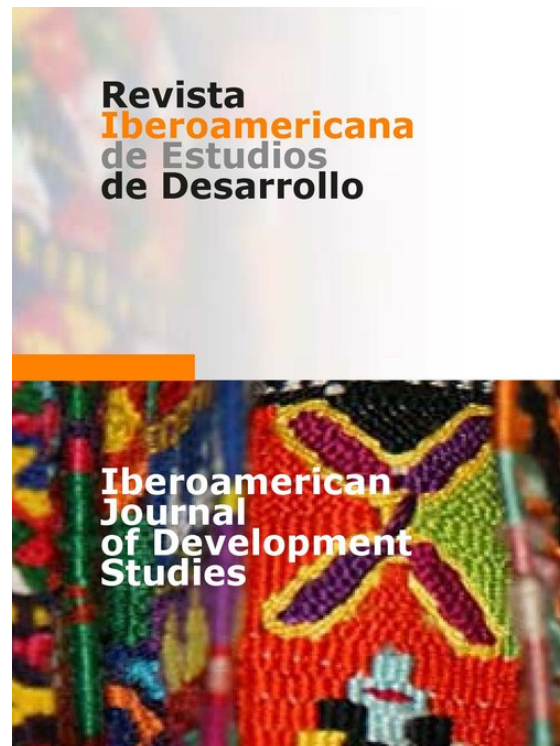

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The rise and fall of the Bank of the South: challenges in Latin American post-neoliberal regionalism

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The rise and fall of the Bank of the South: challenges in Latin American post-neoliberal regionalism

Ascenso y caída del Banco del Sur: desafíos del regionalismo posneoliberal latinoamericano

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Abstract

In the early 21st century, the rise of left-wing administrations in South America bolstered regional frameworks. The proposal to establish a new regional financial architecture materialized as the Bank of the South, formalizing its Constitutive Treaty in 2009. Despite this, the Bank remains uncanceled. This study examines its rise and decline, addressing factors behind its establishment; the impact of divergent regional approaches by Brazil, Argentina, and Venezuela, and the reasons for its decline in the second decade of the 21st century. The research attributes the Bank's demise not only to the crisis in post-neoliberal regionalism but also to internal disagreements among proponents. Drawing on a thorough literature review, primary source analysis from the Bank, and insights from policymakers' memoirs, this research provides a nuanced understanding of the Bank of the South's trajectory.

Keywords: Latin American regionalism, Brazilian foreign policy, Venezuelan foreign policy, Bank of the South, New Regional Financial Architecture.

Resumen

A principios del siglo XXI, el ascenso de Administraciones de izquierda en América del Sur reforzó los marcos regionales. La propuesta de establecer una Nueva Arquitectura Financiera Regional se materializó con el Banco del Sur, tras formalizarse su tratado constitutivo en 2009. A pesar de ello, el Banco sigue descapitalizado. En este estudio, se examina su ascenso y declive, abordando los factores detrás de su establecimiento; el impacto de los enfoques regionales divergentes de Brasil, Argentina y Venezuela, y las razones de su declive en la segunda década del siglo XXI. En la investigación, se atribuye su desaparición no solo a la crisis del regionalismo posneoliberal, sino también a desacuerdos internos entre sus proponentes. Basándose en una revisión exhaustiva de la bibliografía, análisis de fuentes primarias del Banco y memorias de los responsables de la formulación de políticas, en esta investigación se proporciona una comprensión matizada de la trayectoria del Banco del Sur.

Palabras clave: regionalismo latinoamericano, política exterior brasileña, política exterior venezolana, Banco del Sur, Nueva Arquitectura Financiera Regional.

Introduction

In the initial decade of the 21st century, the ascent of left-wing governments in South America spurred the reinforcement of subregional and regional multilateral mechanisms, excluding the United States and extending beyond the Organization of American States. These new formations comprised the Union of South American Nations (UNASUR), the Bolivarian Alliance for the Peoples of Our America (ALBA), and the Community of Latin American and Caribbean States (CELAC). In the financial sector, the foremost South American institution established was the Bank of the South, representing a broader discourse on crafting a new regional financial architecture primarily involving ALBA-affiliated nations, aligning with Venezuela's strategic vision for regional integration. This architecture aimed to establish regional development banks (*e.g.*, the Bank of the South and the Bank of ALBA) and create a reserve fund through the Unitary System of Regional Compensations (SUCRE) and a southern currency.

Founded in 2007, the Bank's Constitutive Treaty was finalized in 2009. However, after fifteen years, the institution remains uncapitalized. This study elucidates the Bank of the South's rise and fall through research questions examining its establishment, the divergent regional approaches of Brazil, Argentina, and Venezuela, and the factors contributing to its decline in the second decade of the 21st century.

Following its inception, the Bank of the South faced the waning of regional integration initiatives, affecting not only the institution but also UNASUR and ALBA. However, this research contends that, aside from the broader crisis in post-neoliberal regionalism, the Bank's collapse also stemmed from discord among its proponents regarding implementation. Drawing on a literature review, primary sources from the Bank of the South, and memories of policymakers involved in its launch, this research navigates the methodological aspects of studying Latin American post-neoliberal regionalism. Subsequent sections delve into the new regional financial architecture, analyzing the factors leading to the Bank of the South's creation and how differences among Brazil, Argentina, and Venezuela shaped its trajectory.

Theoretical framework

In the first decade of the 2000s, trade integration projects lost momentum and were dismantled, particularly in South America. Despite years of negotiations, the proposal for the Free Trade Area of the Americas was rejected in 2005, as the region's countries failed to reach a consensus with the United States on its establishment parameters. Faced with this collapse, the Andean Community of Nations (ACN) countries opted to maintain a pro-trade agreement orientation with the United States. However, this decision fractured the Andean bloc, given former Venezuelan President Hugo Chávez's refusal to align with this perspective. Consequently, the traditional pattern of open regionalism was confined to bilateral agreements and remnants of multilateral mechanisms inherited from previous periods.

Simultaneously, the pink tide gained strength with the rise of progressive left-wing and center-left governments in various South American and Latin American countries, bolstering the paradigm of constructing post-liberal regionalism (Castañeda & Morales 2009). This new regionalism emphasized creating and enhancing regional integration instruments incorporating dimensions beyond the economic-commercial facet. It aimed for greater institutionalization, political cooperation, and focus on security, energy, and social and financial issues. Initiatives such as the South American Community of Nations (SACN), later evolving into UNASUR, ALBA, and CELAC, along with complementary mechanisms like the South American Defense Council and the Bank of the South, were established to consolidate infrastructure integration instruments. This shift in regionalism influenced existing blocs like the Southern Common Market (MERCOSUR), introducing new perspectives to their articulations.

Amidst the weakening of liberal alternatives and the synergy for a new form of regionalism, characterized by the involvement primarily of regional countries and dimensions beyond the commercial segment, clashes of integration concepts emerged among proponents of post-liberal regionalism. A notable example of this dynamic was the growing disagreement between Brazil and Venezuela over the direction of multilateral cooperation instruments in South America and the broader Latin American context (Malamud 2009).

This post-liberal, post-neoliberal, or post-hegemonic regionalism can be interpreted as a return to the centrality of politics in foreign relations and development strategies of the region's countries. It is driven by a vision of defending national sovereignty and seeking greater autonomy from market and globalization processes (Sanahuja 2016). Aligned with this perspective, Serbin (2013) identified three key returns: *a)* the return to politics; *b)* the return of the state, playing a more significant role in social and development policies, as well as defining the foreign policy agenda, with strong nationalist and sovereigntist traits, and *c)* the return of the development agenda, opposing the parameters of the Washington Consensus and neoliberalism.

When evaluating the factors of fragmentation and overlapping integration mechanisms in Latin America, Mariano and Ribeiro (2020) highlighted fundamental points for examining regionalism. They emphasized that, while Latin American multilateral institutions are commonly labeled as integrationist, they do not necessarily represent processes promoting integration based on deepening supranational mechanisms. Thus, Latin American multilateral institutions often deviate from functionalist and neo-functionalist definitions of regional integration, which presuppose aspects of supranationality for multilateral institutions (Haas 2004).

In response to these dilemmas, Nolte and Comini (2016) observed that predominant approaches in academic studies often evaluate regional organizations based on their coherence and efficiency, compared with the European Union model. This explains the recurrent and pronounced criticism of Latin American multilateral organizations, given that overlapping regional integration instruments contradicts the assumed ideal model. Contrary to these perspectives, Nolte and Comini (2016) proposed that this overlap could create maneuvering space for member states to achieve their objectives. According to them, this is not a problem but an opportunity for formulating and implementing political strategies using different institutions simultaneously, each with its gains.

In this context, the definitions regarding the main features of «post-neoliberal regionalism» and the structure of «Latin American regionalism» underscore the centrality of foreign policy objectives of member countries in shaping regional multilateral institutions. This study thus analyzes the direction of South American regionalism based on an understanding of the interactions between the strategic objectives of the foreign policies of some of its leading proponents.

The New Regional Financial Architecture and the launching of the Bank of the South

Establishing the Bank of the South was a pivotal component of the overarching discourse on constructing a New Regional Financial Architecture (Pérez 2012), prominently engaging nations associated with ALBA and reflecting Venezuelan perspectives on the trajectory of regional integration.

The proposition of a regional reserve fund aimed at ensuring coordinated responses to the repercussions of financial crises, fostering enhanced collaboration among central banks, and leveraging reserves to implement countercyclical policies. This approach sought to counteract the reliance of regional nations on the International Monetary Fund (IMF) and utilize local currencies as supplementary support for international reserves (Castiglioni 2013). Despite being initially proposed within the UNASUR Financial Integration Group framework, progress was limited, with the project only partially materializing by creating the SUCRE Regional Convergence and Reserve Fund within the framework of ALBA agreements (Benzi *et al.* 2016).

The objective of the new regional financial architecture to solidify a domain for regional monetary sovereignty entailed coordinating economic policies, establishing a regional clearing system, fostering greater interconnectedness among central banks, and contemplating the creation of a regional currency for intra-regional transactions (Castiglioni 2013). Like the regional reserve fund, initiatives advocating a regional currency for local transactions were confined to the ALBA discourse, finding expression in creating SUCRE without further progress within SACN or UNASUR.

The extension of the new regional financial architecture surpassed the confines of the ALBA circuit, becoming apparent with the Bank of the South's proposal in discussions on establishing new regional development banks. Throughout this process, the divergent visions of Brazil and Venezuela resurfaced, along with Argentina's pragmatic and oscillating stance towards the proposals. Venezuela's advocacy for creating a bank originated during Chávez's 1998 presidential campaign. Still, it gained significant emphasis in 2004 when it was formally announced at the United Nations Conference on Trade and Development in a speech by Jesús Arnaldo Pérez, Venezuela's

Foreign Minister (Carcanholo 2011). Subsequently, Venezuela championed the necessity for creating such instruments in various multilateral forums, spanning meetings of Latin American institutions like ALBA to broader platforms like the summits of the Movement of Non-Aligned Countries.

One of the primary proponents of the New Regional Financial Architecture and an advocate for the Bank of the South, Éric Toussaint, envisioned the possibility of establishing this new institution on a much broader scale, encompassing the entire Global South:

The Bank of the South aimed to reduce peripheral countries' reliance on the global financial market, bolster their capacity to conserve resources, curb capital outflow, redirect primary resources toward autonomous economic and social progress, and reassess investment priorities. It sought to operate as a distinct multilateral bank, setting itself apart from entities such as the World Bank and regional development banks like the Inter-American Development Bank, the African Development Bank, and the Asian Development Bank (Toussaint 2008, p. 40).

However, the initiative found a home in the South American environment and made progress. In February 2007, Argentina and Venezuela signed a Memorandum of Understanding to create the Bank of the South, setting 120 days for the entire constitution. Subsequently, the initiative gained the sympathy and support of Bolivia and Ecuador, leading Brazil to join understandings favoring the bank's creation in May, together with Paraguay and Uruguay. This process convinced member countries to resume negotiations on the bank's shape from the initial stage. Chile and Peru joined the initiative as observers. An analysis of Brazil's accession and proposals is crucial to understanding the direction of the new bank.

When Venezuela first asked about Brazil's possible cooperation in the project, Brazil's stance was negative. Regarding regional financial institutions, according to Brazilian diplomacy, traditional entities, such as the Andean Development Corporation (CAF), had more experience and credibility in guaranteeing consistent progress in financial cooperation (Strautman & Soares 2007). With an understanding between Venezuela and Argentina in February 2007, Brazil's strategy changed and became aimed at shaping the direction of the debate on the format of the Bank of the South.

Without changing its priority to strengthen traditional regional financial institutions such as the CAF, Brazil began to act incisively in negotiations involving the Bank of the South to change the initial content, which was centered on proposals from Venezuelan formulations supported by the Bolivarian bloc. Despite making essential concessions (Carvalho 2012), Brazil managed to alter its initial content and function.

Argentina's position in shaping the Bank of the South also sheds light on the complex triangular relationship between Brazil and Venezuela during this period. Given the centrality of financial issues in Argentina's strategic foreign policy calculations, supporting the initiative to create a new regional institution strengthened the country's option to diversify its sources of international finance. In the wake of the bilateral rapprochement with Venezuela, involving, for example, the purchase of Argentine foreign debt bonds by the Venezuelan government, the Bank of the South proposal appeared as an opportunity not only to diversify these sources but also to outline regional financing alternatives outside the mechanisms already endorsed by Brazil, forcing its leading trading partner to engage in negotiations on the regional financial architecture.

As Carvalho (2012) pointed out, Brazilian diplomacy during the 2001 crisis in Argentina generated a series of controversies regarding financial issues in the relationship between the two countries. Faced with a severe economic crisis that led to the breakdown of convertibility, the blocking of bank deposits, and a moratorium on Argentina's foreign debt, Brazil adopted a policy of indifference to the process, which would be maintained in subsequent years, given the government's strategy of maintaining a Brazilian profile of pro-market positions consistent with fiscal responsibility. Therefore, this context increased Argentina's need to seek regional alternatives to Brazil in the financial architecture debate to bring it to the negotiating table.

In summary, the process leading up to the foundation of the Bank of the South included a series of meetings involving discussions related to its paradigms within MERCOSUR and the UNASUR technical-financial group in 2006; the signing of the Memorandum of Understanding for the Constitution of the Bank of the South in February and March 2007; the Quito Declaration of May 3, 2007; the Asunción Declaration of May 22, 2007; the Rio de Janeiro Declaration of October 8, 2007, and finally the Founding Minutes of the Bank of the South, signed by Argentina, Bolivia, Brazil, Colombia, Ecuador, Paraguay, Uruguay, and Venezuela in December 2007.

The Quito Declaration was signed in the city of San Francisco de Quito in the Republic of Ecuador on May 3, 2007, during a meeting between Ecuadorian President

Rafael Correa and the Ministers of Economy, Finance, or the Treasury of Argentina, Bolivia, Brazil, Paraguay, and Ecuador. General guidelines for the New Regional Financial Architecture were established at this meeting, indicating the main initiatives required to make it a reality. In this sense, among the main conclusions of the meeting were *a)* the priority of creating the Bank of the South as a development bank; *b)* the commitment of countries to analyze the possibility of moving forward with the creation of a stabilization fund, based on strengthening the Latin American Reserve Fund (FLAR); *c)* the reinforcement of efforts to develop a regional monetary system that would allow bilateral trade in domestic currencies, as Brazil and Argentina were doing, and *d)* agreement that within the framework of UNASUR, all governments of South American countries would be invited to join the agreements of the constitutive agreement of the Bank of the South.

At the meeting in Asunción on May 22, 2007, ministers of Argentina, Bolivia, Brazil, Ecuador, Paraguay, and Venezuela signed a declaration consolidating six agreements on the guidelines for creating the Bank of the South. In addition to reaffirming the aim of reducing the new instrument as a development bank and inviting all UNASUR countries to join, they established equal representation for all partners in the bank. At that time, Argentine Finance Minister Felisa Miceli (*La Nación* 2007, p. 2) emphasized that the bank's format should distance itself from the «way of governing international financial entities, in which hegemony is imposed by the one with the largest size».

On June 28, 2007, during the MERCOSUR Presidents' Summit in Asunción, Uruguay, declared its participation in the bank. On October 8, 2007, the Declaration of Rio de Janeiro was signed by the Ministers of Economy, Finance, or Treasury of Argentina, Brazil, Bolivia, Ecuador, Uruguay, Paraguay, and Venezuela, reaching a consensus on the direction of the Founding Act of the Bank of the South, while Colombia expressed its interest in joining the new institution. Finally, on December 9, 2007, the Founding Act of the Bank of the South was signed in Buenos Aires at a meeting attended by the presidents of Argentina, Bolivia, Brazil, Ecuador, Colombia, Paraguay, Uruguay, and Venezuela. The Founding Act (2009) outlines seven guidelines for establishing the bank:

1) The Bank of the South was established as an economic and social development bank for UNASUR member countries, aiming to strengthen regional integration, reduce

asymmetries, and promote equitable distribution of investments among the bank's countries.

II) Its main headquarters would be in Caracas, the capital of the Bolivarian Republic of Venezuela, with sub-offices in Buenos Aires and La Paz.

III) The bank's primary function was to finance development projects in critical sectors of the economy to enhance competitiveness and scientific and technological development. It would prioritize the use of raw materials from member countries, finance projects in social sectors to alleviate poverty and social exclusion, support initiatives promoting South American integration, and manage special funds for social solidarity and emergencies in the face of natural disasters through active, passive, and service financial operations.

IV) Professional criteria of financial efficiency would ensure the autonomous nature of the bank, avoiding additional expenses and guaranteeing the generation of new resources for reinvestment in member countries.

V) Equal representation of members in the bank's governing bodies would operate under a democratic system.

VI) Ministers of Economy, Finance, or Finance of the signatories would commit to adopting necessary measures to conclude the process of drafting an agreement establishing the Bank of the South within 60 days of signing the Founding Minutes.

VII) All UNASUR nations would be invited to join the Bank of the South and sign its Constitutive Agreement.

These definitions exhibited significant disparities in terms and scope, compared to those in previous declarations, highlighting differences between Venezuela, the leading promoter of the initiative, and Brazil, which became pronounced after Brazil entered the debate on the bank's constitution. As noted by Alves and Biancareli (2015), there were five main differences: *a)* how the bank would raise funds, *b)* its governance mechanisms, *c)* its functions, *d)* the location of its headquarters, and *e)* the geographical scope of its operations.

Regarding funding, the Venezuelan proposal aimed to utilize part of the international reserves of member countries, given the accumulation of these reserves by South American countries in previous years. In contrast, Brazil perceived this as high-risk and advocated traditional capital market funding.

Concerning governance mechanisms, Brazil's stance aligned with the perspective of maintaining the model of global multilateral financial organizations, where countries' power is directly correlated with their capital contributions to the bank. Venezuela, supported by most member countries, championed the idea of equal power distribution among members. Faced with this impasse, Brazilian Minister Guido Mantega accepted equal power division on the condition that contributions to capital formation were equally divided (Globo 2003).

The primary condition Brazil emphasized for the success of negotiations pertained to the bank's functions. Argentina and Venezuela viewed the bank as a means for member countries to defend themselves against financial crises and market turbulence, providing an alternative to the IMF. Conversely, Brazil advocated for the bank to focus exclusively on financing development projects. Venezuela, along with smaller countries, replicated demands within MERCOSUR to create a means of reducing asymmetries between member countries, raising questions about the bank's priority for financing infrastructure works in less developed areas (Ugarteche 2023).

Venezuela argued for locating the headquarters in Caracas, while Brazil proposed a more central location on the South American continent, akin to the debate over the headquarters of UNASUR. The Bolivarian bloc's preference prevailed, directing the headquarters to a country in the ALBA circuit. This controversy extended to the geographical scope of the Bank of the South, with Brazil advocating restriction to the South American countries of UNASUR, while Venezuela sought consolidation with other Latin American countries within ALBA, expanding its actions beyond those in South America.

4

Navigating between progress and impasses

To conduct a more nuanced and comprehensive analysis of the underlying rationales behind the establishment of the Bank of the South, it is imperative to meticulously examine the interests of Brazil, Argentina, and Venezuela within the prevailing South American regional milieu.

On the Brazilian front, these objectives were inherent to the nation's foreign policy, with a strategic aim to consolidate its leadership in South America as a pivotal player poised for a more resolute global influence. When elucidating shared leadership, Brazil sought to authenticate its proactive role in regional integration, extending its favor toward all South American nations. Evolving from antecedent propositions such as those of the South American Free Trade Area (SAFTA) in the 1990s and Initiative for the Integration of the Regional Infrastructure of South America (IIRSA) in the 2000s, SACN emerged as the grand synthesis embodying Brazil's vision for a multilateral regional mechanism: expansive and inclusive, enrolling all South American countries irrespective of their governments' ideological proclivities, establishing itself as a perpetual forum for political consultation, liberated from the presence of external powers, and devoted to fortifying regional trade and physical infrastructure.

From the Venezuelan perspective, the approach to regional integration adhered to a distinctive paradigm, significantly influenced by the political and ideological tenets of Chavism, its profound affiliations with Cuba in the hemispheric context, and the ramifications of diplomatic maneuvers on its domestic politics. Confronted with an acute and asymmetric conflict with the United States, which overtly supported the endeavor to depose Chávez in 2002, Venezuela perceived regional collaborations as an avenue to diminish American presence and influence in Central America, the Caribbean, and South America. Consequently, Venezuela concurrently pursued three directions: *a)* forging an alternative regional integration bloc, ALBA, grounded in the «Bolivarian» model, with the aim of disseminating the so-called «Socialism» of the 21st Century; *b)* aligning with reformist center-left governments to bolster regional integration instruments devoid of United States involvement and endeavoring to shape the formation of these mechanisms; *c)* unrelentingly opposing not only American initiatives in the region but also governments and blocs closely aligned with the United States, exemplified by Venezuela's withdrawal from the ACN.

Hence, it becomes apparent that Brazil and Venezuela partially converged in their agendas. This convergence proved adequate for collaborative efforts in constructing regional integration mechanisms but fell short of achieving concordance on the profile and trajectory these mechanisms should assume. During this contention, Argentina, a historical collaborator of Brazil in initiatives to augment South American integration, assumed a pivotal role in the diplomatic chessboard of these novel arrangements. Scrutinizing Argentine diplomacy through a historical lens reveals a persistent endeavor

to structure its relations with Brazil within the hemispheric context, triangulating negotiations with other regional powers, such as the United States and Mexico. Confronted with the Kirchner government's distancing from the Americans and Mexico's insulation in NAFTA-related matters, the pursuit of a new partnership became imperative to redress the increasingly asymmetrical relationship with the Brazilians, particularly in negotiations encompassing the entirety of South America.

This elucidates, in part, the fortification of hitherto limited bilateral relations with Venezuela alongside Chávez's determined efforts to reshape the South American political landscape. Beyond tactical alliances to counterbalance Brazil regionally —especially in debates concerning the metamorphosis of SACN into UNASUR and the inception of the Bank of the South—, economic and even financial complementarity between Argentina and Venezuela bolstered this heightened synergy. Nevertheless, despite certain ideological sympathies within the leftist factions of the Kirchnerist and Chavist movements, the nature of the governing coalitions in both countries was notably distinct, as were the deeper interests of each one's regional agenda.

In conclusion, notwithstanding some divergences in the bilateral agenda and sporadic leadership disputes in South America, Argentina ultimately aligned with Brazil's pragmatic and politically expansive propositions in most regional integration bodies. Far from opposing integration efforts emanating from Brasília, Argentina consistently sought to triangulate positions with Venezuela to negotiate more favorable conditions *vis-à-vis* Brazil. This fundamental aspect elucidates Argentina's non-adherence to ALBA, Chávez's criticisms of MERCOSUR, the Venezuelan-proposed military alliance model for the SADC, and even the accommodation of Brazil's equivocal stance towards the efforts to establish the Bank of the South.

Analysis of the documents issued by the member countries of the Bank of the South enables us to identify the outcome of each controversy. Brazil refined the nature and form of the bank's fundraising, bringing it closer to a profile aligned with traditional market mechanisms. Although the declarations indicated synergy between the new bank and the paradigm of the new regional financial architecture, the Bank of the South was characterized as a development bank, and its Constitutive Treaty emphasized the need for it to be governed by professional criteria to avoid costly activities for the signatories. The failure to approve the Venezuelan proposal on using countries' international reserves followed the same lines, marking a victory for the fundamental Brazilian thesis for the parameters to be followed by the bank (Nogara 2022). Nevertheless, Venezuela insisted

on defending non-repayable financing lines with a greater focus on social projects and flexibility in the technical criteria for granting credit. It opposed the traditional model and raised funds in the international capital market (Alves & Biancareli 2015).

The governance mechanisms adopted the formula of one vote per country, equalizing the power of the members within the institution. Brazil's proposal to reduce the amount invested by the government to balance investments, making them compatible with the equal power of the member countries in the management of the bank, was not approved. The Ministerial Commission meeting in April 2008 regulated disparate initial capital contributions for each member. These contributions were divided into three categories, totaling US\$7 billion. While smaller countries, such as Bolivia and Paraguay, would contribute only US\$100 million each, Uruguay and Ecuador would form an intermediate band, investing US\$400 million each. In contrast, Brazil, Argentina, and Venezuela would each contribute US\$2 billion but maintain an equal distribution of power between the countries in the bank. This structure emphasized the importance of the Brazil-Argentina-Venezuela triangle in the entity's constitution and the intersecting interests of the three countries. In this case, Venezuela's, and Argentina's views on greater proportionality in power distribution prevailed while preventing a reduction in Brazil's available resources (Alves & Biancareli 2015).

The officialization of the headquarters in Caracas was in line with the trend at the time of the rise of the Bolivarian revisionist bloc's demands within South American multilateral institutions. While the former Brazilian SACN project, headquartered in Brazilian territory, was being dismantled in favor of the emergence of UNASUR, headquartered in Ecuador, the Bank of the South emerged as a project originating from Argentina's greater rapprochement and political convergence with the Bolivarian bloc, especially Venezuela. It is no coincidence that the bank's headquarters were set up in Caracas and its sub-offices in La Paz (Bolivia), a member of ALBA, and Buenos Aires (Argentina), a key country for boosting Venezuelan projects in the regional environment. Nevertheless, the restriction of the headquarters to South American territory endorsed the Brazilian view of strictly defending South American multilateralism to the detriment of the Venezuelan political will to expand the scope and territorial coverage of the bank.

In September 2009, a meeting in Porlamar (Venezuela), established the Constitutive Agreement of the Bank of the South, which specified all these measures and detailed the bank's operating and organizational guidelines. It provided for dividing

resources into new categories, including the possibility of all South American countries joining, totaling US\$10 billion, as shown in Table 1 and Figure 1.

Group	Country	The government's contribution amount (in millions of dollars)	Total contribution by country group (in millions of dollars)
1	Argentina, Brazil, and Venezuela	2,000	6,000
2	Chile, Colombia, and Peru	970	2,910
3	Ecuador, and Uruguay	400	800
4	Bolivia, and Paraguay	100	200
5	Guyana, and Suriname	45	90

Table 1

Share of the Bank of the South's budget by member countries

Source: Convênio do Banco do Sul (2009), author's elaboration.

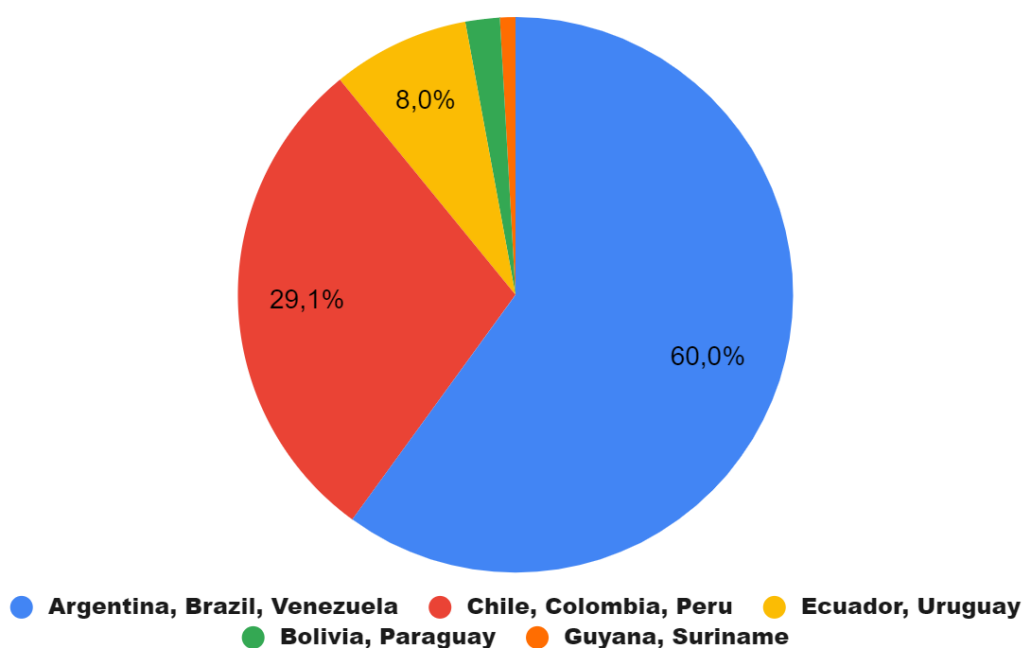


Figure 1

Percentage distribution by country group of the Bank of the South's initial contribution of US\$ 10 billion

Source: Convênio Constitutivo do Banco do Sul (2009), author's elaboration.

As established in the agreement, the institution would formally come into existence only once ratified by at least four of the bank's seven founding countries. This outcome was achieved only in December 2011, after ratification by Uruguay. In yet another demonstration of ambiguity about the political will to create the Bank of the South, the Brazilian executive branch sent the proposal to the legislature in February 2012, during Dilma Rousseff's government. All these delays led to the First Meeting of the Council of Ministers of the Bank of the South taking place only on June 12, 2013, in a political environment of the crisis of post-neoliberal regionalism.

In 2009, it was announced that the counter-cyclical fund would be an extension of the FLAR, based in Bogotá, and would be created to help members facing financial difficulties. In 2011, Brazil and Argentina joined the FLAR, regarding it not as a substitute but rather as complementary to the IMF. However, by the end of 2011, the fund was not operational. Venezuela and Ecuador intended to create a new fund to develop a regional credit market (Giacalone 2013). These outcomes demonstrate the difficulties the Bolivarian axis countries encountered in moving forward with initiatives linked to the new regional financial architecture. As Giacalone (2013) pointed out, Chávez's calls for the region's governments to abandon the Inter-American Development Bank (IDB) and for the CAF to be closed failed to resonate with UNASUR countries.

Unlike initiatives like the launch of the IIRSA, SACN, and the SADC, the initiative to create the Bank of the South did not come from Brazilian regional leadership. As already noted, the origins of the Bank of the South go back to the debates surrounding the construction of the new regional financial architecture and were strictly linked to the parameters of regionalism driven by ALBA and its prominent regional leader, Venezuela's Chávez (Hart-Landsberg 2009). Given that revisionism toward international financial institutions was a common point between the ALBA countries' foreign policy agendas and Argentina during the Kirchner governments, this made an unexpected alignment possible in favor of creating a new regional financial institution.

Before Argentina began establishing the bank, Brazil did not show any political willingness to join the initiative. Brazil's foreign policy regarding international and regional financial issues was pragmatic and conservative (Vaz & Nogara 2020). In the hemispheric panorama, Brazil advocated strengthening existing multilateral development banks, such as the CAF and the IDB, while simultaneously strengthening the National Bank for Economic and Social Development (BNDES) presence in South America and,

consequently, in Latin America as a whole, even if it exclusively financed works by Brazilian companies abroad.

However, the panorama of the rise of the Bolivarian bloc's revisionist intentions within South American multilateral institutions was clear, evidenced by the Venezuelan offensives in debates on (1) energy at the First South American Energy Summit in Margarita, 2007; (2) the transformation of SACN into UNASUR; (3) the nationalization of Petrobras assets by Bolivia in 2006, which Venezuela favored; (4) finances, with a push for the new regional financial architecture; (5) security and defense, with Venezuela strengthening the call for the constitution of an anti-imperialist military alliance of the region's countries, and (6) entry into MERCOSUR, which was accompanied by Chávez's criticism that the bloc was neoliberal.

These actions constituted a blatant questioning of Brazil's regional leadership profile by Venezuela (Nogara 2020). However, most of these attempts were limited to the support of the ALBA countries, which in South America were limited to Venezuela, Bolivia, and Ecuador, and had immense difficulties in attracting the other ACN countries, MERCOSUR, Chile, Guyana, and Suriname. Debate on the transformation of the SACN into UNASUR and the creation of the Bank of the South won the most support; both had the convergence of Venezuela and Argentina as their driving forces. To avoid formalizing a Venezuela-Argentina axis of open opposition to Brazilian regional leadership, Brazil opted to join the process of creating the Bank of the South.

Brazil's entry prevented the creation of a South American financial institution that involved countries in the ALBA and MERCOSUR circuit without its presence. It also conditioned the course of the bank's creation, reducing its revisionist content and leading it to adopt more conservative guidelines. The subsequent delay in ratifying the Constitutive Agreement reinforces the thesis of Brazilian disinterest in the initiative's success. This view was expressed by Toussaint (2014), a collaborator of the Ecuadorian government, in proposing the Bank of the South. For him, Brazil was primarily responsible for the bank's paralysis. In this sense, the centrality of the Argentina-Brazil-Venezuela triangular dynamic in understanding the process of creating the Bank of the South and its direction is evident. The convergence between Argentina and Venezuela led Brazil to change its initial stance of disinterest to proactivity, intending to alter the bank's constitutive paradigm and adopt a strategy of obstructing the institution's progress in a third stage.

On the contrary, the second decade of the 21st century witnessed a significant regression following the preceding ascendancy of left and center-left governments across Latin America (López Maya 2016, Singer 2018, Lander 2020, Nogara *et al.* 2020). Various political and economic crises exerted differential impacts on the left-wing administrations in the region, permeating the governing coalitions of Brazil, Argentina, and Venezuela. Consequently, these crises imposed constraints on the endeavors of these nations' foreign policies to deepen mechanisms of regional integration. Notably, in Argentina, substantial segments of the national elites overtly opposed the trajectory of Cristina's foreign policy (Busso 2014). Concurrently, Brazil experienced a phase of stagnation and decline in its global and regional prominence within the realm of foreign policy (Cervo & Lessa 2014). Meanwhile, in Venezuela, the economic crisis undermined the primary mechanisms aimed at fortifying its diplomatic agenda, paralleled by the collapse of its internal developmental model and the established framework for its engagement in South American multilateral politics (Romero & Mijares 2016).

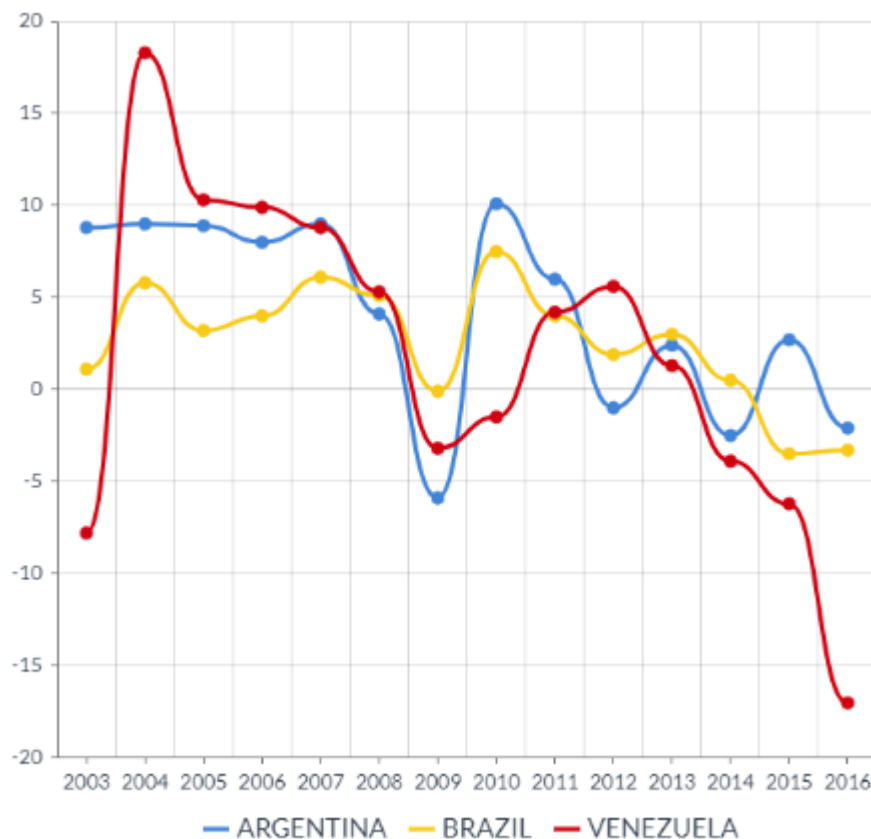


Figure 2

Comparing Annual GDP Growth Rates (%) in Argentina, Brazil, and Venezuela (2003-2016)¹

Source: World Bank (2024) and Statista (2024), author's elaboration.

Henceforth, it is indisputable that the crisis of post-neoliberal regionalism is intricately linked to the backlash experienced by left-wing governing coalitions in the region. Similarly, the complete cessation of momentum for regional initiatives such as the Bank of the South stemmed from this juncture. However, it is pertinent to acknowledge that the impasse in the advancement and implementation of these initiatives is also attributable to previously outlined disputes, predominantly centered around the divergent regionalism visions championed by Brazil and Venezuela. Notably, concerning the Bank of the South, there was a discernible alignment between Argentina and Venezuela in a bid to entice Brazil into the initiative, yielding partial success, albeit with unresolved impasses and contradictions. Ultimately, the crisis of the second decade of the 21st century serves as a profound impediment, entirely hindering discussions for any novel advancements in this regard.

5

Conclusion

Despite the convergence of significant South American countries in favor of creating a regional financial institution with content differing from that of global hegemonic institutions, the Bank of the South failed to consolidate. In the following years, it was affected by the new scenario of waning regional integration initiatives, which also weakened other instruments, such as UNASUR and ALBA. However, the general trend

¹ The decision to focus the comparison on the years 2003 and 2016 is driven by their significance as a period marked by the concurrent presence of left-wing or center-left governments in at least two of the three countries under examination, thus aligning with the research objective. The chart is designed to depict the fluctuations in economic challenges encountered by the governments of Brazil, Argentina, and Venezuela from the second decade of the 21st century, juxtaposed against the strong performances witnessed in the preceding decade.

away from South American regional integration was not the only reason for the decline in the Bank of the South.

The centrality of its disappearance also lies in the differences between Venezuela and Brazil over the configuration of regional financial institutions. Similarly, the political and economic crisis that Venezuela endured during the second decade of the 21st century (Nogara & Wobeto 2019) undermined the regional initiatives it led, resulting in the simultaneous decline of both ALBA and the Bank of the South. Documents establishing the bank as an entity were signed in 2007, and the Constitutive Agreement was finalized in 2009. To date, the bank has not been capitalized.

On one hand, the failure of the Bank of the South stemmed from the inherent divergences among its proponents. On the other hand, it responded to the complete crisis of the post-neoliberal regionalism paradigm that occurred in the second decade of the 21st century (Barros & Gonçalves 2021). This affected the Bank of the South and the growing synergy around other significant regional institutions, such as UNASUR. The result was an increasing disarticulation of South American regional integration mechanisms and a greater dependence of the region's countries on alternatives driven by other power centers.

Assessing the array of factors that led to the rise and fall of the Banco do Sul, several questions arise for future research agendas. Comparing the unsuccessful Latin American experience with other regional development banks created in the 21st century is one of them (Griffith-Jones *et al.* 2016). What were the main differences in their construction and operationalization? Faced with the crisis of paradigms and institutions of Latin American regional integration, what alternative sources of financing did the region's countries seek? It is certain that in the face of the vacuum, the influence of major powers, particularly China (Pautasso *et al.* 2020), became even more significant in the Latin American scenario. Analyzing these trends is, therefore, a necessary task in which the lessons from the peak and decline of the Bank of the South contribute to elucidating some of the foundations of the new ascending scenario.

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