From ‘crypto-alternatives’ to a regional unit of account: monetary proposals in Latin America for a greater shared autonomy

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Abstract

Weak regional trade and productive integration and monetary dependence on the economic poles are evidence of the consolidation of Latin America's peripheral position in the world economy. This research analyzes different monetary initiatives launched individually or collectively by countries in the region to alleviate this position, such as the petro, the SUCRE or El Salvador’s bet on the legal acceptance of bitcoin as a payment instrument. After identifying some of their limitations, we propose some basis for monetary coordination with which to advance in the dynamization of productivity and commercial complementarity of the countries of the region.

Introduction

Global economic growth by region at a glance reveals a very uneven evolution. East Asia - with China as the main engine - has been taking off for the past three decades with growth rates well above the world average. They are followed far behind by South and Southeast Asia and, further back, by other developing countries. Developed economies, with much higher income levels, show weak growth rates. Plunged into a cycle of stagnation since the 1980s, Latin America has seen its relative importance in the world economy fall to the benefit of the developing regions mentioned above.

This stagnation is largely explained by the difficulties of adapting to the major industrial changes that are continuously reshaping the patterns of capital accumulation worldwide. Latin America has made little progress in the development of technological and high value-added sectors. Moreover, some countries are unable to break out of their role as exporters of raw materials, gradually consolidating their peripheral role in the global economy, with all that this entails in terms of instability.

This is also evident in the monetary sphere: Latin-American countries demonstrate in varying ways a strong dependence in their exchange rate and monetary policies on the central countries, principally the United States. To this dependence must be added the technological subjugation they experience with respect to communication and multilateral financial clearing platforms - such as CHIPS[1], CIPS or SWIFT -, which are treated as instruments of geopolitical control mainly by the United Kingdom and the United States. Today's open conflicts involving world powers show that these platforms are key levers in the various attempts to isolate and embargo countries (see the cases of Cuba, Venezuela, Iran and more recently, Russia).

In this highly hierarchical monetary landscape, a wide range of unconventional monetary initiatives have emerged in Latin America in which the countries involved, individually or even collectively, try to gain room to maneuver with regards to their domestic and regional policy. The recent legal acceptance of bitcoin as a payment instrument in El Salvador, the accounting trick in Ecuador to lend the government more dollars than those kept in reserve, the Petro in Venezuela or the SUCRE launched by the ALBA countries are the clearest examples.

[1] The Clearing House Interbank Payments System (CHIPS) is the largest system of payment between private agents.

The objective of this research is to use the lessons learned from these initiatives to propose successful forms of monetary integration between countries in the region. We assert that exclusively monetary initiatives - such as clearing systems, the creation of a monetary union or even a continental digital currency - have, *per se*, little potential to transform the role played by Latin American countries in the ongoing geographic reconfiguration of the dynamics of global accumulation. On the contrary, to develop its full role in political and economic self-determination, a monetary instrument must incorporate mechanisms of solidarity, trade and investment coordination among member countries.

This article is divided into four sections. First, we describe the framework of dependence and vulnerability in which Latin America has been immersed for the last four decades. A second section reviews the non-conventional monetary initiatives launched at different dates and in different countries in the last two decades. This is achieved by first addressing the national cases and then delving into the experience of SUCRE. In the third section, we propose possible ways to move towards a framework of greater shared autonomy in Latin America in light of the major changes in the international monetary order. The final section concludes this research.

1. Economic instability and disintegration in Latin America in recent history

Regardless the differences that may exist between countries or even within them, Latin America as a region suffers from stagnation. This is derived from its inability to adapt and take an active part in the continuous and accelerated transformations of global value chains. Its most immediate expression is the low level of economic growth coupled with a relative backwardness in terms of specialization in high-value sectors in addition to the low level of intraregional trade.

But there is also a reflection of this stagnation at the exchange rate and monetary level in the form of external debt and relatively low levels of reserves in conjunction with episodes of high inflation (or even hyperinflation) and deflation.

1.1. A stagnant and disintegrated region.

Some basic data show the long cycle of stagnation in Latin America: while its weight in the world population has remained unchanged for 30 years (7.7% of the total), its weight in value added has fallen by 2020 to the levels of the 1980s, below 5%. In the 1960s and 1970s, during the *Fordist* accumulation regime, per capita income in Latin America was above 90% of the world average, while in the last three decades it has gradually fallen to around 75% of the world average.

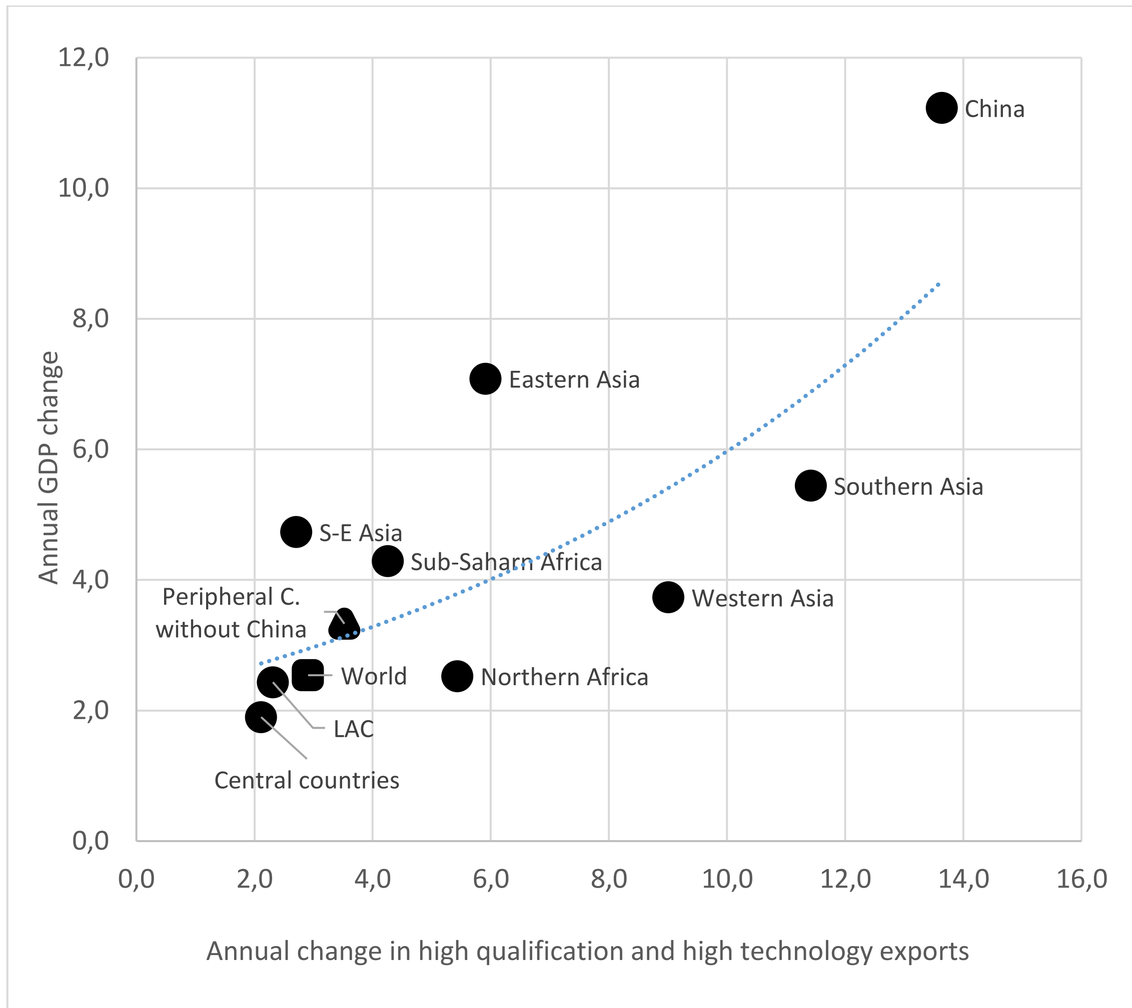
The difficulties the region is encountering in participating actively in the development of the new phase of the industrial revolution is undoubtedly an essential component of the explanation for this poor relative performance. Indeed, as Figure 1 shows, there is a clear correlation between increasing specialization in high-tech products and growth rates. But the graph also tells us that only Asia seems to be taking advantage of its changing role in the international division of labour and its increasing specialization in high-tech products.[2]

In terms of Latin America and the Caribbean's share in world trade, there is little productive dynamism, with no significative changes in the pattern of trade specialization. The export of raw materials, primary products and agrifood manufactures, has remained the same in the first decades of the 21st century.

According to data from UnctadStats, out of the 19 points of weight in overall world exports that developed countries have lost between 1995 and 2021, Latin America has gained less than one. Regarding industrial exports, developed countries have lost 21,6 points of weight, while Latin America and the Caribbean (LAC) has only improved by 0.7. In the last thirty years, the pattern of export specialisation in LAC has not changed substantially in aggregate terms. The slight fall in labour-intensive and low-skilled industries, especially textile & garments is barely offset by a slight increase in higher value-added manufacturing. That said, a disaggregated analysis would show that this apparent better export position has materialized only in very focalized sectors (automotive) and countries (Mexico) while others, like Argentina or Brazil, show poor trade performance in those sectors.

[2] Industries considered high-tech and high-skill by UNCTAD include electronics and their components, chemical and pharmaceutical manufacturing, medical, optical and precision instrument manufacturing, cinematographic products, art manufacturing, musical instruments and arms manufacturing.

Figure 1: Relationship between high-tech exports and growth 2000-2018



Note: In current dollars. East-Asia includes China but not Japan

Source: UNCTADStats (https://unctadstat.unctad.org/) and own elaboration

The region shows symptoms of stagnation and marginalization not only in terms of product specialization, but also in terms of the origin and destination of trade flows. As seen in Table 1, it has the lowest level of real regional integration, slightly slower than those of Sub-Saharan Africa and well below Europe or Eastern-Asia.

The flip side of this weak integration is a strong dependence on the United States. According to UnctadStats data, in 1996-2000, the United States accounted for 46% of Latin America's total merchandise imports, and 53% of the region's exports went to the United States. In 2012-2017, the emergence of trade with China (19% of imports and

12% of exports) did not prevent the United States from remaining the leading trading partner, accounting for 32% of imports and absorbing 43% of Latin American exports.
The COVID pandemic has only aggravated Latin America's trade de-structuring, as the weight of intra-regional trade. This amounted to 21% before and during the Great Recession starting in 2008, but during the pandemic (2020-2021) fell to 15%, the lowest level in the last quarter of a century. As for foreign investment, the ECLAC (2021) report a decline in intra-regional investment, from 12% in the 2010-2014 period, 10% in 2015-2019 and then to 6% in 2020.

Table 1: Intraregional trade (% of total exports) in selected regions

	1995	2000	2005	2010	2015	2019	2020
Sub-Saharan Africa	13,8	13,1	12,8	17,5	21,1	19,8	20
Latin America and the Caribbean	20,4	17,6	18,3	20	17,2	14,9	13,7
South America	25,1	23,4	18,8	20	18,7	16,1	14,9
Asia	52,8	51,5	56,2	59,6	59,6	59,4	58,3
·South-eastern Asia	23,7	22,2	24,4	24,5	24,1	22,7	20,8
·Eastern Asia	34,6	34,6	39,3	38,1	36,2	34,3	34,5
Northern America	35,9	39,7	40,8	32,4	31,1	30,1	29,7
Europe	67,9	72,9	74,1	70,7	66,6	67,8	67,7

Source: UNCTADStats (https://unctadstat.unctad.org/)

1.2. The peripheral position, also on the monetary level

In terms of monetary and exchange rate policy, the search for a framework of stability in the above-described context of price volatility and capital inflows and outflows has led the countries of the continent to try different exchange rate regimes in recent decades. However, the various exchange-rate regimes chosen generally reflect two factors that affect the continent not only in strictly monetary terms, but also in its international economic relations: the lack of room to freely manage the different economic policy tools, and the dependence on a few global economic poles.
The most extreme manifestation - in monetary terms - of this dependence is dollarization. In some historical cases, such as Puerto Rico or Panama, or more recently in Ecuador (since 1999) or El Salvador (since 2000), dollarization is official. To this must be added the episodes of informal dollarization in Argentina, Bolivia or, currently, Venezuela.
Opposite to these rigid regimes, but far from opting to let their currency fully float, most countries have been trying out formulas in which pegged exchange-rate regimes alternate

with short periods of greater volatility. In general, although countries have shown themselves incapable of maintaining the exchange rate stability of their currency against the dollar for long periods, neither do they want to let it float. This is due to the implications of this for the different forms of dependence (Calvo and Reinhart, 2002). In that sense, the International Monetary Fund periodically acknowledges cases such as Honduras, Guyana or Bolivia, in which, in contrast to the supposedly floating *de jure* classification, practice shows more or less rigid *de facto* anchors to the dollar (e.g. IMF 2012).

In the last three decades, within the entire range of intermediate and unstable exchange rate regimes, we find strong pegs to anchor currencies. This is mostly the US dollar and includes examples such as the currency board of Argentina in 1991-2002, or the fixed rate with occasional adjustments of Cuba, Belize, Guyana or Venezuela (the latter until 2018-2019). Close to this extreme we find the crawling peg of Bolivia, Nicaragua or recently Venezuela (since 2018).

Perhaps the primary novelty in the range of options followed has been the adoption of the so-called 'inflation targeting' strategy. This policy was adopted in New Zealand and Canada in the early 1990s, spread to most developed countries after the late 1990s and, since the 2000s, has been applied by at least eight Latin American countries, including Brazil, Colombia, Chile and Mexico. This shift from an anchor to the US dollar and then to a price targeting strategy cannot be understood without the commercial and financial diversification of some of these countries, with China as an emerging partner in most cases. According to the World Integrated Trade Solution of the World Bank – WITS, data for 2019 - China is already the main partner for countries such as Brazil, Chile or Peru.

Inflation targeting implies the direct sacrifice of the interest rate, but also the use of fiscal policy and reserves management for the purpose of price stability. It is, in summary, another exchange rate and monetary policy within the wide range of policies observed across the continent as a clear sign of a relationship of dependence that occurs in various dimensions. The clearest manifestation of this dependence is the necessary but almost impossible task of each country to maintain stability in its cost and price structure with respect to the major international economic poles (historically the United States). Not so obvious but equally important is ideological dependence: inflation targeting, which represents the major exchange rate alternative to traditional regimes, is a strategy imported from developed countries. The adoption of a policy proposed in developed countries, whose currencies and macroeconomic frameworks are in a more comfortable

position than Latin America's, reinforces the likelihood that the Latin American continent will continue to disintegrate and play a peripheral role at the service of the old and/or new powers.

It could be justified that monetary submission is the price to be paid by LAC countries in exchange for the price stability required for the circulation of international monetary capital. However, in this aspect too, there has been clear instability for decades. It should be noted that Latin American countries maintain a level of reserves equivalent to 9.5 months, compared to 13.7 months for the world average (WDI data). This relative weakness in the assets backing their own currencies makes Latin America – even the largest countries – particularly sensitive to inflationary processes or political processes of rejection of the national currency and, eventually, of hyperinflation, as seen in Table 2. This phenomenon, that should be described more as political mistrust of the national currency than as a strictly economic phenomenon, was especially evident in the 1980s. It corresponds to the most intense cycle of hyperinflation, with the examples of Nicaragua, between 1985 and 1991 – the peak phase of the US aggression against the Sandinista government – and Bolivia, during the Siles Zuazo government (1982-85), a period of rapprochement with Cuba and high political instability.

But, as shown in Table 2, instability for money capital also manifests in frequent periods of deflation. This last type of phenomenon, moreover, is an added obstacle to the process of valorization of capital. This is insofar as the fall in prices in the middle of the process of production and sale of commodities threatens the return of capital.

In this context of instability and dependence, there is also a list of initiatives that have been launched with a view to alleviating, in various ways, the problems arising from the position these countries occupy in the global dynamics of capital accumulation. The following section deals with the most representative ones

Table 2: Periods of (hyper)inflation (annual GDP deflator rate > 100%: grey) and periods of deflation (annual GDP deflator rate < 0%: black) 1961-2020. Inflation at period annual peak (%)

	Argentina	Brasil	Bolivia	Chile	Costa Rica	Cuba	R. Dominicana	Ecuador	El Salvador	Guatemala	Honduras	México	Nicaragua	Panamá	Paraguay	Perú	Uruguay	Venezuela
1961																		
1962																		
1963																		
1964																		
1965																		
1966																		
1967																		
1968																	116,3	
1969																		
1970																		
1971																		
1972																		
1973																		
1974				678,6														
1975																		
1976																		
1977																		
1978	161,37																	
1979																		
1980																		
1981																		
1982																		
1983																		
1984	611,2																	
1985			12.338,62													165,73		
1986																		
1987												142,8						
1988													13.611,63					
1989	3.046,09																	
1990		2.736,97														6.261,24		
1991							103											
1992																		
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Source: Own elaboration from World Development Indicators and Banco Central de Venezuela for data from this country 2015-2020

2. Alternative monetary initiatives in the recent history of Latin America

Generally speaking, individual monetary initiatives do not have, *per se,* the potential to substantially alter the 'local' characteristics of capital accumulation patterns. If anything, they can, on a case-by-case basis, contribute to questioning the rules and customs of the asymmetrical and hierarchical world monetary system.

Initiatives involving two or more countries do have a greater power to reshape global economic relations insofar as monetary agreements include aspects involving commitments in terms of trade and investment.

2.1. National initiatives against dependence on the US dollar.

Curiously, some of the official initiatives have been promoted by governments of countries with the strongest anchors to the US dollar. Without following a chronological order, we will focus on the purpose and scope of some recent initiatives: the recognition of bitcoin as a payment instrument by El Salvador, Ecuador with the so-called 'balance sheet expansion' by its Central Bank, Venezuela's petro, or the SUCRE system.

In the case of Ecuador, an officially dollarized country, the so-called 'balance sheet expansion' was presented as an innovation of the Central Bank (BCE). It allowed, during the period of President Rafael Correa, to issue credit in dollars to finance the government in excess of the government's dollar reserves. This was done with the foresight that the balances would be virtually locked in and that there would be no effective demand for dollar bills. It must be admitted that this mechanism gave more leeway to fiscal policy than a monetary issue limited to 100% of the reserves. However, this mechanism is not particularly novel; the BCE was, after all, applying the typical credit issuance logic of developed financial systems, by which debt acknowledgements are issued far in excess of existing reserves.

In contrast to the fiscal 'leverage' applied in Ecuador, the bet on Bitcoin as legal tender in El Salvador from 2021 is undoubtedly more remarkable. With an interest rate that has not fallen significantly since the dollarization of 2001 and capital formation levels falling relative to Central America as a whole, the legal acceptance of bitcoin the country sought to simultaneously address different challenges.

First, with around 5-6 billion dollars per year of personal remittances inflows (BCR 2022), bitcoin aims to drastically reduce the commissions paid to international platforms. This goal seems far from being achieved: in the first year after the approval of the national bitcoin course, only 52 million out of a total of 7,635 (0.06%) had been transferred via bitcoin.

Second, the government has started to issue debt in bitcoins. Having acquired from mid-2021 to July 2022 a total of 2,381 units at an average price of $45,004, it can be said that the rhythm of issuance is not very significant. Beyond the average price per unit, it is

worth noting the high volatility of the market price in the different auctions: the maximum price paid for bitcoin was $60,435 per unit in October 2021, and a minimum of $19,000 was reached in July 2022.

Finally, El Salvador has implemented a system of using geothermal energy to "mine" bitcoins. With a closed number of bitcoins that can be generated, a production cost is established which increases as the total number of bitcoins set by the mining algorithm is exhausted. Until the mining cycle is completed, this variable production cost is a reference to the fact that that bitcoin has a production price, regardless of the market price that fluctuates with speculation. Due to its geological characteristics, the use of geothermal energy can lower the real cost of mining in El Salvador.

It is difficult to measure whether bitcoin will give the country more autonomy in the long term than the dollarized regime or whether it will plunge the country into a scenario of strong volatility and uncertainty due to its use at an international level.

What is more certain is that the intention of a dollarized country to resort to a financial asset whose issuance does not depend on the Federal Reserve, but on the availability of technology and cheap energy, poses a challenge to the traditional hegemony of the dollar.

Quite different to this is the launch of the Petro by the Venezuelan government since 2018. It is also presented as an ordinary cryptocurrency, but with the advantage of being backed by oil and the potential to avoid the financial blockade of the United States. Truthfully said, it does not meet the characteristics generally attributed to cryptocurrencies. First, although it may use blockchain technology, the conditions for traceability are not provided; second, the fundamental issuance is not decentralized but controlled by the State according to its financing needs. Third, unlike bitcoin and other cryptocurrencies, the large cryptocurrency exchange houses do not work with the Petro and its market price responds more to the BCV's discretion than to the formula announced in its Whitepaper and composed of the price of different goods (mainly raw materials) in dollars. Therefore, although it shares with cryptocurrencies the fact that it is a financial asset, it resembled better one of the forms of financing of a State, only in this instance, backing its debt with its main commodity: oil.

But even as a simple tradable financial asset, although there is great opacity around the traded volumes of this financial asset, it can be said that its scope and transformative capacity are very limited: neither is it widely accepted in the international market, nor has it managed to dodge the extension of sanctions since 2018 and nor does it pose a way out of the mono-exporting scheme of the national economy.

2.2. Collective projects of monetary integration: the case of the SUCRE

Better prospects were opening up for the Unitary Regional Compensation System (SUCRE), agreed upon in 2008 and launched in 2009 by the ALBA countries plus Ecuador. With a logic similar to that of the European Payments Union or Keynes' bancor proposal - both after World War II – SUCRE was composed of four elements. A common unit of account called the *sucre* (lower case), the CMR (Spanish acronym for the Regional Monetary Council), a Central Clearing Compensation Chamber and the FRCC, which stands for the Regional Trade and Reserves Convergence Fund. As immediate goals, it aims to improve the member-countries reserve management as well as to reduce their dependence on the US dollar liquidity.

But it was also designed to encourage trade among members. The system recorded in *sucres* a single balance for each country resulting from the multilateral clearing of operations between member countries. The total balances were semi-annually settled in dollars. For any surplus or deficit balance that was considered excessive – according to a previous calculation applied to the reality of each country – a burden was applied in order to promote trade integration and economic growth. An excessive surplus by a country could be reduced in two ways: the surplus country should increase its total demand within the SUCRE system or the excess may be transferred to the FRCC. Then, the CMR could use them in order to finance productive and infrastructure projects in the region. The ultimate objective was to develop, through trade but also through these investments, a zone of "productive complementarity", a term that evokes the development and relocation of value chains through the coordination of SUCRE member countries.

During the first years, this system channeled a growing volume of operations and gained ground over the numerous agreements and payment platforms in the continent. This boom can be explained in large part by the promotion of the system by the governments of the member countries.

That said, let us bear in mind that SUCRE was a unitary system but not the only regional integration mechanism. On the contrary, private and public agents could (and still can) opt for different parallel systems to carry out their operations with neighboring countries. In fact, the SUCRE was not even the only system promoted unanimously by each member country.

The coexistence of SUCRE with other alternative forms of payment between the same partners means that the mechanism that enables symmetrical adjustment between countries becomes meaningless. A country with a deficit close to the limit that makes it excessive will opt to import through different mechanisms; at the same time, a surplus country will diversify instruments so as not to have to reach a surplus to transfer to the FRCC. This makes the symmetrical, expansionary and systematic adjustment provided by the mechanism impossible (Barredo-Zuriarrain and Cerezal-Callizo, 2018, p.13).

In the end, like so many other instruments, SUCRE depended on the political will of its members. Without the initial political impetus, the volumes channeled through SUCRE started to dwindle since 2013. Since 2016, no annual report has been published that reflects the operations, values, origin and destination of goods traded under this system.

If we go back a few years earlier, we see that something similar happened with the CPCR (Spanish acronym for the Agreement for Reciprocal Credit and Payments) proposed by ALADI (the Latin American Integration Association) in 1982. This provided for a 4-month payment offset. At its peak, in the last two decades of the last century, this payment facility, which included the main Latin American countries, centralized 90% of intra-regional trade. By 2003, however, it had fallen to 1.5%, a level to which it returned in 2016 after a few years of slight recovery.

Again, part of the explanation lies in the existence of different integration platforms. In this case, exporters pressed for a settlement of less than the 4 months provided; while importers preferred to resort to the 6 months of SUCRE.

But there are not only alternatives promoted at the governmental level. There is also evident competition from real-time payment mechanisms that have been widespread for decades and more developed in recent years. The latter may be advantageous at the individual level for the agents involved in the sale and purchase. Fundamentally, however, they help to consolidate the peripheral role in the highly hierarchical world monetary structure.

3. Monetary-financial warfare and alternatives for Latin America

There is no successful formula for a stable monetary integration with which the continent overcomes its peripheral position and gains a certain degree of autonomy. Proof of this is

the SUCRE, seen above, which was born out of very good intentions on the part of its members but was forgotten a few years later. But even the Eurozone, which followed the integration steps set by mainstream economics (Balasa, 1962), had already shown signs in its first decade of being an instrument that exacerbated regional divergences in favor of the capitalist class in the central countries while exacerbating the instability of the Great Recession of 2008.

However, members of any regional initiative in LAC must be aware that they require a strong political commitment, with all the short-term sacrifices that this entails. This ranges from the most modest initiatives – diversifying money reserves as well as the use of international payment systems – to those with a more transformative spirit incorporating, for example, a common unit of account and investment mechanisms for the promotion of productive specialization.

3.1. Geopolitics of payments-systems

The United States has undoubtedly played a hegemonic role, at least in the second half of the 20th century in the world economy. However, some indicators show a certain decline in favor of China. In terms of purchasing power parity, its GDP has been surpassed by the Asian country. It is also surpassed by the same country in international trade (15% of exports, 20% excluding intra-European trade), and is already the European Union's leading partner.

In terms of foreign direct investment, the long-term trend shows an export of productive capital from China, which is compared with a certain stagnation in the United States. Particularly noteworthy is the expansion of Chinese capital into areas such as Asia, Africa and even Latin America, some of which were considered to be under the historical influence of the United States or European countries.

Yet, in the monetary and financial sphere, the United States continues to hold a clearly dominant position. World dollar reserves represent 55% of the total in 2021, standing much higher than the ratio of any other currency. Moreover, according to the BIS Triennial Bank Survey (2019), the dollar still accounts for 88.3% of foreign exchange market turnover, a far cry from the 32.3% of the euro, which is in second place.

However, as mentioned above, for a country's influence in the international monetary and financial sphere it is also essential to master the payment platforms, private or public, that both channel and clear international transactions. This is a very powerful political weapon

in the hands of the countries that manage these systems (Labonte & Murphy 2017, Nelson & Rosen 2019), since the exclusion of an entity of a national financial system from the automatic payment clearing system implies high transaction costs and the actual exclusion of the possibility of making international payments on a regular and continuous basis.

In this area we also see the United States in a clearly dominant position. It exerts control not only over institutions within its own financial regulatory structure - such as Fedwire[3] - but also over private payment systems such as CHIPS. The latter is cheaper than Fedwire, with fewer participating entities but more spread throughout the world, or over multinationals specializing in payments between individuals and based in the United States. This includes PayPal, Mastercard and VISA etc. This control gives the US government ample possibilities to impose financial sanctions unilaterally or to exclude governments, institutions or individuals from using US dollars in international financing. This means that they cannot receive payments for exports, pay for the purchase of goods or hold US dollar-denominated assets. In recent years, the United States has even demonstrated the ability to control or even block payments made through SWIFT (Carter & Farha 2013, Wong 2022), which, based in Belgium, is the most widespread messaging system between banks around the world for making payments.

A different case is that of China. Despite its clear rise as a new world engine and its commercial and investment expansion, it continues to play a discreet role in the international monetary system. More than a reserve currency issuer, in recent decades it has been the major supporter of the US dollar: the country holds 25% of world reserves (COFER[4], IMF), half of which are estimated to be in dollars.

As of March 2022, the renminbi accounted for only 2.7% of international reserves, far behind the positions of the dollar, the euro, the pound sterling and the Japanese yen. However, since the end of the 2000s, the Chinese currency has shown a growing international influence at different levels. First, it has signed agreements with heterogeneous international institutions for the use of the RMB (World Bank, BRICS New Development Bank, European Bank for Reconstruction and Development...), being

[3] The Fedwire Funds Service, owned by the Federal Reserve Board, is a real-time gross settlement system. Together with CHIPS, they have a dominant position in domestic and international large payments in USD.

[4] IMF database on currency composition of official foreign exchange reserves

especially relevant is the inclusion of the currency in the Special Drawing Rights (SDRs) tray. Moreover, in recent years, it has intensified the combination of its regional expansion projects at the trade and investment level with the promotion of the RMB: ASEAN agreements in 2009, swap lines with 36 countries including the Chiang Mai Initiative, (IMI, 2017) and the Belt and Road Initiative extending over the Asian continent to Africa, Europe and Oceania etc. (Kamel 2018).

Finally, with the promotion of large liberalized markets and the launch of its own payment system - the Cross-Border Interbank Payment System or CIPS - (Faudot, 2016) it aspires to consolidate an institutional framework that challenges the dominance of the United States in the centralization - and eventual blocking - of international financial operations. In the framework of geopolitical confrontation aggravated since the beginning of 2022, with Russia existing as a target of Western sanctions, the CIPS system may be reinforced to the extent that Russia - which has its own 'System for Transfer of Financial Messages')[5] - must orient itself towards the Asian giant.

It would not be surprising if the reorientation of Latin American trade and investment towards China – as seen above – were to be followed by a serious commitment by the region towards the renminbi and its entire infrastructure. Although this implies a reconfiguration of monetary relations in the region, it is likely that, in the absence of a regional integration project that transcends the purely monetary dimension, economic relations with the emerging Chinese pole will continue to be, for Latin America, as they have been up to now, from a peripheral position. Therefore, without losing sight of the windows of opportunity that are opening up in the new context, Latin America must propose formulas that will enable it to move towards a scenario of greater autonomy shared by the member countries.

3.2. A Latin-American cryptocurrency?

In light of the increasing use of institutional financial exclusion as part of trade and political warfare (Frebowitz 2018), significant expectations have been raised about the feasibility of organizing non-proprietary payment systems with blockchain technology,

[5] Also known as SPFS (Sistema Peredachi Finansovykh Soobscheniy) or by PESA, acronym for *Peredachi Sobscheniy Systema*

and about the possibility of using cryptocurrencies as global money not tied to the US dollar (Nelson & Rosen 2018, Nelson 2019).

Blockchain systems allow so-called cryptocurrencies to fulfil a very relevant function as alternative electronic payment systems (Perkins 2018). However, this function as a means of payment is only exercised for goods for which it is explicitly stated that they can be paid for in a particular cryptocurrency.

Cryptocurrencies do not fulfil the requirements of a monetary unit in capitalism; in addition to the functions that mainstream economics assign to money - means of payment, store of value, unit of account - currency in capitalism is the social sign that validates the general system of exchanges, which dominates production, distribution and consumption, i.e. currency is a sign of value. In order to fulfil this function, it has to express (and be exchanged for) the source of value, which is labor power converted into a commodity. In other words, a currency that is not used to pay wage earners is not a capitalist currency.

Apart from that, it must be recognized that, seen as financial assets or as means of payment, cryptocurrencies that use blockchain technology are relevant for our topic. That is because of the very system of circulation, in which the relationship is only bilateral, between the one who pays and the one who collects, without the intervention of any authority or central institution that registers the transaction or those who carry it out. Unlike what happens with other electronic payment systems, whether or not they use their own monetary tokens, in the management of blockchain flows there is no central institution that sells or buys the cryptocurrencies. Rather, it is moved directly by their owners who have obtained them in their work as "miners" or because they have previously obtained them from one of these. The system's algorithm guarantees that no one can use cryptocurrencies they do not have, or use them to make two simultaneous payments, because every movement is recorded on all computers in the network in general, but none in particular (Su 2018).

Only in the case of extreme and extensive political attempts of financial exclusion, as has happened with the sanctions against Venezuela, can the development of a global Latin American cryptocurrency make sense. It is the communal, horizontal nature of the cryptocurrency system – rather than the anonymity of transactions – what worries global financial authorities (Houben & Snyers 2018). In the event of an open confrontation with the operators of the global payment system, the possibility of establishing a regional means of payment of this kind is always open. Excluding this situation, a well-organized

and trustworthy regional payment system based on a weighted unit of account is the best option for now.

3.3. Strengthening regional finance to promote industrialization

Latin America needs to increase its margin of economic and political autonomy in order to reposition itself in the changing landscape of the global division of labor. This implies adopting a set of measures that, based on its own experience and that of other regions, can also articulate a framework of shared autonomy in the monetary and financial spheres. One of the possibilities for collaboration, apparently not very transformative but certainly complex, would consist of moving, as has been done in recent years, towards a reduction of the dependence on national currencies in relation to one or a few international currencies. This can be done simultaneously on at least three levels.

In the first instance, by ddiscontinuing the use of the SWIFT system as the sole system for clearing and settlement services. This involves linking the international payment system of the countries in the region with, for example, the Chinese CIPS and the Russian PESA system, as well as to the various proposals launched in recent years to integrate both initiatives or even to extend them to countries such as Turkey or Iran.

Secondly, Latin-American national currencies should move towards a scenario where, in the event that the exchange rate of national currencies is anchored, it is not anchored to a single currency, but rather to a basket of currencies, with the Special Drawing Rights being a reference basket that is already established.

Thirdly, it is advisable to continue with the diversification of Central Bank reserves that were already begun at the beginning of this century. Here, the ideal would be a swap program between Central Banks so that each one's reserves would include an increasing share of the currencies of the continent's neighboring countries. However, we cannot ignore the objective difficulties for its implementation of, among others, the lack of trade links between neighboring countries and the instability that periodically plagues the region's currencies and pushes Central Banks to seek refuge in safer assets.

Given these difficulties and the lack of incentives for each country to accept neighboring currencies as reserve assets, it is more viable to opt for a common, shared unit of account - such as the SUCRE - which implies different commitments for national governments depending on the challenges posed.

This unit of account can serve as a common reference to achieve exchange rate stability in the region, anchoring it to a basket of currencies - or directly to the SDR - and, at the same time, fixing a value for each national currency with respect to the unit of account. That said, the exchange rate stability of this unit requires at least two conditions: the assignment of part of the reserves of each Central Bank to a pool for the common defence of the exchange rate in the foreign exchange market, as well as the periodic revision of its exchange rate with respect to the currencies issued by these Central Banks.

From SUCRE we can also retain the mechanism of symmetrical and periodic multilateral compensation in order to improve the national management of foreign currency liquidity, as well as to promote intra-regional trade. That said, unlike the failed initiative of the ALBA countries, the necessary periodic settlement of balances between countries should be executed in currencies other than the US dollar.

Nonetheless, this new monetary architecture should also serve to achieve greater economic integration in LAC and achieve an international division of labor more favorable to the development of higher value-added activities. This may include the processing of raw materials and primary products and the development of the industrial sector, regional transport and logistics. Strengthening the LAC industrial base by means of supporting key areas such as next generation Information-Technology (IT), high-end equipment and new materials (or other specific content for action that may be considered) requires joint actions in various fields, from research to the establishment of regional energy networks. However, all efforts in this direction will be futile in the absence of coherent and articulated financial planning and reform among the nations of the subcontinent.

For all these reasons, the regional monetary project should incorporate, in addition to the unit of account, a supranational entity that would be both a debt issuer and a productive investment bank. Bond issues or other debt securities should be backed jointly by all the countries, or at least by the countries participating in a specific investment project. The possibility of issuing it in the unit of account backed in turn by the reserves of the member countries would reduce the cost of financing as well as the exchange rate risk associated with debt issues in foreign currencies.

For its part, the supranational bank should avoid the institutional and political limitations of European institutions, with an ECB controlled by banking capital and isolated from the direct needs of economic policy, and a European Investment Bank with little access to European liquidity.

Having said all this, we do not ignore the series of difficulties associated with a reform of this type that makes it politically improbable compared to alternatives that consolidate the status quo. They bear greater advantages in the short term, such as bilateral trade agreements with old and new world powers, recourse to the IMF or the WB as sources of financing, or compliance with the different embargoes applied by the United States.

In this sense, there are valuable lessons to be learned from SUCRE. Not only because of the successful – but temporary – implementation of some of the mechanisms described here, but also because the fundamental conditions for its full effectiveness and sustainability were not met. As a final point, we believe it is important to mention two of them. Firstly, a multilateral compensation mechanism, especially if it incorporates a symmetrical adjustment clause, cannot be optional but must channel all the trade flows of the member countries in order to make sense. Secondly, the project must include, from the first steps, countries that already have important trade and financial links between them. SUCRE was promoted by and for countries with ideologically connected governments - mainly ALBA - but not with intense bilateral relations. In this sense, MERCOSUR presents a greater cohesion and is, therefore, a relevant institution from which to germinate a monetary project with potential for the development of an innovative and high value-added industrial base for the region.

Conclusion

Several lessons can be drawn from the various monetary initiatives launched or supported by different governments in Latin America and the Caribbean over the last two decades. The most obvious is the realization that the governments of the region are aware of the framework of dependence and instability in which they develop their international economic relations and are furthermore pressing to find ways to alter this position. The second lesson, and that of a more general nature, is given to us by Marx (1993, p.122), when he points out that it is impossible to revolutionize the relations of production and distribution by means of a mere transformation of the instrument of circulation. Related to the first two, the third point argues that, even within the framework of the fundamental laws governing the capitalist mode of production, joint monetary experiences between countries can be effective tools for dealing with the vulnerability inherent in their peripheral condition. But for this, beyond sharing a unit of account, a clearing house or a common reserve fund (among other possibilities), monetary integration must be associated with measures involving commitments to relocation and, especially, to re-localization in terms of trade and investment.

Without the need or even the convenience of going to extreme formulas such as the creation of a single currency or a cryptocurrency, the countries of LAC can work around a common unit of account from which to advance from immediate challenges - management of foreign exchange reserves - to more ambitious ones, such as making collective progress in the production of high value-added goods and services and achieving a fairer distribution. But all this implies putting bilateral relations with the different world poles - with their obvious short-term advantages – onto the backburner, in favour of a long-term commitment to Latin America.

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