

FOCEM: An Alternative to Traditional Hegemonic Development Arrangements?

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The “liberal world order” is a term coined by academics to describe the period of U.S. hegemony characterized by the importance of international financial institutions such as the World Bank and the International Monetary Fund. Since the creation of these institutions in the aftermath of WWII, the liberal world order has played a defining role in the interactions between the Global North and the Global South. In addition to the power of these institutions, the liberal world order is also characterized by the hegemonic influence of the United States as a global superpower and the embrace of free trade and neoliberalism as economic models. This paper will examine The Common Market of the South (MERCOSUR), a trade agreement that includes Argentina, Brazil, Uruguay, Paraguay and Venezuela.¹ Within this block exists the MERCOSUR Structural Convergence Fund (FOCEM), a pool of money that all members contribute to based on their GDP size, and can then use to fund their own development projects. This organization goes against the tenets of the liberal world order because it works via mutual aid among countries of the Global South rather than by relying on aid from the Global North. FOCEM stands in contrast to the Inter-American Development Bank (IDB), a more traditional financial institution that receives funding from the United States and Europe and provides financial resources to Latin America.

Since the early 2000s, many scholars have claimed that the liberal world order is coming to an end,² an event which has the potential to change the political and economic structures of South America that have been heavily influenced by the countries and institutions which held power during this era. Given this shift, this paper will ask whether FOCEM’s structure is truly different in nature than that of more traditional international financial institutions such as the

¹ Venezuela is currently no longer involved because it was recently suspended due to allegations of human rights violations

² Luce, Edward. *The Retreat of Western Liberalism*, New York, NY: Atlantic Monthly Press, 2017.

IDB. It will then analyze the power of FOCEM to determine if it is capable of replacing these organizations in the aftermath of the liberal world order. This paper finds that despite the fact that Brazil yields considerable wealth and global political power relative to the rest of FOCEM's members, the institution's egalitarian structure ensures that none of its members will be able to exert large amounts of control over the others. While this structure does carry certain benefits that will allow FOCEM to thrive in the aftermath of the liberal world order, the amount of capital the organization is able to provide still pales in comparison to that of the IDB, meaning that it will not be able to fully eclipse traditional international financial institutions.

Section I of this paper will explain in more detail the significance of the liberal world order and why it matters for South America. I will also explain why some scholars argue that it is coming to an end and what they are predicting will replace it. The next section will demonstrate how the structure of the IDB makes it an institution in line with the liberal world order. The third section will compare the similarities and differences between both the structure of FOCEM and the relationship between its members to that within traditional international financial institutions. My conclusion will determine whether or not FOCEM is different enough from the IDB to represent a new form of finance for international development and if so, how powerful it is likely to be in the future. This research found that FOCEM benefited the recipient countries by not attaching conditionality to the funds it provided, giving grants rather than loans, and by having a more horizontal power structure. However, as of now, FOCEM cannot provide enough capital to meet the needs of the Global South, leaving a niche in the market for more traditional international financial institutions.

Shifting away from the Liberal World Order

Whatever the future of international financial institutions, most academics writing about the liberal world order are in agreement that era of the United States holding unilateral power—which began when the Soviet Union fell—is ending. This has created a new and highly-debated question about how global power will be distributed in the years to come. According to the Brookings Institution, a think tank based in Washington D.C., power will become more regional, with the strongest states in the region becoming local power hubs. For instance, North Korea is seeking increased control over the Korean peninsula, and Iran is becoming a greater power in the Middle East.³ In South America, Brazil could be seen as the local power hub, especially due to its membership within the BRICS, a group of five countries—Brazil, Russia, India, China, and South Africa—that are said to be emerging economies.⁴ The BRICS demonstrated their growing economic power at their 2012 summit in New Delhi, where they created the New Development Bank (NDB). They designed it to serve as an alternative financial institution to those run by the Global North that would seek to allow the Global South to have more power over their own economic future.⁵ There has been some controversy around the BRICS and questions related to how motivated they are to help the rest of the Global South rather than to merely increase their own financial and political power. When they contributed \$72 billion to the IMF’s \$430 billion Eurozone bailout fund in 2012, they were accused of allying themselves with the Global North and merely becoming a part of those powers.⁶ On the other hand, others pointed out that as a condition of their bailout, the BRICS required that the IMF to change their rules to allow

³ Kagan, Robert. “The Twilight of the Liberal World Order.” *The Brookings Institution*. Jan 24, 2017. <https://www.brookings.edu/research/the-twilight-of-the-liberal-world-order/>

⁴ Qobo, Mzukisi & Soko Mills, “The rise of emerging power in the global development finance architecture: The case of the BRICS and the New Development Bank,” *South African Journal of International Affairs* 22 no. 3 (2015): 278.

⁵ Qobo, Mzukisi & Soko Mills, 279-280.

⁶ Gray, Kevin & Gills, Barry K, “South-South Cooperation and the Rise of the Global South,” *Third World Quarterly* 37 no. 4 (2016): 560.

developing countries to have more voting power within the institution.⁷ The next two sections of this paper will examine both a financial institution more traditionally rooted in liberal world order ideals (the IDB) as well as a newer development fund just for South American countries (FOCEM) in order to see if the latter truly represents a different type of organization and, if so, if it is strong enough to completely replace the old style of development banking.

For many scholars, the end of the liberal world order means not just the end of the United States and its allies wielding their power worldwide, but also a diminished global presence of the ideals of these countries. In early 2017, journalist Edward Luce released his book, *The Retreat of Western Liberalism*, where he reflected on how naive he and his fellow political scientists had been when they claimed that the fall of the Berlin Wall would be followed by a more interconnected and democratic world. Citing events such as the fall of over twenty democracies since the beginning of the century and the leadership role that Chinese president Xi Jinping took at the 2017 World Economic Forum, Luce argues that events like Brexit and the election of Donald Trump are merely symptoms of the decline of the ideology of western liberalism and the hegemony of U.S. influence around the world.⁸

Along similar thinking but nine years prior, in 2008, journalist Fareed Zakaria published *The Post-American World* where he claimed that while at the turn of the 20th century the United States grew to be a power comparable to imperial Rome, we are now entering an era of the “rise of the rest”⁹ where countries all over the world are assuming the global influence that the United States once held. He begins by giving examples of things that were once thought of as American that are now being overtaken by the rest of the world. For example, the world’s richest man is in

⁷ Gray, Kevin & Gills, Barry K, 560.

⁸ Luce, Edward. *The Retreat of Western Liberalism*, New York, NY: Atlantic Monthly Press, 2017.

⁹ Zakaria, Fareed. *The Post-American World*, New York, NY: W.W. Norton & Company Ltd., 2008, 1.

Mexico,¹⁰ the largest movie industry has shifted to Bollywood,¹¹ the largest mall is in Beijing, and only one out of the ten largest malls in the world is located in the United States.¹² He added to this point by claiming that tradition in the developing world “is being eroded by the rise of a mass public, empowered by capitalism and democracy.”¹³ Unlike Luce, who argues that ideals that have been considered western (such as economic liberalism) are declining, Zakaria’s thesis is that American and Western ideas are being spread throughout the world. However, as a result of other countries assimilating to the United States, the hegemonic influence that the United States itself holds is declining.

John Ikenberry, on the other hand, claims that the United States is declining as a global power but that the overall trends of liberalism and the role of institutions remain intact. To him, as to many scholars, the rise of U.S. hegemony was inextricably linked the rise of institutions run by the Global North, because “to an extraordinary degree, the American-led world order was built around institutions, including the “old dinosaurs” that still exist today: The United Nations, IMF, GATT (later the WTO), and the World Bank.”¹⁴ To Ikenberry, however, even though the “hegemonic organization of liberal order is in crisis,” the “deep principles of liberal order are not being contested”¹⁵ because this crisis of the liberal world order that we are facing is a “crisis of authority” and not a “crisis of liberal internationalism.”¹⁶ As a result, he predicts that emerging powers will begin using the traditions of economic liberalism, trade blocs, and the types of

¹⁰ Zakaria, 2.

¹¹ Zakaria, 3.

¹² Zakaria, 3.

¹³ Zakaria, 78.

¹⁴ Ikenberry, John, “The Future of Liberal World Order,” *Japanese Journal of Political Science*. 16 no. 3 (2015): 450.

¹⁵ Ikenberry, John, “The Future of Liberal World Order,” 451.

¹⁶ Ikenberry, John, “The Future of Liberal World Order,” 452.

institutions set up at the Bretton Woods conference to attain more global power and achieve higher economic growth.

The Inter-American Development Bank and the Washington Consensus

The institutions created at the Bretton Woods conference funded top down development projects that were characterized by conditional loans, a strong belief in the power of neoliberalism, and a one-sided relationship where the Global North funded development projects in the Global South.¹⁷ This worked because it was the United States and the financial institutions associated with it that yielded the most global economic power. Although both lender and borrower countries are part of these organizations, the lender countries typically hold more power over the decision-making capabilities because they provide the primary sources of funding for the bank. The World Bank, for example, has a weighted voting system where the votes of the countries that contribute more money to the institution are worth more, giving disproportionate power to its member countries from the Global North.¹⁸ Member countries are referred to with the title of “shareholders,” a term that connotes a business relationship and an investment rather than a friendly loan. The U.S., the country that provides the most financial support to the bank, is therefore the largest shareholder with 16% of the votes. Because some decisions (such as changing articles or bylaws of the bank) require a supermajority of 85% of the vote, the United States could singlehandedly prevent certain changes from being made.¹⁹

One example that characterized this relationship was when much of Latin America, notably Argentina, Brazil, and Mexico, entered a debt crisis in the 1980s. This was caused by a

¹⁷ Ikenberry, John, “The Future of Multilateralism: Governing the World in a Post-Hegemonic Era,” *Japanese Journal of Political Science* 16 no. 3 (2015): 399-412.

¹⁸ “Profile: IMF and World Bank,” *bbc.com* 5 Feb, 2015. <http://www.bbc.com/news/business-17493655>.

¹⁹ Bosco, David. “A primer on World Bank voting procedures.” *Foreign Policy*. March 28, 2012.

combination of external factors such as the worldwide oil crisis as well as flaws in their internal economic system at the time, a system known as import-substitution industrialization (ISI). This economic system favored reducing foreign dependency by a country making their own products and using steep tariffs to allow internal markets to take off. International financial institutions agreed to lend them money for a bail-out under the conditions that they carry out structural adjustment policies. As a result, much of Latin America had to shift their economies to adhere to more neoliberal models by making changes such as opening up to free trade and deregulating or privatizing industry. The expectation that countries receiving aid would adhere to neoliberal policies intensified with the declaration of the Washington Consensus in 1989. It was made up of ten points that laid out various neoliberal practices that developed countries would expect Latin America to adhere to in order to get economic support from them.²⁰ The future of the liberal world order is therefore important for this analysis because it allows us to examine the degree to which international financial institutions will continue to exert political and economic control over South America as well as to what degree those countries' economic and political systems will be expected to adhere to the liberal democratic standard that has been set by the Global North for decades.

In 1959 in Washington D.C., after a proposal by Brazilian President Juscelino Kubitschek, the Organization of American States (OAS) created the IDB, which represented a decades-long desire of Latin American countries for their own regional bank.²¹ However, the fact that it was created in Washington with heavy involvement from the United States shows that while it was designed for development in Latin America and proposed by a Latin American

²⁰ “Quick Read Synopsis: Chronicle of a Myth Foretold: The Washington Consensus in Latin America” *The Annals of the American Academy of Political and Social Science* 606 (2006): 276-277.

²¹ Hernandez, Diego. “Does Inclusion Guarantee Institutional Autonomy? The Case of the Inter-American Development Bank.” *IDEAS Working Paper Series from RePEc* (2013): 4

leader, it is still an institution of the liberal world order dominated by the U.S. It now is the largest regional development bank in Latin America, and between 1970 and 2007 provided an average of \$7.4 billion USD in loans annually to Latin America.²² This is especially significant when noted that it is nearly as much as the \$8.1 billion USD that the World Bank—a larger and older financial institution—provided annually during this time.²³

The separation in the IDB between the countries that lend and the countries that receive loans demonstrates one of the ways in which it is an institution of the Liberal World Order. Twenty two out of their 48 member countries are lending countries which means that they provide capital for projects and have voting power but cannot themselves apply for loans from the organization. This body is made up nearly exclusively of countries in Northern or Western Europe, with the only exceptions to that rule being the United States, Japan, Israel, China, and South Korea.²⁴ On the other hand, the borrowing countries are made up entirely of Latin American and Caribbean countries.²⁵ Though its only initial member countries were the United States and Latin American countries, the rest of the lender countries joined throughout the 20th and 21st century.²⁶ The fact that no lender country is Latin American undermines the idea that this is a bank for Latin America and instead suggests that it exists for the benefit of Global North who will profit from interest paid on loans they make.

²² Hernandez, 5

²³ Hernandez, 5

²⁴ “About Us: Non-Borrowing Member Countries,” *iadb.org*, 2017. <http://www.iadb.org/en/about-us/non-borrowing-member-countries,6006.html>

²⁵ “About Us: Borrowing Member Countries,” *iadb.org*, 2017. <http://www.iadb.org/en/about-us/non-borrowing-member-countries,6006.html>

²⁶ Hernandez, 5

The structure of the IDB, which was to be modeled after the World Bank²⁷ vests more power in the hands of lending countries in a manner typical of the structure of the liberal world order. Like the World Bank, its board of governors is made up of one representative from each country and is the body with the highest level of authority within the institution. This arrangement gives disproportionate power to the wealthier member countries, which tend to be lender countries, because the voting power held by each governor is proportional to the amount of capital their country contributes to the institution.²⁸ Below this body is the board of executive directors, composed of 14 members. Two of them always are representatives of the United States and Canada, the only two countries which consistently have representatives on the board. The other twelve are elected by the board of governors²⁹. This, therefore, once again gives disproportionate power to the lending countries for two reasons. The first is that the United States and Canada always have a representative from their respective countries on the board. Second, because wealthier countries have more voting power within the board of governors, the body that chooses the board of directors, they will have more say over who the other 12 members are. The fact that “both the U.S. executive and legislative branches have been willing to shower resources on the IDB, reflecting their belief that the IDB has, more often than not, been responsive to the U.S. interests,”³⁰ shows that this voting system has indeed given a large amount of political power within the organization to its lender members. This disproportionate influence of the Global North is one way in which the IDB is an institution of the liberal world order.

²⁷ Hernandez, 6

²⁸ Hernandez, 6

²⁹ Hernandez, 6

³⁰ Feinberg, Richard, “Presidential mandates and ministerial institutions: Summitry of the Americas, the Organization of American States (OAS) and the Inter-American Development Bank (IDB),” *The Review of International Organizations* 1 no. 1 (2006): 74

The economic influence that the IDB has had on Latin America is in line with the neoliberal school of thought that characterized the liberal world order. Along with the Bretton Woods institutions, it helped shape the Washington Consensus in the early 1990s that prescribed economic measures for Latin America, heralded market solutions as the answer to economic woes, and gave those countries loans in exchange for their compliance.³¹ For example, when Mexico entered its financial crisis in the 1980s, “The [Inter-American Development] Bank responded by issuing fast disbursing loans to the financial and investment sectors to provide the resources necessary to enable the nations to implement the blueprint drawn by the International Monetary Fund.”³² An important free market solution highlighted in this blueprint was the privatization of industry that had previously been in the hands of the government. According to Edwards, “to be an economist at the IDB is to accept one single article of faith: private is better than public.”³³ Therefore, as a result of the loan-conditionality of the IDB, countries throughout Latin America privatized many sectors from education to social security,³⁴ as well as liberalized their economies in favor of more deregulated models that focused on free trade³⁵—all of which were major components of the liberal world order.

FOCEM

Signed into action in 1991 with the Treaty of Asunción, MERCOSUR is a common market in South America created by Argentina, Brazil, Paraguay, and Uruguay and which has

³¹ Edwards, Beatrice. “IDB plan to sell the public sector the cure or the ill? (Privatization in the Americas)” *NACLA Report on the Americas* 36 no. 4 (2003): 13

³² Scheman, Ronald, “Banking on Growth: The Role of the Inter-American Development Bank,” *Journal of Interamerican Studies and World Affairs* 39 no. 1 (1997): 89

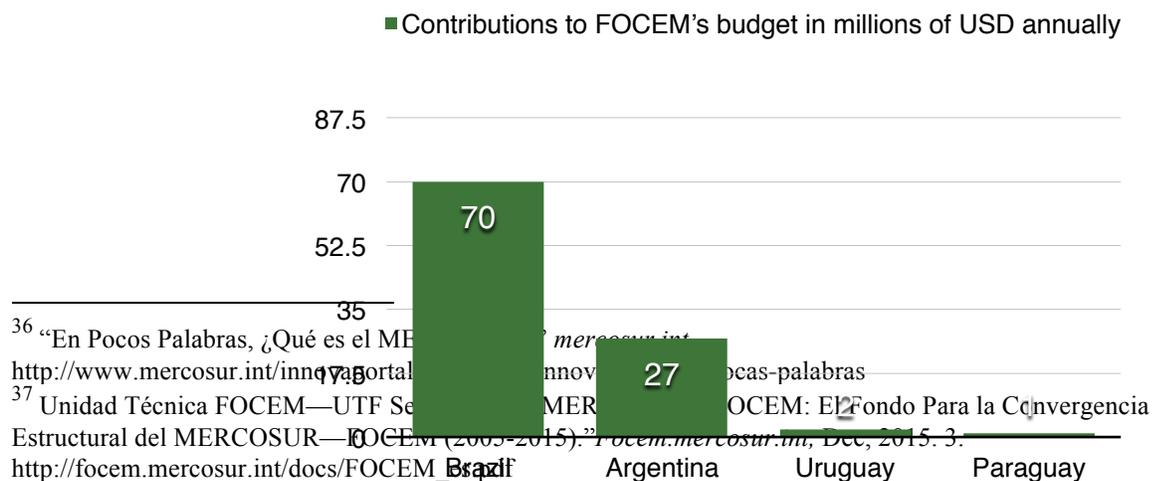
³³ Scheman, 14

³⁴ Scheman, 88

³⁵ Nelson, Paul, “Whose Civil Society? Whose Governance? Decision making and Practice in the New Agenda at the Inter-American Development Bank and the World Bank,” *Global Governance* 6 no. 4 (2000): 407

previously included Venezuela and Bolivia.³⁶ FOCEM is a program within MERCOSUR that was created in 2004 and exists to finance economic projects in order to reduce economic asymmetries within the block.³⁷ This is important because it was created without any involvement of the United States, Europe, or any other member of the Global North at the turn of the 21st century, as the liberal world order was beginning to end.

In contrast to the IDB, FOCEM has no distinct division between lender and borrower countries; all member countries are required to contribute to the fund, and can also apply for grants from it. Contributions are made proportionally based on the GDP of each country. Brazil and Argentina therefore provide the most by far, giving an annual average of \$70 million USD and \$27 million USD respectively between 2005 and 2015. These contributions provided 55.12% and 21.26% of FOCEM’s budget. Uruguay, on the other hand provided \$2 million USD annually during this time and Paraguay even less, with just \$1 million USD making up 1.57% and 0.79% of the budget, respectively.³⁸ The remaining 21.26% of the budget came from Venezuela, a country that has since been suspended due to allegations of human rights violations.³⁹



³⁶ “En Pocos Palabras, ¿Qué es el MERCOSUR?” *mercocur.int*, <http://www.mercosur.int/innovagportal/innovagportal/innovagportal/innovagportal/pocas-palabras>

³⁷ Unidad Técnica FOCEM—UTF Secretaría del MERCOSUR, “FOCEM: El Fondo Para la Convergencia Estructural del MERCOSUR—FOCEM (2005-2015).” *Focem.mercosur.int*, Dec, 2015. 3. http://focem.mercosur.int/docs/FOCEM_Brazil_Argentina_Uruguay_Paraguay

³⁸ Unidad Técnica FOCEM—UTF Secretaría del MERCOSUR, 4

³⁹ Unidad Técnica FOCEM—UTF Secretaría del MERCOSUR, 4

However, it is the countries that contribute the least that have received the largest amount of funding for projects. Between the creation of FOCEM and the year 2015, it has funded three projects worth a total of \$74.32 million USD in Brazil, four in Argentina worth a total of \$52.01 million USD, nine in Uruguay worth a total of \$259.55 million USD, and seventeen in Paraguay worth a total of \$671.17 million USD.⁴⁰ The total is a little over one billion USD that FOCEM has spent on projects in its member countries. Though some members clearly contribute more while others receive more, the participation of all countries in both funding and receiving creates a more equalized power dynamic between them, making it harder for some countries to exert control over the others in a manner akin to the structural adjustment policies of the 1980s and 1990s.

Elements of FOCEM's structure distinguish it from organizations more in line with the tenets of the liberal world order. First, there are significantly fewer conditional requirements in order to get funding for a project from FOCEM than from the organizations that dominate the liberal world order. In order for a country to receive funding for a project, they must complete an application process which ensures that the project meets certain basic standards⁴¹; however, as is typical of South-South cooperation, countries are not required to fundamentally change their political or economic structures in order to receive grants.⁴² The only instances in which countries have been penalized for internal disagreements with the organization were in extreme cases; for instance, Paraguay was temporarily suspended for one year in 2012 due to accusations

⁴⁰ Unidad Técnica FOCEM—UTF Secretaría del MERCOSUR, 6

⁴¹ Unidad Técnica FOCEM—UTF Secretaría del MERCOSUR, 5

⁴²“NGLS interviews Ambassador Maria Nazareth Farani Azevado,” *un-ngls.org*, 2011. https://www.un-ngls.org/index.php/un-ngls_news_archives/2011/2213-ngls-interviews-ambassador-maria-nazareth-farani-azev%E1%BF%BDdo

of an undemocratic coup⁴³, while Venezuela was suspended in 2016 due to allegations of human rights violations and for not complying with the basic trade rules of MERCOSUR.⁴⁴ In addition the funds are always given in the form of grants, rather than loans, which eases the financial burden on the countries receiving them.⁴⁵ Additionally, instead of apportioning votes based on membership contributions, MERCOSUR operates on a one-vote-per-country policy, creating a level of political equality between the members of FOCEM not seen among institutions associated with the liberal world order.⁴⁶

The physical proximity experienced by member countries of FOCEM does not exist for the IDB, as in that organization most lender countries are not adjacent to borrower countries (the only exception being the U.S. and Mexico). The fact that the FOCEM's members are all in the same region and share borders may serve as a motivation for the wealthier countries to support the less wealthy ones because, as Collier argues, it is not good for a country's development to be next to a country with problems. Conversely, being adjacent to stable, well developed country is beneficial.⁴⁷ This is a possible explanation for Brazil's generous contribution to a project that set up 500kV electric transmission lines from the town of Villa Hayes in central Paraguay to Itaipú, a town on the Paraguay-Brazil border. This was an extremely expensive project, so Brazil supplemented what FOCEM was already contributing to it with an additional \$300 million USD

⁴³ Keller, Mark. "Explainer: What is MERCOSUR?" *as-coa.org*, Last Updated Dec 6, 2012. <http://www.as-coa.org/articles/explainer-what-mercosur-0>

⁴⁴ "Mercosur suspends Venezuela over trade and human rights," *bbc.com*, Dec 2, 2016. <http://www.bbc.com/news/world-latin-america-38181198>

⁴⁵ Unidad Técnica FOCEM—UTF Secretaría del MERCOSUR, 3-8

⁴⁶ O'Keefe, Thomas Andrew. *Latin American and Caribbean Trade Agreements: Keys to a Prosperous Community of the Americas*, Koninklijke Brill NV, Leiden, The Netherlands: Martinus Nijhoff Publishers. (2009), 146

⁴⁷ Collier, Paul. *The Bottom Billion*. Oxford University Press, 2007. Chapter 4.

of their own money.⁴⁸ Their reason for doing so is likely because having solid infrastructure in Paraguay at the Brazilian border is a boon to the Brazilian economy, which shows how physical proximity between nations motivates mutual investment.

Just as the liberal world order was characterized by the United States serving as a global hegemon, an analysis of FOCEM, a regional organization whose members have vast wealth disparities, prompts the question of whether a similar structure will exist on a small scale with one country acting as a regional hegemon. Brazil, for example, is the only member country that is part of the BRICS, and it has the largest GDP at \$1.775 trillion USD.⁴⁹ Argentina trails it with a GDP of \$583.2 billion USD,⁵⁰ followed by Uruguay's \$53.44 billion USD⁵¹ and Paraguay's \$27.62 billion USD⁵² (see chart below). The towering GDP of Brazil compared to its counterparts makes the country's economic power within the region evident. These intense levels of wealth disparity could be behind what some critics are pointing to as an uneven relationship between Brazil and its neighbors, especially Paraguay. Since the creation of FOCEM, Paraguay has become increasingly tied to Brazil as a trade partner, with Brazil providing 68% of Paraguay's imports and 81% of their exports in 2012.⁵³ Brazil is now the country with the second highest level of investment in Paraguay (following only the U.S.) and tying Paraguay's economy to the same boom and bust cycle as that of Brazil.⁵⁴ This could suggest that FOCEM exists as a form of exported liberalism just as Ikenberry predicted the liberal world order would turn into,

⁴⁸ Ruiz Díaz, Francisco Carlos. "FOCEM II Alquimia y Gestión." *Observatoria de Economía Internacional—Centro De Análisis y Difusión de la Economía Paraguay* (2016): 4.

⁴⁹ "Brazil," *worldbank.org*, 2015, <https://data.worldbank.org/country/brazil>

⁵⁰ "Argentina," *worldbank.org*, 2015, <https://data.worldbank.org/country/argentina>

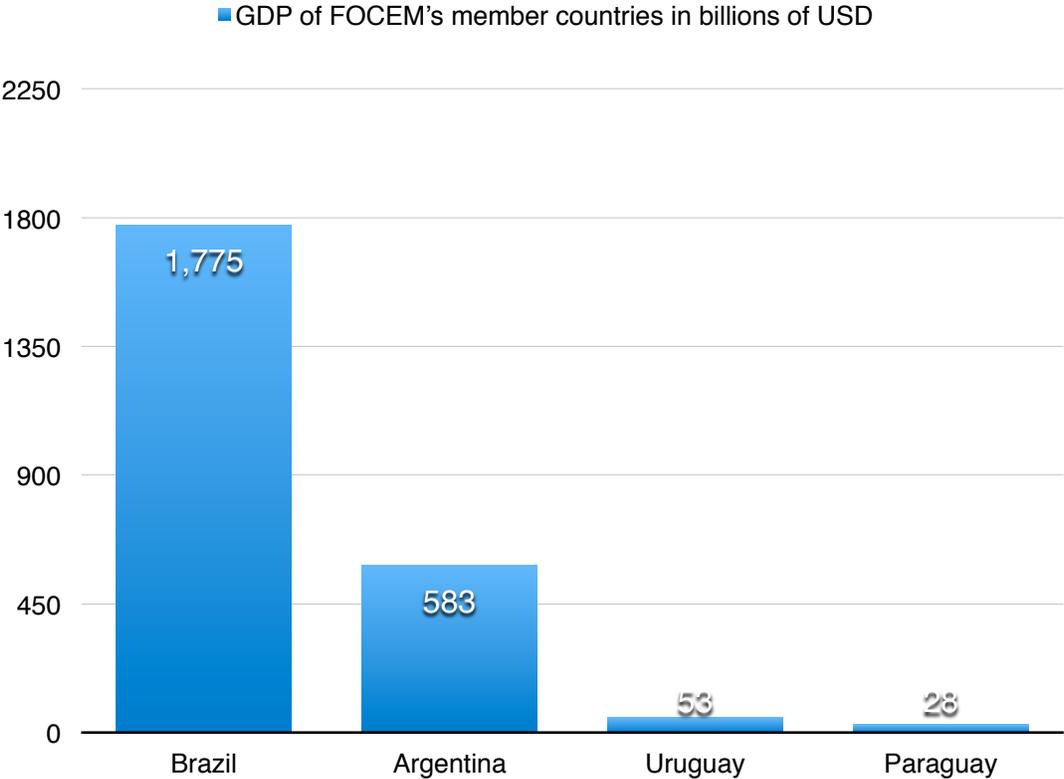
⁵¹ "Uruguay," *worldbank.org*, 2015, <https://data.worldbank.org/country/uruguay>

⁵² "Paraguay," *worldbank.org*, 2015, <https://data.worldbank.org/country/paraguay>

⁵³ Lambert, Peter, "The Myth of the Good Neighbor: Paraguay's Uneasy Relationship with Brazil," *Bulletin of Latin American Research* 35, no. 1 (2016): 38.

⁵⁴ Lambert, 38

with Brazil replacing the United States as a regional hegemon. This implies that FOCEM is not as a new type of financial institution but is just a microcosm of what existed on a global level during the liberal world order.



However, a look at some alternative economic figures paints a different picture of the region. GDP per-capita, for example, is actually the highest in Uruguay at \$15,573.90 USD.⁵⁵ This is followed by Argentina with one of \$13,431.88 USD⁵⁶ and then Brazil with \$8,538.59 USD.⁵⁷ The only country in MERCOSUR with a GDP per-capita lower than that of Brazil is Paraguay with one of \$4,109.37 USD.⁵⁸ Uruguay also holds the lowest level of wealth disparity,

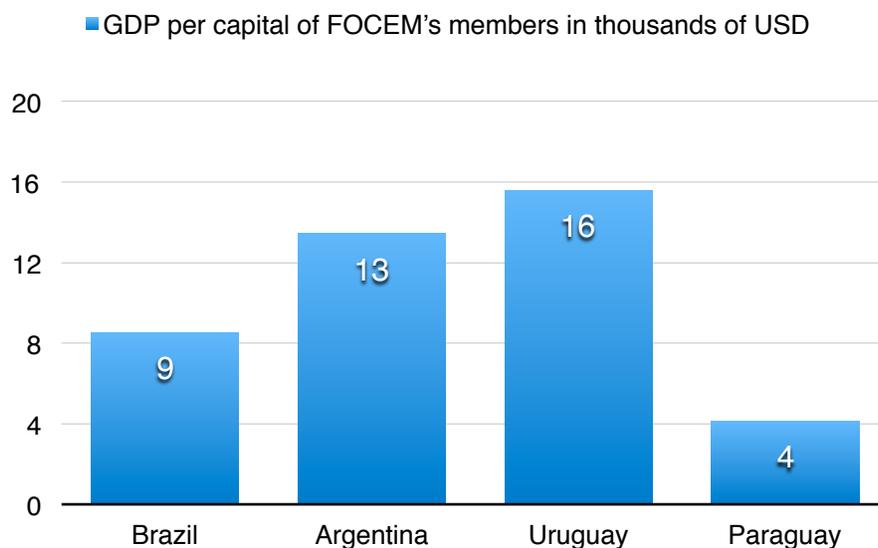
⁵⁵ "Uruguay," *worldbank.org*

⁵⁶ "Argentina," *worldbank.org*

⁵⁷ "Brazil," *worldbank.org*

⁵⁸ "Paraguay," *worldbank.org*

with a Gini coefficient of 41.7, followed by Argentina with one of 42.7. Paraguay's is 48, making Brazil the most unequal country of the block with an index of 51.3.⁵⁹ Thus, while Brazil's large GDP gives them the most economic power and influence in the region, the citizens of Uruguay have on average the greatest economic power per person, with this wealth distributed more evenly throughout the country than any other country in FOCEM. Brazil might therefore actually be in need of certain forms of development projects that Uruguay does not need, showing that its status as a BRIC does not mean that it can be considered more developed in all regards than its neighbors.



Conclusion: FOCEM, a viable alternative to the liberal world order?

As the world enters a new era dominated less by the United States and the financial institutions associated with it, a comparison between the IDB and FOCEM allows us to study both whether the latter actually represents a structural shift, and, if so, if this new system is

⁵⁹ “Gini index (World Bank estimate)”, *worldbank.org*, 2015, https://data.worldbank.org/indicator/SI.POV.GINI?view=map&year_high_desc=false

capable of providing benefits that the institutions of the liberal world order were not. All members of FOCEM have the same level of voting power and they all both contribute to and receive benefits from the fund, demonstrating a drastically more equalized system. The smaller countries which receive more than they contribute are able to maintain sovereignty in a way that they wouldn't be able to under institutions of the liberal world order, where there is conditionality attached to this funding. Countries with smaller economies benefit from both physical proximity to larger countries which are more motivated to invest in them because they are neighbors, as well as from the fact that funding comes in the form of grants rather than loans, allowing them to apply for more expensive projects than they would be able to afford if they had to pay the money back.

Within FOCEM Brazil may serve as a limited, regional hegemon. However, both due to the country's internal issues (demonstrated by indicators such as their high Gini coefficient) as well as FOCEM's equalizing structure, it is unlikely that Brazil will develop the same kind of relationship with its neighbors that the Bretton Woods institutions allowed the Global North to develop with the Global South. However, this is not without certain limitations. The fact that FOCEM simply has less money to provide than the institutions of the Global North means that it remains limited in the extent to which it is capable of replacing traditional financial institutions. The approximately \$1 billion USD that FOCEM has provided in grants to its member countries over the ten year period of 2005-2015 pales in comparison to the loans worth \$7.4 billion USD that the IDB makes annually. FOCEM and organizations like it therefore do represent a new option for international finance for development, but are unlikely to eclipse traditional international financial institutions any time in the near future because of insufficient capital.

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