

# Economic Circumstances and Regional Cooperation in Post-Neoliberal Bolivia and Ecuador 2006-2014

---

Supervisor: Dr. S. Valdivia Rivera

Master International Relations

Leiden University

Master Thesis

July 2018

## Contents

Introduction.....	2
Chapter 1: Post-neoliberalism, regionalism, and political economy.....	5
1.1 Regionalization and old and new regionalisms.....	5
1.1.1 Regionalism versus regionalization.....	5
1.1.2 Old and new regionalism.....	6
1.2 Neoliberalism and Post-neoliberalism.....	9
1.2.1 Neoliberalism.....	9
1.2.2 Post-neoliberalism and neostructuralism.....	10
1.3 The politics of economy and the impact of crises.....	12
1.3.1 The ongoing debate: Market versus state.....	12
1.3.2 Bracing for impact: economic cycles and crises.....	15
Chapter 2: Globalizing and embedding neoliberalism, an overview.....	17
2.1. Globalization, the Cold War and the spread of Neoliberalism.....	17
2.1.1 The Cold War and the spread of neoliberalism.....	17
2.2. Latin-American regionalism, neoliberalism and the twenty-first century.....	19
2.3 Bolivia and Ecuador before Morales and Correa.....	21
2.3.1 Ecuador preceding Rafael Correa.....	21
2.3.2 Bolivia in the years preceding Evo Morales.....	22
Chapter 3: Regionalism and Economic circumstances in Bolivia and Ecuador.....	24
3.1 The turn to the left in Bolivia and Ecuador.....	24
3.2 Bolivia and Ecuador in the regional and global economy.....	28
3.3 Regionalism and reason in Bolivia and Ecuador.....	33
3.3.1 Regionalism in Latin-America: between autonomy and global integration.....	33
3.3.2 regional integration for Bolivia and Ecuador between pragmatism and ideology.....	34
Conclusion.....	37
Bibliography.....	39

## Introduction

With the election of Hugo Chavez in Venezuela in 1998, the Latin-American region started a political shift towards the left, with leftist governments being elected in numerous countries in the region. The people in Brazil, Argentina, Ecuador, Bolivia and Chile also elected governments that were socialist to at least some degree, and the New Left was born (Grugel & Ruggirozzi, 2012). This New Left gained momentum and influence under the name the *Marea Rosada* or Pink Tide (Smith, 2009).

This post-neoliberal, or neo-structural model, for some time prevalent in Latin-America seeks to re-embed the needs of the population into economic and social policy, breaking with the neoliberal ideology of self-reliance and market led economic policies that side-tracked or even abolished social programs (Leiva, 2008). With this shift away from laissez-faire neoliberal policies came a need to reinvent regional and global cooperation. Several initiatives within the Americas were coined, like the Bolivarian Alliance for the Americas (ALBA); the Union of South American Nations (UNASUR); and the Community of Latin American and Caribbean States (CELAC) (Gardini, 2015). These regional initiatives have not been contained solely to the American continent, as is shown by the creation of the Pacific Alliance, a broad, trade-based alliance uniting several South-American and Asian nations that share the Pacific coast (Ibid.). Although these regional initiatives differ in the degree they advocate a shift away from neoliberal economics, they share some similarities, in that they all acknowledge a need for another paradigm and the growing importance for South-South cooperation.

A turnaround point seems to have been reached in Latin-America, and the Pink Tide seems to be receding in many countries in the region, with leftist regimes encountering crises like in Venezuela and Brazil, or being ousted in favor of more right wing oriented regimes as was the case in Argentina and several Central-American countries (Ruckert, MacDonald & Proulx, 2017).

Much scholarly research has been done into the meaning and significance of the post-neoliberal model for individual countries within South-America, and some consensus has been reached on what post-neoliberalism means for these countries. A gap in the literature does exist when looking at the influence of post-neoliberal on cooperation within the region, and the way post-neoliberal policies shape regional cooperation. Some questions these new forms of regional cooperation bring to mind for example are: is this proliferation in regional cooperation a result of post-neoliberalism or is it just a reaction to the global economic crisis, fitting within

the cycles of economic integration that are identifiable in world history? The main question this thesis aims to answer is therefore:

*In what way have regional and domestic economic circumstances influenced the regional cooperation by the post-neoliberal regimes in Ecuador and Bolivia between 2006 and 2014?*

This question seeks partially fill the gap that exists in the scholarly literature surrounding post-neoliberalism and changing regionalisms by investigating the way the need for structural economic and social change domestically have influenced regional relations. Since this post-neoliberal influence is not accurately measurable, this investigation will focus on both the academic literature surrounding the subjects of regionalism and post-neoliberalism, and the government programs of both countries, to see in what way both regional and domestic interactions have changed during the period of investigation.

The main hypothesis of this thesis is that a positive relationship between the global economy and regional initiatives joined by Bolivia and Ecuador during the time of investigation exists, where prosperous economic circumstances in both countries made regional cooperation attractive. In short, Bolivia and Ecuador had the financial as well as political opportunities to expand regional initiatives, and the expansion of regional cooperation was due to the strong economies in both countries, while the global economy was weakened. The decline of the number of leftist governments in the region also means that the post-neoliberal regional initiatives lose their appeal and post-neoliberalism seems to remain important mostly in domestic discourse throughout the region.

The countries chosen to represent these cases are Bolivia and Ecuador. Both countries have been selected on the following criteria. First, both countries can be identified as being part of the Pink Tide, adhering to the post-neoliberal discourse (Chodor, 2015-a), with leftist presidents that had broad popular support during the time investigated (Kennemore & Weeks, 2011). Secondly, the presidential terms of Bolivia's president, Evo Morales, and Ecuador's president, Rafael Correa, overlap for a great part, making it easier to assess both cases within the same timeframe.

For this thesis, a timeframe from 2006-2014 has been chosen. Evo Morales served his first two terms as Bolivian president from the beginning of 2006 until 2014 and is currently serving his third consecutive term. Rafael Correa served two consecutive terms as Ecuadorian president from 2007 until 2017. This timeframe also coincides with important events on a global scale. Economic growth worldwide started declining after 2004 and the 2008 financial crisis triggered

a global recession, affecting global trade and production flows (Selwyn, 2014). According to WTO and World Bank data, Latin-America was hit with crisis later and less severe than the rich global north. (World Bank Data 2018). The fact that Latin-American economies were doing quite well, combined with Hugo Chavez spurring on regional integration through ALBA may well have contributed to the wave of regional integration that existed in the period from 2007 until 2014.

Along with this recession came the need for a different paradigm in global trade, and post-neoliberalism prevailed in the programs and policy ideas of many countries in Latin-America. When looking at regional cooperation during the timeframe chosen for this thesis, both Bolivia and Ecuador have entered into new forms of regional cooperation (Bianculli, 2016). The regional initiatives that both countries have joined are the *Alianza Bolivariana para los Pueblos de Nuestra América* (ALBA), joined by Bolivia in 2006 and in 2009 by Ecuador, and the *Unión de Naciones Suramericanas* (UNASUR), a regional initiative that came forth from the integration of MERCOSUR and the Andean Community. Both Bolivia and Ecuador have been Member states of the Andean Community since 1969 and are therefore integrated into UNASUR (Gardini, 2015). These regional initiatives seem to be losing strength and ability to change the status-quo existing within the region since global trade and growth have reached their pre-recession levels from 2007. ALBA is in crisis because of the continuing unrest in Venezuela, and UNASUR seems to be falling apart with six member states having suspended their memberships in April 2018 (*Diariocronica, 2018*).

To answer the main question and investigate whether the global economy and post-neoliberal regimes in Ecuador and Bolivia have stimulated or impeded regional integration, this thesis is divided in three chapters. Chapter one focuses on the main theoretical components in this thesis. Chapter two will provide the historical context in the areas of economic policy, regional integration, and the national affairs in Bolivia and Ecuador. Chapter three contains the analysis. The analysis is divided into three parts. The first part of the analysis will explore the post-neoliberal components of both the Ecuadorian and the Bolivian regimes. The second part will look at the economic developments on global, regional, and national levels. The third and last part of the analysis looks at the levels of regional integration, connecting both the political and economic dimensions to regional integration. Finally, the conclusion will answer the main research question, and provide some suggestions for further research.

# **Chapter 1: Post-Neoliberalism, Regionalism, and Political Economy**

This section will explore the main concepts used in this thesis and critically engage with the academic literature surrounding these concepts, in order to identify workable definitions for this research. The literature review is divided into three main parts. The first part clarifies the changing dynamics in regional governance, and defines the differences between ‘old’ and ‘new’ regionalisms. The second part contains a brief overview of neoliberalism and the evolution of neoliberalism into post-neoliberalism as well as a characterization of post-neoliberalism vis a vis neostructuralism. The third part will look at the theories surrounding the global political economy and economic crises.

## **1.1 Regionalization and old and new regionalisms**

Regional cooperation exists in many different forms and structures. Some forms of regional cooperation are very broad, encapsulating many different subjects in different areas, in which states give up some degree of autonomy in decision-making. The European Union is an example of regional cooperation with a very broad agenda and a highly formalized structure, with decisions being made on an intergovernmental level (El-Agraa, 2011). Regional cooperation also exists in a singular and narrow form, where single issues like border security between three states or even within states are governed. Over the course of history both the definition of what a region is and the issues covered in regional cooperation have changed. To gain an understanding of how regional cooperation has changed over the course of history and what the ‘new’ way of looking at regions means for this research a section on the current state of regional inquiry is added to this literature review. First, the difference between what regionalism and regionalisation are will be covered, since both terms contain differences in explaining regional cooperation.

### **1.1.1 Regionalism versus regionalization**

When looking at regionalism versus regionalisation several differences are found. Söderbaum (2009) mentions the way the process of forming a region differs in respect to main actors pushing for some form of cooperation, on both the domestic and international levels. Regionalisation tends to be a bottom-up process on a smaller scale, involving many different actors ranging from non-governmental organisations and trade unions to actors that share the

same ethnic or socio-economic backgrounds (Söderbaum, 2016). Because of its bottom-up process, regionalisation usually starts out as a set of informal arrangements before it matures and gets adopted by the state or states involved. Hettne (2006) sees a particular interest for states to foster and boost some forms of regionalisation. In part because it could foster national and regional identity, thus serving as a unifying process, but also because it may provide political actors, whether its political parties or individuals, with a legitimacy if regionalisation can be exploited (Ibid.). When regionalisation is exploited for the purpose of rent-seeking by politicians, it is usually very difficult to identify where problems lie and who has most to gain. The end-product of regionalisation as a bottom-up process is therefore vulnerable to abuse, especially in autocratic or third-world countries with weak institutions (Bøås, Marchand & Shaw, 2003).

This thesis will use the definition on what scholars call regionalism, because the forms of regional cooperation are state-led initiatives that have a top-down structure, making them conform to what scholars call regionalism. In looking at regionalism, this thesis focuses on the forms of regional cooperation both Ecuador and Bolivia have joined containing at least three states and that are in some form related to economic policy.

### 1.1.2 Old and new regionalism

In academic literature on regionalism, 'old' versus 'new' ways of looking at the world are often mentioned. The way regionalism exists has changed, as has the way scholars look at regional cooperation. When looking at old regionalism, we could go back all the way to ancient Greece and the cooperation between autonomous city states, or the medieval cooperation by the nobility to divide land and control the peasant population living under their rule (Söderbaum, 2016). During the seventeenth and eighteenth centuries, Europe divided the world and many European countries controlled colonies to extract natural resources. This colonialism influenced many ideas about region building and ideas of governance, that still resound in today's view on regionalism. The golden age of regionalism however was the period after the Second World War II (Ibid.). During the 1950s, 60s, and 70s European regionalism was aimed at guaranteeing peace through integration. This European cooperation saw the creation of formal institutions and member states of the European Union gave up a degree of autonomy in areas like justice and budgeting (El-Agraa, 2011). Academic literature focused on federalism, functionalism and inter-governmentalism. Although these theories were able to explain the European project, they were unable to capture the forms and methods of regional integration in the rest of the world, especially in the developing countries because of differing dynamics and goals (Söderbaum,

2009). Whereas Europe focused on peace and formal integration, the developing countries were busy nation building and looking for ways to achieve economic integration (Ibid.). After the Cold War, the way in which states conducted cooperation changed under pressure of globalisation and neoliberalism. States had the ability to trade worldwide, and regions were no longer dependent on geographical boundaries. An example of regional cooperation stretching continents is the Pacific Alliance, with Asian and Latin-American countries (Gardini, 2015). Many countries became members of more than one regional form of cooperation, and the complexity of separating and comparing these cooperation greatly increased. This led to the development of new ways to explain regions and cooperation and this was the beginning of theories surrounding new regionalism and comparative regionalisms (Söderbaum, 2016). New regionalism and comparative regionalism are different in several respects. The historical context within world-order has changed. Old regionalism was set in the period directly after WWII which meant regional integration to a high degree in Europe to guarantee peace, and was focused on nation-building and economic development in the developing world. New regionalism is focused on the period after the Cold War, with globalisation leading to an explosion in regional initiatives and trade agreements (Söderbaum, 2015). The nation state became less important as an actor, because physical boundaries started blurring and the term global village, coined in the 1960s became accurate again to describe the influence of globalisation (Brecher & Costello, 1998).

Comparative regionalism identifies a shift from a bipolar world order to a multipolar world order. Emerging powers like the BRIC countries became important actors and the Euro-centric view on regional cooperation lost its importance in many respects. Because of its history and apparent success, the European Union is viewed as a benchmark, by policymakers and scholars alike. Putting the European Union on a pedestal and making it a benchmark, results in a western-centric view in the analysis of regional cooperation in academic literature (Acharya, 2016).

With respect to the links between national, regional, and global governance, the new and comparative regionalism shifted away from European regional integration and nation building in the developing world. New regionalism sees regional integration as resisting, taming, or advancing economic globalization. Comparative regionalism tries to dissect and explain the multi-faceted layers of regional cooperation within world order. The actors and their interests have also changed. Where old regionalism was purely state-led and concerned with a limited agenda like security or economic integration, new and comparative regionalism recognize both formal and informal actors. The attention has shifted from single-issue regional cooperation to



multi-sectoral regional cooperation between both formal and informal actors, often overlapping (Söderbaum, 2016).

Gardini (2015) makes a case for modular regionalism, a way of going beyond the descriptiveness of comparative regionalism. Modular regionalism is policy oriented and takes into account the growing interconnectedness in after the 2000s. Gardini identifies the new regionalisms using six arguments underlying the regional initiatives in Latin-America: 1) countering open regionalism, 2) distancing from US hegemony, 3) increased international presence spurred on by globalization, 4) increased interconnectedness, 5) the gap between political discourse and real-life policies, 6) and the role of cooperation instead of traditional economic integration (Ibid.). Gardini identifies different forms of new regionalisms according to these arguments. The first form is Post-liberal regionalism, specifically aimed at the Latin-American situation. In this post-liberal regionalism a more political dimension is present, and a multi-faceted approach is central, together with an adaptation of neoliberalism. In a regional sense, a change from open and trade-centred regionalism to a closed more political regionalism is visible (Kennemore & Weeks, 2011). Post-hegemonic regionalism is aimed at created distance from the US through regional organisation. It seeks to rupture with the dependence on the US without necessarily rupturing with the neoliberal model championed by the global north (Gürcan, 2010). Third-generation regionalism focuses on the increased importance of regions on the global stage. Weakness of this analysis lies in the EU-centric view on explaining this process, making it less suitable for the analysis of different regions in the world (Acharya, 2016). Spaghetti-bowl regionalism seeks to explain the juxtaposition of regional proliferation, where countries participate in many regional initiatives that can be overlapping or contradictory (Abugattas, 2004). Rhetorical regionalism explains regionalism looking at the normative commitments regions make and both the obligations and the legitimacy these initiatives mean. Regional integration has been an important factor in providing legitimacy to Latin-American leaders since states gained independence, but has also meant added obligations. The mechanism of compliance on an international level is a weakness in rhetorical regionalism, since states tend to choose self-interest over regional interests in a conflict of interests (Gardini, 2015).

The modular approach has its strength in combining different types of new regionalisms on a grayscale, reflecting a reality where national decisions and interests are shaped by both international interconnectedness and domestic politics.

Because this research focuses on regional initiatives that may differ in their core goals and theoretical tradition, a comparative approach including all layers and actors is suitable. Using

Gardini's arguments and the new regionalism framework, the regional initiatives Bolivia and Ecuador have taken between 2006 and 2014 will be investigated.

## **1.2 Neoliberalism and Post-neoliberalism**

This section explores the main components of neoliberalism and post-neoliberalism, in both the economic and social spheres. The role of the state is of importance for this research since it is the government that decides to participate in regional initiatives, as well as the stance towards the global market. A short section on the differences between neostructuralism and post-neoliberalism will follow. To define what scholars call post-neoliberalism, we must first look at what neo-liberalism entails in respect to the political and economic sphere, and in what ways post-neoliberalism differs from neoliberalism.

### **1.2.1 Neoliberalism**

According to Yates and Bakker (2013), neoliberalism as seen in Latin-America contains aspects of a rearrangement of global capitalism and opening the national markets to a globalizing economy. Strategies that have been common throughout the region include privatization, cuts in public expenditure, a weaker state and a free market system that increased economic interdependency through free trade agreements and direct foreign investment. Arnson (2007) adds the reconsolidation of the political elites to this spectrum and sees a growing equality gap as one of the consequences of neoliberalism.

Williamson coined the term Washington Consensus, containing ten points that reflect the views of the World Bank and the International Monetary Fund (IMF) the two most important International Financial Institutions (IFIs), both based in Washington. According to Williamson, the Washington Consensus could be captured in ten points (Williamson, 1990). These ten points can be characterized by looking at the role of the state. The first category is the field where the state has to undertake action in increasing its presence, in steering the market domestically and reforming its own structure. These points are: redirection of public expenditure priorities toward fields offering both high economic returns and the potential to improve income distribution, fiscal discipline, tax reform (to lower marginal rates and broaden the tax base), secure property rights, interest rate liberalization, and providing a competitive exchange rate (Ibid.).

The second category is concerned with the withdrawal of the state and liberalization of the markets. The points belonging to this category are: trade liberalization, liberalization of inflows

of foreign direct investment, privatization, and deregulation (to abolish barriers to entry and exit).

These ten points do indeed reflect a great part of what neoliberalism came to stand for, especially in Latin America, where the IFIs were especially powerful for two reasons. The first reason is Latin-America's proximity to the United States, which gives the United States a great deal of influence. The second reason is the fact that many countries in the region have been under the rule of authoritarian regimes and military juntas leading up to the nineties, leaving them weakened in terms of democratic governance and economic power (Rodríguez, 1991).

### 1.2.2 Post-neoliberalism and neostructuralism

When looking at what scholars call post-neoliberalism, some significant differences can be found between neoliberalism and the post-neoliberal policies in general, and in Latin-America specifically. A crucial factor identified in the scholarly literature on post-neoliberalism is the dynamics between state and market, and the state and the electorate.

Leiva (2008) identifies four important differences between neoliberalism and post-neoliberalism in several categories. First, in terms of operative notion, Leiva (2008) identifies a shift from comparative advantage under neoliberalism to systemic competitiveness in the framework of post-neoliberalism. Comparative advantage seeks to reach and maintain growth through undistorted prices and markets to reach an equilibrium worldwide where states invest in crucial sectors and open up the market to other countries, guaranteeing the uninhibited functioning of the market. Systemic competitiveness sees a much more active role for states in insertion into the world market, where an integrated approach seeking to satisfy both the world market and popular demands on a domestic level.

Second, in terms of the roots and realm of competitiveness, Leiva (2008) identifies a difference between price and market, and the incorporation of technological progress within society as a whole. Neoliberalism competes within the realm of the market, and its roots lie in price of goods and labor. Post-neoliberalism's root of competitiveness lies in the ability to incorporate technological progress. The realm of competitiveness is society as a whole, because an interface between market, institutions and the people has to exist. Pricing is less important in this scheme since it is less beneficial to society as a whole, since it does not necessarily create equity (Ibid.). Third, when looking at the role of the state under both paradigms, Leiva (2008) sees important differences. Under neoliberalism, the role of the state was to guarantee the functioning of the market, enforce contracts and property rights, and provide limited social services. Under post-neoliberalism the role the state has is much bigger, and its influence much

more comprehensive. It has to generate social and political consensus for economic policy, promote strong sectors and exports, and complement the market. In addition to this larger role in the economy, the state is also much more important in the social sphere. The state has to enable private/public partnerships and foster civil society/state alliances (Ibid.).

Grugel and Ruggirozzi (2012) add increased social spending and investing in human capital as key characteristics for the role of the state within post-neoliberalism. Through investing in society as a whole should increase equity and level the playing field. The fourth difference Leiva (2008) describes is the way neoliberalism and post-neoliberalism deal with social conflict and populare demands. Where neoliberalism sought to repress, disarticulate and co-opt collective social actors, post-neoliberalism is more concerned with creating enough public support to channel actors towards a common goal.

In Latin-America, Chodor (2015-b) identifies these changing dynamics starting with the Bolivarian revolution, an anti-hegemonic project seeking to break free from neoliberalism through taking back control over the markets and increasing political participation (Chodor, 2015-a). With this participation and reinstating the state as active participant instead of passive regulator, the state seeks to integrate companies into society and satisfying basic popular needs. This reborn Bolivarian project took flight in Venezuela and its socialist tendencies spread over the continent, and although the extremist measures taken in Venezuela are not representative for the region as a whole, the post-neoliberal argument can be made for large parts of the region (Grugel & Ruggirozzi, 2012). Fraser (2011) sees the end of the Washington Consensus as a somewhat anti-imperialist process, where economic dependency through the capitalist open-market structure plays an influential role. This fits in with the domestic policies identified by other scholars that aim to diminish the influence of other, more developed nations, through the nationalization of crucial sectors in the economies.

Although scholars usually agree on the typical characteristics of post-neoliberalism, the reason it was implemented and deemed necessary is contested. Where scholars like Chodor (2015-b) see the age of post-neoliberalism as a reaction to neoliberalist shortcomings like the vulnerability to market-shocks and the inability to respond to crises due to interdependency, as well as the inequality embedded in anarchic market structures, some scholars use a more historical cyclical perspective. Yates and Bakker (2013) for example, see the turn to post-neoliberalist policies in a more historical perspective and argue that economic policies are of a cyclical nature. After the protectionist policies in the 1950s, 60s and 70s, that brought large debts for countries in the region due to investments in industrialization, a turn towards neoliberalism under the influence of globalization was a logical step. When it became clear that

neoliberalism and the Washington Consensus did not have the desired effects, but were counter-productive due to the inherent shortcomings of the system, a turn towards post-neoliberalism with a stronger state presence and a will to escape economic dependency was to be expected (Yates & Bakker, 2013). Therefore, although consensus exists on its characteristics, the processes driving the post-neoliberalist project are somewhat contested.

Since this thesis will look at foreign- and domestic policies that have a profound effect on international relations, the definition and main characteristics of post-neoliberalism that will be used in this thesis as identified by Yates and Bakker, (2013) are the returned participation of the state to satisfy popular needs and the use of economic regulation to create less dependency on developed nations and the international financial institutions. Combined with anti-imperialist or anti-hegemonic policies identified by Fraser (2011). The terms post-neoliberalism and neostructuralism are used in much the same way in the academic literature.

There is an important difference however, in the way restructuring the state takes place. Where post-neoliberalism is more of an adaptation of neoliberalism, keeping much of its dynamics, especially with regard to international relations, neostructuralism proposes a completely different dogma, and requires more thorough restructuring of the state (Nem Singh, 2010).

Leiva (2008) argues that post-neoliberalism in Latin-America has not done enough to break with neoliberalism, along the same lines Nem Singh (2010) does. Leiva identifies important contradictions between neostructuralism and post-neoliberalism in restructuring the state and gaining more economic autonomy. He argues that the way social policies are restructured has nothing to do with the restructuring of the economy, and because the fundamentals remain the same, dependency on both richer nations and global economic crises remain the same.

### **1.3 The politics of economy and the impact of crises**

This sections looks at the way academics approach and explain the global economy, looking at main theoretical perspectives surrounding the way markets and states interact, as well as the theoretical causes of crises and their impacts. The following part explores the main conceptions surrounding the three central theoretical perspectives in Global Political Economy (GPE).

#### **1.3.1 The ongoing debate: Market versus state**

In the field of GPE, three historical theoretical traditions stand out as not only explaining, but also shaping economic policy around the globe. These theories are the neoclassical, the

nationalist, and the critical or Marxist traditions (Watson, 2014). Between the traditions tension exists in the way markets function and the way the state and the market should interact to reach economic growth are explained.

The neoclassical school of thought is based on the idea of a perfect market that finds an equilibrium if left to its own devices. This conception of a market that functions best when interfered with only when absolutely necessary stems from the works of Adam Smith (1723-1790). In *the Wealth of Nations*, first published in 1776, Smith calls for a rehaul of economic thinking, stating that tariffs on trade inhibit economic growth and damage the economy in the long run (Waterman, 2002). The role of the state in Smith's opinion was to do two things. First, states had to provide the market with the ability to function, and provide the opportunity for personal freedom for the people within the state. This provision of personal freedom was important to make sure everyone had equal opportunities. Second, according to Smith, market distortions were due to interference in the market, by either states or entities that did not handle according to the best interest of the market. This view is reflected by modern scholars throughout the nineteenth and twentieth centuries. During the interbellum and shortly after WWII, neoclassical economics were visible in the Western liberalism that aimed at eliminating tariffs on trade around the globe, eventually leading to the General Agreement on Tariffs and Trade (GATT) (Hoekman, 1996). The GATT existed from 1948 until 1994, when it was replaced by the World Trade Organisation. From the 1960s onwards neoliberalism also reflected the main principles of neoclassical economics, and many critiques aimed at neoliberalism were also aimed at the neoclassical way of theorising economics (Ibid.).

An important critique on neoclassical economics is that it assumes rationality, leaving out self-interest when looking at the global economy and the way states behave within the system. The most important critic of Smith's way of thinking was Friedrich List (1789-1846), a German philosopher and economist (Watson, 2014). List formulated two arguments against the liberal economics Smith championed. The first argument was that whether it was beneficial for states to deregulate economies was dependent on their degree of development. Highly developed nations like the British Empire had much to gain by liberalising trade in their colonies and trading partners around the globe, while the developing nations would remain underdeveloped because they lacked the opportunities for further development. List argued that the reason the British Empire became rich was due to mercantilism in the 1700s and the early 1800s, which was very protectionist in its core (List, 2016). The second main argument List made was that states as well as people always have an agenda, and therefore influence the market to best suit their own interests. International compliance with liberalisation was dependent on whether

states would benefit by complying (Ibid.). This economic realism saw a much greater role for the state in protecting the domestic market to ensure equality, and criticised rational choice economic championed by Smith. The way List saw development and the way countries needed to move up the value adding chain was through protection of crucial sectors, with both state support and tariffs, was highly visible in the ISI model prevalent in Latin-America in the 1950s and 1960s (Baer, 1972).

The third theoretical tradition is historically grounded in the works of Karl Marx (1818-1883), a philosopher that became known for his rejection of capitalism as a whole. According to Marx, the capitalist system kept the workers subservient to capitalist interests. In order to reach sustainable development, the course of action would be to unite workers globally, and redistribute all wealth among the global population. Marx saw the state as an irrelevant actor and argued that capitalism could only be overcome if class struggle was the focus, and not the struggle between nations (Watson, 2014). Critical political economy in modern times still relies on Marxism as a foundation, but unlike Marx is concerned with maintaining equitable growth within a capitalist system (Palan, 2013). This current in GPE argues that it is the responsibility of states to regulate the market while guaranteeing public welfare for the population. This means that states have an obligation towards the population and nature, and that generating revenue should be done in a way serving democratic interests (Ibid.). Chang (2002) describes the way developing nations are forced by the rich industrialised nations to adopt neoliberal deregulation in the 1980s and 1990s that try to ensure that industrial and technological development are less important than the current model of production. Chang calls this 'kicking away the ladder', and her arguments are reflected by the anti-imperialist arguments found in modern socialism and post-neoliberalism (Chang, 2002). The way post-neoliberalism fits into critical political economy is also visible in the arguments for social development paid for by an adaptation of neoliberalism that puts the people first and the market second (Chodor, 2015-b). Within this framework, the state is seen as both guardian and regulator. Selwyn (2014), a contemporary critical economist sees the main disparity between growth in wealth and equity as weakness in both the statist and the liberal approaches. Although neoliberalism has led to a significant decline in poverty all around the globe, inequality has simultaneously risen almost everywhere. He argues that both approaches see market inclusion as crucial to create a trickle-down effect where every participant benefits. Like Marx, he sees the capitalist system as perpetuating class differences and keeping workers subservient. He argues along the lines of Arrighi, stating that labour has become subject to commodification, reducing people to a tradable commodity like natural resources and territory (Rosewarne, 2010).

### 1.3.2 Bracing for impact: economic cycles and crises

When looking at economic cycles and the crises they end with, historical evidence of a cyclical economy is found going back to medieval times, where the nation-state and the capitalist system were both developing. Arrighi (1993) argues that economic cycles and hegemonies are inextricably connected. He points to the Italian city-states during the 1400s, the Dutch in the 1600s, the British during large parts of the 1700 and 1800s and the US after WWII. These hegemonies were introduced by financial crises and ended with financial crises, mostly due to unsustainable debt. In the case of the US, the current economic hegemon, the crisis between states was the Second World War, and the vacuum that was created both politically and financially was filled by the US. Arrighi argues that a decline in US power is visible since the 1970s economic crisis, and that another major crisis will most likely end US hegemony. These crises are usually caused by the inability to keep real production in line with financial deficits. When money is created through the commodification of services, labour or property rights, societies become debt-based and this bubble eventually bursts, since real value and trade value are too far apart (Arrighi, 1993).

This begs the question if the 2008 financial crisis does indeed mean a new hegemon will rise and if neoliberalism as prevalent framework for economics will be replaced by something different. Like Arrighi, Allen and Carletti (2010) also point to financial bubbles as the main cause of economic crises throughout the twentieth and the twenty-first century. A difference Allen and Carletti identify between the 1930s crisis and the last three crises with major global repercussions is the way they affect the developing nations. The 1970s crisis, the Asian crisis at the end of the 1990s and the 2008 crisis all had an increasing impact on regions outside the industrialized developed nations (Allen & Carletti, 2010). This argument is also key in the investigation into regional overspill of crisis in the investigation into the 2008 crisis performed by Kenourgios and Dimitriou (2015), which concludes that worldwide contagion is becoming more common due to global interconnectedness. Showing the development of crises, the authors reach the conclusion that global crises affect rich and developing nations differently and at different times. The first phase of the crisis starts with the burst of the financial bubble, affecting mostly industrialized nations. The second phase contains the international reaction on decreasing demand for goods and raw materials. Developing nations are affected in this phase, and foreign investment decreases. This triggers a rebound in the industrialised nations that are seen as safe havens for capital. The last phase contains the slow rebound of the developing nations, starting with the more industrialized ones and the ones with the more diversified



economies (Kenourgios & Dimitriou, 2015). With regard to the 2008 crisis, commodity price volatility made recuperating very difficult, especially for single commodity exporters. Oil prices dropped from \$147 per barrel in the summer of 2008 to around \$40 dollars at the end of the same year. Many commodities experienced the same sharp drop in price, making the second phase of the crisis difficult for single-commodity exporters (Allen & Carletti, 2010).

The way the theoretical traditions see the workings of the global economy and the way crises affect different regions and nations will be used in the analysis to investigate the way Bolivia and Ecuador responded to both prosperous times and times of crisis in terms of initiatives of regional integration.

## **Chapter 2: Globalizing and Embedding Neoliberalism, an overview**

This chapter provides the historical background for this thesis. It is divided into three parts. The first part contains a short overview of the development of neoliberalism globally as well as for the Latin-American region. The way neoliberalism was introduced in South America is important to understand the turn of events after the election of Hugo Chavez in 1998 and the impact it has had in shaping the international relations globally and regionally. The second part of this historical context aims at the region, and focuses on the development of Latin-American regionalism and the way post-neoliberalism and neostructuralism have changed regional and international dynamics. The third part provides an overview of the political, economic and regional situation of Bolivia and Ecuador during the decade preceding Evo Morales and Rafael Correa.

### **2.1. Globalization, the Cold War and the spread of Neoliberalism**

During the Cold War, the world was somewhat divided between two great powers. The United States as proponents of free trade capitalism, and the Soviet Union as proponent of state-led socialism. Besides this animosity between these superpowers, technological innovations in production and infrastructure made production easier and transport cheaper, providing possibilities to conduct global trade (Frieden, 2012). This globalization had several consequences. First, events on one side of the world had the ability to create an impact on the other side of the world due to increased interconnectedness, both in production chains as in a social manner. Second, this economic and social connectedness made spreading ideologies easier over time, but it also meant economic shocks had the ability to affect economies worldwide and destabilize more countries (McGrew, 2016).

#### **2.1.1 The Cold War and the spread of neoliberalism**

The 1973 oil crisis and conflicts in the Middle-East had a shockwave effect resounding around the globe, triggering a significant slowing of worldwide economic growth. This recession and its repercussions created the need for more fiscal discipline and different ways of seeking revenue for states (Harvey, 2012). Neoliberalism was the answer the IFI's came up with. It started in the city of New York, where bankruptcy was a real option. The IFI's bailed out the city under stringent conditions, which later became known as the Washington Consensus. Social spending was cut to an absolute minimum and the city's infrastructure was largely

privatized. The city of New York became a laboratory for neoliberalism. In the Western hemisphere, neoliberalism was introduced through the slow creation of democratic consent and the gradual spreading of ideology. Neoliberalism was framed as the only way of ensuring domestic prosperity, and democratic institutions were responsible for the implementation of neoliberal policies (Ibid.).

The situation in the rest of the world was quite different. President Eisenhower formulated the Domino Theory, stating that if one country became communist, the countries around it would soon follow. This meant that the US was responsible for making sure capitalism remained the only valid way of conducting trade and international relations. This view resulted in several wars around the world and various instances where the US influenced the formation of governments (McSherry, 2012). In the case of Latin-America, neoliberalism was spread mostly by force with the US installing right-wing authoritarian governments throughout the region. This happened because the US saw the American continent as its rightful sphere of influence, and it was highly invested in containing communism to Cuba (Harvey 2012).

After the fall of the Berlin Wall, the Soviet-Union collapsed and the US was the only remaining great power, both militarily and economically. This meant that neoliberalism and thereby US influence increased and neoliberalism was adopted throughout the world. The roots of neoliberalism were solidified in the Washington Consensus and economies all around the world were growing. By the turn of the century poverty throughout the world was at an all-time low, but a very small part of the world's population was benefiting significantly more than the rest and deregulation and shrinking social spending became staples for good economic policy. This lack of equity in growth both on a global as a domestic level became one of the main critiques of neoliberalism during the late 1990s (Frieden, 2012).

It seems that some Latin-American countries did not adopt neoliberalism voluntarily, and were sometimes forced to adopt neoliberalism. This made the strong anti-American, and in a lesser way anti-European sentiments within the region stronger, and these sentiments found their way into regional politics, first in Venezuela and later in many more countries in Latin-America (Grugel & Riggirozzi, 2012). As mentioned in the theoretical framework, these feelings of being kept dependent on the US and the rich industrialized nations were echoed in post-neoliberal rhetoric.

## **2.2. Latin-American regionalism, neoliberalism and the Twenty-First Century**

This section will first shortly explore the history of Latin-American regionalism, since this will provide with an understanding of the patterns visible in the creation and downfall of regional cooperation in the context of global economic and political events. After this historical overview, the polemic after the election of Hugo Chavez and the changing north-south relations will be discussed because of their influence on both regional cooperation and the Pink Tide in Latin-America.

In the case of Latin America, a noticeable period where cries for regional cooperation and unification were heard was during the wars for independence. Between the late eighteenth and the early nineteenth centuries many Latin-American countries gained their independence and men like Simón Bolívar advocated a unified Latin America (Bianculli, 2016). This unified Latin-America never came to be due to several reasons. First, the newly independent countries were still shaping domestic institutions and trying to set territorial boundaries, making effective cooperation difficult. Second, the US issued the Monroe Doctrine in 1823, unilaterally claiming Latin-America as its sphere of influence (Ibid).

During the first half of the twentieth century, several regional initiatives were undertaken but most of them were not ratified in the end due to US pressure on the respective governments. This meant that the period leading up to the Cold War, regional integration was also non-existent and the US remained the unchallenged hegemon in the region (Söderbaum, 2016).

During the first half of the Cold War, Latin-America was focused on the Import Substitution Industrialization Model (ISI), to counter economic dependency on the global market. This ISI model came from the idea that dependency on highly industrialized nations could only be limited by taking over the production chain (Baer, 1972). Many countries in Latin-America were single commodity exporting nations that were highly dependent on the export of raw materials. When production slows down, the demand for these raw materials declines, making this type of economy vulnerable to economic shocks. Regional cooperation in tariffs and taxation were installed to protect the region against the already industrialized nations. The ISI model failed in the end due to the inability to successfully integrate the production into the domestic economies and the high costs of industrialisation, leading to high government debts throughout the region (Ibid.).

During the 1970s a return to free market capitalism was made, which was in some cases forced, and in other cases made voluntarily. The 1980s, or the 'lost decade', consisted of economic decline, weak democracies and large scale privatizations of important industries (Bianculli, 2016). It was during this time that MERCOSUR was first conceived. MERCOSUR

is a regional, highly institutionalised body consisting of Argentina, Brazil, Paraguay and Uruguay. Bolivia is in the process of becoming a member, and Venezuela has been suspended. It is the closest and broadest form of regional cooperation in Latin-America, that handles issues ranging from trade to immigration (Bianculli, 2016).

When looking at Latin-American regionalism during the twenty-first century, four important characteristics are discernible: 1) the move away from the neoliberal model of closed economic regional integration, 2) realism in state interests and feasibility, 3) pragmatism, and 4) creating a workable situation on the continent without copying foreign models of regionalism.

This shift away from the forms of neoliberal, and or imported forms of regional cooperation was caused by several factors, but one man has been instrumental in changing rhetoric and policy around the continent: Hugo Chavez (Ellner, 2004).

When Chavez was elected in 1998 he identified two main problems in Latin-America that were caused by the US, aiming at keeping the continent subverted to US interests and influence. Chavez identified poverty and inequality as the main problems Latin-America faced, and neoliberalism perpetuated these problems (Bianculli, 2016). Chavez was reinforced in his ideas on dependence on global neoliberalism when the Asian financial crisis hit the Latin-American region particularly hard as suppliers of raw materials (Vegh & Vuletin, 2014). Chavez argued sustainable and equitable growth were only possible if the region united against neoliberalism and the influence of the US, and their 'financial colonialism'. The Creation of ALBA in 2004 with Cuba was the first step in fighting this US hegemony on a regional level. ALBA was aimed at providing Latin-America countries with a higher standard of living, paid for by the revenue from oil the Venezuelans made due to high oil prices (Restuccia, 2017). This thesis aims at investigating the way the global economy and post-neoliberalism have influenced the regional politics by Bolivia and Ecuador, and ALBA is an important example of a regional initiative made possible by a good economic climate (Gürcan, 2010). Venezuela had an unprecedented economic growth of 18.2% in the year 2004 due to a favourable world economy showing a growth of 4.5% and unrest in the Middle-East driving up oil prices (World Bank Data). In short, in the case of ALBA, a positive connection between the global economy and regionalism seems to exist, although the turn to the left in Latin-America coincided with a crisis for post-neoliberalism.

Although this anti-imperial stance rejecting the US and its economic policies (neoliberalism) has not been adopted by the entire region, it did make way for the Pink Tide, and a different way of looking at the global economy. The impact of Chavez's discourse

resounded across the continent and the changing times gave way to many leftist governments in the region (Grugel & Riggirozzi, 2012).

The success of the Post-neoliberal project also coincides with a major global economic crisis, which may well have helped the cause of leftist and progressive leaders throughout the region, because the crisis left most Latin-American countries relatively unaffected with many of them maintaining slow growth or minor recessions (World Bank Data 2018).

### **2.3 Bolivia and Ecuador before Morales and Correa**

This section will shortly reflect on the political, economic and regional aspects in the decade leading up to the presidencies of Rafael Correa in Ecuador and Evo Morales in Bolivia. The first section will be dedicated to Ecuador, followed by a section dedicated to Bolivia. The time period described spans roughly a decade, to include the Asian Financial Crisis that spread to Latin-America just before the turn of the century.

#### **2.3.1 Ecuador preceding Rafael Correa**

Regional initiatives during this period were mostly aimed at opening up the market, and open regionalism to attract foreign investment was important to the Ecuadorian government during the decades preceding Rafael Correa (Devlin and French-Davies, 1998). Free trade agreements between Chile and Ecuador in 1994 and negotiations between Mexico and Ecuador show bilateral trade being expanded without any further integration. The expansion of free trade within the Andean Pact shows a proliferation in free trade fitting in the single-issue liberal regionalism (Ibid.). Besides the Andean Pact being expanded in the 1990s, several presidents during the decade supported the Free Trade Area of the Americas (FTAA) (Dannenmaier, 2003). The FTAA was a US-led initiative to integrate the whole continent into one free trade area, opening up national markets and creating a trading bloc with a strong neoliberal core decreasing national sovereignty in favour of free trade and the influence of the IFI's (Carranza, 2004). Because Ecuador already subscribed to most of the Washington Consensus with respects to openness and liberalisation, integrating into the FTAA did not require much restructuring in economic policy and was seen as beneficial for maintaining economic growth and attracting foreign investment (Rosenberg, 2008).

The situation in Ecuador leading up to the presidency of Rafael Correa was very tumultuous when looking at the political situation. Six different presidents served from January 1997 until Correa's inauguration in 2007, with none of them serving a full term.

In terms of economic policy, a deepening and widening of neoliberal policies in the social sphere can be seen up until 2006, when Palacio proposes broad social reforms just before the general elections. Noticeable times of neoliberal entrenchment were the presidency of Mahuad from 1998-2000, with the proposed dollarization of the economy and the privatizations of crucial sectors as conditions for IMF loans. The 1997 Asian financial crisis hit Ecuador in 1999 with a decline in GDP of 4.7% and the rapid devaluation of Ecuador's currency, triggering the Ecuadorian banking crisis (Colloredo-Mansfeld; Mantilla & Antrosio, 2012). Palacio's referendum in 2006 can be seen as a break with social politics under neoliberalism, but his economic policies remained largely the same, as did the growth of GDP (Jameson, 2011).

When looking at Ecuador before the election of Rafael Correa, political turmoil and economic crises characterize the decade from 1997 until 2007. In terms of regional policy at the time, a tendency to market liberalisation for the purpose of trade is the most visible, as is alignment with the US, in the economic integration proposed by the FTAA. Proliferation in neoliberal policy is visible throughout the decade, as is the growing resistance against it. This resistance against neoliberalism and the growing influence of the indigenous movements are important in analysing the way Rafael Correa has consolidated his power.

### 2.3.2 Bolivia in the years preceding Evo Morales

With respect to regional developments in Bolivia, the decades preceding Morales brought no real regional integration besides the expansion of trade under the Andean Community. Like in Ecuador the trade oriented CAN remained the main regional project Bolivia participated in (Mejido, 2011). This relative absence in regional cooperation has a clear reason. Bolivia was a single-commodity export economy, and trading raw materials and hydrocarbons required less integration than a highly diversified economy. This meant that besides the US and Brazil that received raw materials, and the CAN members Bolivia had no important economic ties within the region, making regional integration less beneficial (Escaith, 2004). Unilateral and bilateral opening of the market through trade agreements with Mexico and MERCOSUR show the same tendency visible in Ecuador's foreign policy, although an important difference with regard to the FTAA exists. Further opening up of the market through deregulation and privatisation remained unpopular in Bolivia, and economic regional integration was seen as reducing autonomy and increasing vulnerability to foreign interests and economic shocks (Riggirozzi, 2010). As a consequence Bolivia was never a proponent of the FTAA, and in 2005 ended all ongoing negotiations, accusing the US of financial colonialism (Mejido, 2011).

Three months after the inauguration of Evo Morales, Bolivia joined ALBA, a regional initiative founded by Cuba and Venezuela, that seeks to break with neoliberal development and unite Latin-America under socialism, while providing a model for international trade that reduces dependence on the US (Ibid.).

Bolivia, like Ecuador, has known a fair deal of turmoil within the political sphere, resulting in six presidents serving during the period from 1997 until 2006, and two large scale popular uprisings in 2000 and 2003 (Perreault, 2006). The 2005 elections were won by Evo Morales, the founder and leader of the *Movimiento Al Socialismo* ( MAS), and initiated a swing to the left in Bolivia. Morales managed to gain influence through decades of work in the representation of the indigenous population, making up more than 60% of the population (Madrid, 2005).

From an economic point of view, the decade leading up to the presidency of Evo Morales were, much like Ecuador's, characterized by neoliberal reforms. Bolivia was interesting because of its abundance of natural gas and possibilities to develop and maintain infrastructure in multiple sectors. Attempts by governments before Morales to attract foreign investment through the privatization of state enterprises led to large scale uprisings among the indigenous and population and during the decade these movements unified under the MAS managed to influence economic policy in some cases (Mejido, 2011). When Morales was inaugurated in January of 2006, he immediately announced the Plan for National Development (PND), which would become the foundation for his post-neoliberal development model (Ibid.).

In conclusion of this section, similarities between Ecuador in Bolivia are present in various aspects. With respect to regionalism, both Ecuador and Bolivia remained member states of the CAN, and, opened their markets to the global economy both unilaterally and multilaterally. The main difference in the pursuit of regional integration lies in the willingness to adhere to the Washington Consensus. In Ecuador, regional integration in the form of the Free Trade Area of the Americas was pursued because of the perceived advantages of further regional economic integration. Bolivia did not seek further regional integration besides the Andean Community. In a political sense both nations have known turmoil in the decade leading up to 2007, with attempts of presidents in both countries to further entrench neoliberalism through privatizations and austerity measures being met with popular resistance. In both countries, the indigenous movements played an important role, both in protesting neoliberalism and supporting Correa and Morales. Within the economy, the Asian crisis had a negative and prolonged impact that necessitated the neoliberal measures to counter inflation and maintain the inflow of foreign currency, mainly the US dollar.



## **Chapter 3: Regionalism and Economic circumstances in Bolivia and Ecuador**

The following analysis consists of three parts. The first part will shortly look at the way Morales in Bolivia and Correa in Ecuador have established their post-neoliberal regimes. The second part will look at the global economic circumstances during the respective regimes, and the third part will look at the way these post-neoliberal regimes have sought regional cooperation in these macro-economic circumstances. For the analysis of the global economic trends and the way these trends affect Bolivia and Ecuador, figures on GDP growth provided by the World Bank will be used in combination with trade figures provided by the World Trade Organisation (WTO). These figures enable a comparison between the global level and the national level, as well as a possibility to investigate the effect of regional cooperation on an economic level. The conclusion following the analysis will connect the regional initiatives with the incentives created by the global economy and the nature of the post-neoliberal regimes, identifying similarities and differences between Bolivia and Ecuador.

### **3.1 The turn to the left in Bolivia and Ecuador**

This section will analyse the way Morales and Correa have installed post-neoliberal regimes in Bolivia and Ecuador. Using the main policy initiatives proposed by both regimes, evidence of a post-neoliberal model of development will be presented. The main characteristics of post-neoliberalism as described in the theoretical framework in Chapter one will be used to describe the shift from neoliberalism to post-neoliberalism. These characteristics are: a more profound state presence in the social and economic sphere, renationalising crucial industries in energy and infrastructure, and the way post-neoliberal regimes approach the north-south and south-south relations.

Both Morales and Correa have presented Plans for National Development (PNDs) at the beginning of their first terms, which will be used to show the shift away from neoliberalism. Both PNDs are available through the links in the electronic sources. Both PNDs show many similarities in both proposed measures and discourse. Bolivia, where Morales presented his PND in 2006, and Ecuador, where Correa presented his version of the PND in 2007 can both be classified as post-neoliberal in ideology. Significant divergence in regional initiatives joined may be explained by economic factors, explored in section two and three of the analysis.

In June 2006, Evo Morales presented his plan for a new Bolivia, a 240-page document that identified four core strategies deemed crucial for a model of post-neoliberal development. These areas were titled: “Dignified Bolivia”, “Democratic Bolivia”, “Productive Bolivia”, and “Sovereign Bolivia”. Each of these four strategies aimed at tackling problems within the state, ranging from inequality and disenfranchisement to economic policies. For Ecuador the PND for 2007-2010 was the foundation of the post-neoliberal regime run by Rafael Correa. It consists of ten objectives that all fit within the framework of post-neoliberal development and that can be placed within the characteristics explored in the theoretical framework: 1) a more profound state presence in the social and economic sphere, 2) re-nationalising crucial industries in energy and infrastructure, 3) increased popular participation in politics, and 4) the way post-neoliberal regimes approach the north-south, and south-south relations. Both Bolivia and Ecuador have a culturally diverse society and the reinsertion of the state into society while recognizing this diversity are important in post-neoliberal discourse because it represents a move away from the austerity measures present in neoliberalism (Grugel and Riggirozzi, 2012). The proposed strategy to reach an egalitarian society through the recognition of indigenous cultures instead of assimilating into the western view of culture reflects the post-neoliberal notion of anti-imperialism and the creation of broad public support to channel actors towards goals, breaking with the practice of repression and co-optation common under neoliberalism (Leiva, 2008). Both ‘dignified Bolivia’ and the Ecuadorian objectives reflecting cultural and economic colonialism and empowering the population are the forging of national identity, providing welfare for the population and supplying people’s basic needs are present in the reinsertion of the state into the social sphere to construct a more egalitarian society. ‘Dignified Bolivia’ was aimed at constructing a system that diminished inequality and gave way to a more egalitarian society. It was simultaneously aimed at deconstructing harmful aspects of neoliberalism, and constructing the egalitarian society important in post-neoliberalism. When looking at the shift away from neoliberalism, two core-issues were colonialism, in this case in an economic as well as a cultural sense, and liberalism. Both PNDs feature a section on reaching these goals. In order to do so, the deconstruction of market-based social spending and providing equitable growth are crucial. The PNDs core solutions were universal access to social welfare. This means the main focal point is reducing poverty. Next to poverty reduction, access to basic needs for both living and self-fulfilment are main staples in the PNDs for both countries. The basic needs in the plan consist of drinkable water, housing and land, while self-fulfilment and personal development consist of employment, education and healthcare.

When looking at the increasing popular participation the goals under ‘democratic Bolivia’ the key-words were participation and the decentralisation of government to increase the feeling of representation. The corresponding objectives for Ecuador are guaranteeing the right to participate in social life and politics and the provision of communal space give the opportunity to come together and create a sense of unity. This also fits with Leiva (2008) and Chodor (2015-a), who describe the need for broad support starting at the lowest levels of society, to legitimize regimes, while breaking with the autocratic tendencies of neoliberalism. The state is no longer facilitating the market, but looking for an equilibrium between market and society. In the case of Bolivia, Morales planned to do this through decentralisation, giving local governments more power, making them more directly accountable to the local population while simultaneously increasing participation. As described in Chapter 2, both Bolivia and Ecuador had a tumultuous decade preceding Morales and Correa, and regaining society’s trust was crucial to implement change (Mejido, 2011). Strengthening local governments to create support and make democracy more accountable and transparent is characteristic for post-neoliberal regimes in Latin-America (Leiva, 2008).

When looking at the entrenchment of the state into the economy, both ‘Productive Bolivia’ and the Ecuadorian objectives of installing a sustainable system of solidarity reflect the post-neoliberal theory characteristic of finding a better balance between market and state. Both the Bolivian and the Ecuadorian PND emphasise the need to diversify the economy making it more resistant to global shocks, while investing in technology and industrialization creating possibilities for moving higher up the production chain. This proposed diversification that takes the dependency on raw materials away reflects the ISI model prevalent in the 1950s and the 1960s (Baer, 1972). Productive Bolivia and the Ecuadorian objectives reflect a strong post-neoliberal tendency, where both the renationalisation of industries as decreasing dependency on foreign investment and economic shocks are deemed crucial (Fraser, 2011). An important difference between post-neoliberalism and neostructuralism is also present in the section on economy. Bolivia’s and Ecuador’s PNDs do not only recognise the importance of foreign investment and openness to global trade, but it also deems it crucial. In this sense it differs from neostructuralism and its proposed break-away from the neoliberal structure, it just adapts it while strengthening the state in crucial sectors (Nem Singh, 2010). This way of thinking contains a certain socialist ideology, while also showing pragmatism, because it recognises the difficulty of breaking with an economic model present around the globe.

‘Sovereign Bolivia’ is the final strategy in the PND. In the PND it is titled “transforming international relations”. Bolivia’s PND identifies international presence over the last two

decades as erratic and incoherent, serving the interests of neoliberalism and weakening the Bolivian state. Ecuador's PND argues along the same lines, and poses that Ecuador's international presence has been dictated by neoliberalism during the 1990s and early 2000s. Academics like Mejido (2011) and Postero (2010) argue along the same lines, recognising the retrenchment of the state and the embeddedness of liberalism. The problems Bolivia and Ecuador face according to the respective PNDs are external dependence, political influence from economic interests, a hegemon (the US) keeping Bolivia and Ecuador subservient, and neoliberalism that weakens social actors and generates inequality. These problems fit into the post-neoliberal discourse, where an anti-hegemonic stance is used to create a sense of national identity (Grugel and Riggirozzi, 2012). Gaining international recognition for the importance of cultural diversity and the traditions like the cultivation of the coca leaf are present in both PNDs. This is a point that serves two goals. First, it has an economic purpose, and secondly it has a strong domestic purpose because it appeals to the indigenous population, creating a broad support base and incentivising participation (Chodor, 2015-a).

The PNDs also contain a proposed course of action to reform Bolivia's and Ecuador's external trade towards a more multilateral framework. In this new multilateral framework, the ISI model is reflected in the sense that both countries need to diversify and industrialize to move higher up in the production chain. A growing importance in south-south relations is also visible, with ALBA being named by Bolivia as a vehicle to provide sustainable and equitable growth. When looking at other regional initiatives, MERCOSUR is also important for Morales, although it reflects much of the old neoliberal politics in its core principles. This again shows the pragmatism of the Bolivian government when looking at international relations (Mejido, 2011). For Ecuador regional integration is also important to generate economic growth, with ALBA being named as a possibility for closer cooperation within the region. UNASUR and MERCOSUR are also mentioned, but unlike the Bolivian government, Ecuador names a shift away from the neoliberal character as a condition for further cooperation. Both PNDs do show pragmatism in the plans for foreign investment. Foreign Direct Investment (FDI) is needed to industrialize crucial sectors of the economy and pay for increased social spending under post-neoliberalism. Attracting foreign investment under neoliberalism was done through the sale of state-owned companies and provoked strong feelings of resentment during the 1990s and early 2000s (Perreault, 2006). In the PNDs, FDI is to be heavily state controlled, and safeguarding sovereignty is crucial. This again reflects the changes under post-neoliberalism, where multilateral agreements are conditional upon being mutually beneficial (Leiva, 2008).

As the section above shows, Morales and Correa are steering Bolivia and Ecuador in a different direction that conforms to the characteristics of post-neoliberalism as described in the theoretical framework. This research is not necessarily interested in the way these post-neoliberal changes were eventually implemented, but in the influence of both these post-neoliberal paradigm and macro-economic circumstances influencing regional integration. For this purpose, the next section will analyse the global economic trends as well as the economic trends visible in the Bolivian and Ecuadorian cases. Comparing the global economy with the Latin-American region in general and specifically Bolivia and Ecuador makes it possible to show the economic incentives for both countries to participate in initiatives for regional integration.

### **3.2 Bolivia and Ecuador in the regional and global economy**

The following section will look at Bolivia and Ecuador within the regional and world economy. When looking at the economic performance of both countries during the investigated period, as well as the moments Bolivia and Ecuador have joined regional initiatives, it is possible to investigate whether the global and regional economic circumstances have incentivised regional cooperation and in what way. Global economic circumstances can influence regionalism in several ways. A negative relation is possible, where decreasing growth both domestically and globally are a catalyst for regional cooperation in order to strengthen the country's individual position. A positive relation is also possible, where good economic circumstances give the opportunity to build and expand regional cooperation. This section analyses the performance of the Bolivian and Ecuadorian economies from 2006-2014. The moment both joined regional initiatives is then analysed in relation to the economic performance to see if a positive or negative relation between the economy, trade and regional integration exist. The trade figures are important because they may give important incentives for joining initiatives for regional integration, and they might reflect growth in external trade after joining regional initiatives. Maintaining these figures through forms of protectionism may show a negative relation to regional integration, just like weak domestic growth. The GDP growth percentages are important because they link the health of Bolivia's and Ecuador's economies to the global economy.

When looking at Bolivia's performance within the regional and the world economy, two things stand out in Figure 1. First, Bolivia performs better on average than both the region and the global economy. Second, the global development crisis that hit the global economy the summer of 2008 affected the region heavily, with GDP for the region shrinking with 1.8% in

2009, while Bolivia managed to maintain a growth of 3.4%. Figure 2 shows the percentage of GDP globally, regionally and domestically. Bolivia is highly reliant on external trade, as shown by the high percentage of GDP coming from trade. The Bolivian government has made some significant changes to the ownership of crucial extractive industries that remain the main generators of revenue for the state. In practice this meant that after two years raising taxes for foreign ownership, the Bolivian government renationalised the industries in the field of hydrocarbon (Cunha Filho & Gonçalves, 2010). In mining, a crucial sector for the Bolivian economy, the government tried to keep the inflow of foreign investment relatively high, while restructuring contracts and expanding government influence from 2007 onwards (Ibid.).

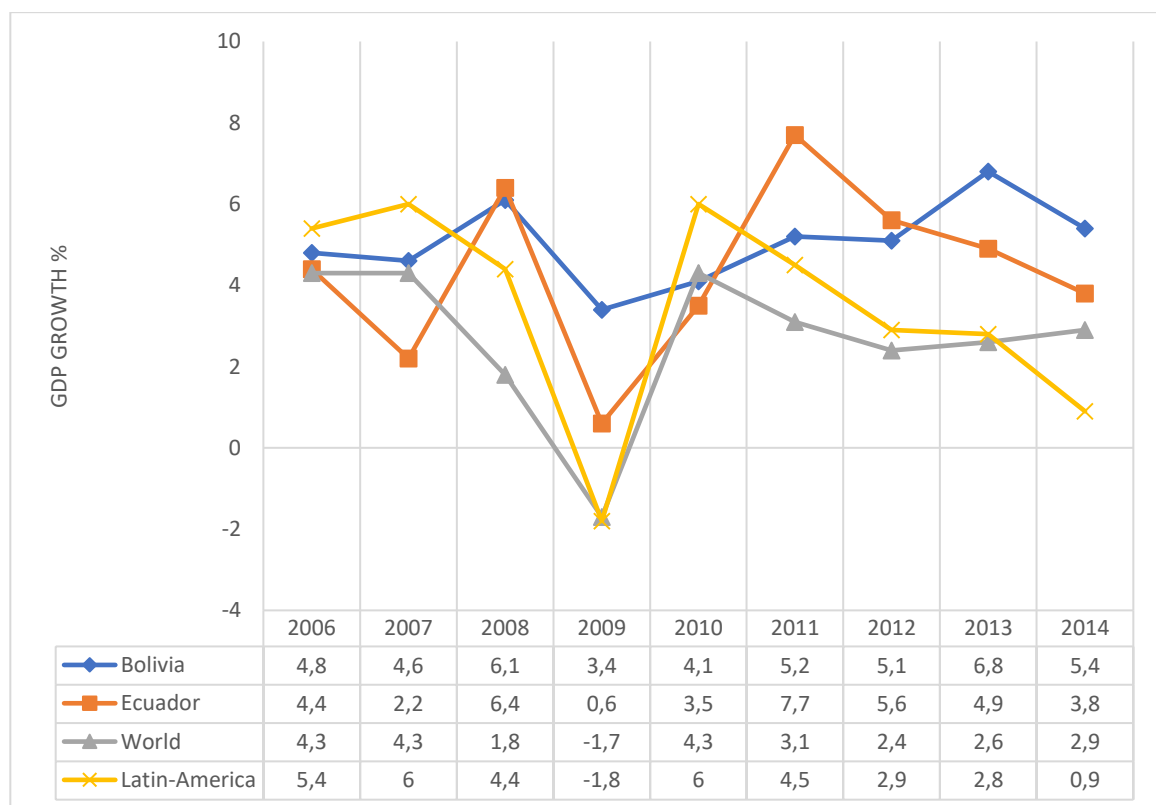


Figure 1: GDP Growth Percentage (Source: World Bank Data 2018)

In 2006 and 2007, the Bolivian government experienced high inflation rates due to rapid economic growth and the influence of the global economy, and pressure domestically and by the IMF rose to adopt contractive policies. Contractive policies are aimed at cooling the economy by decreasing social spending and increasing tax-revenue (Weisbrot, 2010). This contractive policy fits into the neoliberal policies described in the Washington Consensus (Williamson, 1990). Next to the Morales government's refusal of austerity measures was the

rapid de-dollarization of the Bolivian economy. From 2006 to 2009, the share of dollars in foreign capital decreased from 71% to 44% (Weisbrot, 2010).

When in 2008 the global financial crisis hit the Bolivian government was able to keep GDP growth high and weather the crisis, maintaining a growth of 3.4%, as shown in figure 1. The de-dollarization of the economy, together with uncompromised government spending seem to be at least part of Bolivia's successful countering the global recession. When comparing the Bolivian performance to the region, Figure 1 shows Latin-America performing much like the rest of the world in terms of sustained GDP growth. The main reason seems to be high levels of dollarization within the continent, a vulnerability to economic shocks caused by single commodity exporting economies and a dependency on trade with both the US and the EU that were both severely hit by the crisis (Weisbrot, 2010; Kenourgios and Dimitriou, 2015).

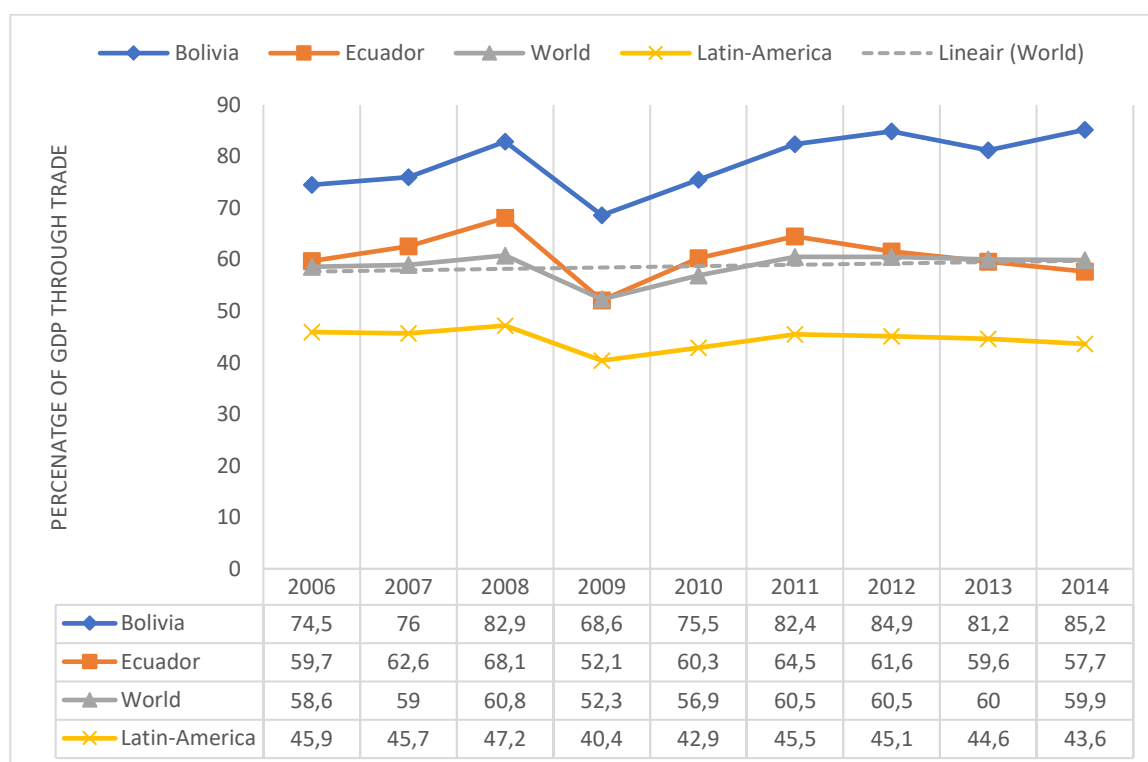


Figure 2: Percentage of GDP through trade (Source World Bank Data 2018)

While the first phase of the crisis had no profound effect on the Bolivian economy, the second phase had a more profound, long-term impact. This phase contains a rapid rebound by the industrialized nations and the nations closely connected to these nations, accompanied by a much slower rebound of the developing nations (Kenourgios & Dimitriou, 2015). Although Bolivia maintained an average GDP growth of 5.6% it took almost three years to reach the level of growth before the crisis, where the region rebounded much quicker, albeit performing worse

that Bolivia in terms of trade and economic growth as shown by figure 1 and 2. In terms of trading partners, the MERCOSUR and Andean Community countries as well as Asia became more important under Morales from 2007 until 2014 (WITS data, 2007. WITS data 2014). Although the partner share of imports and export with the US and Europe remained largely the same, added value was mostly found in trade with Argentina, Brazil, China and Peru (WITS Data 2007; WITS Data 2014). When looking at the period from 2012 until 2014, decreasing growth was a trend, caused by increasing difficulty in macro-economic circumstance, with a cooling in economies around the region visible, accompanied by rising inflation. Bolivia was also affected by political unrest in the region and the regional cooperation frameworks the Morales government participates in (Kingstone, 2018).

For Ecuador, the situation was different, partially due to interconnectedness with the US dollar, and partly because of the fact the Ecuadorian economy was already more open to foreign capital, with the decade before Correa being characterized by unilateral tariff reduction (Colloredo-Mansfeld et al., 2012). The election of another leftist president in Ecuador at the beginning of 2007 made foreign investors cautious, and the first year of Rafael Correa GDP growth almost halved decreasing with 2.1% as shown in Figure 1. This initial decrease showed Ecuador's dependence on foreign investment, and Correa followed the same course as Morales did in his first years, nationalising crucial industries to create revenue for social spending and reducing dependence on FDI (Ray & Kozameh, 2012; Fontaine, 2008).

When the global financial crisis hit, Ecuador was more severely hit in the first phase the dollarization of the economy, making drops in dollar value immediately resound throughout the country. Although many economists expected a prolonged crisis in Ecuador because Correa had very limited options in terms of monetary policy (Tas & Togay, 2014). However, Ecuador weathered the crisis using two main strategies. First, the Ecuadorian government set up a program of fiscal stimulus that provided housing finance to low-income households. This increased income for the lower parts of the socio-economic ladder, in turn increasing revenue from taxes on consumption. In terms of monetary policy, they stimulated the economy with low interest rates and guaranteed liquidity with laws requiring banks to keep a minimum of 45% of reserves within Ecuador. This measure provided cheap loans for companies, and reduced inflation figures (Ray & Kozameh, 2012). The crisis did affect the external goods negatively. Ecuador's external trade was affected because of the dollarization of the economy which made trade bring in less revenue due to inflation. Another factor was the fact the US was Ecuador's main trading partner, accounting for 44.6% of total exports (WITS data, 2008). Reduced US demand showed the dependence on the US as a trading partner and the vulnerability to shocks



caused in the drop of commodity prices (Tas and Togay, 2014). The first part of the crisis Ecuador showed characteristics of an industrialized nation due to its connection to the US dollar, which is in line with the model by Kenourgis and Dimtriou (2015).

Housing finance and the monetary policy benefited Ecuador during the crisis, and although Ecuador took a longer time longer time to rebound in terms of trade, the Ecuadorian economy outperformed the regional average in terms of GDP growth up until 2014 as shown in figure 1. Declining oil prices over the period 2012-2014 have affected the economy negatively, and revenue from petrol has declined with four billion US dollars from six to two billion US dollars in a period of three years (Ospina Peralta, 2015). A negative trend in both oil prices and Ecuador's protectionism in the economy have been visible since the year 2011, with the Correa government imposing tariffs on imports to incentivise domestic production (Ibid.). This protectionism on imports is a strategy implemented in developing nations to reduce dependency on foreign capital and move higher in the value adding chain by replacing raw material exports with semi-produced goods (Chang, 2002). These measures are reflected by the trade figures shown in figure two. When looking at foreign direct investment, the Ecuadorian government has shown continuity in growth. After a sharp decline after the election of Rafael Correa, FDI has steadily grown in this period. The decline in FDI coincided with a decline in GDP growth as mentioned above, showing once more the difficulty to reduce dependency as proposed by the post-neoliberal paradigm (Ray & Kozameh, 2012; Trading Economics Data 2000-2018).

When looking at performance within the region, both Bolivia and Ecuador perform above average, and domestic post-neoliberal discourse are combined with an outward look in terms of trade. Both PNDs mention the will to reduce neoliberal policies in the economy and have succeeded in doing so when looking at the period from 2007 until 2011 (Kennemore & Weeks, 2011). After 2011, a tendency to again conform to the capitalist system is visible in both countries, influenced by decreasing economic growth and macro-economic circumstances getting more difficult. The period of cheap foreign currency and high conjuncture in the global economy are slowly ending (Ospina Peralta, 2015; Furtado, 2018). Scholars describe the period from 2003 until 2013 as Latin-American's golden era, with the region outperforming the world in terms of growth and poverty reduction (Kingstone, 2018).

The third section of the analysis is concerned with the regional initiatives Ecuador and Bolivia have joined in the period 2006-2013 as well as the economic situation the countries were in when regional cooperation were formed.

### 3.3 Regionalism and reason in Bolivia and Ecuador

This section will analyse the regional initiatives Bolivia and Ecuador have joined during the period of investigation. First, the regional initiatives will be briefly described in main goals and underlying ideology where possible. Second, the moments Bolivia and Ecuador joined will be investigated in light of their respective economic circumstances. The regional initiatives both countries have joined are ALBA and UNASUR. Besides these initiatives, Bolivia has also applied for membership to MERCOSUR in 2011 with the protocol of accession filled in 2012.

#### 3.3.1 Regionalism in Latin-America: between autonomy and global integration

ALBA: *La Alianza Bolivariana para los pueblos de nuestra Latina America* was announced by Hugo Chavez in 2001 and ratified in Venezuela and Cuba in 2004. It was a non-capitalist non-commerce based alliance between Latin-American countries with three core objectives; 1) spreading the Bolivarian ideology from Venezuela across Latin-America, 2) integrating Latin-America and 3) fair and equal trade between its members (Albano et al., 2017). It was started during an all-time high for the Venezuelan economy, and had a very strong post-neoliberal and anti-hegemonic core (Gardini, 2015). It can be classified as a post-liberal form of regionalism according to the definition given by Gardini, which includes a tendency to steer away from a neoliberal framework, creating a greater autonomy from the market, and the return of the state in inter-state trade (Ibid.). During the first two years, the Venezuelan economy was booming and GDP growth was 18,2%, and cooperation between ALBA was mostly on an ideological basis, with Venezuela central in supplying both members and non-members in the region with large amounts of aid to battle illiteracy, poverty and discrimination of minorities (Muhr, 2011).

With Bolivia joining in 2006 the ALBA initiative was expanded to ALBA-TCP, where the added TCP stands for *Tratado de Comercio para los Pueblos*. ALBA's focus shifted from a mostly aid and development centred form of regional cooperation to a more trade oriented form, and this trend has continued during the period of investigation, partially due to expanding membership and partially because of Venezuela's domestic situation with deteriorating political and economic circumstances (Muhr, 2011).

UNASUR: the *Union de Naciones Suramericanas* was a regional integration initiative to create a platform for cooperation vis a vis the global market. UNASUR comprised an ambitious project to integrate CAN and MERCOSUR countries. It can be classified in two ways. First, it can be classified as a form of post-liberal form of regional cooperation, and much like ALBA-TCP it seeks to break with the neoliberal dogma of free trade, open regionalism (Gardini, 2015). Second, it can be classified as a form of third-generation regionalism, because of its emphasis

on a unified stance towards the global market (Riggirozzi and Grugel, 2015). With Brazil striving to play a global role with participation in the BRIC initiative, a desire to create a more global presence for Latin-America as a whole led to the conception of UNASUR in 2010, with ratified entry in to effect in march of 2011 (Ibid.).

During its time, UNASUR has known friction between member states in the way it should approach the global economy. Two blocs have formed, where one bloc, containing countries like Argentina, Bolivia, and Ecuador seek a concentric approach. The second bloc, containing countries like Chile, Colombia and Peru seeks a more polygamic approach. The tension between this unified approach and the more autonomous approach has caused UNASUR to be relatively weak in terms of practical effectiveness despite its ambitious goals (Comini & Frankel, 2014).

Both ALBA and UNASUR share similarities in their ambitions to rebalance state and market, and seek a step away from the laissez-faire model of open regionalism prevalent in Latin-America. Another similarity lies in the post-hegemonic sphere, with a rejection of purely wester-led trade under the Washington Consensus. This argument carries a political dimension as well as an economic one, and fits into the post-neoliberal framework (Gardini, 2015). Important difference between ALBA and UNASUR is the approach to economic cooperation. Where ALBA aims at forming a regional network of trading partners, the UNASUR approach is aimed at the global market (Comini & Frankel, 2014).

### 3.3.2 regional integration for Bolivia and Ecuador between pragmatism and ideology

When investigating the link between economic circumstances and regional cooperation in Bolivia and Ecuador, looking at the evolution of the regional initiatives and the domestic economic circumstances in both countries is important. This section will analyse the way the way both countries have entered into regional initiatives and the domestic economic circumstances.

Bolivia entered ALBA in 2006, just five months after Morales took office. During this period, the global economy was booming, and Bolivia's economy benefited from high prices for raw materials and low inflation. Next to the economic circumstances, the political situation was tranquil and the Bolivarian ideology championed by Venezuela fit into the post-neoliberal framework of equitable development without the influence of the Washington Consensus (Kennemore & Weeks, 2011). It seems that Bolivia entered into this regional cooperation on a ideological basis, suggesting a positive relation between the economic circumstances and regional cooperation. Bolivia did stand to gain from Venezuelan contributions in the social

sphere and Cuban contributions in the sphere of healthcare and education, as well as gaining valuable trading partners (Artaraz, 2011). During the period 2006-2013, ALBA became less important for Bolivia in an economic sense, and although Morales has backed both the ideological basis for ALBA and the Venezuelan regime during the period, it has sought to join a much more trade-oriented initiative in the form of MERCOSUR. Bolivia also remained member of the CAN after the exit of Venezuela in 2006, while joining ALBA, showing economic pragmatism. In 2007, newly elected president Rafael Correa met with ALBA representatives for the first time to discuss a possible membership, during a relatively difficult time in terms of external trade and GDP growth lagging due to a steep decline after the election of the leftist president (Serbin, 2009. World Bank Data 2018). Ecuador joined ALBA in 2009, after a turbulent economic period, where the global financial crisis hit Ecuador in an early stage due to its dollarized economy. After coming close to defaulting on its foreign debt, that Correa called both unfair and a way to keep Ecuador subservient to the US, Ecuador joined ALBA as an alternative way of economically developing the country (Jaramillo and Chávez, 2017). In the case of Ecuador shows a negative relation between economic circumstances and the joining of ALBA. The foreign debt crisis that was eventually averted made access to capital in the industrialized countries more difficult, and the Ecuadorian government needed a different paradigm for trade (Ibid.). During the period 2009-2014, hostility against open regionalism grew and Ecuador made particular efforts to keep ALBA a viable alternative to the neoliberal paradigm.

Bolivia and Ecuador signed the constitutive treaty for UNASUR in 2008 at an absolute pre-crisis height of both domestic GDP growth of respectively 6.1% and 6.4%. The initiative also coincided with a regional growth of more than 4%, while the global average was around 1.8% (World Bank Data, 2018). Regional integration on a larger scale was seen as attractive around the region, and economic circumstances played an important role in starting the UNASUR project, although a division between the more radical left and the more moderate left was visible from the start. The initial idea of reviving the idea of the Community of South-American Nations was formulated by Hugo Chavez in 2007 during an ALBA summit in Venezuela, and the project envisioned much more than a common economic policy, containing plans for cooperation in areas like social welfare and education throughout the region. (Giacalone, 2013) The economic circumstances deteriorated after the crisis and the ratification of the treaty was postponed until 2011 when the region had rebounded from the crisis (Kenourgis & Dimitriou, 2015). This again shows a positive relationship between the economy and regional cooperation in Latin-America.

The Bolivian government already mentioned MERCOSUR as trading partner in the 2006 PND, and it has been an associate member since the 1990s with a free trade agreement in place since 1996. In 2012, Bolivia signed the protocol of accession (Lechín, 2015). The timing of joining MERCOSUR coincides with three important moments in the region. First, the region had largely rebounded from the global crisis, but economic growth was slower than post-crisis. Second, the MERCOSUR countries were becoming increasingly important as trading partners, while ALBA was becoming of less importance. The third reason is Bolivia's will to further diversify its trading partners to become less vulnerable to shocks (Ibid.; Kenourgis & Dimitriou, 2015). After 2011, the global economy was again slowly growing while the region was deteriorating. Bolivia did join MERCOSUR during times of economic prosperity, but shows a great deal of pragmatism by joining a regional initiative aimed mostly at regional trade in a much more open-market fashion, while also announcing CAN membership will not be forfeited (Léchin, 2015). While a positive relation between the domestic economies seems to exist, the slow cooling of the Bolivian economy and the fact MERCOSUR does not fit into the post-neoliberal ideology suggest a more negative relation, where Morales takes deteriorating circumstances within ALBA and slowing growth domestically into account.

Overall, a pragmatic approach where economic circumstances play an important role is visible. When economic times are good, a more ideological background is visible, in both the timing of Bolivia joining ALBA and the conception and revamping of UNASUR. Ecuador's joining of ALBA and the Bolivian process of joining MERCOSUR reflect a more negative relation, where regional integration is a tool to overcome difficult economic times or to prevent new economic crises.

## Conclusion

The question central to this thesis is: *In what way have regional and domestic economic circumstances influenced the regional cooperation by the post-neoliberal regimes in Ecuador and Bolivia between 2006 and 2014?*

To answer this question a theoretical framework was established to identify the main characteristics of what academic literature argues constitutes a post-neoliberal regime. The first part of the analysis established that both the Bolivian and the Ecuadorian regime showed the main characteristics of post-neoliberal regimes established by Leiva (2008), Kennemore and Weeks (2011), and Chodor (2015-a, 2015-b) in their official plans for national development. Both regimes took control over the domestic market through policies of protectionism for crucial sectors, (re)nationalizations and stringent conditions for foreign direct investments. Like within the market, a re-embedding of the state is also visible with an expansion of social welfare, health and education. In terms of international relations the anti-hegemonic and anti-neoliberal characterised by Gardini (2011) are also visible in the development of regional initiatives that are aimed at strong Latin-American economies like Venezuela, Argentina and Brazil.

When looking at the economic circumstances during the period of investigation, and the impact of the global development crisis, an upward growth trend is visible in the region. The way the region was affected by the global crisis and the patterns visible in crisis were analysed, showing similarities between the region and Bolivia in a strong way. For Ecuador the situation was different due to dollarization of the economy, and the crisis hit harder, but Ecuador's rebound was steeper.

The timing of the different regional initiatives as well as the economic circumstances show a mostly positive relation between prosperous economic circumstances in the case of Bolivia in the case of both ALBA and UNASUR, where both initiatives were supported during times of high economic growth. The MERCOSUR initiative came forth out of economic pragmatism and suggests a more negative relationship between the economy and regional integration.

In the case of Ecuador, the initial moment of starting the process of accession to ALBA in 2007 was during times of declining growth due to the election of Rafael Correa, who was seen as a liability by foreign investors that had large interests in the dollarized Ecuadorian economy. The crisis delayed the process for two years, and entry was only legitimized after the crisis subsided. In the case of UNASUR, Rafael Correa, much like Evo Morales acted pragmatically,

supporting Venezuela while recognizing the opportunities of a more integrated Latin-America for a form of development alternative to post-neoliberalism.

When looking at the question central to this thesis, we see that positive economic circumstances were often a catalyst for regional integration initiatives, and a possible relationship between Bolivia's and Ecuador's economy is visible in joining ALBA and UNASUR. When economic circumstances become more difficult, regional integration gets slowed down, as shown in the process of accession of ALBA to Ecuador and the difficulties UNASUR faced during the crisis. When looking at post-neoliberal discourse and the wish for finding an alternative way of development, that was less focused on the West and the International Financial Institutions, it seems that ideology comes in second place. Eventually economic benefits seem to dictate regional integration. A noticeable difference between Ecuador and Bolivia is the way ideology comes forward in regional initiatives. Morales was initially expected to be more profoundly reformist than Correa, in both anti-imperialism and economic policies. During the period of investigation, Bolivia has made more concessions to the post-neoliberal ideals in the pursuit of economic stability, as shown by trade agreements with the US on a bilateral level and joining MERCOSUR on a regional level.

For further research, investigating in what ways Bolivia and Ecuador depend on external trade with countries that still conform to the neoliberal framework might be interesting, to help explain the differences in regional cooperation both countries exhibit.

At the moment of writing, ALBA is in crisis due to Venezuela's economic circumstances, and UNASUR has been abandoned by six of its members in April. The increasingly difficult political and economic circumstances facing national governments have led to a deterioration in regional cooperation. More time needs to pass before it is possible to tell if a next positive change in economic circumstances re-intensifies regional cooperation within the Latin-American region.

## Bibliography

- Abugattas, L. (2004). Swimming in the Spaghetti Bowl: Challenges for Developing Countries under the 'New Regionalism'.
- Acharya, A. (2016) Chapter 6: Regionalism beyond EU-centrism. In: Börzel, T. A., & Risse, T. (Eds.). (2016). *The Oxford handbook of comparative regionalism*. Oxford: Oxford University Press.
- Albano, S., Angelone, J. P., Dearma, N. D., & Garfi, M. E. (2017). La alianza bolivariana para los pueblos de nuestra América-tratado de comercio de los pueblos: un desafío a la teoría de la integración. *Revista Aportes para la Integración Latinoamericana*, (30), 71-97.
- Allen, F., & Carletti, E. (2010). An overview of the crisis: Causes, consequences, and solutions. *International Review of Finance*, 10(1), 1-26.
- Arnson, C. J. (2007). Introduction. In C. J. Arnson & J. R. Perales (Eds.), *The "new left" and Democratic governance in Latin America* (pp. 3-9). Washington, DC: Woodrow Wilson International Center for scholars.
- Artaraz, K. (2011). New Latin American networks of solidarity? ALBA's contribution to Bolivia's National Development Plan (2006–10). *Global Social Policy*, 11(1), 88-105.
- Baer, W. (1972). Import substitution and industrialization in Latin America: Experiences and interpretations. *Latin American Research Review*, 7(1), 95-122.
- Bianculli, A. (2016). Chapter 8. Latin-America. In: Börzel, T. A., & Risse, T. (Eds.). (2016). *The Oxford handbook of comparative regionalism*. Oxford: Oxford University Press.
- Bøås, M., Marchand, M. H., & Shaw, T. M. (2003). The weave-world: the regional interweaving of economies, ideas and identities. In *Theories of New Regionalism* (pp. 197-210). London: Palgrave Macmillan.
- Börzel, T. A., & Risse, T. (Eds.). (2016). *The Oxford handbook of comparative regionalism*. Oxford: Oxford University Press.
- Brecher, J., & Costello, T. (1998). *Global village or global pillage: Economic reconstruction from the bottom up*. Boston: South End Press.
- Calvimonte (2002). La apertura externa en Bolivia. *La Paz: Unidad de Análisis de Políticas Sociales y Económicas*.



- Carranza, M. E. (2004). MERCOSUR and the end game of the FTAA negotiations: challenges and prospects after the Argentine crisis. *Third World Quarterly*, 25(2), 319-337.
- Chang, H. J. (2002). *Kicking away the ladder: development strategy in historical perspective*. New York: Anthem Press.
- Chodor, T. (2015-a). Neoliberal Hegemony and the Pink Tide in Latin America: Breaking Up With TINA? Basingstoke: Palgrave Macmillan UK.
- Chodor, T. (2015-b). American Hegemony Under Challenge. In *Neoliberal Hegemony and the Pink Tide in Latin America*. Basingstoke: Palgrave Macmillan UK.
- Colloredo-Mansfeld, R., Mantilla, P., & Antrosio, J. (2012). Rafael Correa's multicolored dream shirt: commerce, creativity, and national identity in post-neoliberal Ecuador. *Latin American and Caribbean Ethnic Studies*, 7(3), 275-294.
- Comini, N., & Frenkel, A. (2014). Una UNASUR de baja intensidad: Modelos en pugna y desaceleración del proceso de integración en América del Sur. *Nueva Sociedad*, (250), 58.
- Cunha Filho, C. M., & Gonçalves, R. S. (2010). The National Development Plan as a Political Economic Strategy in Evo Morales's Bolivia. Accomplishments and Limitations. *Latin American Perspectives*, 37(4), 177-196.
- Dannenmaier, E. (2003). Trade, Democracy, and the FTAA: Public Access to the Process of Constructing a Free Trade Area of the Americas. *Fordham International Law Journal*, 27, 1066.
- Devlin, R., & Ffrench-Davis, R. (1999). Towards an evaluation of regional integration in Latin America in the 1990s. *The World Economy*, 22(2), 261-290.
- El-Agraa, A. M. (2011). *The European Union: economics and policies*. Cambridge: Cambridge University Press.
- Ellner, S. (2004). Leftist goals and the debate over anti-neoliberal strategy in Latin America. *Science & Society*, 68(1), 10-32.
- Escaith, H. (2004). La integración regional y la coordinación macroeconómica en América Latina. *Revista de la CEPAL*.
- Fraser, C. (2011). Chapter 7: *International Relation*. In: Hillman, R. S., & D'Agostino, T. J. (Eds.). (2011). *Understanding Contemporary Latin America* (4<sup>th</sup> edition). Boulder: L. Rienner Press.
- Furtado, C. (2018). Economic Development of Latin America. In *Promise Of Development* (pp. 124-148). London: Routledge.

- Gardini, G. L. (2015). Towards modular regionalism: the proliferation of Latin American cooperation. *Revista Brasileira de Política Internacional*, 58(1), 210-229.
- Giacalone, R. (2013). Venezuela en UNASUR: integración regional y discurso político. *Desafíos*, 25(1), 131-166.
- Grugel, J., & Riggirozzi, P. (2012). Post-neoliberalism in Latin America: Rebuilding and reclaiming the State after crisis. *Development and Change*, 43(1), 1-21.
- Harvey, D. (2007). *A brief history of neoliberalism*. Oxford: Oxford University Press.
- Hettne, B. (2006). Beyond the 'new' regionalism. In *Key debates in new political economy* (pp. 136- 168). London: Routledge.
- Hoekman, B. (1996). Assessing the general agreement on trade in services. *The Uruguay Round and the developing countries*, 1(1996), 89-90.
- Jameson, K. P. (2011). The indigenous movement in Ecuador: The struggle for a plurinational state. *Latin American Perspectives*, 38(1), 63-73.
- Jaramillo, R. R., & Chávez, C. R. B. (2017). Panorama económico de la deuda externa e interna del Ecuador periodo 2000-2016. *Revista Publicando*, 4(10 (2)), 431-447.
- Kennemore, A., & Weeks, G. (2011). Twenty-First Century Socialism? The Elusive Search for a Post-Neoliberal Development Model in Bolivia and Ecuador. *Bulletin of Latin American Research*, 30(3), 267-281.
- Kenourgios, D., & Dimitriou, D. (2015). Contagion of the global financial crisis and the real economy: A regional analysis. *Economic Modelling*, 44, 283-293.
- Kingstone, P. (2018). *The Political Economy of Latin America: Reflections on Neoliberalism and Development after the Commodity Boom*. London: Routledge.
- List, F. (2016). *The Natural System of Political Economy*. London: Routledge.
- Lechín, D. A. (2015). Bolivia mira hacia el sur: El ingreso al MERCOSUR y la política exterior de Evo Morales. *Nueva Sociedad*, (259), 15-26.
- Madrid, R. L. (2005). Indigenous parties and democracy in Latin America. *Latin American Politics and Society*, 47(4), 161-179.
- McGrew, A. (2016). 10. The Logics of Economic Globalization. In *Global Political Economy*. Oxford: Oxford University Press.
- Mejido Costoya, M. (2011). Politics of Trade in Post-neoliberal Latin America: The Case of Bolivia. (Report). *Bulletin of Latin American Research*, 30(1), 80-95.
- Moran, T. H. (2014). *Multinational corporations and the politics of dependence: Copper in Chile*. Princeton: Princeton University Press.

- Nem Singh, J. T. (2010). Reconstituting the Neostructuralist State: the political economy of continuity and change in Chilean mining policy. *Third World Quarterly*, 31(8), 1413-1433.
- Ospina Peralta, P. (2015). Crisis y tendencias económicas en el Ecuador de Rafael Correa: informe de coyuntura.
- Palan, R. (2013). New trends in global political economy. In *Global political economy* (pp. 19-32). London: Routledge.
- Perreault, T. (2006). From the Guerra Del Agua to the Guerra Del Gas: resource governance, neoliberalism and popular protest in Bolivia. *Antipode*, 38(1), 150-172.
- Perreault, T., & Valdivia, G. (2010). Hydrocarbons, popular protest and national imaginaries: Ecuador and Bolivia in comparative context. *Geoforum*, 41(5), 689-699.
- Postero, N. (2010). Morales's MAS government: building indigenous popular hegemony in Bolivia. *Latin American Perspectives*, 37(3), 18-34.
- Ray, R., & Kozameh, S. (2012). Ecuador's Economy since 2007. *Washington dc: Center for Economic and Policy Research*.
- Restuccia, D. (2017). *The Monetary and Fiscal History of Venezuela 1960-2005*.
- Riggirozzi, P. (2010). Beyond Continuity: Region, Regionness and Regionalism in Latin America. In *ECPR-SGIR 7th Pan-European IR Conference*.
- Riggirozzi, P., & Grugel, J. (2015). Regional governance and legitimacy in South America: the meaning of UNASUR. *International Affairs*, 91(4), 781-797.
- Rodríguez, E. (1991). Década perdida en crisis. *CIID informa*, 19(2).
- Rosenberg, M. J. (2008). Ecuadorian Perceptions Towards US Foreign Policy: An Econometric Analysis. Montreal: McGill press.
- Smith, P. H., & Gimeno, C. M. (2009). *La democracia en América Latina*. Marcial Pons.
- Selwyn, B. (2014). *The global development crisis*. Hoboken: John Wiley & Sons
- Söderbaum, F. (2009). *Comparative regional integration and regionalism*. The Sage handbook of comparative politics, 477-496.
- Söderbaum, F. (2015). *Rethinking regionalism*. London: Palgrave Macmillan.
- Söderbaum, F. (2016) Chapter 2: Old, New, and Comparative Regionalism: The History and Scholarly Development of the Field. In: Börzel, T. A., & Risse, T. (Eds.). (2016). *The Oxford handbook of comparative regionalism*. Oxford: Oxford University Press.
- Tas, B. K. O., & Togay, S. (2014). Efectos de la dolarización oficial en una pequeña economía abierta: el caso de Ecuador. *Investigación económica*, 73(290), 51-86.

- Vegh, C. A., & Vuletin, G. (2014). The road to redemption: Policy response to crises in Latin America. *IMF Economic Review*, 62(4), 526-568.
- Vinueza, J. A. (2005). The Ecuadorian Indigenous Movement and the Gutiérrez regime. *PoLAR: Political and legal anthropology review*, 28(1), 93-111.
- Warleigh-Lack, A. (2006). Towards a Conceptual Framework for regionalisation: Bridging 'new regionalism' and 'integration theory'. *Review of International Political Economy*, 13(5), 750-771.
- Waterman, A. (2002). Economics as Theology: Adam Smith's Wealth of Nations. *Southern Economic Journal*, 68(4), 907-921. doi:10.2307/1061499
- Weisbrot, M. (2010). Bolivia: La economía bajo el gobierno de Morales. *Ensayos de Economía*, 20(36), 69.
- Williamson, J. (1990). "What Washington Means by Policy Reform." In John Williamson, ed., *Latin American Adjustment: How Much Has Happened?* Washington, D.C.: Institute for International Economics.
- Yates, J. S., & Bakker, K. (2013). Debating the 'post-neoliberal turn' in Latin America. *Progress in Human Geography*, 0309132513500372.

### ***Electronic sources***

- Bolivia: Ministerio de Planificación del Desarrollo (2006). *Plan Nacional de Desarrollo "Bolivia Digna, Soberana, Productiva y Democrática para Vivir Bien"*. La Paz. Available on: <http://www.planificacion.gob.bo/pdes/pdes2016-2020.pdf>
- Diariocronica* (21-04-2018). La argentina y otros cinco países abandonan la UNASUR. *Diariocronica*. Retrieved From: <http://diariocronica.com.ar/503191-la-argentina-y-otros-cinco-paises-abandonan-la-UNASUR.html>
- Ecuador: Secretaría Nacional de Planificación y Desarrollo (2007). *Plan Nacional de Desarrollo 2007- 2010: Planificación para la Revolución Ciudadana*. Quito. Available on: <http://www.planificacion.gob.ec/plan-nacional-de-desarrollo-2007-2010/>
- Trading Economics Data 2000-2018. Ecuador Foreign Direct Investment - Net Inflows 2000-2018. Available on: <https://tradingeconomics.com/ecuador/foreign-direct-investment>
- WITS World Integrated Trade Solutions (2007). Bolivia Trade Summary 2007. Available on: <https://wits.worldbank.org/CountryProfile/en/Country/BOL/Year/2007/Summarytext>
- WITS World Integrated Trade Solutions (2008). Ecuador Trade Summary 2008. Available on:

<https://wits.worldbank.org/CountryProfile/en/Country/ECU/Year/2008/SummaryText>  
WITS World Integrated Trade Solutions (2014). Bolivia Trade Summary 2014. Available on:  
<https://wits.worldbank.org/CountrySnapshot/en/BOL>  
World Bank Data (2018a). Dataset GDP growth annual % 1961-2015. Retrieved from:  
[https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2016&locations=1W-EC-BO-XJ-VE-ZJ&name\\_desc=true&start=2000&type=shaded&view=chart](https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2016&locations=1W-EC-BO-XJ-VE-ZJ&name_desc=true&start=2000&type=shaded&view=chart)  
World Bank Data (2018b). Dataset Trade % of GDP 2004-2015. Retrieved from:  
<https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?end=2015&locations=XJ-1W-BO-EC&start=2004>