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Venezuelan Officials Expect Banco del Sur to Begin Operations This Year

by LADB Staff
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South American governments are amassing capital in preparation to set up the Banco del Sur to serve as an alternative financial institution to US and Europe-dominated groups like the International Monetary Fund (IMF) and the World Bank. Officials from Venezuela, whose government has taken a lead role in promoting the bank, say that it should begin operations in the first half of 2007. The effort to create and finance the bank represents another step in Venezuelan President Hugo Chavez's Alternativa Bolivariana de las Americas (ALBA), an effort to economically integrate Latin America.

Venezuelan Finance Minister Rodrigo Cabeza hopes that Brazil will join as one of the founding partners in the Banco del Sur when it opens. "We have work meetings, the first in Argentina, the second in Caracas, the third in Guayaquil, and we hope that the last before forming the bank will be in Brasilia," said Cabeza at a March press conference.

Bank to compete with regional, global banks

Cabeza was in Guatemala on March 19 to participate in a meeting of the governors of the Inter-American Development Bank (IDB), an institution with which the Banco del Sur will directly compete in handing out financing to South American nations. He said his lobbying work at the meeting had resulted in a meeting where "we took three of the ten steps we had to take." Cabeza said he met with representatives of Argentina, Uruguay, Ecuador, and Bolivia to establish technical commissions for the formation of the bank, and he was looking forward to meeting with Brazilian officials.

A few days before the IDB meeting, Chavez announced his intention to create the regional financing bank with initial capital of some US$7 billion, capital provided by the bonanza that elevated petroleum prices have provided the Venezuelan government. Cabeza said that the Banco del Sur would overcome "the conditions imposed on our governments to bestow a loan, like when we want to pay a loan early and they want to penalize us for that."

The concept for the Banco del Sur was first approved in July 2006 during the 30th Summit of the Southern Cone Common Market (MERCOSUR) when Venezuela debuted as a member of the group. Pro-ALBA critics attack institutions like the IDB as being overly dominated by Washington D.C. and too focused on neoliberal policies like the privatization of public resources (see NotiCen, 2002-10-1, 2003-05-29 and 2003-08-28, NotiSur, 2003-05-30).

Cabeza called his press conference to counter allegations by the Institute of International Finance (IIF), a global association of 375 of the world's largest commercial banks and investment banks along
with insurance and investment-management firms, that the turn toward socialism by the Chavez government presented "an elevated risk" for private businesses in Venezuela.

"Those are speculations that only are explainable by the affinity for transmitting a distorted and ideological image of what is happening in Venezuela," said Cabeza of an IIF report that criticized the Chavez economy. "It is not true that the social and economic policy and the proposal for 21st century socialism are a risk for the private sector in Venezuela because the socialism we support does not deny private property." He also said that it was not true, as the IIF said, that Venezuela was approaching economic deceleration. "Growth this year will be no less than 7%," said Cabeza, "and we have grown for four consecutive years, the first time that has occurred in 26 years."

**Regional leaders say new bank to decrease dependence**

Ecuador's President Rafael Correa said on March 14 that the Banco del Sur "will be a reality in the short term" and will allow the region to leave behind the IMF and World Bank along with "the long neoliberal night." The new bank will be "an excellent business for Latin America" and will serve to channel reserves from the countries associated with it, said Correa. He said that the capital from the bank would allow countries to avoid the economic "blackmail" of multilateral finance institutions and "the speculators of Wall Street."

Chavez formalized the bank project during a meeting with Argentine President Nestor Kirchner on Feb. 21, and on March 11 Bolivian President Evo Morales said he would join the institution. Argentina experienced a 2001-2002 economic meltdown that the Kirchner government blamed on the fiscal mismanagement of the IMF. Ecuador is burdened with huge foreign debts that have badly limited its ability to grow economically.

Correa sees the bank as part of a larger project that seeks to create a bloc that favors "integration" and "complementarity" and might lead to "a single currency." At a speech in Bolivia on March 12, Chavez said, "The bank will strengthen itself progressively. It will begin, for example, with some US$5 billion, money that in a short time will increase.... In place of having that money in northern banks, we will have it here. The Banco del Sur is a bank with justice."

The exact amount of the bank's beginning capital is still unclear as its promoters are seeking to enlist financial commitments from different governments. Previously, Chavez had said he would commit at least 10% of the national reserves of Venezuela to the bank, reserves which stood at US$37 billion at the end of 2006.

Ecuador will bring between US$50 and US$100 million, according to the country's Economy Minister Ricardo Patino who said this year, "We will fulfill the dream of the Latin Americans" by making the alternative financing institution a reality. He says the bank would serve as an investment bank for South American governments that could save deposits there and conduct investments, credits, and other financial operations.

The banks could also conduct risk ratings of countries in contrast with "speculator businesses," such as Fitch, that currently are in charge of that process.
OPEGASUR to integrate natural-gas producers

Another agreement that regional nations have signed on to is the Organizacion de los Paises Productores y Exportadores de Gas del Sur (Opegasur), a group of countries that produce and export natural gas.

The group will seek to build regional energy integration, transfer of technology, and industrialization of gas. Venezuela and Bolivia hold the region's largest gas reserves. Morales and Chavez signed agreements on March 12 that would enroll them in Opegasur along with Argentina. The group’s formation permits joint investments and mixed businesses to form along with the setup of gas-valuation mechanisms.

The agreements to set up the Banco del Sur, Opegasur, and other multilateral projects among regional governments came as part of a flurry of activity and agreement-signing by Chavez during a tour he arranged to counter US President George W. Bush's tour of the region (see NotiCen, 2007-03-15). [Sources: Prensa Latina, 01/18/07; www.venezuelanalysis.com, 12/22/06, 01/22/07; Associated Press, 02/21/07; El Comercio (Ecuador), 01/22/07, 03/11/07; Los Tiempos (Bolivia), 03/12/07; www.telesurtv.net, 01/11/07, 01/17/07, 02/20-22/07, 03/02/07, 03/14/07; El Nuevo Herald (Miami), 02/26/07, 03/19/07]

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