: 6). The biggest indigenous confederation the Confederation of Indigenous Nationalities of Ecuador (*Confederacion de Nacionalidades Indigenas del Ecuador-CONAIE*) and similar groups were behind Correa against the neoliberal candidate, Alvaro Noboa. However, Correa's case differs from other Pink Tide examples due to his management understanding. He and his party the PAIS Alliance (*Patria Altiva i Soberana- Proud and Sovereign Homeland*) promised to change the existing corrupt order in favor of the oppressed and disadvantaged. In the process, expressions and commitments similar to those of the populist discourse of Evo Morales in Bolivia were uttered.

However, the divisions between Correa and other Pink Tide leaders were obvious. He did not have social movement or grassroots origins, unlike the others. Except for his time with the Ministry, he was not a well-known political figure, and he also did not have civil society links (Gonzales, 2019: 104). However, political reconfiguration was working in favor of the PAIS. With his 'anti-neoliberal' stance and his call for a more democratic constitution (which passed with a majority in 2008), along with commitments to increasing public investments, he would reach a higher level of success. In addition, relations with the moderate bourgeois classes helped in consolidating the power of the new government at first. It can be claimed that this strategy shared similar approaches with the Argentinean administration of the Kirchners. The socio-political strategy of PAIS under Correa was based on fast development with humanitarian aid. This strategy, together with the effects of the new constitution, was referred to as the 'Citizens' Revolution,' which reflected a balance between popular and upper classes, as noted above (Becker, 2011: 2; Gonzales, 2019: 103; Lalander et. al, 2019: 201). Correa explained five sub-categories of this revolution as follows: A political revolution that targets more democracy and participation in democratic processes, an economic revolution that enhances the role of the public sector, a social revolution that provides equality among ethnic groups and social statuses, a regional revolution that prioritizes South American integration and an ethical revolution that puts an end to corruption (Gonzales, 2019: 103). Assessing its political base, however, the PAIS Alliance was hardly backed by the indigenous movement. It largely reflected the elites of the country. Through the Correa administration, traditional capital groups lost some of

their comfortable positions and the state bureaucracy began to replace them. Highly intensive nationalization and the spread of the public sector in favor of low wages contributed to the process. The response to this policy by the Ecuadorian upper classes was diversified in accordance with their positions. As Chiasson-LeBel states, while some elite groups decided to confront the government, some preferred a more moderate way and tried to adapt (2019: 163-167). If someone wants to seek milestones of the Pink Tide governments, it is necessary to consider the points at which the leaders and their parties break the bonds between the popular bases and themselves. Ecuadorian domestic politics has experienced such a dilemma for last the 10 years. On the one hand, Correa launched a new era and led the masses with the moderate nationalistic-social democratic strategy of the PAIS Alliance, while on the other he created technocratic classes within the state along with the national bourgeoisie that was close to him; the indigenous people were pushed to the background (Becker, 2011: 51-57; Chiasson-LeBel, 2019: 164; Gonzales, 2019: 106-112).

The PAIS Alliance, when it came to power, turned the economic program into a welfare regime that was intensively statist. Since the late 1990s the Ecuadorian economy has had to cope with dollarization. With a radical recent change, the government declared the US dollar as the national currency for Ecuador. Therefore, dependency on the USA rose to a peak point, and the country would suffer from this for years (see Castillo, 2017). The oil boom through the mid-2000s then contributed considerably to national income, and it looks as if the Ecuadorian economy will overcome its difficulties. One of these difficulties, in domestic economics, is the tendency of the Correa administration to seek income from natural resources. Since the late 2000s, the PAIS Alliance began to focus its attention on new development program in order to access international funds. This method was particularly targeted towards mining and natural resources. It should not be ignored here that the more state or private projects were created for natural resources, the more intensively environmentalist and indigenous protests grew (Becker, 2011: 57-8; Lalander et.al, 2019: 205-209). The Ecuadorian government conducted a statist transformation in the economy and by doing so, it reached the urban and peasant masses. However, at the same time, it sought new rent sources, mostly from natural resources called,

extractivism. The main obstacle in front of it was inarguably the indigenous movement (Gonzales, 2019: 104-5). This can be comprehended as one of the boundary lines between the popular movements (indigenous, peasants, environmentalists) and ‘the populist government,’ or *Correismo*, and support for the charismatic governance of Correa. It also affected relations within ALBA. Those relations weakened toward the end of Correa’s era and were severed with the new president, Lenin Moreno.

Beginning from 2007, the Correa administration aimed at influencing the social movements represented by indigenous, urban poor and ecological groups. In time, however, this work to influence shifted to work to absorb. The Alliance, which contained local groups, peasants, workers and unionists, and various left-social democrat fractions within itself, sought an authoritarian unitary way. Despite an anti-neoliberal stance, the government did not hesitate to apply pressure to indigenous and ecological groups. High numbers of protests even after the new constitution proved that many of the changes were only on paper (see Lalander et.al, 2019: 207). Thus, ethno-groups did not realize their macropolitical aim of a legalized plurinational state, and they had to come to the streets in order to protect their livelihoods against a ‘left’ governor. As Gonzales states, Correa started to attack the indigenous movement and attempted to criminalize it (2019: 101). It would not be wrong to say that 21<sup>st</sup> century socialism turned into 21<sup>st</sup> century extractivism in Ecuador (Alberto Acosta, cited by Gonzales, 2019: 105). As a result, the socio-political program of the PAIS Alliance’s ‘Citizens’ Revolution’ was absorbed and lost its real meaning.

**Table 18:** Key elements of the PAIS administration in Ecuador

Areas	Key Features
Political base	<ul style="list-style-type: none"> <li>• Populist leadership</li> <li>• Authoritarian technocracy</li> <li>• Anti-imperialism</li> <li>• Radical social democracy</li> </ul>

Economic base	<ul style="list-style-type: none"> <li>• Welfare regime</li> <li>• State-oriented reforms</li> <li>• New partnership with China</li> <li>• Extractivism</li> </ul>
Social base	<ul style="list-style-type: none"> <li>• Citizens' Revolution</li> <li>• Heterogeneous social structure of supporters</li> <li>• Opposition of indigenous and poor masses</li> </ul>

*Source:* produced from the author's own analysis

#### 3.1.4. Nicaragua

This Central American country has a special place among others across the continent. All other Pink Tide administrations emerged beginning from the early 2000s as a reaction to the unendurable effects of the WC. They were not totally radical upheavals within their national politics, despite the fact that they signaled new changes. Nicaragua, however, which had a well-known guerilla organization in the Sandinista National Liberation Front (*Frente Sandinista Liberacion Nacional-FSLN*), had already experienced a radical alteration by the late 1970s.

The Sandinista Revolution happened in 1979, the same year as the Islamic Uprising in Iran. Both created profound effects on world politics. While the regime change in Iran shaped Middle Eastern strategies, the Sandinista Revolution became a success story for the socialist camp. These two vital cases produced strong effects on the limitations of the power of the USA. The Nicaraguan guerillas overthrew the dictatorship of Somoza and constituted a socialist government. That revolutionary government ruled for 10 years. Its base was fed by various social and cultural origins; beyond that, women and young people particularly formed the main body

and dynamic power of the Revolution. With the assistance of a state-weighted economic program, Nicaragua made progress in healthcare, education, and housing in exchange for a political press, a limited private sector and an embargo led by the USA. Throughout those times the FSLN looked like a traditional Marxist party organization (Marti i Puig and Wright, 2010: 83-84). It was grounded in armed struggle in order to overthrow the Somoza dictatorship before the Revolution, and afterwards, it aimed at founding a socialist regime. The Sandinista government sought mediation between the bourgeois and popular classes by putting state power into operation (Tatar, 2009: 161). However, many members of the Nicaraguan bourgeois left or escaped from the country, except for a minor part called the 'patriotic bourgeois' (Cruz-Feliciano, 2018: 5).

In 1990, many things changed due to the elections. The FSLN lost and abdicated its power. Continuing discussions intensified and party discipline was interrupted. Towards 1995, these discussions flared up, and a group represented by Sergio Ramirez left the party to found a new political organization called the Sandinista Renovation Movement (*Movimiento Renovador Sandinista-MRS*). They stood against a charismatic leader figure and authoritarian party administration and wanted to refresh the FSLN. They were not completely wrong; in the following years the issue of authoritarian leadership would dominate Nicaraguan politics (Marti i Puig and Wright, 2010: 88-89).

Studying the FSLN in opposition in fact requires studying on Daniel Ortega and his clique because what left its mark on this era was the figure of a strongman in different and various alliances. After two unsuccessful attempts, Ortega looked for a new image and new partnerships. By the 2000s he had increased the frequency of his initiatives. According to Gooren, there were key elements behind his rise: His new dependable image, his new rhetoric on social deals and his new relations with groups that he had previously rarely contacted, such as the church (2010: 50). All those new initiatives gained opportunities for him and the FSLN to achieve state power. But for what in return? For example, Ortega publicly apologized for behaviors of militants against the church after the 1979 Revolution. He obviously followed a reconciliation policy with conservative circles towards the 2006 elections. The church accepted this

apology as a sign of a new deal. Another agreement was made with old counterrevolutionary forces (*Contras*), now called the National Resistance Party, that used to be promoted by the US government during and after the Sandinista Revolution. That maneuver demonstrated that the FSLN had opened a different door in the political arena. Apart from these, the FSLN and Ortega also decided to deal with the Nicaraguan bourgeoisie as a complementary movement (Cruz-Feliciano, 2018: 4).

The FSLN and presidential candidate Ortega gained a victory in 2006, sixteen years after they had lost power. During its rule the FSLN concentrated on replacing dependency on the North with regional endogenous development. For this reason, it attached importance to both public-private balance and regional cooperation with groups like ALBA (Perla Jr. and Cruz-Feliciano, 2013: 94-95). The Nicaraguan state benefited from this cooperation and from harmony with other Pink Tide governments in South America but this does not mean that the FSLN took a stand that completely challenged Atlantic capitalism. That would not be logical. Even though it was based on a national-popular movement, it sought to not scare capital groups; this was the new FSLN. Its moderate affairs with the Obama administration should be assessed in this direction. In domestic policy, participatory democracy was relatively promoted. Although the image of strong leadership remained important, some moves against neoliberalism began to take place in daily life. One of them was the councils of citizens' power (*los consejos del poder ciudadano*) that aimed at participatory democracy from bottom to top. Those councils were quite good examples of grassroots organizations and the ability to implement social programs (Perla Jr. and Cruz-Feliciano, 2013: 88-89). They were very similar to other types of local democracy models in Venezuela and Bolivia.

From the economic point of views, this leftist party enjoyed a new regionalism model related to foreign policy. The legal appearance of ALBA's operations in Nicaragua was a via corporation called ALBA de Nicaragua A.S. (ALBANISA). Through this, Nicaragua would import Venezuelan oil and pay to ALBANISA, and a part of the income would go to ALBA and some to PDVSA, the Venezuelan state oil company. Thus, Nicaragua could take fund from the Bolivarian

Alliance to back up its social programs (Perla Jr. and Cruz-Feliciano, 2013: 86). Furthermore, Nicaragua tried to build good economic relations with the USA due to its effect on international trade balances. At the same time, Nicaragua attracted many investments from Russia, China, and Brazil. The Ortega administration could run the country successfully and provide a redistribution of income in favor of the lower classes. In return, however, some patronage relations and nepotism spread with public-private relations.

The Nicaraguan left had experienced a difficult journey after they lost power. For years, they were divided and the main body of the FSLN continued under the certain leadership of Daniel Ortega. It could be considered as epistemological break for the Nicaraguan left and even the right. Since that separation, Ortega began to defend new politics further away from his socialist origins. To come to power again, he and the FSLN sought new alliances among different social and political bases. As the FSLN and Ortega tried to create these new blocs, the structure of their new partners was melting away the ideological roots of the Sandinistas. Thus, people encountered a new FSLN after the 2006 elections: A Sandinista organization that had diverged from Sandinista principles. In this sense, it might be right to claim that the FSLN had experienced what other Pink Tide governments experienced in power, alienation from core principles, even before it came to power.

**Table 19:** Key elements of the FSLN administration in Nicaragua

Areas	Key Features
<b>Political base</b>	<ul style="list-style-type: none"> <li>• Authoritarian populism</li> <li>• Strong leader image</li> <li>• Anti-imperialism</li> </ul>
<b>Economic base</b>	<ul style="list-style-type: none"> <li>• State-bourgeoisie partnership</li> <li>• ALBA-supported projects</li> <li>• Public enterprises</li> </ul>



<b>Social base</b>	<ul style="list-style-type: none"> <li>• Social programs</li> <li>• Grassroots democracy (the councils)</li> <li>• Conciliation with old opponents</li> <li>• Patriarchic discourse</li> </ul>

*Source:* produced from the author's own analysis

### **3.2. A CASE of POST-NEOLIBERAL REGIONALIZATION: ALBA-TCP**

As a continuation and complement of the previous chapter, the principal issues in this chapter emphasize two significant elements: The strong 'return of the state' and the inevitable rise of social movements on the basis of economic and administrative demands. These two related concepts were fed from the same source that shaped itself during the Seattle Protests at the end of the 1990s. Similarly, South American protestors demanded their right to live, and increases of public authority. At this point it should be stated that this public authority needed to be grounded on the public itself. Because significant destruction was ascribed to the neoliberal views of the WC, an important segment of the people started to build hostility towards capital groups. As described above, this spreading anger was a catalyst in a society that was ready to explode. Another aspect also became involved at this point, however: Public opinion in these struggling countries created charismatic authorities as a response to right-wing rulers. This is quite interesting because it is far from being a real alternative to the existing systems. As noted in the previous chapter, new kinds of organizations built their bases on suppressed populations, but their top levels were still related to the old system's tools. In this section, in light of the responses to neoliberal globalization and interventions by Western countries, it will be demonstrated how those left-wing organizations and parties that spread across the

continent as the Pink Tide tried to form an integration model. The differentiated points within the model will then be discussed, as well as to what extent it could be successful or whether it could be successful at all.

Post-neoliberal regionalism in the global South evolved in parallel with the emerging opposition movements. Struggles for principal rights, anti-globalization movements, fights for alternative social orders and anti-elitist uprisings contributed to its steady growth. One should remember that these developments already had a past from the mid-1990s and had undergone many steps. As noted in the first chapter of this thesis, first integration models were born in the age of the Cold War. They were promoted by the ECLAC and grounded on national developmentalism, which was also called structuralism. Although these countries had different economic levels, ISI was a common recommendation. As a Third World strategy it lasted until the 1970s as a dominant paradigm. Integration examples like the Central American Common Market (CACM) and the Latin American Free Trade Association (LAFTA) were products of this age (Dabene, 2012; Riggirozzi, 2012: 20). The second regionalization era was inspired by the neoliberal strategies of the Western capitalist countries, and particularly the USA. It was originally based on the General Agreements of Trade and Tariffs and then the Free Trade Area of the Americas (FTAA), highly motivated by free movement of capital and services, reduced trade barriers and the withdrawal of public authority (Bulmer-Thomas, 2001: 361-365; Dabene, 2009: 21-24). Thus, all countries made their markets 'competitive' and 'open' for international markets. This kind of strategy included its own regional integration model; now the main axis was trade and finance for the countries that joined regional alliances (Dabene, 2009: 24-26). In its peak points of this 'open' regionalism or new regionalism, South America included many examples both large and small: The Common Market of the South (MERCOSUR), the Central American Integration System (SICA), the North American Free Trade Agreement (NAFTA) and the Andean Community (CAN), for example. Those were mostly organizations that stemmed from the FTAA and were influenced by the financial and commercial dominance of the USA.

As stated in Chapter 2, the marketization process accelerated the second wave of regionalization in South America (Roberts, 2009: 3-7). Until the debt crisis of the 1990s and 2000s, these elites continued to govern with the support of international financial institutions. This trend, however, shifted in the late 1990s towards left-wing populist governments that mainly represented lower-middle classes and local people. Thanks to each victory from these opposition movements, a new regional model was being shaped.

How can post-neoliberal regionalism be described? It can basically be expressed as an eco-political paradigm of a new welfare regime grounded on solidarity economics, participatory democracy, endogenous development and respect for indigenous people (Grugel and Riggirozzi, 2012: 3; Yates and Bakker, 2014: 64; McDonald and Ruckert, 2009: 6-8). While neoliberalism promotes the free flow of capital without borders and acknowledges the certain dominance of global financial institutions around the world (and suggests that the Third World follow the neoliberal formula, which the First World has never fully done), post-neoliberalism put state power forward to guarantee the welfare of all income groups and make a solidarity network for social movements and deeper democracy (McDonald and Ruckert, 2009: 7-8; Grugel and Riggirozzi, 2012: 6-10). Yates and Baker group the aspects of post-neoliberalism within four categories: Re-founding the state, re-socialization of market economy, re-politicization of civil society and regional integration (2014: 71). State authority, which had been eroded during the marketization wave of the 1980s and 1990s, is one of the fundamental grounds to reclaim public sphere. The state mechanism should be dominant again in order to provide product and spread welfare among the citizens. While a lessened and limited state existence is required for profits of big corporations and the transnational bourgeoisie, on the contrary, only increased but responsible state authority can contribute to the general welfare. It should be strongly stressed that the state mentioned here is one that has populist and welfarist aspects with a like-minded government. Re-socialization of market economy entails trying to adapt the capitalist order to the needs of popular classes, including low income groups, unwaged people and small and medium enterprises. It can be ascribed to contemporary post-Keynesian economics for some countries but for some others, it means passing

beyond that and attempting to build a solidarity economy. The politicization of civil society aims to strengthen contacts between state and society; in addition, it aims to produce cooperation networks for grassroots organizations, so public sphere can properly assert itself.

**Figure 2:** South America and regional organizations



From the top left; the Americas, ‘Latin’ America, ALBA, NAFTA, SICA, UNASUR, MERCOSUR, the Andean Community and the Pacific Alliance

*Source:* Malamud and Gardini, 2012: 122

The post-neoliberal era represents a progressive age of politics, with an anti-neoliberal social agenda and the return of the state as a distributor of welfare and promoter of social movements (see Riggirozzi, 2011: 431-436; Muhr, 2010: 30-36; Muhr, 2011: 103-106; Grugel and Riggirozzi, 2018: 3-7). The question that arises from this point is how this materializes itself in the case of South America? Below, ALBA models will be examined.

### **3.2.1. Alianza Bolivariana para los Pueblos de Nuestra America- Tratado de Comercio de los Pueblos (ALBA-TCP)**

The most obvious example of post-neoliberal regionalization in the Americas is ALBA-TCP. What has gives ALBA its a regional quality? Basically speaking its broad plans and implementations. What, then, makes ALBA post-neoliberal? Roughly its pursuit of an alternative socio-economic order apart from Western capitalism and imperialism. As noted above, it is directly opposed to the fundamental principles and implementations of the WC and global economy-manipulating institutions like the IMF and the WB; in addition, it locates itself within a framework of welfare-based development in accordance with post-neoliberal regionalization (Grugel and Riggirozzi, 2012: 5-6).

ALBA first came to life as a bilateral agreement between Venezuela and Cuba in 2004, and then its first summit was organized in 2005. In the following three years Bolivia, Nicaragua, Honduras and the Dominican Republic joined the organization (Tahsin, 2009: 3). Although its members have commercial and logistic agreements, ALBA is more than a trade-based regional unity. In fact, ALBA prioritizes ideological and political assumptions more than others such as military and trade (see Murphy, 2015; Muhr, 2010a; Cole, 2010b). This ideological base should be sought in its basics. For instance ALBA uses the term 'Our America' (*Nuestra America*) within its name. This refers to famous Cuban revolutionary Jose Marti's patrimonial discourse: He described *Nuestra America* as enslaved and suppressed societies that mostly included Latins, Hispanics and others. On the other hand, the 'other America' represents the colonialist masters constituting by the US, the UK and others (Cole, 2010b: 254). Even though this looks like a distinction of

two geographical Americas (North and South), it is not completely based on that delineation. *Our America* seems to cover all subordinated nations and classes within this expression, while the elites of *Other America* have imported their life styles and cultural values from the greater colonialist masters; thus, they have legitimized their dominance. In spite of this, Marti supports free human mind as an anti-colonial stance (Cole, 2010b: 254-255). The same approach can be read in Simon Bolivar and Augusto Sandino's discourses, other significant socio-political figures for ALBA. Thus, in this regard, ALBA established its position on an anti-imperialist and libertarian basis.

**Table 20: FTAA vs. ALBA**

	<b>FTAA</b>	<b>ALBA</b>
<b>Target</b>	Improved quality of life through free trade and economic integration.	Fighting against social exclusion and for preservation of autonomy of South America
<b>Agricultural Policy</b>	Elimination of agricultural subsidies and tariffs	Priority of food security and agricultural production
<b>Intellectual Property</b>	Protection of intellectual property rights	Protection of intellectual property rights
<b>Access to Markets</b>	Elimination of tariffs	Defense of tariffs to promote and protect domestic agriculture and industry
<b>Government Purchases</b>	Open markets for bidding	Domestic companies retain priority in the delivery of services

	public projects	procured by the state.
<b>Conflict Resolution</b>	International mediation and conflict through international arbitration	No recognition of foreign companies' international rights

Source: Hirst and Sabatini, 2015:

While there is an ideological contrast between ALBA's stance and the colonialist/imperialist one, another difference for ALBA is more practical and regional. As described in Chapter 2, the Free Trade Area of the Americas (FTAA) was introduced as one of the WC-oriented organizations. The FTAA turned into a regional source of unity, the North American Free Trade Area (NAFTA), in 1994. Since its founding agreement, NAFTA has carried many pro-market actions into practice. This relevant model for open regionalism appeared as a role model for South American countries. ALBA, however, is completely against this regionalization type grounded on a neoliberal free market order (see Tahsin, 2009: 2-3; Muhr, 2010a: 40; Cole, 2010a: 325; Erisman, 2011: 241; Jácome, 2015: 46). In short, the Bolivarian Alliance can be seen as an 'antidote to the FTAA' (Erisman, 2011: 241). Table 20 illustrates the main characteristics of ALBA and the FTAA. It can be read as a comparison between the neoliberal trade arena and a socialized market zone. Beginning from this point, ALBA's regionalization was formed in the framework of '21<sup>st</sup> century socialism' inspired by Venezuelan leader Hugo Chavez. In this regard, ALBA aimed at endogenous development in a way that was not dependent on the WC principles (Muhr, 2011: 105-106). The Bolivarian project shaped in ALBA directed its steps towards its biggest target and dream of 'the Grand Homeland' (*la Patria Grande*) (Murphy, 2015: 15-16). Considering the points above, Cusack (2019: 16) formulated the basic characteristics of ALBA as follows:

“...challenging open regionalism and US power, including directly into the form of the FTAA; reasserting the role of the state and the importance of a different, more socially focused development model; promoting shared productive development, redistributive mechanisms and solidarity-based

transnational welfare projects at a regional level; attempting to incorporate civil society into regional governance.”

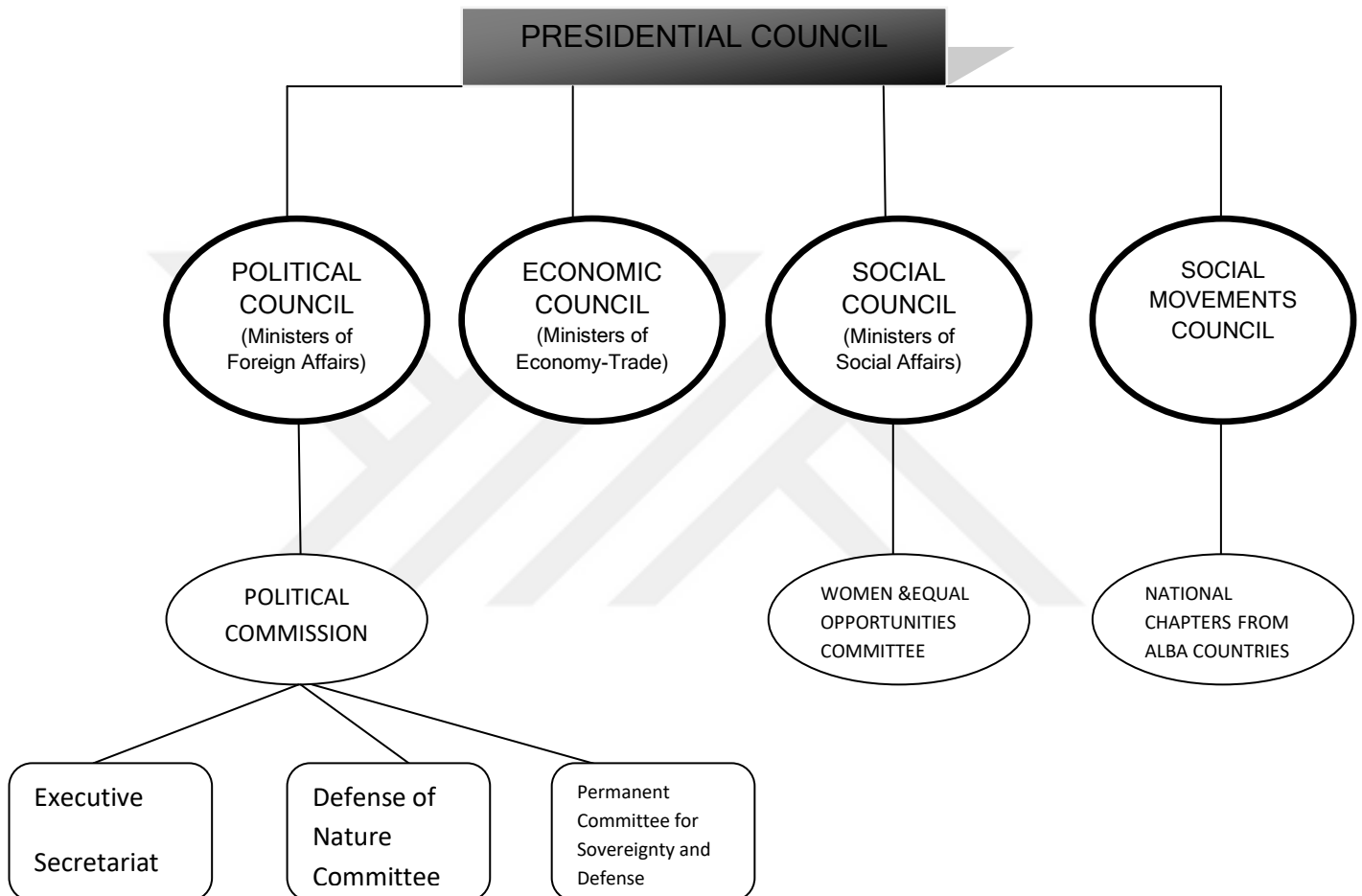
It needs to be stressed that ALBA represents a new era for development models starting from the new millennium. As will be explained below, endogenous development is its fundamental starting point. The founding agreement of the Bolivarian Alliance signed in 2004 correspondingly had the aims of promoting trade to improve the public’s living conditions instead of profit, enabling basic services (education, health etc.) to be free for the people of the member states, creating an alternative media against US-based neoliberal media companies, improving food security, developing state-led corporations in basic industries to act economically freely, supporting social and indigenous movements, and developing pro-environmentalist projects (Erisman, 2011: 241; DerGhougassian, 2015: 164). In that direction, the most basic definition of ALBA is that of Borbon (2015: 73): The Bolivarian Alliance consists of a process of regional integration grounded on solidarity, cooperation and mutual benefit but it also provides a new kind regionalization that incorporates political, economic, cultural, scientific and social dimensions with a South American projection.

The structure of the Bolivarian Project is relatively simpler and smaller than other regional organizations inside and outside South America. While decision-making processes are fulfilled in by Presidential Council democratically, other commissions play vital roles in this process. The Presidential Council (*El Consejo Presidencial*) is the head of this body represented by the member states’ presidents. Similarly to that, the Economic Council gathers the economy or finance/trade ministers of the member countries and coordinates trade among members and economy-based affairs. The Social Council brings together all ministers of the member countries from health to culture and education. It monitors and leads social programs of the organization (Muhr, 2012b: 233). The difference with ALBA is its establishment of a Social Movements Council. This council that is a platform of counter-hegemony that presents content on behalf of determining ALBA’s tendency (Muhr, 2011: 108; Cusack, 2019: 39). The Social Movements Council is one of the dual power pyramids. It has direct dialogue with the Presidential Council and is able to address social, urban, and environmental issues. Speaking roughly, it can be said



that the Social Movements Council was established to create a broader World Social Forum on a South American scale. As will be addressed below, even though it could not achieve that goal, it could still be assessed as a leading actor.

**Figure 3:** The overall structure of ALBA



*Source:* Cusack, 2019: 36 and Muhr, 2011: 110

The Presidential Council is thus divided into four different councils to address political, economic, social and social movement issues. Those councils meet with the heads of the relevant national ministries of the member countries. The Executive Secretariat, located in Caracas, provides coordination and connection among those organs. In addition, each council has working groups that focus on varying responsibility areas (Cusack, 2019: 36-37). They try to help the organization develop

policies and make decisions. While the Political Council brings members' foreign affairs ministers together, the Economic Council consists of ministers of finance, economy or trade. The Social Council is a platform where ministers of education, health and social development meet. The Women & Equal Opportunities Committee works under this commission as a remarkable sub-unit. The Social Movements Council is quite different from the others. It was formed to concretize ALBA's position on grassroots movements. According to Muhr (2011: 108) the general approach of the Bolivarian project was to focus on 'organized society' which is shaped on the basis of solidarity and cooperation, rather than 'civil society' which is actually based on bourgeois elitism. Although it aimed to support grassroots movements at first, the Social Movement Council could not properly get in touch with these movements (inside or outside ALBA countries) and was trapped within bureaucratic borders. From a general perspective, the same assessment can be made for other organs of ALBA; the Commissions failed to realize their objectives, except the Political Commission.

ALBA instead makes itself visible via the institutions working under its coordination. As showed on Table 21, the Alliance has established institutions or companies that would functionalize on a regional level. These institutions and initiatives have been shaped appropriately, with one aim being to meet the needs of the member and non-member regional countries in various areas. Thus, the Bolivarian project endeavored to realize its social, economic, and political aims. It was more than an ordinary aid package or fulfillment of cooperation; it was a project that dated back to Simon Bolivar's *Patria Grande* idea (Muhr, 2010b: 42). Bolivar's goal was to unit all South American countries under the name of *Gran Colombia* so that, they could fight against the Western colonialist states and determine their own future. ALBA's Grand National Projects (GNPs) and Grand National Enterprises (GNEs) have been steps of such long-term planning. It can be claimed that they have been designed parallel to national social missions (*los misiones sociaels*) and humanitarian support programs in the Pink Tide countries. Although they have depended on each country's economic conditions and therefore could not transcend the intergovernmental aspect, this has been one of the regional welfare regime examples.

What are GNPs and GNEs? On paper, they are state-led corporations that act national and regionally. However, just as the Bolivarian Alliance is an ideologically oriented organization, more than a mere economic union, the GNEs and GNPs also have political-ideological mission. They are, as Muhr (2010b: 42) states, counter-hegemonic initiatives as a response to the most crucial neoliberal units transnational companies. Whether they are carried out at regional or national levels, they represent anti-neoliberal (not anti-capitalist) entities such as cooperatives rather than private corporations, common welfare (for everyone) rather than profit-maximization and solidarity economics rather than marketization (see Muhr, 2010b: 42; Tahsin, 2011: 208-209; Cole, 2011: 62-63).

**Table 21:** ALBA's dimensions and relevant institutions

<b>Dimensions</b>	<b>Institutions</b>
<b>Cultural</b>	TeleSur, RadioSur, ALBA Houses, ALBA Shops
<b>Education</b>	GNP ALBA Education, GNP Literacy, UNIALBA
<b>Energy</b>	Petroamérica, GNE Petroalba, GNE Petrosuramerica
<b>Environmental</b>	Mission Energy Revolution International, GNE ALBA-Timber
<b>Financial</b>	ALBA Bank, SUCRE Common Monetary Unit
<b>Industry and Trade</b>	GNE ALBATEL

<b>Military</b>	Permanent Committee for Sovereignty and Defense
<b>Political/Ideological</b>	ALBA Houses, GNE ALBA Culture, GNE ALBA Cultural Fund
<b>Social/Humanitarian</b>	GNE ALBA Foods, GNE ALBA Med, GNE ALBA Health

GNP: Grand National Project, GNE: Grand National Enterprise

*Source:* Muhr, 2011: 107

ALBA is mostly described as an organization in which ideology preponderates over economy and trade issues (see Borbon, 2015: 88-93). This is correct; moreover, ALBA built its fundamental aim around that base. Its regional cooperation contributed to forming a state-led development model and increased social/indigenous rights in member countries (Cusack, 2019: 57-85). The network provided by GNPs has assisted both countries with unstable economies, like Cuba, and countries that experienced natural disasters, like Haiti (Tahsin, 2009: 7-17). Beyond those urgent actions, long-term projects of GNPs attempt to reverse the neoliberal destruction described in Chapter 2. Thus, they represent a challenge for the USA and global financial institutions.

The economic scheme within ALBA's structure was created within the TCP (*Tratado de Comercio de los Pueblos* - People's Trade Agreement). It represents the commercial side of the organization, based on fair trade and mutual cooperation. In contrast to other regional unions such as MERCOSUR and CARICOM or AP, this commercial body was not grounded on private profits or national economic relations but rather on populations' real needs. The TCP was established in 2006 and increased its influence in 2009. In 2006, the TCP appeared to regulate GNPs multilaterally after Bolivia joined ALBA. The People's Trade Agreement brings together three crucial factors according to Cusack (2019: 97): Reasserted autonomy, endogenous development and new sources of legitimacy. Autonomy means the

consolidation of the regional market rate; to achieve that, each member can add value, and they can meet internal demand and keep surplus in the region. The TCP also aims to reduce disadvantages derived from the imbalanced trade relations with the USA and the EU (Cusack, 2019: 98). Endogenous development is undoubtedly one of the central aspects of the structure and logic (and also philosophy) of ALBA. It is more than a structuralist ISI model and autarchy. As Muhr (2011: 105) explains, endogenous development assesses a country's productive resources as the fundamental components for long-term orientation towards domestic and foreign markets. Endogenous development enables a rules-based regional market 'fair trade zone' to be formed and improved in accordance with the principles of 21<sup>st</sup> century socialism (Muhr, 2010a: 46). It highly hinges on nationalization and re-nationalization (de-privatization), particularly on natural sources and basic services. The state has a key role in this development model; it, on one hand, gives opportunities to local/national enterprises regulating markets and on the other hand it builds a solidarity network by this means. Furthermore, this is not an absolute statist model; it includes different property forms (Aponte-García, 2011: 187-8).

In the previous chapter, it was noted that the neoliberal wave paved the way for privatization, deregulation and liberalization with the retreat of the state and more importantly the concept of public sphere. The reactions to the neoliberal wave in South America were also demonstrated; each country, almost all of them, experienced anti-neoliberal and left-social democratic governments. Those empowered by rousts and grassroots actions moved in order to regain the state's functionality as a response to the 'less state, more investment' logic. That also included a higher quality of democratic structures beyond representative liberal democracy. ALBA is the organization in which this collective will was reflected by the left-wing governments. In its political scheme, ALBA has two obvious aspects: It contains both a strong anti-imperialist tendency in foreign policy and a deepened democracy aim in domestic policy. In other words, Bolivarian regionalism was believed to improve more equal representation starting from locals to upper dimensions. Muhr (2010a; 2012) explains this as 'participatory democracy' with reference to Crawford B. Macpherson's (1978) contribution. With this concept, ALBA aimed at saving people from being passive in liberalism due to limited

political mobility. Macpherson claims two inevitable factors regarding the progress of democracy: increase in societies' consciousness and decrease in inequality (1978: 100). Applying Macpherson's theories to the ALBA case, Muhr reaches a vital point: The impartibility of the political and economic has been ignored by the liberal-capitalist system. Considering ALBA's journey from its foundation, those two dimensions can be explained according to their results: The former (increasing consciousness) failed because this regional union, as will be detailed in the next sections, has just restore the old order. On the one hand, social consciousness rose among people thanks to *los misiones sociales*, but on the other, it depended on the time and place, and even the country. It is hard to claim that many countries tried to put this aim in action, except Venezuela, and even it had to reject the project due to economic and political problems with time. The latter (decreasing inequality), however, was relatively successful. ALBA has contributed to reducing economic and social inequality within limits (see Cusack, 2019: 164-182; Tahsin, 2009: 12-18; Dominguez, 2015: 250-54). However, after the 2010s, this was interrupted. In short, in the political arena ALBA not only came up against structural obstacles; it also diverged onto an opposite path due to authoritarianization. That was the result of reactions of populist left governments to the crisis times of the 2010s.

In the social/cultural scheme, ALBA-TCP reflects the post-neoliberal aspects of regionalization based on social justice and respect of indigenous rights (Tahsin, 2009: 5). It is a part of the Bolivarian Project to maintain this struggle as long as possible. Social struggle cannot be separated from the political; therefore, it was accepted as a counter-hegemonic process against the 'other America' (Muhr, 2010a: 40). This aim was tried to be achieved with the Social Movements Council. As noted above, while the Presidential Council runs political, economic and trade relations, the Social Movements Council monitors a broader scale of social and grassroots movements, from indigenous movements to environmentalism (see Muhr, 2010b: 43). This council aimed to integrate the local movements in ALBA countries and other countries' social movements; therefore, the spread of the Bolivarian Project could be accelerated (Muhr, 2010a: 44; Muhr, 2010b: 43). The Council looks to have been inspired by the World Social Forum assembled in Caracas in 2006. Considering its structure and objectives, it can be said that the Council tried to be a micro (or

mezzo) scale practice area of what the World Social Forum attempted to do. Even though the World Social Forum looks the appears as example, ALBA has taken other grassroots movements into consideration, shortly generally considering all of anti-imperialist tradition (see Hochstetler, 2012: 239-245). Thus, ALBA was able to find a space to promote its ideology shaped within the framework of dimensions such as social spending, equal rights, pro-indigenous actions and collective property. Whichever country they come from, all governmental parties of ALBA have intensively been fed by their local civil movements and they gained victory thanks to all those movements (see Cole, 2010a: 321-22). They required those social movements' support but not permanently. The political and economic crises of 2010s put an end to the social movements agenda of ALBA.

### **3.2.2. Same Trend, Different Method: ALBA vs. UNASUR**

South American regionalism has passed through different levels and seen the application of many different models. Washington Consensus-based organizations like Mercosur grew and developed thanks to neoliberal conservative governments. Contrarily, the new millennium launched a new era. From the perspective of regionalism, it is a process grounded on the Buenos Aires Consensus (Arenas-Garcia, 2012: 72). On the one hand, it maintains a post-neoliberal agenda due to its pro-solidarity and dialogue moves; on the other, it tries to achieve a balance geopolitically against the sovereignty of the Western world. In this regard, the Union of South American Nations (*Union de Naciones Suramericanas*- UNASUR) is the second case of post-neoliberal regionalization.

The founding agreement of UNASUR was signed in 2008 and ratified in 2011 by its nine members. Its roots were actually based on another regional organization model. The South American Free Trade Area, SAFTA (not be confused with the Asian SAFTA), was established as the projection of NAFTA in the South (Briceno-Ruiz and Hoffmann, 2015: 7). It was then transformed into the South American Community of Nations (SACN) by the Brazilian president F. Cardoso. Thus, it started to address non-trade relations and social and cultural issues. The

leftist wind of the 2000s irrevocably affected the SACN, and the new president from the PT (*Partido dos Trabalhadores*) Luiz Inacio 'Lula' da Silva enabled it to shift leftwards. In 2008, at the proposal of Hugo Chavez, it was named UNASUR and the beginning of another alternative model of regionalization was seen in South America. It aimed to advance regional development and decrease poverty and inequality (Arenas-Garcia, 2012: 74). At this point one should note the distinction between UNASUR and others. While it promotes and prioritizes social and cultural issues apart from trade, UNASUR takes a different position than the neoliberal regional model of NAFTA. Moreover, gathering almost all South American countries at the beginning, it demonstrated an alternative regional forum where there was no US pressure on others; it was a challenge for the OAS, too. On the other hand, UNASUR is not as radical as ALBA. It supports the construction of South American citizenship but not 21<sup>st</sup> century or another kind of socialism (DerGhougassian, 2015: 164). Other regional missions and stress on South American identity show its attempts to be an equalizing power against North America and Europe. As it will be noted below, this aim would never be accomplished. It is, however, a relevant example of alternative models such as ALBA.

It is an old question whether ALBA and UNASUR exist in cooperation or in rivalry. Due to the atmosphere they share and their leading countries, with Venezuela for ALBA and Brazil for UNASUR, they could be assessed being in competition. Behind high politics, their philosophical bases illustrate that: While ALBA focuses on drawing a completely new picture, UNASUR tries to revise the existing picture to be better and fairer. For example, social movements did not play significant roles in UNASUR as much as in ALBA. Geostrategic objectives, a South American union/bloc, and a single market, as focuses of low politics, are primarily within this view (DerGhougassian, 2015: 161; Arenas-Garcia, 2012: 79). From this point of view, UNASUR's strategy can be related to Brazil's foreign policy aims such as putting Argentina in, reducing Venezuela's influence and forming a moderate front against the USA (see DerGhougassian, 2015: 161). One of the moves in this regard was the creation of the Council of South American Defense (*Conselho de Defesa Sulamericano*- CDS). Beyond the aim of security cooperation, it promoted cultural and political identity in the region.



It is possible to also briefly, note that UNASUR seeks a balance between state intervention and market economy, while ALBA strengthens state power against market power. In another case, they can be considered as two sides of same model, with one being reformist and the other more radical (DerGhougassian, 2015: 178). The term 'to restore' used above signifies such a distinction; UNASUR tries to modify the existing order with its own tools, but ALBA attempts to reform it by its vision as much as possible. Even though it would fail in the upcoming years, UNASUR took a progressive step both in regional politics and in the regionalization model (Riggirozzi and Grugel, 2015: 796; Arenas-Garcia, 2012: 82).

### **3.3. LIMITS FOR ALBA-TCP**

As a third generation regionalization project, ALBA-TCP has attempted to seek solutions within the axis of post-neoliberalism. Although its founding philosophy centered on serving poor and suppressed people and it was viewed as signaling a new era for global resistance networks, ALBA was not able to provide continuity or a sense of union.

The withdrawal of the Pink Tide governments started in the second half of the 2010s. Almost all of the Pink Tide governments lost power and were replaced with new right parties. The left could not manage the crisis processes during the 2010s. There are four reasons behind this decline. One external reason is the most obvious and certain one: The sharp fall in oil prices. This led resource-dependent countries, primarily Venezuela, in to deep economic depressions and damaged both business and social life. Within 6 years, oil prices fell by half and, thus, the left-social democratic governments could not meet their productive needs (Antonopoulos and Cottle, 2018: 55-56). As an unavoidable fact, huge rates of inflation began in Venezuela and elsewhere. Another external reason was the oppression of the USA, which took a clear position against the Pink Tide governments (for a more detailed analysis of US actions towards South America, see Frank, 2006). Beyond that, the presidential regimes eventually concentrated power towards on one center. That

caused some clientelism problems and increased polarization. In lights of these developments, ALBA's limitations were revealed with time. Primarily, the regionalism factor should be reassessed. ALBA appeared with the claim that it would put an independent (from the USA) and solidarist (referring to the Bolivarian *la Patria Grande*) regionalism model into practice. It grounded itself on inward-looking development, protection of the indigenous rights and support for grassroots movements. To hinder and reverse the effect of market forces, state intervention returned to ALBA's agenda. Table 22 briefly illustrates the differences between open regionalism and ALBA-TCP. Moreover, it should be stated that there are some other integration models in South America. Although they are outside of the scope of this thesis, they each represent different development models and can each be related to different regionalization types. Brazil, for example, chose a moderate post-neoliberal way focused on market-state balance and regional leadership. Argentina's neo-developmentalism, which is not included in this work, paved the way for the recovery of its economy (Féliz, 2012). ALBA, however, would not venture outside of its 'comfort zone'.

**Table 22:** ALBA vs. open regionalism

<b>ALBA-TCP</b>	<b>Open Regionalism</b>
<b>States are sovereign in social and economic development and economic regulation.</b>	Free operation of market forces and non-intervention of states
<b>Trade should be based on the protection of products of national interest. Tariff policy should fit the requirements of developing countries.</b>	Export promotion and trade liberalization. Non-discrimination against the rest of the world.
<b>Emphasis on intra-regional trade. Promotion of regional capital investment.</b>	Global competition. Emphasis on market openness, investment and growth.

<b>Special and different treatment, paying attention to differences among countries and their economies.</b>	One-size-fits-all rules (symmetric agreements)
<b>Exclusive membership to one integration bloc.</b>	Membership in one or more agreements, overlapping of agreements.

*Source:* Anzola-Gil, 2015: 268

First, ALBA failed to escape from the statist model. Although it had an aim of strengthening and deepening democracy, its members have protected the same positions in their domestic politics. ALBA is an intergovernmental organization like others in South America. This roughly means that even a small change or wave in its members' domestic policies will be reflected in the organization; South America's ever-changing atmosphere can easily pave the way for this. Starting from that point, the economic stability and the political durability of the member states gain more importance with regards to the future of the union (Anzola-Gil, 2015: 274). Another problem was that institutionalization could not be realized. The Councils did not work as expected; rather, the presidential networks carried out decisions without fully democratic decision-making processes. For instance, we can consider the Social Movements Council's failed attempts to address regional social issues, to spread democracy toward the bottom, or to keep in touch with grassroots movements (Cusack, 2019: 193). In short, ALBA could not create a solidarity network among its members due to internal and external factors within politics such as dependency onto one center, waves in the members' regimes, hyper-presidentialism and US oppression. For those reason, it would be impossible for ALBA to create even a micro-regional counter-hegemonic front (see Muhr, 2010a).

Secondly, ALBA suffered deeply from the centrality of oil income. In this regard, the future of the state of Venezuela was tied to the future of the Bolivarian Alliance. The economic administration of the state and its patronage webs (neither capitalist nor socialist) created an unsuccessful form of hybrid economics. Owing to declining oil prices, the income sources and more vitally the triggering power of

ALBA's structure eventually shrank. In short, once Venezuelan economics fell, ALBA itself started to totally disintegrate (Anzola-Gil, 2015: 274). Initiatives like SUCRE and PETROCARIBE lost their effect due to the lack of sustainability and funding. Members' new pursuits to improve regional commercial relations led to a dead end for the union's relationships. Owing to emerging global constraints and a lack of consensus among national economies, the desired economic cooperation and initiatives could not materialize (Cusack, 2019: 203-205).

More recently it is obvious that ALBA has incurred both quality and quantity losses. In addition to the quality losses expressed above, two core countries Bolivia and Ecuador, withdrew from the organization. This was an indicator for Ecuador in terms of showing its new tendency in regional politics. Meanwhile, in 2019, the interim government that had acceded by a 'soft' coup announced that Bolivia was withdrawing from ALBA. For various reasons, ALBA has continued bleeding out.

### **3.4. CONCLUSION**

This chapter has tried to analyze the dynamics of the Pink Tide governments and its regional projection ALBA, the Bolivarian Alliance. It has sought possible answers for the questions of why the Pink Tide failed in its response to neoliberalism and whether ALBA-TCP could create an alternative regionalization model. On the one hand, marketization and deregulation trends of neoliberal capitalism have rocked the Americas, and on the other, local governments have deepened this crisis with their comprador and authoritarian stances. These two constitute the basis for the background of why the Pink Tide was able to gain such great victory at the beginning of the millennium. Chavez was a starting point and he was also the most radical wing of all Pink Tide administrations. He and his movement, the MVR, represents an era of post-neoliberalism within two dimensions: On the national level, the Bolivarians (who have the leading role in left-wing governments) provided the return of the state in economics and social policy, and on a regional level a model not fully related to security/trade was put forward by them. The Pink Tide appeared as an alternative and

response to neoliberalism in each state. It was also quite successful in terms of social and cultural policy. However, with time, it was seen that those implementations merely provided temporary solutions. The essential and inevitable fact behind many problems was that the Pink Tide governments had not deepened their solutions. The design of '21<sup>st</sup> century socialism' was productive on paper, but on practice it could not stand against the reality of the financial hegemony of neoliberalism. On a regional level, the Bolivarian Alliance for the Peoples of Our America was promoted by most of the Pink Tide governments. It was established as a new model of regionalization (post-neoliberal) highly different from the second generation 'open' regionalism. However, post-neoliberal regionalism could not cross the borders of the liberal order; it remained a type of export-oriented and state-led growth (Grugel and Riggirozzi, 2012: 15-16). Once again, the same trend was repeated: Even though it created some noticeable changes and had real alternative proposals (the Social Movements Council, participatory democracy and solidarity economics), it could not go beyond being a modified ISI model. More clearly, both the Pink Tide and ALBA-TCP had nothing other than an anti-imperialist and pro-indigenous discourse. As in the Keynesian compromise (see Chapter 2), they tried to make deals with both popular classes and upper classes to achieve cooperation in the direction of their hybrid regimes. However as has been stated many times in this thesis, they were not substantially against the general principles of capitalism, but only against its neoliberal and comprador variety. Therefore, the results speak for themselves; 'the Keynesian compromise' of the Pink Tide collapsed.

Similarly, ALBA-TCP was an attempt to achieve a breakthrough for alternative regionalization and it aimed to establish a new kind of affairs among states. However, it seems that its damaged base was not able to endure the internal contradictions and the storms of transnational capitalism.

## CONCLUSION

This study has tried to discuss how the neoliberal wave influenced South America in terms of its political, social and economic aspects and if the response to that wave could reach its goal, and, if so, to what extent? This thesis has therefore examined new alternative regionalization attempts through third generation regionalism, known as ‘post-neoliberal integration’. In this regard, it has focused on the relations between the South American left wing social democratic regimes called ‘the Pink Tide’ and their counter-regional model, *el ALBA-TCP*. Thus, efforts have been made to conceptualize the main question whether ALBA could be an alternative model to neoliberal integration.

This work has examined the South American integration model that has been influential since the mid-2000s. An organization that claimed to follow a different pathway than mainstream models appeared as the result of the great efforts of the new left-wing movements in some South American countries. When those movements and parties, jointly called the Pink Tide, gained power in their countries, they seized a chance both to implement their social programs and to build up alternative regional integration. Proposing a new integration model against the existing mainstream ones required criticism of and a break from the old traditions. The Pink Tide developed its own tools to overcome the old model, and it also tried to construct a new socio-political order with the support of its anti-neoliberal supporters.

Its construction process included some milestones. This thesis has followed the process of that new construction. In the first part, it was demonstrated that the integration models developed since WWII can be divided into 3 phases or generations. The first generation, old regionalism, was formed under the conditions of the Cold War. Its founding theories were realist and neoliberal institutionalist paradigms. It revealed intergovernmental and supranational approaches, with more reference to the former. The second generation, new regionalism, occurred in the late-1970s and was spread by the neoliberal wave. Once new regionalization, which

prioritized commercial relations and promoted reduced tariffs, supranational institutions and free circulation of capital, assumed a dominant position, it accelerated marketization and financialization within countries. In the case of the Americas, it is represented by the OAS and NAFTA and for the Caribbean and South America, MERCOSUR. Lastly, the third generation, known as post-neoliberal (or post-hegemonic), regionalism has been addressed in detail. Post-neoliberal regionalization particularly distinguishes itself from the previous two models in social and political contexts. It promotes democratic participation instead of elitist representation, humanitarian development instead of commercial gains and endogenous development instead of export-based industrialization. Due to those features, it can be assessed as a counter-hegemonic form of integration against the US-backed OAS and MERCOSUR. However, although it aims at humanitarian development and a constructivist viewpoint (*la Patria Grande* in the case of South America), it also maintains tools similar to those of old regionalism, especially ISI. In the globalized financial world, this could be described as cooking a new meal (third generation regionalism) in an old pan (first generation regionalism) by adding some expired salt (second generation regionalism). Thus, it can be concluded that post-neoliberal integration revealed a regional welfare model or at least aimed at creating one, but not a successful solidarity network.

This thesis has also examined the neoliberal transformation in South America. After the Bretton Woods system collapsed and the Keynesian compromise had come to an end, transnational capitalism entered a neoliberal era that provided full sovereignty for capital. As a new dominant ideology, its macroeconomic principles can be summarized as deregulation, liberalization and privatization. Neoliberal capitalism, in this way, changed the balance of the deal (or the 'New Deal') in favor of capital groups. It dissolved the gains of popular classes in many countries and corroded the understanding of the role of publicity. In this framework the public sectors in both core and peripheral countries eventually pulled back. In South America some countries such Chile and Argentina were the first to experience this with military juntas. Towards the 1980s, many new right parties, along with their marketization policies, came to power. They embraced new IMF-based economic programs in order to escape their debt spirals, and these programs were called 'the

Washington Consensus' and were 'proposed' for semi-peripheral and peripheral countries. At this point, it is quite significant to consider the continuity and context between liberalization and the rise of the post-neoliberal response. Neoliberalism had exterminated the developmentalist state structure that had been the trend in the Global South countries for years. In this system, profit or more correctly surplus value was distributed between capital groups and popular classes and administrative classes, in favor of the former. However, it provided relative power for popular classes and the state could keep its balancing role thanks to this mechanism. In the neoliberal order, however, capital groups were the only sovereigns to control surplus value. Administrative classes were shaped in accordance with those needs of transnational capital. The following crises towards the end of the 1990s in peripheral countries accordingly played a vital role in the sense of the state. Popular classes basically resisted this pro-capital state mode. Whether arising from internal or external causes, economic instability paved the way for post-neoliberal reformation.

The Pink Tide trend on the continent and its alternative initiative in the regional context, ALBA-TCP, are the main arguments in this thesis. The Pink Tide provided its answer by bringing the state back. The public sector reconfigured its position against its citizens. The left-wing governments started to receive the intense support of popular classes by enlarging public-based investments and services. Moreover, they promoted local entrepreneurs and local resources. Even though those social democratic left-wing administrations supported public power and brought the state back into the picture, it should be noted that they did not actually reveal an alternative to the capitalist order itself, but only to its neoliberal implementations. In other words the Pink Tide tried to tame the extreme aspects of capitalism and to create a Keynesian welfare regime. This is one of the fundamental reasons why the Pink Tide was not able to reach its goals; it is not possible to realize basic changes without resolving structural problems. Therefore, some major designs like '21<sup>st</sup> century socialism' could not be improved. Based on this issue, a major gap that initially seems small can be noticed between the Pink Tide governments and Cuba. The Republic of Cuba, despite its limitations and its misses, was established on a socialist economy and democracy and has carried out those policies for decades since its foundation. Its substructure and superstructure were redesigned in accordance



with the fair distribution of income, participatory democracy and humanitarian development. This was possible over the years as transnational capital did not leach into the state and there was no a developed bourgeois class, or at least not big capital groups. In contrast, each Pink Tide government depended on the influences of the global financial institutions. Furthermore, their strategic move was to replace old capital groups with newer ones with whom they had stronger patronage contacts. It thus seems that they were not 'radical' enough to shake the system. In this respect, it is not surprising that projects like ALBA faced contradictions and challenges at various points.

The Bolivarian Alliance for the Peoples of Our America was founded with the aim of gathering the Southern countries within a network of solidarity and anti-imperialist union. In this thesis, the Bolivarian Project has been scrutinized in line with its political, social and economic implications. ALBA is an intergovernmental regional alliance that prioritizes social development. There are some basic points that should be considered: In the regional context, ALBA was organized from the point of view of Bolivar's *Patria Grande*, being grounded on South American identity, but with an anti-imperialist and national liberationist stance. Its members' intense anti-American discourses derive from this point. It also ties this South American identity together with oppressed people and their local lifestyles. In this regard, it is one of the best political reflections of post-colonialism and social constructivism. Those theories were not explored in this thesis, but they would provide interesting new views for future research and projects. Secondly, in political context, the Bolivarian project depends on the situation of the Pink Tide parties in power and whether they will protect their positions or not. Although it was expected to spread across the entire continent, it could not cross into the neighboring countries. It has been limited to the Caribbean and some other continental countries. Another problem is its quality of operations; the affairs within ALBA-TCP have often been carried out by the presidents of each country. That situation has both damaged the democratic spirit and fed hyper-presidentialism. Thus, in the event that a standing president lost power in an election or decided to resign, the functioning of the union was interrupted. Lastly, the mission to deepen democracy in ALBA obviously failed. In the economic context, its endogenous development plan failed due to some specific shortcomings.

Dependency on resources (and relatedly the decrease in oil prices) damaged the economic designs of the ALBA countries. When Venezuela, ALBA's leader, lost its advantages from oil, it became harder to canalize enough resources towards the financial needs of the union. The People's Treaty Agreement, despite its successes at first, was not able to provide continuity to bolster Grand National Enterprises and other initiatives. In short, unilaterality, in a political and an economic sense hindered the creation of a strong base. Apart from those flaws, maybe the most successful part of the Bolivarian Project was probably the social context that regulated its core. ALBA put its signature on major regional successes in this regard. The enterprises and initiatives both promoted the well-being of the lower classes and enhanced employment, indigenous movements became visible, and social development was promoted. However, these were actions that were frequently planned on the administrative level. The real socio-political mission(s) of ALBA, participatory democracy and strong connections with social/indigenous movements, never happened owing to this top-down action plan.

By the year 2020, the South American continent was experiencing crucial upheavals. The Pink Tide had seemed to reverse; it lost positions against the new right or its successors did not follow in its footsteps. In Venezuela, the PSUV and Nicolas Maduro have maintained power in an extremely fragile way; the country's economy is wrecked, social polarization is tending to incline and inflation continues to hit people more every day. Under those circumstances, the right-wing opposition maintains both 'soft' and 'hard' moves by getting more support from the USA and its alliances. Despite this, the PSUV has been trying to survive with its most loyal supporters, the urban poor and peasants. In Nicaragua, the FSLN seems to be the most stable of the various Pink Tide parties, even though its ideology has been dissolving. In Ecuador, the PAIS Alliance entered a new pathway with its new 'leftist' president Lenin Moreno and left ALBA; it seems the drift of PAIS towards the right will strike a major blow to the left in the global South. In Bolivia, the MAS lost the cabinet surprisingly and famous indigenous president Evo Morales was suspended by a 'soft' coup. He withdrew against the possibility of military intervention. This process, similar to what Dilma Rousseff experienced in Brazil, will probably trigger social protests that have been sleeping for a while. On the other

hand, the conservative right cannot consolidate its power due to basic economic reasons and anti-authoritarian traditions across the continent. Maybe it is time to form a third way beyond statist 'radical' social democracy and the neoliberal conservative right, a real non-statist communal way that will aim at direct democracy, solidarity economics, and social development. More grassroots movements could play major roles to construct and develop such a third way.

This work has several limitations and shortcomings. Although they have an important position, social/indigenous movements were not examined in detail here. The ALBA countries' foreign policies and relations with other countries were also relatively outside of the scope of this work. Moreover, cultural and social missions were only briefly described. Nonetheless, this thesis has aimed to illustrate the most fitting example of post-neoliberal regionalization in South America and its dependency on the intergovernmental structure. In this regard, the leading research question has an answer: Despite offering some powerful solutions, ALBA-TCP could not be an alternative to neoliberal globalization. Beyond that failure, however, it has taught significant lessons about what should (and should not) be done for such so-called alternative organizations. Another important point has been creating solidarity networks and endogenous development. These two aspects will keep their importance as long as marketization and privatizations waves spread. The author of this thesis hopes that there will be new research focusing on alternative regionalization initiatives and social development. This seems to be the only possible way to understand the struggles to turn the continent into a *Patria Grande*.

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