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BANK OF THE SOUTH:
THE ECONOMIC FUTURE OF SOUTH AMERICA

The Bank of the South was founded by six South American heads of state on December 9, 2007. Representatives of Argentina, Uruguay, Brazil, Ecuador, Bolivia, and Venezuela gathered in Buenos Aires to sign an historic document to create an international financial institution that would recognize the need for integration and cooperation among South American economies while also acknowledging the sovereignty and unique characteristics of each nation.

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In addition to furthering the development goals of South American nations, the Bank of the South promises to reduce the dependence of the Latin American region on Washington-dominated financial institutions like the International Monetary Fund (IMF) and the World Bank.[1]

Critics of the Bank of the South have questioned the need for a regional bank that would bring greater economic unity to South America. In fact, detractors claimed that the institution would not be financially viable long before the Bank was founded. However, issues of transparency, accountability, and proper management have been prioritized by the Bank of the South from its very inception.

DEVELOPMENT WITH A DIFFERENCE

The Bank of the South begins operations in 2008 with around $7 billion in startup capital.[2] Contributions to this fund by each of the six member countries corresponds directly to the size of their economies. For example, large economic players Brazil, Argentina, and Venezuela will have greater financial responsibilities in the Bank than the comparatively small Bolivia, Ecuador, and Uruguay. Venezuela's contribution has been estimated at $1.4 billion, with Argentina at $350 million (10% of foreign currency reserves), and so on.[3]

Each country will be given an equal vote in the managerial affairs of the institution. This prevents some members from wielding more influence over others. The one-country-one-vote model was chosen to foster equality among member countries.

Debates among founders of the Bank of the South have revolved around the question of what the role of the Bank will be in the region. Some countries, including Venezuela, had advocated Bank involvement in areas such as monetary policy and government financing. For its part, Brazil sought the participation of the Bank in investment matters relating the South American trading bloc Mercosur.[4] In discussions thus far, member countries have agreed that the Bank should serve development purposes by funding projects in areas such as infrastructure, industry, housing, transportation, and human capacity-building. Bank initiatives aim to solve the persistent problems of poverty and inequality in the region with the world's biggest gap between the rich and the poor.

COMMON FUTURES: INDEPENDENCE, INTER-DEPENDENCE

South American heads of state describe the Bank of the South as an institution that will serve to further economic cooperation in the region. Upon signing the founding act, Brazilian President Lula da Silva highlighted this fact by saying, "Today we have taken the first step toward the integration of South America. ... We have the conviction that our futures are linked."

Meanwhile, President Rafael Correa of Ecuador explained that the Bank would also give member countries a new kind of autonomy, the freedom to chose their own destinies: "The signing of the Bank of the South agreement is going to help us establish our financial independence."[5]

For his part, Venezuela's President Chavez spoke of the tremendous shift in global power relations signified by the Bank of the South. "Not long ago there was a general chorus singing the praises of neoliberalism. …But we are now hearing the great voice of our nations."[6]

Many experts are also talking about the Bank of the South. Noam Chomsky, the respected scholar and political analyst has explained:

> The Bank of the South could turn out to be a viable institution. There are plenty of problems in the region. But one of the striking things that's been happening in South America for quite a few years now is that they are beginning to overcome for the first timesince the Spanish invasion, the conflicts among the countries and the separation of the countries.… The Bank of the South is a step towards integration of the countries. Could it weaken the IFIs, yes it can, in fact they're being weakened already. The IMF has been mostly thrown out of South America."[7]

As a possible solution to past problems and a powerful bid for common progress, the Bank of the South promises to be an important part of the economic future of South America.

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[1] "A Bank of Their Own," By Mark Weisbrot, CEPR, October 31, 2007 http://www.cepr.net/content/view/1346/45/
[2] "Latin America Banks on Independence," By Mark Engler, In These Times, January 22, 2008 http://www.inthesetimes.com/article/3497/latin_america_banks_on_independence/
[3] "Banco del Sur: A Reflection of Declining IFI Relevance in Latin America, By Vince McElhinny, Bank Information Center, April 2007. http://www.bicusa.org/en/Article.3299.aspx
[4] Ibid.
[5] "Latin American Leaders Form Regional Bank, Seeking Independence," By Bill Faries and Christopher Swann, Bloomberg, December 10, 2007 http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a5wtQZeimbjE
[6] "Chavez, Allies Launch Bank of the South," By Bill Cormier, Associated Press, December 9, 2007 http://www.rethinkvenezuela.com/news/12-09-07ap.html
[7] "Chomsky on the Rise of the South," By Michael Shank, Foreign Policy in Focus, January 30, 2008. http://www.fpif.org/fpiftxt/4931