Learning from ALBA and the Bank of the South: Challenges and Possibilities

Martin Hart-Landsberg

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

The failure of neoliberalism to deliver its promised growth has led to the creation of anti-neoliberal political movements throughout Latin America and Sub-Saharan Africa. Although a welcome development, their emancipatory potential has remained limited, in part, because many activists and intellectuals continue to draw a sharp distinction between neoliberalism and capitalism: while they strongly oppose the former, they remain unwilling to reject the latter.

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

However, we are now at a point where it may be possible to win a majority of these activists and intellectuals to an anti-capitalist perspective, a critical change if we are to build the movement clarity and strength needed to advance a socialist alternative. One reason is that the exploitative nature of East Asian growth is becoming clearer. Another is that the region's export-led growth strategy has finally run up against its own limits as an ever-deepening global economic crisis, triggered by imbalances in the U.S. economy, has thrown these economies into their own downward economic spiral.

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

In what follows, I examine each of these developments in some detail, with emphases on the challenges and possibilities that ALBA and the Bank of the South present to those working to build a more egalitarian, democratic, and sustainable world. I conclude with six lessons drawn from this examination that can help guide our political practice in the coming period.

The failure of neoliberalism

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

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

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

The failure of these policies is easily demonstrated. For example, over the years 1980–2005, most Latin American and Sub-Saharan African countries continued to import more than they exported, resulting in ever growing trade deficits that forced their respective governments to restrain growth. The period was also marked by "reduced progress on social indicators for the vast majority of low and middle-income countries."

As a consequence, neoliberalism has been discredited among majorities in most Latin American and Sub-Saharan countries, and popular movements in those countries are demanding a change in policies. However, most participants in these movements believe that development failures are best explained by the nature of state policies rather than capitalist dynamics. They are encouraged to do so because many activists and academics believe and argue that East Asian growth demonstrates that success under capitalism is possible if economic activity is shaped and directed by strong states rather than free markets.

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

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

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

The cause of this shift in majority opinion is not yet clear. Perhaps it is due to greater clarity about the nature of the East Asian experience (thanks in part to the work of various international social fora like the WSF). Perhaps it is due to the ways in which the current economic crisis has revealed the problematic nature of capitalist accumulation dynamics. Perhaps it has been encouraged by recent South American efforts to advance socialist-inspired development alternatives, efforts that have likely stimulated critical thinking about the social and environmental aims and consequences of development itself.

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

The growing crisis of the east Asian model

For reasons noted above, the East Asian experience continues to play an important role in the anti-capitalist ideological struggle. Most progressives have approached this experience through a nation-state lens—an understandable starting point, given the importance of state power for achieving economic change. While this lens may have captured early regional developments, it leads to a flawed understanding of current dynamics. In reality, since the late 1980s, East Asian economic activity has become regionally linked and reshaped by an expansion of export-oriented, transnational, corporate controlled, cross-border production networks.

This expansion has significantly increased the trade dependency of all East Asian economies. It has also greatly increased the share of parts and components in East Asia’s trade in manufactures. For example, the share of parts and components in Southeast Asian exports of manufactures grew from approximately 27 per cent in 1992/3 to over 40 per cent in 2004/5. The import share of parts and components also grew substantially over the same period, from less than 33 per cent to almost 50 per cent. And these parts and components are increasingly traded from one East Asian country to another.

China, one of the last countries to be pulled into this process of regional restructuring, has become central to its functioning. In the words of the Asian Development Bank, “the increasing importance of intra-regional trade is attributed mainly to the parts and components trade, with the PRC functioning as an assembly hub for final products in Asian production networks.”

As a consequence of this restructuring, East Asia’s overall export activity has shifted away from the United States and the EU, and toward East Asia and, in particular, China. China, in contrast, has shifted its export emphasis away from East Asia itself, and toward the United States and the European Union. Between 1992/3 and 2004/5, the East Asian share of China’s final goods exports declined from approximately 50 per cent to 27 per cent, while the OECD share (excluding Japan and South Korea) increased from 29 per cent to 50 per cent. Thus, East Asian trade activity now largely involves an intra-regional trade of parts and components culminating in China-based production with final sales largely directed to U.S. and EU markets.

While this system of regional production has been very efficient at generating exports, this efficiency has come at increasingly high cost. For example, it shifts economic activity away from meeting the needs of East Asian working people. In order to maintain (if not improve) their country's position in existing cross-border value chains, governments have been forced to impose policies designed to keep wages low and productivity high. One outcome of China's success is that transnational corporations throughout East Asia (and elsewhere) have been shifting their production to China. As a result, workers throughout East Asia (and elsewhere) have become pitted against each other in a contest to match the level of labor exploitation achieved in China. Thus, even during the high growth era, living and working conditions for growing numbers of East Asian working people have been deteriorating.

The high-growth era now appears over; there are strong indications that the East Asian model has finally run up against its own limits. The most obvious structural weakness in the model was that the region's growth became ever more dependent on the ability of the United States to run ever greater trade deficits. While most analysts thought that such a weakness was either hypothetical or of only future concern, events have proven them wrong.

The United States officially entered recession in December 2007. Steadily deteriorating economic conditions produced a sharp contraction of credit, rapid increase in unemployment, and steep decline in consumption. Given the integrated nature of the global economy, U.S. economic problems were quickly transmitted throughout the world, helping to push both the European Union and Japan into recession, as well. The World Bank has predicted that world trade in goods and services will "fall 6.1 per cent in 2009, a historic decline." Moreover, there is no obvious engine to support a sustained recovery in any of the G-3 countries. In short, it appears that global capitalism has entered a period of profound crisis, one centered in its core economies.

Given their export dependence, East Asia's economies have been unable to avoid the consequences of the global downturn. China, which serves as the final assembly base for the region's exports, was immediately affected. Because China's exports are heavily import dependent, its export slowdown caused a sharp decline in export activity in other East Asian countries. Thus, economic problems are quickly moving back down the supply chain. The New York Times reports that the head of the U.N. Development Program's Asia and Pacific Bureau has "warned . . . of the prospect of social unrest as the export-driven economies of Asia start to slow in response to the fallout from the global financial crisis."

Many analysts are calling for East Asian governments to respond to negative trends with policies designed to stimulate domestic demand. It is difficult to know whether this call represents a rejection of export-led growth, or hope that temporary spending on infrastructure and social programs will prove sufficient to stabilize East Asian economies. Regardless, any serious attempt at transforming the region's export orientation would involve major structural changes with significant social consequences. As one economist explains:

Entire export industries will have to be retooled to serve domestic sectors. Retooling, say, factories in Shenzhen from assembling iPods and mobile phones towards products that Chinese consumers would buy would require a long process of reconfiguring supply chains across Asia, affecting, among other things, semiconductor production in Taiwan, memory production in Korea, and hard drive production in Singapore.

Seen from this perspective, it is most likely that East Asian elites and their transnational partners will seek to "ride out the storm," passing the costs to workers whenever and as much as possible, rather than commit to a process of restructuring that would no doubt reduce their profits and power. To the extent that elites are successful, workers in other regions will likely be subjected to competitiveness pressures that will worsen their living and working conditions as well.

East Asian political movements do not yet appear to have the broader vision or political instruments needed to advance an alternative development strategy. A high priority for activists is to develop a shared regional understanding of the accumulation dynamics that led to the region's crisis. This would not only help working people in East Asia mount more effective resistance; it would also greatly assist organizing efforts in South America and Sub-Saharan Africa by making it easier to demonstrate to progressives in those regions that even "successful" capitalism is incapable of satisfying majority needs.

The South American experience: ALBA and the Bank of the South

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

ALBA

ALBA is the more far-reaching of the two initiatives. It was proposed by the Venezuelan government in 2001 as an alternative to the U.S.-promoted Free Trade Area of the Americas, and became real in 2004, when Venezuela and Cuba signed the first ALBA exchange agreement. Seven other countries have since joined: Bolivia in 2006; Nicaragua in 2007; Dominica and Honduras in 2008; and Ecuador, St. Vincent and the Grenadines, and Antigua and Barbuda in 2009. Paraguay has announced its intention to join later in 2009.

ALBA is publicly committed to a development strategy that is, in broad brush, anchored by state-centered collaboration and designed to enhance the ability of participating governments to meet the needs of their working-class majorities. This is in sharp contrast to the East Asian strategy which, as highlighted above, is structured by profit-making transnational corporations that have competitively linked economic activity across nations to form a regional production system aimed at exporting goods outside the region.

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

In January 2008, ALBA countries created an ALBA Bank with a capital of $1 billion. In contrast to the IMF and World Bank, “the Bank of ALBA will not impose loan conditions and will function based on consensus of all members.” The Bank’s “stated aim is to boost industrial and agricultural production among its members, support social projects as well as multilateral cooperation agreements among its members, particularly in the field of energy.”

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

Although still in its infancy, ALBA has already encouraged a number of important agreements and initiatives. For example, Venezuela provides Cuba with oil in exchange for the services of Cuban doctors and teachers. Venezuela and Cuba also have several joint agricultural projects involving the production of soy beans, rice, poultry, and dairy products. “Venezuela has also supplied Cuba with buses to improve its public transport system, assisted Cuba with the construction of a massive aqueduct to improve its water supply, and has helped Cuba revamp its main oil refinery.” The two countries are pursuing the creation of jointly owned Cuban-based enterprises to produce stainless steel and nickel.

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

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

Venezuela, Nicaragua, Ecuador, Bolivia, Honduras, and Dominica recently established a joint food production company with the aim of securing food sovereignty for member nations. The new "supranational" company will oversee a series of enterprises that "will promote technological co-operation and training, invest in rural infrastructure, and integrate regional food distribution."

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

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

Telesur (a pan-Latin American television network financed by Venezuela, Cuba, Uruguay, and Brazil)

Petrosur (an association of state oil companies from Brazil, Argentina, and Venezuela for exploration, technological development, construction of refineries, and distribution)

Petrocaribe (a Venezuelan program to provide subsidized oil to fourteen Caribbean nations)

The Latin American and Caribbean Energy Company

The Latin American and Caribbean Airline

The Insurance Company of the South

The Cooperative Bank of the South

The Latin American and Caribbean Radio Network

The deepening economic crisis has intensified ALBA efforts to develop new initiatives. In November 2008, the presidents of all the ALBA countries and Ecuador approved a decision to create an ALBA Peoples Trade Agreement, with the goal of establishing an integrated economic and monetary zone with its own new currency, to be called the Sucre.

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

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

At the same time, there are reasons for concern about ALBA's future. One is that ALBA remains heavily dependent on the decisions of the presidents of the participating countries. This means that actions are decided upon and implemented from the top down; the social movements advisory council appears to play a very marginal role. This structure produces a bias toward large-scale megaprojects, many of which raise environmental concerns.

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

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

Another is that too much weight could be placed on Venezuelan financial capacities. Many ALBA projects were initiated during Venezuela's oil boom, when oil sold at almost $150 a barrel. Oil prices are now below $50 a barrel, and there are indications that Venezuela may not be able to fulfill all its commitments. For example, Venezuela is behind in its promised deliveries of oil to several Caribbean countries. Some oil and gas infrastructure projects are also being delayed. For its part, Venezuela has publicly affirmed its commitment and ability to meet its obligations to the countries involved. Certainly, many important oil-related projects remain on schedule, including the construction of refineries in Manabi, Ecuador, and Cienfuegos, Cuba.

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

Bank of the South

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

The creation of the Bank of the South owes much to a common concern for regional independence by two different groups of South American countries: those led by governments that embrace a more radical project of social transformation (Venezuela, Bolivia, and Ecuador) and those led by governments that are largely committed to a capitalist project but believe that success requires financial independence from the United States (Brazil and Argentina). A third group of countries, led by governments that continue to embrace free-trade integration with the United States, has so far rejected participation (Chile and Peru). Colombia, although also close to the United States, has applied for Bank membership. Its application has yet to be accepted.

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

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

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

Consensus was eventually reached on the most pressing issue, which allowed for the formal establishment of the Bank: it would function solely as a development bank. At the time of the founding, the presidents of the seven member countries agreed that they would settle all remaining issues within sixty days. While some issues have been resolved, most remain in contention, which is why the Bank is not yet operational.

The agreements are as follows:

The headquarters of the Bank of the South will be in Caracas, Venezuela.

Major decisions will be made according to the principle of one country, one vote. However, even this is in doubt, as Brazil and Argentina continue to push for a dual-track voting process whereby this principle will apply only at the annual meeting of the Bank's board of directors. They want decisions involving the daily operation of the Bank to be made according to rules that give countries voting rights commensurate with their capital contributions.

Subscribed capital will be $7 billion, although it could be expanded to $10 billion if the remaining South American countries join. Required capital contributions are: $2 billion for Brazil, Argentina, and Venezuela; $400 million for Ecuador and Uruguay; $100 million for Paraguay and Bolivia.

Still undecided are questions about the Bank's organizational structure (by department or areas of activity such as health or transport); the selection process for specialists (by country or expertise); the criteria to be used in selecting projects (countries, activities, need); interest rates and payment terms;

the existence or absence of conditionality requirements; participation (limited to member nations or expanded to include non-voting observers such as international financial institutions); sources of funding (limited to subscribed capital or expanded to allow for international borrowing and/or contributions from observers).

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

To this point, the main axis of contention over the future of the Bank of the South revolves around Brazil on one side and Venezuela and Ecuador on the other. Brazil remains an unenthusiastic supporter of the Bank; as the main economic power in South America it is reluctant to accept limits on its ability to exploit that strength. Brazil has its own National Bank for Economic and Social Development, which in 2005 gave out $30 billion in loans to support the international activities of Brazilian companies.

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

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

Governments are not the only participants in this struggle over the Bank's future. Latin American social movements were among the earliest supporters of the initiative, and are actively engaged in efforts to force a conclusion to the talks on terms favorable to their more radical vision. In particular, they want strong criteria developed to ensure that the Bank adopts an investment priority that supports, among other things:

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

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

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

Unfortunately, the deepening global crisis also threatens the promise of the Bank of the South. As the downturn deepens, trade balances of member countries are moving into deficit. Recognizing that governments in the region are growing worried about financing these deficits, the major international financial institutions are establishing new lending facilities specifically targeting at Latin America. While Bank of the South member countries have so far refused dealings with the IMF and World Bank, Argentina and Ecuador have begun negotiations with the Inter-American Development Bank.

If the Bank of the South had been operational before the start of the crisis, it is possible that it could have played a critical role in solidifying regional efforts to break with past neoliberal policies. "At the Mercosur Summit [in January 2009], [Ecuadorian President] Correa spoke of the failure of the Bank of the South to help buffer the negative effects of the global economic crisis as a major issue, noting that, if it were more consolidated, its funds would have 'coordinated savings' and generated resources to compensate for the loss of foreign investments in the region. [Venezuelan President] Chávez has also reportedly commented that Banco del Sur will remain 'on ice' for the moment."

Final thoughts

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

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

Second, we should maintain a cautiously supportive stance toward regionalization. While South American social movements have good reason to support initiatives designed to promote it, struggles within the Bank of the South highlight the fact that regionalization has a contested meaning. We need to pay careful attention to what its proponents declare to be its aims, and critically examine whatever processes are proposed to achieve it. This point has special meaning for East Asia, where many social movements are now trying to establish the kind of cross-border regional solidarity that exists in South America.

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

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

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

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

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

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

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

We cannot simply rely on capitalism's contradictions to do the work of building support for a socialist alternative. No country will be immune from the consequences of the crisis. That makes it ever more important that we commit to deepen our educational work—work that makes clear that socialism represents more than a promise to produce more goods and services than capitalism. Socialism represents the possibility of a new way to live and work that brings with it a deeper satisfaction, in large part because of its ability to shape more mutually rewarding and sustainable human connections.