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Post Hegemonic Policies in South America: The Case of Financial Cooperation

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Introduction

Few people today would remember a world not dominated by the United States (US). This dominance was received with a mix of acceptance, challenge and controversy but one way or the other American foreign policy for more than half a century has exerted a powerful influence across much of the world. Naturally, the leadership and supremacy of the United States was a decisive feature of the 20th century dynamics of Latin America's insertion and hence on how our regional relations evolved.

The rise of Asia in general and China in particular have changed this basic setting. A plurality of power sources, economic drivers and world views have flourished in the last decade and coexist with the United States offers. China's sheer material presence on the global stage is shaping the behavior of most other states. This scenario challenges the formerly predominant understanding of how we conceptualize and analyse regional pragmatic cooperation around key issues of development and conflict beyond dogmatisms.

Regionalism in the 21st century takes place in a post-hegemonic framework that is fundamentally different form the 'hegemonic moment' of 20th century. Moreover, the almost complete absence of the US has been a noteworthy aspect of the global health crisis brought about by Covid19 and has allowed China, Russia and India to practice what has been dubbed as vaccine diplomacy. China, in particular, seeking to expand health-related infrastructure and innovation capacity as part of the Belt and Road Initiative. This speaks to the country's broader push to position itself as a global health leader, an ambition that has been very much in evidence during the pandemic. The drive both geopolitical and geoeconomics has been compared to the operation of the Marshall Plan. In short, new crisscrossing in a number of issues have the potential to accelerate the shift in balance of the global standing of the US and competitors in the latter's favour. Perceptions of the US and its position at the centre of the contemporary international order have changed.

The value of regionalism is an

multipolar world order operates through different logic than regionalism in the 20th century. In the last two decades the importance of regions and southern regionalism has increased in global politics as a consequence of such power changes but also changes in ambitions and initiatives anchored in different areas of policy where acting regionally made sense to actors, mostly states, that reclaimed the region as a sphere of (shared) policy opportunities and responsibilities. Conceptually, this was captured in what we called *post-hegemonic regionalism* (Riggirozzi and Tussie 2012, 2017) to describe the scenario that characterised Latin American regionalism in the last two decades. The idea of post-hegemonic regionalism builds from Amitav Acharya's 2009 work where he envisages the end of United States (US) hegemony and proposes conceptualising a world order of multiple competitions, a scenario that he calls *multiplex world* (Acharya 2009; 2014; 2017). The central feature of a multiplex order is that it does not have a single line of control, or one meta narrative about the form and drive of global order. One of the manifestations of the multiplex order has been the emergence of new creditors to the region which after World War II lied tightly in the hands of the US. We have built on that concept to focus on how post-hegemonic regionalism has become manifest. To a large extent post-hegemonic regionalism grew at odds with US hemispheric ambitions of extending its reach. It grew in a context of weakened US hegemony in Latin America.

This article proposes an analysis of the development of post-hegemonic strategies in Latin America during the last two decades. In the second section, we review the emergence of the strategy and its meaning in the light of multilateralism. In the next section, we analyse in detail the main initiatives in the financial sphere, perhaps one of the fields in which the region tried, with mixed success, to dispute the status quo.

Post-hegemonic regionalism in context the context of multilateralism

The leadership and supremacy of the United States was a decisive feature of the 20th century dynamics in the evolution of regionalism and multilateralism. The US oversaw the establishment of a series of strategic alliances that were designed to deter and counteract Soviet expansion. The creation of the Bretton Woods Institutions, the World Bank, International Monetary Fund and General Agreement on Tariffs and Trade (GATT) became a highly institutionalized form of hegemonic influence and provided enduring transmission mechanism through which the US was able to use carrots and sticks to ensure consent and shape policies.

A combination of grand strategy and economic statecraft informed American strategy towards

Latin America. To take the example of Latin American pledges for an Inter-American Bank, these can be traced back until the International Conference of American States in 1889, and had a fledgling moment in the late 30's when the Roosevelt administration backed the idea of an international bank controlled by governments to promote development. At the time, the US competed with European powers as credit creating managers. In Mexico, Central America and the Andean countries, the Kemmerer missions, the so called money doctors, went from country to country to assist in planting financial order.

During the interwar years and thereafter, private and public financial institutions, practices, and interactions significantly influenced the financial relations between the US and a good part of Latin America. The proposal for a regional development bank was aired but put to rest (Helleiner, 2017). The precedent nevertheless influenced the blueprint of the World Bank during the Bretton Woods conferences in 1944. By then the US was a unipole creditor, who was bent on avoiding a loose rope, not least in its backyard. In that plan all development finance had to come tightly under its orbit and solely under the emerging multilateral order to increase the use of the dollar. No departure from the order was to be on the cards. The stronghold of the US in Latin America was far from being in dispute. Latin America did have wiggle room, capacity for initiatives but for decades, inter-American debates were framed with reference (supportive or not) to the US map.

As viewed by the US regionalism was perceived as a detraction from the encompassing multilateralism that was to order the world and break all remnants of European imperialism. Regional initiatives were seen as challengers to the American project and American predominance. In Latin America and Asia the US worked assiduously to undermine attempts to allow institutions to advance regional trade. A decade later, the Cuban revolution softened by force the edges of that doctrine in Latin America. Only at that point, when the US's stronghold seemed at risk did the creation of the Interamerican Development Bank see the light. The Cuban Revolution placed Latin America at the top of Washington's foreign policy agenda. The Bank was given the task to deploy the Alliance for Progress with the purpose of tackling the causes presumed to have sparked the Cuban revolution, chiefly poverty and absence of social policies. The long time resistance to the project of the Latin American Free Trade Association (LAFTA) was lifted. The development project of the 1950s-1960s turned its concern to imposing order and forestalling social unrest in the strategic competition with the Soviet Union. Development was, therefore, premised on the western model and modernisation theory, which posited that less developed and under-developed countries would eventually catch up with the advanced industrial states if they followed western blueprints, including progressively opening up trade to their neighbors as a first step to global opening in the successive trade rounds of GATT of the time.

The end of the cold war triggered another important shift which gave rise to a new doctrine on regionalism from the United States. Communism was no longer a threat but another match sprung up. Would the European Economic Community, deep into its self-reformation to become the European Union, break away? It was accused of becoming a fortress and for their part, developing countries of obstructing rapid multilateral trade agreements. Perceiving itself as the main winner to which all countries would gravitate in a rush for access to its market, the US put the regionalist card on the table. Now regionalism instead of a threat to its plans, was preferred as a quick fix for the triad of market liberalization, deregulation and privatization that would ensure juicy contracts for American business abroad. Regional arrangements offered an important alternative to multilateralism when the US was perceived as the only global power and the US perceived itself as the only game in town. The US began to take the view that 'if the multilateral road is obstructed, then we will just have to explore these other roads'. The flagship project was the North American Free Trade Agreement, the first major regional trade agreement signed by the United States since Bretton Woods. Regionalism rather than a stumbling block to the American project was seen as a building block insofar as it provided a locus where countries could not band together. That was the first of many stepping stones that led to network of free trade agreements signed with the United States and among countries that held agreements with the US. The US was present in its ability to structure hemispheric institutions and shape the terms of debate

Come today, growing geoeconomics competition between the world's major powers is a defining feature of a new era; an examination of its evolution helps to clarify what is at stake in the possible decline of US influence. Chinese accession to the WTO in 2001 had been hailed as a triumph of multilateralism. The WTO would be the lever to force far-reaching changes in China's trade regime and monitor reform. China's membership in the WTO would serve U.S. interests by providing a mechanism for dealing with inevitable trade frictions on a multilateral rather than a purely bilateral basis. A decade later China was seen as encroaching and free riding. The US called the WTO "broken," saying countries such as China have taken advantage of it. Trump also threatened to leave the WTO accusing China of backpedalling" on trade agreements. Finally, Roberto Azevedo resigned as the head of the WTO when the body came under immense pressure to justify its relevance after the US effectively paralyzed its ability to settle disputes.

Putting these cycles into perspective, one of the major lessons of international cooperation in the 21st century is that multilateralism is versatile. Rules change. Global multilateral organisations are affected by power politics as much as ambitions of member states. Regionalism is not exempt from versatility. The exit of the United Kingdom from the European Union effective in 2021, the withdrawal of the US as member of the World Health Organisation under the Trump administration. In Latin America the paralysis of organisations such as Union of South American Nations (UNASUR) since 2015 are among several examples. Certainly, global and regional organisations coexist with ideological frictions and situations where altered interests of member states in reaction to power considerations and political-ideological stands, may retrieve authority to organisations (Quiliconi 2013). For some this is a type of inevitable defection. Defection is a major risk in the sustainability of institutions beyond and above the state (Keohane 2001). Building from this notion and focusing on regional organisation, scholars associated with liberal pragmatism in International Relations, hold that institutions regularise patterns of conduct by structuring practices and controlling options through incentives and enforcement mechanisms with penalties for defection and opportunities for remaining in the game, all providing a degree of certainty. In this paradigm, interests and objectives are created in and to a large extend because of institutions that mitigate defection and allow cooperation. In the study of regionalism the weight placed on institutions travelled a very long way to claim that regional institutions can lock-in sovereign states in supranational decision-making processes that mitigate the risk of defection (Lenz and Marks 2016). Binding the country to the masthead of an international trade treaty, any future reversal would have costs and become more difficult to implement. By contrast, realist arguments insisted that states may be inclined to cooperate but unless they cede their sovereign power to supranational institutions, integration is unlikely to happen (Malamud 2013).

This conception of regionalism as order guaranteed by supranational institutions has dominated the study of regionalism. In many ways, it sustained a normative template inspired by the European Union as the mother of all regional governance. This is somehow paradoxical as Latin America can be argued to have been the true pioneer of regionalism, a century before the creation of the European Economic Community (Fawcett 2005). Despite the absence of economic interdependence, political interdependence has marked Latin America's long tradition of diverse regional associations. We can trace the roots of Southern regionalism to the

19th Century when the processes of independence and nation-building arose with the end of European colonialism and intervention. Regional integration in Latin America, but also in the global south at large, has been a tool of national states to support and coordinate 'construction of sovereignty' particularly in transiting to democracy (Deciancio 2016). In the case of African nations, regional agreements were seen as ways of fostering political stability and much needed economic development at the end of the apartheid era (Schoeman 2002; Pallotti 2004). Similar developments have unfolded in the construction of autonomy and security communities in Asia (Acharya 2014). What this suggests is that Southern regionalisms were shaped by the need to develop a region free from colonialism and struggles against the long imperial arm. The Drago Doctrine, that managed to reject the right of any foreign power of using the force against a nation for collecting debts, is an outstanding precedent established at the very beginning of XIX Century. Likewise, constructing and supporting sovereignty *through* regionalism has made sense for states that have historically struggled against external powers; so, the construction of Southern regionalisms is thus at odds with the delegation of sovereignty to a supranational communitarian authority or institutions.

In this context, regional inter-governmental institutions and agreements were set up to help states to address and coordinate the search for some policy space, some economic and political autonomy, an enduring challenge in many Southern nations. Acting regionally helped gain individual and collected leverage in the presence of harsh asymmetries of power. Ultimately, even in context of friendly alignment with the US, regional arrangements were always seen as a way of dealing with hegemony. In this sense, post-hegemonic regionalism evolved because of a history of hegemony with actors seeking institutional spaces and creating processes to contest the status quo.

There is broad agreement that regionalism was jumpstarted into a new phase in the early 21st Century spurred by left leaning governments and the locomotive provided by an unprecedented commodity boom levered by China. The boom in a context of increased autonomy from the string of the US was labelled described the Commodity Consensus. The United States and Venezuela were each a frequent irritant to the other. Venezuela sought to institutionalize the Comunidad de Estados de Latinoamerica y el Caribe (CELAC) vis-à-vis the Organization of American States which it regarded as a mechanism of US domination. Argentina, for its part, under the presidencies of Nestor and Cristina Kirchner did not follow quite the same anti-imperialist rhetoric, but the country stood apart from the US in the understanding of regionalism. The turn to post-hegemonic regionalism was the result of the government's goal to implement an economic policy under the banner of "neo-developmentalism" which focused on accelerating investment and employment. Lula maintained Brazil's traditional friendly relations with the United States but at the same time championed initiatives such as UNASUR, not aimed at outright confrontation with the US. Instead, the aim was to fend it off and seek increased autonomy vis-à-vis the hemispheric and global hegemon. On the trade front, Brazilian governments never went as far as to pursue an anti-free-trade discourse but split the relevance given to trade. While free trade for agriculture was flagged high globally with an active policy in the WTO, the issue was altogether lost in regionalism, as exemplified by the exclusion of the proposal of creating a South American Free Trade Area in the framework of UNASUR or the stagnation, with the noteworthy exception of the car sector, of the trade dimension in Mercosur. This range of regional initiatives was, in their very diversity, manifestations of post-hegemonic regionalism.

The end of a political cycle of left leaning governments was seen as the death knell. In that sense, the camp has been narrowly characterized as a split between optimists and pessimists (Legler 2013). The wider point to pick up is that regionalism is not free from political and tactical use subject to a continuing process of change. For a wide array of voices, the malady lies in the multiple layers of rudimentary institutions that render cooperation persistently dysfunctional. Overlapping institutions and segmented regionalism is an indicator of decentralized sub regionalism and disintegration. Given that governments DNA makes them averse to surrendering sovereignty, all initiatives remain subject to political whims, haphazard and shallow (Malamud 2013). This remains a forceful argument, particularly if anchored on trade as the handmaiden for regional institution building. Much of this argument builds upon prospects of trade integration and focuses rather narrowly on the relevance of a regional power to propel institutionalization - to a large extent reflecting the reliance on the Western European template and, more generally, what Alfred Hirschman called "fracasomania", a failure complex that pervades analyses of Latin America, all the roads leading to see the region as a pathology stuck in perennial failure.

The multiplex world of Acharya points to the changing modalities of engagement of developing countries in relation to the twin development of a waning US as hegemon and the increasing footprint of China across the globe (Acharya 2014; 2017). Building cooperation is particularly difficult in a unipolar system. Engaging with this debate, Riggirozzi and Tussie (2012) proposed that regionalism is about setting minimum common denominators as much as creating spaces of co-operation for the design and implementation of policies in different domains. The important point advanced was that the sum of external incentives, the *outside--in* dynamic, was balanced with the *inside--out* dynamic in regional politics. These inside out dynamics became manifest in a number of domains such as health (Fourie 2013; Herrero and Tussie 2015; Tussie Riggirozzi 2015), education (Perrotta 2014), and security (Battaglino, 2012), infrastructure (Agostini and Palestini, 2020). Sectoral analysis shows how cooperation can thrive despite diversity. Policy domains , never to be minimized, can acquire a life of their own. A granular focus shows intense statecraft, not just rhetoric for public consumption.

U.S. hegemony is no longer absolute

The post hegemonic *moment* could give new credence to post-hegemonic regionalism as a conceptual framework. Riggirozzi and Tussie (2012) coined the concept of 'post-hegemonic regionalism' to describe the regional space as an opportunity structure in which new political consensus, particularly in the field of social areas of cooperation, emerged not only at odds with the role of the US as regional/hemispheric power, but also to for states to regain authority on regional policy. The backdrop to the notion is a crisis of hegemony and the emergence of a world order of multiple competitions which cannot be ordered by a single line of control. In Latin America the ability of the US to shape regional discourses and institutions suffered a serious blow with the demise of the Free Trade Area of the Americas in 2005. Latin Americans united front and astute use of hemispheric summits made relations with Cuba a problem that Barack Obama had to solve. We cannot write off North American influence over events south of its border but its centrality is being displaced. In the next section we will dissect how the global transition is played out in a leading policy domain, financial governance as a result of the long standing dissatisfaction of developing countries with the rules of adjustment and the wiggle room that comes from rise of new financial powers. The tipping point came with the global financial crisis in 2008. As we shall see with a granular focus there has been intense statecraft, not just rhetoric for public consumption, and not just a straightforward path.

Latin American Post Hegemonic Finance Initiatives. A journey and current challenges [1]

At the country level, Nemiña (2018) has shown a clear posthegemonic pattern in the strategy of "de-indebtedness" in the early 2000s which relied on the structure of opportunity provided by the posthegemonic global moment, an opportunity that Greece seized as well. De-indebtedness consisted in cancelling debt with the International Monetary Fund, in which the US holds veto power and shifting borrowing requirements to new external creditors together with domestic resources. With the wakeup call of the global financial crisis an opportunity structure was manifest for monetary cooperation (Trucco, 2012) but it found very hard to reach significative progress later on. In fact, concentrating on structural factors rather than agency, Trucco shows that the greater the transformative goals of the monetary agreement, the lower the trade volume it conducted. The SUCRE which involved the creation of a common (virtual) currency for regional transactions and hence with the greatest post-hegemonic potential showed negligible significance in the volume of goods traded. As we will see below financial cooperation faced numerous obstacles with initiatives that compete and overlap. Since we are going to focus on the financial governance, the institutions that we are more interested in are the ones regarding financial statecraft such as regional banks, payment systems, and alternative financial institutions. The institutions we are going to analyze are the Bank of the South, the Latin American Reserve Fund, The Development Bank of Latin America, the Brazil National Bank of Economic and Social Development and Petrocaribe.

As Armijo & Katada (2015) explained using defensive and systemic financial statecraft is a way to resist against influences from the global financial markets. In the case of Latin America, this strategy has been used by many countries in the region. Policies such as capital controls, the use of public banks to implement counter-cyclical policies and others were used to avoid contagious of the global markets. In other words, interventionism was specially used as an Argentinian and Brazilian strategy of systemic defensive financial statecraft. The case of the Bank of the South and ALBA represent two examples of regional offensive financial statecraft. At the same time, the case of the Brazil National Bank of Economic and Social Development known under its acronym as BNDES represents an example of an offensive financial statecraft at a bilateral level since is a state own bank that started funding the expansion of Brazilian companies. Next, we analyze the main post hegemonic financial initiatives deployed in the region during the last two decades, its range and current main challenges.

The Bank of the South

The Bank of the South is a development bank and a monetary fund created in 2007 as an initiative of the main left governors Nestor Kirchner and Luiz Inácio Lula da Silva, whose aim is avoiding the pattern of the traditional financial organizations led by US, and hence to attend regional economic development needs. There members are: Argentina, Brazil, Bolivia, Ecuador, Paraguay and Venezuela. The main goal of the bank was including and open new ways and alternatives to funding in the region and specially an alternative to the Interamerican Bank of Development, in which the United

States is part off. At the change of the century, the government projects in Venezuela, Brazil, Argentina, Uruguay, Ecuador, Nicaragua and Paraguay where different from the liberalizing trend before the 2000s and wanted to distance from the regional integration in which there is an American domination. In other words, as Estay (2018) says, it was a return to the development agenda. It created expectations around the possibility of building an alternative regional funding project, showing that the Bank was created with an offensive regional perspective. The foundational act of the banks describes the institution as a primary and essential of the new financial and regional architecture with the aim of financing the economic and social development. The voting model is one country one vote and avoids the funding of the public sector, to put emphasis in the state production. The functioning organism of the bank is formed with the council of economics and finance and the council of administration, while the executive organ is the executive director. As Ugarteche (2017) holds, the Bank of the South was aimed since its origin to being the base of development and funding for the region, offering long term lending in low interest rates for funding infrastructure and other relevant development projects, and advancing in the development of a regional monetary system. While some authors define the Bank as a new type of development banking, which appears as one of the new regional financial architecture pillars (Castiglioni, 2013), others observe that the internal financial structure did not show significant differences from traditional development banks, although it propelled more consensual internal governance (Molinari & Patrucchi, 2020).

PETROCARIBE and the ALBA

Petrocaribe is an oil cooperation forum or better named a Hydrocarbon Agreement that involve 18 member states from the Caribbean region which are: Antigua and Barbuda, Belize, Cuba, The Dominican Republic, Guyana, Jamaica, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, Haiti, Nicaragua and Guatemala until 2013. It was funded in Venezuela in 2005. At the core of the alliance was Venezuelan supply of oil on concessionary terms. Such offer favored autonomy by counteracting the effects of global economic vicissitudes and by reducing signatories need to fall back on traditional IFIs or extra-regional donors for support. In other words, Petrocaribe and ALBA are regional initiatives with a clear offensive strategy status. The Venezuelan role in Petrocaribe is central because provides soft loans to energy-dependent Caribbean state by allowing them to finance as much as 70 per cent of the cost of oil imports from Venezuela. Behind the foundational ideas of Petrocaribe lays the objective of promoting a post – hegemonic regional order through the ALBA. The latter appears as an organization aimed to promote economic cooperation in a broader sense, so it includes energy integration (through Petrosur, Petroandina, Petrocaribe and CITGO), trade cooperation (through the People's Trade Agreement), regional monetary integration based on the SUCRE and aimed to permit intraregional trade without resorting to the use of the US dollar.

After the 2008 global financial crisis, the two main attempts to create regional financial cooperation where the UNASUR and the ALBA (Ugarteche, 2017). The first objective of these projects was to reinvest international reserves inside the region instead of in US government bonds; it also aimed towards reducing the vulnerability of the interregional trade. ALBA, in other words, embodies the principle of south-south cooperation and it was designed as a response to the US-backed Free Trade Area of the Americas. Commercial and financial measures have been at the heart of the ALBA. In the agreement signed in 2004, the first substantive article promises the greatest possible exchange of goods and services whereas its first concrete provision applies a zero tariff to all imports into Cuba from Venezuela and its second one exempts all bilateral investments from local taxes.

The ALBA governance consists of a high body of the presidential council, which directs initiatives and settles policy at summits convened at irregular intervals. This is supported by social, economic and political councils governed by ministers in those areas, with the aforementioned Social Movements Council at the same high level of the organization's hierarchy. Last, the executive secretary is charged with the execution, coordination and monitoring of decisions from the councils. In contrast, The Petrocaribe governance is complex. The summit of energy ministers represents the higher level of governance with the support from a nominal executive secretariat. The management and monitoring of the agreement's application in the Caribbean led to the creation of a subsidiary of PDVSA called PDV Caribe.

When barrel prices reached $ 100 after the global financial crisis, Petrocaribe offered an average financing to members equivalent to 2.5% of GDP (IMF, 2015: 36). However, the financial crisis –then sociopolitical- unleashed in Venezuela by the collapse in oil prices eroded the sustainability of these processes. This gave relevance to another Southern Cone regional financial cooperation driver: the renovation of the Andean Development Corporation (CAF) into the Development Bank of Latin America (CAF), which today has more than 35 billion dollars in assets and appears at present as the more sustainable financial initiative.

The Development Bank of Latin America

The Development Bank of Latin

America still known by its founding acronym (CAF) [2] was created in 1970s as the Andean Development Corporation The Andean countries since its beginning expressed the willing of achieving the economic integration of their countries in order to accelerate the economic and social development of their people. Subsequently a host of other countries joined from the Caribbean, Central and South America. Portugal and Spain are extra regional partners.

The CAF provides services to its clients through technical assistance, loans, equity investments and guarantees. Through technical cooperation, member countries contracts specialized services in activities compatible with CAFs prioritized fields of action, with the goal of enabling, strengthening and generating value in its interventions and facilitating the transfer of knowledge. These operations may be reimbursable or non-reimbursable or based on contingent recover. CAF can offer loans for specific operations or credit lines to finance various operations, with a time span ranging from one to more than five years, associated with investment or another economic need or activity whose market or technical characteristics, economic, financial, environmental, institutional and other aspects relevant to the nature of the operation have already been formulated by the client. In third place, CAF can make equity investments into public, mixed or private businesses, new or existing private financial institutions or vehicle that are or have the potential to be profitable and competitive at an international level, that carry reasonable risk or that promote human development. Finally, CAF offers guarantees to support its client's payment obligations.

Regarding capital, shares and shareholders, the authorized capital is USD 15 billion divided into ordinary capital shares and callable capital shares: the ordinary capital shares of a total of 10 billion USD, distributed in three series: A, B and C. Series "A" comprises fifteen registered shares for a value of USD 1,2 billion each for a global amount of USD 18 billion to be subscribed by the Government of each Member Country or by public, semipublic or private institutions as the former may be designated. Series "B" comprising 1,600,000 registered shares for a global amount of USD 8 billion for subscription by governments or public semi public or private entities of member countries. Last, Series "C" comprising 396,400 registered shares for a global amount of USD 1,9 million for subscription by a legal entities or natural persons from outside the Member countries.

The CAF took impetus during the rise of UNASUR and the commodity boom because of the increase in the available financing capital. The CAF appeared as the main institution promoting financial regional cooperation, particularly during the 2008 financial crisis. The aim then was to have access to financial support whereby Latin America retained decisioning making in the board (Humphrey, 2016). However, a heightened banking logic limited the contending impetus toward regional hegemonic financial governance. For long term development financing, the CAF raises capital in private financial markets through bond issuing and other obligations. The need to secure sufficient access in international capital markets to function as a stable lender, led CAF (as other development banks do) to adapt their lending and financial policies to the needs and perceptions of the bond markets, private actors and credit rating agencies (Humphrey, 2017). Thus, , for example ,the ability to pursue straightforward or risky development objectives may be limited by the need to select the more profitable projects that can retain AAA bond rating).

Brazil National Bank for Economic And Social Development (BNDES)

The Brazil National Bank of Economic and Social Development is a public bank created in 1952. The main goal of the bank is to fund internal and external projects to promote the Brazilian economic development. The BNDES is the most important institution in terms of long term infrastructure lending which have given financial support to Brazilian companies up to 11.2% of the GDP in 2015 (Armijo, 2015). The bank counts with two main subsidiaries: FINAME and BNDESPAR. Together they conform the BNDES system. While FINAME finances exports of Brazilian equipment as well as imports of goods, BNDSPAR capitalizes firms through stock acquisitions. As a paradigmatic state-owned development bank (Lazzarini et al 2015), it is a financial intermediary that specializes in providing long term credit to promote industrialization with a mandate to support local business activity. BNDES is restricted to Brazilian companies, but being the second largest national development bank among emerging economies (Armijo, 2015) it is manifestly a very powerful leader in development finance.

During the 2000s, the BNDES played a role in the internationalization of Brazilian business, particularly its policy of promoting national champions, that is, specific firms judged able to compete with the largest transnationals in global markets. But the BNDES has also opened credit lines for foreign governments to acquire Brazilian goods and services, often from one or a handful of companies. But more importantly, the for the Brazilian government BNDES role has been offensive because it was attentive of the South American market Specifically the foreign direct investment of Brazilian firms focused in South America, especially Argentina and Venezuela (Armijo, 2015).

As we can see the evolution of post hegemonic financial cooperation peaked and subsided with the regional politics that directed available finance to support investment and development. Post hegemonic policies are is not a direct response to a preponderance of power, but to perceptions of power and fear of its unilateral use. It responds to what Walt (1985) called the “balance of threat”. Post hegemonic regionalism is a structure of opportunity that seeks to limit the ability of the unipole to impose its preferences on others through coordinated action, attempts to augment power, and countervailing coalitions. It is manifest in the conscious coordination of diplomatic action in order to obtain outcomes contrary to U.S. preferences, outcomes that could not be gained if the partners did not give each other some degree of mutual support.

Final remarks

Post hegemonic policies thrived in a structure of opportunity. The outbreak of the coronavirus pandemic in March 2020 hit a dis-united Latin America. Has post-hegemonic regionalism been buried? Can it be buried? If we understand the shift to the left symbolically initiated with the election of Hugo Chávez in 1998 in Latin America, as a questioning of the commercialist, neoliberal bias, tempered with social policies in response to demands for social inclusion and an aspiration to more equitable political-economic models, then of course it has. Post-hegemonic regionalism faces a conundrum. But it does so in a moment where power transition is played out not only in the regional order but more so in a tense multilateral order. In a broader perspective, the post-hegemonic moment as global power transition lives on and it is played out in the region by interactions with, and between, the US and China as players that strive for normative, financial and economic constructions of global and regional orders. China’s reach and influence in Latin America has widened considerably through lending, investment and trade opportunities hand in hand with extraordinary vaccine diplomacy, that also includes COVID-19 vaccine supplies from Russia. Altogether they became unprecedented high profile diplomatic tools in the battles of the renewed posthegemonic moment. The theory’s parsimony retains considerable appeal.

Latin America is not the only region lacking a meta-narrative as manifested in the emergence of contested and even competitive projects in the Asia while Europe transits a process of disaffection. The current context invites to reflect on what a post-hegemonic moment might bring as regions become terrain of competing ambitions between the US regaining pace in global politics and China motorizing new forms of political and economic diplomacy. 20 countries have joined the China’s Belt and Road Initiative while several Chinese firms are positioned for the 5G infrastructure. Meanwhile, Russia, India and China create new sets of incentives for sectoral cooperative policies, most recently in the face the global health pandemic through vaccine diplomacy. The key question therefore is less whether there is an institutional base and more one of how regionalism can provide a structure of opportunity giving expression to political actors and policies.

If the XXI century turns out to be the Asian century as the XX century was the American century the meta-narrative or master plan has yet to come to fruition, but new dynamics in which a variety of actors bring emerging issues is making headway. It is in this key that we propose that the explanatory power of post-hegemonic regionalism should be understood, as an anti-deterministic perspective of regionalism, reflecting varied political logics and not easily reducible to a single rule or expression of deregulation.

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Notas

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2) CAF acronym refers to *Corporación Andina de Fomento*, as the Bank was known until 2008.

Abstract

This article proposes an analysis of the development of post-hegemonic strategies in Latin America during the last two decades. In the second section, we review the emergence of the strategy and its meaning in the light of multilateralism. In the next section, we analyse in detail the main initiatives in the financial sphere, perhaps one of the fields in which the region tried, with mixed success, to dispute the status quo.