

# Post-Liberal Regionalism in Latin America

## – A Case Study of Venezuela as a Petro-State

# Abstract

Since 1910, the major income of Venezuela comes, from the oil exploitation industry which is connected to the consolidation of the nation-state. This oil wealth has throughout history influenced its relations with countries in the Americas, United States and the rest of the world.

This case-study examines Venezuela as a petro-state and its impacts on Latin American post-liberal regionalism and political integration by taking a closer look in the history in the Chávez- and Maduro Administration (1999-2014). The study also analysis the various regional integration initiatives (OAS, ALBA-TCP, CELAC, MERCOSUR, PetroCaribe and the Bank of the South) which exist in contemporary Latin America and Caribbean, in which some of them, Venezuela has had a greater impact on, and interest in developing because of the paradigm shift in the country's foreign policy agenda and rejection of the Washington Consensus Agenda. Thus, the study has both domestic and regional aspects of the Bolivarian Revolution.

Key concepts and theories are examined and builds up the framework of analysis. The study is theory-consuming and theory-developing. The purpose of this study is to unfold the following puzzle and research question: Has Venezuela impacted regionalism and the integration processes in Latin America in the 21<sup>st</sup> Century?

Key words: Washington Consensus, Regionalism, Integration, Venezuela, Latin America.

# Abbreviations

AD	Acción Democrática
ALBA	Bolivarian Alliance for the Peoples of Our America
	ALBA-TCP Bolivarian Alliance for the Peoples of Our America-Peoples Trade Agreement (Spanish; Alianza Bolivariana para los Pueblos de Nuestra América Tratado de Comercio de los Pueblos)
CAN	Andean Community (Spanish; Comunidad Andina)
CD	Democratic Coordinator (Spanish; Coordinadora Democrática)
CELAC	Community of Latin American and Caribbean States (Spanish; Comunidad de Estados Latinoamericanos y Caribeños)
CIA	Central Intelligence Agency
CNE	National Electoral Council of Venezuela (Spanish; Consejo Nacional Electoral)
COPEI	Spanish; Comité de Organización Política Electoral Independiente
CSO	Civil Society Organisation
EC	European Communities
EU	European Union
FEDECAMARAS	Venezuelan Federation of Chambers of Commerce and Association of Commerce and Production (Spanish; Federación de Cámaras y Asociaciones de Comercio y Producción)
FDI	Foreign Direct Investment
FTA	Free Trade Area
FTAA	Free Trade Area of the Americas
GRULAC	Group of Latin America and the Caribbean
HDI	Human Development Index
IADB	Inter-American Development Bank
ICG	International Crisis Group
IMF	International Monetary Fund
IPE	International Political Economy
IPR	Intellectual Property Rights
IR	International Relations
IRDB	International Bank for Reconstruction and Development
LDC	Less Developed Economy
MBR-200	Revolutionary Bolivarian Movement-200 (Spanish; Movimiento Bolivariano Revolucionario)

MERCOSUR	Mercado Común del Sur
MNC	Multi-National Corporations
MUD	Democratic Unity (Spanish; Mesa de la Unidad Democrática)
NIEO	New International Economic Order
NGO	Non-Governmental Organisation
OAS	Organization of American States
OPEC	Organization of the Petroleum Exporting Countries
PDVSA	Petróleos de Venezuela S.A.
PRSP	Poverty Reduction and Structural Package
PSUV	United Socialist Party of Venezuela (Spanish; Partido Socialista Unido de Venezuela (PSUV))
SUCRE	Unified System for regional Compensation (Spanish; Sistema Único de Compensation Regional)
UNASUR	Union of South American Nations (USAN); (Spanish: Unión de Naciones Suramericanas UNASUR)
UNDP	United Nations Development Programme
UNGA	United Nations General Assembly
UN	United Nations
UNSC	United Nations Security Council
USTR	Office of the United States Trade Representative
WB	World Bank
WC	Washington Consensus

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“As the process of regional integration progresses, the key role that President Chávez has had in promoting the unity of the peoples of Latin America and the Caribbean will be present in everyone’s minds”.

UN Secretary-General Ban-Ki Moon in the General Assembly, New York, 13-03-13  
(United Nations News Centre, [www.un.org](http://www.un.org))

# 1 Introduction

## 1.1 World Politics and Petroleum

In recent years, the relationship between free-market capitalism and crisis has been extensively discussed. The 2008/09 and the world recession in 2009, as well as the current Euro crisis, are no exception from this. The primary commodity market is an example of these markets studied in which economic turbulence have great impacts on (Venezuelanalysis 2014).

Petroleum has been a fundamental source of energy supply to most countries in the world economy due to its positive implications in international relations and trade, economic growth and necessity in world's energy production and consumption. One typical association made, regarding the phenomena of the so-called resource curse of petro-states, would be the case of the international oil crisis in the 1970's with devastating impacts worldwide (Karl 1997).

There are 131 oil producing countries in the world. Out of these, 13 are OPEC-members<sup>1</sup> (Medea; CIA Worldfact Book). The resource curse of economies specialising in one primary good, such as oil, has traditionally been treated as special cases within this research area because of the lucrative profits involved from specializing in this commodity industry. The oil-producing countries' governments and their state-owned companies have often had an impact in the development of oil-production and the petro-market. An increase in world oil supply is therefore dependent on these governments' support (Radetzki 2012:152).

In Latin America, the Bolivarian Republic of Venezuela<sup>2</sup> and Brazil are the only competing and largest oil-producing countries, but only Venezuela is both a petro-state and OPEC-member.

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<sup>1</sup> The OPEC (*Organisation of the Petroleum Exporting Countries*) member states are the following: Algeria, Ecuador, Gabon, Indonesia (withdrew however in 2008, but will re-enter the organization if it becomes a net exporter of petroleum again), Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, Venezuela). OPEC does not include all the major players in the oil market which are: Angola, Bahrain, Brunei, the United Kingdom, Mexico, Norway, Oman, the United States, Russia and the former Soviet republics.

<sup>2</sup> Hereafter called Venezuela.

## 1.2 Choice of Case-Study

There are a number of reasons for conducting this research study - focusing on so-called petro-states - by describing it from a historical and political perspective, as well as considering the national and regional context. In this paper the case-study will be on Venezuela. The following four reasons describe the framework from which the case-study was chosen upon:

1. *OPEC and petro-states*. Extraction of petroleum in Venezuela started in 1910, and is linked with the consolidation of the nation-state. The country's economic dependency in agricultural sector was replaced by the petroleum industry with considerable impacts (Hidalgo 2007:3). Later on, in the early 1960s Venezuela became one of the seven founding nations in OPEC and the only Latin American petro-state. In the *OPEC's Annual Statistical Bulletin 2013*, it was estimated that the country has one of the world's largest oil reserves, and holds the largest oil reserves among the OPEC-countries outside the Middle East (BBC 2010; Ahramonline, 2011)<sup>3</sup>.

2. *An indispensable important natural resource in the Venezuelan economy*. The oil company - *Petróleos de Venezuela, S.A. (PDVSA)* was founded in 1975. The privatisation processes in the petro-industry during the 1970s and 1980s, and the re-nationalisation in 1976 and 2006-2007, reflects important shifts in the political economy agenda in Venezuela (Hidalgo 2007:4). Nonetheless, a particular paradigm shift took place in Venezuela by the end of the 20<sup>th</sup> century, when president Chávez was elected as a president in 1999 (Holmqvist 2008:15-17; Hidalgo 2007:7).

3. *Rankings in statistics and international organisations/Non-governmental organisations (NGO)*. Under Chávez' mandate, Venezuela gained credibility in the United Nations and UNDP's *Human Development Index (HDI)* ranking. For instance, in 2000, Venezuela had a HDI-index of 0,56, and by 2013 it had improved to 0,771, which gives a 71<sup>st</sup> position among the 188 countries included in the latest HDI-report (UNDP, 2013). At the same time, in 2011 Venezuela had never ranked so severely before in the internationally recognised NGO; *Freedom House's Democracy Index* - where it has generally been categorised as an authoritarian regime since 1999 (Freedom House 2013).

4. *Regional actor in Latin America*. Under Chávez leadership, the country has engaged deeply in regional cooperation and development in Latin American relationship with the European Union (EU). In 2012, Venezuela gained full membership in MERCOSUR<sup>4</sup>, and access to Latin America's free trade area (FTA). In 2005, Venezuela also established the regional cooperations of the *Bolivarian Alliance for the Peoples of Our America (ALBA)* (Sanahuja, 2012:7).

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<sup>3</sup> The oil reserves are very often compared to Saudi Arabia's, but if the recoverable oil in the Orinoco River could be extracted in the future, then the estimate is approximate the double amount of more oil (CSM, 2013). Venezuela has often been referred of being a special case; both among OPEC-members and also among countries overcoming the general phenomena of commodity curse.

<sup>4</sup> Venezuela gained full membership in MERCOSUR in 31 July 2012, after a six year wait caused by Paraguay's Congress.

The former President Mr. Chávez passed away in March 2013, after battling cancer for almost two years and received recognition and condolences from many world leaders.

### 1.3 Statement of Purpose and Research question

With the above background in mind and reasons given for choosing Venezuela as the case-study in focus; thus, research on Venezuela as a petro-state has not lost its momentum. Instead it becomes clearer that the story has not ended with Mr. Chávez' death.

The focus of this research will be on Venezuela and regionalism. This case-study investigates how petro-rents transformed the political economy in Venezuela from the Chávez-administration and onwards, and how the political agenda impacted the regional cooperation and integration in Latin America. As a consequence the paper's purpose is to examine the following research question:

**Has Venezuela impacted regionalism and the integration processes in Latin America in the 21<sup>st</sup> Century?**

### 1.4 Delimitations

This case-study covers a time span of 15 years, between the years 1999 and 2014, under the governance of the same political party - United Socialist Party of Venezuela (Partido Socialista Unido de Venezuela (PSUV) - of the Chávez- and Maduro administration.

The concept of regionalism and integration is also central in this article. In overall, this social science thesis is concerned with the political dimensions and not the economical. This study is mainly focused on Venezuela in the Latin American region, and indeed other regions could have been interesting to study, however due to space limitations it has not been the purpose to include other regions or countries. Equally, it has been necessary to narrow down the history section to mainly deal with Venezuela and not the entire history of Latin American regionalism, so-called Pan-Americanism and Latin Americanism (Anderson 2014). Instead key facts to the different regional organisations are presented in chapter 6.

## 1.5 Research Design

There is a wide range of theories approaching the issues of regionalism, such as the fields of economics and political science, often on competing basis.

As a researcher, it has been important to strive towards a high level of research validity by balancing theory with empirical knowledge and facts. This research paper contains a framework in which theory, applied concepts and key definitions are examined and operationalised (Lundquist, 1993:99). This research has been conducted on entirely objective basis without any external or internal interest to bias the results in any manner (ibid).

The case-study has a qualitative implications based on existing theories and definitions. The research design is *theory-developing*, i.e. observations, facts and knowledge are accumulated within the field of international relations research with the purpose to broaden up knowledge and understanding. In this research; the ambition is to find new aspects about petro-states and regionalism in Latin America (Esaiasson et al, 2005:112, 31). This study has an exploratory characteristic in which is *theory-consuming*. According to Esaiasson, this kind of research is based on already existing theories and empirical facts to describe a particular social scientific phenomenon (Esaiasson 2012:41;).

This research study is based on the examination of already existing literature, mainly secondary source material such as books, academic articles and newspaper articles.

## 1.6 Disposition

The purpose of this research paper is to examine a number of theories and concepts in order to describe a petro-state's impact on regionalism in Latin America, both in general terms and particular in the case of Venezuela under the Chávez- and Maduro-administration.

Chapter 2 discusses International Political Economy (IPE) theory. Chapter 3 operationalizes regionalism. In chapter 4, the concepts of democracy and petro-states are operationalized. Chapter 5 and 6 outlines broadly the history of Venezuela and discusses some of the regional organisations. Chapter 7 is dedicated to the analysis of the case-study Venezuela. Chapter 8 summaries the findings of the research paper; followed by references, and appendix, respectively.

## 2 International Political Economy

Many scholars have pointed out that examining nation-states in the international system is not a new phenomenon. However, current political arena is becoming more complex due to the increased number of stakeholders, interests as well as negotiation processes to consider. Negotiation processes can be complex and depend on varying factors, such as the impacts from economic globalisation, international media, and sub-regionalism (Starkey et al.1999:4).

For scholars and researchers in international politics, every analytical level should be considered as equally important to: “explain the nature of the domestic structure: why it is as it is, how it came that way, why one structure differs from another, how it affects various aspects of life; such as health, housing, income distribution, and so on”. To answer such questions, the international system may itself become an explanatory variable (Gourevitch 1978:881). The traditional focus on IPE has mostly concerned security, war, peace, conflict and cooperation between states, but since the end of the World War II - a shift has occurred and now also includes concerns on wealth and distribution, poverty and inter-state conflicts which gave rise to a new approach within International Relations (IR). International Political Economy (IPE) is sensitive to how it is defined, and it depends from which theoretical perspective IPE is analysed from (ibid).

IPE has traditionally paid attention to how individuals, organisations and nation-states undertake policy-making under analytical instruments such as Marxist or, Economic Liberal. The purpose, in this study is not to choose one perspective above the other, but rather explain the differences in this chapter.

Robert Gilpin is often mentioned as one of the influential researchers within the field of IPE theory describing the international economic system, international trade, international finance, international monetary systems, hegemonic states, North-South relations, multi-national corporations (MNC), and globalisation (Gilpin 2007).

### 2.1 Economic Liberalism

Economic liberals consider market mechanism to handle demand and supply of human needs and profits in the most rational manner. Individual rights and freedom are regarded as essential and encourages minimal state intervention. Adam Smith and David Ricardo established the ideas in international economics based on *the theory of comparative advantage*. Liberals advocates free trade as a source of wealth, progress and cooperation (Jackson et al, 2002:181). The global economy is perceived as an arena for cooperation with individuals, companies and nations,

maximising the benefits and preferences. Classical liberals do not accept state interference, but neo-liberals do, as long as it maximises the State's efficiency (ibid).

Gourevitch explains that liberal theories, in its very essence could be viewed as completely apolitical, because *economic development* is only assumed as possible through the existence of a market economy (Gourevitch 1978:891, Frieden 2006:30-33).

While IR in the twentieth century until the early 1960s explained the occurrence of war and peace in the world such as the Cold War; IPE instead explained why states fail to regulate and stabilise the international financial system (Strange 1994:11). IPE became interesting in the 1970s due two reasons: the collapse of the Bretton Woods system and the global oil crisis. The United Nations (UN) called for the establishment of the "New International Economic Order" (NIEO) which dealt with imbalance and inequality in both developed and developing countries. The task was to establish market economy at the same time as the oil crisis turned to escalate and became a highly-ranked international security issue (ibid).

### 2.1.1 The Washington Consensus

The term Washington Consensus (WC), was firstly coined by the economist John Williamson and refers to the political agenda of Congress, administration officers and technocrats in the Washington-based international institutions etcetera (CID 2003). It has also been used as a synonym with "neoliberalism" and "globalisation" for a long time.

Williamson says: "Audiences the world over seem to believe that this signifies a set of neoliberal policies that have been imposed on hapless countries by the Washington-based international financial institutions and have led them to crisis and misery. There are people who cannot utter the term without foaming at the mouth" (Williamson 2002). Nevertheless, the list covers ten areas of economic policies prescribed for LDCs to undertake under the assistance of international organisations such as the World Bank (WB) and the International Monetary Fund (IMF), as necessary measures to recover from economic stagnation and financial crisis in the 1980s, mostly undertaken in Latin America (table 1):

**Table 1: The Washington Consensus Agenda**

(Source: [www.who.int/trade](http://www.who.int/trade))

- Fiscal discipline - strict criteria for limiting budget deficits
- Public expenditure priorities - moving them away from subsidies and administration towards previously neglected fields with high economic returns
- Tax reform - broadening the tax base and cutting marginal tax rates
- Financial liberalization - interest rates should ideally be market-determined
- Exchange rates - should be managed to induce rapid growth in non-traditional exports
- Trade liberalization
- Increasing foreign direct investment (FDI) - by reducing barriers
- Privatization - state enterprises should be privatized
- Deregulation - abolition of regulations that impede the entry of new firms or restrict competition (except in the areas of safety, environment and finance)
- Secure intellectual property rights (IPR) - without excessive costs and available to the informal sector
- Reduced role for the state.

Many Latin American countries undertook trade, financial and economic liberalisation policies and opened up their economies for larger exportation and competition and followed the neoliberal policies and advices. Neoliberal agendas were actually implemented globally<sup>5</sup>.

The WC-agenda met large criticism in the 1980s and continue to do so in present time. Critical voices come both from, for instance the WB<sup>6</sup> itself, and lately, from the new left socialist governments in Latin America, for instance in Cuba, Venezuela, and Bolivia<sup>7</sup>. Failure of implementing the WC is at times referred to the case of Argentina which failed to adopt the WC-agenda successfully in 1999-2002. After that a new economic agenda<sup>8</sup> was brought back to the table; putting the State into the centre and promoted to be proactive for economic growth, poverty alleviation, socio-economic development in the LDCs of Latin America. Due to

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<sup>5</sup> For instance in Chile in the 1970s by the military dictator Augusto Pinochet. In the USA by the republican president Ronald Reagan who stepped into the White House in the 1980s, as well as in the United Kingdom, where Margaret Thatcher was elected as a Primer Minister in 1979. And in the post-socialist countries in the Eastern Europe, and in e.g. the social democratic governments in the Scandinavian countries; with modified policy agendas being introduced (Brand et al 2009, p.5).

<sup>6</sup> See e.g. IRDB/WB (2005). Economic Growth in the 1990s: Learning from a Decade of Reform.

<sup>7</sup> Failure of implementing the Washington Consensus is at times referred to the case of Argentina which failed to adopt the WC-agenda successfully in 1999-2002.

<sup>8</sup> This "New Deal" is sometimes also called post-neoliberalism (MacDonald et al 2009, p.22).

criticism of the WC-agenda's impact on the health system a new package<sup>9</sup> was formed with the following ideas and policies (table 2):

**Table 2: “Augmented” The Washington Consensus Agenda - according to Dani Rodrik** (Source: [www.cid.harvard.edu](http://www.cid.harvard.edu))

- Corporate governance
- Anti-corruption
- Flexible labor markets
- WTO agreements
- Financial codes and standards
- “Prudent” capital-account opening
- Non-intermediate exchange rate regimes
- Independent central banks/inflation targeting
- Social safety nets
- Targeted poverty reduction

## 2.2 Marxism

Marxist theory is a direct critique to economic liberalism and rejects the idea of comparative advantage in trade since the system enables inequality and exploitation of labour. Compared to liberals, Marxist's recognise the economy as closely related to politics – or even prioritise the economy entirely over politics. (Jackson et al, 2007:309). In the Communist Manifesto, Marx stated that: “the executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie” (Elster 1985:409). The economic system of production is key to all other social activities including the political activities which are organised under participatory democracy. It is also stated that international capitalism and economic globalisation is a continuation of the ruling class; the bourgeoisie's dominance over the working class; for instance in developing countries (ibid).

Mayo explains that the 21<sup>st</sup> century conflicts are among inter-states and often about development issues and continues stating that the “idea of the state playing a secondary role in the present intensification of globalization (capitalism has since its inception been globalizing) is very much a neoliberal myth”. Globalisation is about internationalising production (Mayo 2011: 61).

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<sup>9</sup> Many of the supporters of this new WC-agenda believe that it differs from the original agenda. The new consensus moves closer to a neo-liberal, market-friendly approach where sustainable and democratic development is central. Poverty-reduction follows the idea of prioritising public spending, including education and health. The opponents criticize the agenda stating that there are still remains from the old WC-agenda.

## 2.2.1 Hegemonies and Counter-Hegemony

In the early 1970s, Antoni Gramsci developed the theory of hegemony which is a: "consensus-based form of social domination, and complements it with the concept of counter-hegemony" (Brand et al 2009:9). It refers to dominant groups in a society which gain large authority. They possess power and rules on other sub-groups in society (including states). A hegemon<sup>10</sup> is perceived as a rich and powerful state undertaking the task of providing public goods and functions at its best if everyone agrees, shares and keeps the system in status quo (ibid).

Counter-hegemony is a critique to hegemonic power by opposing existing status quo and the legitimacy in politics referred as: " an alternative ethical view of society that poses a challenge to the dominant bourgeois-led view" (Cohn 2004:131). An example, again, of counter-hegemony in politics is the anti-globalisation movement.

## 2.2.2 The 21st Century Socialism

The Bolivarian Revolution per se is not a Marxist project, but has rather a socialist agenda. Chávez, and other leaders such as President Evo Morales (Bolivia) and President Rafael Correa (Ecuador) promoted the term to describe socialist principles in general. The term is "a new socialism, inspired on the values the world accepts as fair in this new century: democracy, respect for human rights - not just civil and political rights but also economic, social and cultural rights" (Venezuelanalysis 2007).

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<sup>10</sup> In this case-study U.S. is considered as the main hegemon in relation to Venezuela and Latin America.

# 3 Regionalism and Integration

## 3.1 Regionalism

Regionalism is often defined as a geographical fraction in the international system, but there is also disagreement among scholars about which criteria to include. Mansfield explained that regionalism is: “the disproportionate concentration of economic policies among a group of countries in close geographic proximity to one another” (Mansfield, 1997:3). Besides this, Mansfield also refers to Benjamin Cohen; adding in other criteria which extend the borders internationally, by stating that “countries with a common ideology, culture, history, religion or ethnic background, language, currency, also could be considered as regional partners (ibid). However, a common identity as a phenomenon varies with time and is often subject to history (Strömbom 2003:11). Regionalism is also defined as the political processes characterised by a coordinated economic cooperation policy between states. Both the administrative institutional processes and the political processes are equally important, and often, dependent on the mutual achievements in each process (Strömbom 2003:10; Mansfield 1999:590).

The first actual coherent regional initiative began in the 1950s, after the World War II, through the establishment of the EC as a strategic conflict resolution project<sup>11</sup> to hinder future political conflicts between states (Bernitz et al, 2008:10). Thus, the EU is clearly a result of regionalism since it has enabled the endurance of economic and political integration up to current date. As will be seen further down, Latin America is a typical example where time and history is central in the formation of regional organisations.

### 3.1.1 Post-Liberal regionalism

Post-liberal regionalism or post-hegemonic regionalism refers to the move away from open regionalism<sup>12</sup> in Latin America during the 1990s based on the neoliberal trade policies and economic liberalisation. As Chodor et al explains the term; it is an attempt to: “reassert the autonomy of the region vis-à-vis the U.S. and the global

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<sup>11</sup> Ernst Haas was one of the most inspiring architects and pioneers of the EC-project drafting on the regional political and economical integration.

<sup>12</sup> Open regionalism is a definition of economic integration based in a regional preference and low external tariffs which is aimed to improve global competition through the regional market with further innovation and efficient gains. It goes hand in hand with the WC-agenda as of the 1990s. (Sanahuja 2012). In the case of Latin America, the manufacturing market and the SMEs are very important.

economy, while simultaneously pursuing a more ambitious, state-led developmental project with a social dimension” (Chodor et al. 2013). This is often referred to as the *strategy of endogenous development* (ibid:215).

## 3.2 Integration

### 3.2.1 Political Integration

The concept of integration can be described in many different ways. Weiner has in her article “Political Integration and Political Development” defined integration where the aspects cover different issues. Integration can, for instance, be the process of bringing together several groups with different social, cultural and ethical similar identities and they may have their own language. Secondly, integration may exist in the problem of “linking a government with the governed”, meaning that there is a gap between the elite and the mass, which often is characterised by differences in aspirations and values. And thirdly, integration can be about finding a minimum level of consensus to maintain social order in a society, these values may concern: “justice and equity, the desirability of economic development as a goal, the sharing of a common history, heroes, and symbols, and, an agreement as to what constitutes desirable and undesirable social ends” (Weiner 1965:53-54).

## 4 Democracy and Petro-State

### 4.1 Representative or Participatory Democracy?

Democracy and democratisation studies consist of an extensive amount of literature and research. The United Nations Vienna Declaration affirms that people's freedom of expression and respect of opinion concerns: "[d]emocracy, development and respect for human rights and fundamental freedoms are interdependent and mutually reinforcing. Democracy is based on the freely expressed will of the people to determine their own political, economic, social and cultural systems and their full participation in all aspects of their lives" (UN Vienna Declaration 1993).

Democracy can generally be explained as a form of governance in a country where political and institutional decision-making takes place. Democracy is often closely related to moral values and rights, such as the right to *freedom*. It can also include other concepts, for instance: justice and political equality (Giljam et al, 2003:13). There are two typologies of democracy: *representative democracy* and *participatory democracy*. Representative democracy emphasis the need of competitive elections on regular terms in which citizen's vote for political parties and candidates which becomes representative for the entire population, public affairs (Esaiasson et al, 2006:15-16). This is a widely accepted model of democracy that citizens get one chance on the one day of parliamentary elections to make their voices heard about directions in public affairs (Cameron et al. 2012:8).

Participatory democracy, on the other hand, is a deeper and more enduring form of citizen's participation and learning process in political decision-making process which impact people's everyday life in a collective and immediate manner. In each case; the civil society is essential in the policy-making processes. In participatory democracy the use of regular referendums is not a particularly unusual method; to consult the population about their opinion in public politics besides the regular elections held (Giljam et al, 2003:13).

The UNDP has named participatory democracy as "citizen democracy" - an emerging project where the responsibility of the State over the economy, public welfare, and the increase of citizen's voice becomes legitimised through institutionalised direct democracy (UNDP 2006, UNDP/OAS 2010).

It is also emphasised that these new forms of institutionalised direct democracy is unique for countries in the Latin American region. The gap between the citizens and the political system is particular for Latin American democracies because of the unique historical path most countries have in the region (Cameron et al. 2012:3).

In this study, the standing point is that Venezuela is a participatory democracy, which is another particular feature.

#### 4.1.1 Petro-States

As mentioned above, IPE was utilised in the 1970s to explain the oil crisis. Karl (1997) is the author of the book “The Paradox of Plenty: Oil Booms and Petro-States”, which works as a fundamental guide for analysing rentiers and resource curse states, all over the world. Petro-states are a particular kind of states which have a main revenue income from the production and export of oil, representing at least 40% of total exports and represent a minimum of 10% of the Gross Domestic Product (GDP) (Hidalgo 2007:3). These nation-states are highly dependent on the production of a specific natural resource that are: “expendable, capital-intensive, strategic, vulnerable to external variables and which can provide a high monopolistic income” (ibid, p.1). In Hidalgo’s studies on petro-states, it has also been found that the economic performance is often considered to be poor and inefficient (ibid).

According to Friedmann’s article “The First Law of Petropolitics”, it is said that: “the more crude prices goes up, the more erosion there will be in individual freedoms, the structure of political-electoral jurisdiction and the rule of law in Petro-States” (Hidalgo 2007:3). These countries<sup>13</sup> are dependent on oil production and export, compared to petro-states that are regarded as democracies, i.e. representative democracies, such as USA, Norway and UK, since these countries were already established democracies before the domestic oil-discovery (ibid: Hidalgo; Friedmann 2006:31).

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<sup>13</sup> The following countries are defined as petro- states: Azerbaijan, Angola, Chad, Egypt, Equatorial Guinea, Iran, Kazakistan, Nigeria, Russia, Saudi Arabia, Sudan, Uzbekistan and Venezuela (Friedmann 2006:31).

# 5 Empirical Facts I - History of Venezuela

## 5.1 A Brief Political History

With Columbus discovery of America, Venezuela was colonised by Spain. Venezuela gained its independence in 1811 and from Gran Colombia in 1831 (BBC News 2014; Tilly 2007:166). Once Venezuela had gained its independence, Simon Bolivar<sup>14</sup> continued to lead the freedom struggle from Spain in the neighbouring countries: Bolivia, Ecuador, and Peru (Holmqvist 2008:15-17; Briceño-Leon 2005:2).

Until the early 20<sup>th</sup> century, Venezuela was subject to military dictators, caudillos<sup>15</sup>, coup d'états and occasional civilian rule. Exploitation of oil started in 1910, as mentioned in the introduction above, and has to do with the consolidation of the state (Hidalgo 2007:3; Tilly 2007:166). A new era started with General Juan Vicente Gomez, as the country was opened up in 1918 and invited foreign investors and multinational companies such as Exxon and Shell, to extract Venezuelan oil unlimited. The oil production gave the government large revenues, and by 1928 Venezuela became one of the main oil exporters in the world. Gomez also “blocked the formation of any mass popular organisations” (Ibid:Holmqvist; *ibid*:Tilly). Venezuela was the second largest oil exporter until the end of the World War II, and as the US economy grew, it became the largest oil exporter in the world (Briceño-Leon 2005:2). In the early 1960s, the political economy was based on economic development financed by the oil rents (Holmqvist 2008:15-17).

A military junta (1947-1958) ended the public and citizens consultations. The junta received support “from the church, from heavily taxed foreign companies, and from traditional elites” (Tilly 2007:167/Rouquié). Yet the military junta, led by Colonel Marcos Pérez Jiménez, expanded the reach of oil rents and sold large amounts to USA, as an allied. And in concordance with the Cold War situation, Venezuela fought communism. However, in 1958, a military coup ended the days of the military junta which had significant popular support and soon enough the so-called *golpistas* called for democratic elections to be held. Rómulo Betancourt was elected as a president (*ibid*).

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14 Bolivar was a Spanish aristocrat, military and political leader and became a key leader in the Venezuelan independence war from Spain. Three years later, Bolivar was elected to be president in Greater Colombia. Bolivar's object was to build a united South America and untightening every ethnical and religious group in freedom. Bolivar died in 1830, at the same time as Colombia split up (Military Heritage).

<sup>15</sup> Military leaders.

Power alternated between the social democratic Acción Democrática (AD) and the Christian Democratic party (COPEI) until 1992. In between Venezuela became an active OPEC-member and benefited from the oil crisis in the early 1970s. PDVSA was established and soon the oil industry was nationalized in 1976 (Holmquist:ibid; BBC News 2014).

At the same time, Pérez increased the country's foreign debts which included the ones that IMF pressured Venezuela with. The standard of living for most people declined during this period. (Tilly 2007:168). In 1989, Pérez campaigned for public projects and price controls, however, as he gained back power; he swiftly switched the political economy agenda and instead announced governmental expenditure cutbacks according directives from the WC-agenda, and increased the costs in the public service due pressure from domestic and international investors<sup>16</sup>. The implementation plans soon met harsh public resistance and demonstrations (ibid). In Caracas, more than 350 people died and 2000 were injured. Thus, the incident has been named *El Caracazo* (the Events of Caracas), which eventually gave rise to a regime change (ibid; Di John 2005:114-115).

### 5.1.1 Chávez Enters the Political Scene

In connection with the uprisings in Caracas; many “nationalist army officers” joined a new social and political movement, *Revolutionary Bolivarian Movement-200* (MBR-200) which was founded in 1982 as the 200-year anniversary of Simon Bolívar was celebrated (Tilly 1997:168-169). In 1992, a coup attempt was executed but failed and the colonel Hugo Chávez, was sent to prison. While he was in prison the group made a second attempt; where they took over a TV station in which Chávez declared the government's fall (ibid). In 1993, President Pérez was accused for corruption and was removed from his position. Rafael Caldera, who took over office, faced a scenario with “collapse of the country's banks, a surge for violent crime, rumors of new military coups, and charges of corruption” (ibid). Demand for change and order came from the population, and as soon Chávez left prison, he entered into politics (ibid).

Chávez won the electoral campaigns in 1998 and assumed his role as president in 1999. In an inaugural speech he stated: “[w]e are being called to save Venezuela from this immense and putrid swamp in which we have been sunk during forty years of demagoguery and corruption” (McCarthy-Jones 2014:48). Later that same year, a new referendum was passed to create a National Constituent Assembly (ANC) and to construct an electoral law, and to draft a new constitution for Venezuela. In December 1999, the new referendum was passed with 70% of the votes in favour

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<sup>16</sup> The Economic Liberalisation Plan/Package of 1989, according to the WC-agenda included: “the unification and massive devaluation of the exchange rate, trade liberalization, privatization and financial deregulation, including freeing of interest rates, elimination of nearly all restrictions on foreign investment and the introduction of tax reforms, including the introduction of value-added taxes” (Di John 2005:109). The Planning Minister Miguel Rodríguez “envisioned that Venezuela, in *economic* terms, would follow the post-1982 Chilean model of neoliberal reform” (Di John 2005:109-110).

of the proposed change (ibid:48-49). Two enabling laws<sup>17</sup> (*leyes habilitantes*) were also approved during Chávez first phase of the Fifth Republic. McCarthy-Jones states that: “the effects of the legislation pushed through during the period of rule by decree set in motion a chain of events that would ultimately lead to a coup d’état that was primarily orchestrated by the military, various labor and business federations, and the opposition media outlets in Venezuela”<sup>18</sup> (ibid:50).

In April 2002, Chávez was subject to a 72-hours coup d’état which was set up by these various opposition groups, and “most of the violence was filmed and broadcast across the private television channels in Venezuela and around the world” (ibid 51-52). For just a number of hours - a Carmona presidency was formed, which was immediately condemned by the Rio Group<sup>19</sup>, but legitimised by the United States (ibid:51). A countercoup was established and Chávez retook office and constitutional democracy. For Chávez, the experience enlightened him of the necessity of greater autonomy for Venezuela as well as for the entire region (ibid:52).

The desire to remove Chávez from office remained; the following months a coalition called Democratic Coordinator (Coordinadora Democrática, CD) with various ideological standing points was formed. CD began to campaign for a domestic recall referendum on Chávez’ presidency<sup>20</sup>. An oil strike was also coordinated in December 2002 and lasted until February 2003. This destabilised the situation in Venezuela due reduced oil exports and impacts on the economy. Many PDVSA officials were sacked and new ones that sympathised with the government were recruited. On June 3, 2004, the National Electoral Council (CNE) announced that a sufficient number of signatures had been gathered in order to allow for a recall referendum. The final results showed that only 40,6393% had voted “No” to the referendum (ibid:53). The referendum-challenge showed Chávez that the administration had gained legitimacy and thus consolidated power which enabled him to plunge into foreign policy – both in international and regional matters (ibid).

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<sup>17</sup> It’s essential to stress that the *enabling laws* is not a new phenomena connected to Chávez, but actually they existed already in 1961 and were used during the Fourth Republic by President Pérez (McCarthy-Jones 2014:48). The first one, enabled Chávez during a period of six months to legislate in economy and finance matters in Venezuela. During the sixth months, 26 new laws were passed. The second, concerned the approval of extended temporary power of “rule by decree” during one year to facilitate quicker the policy reforms in the midst of financial downturn. However, it was not until the end of 2001 that Chavez run through 49 different laws with the aim of fortifying the Bolivarian Revolution (21<sup>st</sup> century socialism) (ibid). However, Chávez was met with large concern and outrage when it came to enabling power on certain areas such as the property rights of petroleum, agricultural and the educational sector. Because of this business and labour groups, CSOs, political parties and the middle class complained extensively (McCarthy-Jones 2014:49).

<sup>18</sup> The alliance was contained by Carlos Ortega (leader of the Venezuelan Workers Conderation (Confederación de Trabajadores de Venezuela (CTV), influential national trade unions, Pedro Carmona who was the head of the Venezuelan FEDECAMARAS.

<sup>19</sup> The Rio Group is an international organization of Latin American and some Caribbean countries. The organisation was established in 1986 in Rio de Janeiro and included Argentina, Brazil, Colombia, Mexico, Panama, Peru, Uruguay and Venezuela. Occasionally during the Cold War, it was regarded as an alternative OAS.

<sup>20</sup> As prescribed in article 72 of the 1999 Constitution of Venezuela states. See Appendix 1- Venezuela’s Constitution 1999.

Chávez won the presidential elections of 2006 (63% support votes) and 2012 (54% support votes), and beat the opposition candidate, Manuel Rosales, and Henrique Capriles, respectively. The elections were declared as free and legitimate by OAS and the Carter Center (The Carter Center; ABC News 2012).

The former President Mr. Chávez passed away in March 2013, after battling cancer for almost two years and received recognition and condolences from many world leaders. No leader of any international organisations or Head of State and governments in world politics was left untouched. Even Mr. Vuk Jeremic, the former President of the United Nations General Assembly's (UNGA), noted that: “[h]istory will remember President Chávez – a charismatic leader whose progressive policies brought Venezuela’s poverty rate down from over 70 per cent at the close of the 20th century to around 20 per cent today” (UN News Centre, 2013).

### 5.1.2 The Post-Chávez Era and New Presidential Elections in 2013

The death of Chávez left the government weak and the charismatic leadership was missed (Lander 2014:7). Uncertainty about the future of Venezuela was a fact and there were doubts about the continuation of some of the key initiatives that existed with countries around the world. Chávez had played an important role in the current key initiatives of ALBA, UNASUR and CELAC (see also chapter 6-8). Despite this, status quo was expected to remain in Venezuela as the country was expected to continue being ruled by PSUV (EIU 2013)<sup>21</sup>.

In April 2013, special elections were held in Venezuela as a consequence of Chávez’ death. In February 2014, widely national unrest gave rise to instabilities in Venezuela after that students had called for demonstration against the economic situation and deaths had taken place. By May 2014, around 40 deaths had been estimated which worsened Venezuela’s human rights records (ICG2:2014).

According to the Maduro’s administration, the origin of the situation came from a conspiracy that the opposition Democratic Unity (Mesa de la Unidad Democrática, MUD), led by Henrique Capriles had orchestrated it, in accordance with the United States to overthrow the government and restore the pre-Chávez regime order (ibid).

MUD, instead, claimed that the main reasons rather concerned the government’s socialist policies, the lack of respect for the constitution, the economic instability and increased crime and violence on the streets (ibid). The problematic with the situation was that it could have led to region-wide consequences to still pending issues, such as the continued mediation in the FARC-guerrilla war in Colombia, and the economic reforms in Cuba, in which Venezuela has diplomatic and political “ties” with (ibid).

Maduro won the elections with only 1,5% in its margins and “the electoral field was anything but level. The government broadcasting organisation, which includes

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<sup>21</sup>EUI expected differences in the short and long terms impacts on regional cooperation; where the latter consisted in reduced role as a “regional power”, in much favour for Brazil (ibid).

six state television outlets and an extensive network of radio stations, as well as official print media, gave blanket coverage to Maduro, while ignoring or denigrating Capriles” (ICG1:4). MUD did however not trust the results from the ballots.

On 18 April, Maduro met in Lima with presidents from UNASUR who were increasingly worried by the appearance of growing instability (ibid).

In September in 2014, Venezuela was chosen to be one of two representatives in the Group of Latin America and the Caribbean (GRULAC), as a non-permanent member in the U.N. Security Council (UNSC), even though it was a domestically troubled country (Foreign Policy 2014).

# 6 Empirical Facts II - Regional Integration Initiatives in Latin America

## 6.1 The Bolivarian Revolution and Foreign Policy

During the second phase (2005-present) of the Bolivarian Revolution a shift occurred, from domestic to foreign policy issues, both at an international as regional level, and “sought to redefine both Venezuela’s and Latin America’s role in the international system” (McCarthy-Jones 2014:53).

### 6.1.1 ALBA-TCP

Venezuela began to focus its promotion and strengths in regional integration and solidarity through increasing the process of institutionalisation as a way to break the historical bilateral relations with the United States. The work on ALBA was particular an important step towards this “new strategic map” which showed a “radicalisation of Venezuelan foreign policy” (McCarthy-Jones 2014:54). ALBA<sup>22</sup> as a trade and development bloc formed the first part of foreign policy in Venezuela’s agenda (ibid).

ALBA Peoples’ Trade Treaty (ALBA-TCP<sup>23</sup>) was proposed by President Chávez in 2001, but was signed firstly by 2004 in Havana, Cuba. It started with the signing of the first agreement in 2004 which consisted in the exchange of 20000 Cuban doctors for subsidised Venezuelan petroleum (ibid). Chávez played an important role in reshaping Latin America by this act. When he was in Argentina to meet President Nestor Kirchner in 2005; it was announced that the FTAA, lead by Washington was dead and would be buried in the summit at Mar del Plata. Chávez was right in that suggestion (Anderson 2014:13; Arenas-Garcia 2013:71).

ALBA includes promotion of trade between countries, but also tariff barriers reduction on certain products even though its main purpose goes far beyond this. The explicit aim of ALBA is to promote “regional and south-south cooperation, along with social and industrial development, as a counter-project to U.S dominated free trade agreements, which had mostly ensured access for giant corporations” (Anderson 2014:27), with this the social side of development is also promoted - so

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<sup>22</sup> ALBA’s member countries are: Antigua and Barbuda, Bolivia, Cuba, Dominica, Ecuador, Nicaragua, Saint Vincent and the Grenadines, Venezuela, Saint Lucia.

<sup>23</sup> The title of ALBA was extended to ALBA “Peoples Trade Agreement”, ALBA-TCP (ALBA *tratado de libre comercio*) as a contrast to FTAA.

called *endogenous development* (Chodor 2013:215; McCarthy-Jones 2014; Briceno-Ruiz 2014:2-3).

Today, ALBA has developed into a “competitive power bloc in the region that rejects neoliberal approaches to development”, i.e. refuses, for instance the WC-agenda and IMFs structural adjustments reforms (ibid:54-55).

One of the main common projects is the establishment of the common regional currency<sup>24</sup> between member states. The idea was proposed by Ecuador in 2008. In 2009, the presidents and heads of state met to discuss the issue which resulted in an agreement signed about the SUCRE<sup>25</sup>. The most powerful activities in ALBA during the first years were the *social programs* which included literacy, primary health care, education and health programs. These programs were supported by Venezuela which contributed with the logistical aspects of the projects, while Cuban professionals staffed the programmes (Anderson 2014:29). Adult literacy rates reduced in Venezuela, Bolivia and Nicaragua in just a few years. The idea was to stimulate international participation in social development programs from a bottom-up and top-down perspective at the same time. By 2011, 11 million people was lifted out of poverty, 3,5 million people became more literate, infant mortality reduced by 32%, and assistance was given to almost 1 million of handicapped people (ibid:30).

## 6.2 Other Regional Organisations

### 6.2.1 Organization of the American States - OAS

The First International Conference of American States was held in Washington D.C. in October 1889 to April 1890<sup>26</sup> (OAS 2014). The OAS was created in 1948 at a conference in Bogota (Anderson 2014:21). The Charter of the OAS entered into force in 1951. In the beginning OAS was hardly accepted in Latin America due to the economic power the US had in the post-war years and due to how weak the Latin American region was. The dream of a strong region persisted. However, with the victory of the Cuban Revolution in 1959, the OAS was mostly used to hit on Cuba and the fight against communism. The OAS “condemned the Marxist-Leninist nature Americas quart of Cuba’s new system as incompatible with the inter-American system” (Anderson 2014:22).

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<sup>24</sup>The idea was proposed by Ecuador in 2008. In 2009 the presidents and heads of state met to discuss the issue which resulted in an agreement signed about the SUCRE (SUCRE: Unified System for regional Compensation).

<sup>25</sup> The idea of SUCRE was proposed by Ecuador in 2008. In 2009 the presidents and heads of state met to discuss the issue which resulted in an agreement signed. It is a virtual regional currency for the specific purpose of commercial and financial activities between the ALBA countries. The ALBA-project also include a bank and Telesur (a multinational television station) and a transnational companies network (ibid).

<sup>26</sup> The meeting established the International Union of American Republics and the stage was set to establish the so-called inter-American system, which is the oldest known international institutional system ([www.oas.org](http://www.oas.org)).

Today, OAS brings together a total of 35 states and constitutes the “main political, juridical, and social governmental forum in the Hemisphere” (OAS 2014). The OAS has also granted permanent observer status to 69 states, including to the EU, and the main purposes are based on four main pillars which concerns development, democracy, human rights and security (ibid).

As mentioned above, ALBA and its Bolivarian Alliance via the 21<sup>st</sup> century socialism was used to express the foreign policy agenda of Chávez. It reflected an alternative to the so-called Free Trade Area of the Americas (FTAA) which was a free trade zone - covering Canada to Argentina - initially developed by the U.S. President Bill Clinton in 1994 in Miami (Americas Quarterly). The FTAA-proposal came up during the third Summit of the Americas which are summit initiatives made by the OAS, and then one sixth of the member states rejected the proposal<sup>27</sup> (McCarthy-Jones 2014:54).

## 6.2.2 The Union of South American Nations – UNASUR

UNASUR was established in 2008 in order to deal with salient issues in energy, education, health, environment, infrastructure, security and democracy. The aim was to deepen the bonds between the South American countries and regional objectives with its social assets and energy resources (UNASUR 2014).

There are twelve member states<sup>28</sup>, and these want to build a regional identity based on a shared history and multilateral principles, rule of law in international relations and respect for human rights and democratic processes (ibid). UNASUR was finally created after the South American Community of Nations (CSN) during the third meeting of the presidents of South America in December 2004 in Cuzco, Peru (McCarthy-Jones 2014:58). It united two regional forces: the Southern Cone Common Market and Mercosur with the Andean Community (CAN). The subsequent meetings of CSN in 2005, the leaders of the CSN member countries established action plans to establish a common agenda (ibid). In 2007, in Margarita, Venezuela, when the first South American Energy Summit was held CSN changed its name to UNASUR (ibid; Chodor et al 2013:216).

In 2008, the Constitutive Treaty of UNASUR was launched, turning the organisation into a political body (ibid). UNASUR has in various occasions acted as a peace mediation organisation in contemporary Latin American conflicts. UNASUR was previously consulted for the mediation in the Honduran crisis in 2009 (McCarthy-Jones 2014:59), and for the civic coup in Bolivia as well as the coup d'état in Ecuador in 2010 (Chodor et al. 2013:216; Arenas-Garcia 2013:74-76). The latest incident was the Venezuelan crisis in the spring of 2014 in which Venezuela appealed the issue to be raised in a special commission of Foreign ministers in UNASUR rather through OAS (PanAmPost 2014).

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<sup>27</sup> Venezuela, Brazil, Argentina, Paraguay, and Uruguay rejected the proposal as it due the close association with the Washington Consensus principles and the IMF's structural adjustments reforms.

<sup>28</sup> Member states of UNASUR: Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela.

A Democratic Protocol was put forward by UNASUR's member states in 2010 and has shown that it can bring leaders together of different political strands in the interest of the Latin American region at first hand (ibid:Arenas-Garcia).

### 6.2.3 Community of Latin American and Caribbean States – CELAC

Right after the first ALBA accords were signed between Cuba and Venezuela in December 2004, the 33-nation CELAC<sup>29</sup> was created in 2011 in Caracas, affecting 600 million people in Latin America (Anderson 2014:16). CELAC was a softened version of ALBA and accepted participation from states with different political-economic systems (Anderson 2014:27). CELAC does not include United States or Canada among its member states. The Summit encouraged to discuss issues on deeper economic cooperation and regional trade, economic development and defence issues. CELAC represents the ten years of efforts to push forward the idea of deeper integration in the Americas, and is seen as an alternative to OAS (ibid).

The latest Summit, held in Cuba, before that in Chile, was a conference that was dedicated to the issues of continuity and consensus instead of advocating for radical changes. As a Latin American integration project: “CELAC is still just a mechanism for regular consultation between governments that lacks institutionalization and suffers from the low commitment of its members, particularly leading countries, to finance an integrative effort beyond bilateral trade and discretionary programs on education, health and other areas. There is no permanent secretariat and no economic and social integration beyond ad hoc meetings” (HuffingtonPost 2014). Thus, it is unclear what role CELAC will have in regional politics as it is a political institution still in its initial phase (McCarthy-Jones 2014:61).

### 6.2.4 MERCOSUR

MERCOSUR is a sub-regional trading bloc consisting of Argentina, Brazil, Uruguay, Paraguay, Venezuela and Bolivia<sup>30</sup>. The Member States shares common values of democratic and equal societies, human rights, environmental protection and sustainable development, security, poverty reduction, and economic development (MERCOSUR 2014). The organisation was established in 1991 by the Treaty of Asunción as an intergovernmental decision-making institution rather than a supranational body (Arenas-Garcia 2013:69). However, its origin is the Argentina-Brazil Integration and Economics Cooperation Program (PICE) (ibid:70). By the mid-2010s it expanded and became “a tool for progressists to resist

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<sup>29</sup> Member states of CELAC includes: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Trinidad and Tobago, Uruguay, Venezuela.

<sup>30</sup> It also associates Chile, Colombia, Peru, Ecuador, Guyana and Surinam, while New Zealand and Mexico has an observer status.

neo-liberalism and foster a[nd] socio-political agenda instead of promoting market goals” (Arenas-Garcia 2012:73).

In June 2006, Venezuela signed a membership agreement but it was not until July 2012 that it gained full membership into Mercosur. This was due and after that Paraguay had violated the Democratic Clause of Mercosur. Paraguay had objected to Venezuela’s inclusion in the trading bloc and that created a crisis in the region (McCarthy-Jones 2014:60-61).

### 6.2.5 Petrocaribe

Petrocaribe<sup>31</sup> is an extension to ALBA and was launched in 2005, in Puerto la Cruz in Venezuela. It was established with the purpose to provide the Caribbean countries with reliable energy supply sources in such a way that the price of energy did not hinder development. Thus, Venezuela provides the petroleum to the Caribbean members and has in that way developed an alternative model of energy supply to the entire region (McCarthy-Jones 2014:56).

It is PDVSA that provides member countries the oil at: “low interest rates while they, in return would use their savings on oil and reinvest them in social and development projects akin to what the government in Caracas had been doing at a national level” (Acuña 2014:67,73).

### 6.2.6 The Bank of the South - Banco del Sur

The Bank of the South was established in September 2009 by Argentina, Brazil, Paraguay, Uruguay, Ecuador, Bolivia and Venezuela, and had an initial capital of \$20 billion. The goal of the Bank of the South is to include all South American States. The Bank is a counter-reaction to the World Bank, IMF and the Inter-American Development Bank (IADB) and its WC-policies. McCarthy-Jones discusses the “humiliating penalties” and “de-capitalization” that were associated with the strict conditions of international loans during the 1980s and 1990s. The Bank has been meet with varying responses. In 2007, the Nobel Laureate (economist) Joseph Stiglitz welcomed the bank; stating that competition in markets is good, even in the development bank sector (McCarthy-Jones 2014:57-58).

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<sup>31</sup> Petrocaribe consists of Antigua and Barbuda, the Bahamas, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, St. Lucia, St. Kitts and Nevis, Saint Vincent and Grenadines, Suriname, and Venezuela (Acuña 2014:73).

# 7 Analysis

## 7.1 The Resource Curse of Venezuela

The *Dutch disease* is another term that explains economies in which imports accounts for a large share and if the country devaluates its currency, the resulting tendency is an even higher inflation (Lander 2014:5). This is the case of Venezuela as a petro-state. The oil share increased from 68,7% in 1998 to 96% recently (ibid:2) and the inflation rate is currently estimated at 63,42% (Tradingeconomics).

Petro-states are explained by the resource curse theory which concerns the harmful situation a country situates itself when producing a commodity which is subject to volatile prices and revenues which can lead to increased corruption in both the private as in the public sector and that neglect social investments. However, in much of the academic literature oil is generally emphasised as the main objective to all problems that Venezuela has in respect of political, economic, cultural and social issues; i.e it describes Venezuela as a petro-state encountering the resource-curse problem subject to high inflation, lack of manufacturing and corruption in the country (Angosto-Ferrandez 2014:184).

This is true but there is also more to complement. As it has been noted above, Venezuela has become an increasingly important actor in both domestic social development and in the development of Latin American integration and regionalism. This is confirmed by John Hammond in a study, which shows how a petro-state can overcome the resource curse by acting as a third world solidarity actor; for instance in Africa (Hammond 2011; Q13Fox).

## 7.2 Post-Liberal Regionalism and Venezuela's Foreign Policy

It has been observed by scholars that there has been a shift in the Latin American regional integration project since the 1990s when 'open regionalism' was supported by the WC-agenda and neoliberal policies and instead began to formulate its own intentions for political integration and a developmental agenda with the State at the centre instead of the Market (Chodor et al., 2013:211, 215).

Nowadays, one can speak about 'post-liberal' or even 'post-hegemonic' regionalism (ibid). It is stated that: "the new post-liberal and post-hegemonic regionalism represents a renewed quest for regional autonomy, both from the global economy and the American hegemon, and its political and economic agenda for the

region”. This proves a return to an alternative vision of regional integration that dates back to Bolívar, as previously mentioned, and one that raises the “vision of regional order based on notions of solidarity, social justice and cooperation” (Chodor et al. 2013:215). As mentioned above, autonomy was also requested by Chávez after his coup d’état experience in 2002.

It is also suggested that: “integration in Latin America has natural advantages over that of other regions, with shared culture, history, language, and identity” (ibid:212;Anderson 2014:24); this is in accordance with Mansfield’s and Weiner’s explanation of the terms regionalism and integration.

It is a new scenario for Latin American countries to have such an important role in shaping their own domestic and regional future as it has been possible during the 21<sup>st</sup> Century, even though some countries are different in terms of political governance. Therefore, could the Bolivarian project with the 21<sup>st</sup> century socialism at its centre said to be: “counter-hegemonic, historically contingent, and social democratic – parallel to and sympathetic with the internal processes within Venezuela – yet in competition with Washington-led Pan-Americanism” (Anderson 2014:15).

UNASUR, CELAC, Petrocaribe and ALBA are all regional cooperation initiatives influenced by Venezuela and have strengthened the autonomy in the region (Lander 2014:2). McCarthy-Jones emphasis that ALBA and Petrocaribe are early and radical attempts of Chávez to transform both the political and economic landscape of Latin America in the 21st century, after the FTAA-failure in the 1990s. Even though these projects are not entirely covering the region, they are still important for the vision of Latin American regionalism, integration and for the development agenda: ”through a process of incremental institutionalization” (McCarthy-Jones 2014:54).

Both ALBA and UNASUR were born in the frame of an extensive bottom-up critique of the neoliberal model. Despite their significant differences, these projects have put social, developmental and political issues back at the centre of the agenda, in the same way as Chávez did with the domestic political economy agenda. They are the reflection of a renewed way of thinking integration and development in South America (Arenas-García 2012:65, 70). With Mercosur, on the other hand, things are different since the goals, preferences and agendas are very diverse as to referring to economic regionalism and Venezuela has not been able to influence the agenda yet, more than the membership has enabled more trade opportunities with Brazil (Briceño-Ruiz 2014:14; The NYTimes 2007).

However, as early as in 1999, Chávez emphasized the political aspects rather than the economical ones, when constructing the institutions for regional integration, which shows the ideological influence Chávez had with respect to Bolivarian Socialism (McCarthy-Jones 2014:56). Chávez went to the 2012 elections with a program consisting of two central goals which was linked to international politics: “(1) the consolidation of Venezuela’s role within the emerging “great Latin America and Caribbean” power” and (2) “the advancements of a “new international geopolitics” of multicentrism and pluripolarity” (Angosto-Ferrández 2014:3). The program remained after the elections as well; and relatively recently on the occasion of the EU-CELAC summit in Santiago, Chile, in January

2013; where it was declared that Venezuelans had voted for Chávez “dream of Latin American people’s unity” (ibid).

However, it is not abundantly to remind that many of the projects connected to, for instance ALBA, are dependent on a Chávez/Maduro-administration with devotion in petrol-related cooperation projects, which is the premise for the Venezuelan foreign policy. At the same time, does not many countries utilise their comparative advantages in their sectors and industries to establish bilateral and multilateral cooperation with other states? As mentioned, Venezuela is a petro-state that has overcome resource curse by acting as a third world solidarity actor. Venezuela is not only exporting oil but also Bolivarian Socialism abroad.

It has been shown that, to analyse and explain the relation between the Bolivarian revolution, Venezuela’s foreign policy, geopolitics and regionalism is a challenging assignment. However, it has also become more difficult to distinguish the borders between domestic and international politics since Chávez’ death. Even the Maduro-elections has been in focus of international media (Angosto-Ferrandez 2014:I:3).

At the same time, the domestic discontent and international media, is very different from the international so-called “united in discontent”. The discontents represents a different group. The latter represents a group of individuals that are responding locally to globalization, which is different from the response from Venezuelan dissidents or the student movements, for instance. The latter is about dissatisfaction with international politics and how it addresses neoliberalism and its institutions and is often represented by the anti-globalisation movement. This is the common denominator which some other countries outside Latin America support, and in which at occasions is the premise for why Venezuela and these states cooperate and has established bilateral or multilateral relations. This is why the death of Chávez played a crucial role outside Venezuela and gave result in the reactions as they did (Angosto- Ferrandez 2014:II:185-186). Chávez, as a populist leader, had impacted on people beyond the Venezuelan and Latin American borders as he stood for a radical and alternative strategy for development and poverty alleviation, both internationally and domestically (ibid).

Maduro is continuing, and maintains the legacy of Chávez, and is even deepening the meaning of the 21st century Socialism. Internationally, Maduro is struggling both with international media, the opposition and the massive public unrest. The recent Venezuelan crisis is also another incident in which regional organisations such as UNASUR instead of OAS, has been consulted for mediation, which show a power shift in Latin American regional institutions. The Venezuelan Foreign Affairs minister even toured to six countries to present information regarding the issue and to gain their support. OAS’ position has been accused for being interventionist. Thus, UNASUR was a union created to “counter the imperialist force of the United States” and the Maduro-administration simply followed Chávez’ legacy and rhetoric on that occasion (PanAmPost; Chodor et al 2013:216-217). This reinforces Maduro’s position in the regional and international arena; that domestic troubles does not weaken its international position and that Venezuela is still struggling against the U.S. hegemon, even though it is dependent on oil exports to the United States (USTR 2012; Foreign Policy 2014).

This study also gives further directions on the diverse political and economic regional organisations that currently co-exist in Latin America. Venezuela under Maduro's governance shows that Venezuela probably still is a foreign policy actor to count with in the political regional arena of Latin America, in the 21<sup>st</sup> Century. Oil will probably remain to be an internationally demanded commodity until alternative energy resources and markets appears in the future.

## 8 Summary

This case-study is about Venezuela and its petro-dependency which has been the oil exploitation industry since 1910. This oil wealth has throughout history influenced its relations with other countries in the Americas, United States and the rest of the world.

The study examines Venezuela as a petro-state and its impacts on Latin American post-liberal regionalism and political integration by taking a closer look in the history in the Chávez- and Maduro Administration (1999-2014) which has been subject to a strong opposition. The study also gives further directions on the diverse political and economic regional organisations that currently co-exist in Latin America. Venezuela under Maduro's governance shows that Venezuela probably still is a foreign policy actor to count with in the political regional arena of Latin America, in the 21<sup>st</sup> Century.

The study also describes the various regional integration initiatives (OAS, ALBA-TCP, CELAC, MERCOSUR, PetroCaribe and the Bank of the South) which co-exist in contemporary Latin America and the Caribbean, in which some of them, Venezuela has had a greater impact on, and interest in developing because of the paradigm shift in the country's foreign policy agenda and rejection of the Washington Consensus Agenda. The study has both domestic and regional aspects of the Bolivarian Revolution since the 21<sup>st</sup> century Socialism is about expanding its ideas and ideology internationally as a counter-weight to neo-liberalism.

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# 10 Appendix

## 10.1 Article 72 of Venezuela's Constitution 1999

[Appendix to page 23. Chapter 5.1.1 - Chávez Enters the Political Scene.]

*All magistrates and other offices filled by popular vote are subject to revocation. Once half of the term of office to which an official\* has been elected has elapsed, a number of voters constituting at least 20% of the voters registered in the pertinent circumscription may extend a petition for the calling of a referendum to revoke such official's mandate. When a number of voters\* equal to or greater than the number of those who elected the official\* vote in favor of revocation, provided that a number of voters\* equal to or greater than 25% of the total number of registered voters\* have voted in the revocation election, the official's mandate shall be deemed revoked, and immediate action shall be taken to fill the permanent vacancy in accordance with the provided for in this Constitution and by law. The revocation of the mandate for the collegiate bodies shall be performed in accordance with the law. During the term to which the official\* was elected, only one petition to recall may be filed.*

Source: Venezuela's Constitution 1999. Constitution of the Bolivarian Republic of Venezuela (in English translation from the original legal text). National Constituent Assembly.

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