

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 recognizing the need for integration and cooperation among South American economies while also acknowledging the sovereignty and unique characteristics of each nation. The Bank of the South will reduce regional dependence on Washington-dominated financial institutions like the International Monetary Fund.¹



Critics of the Bank of the South have questioned the need for a regional bank that would give greater economic autonomy to South America. Even before the Bank opened, some analysts claimed that the institution would not be viable. However, issues of transparency 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 will begin operations in 2008 with \$7 billion in startup capital. Contributions by each of the six members corresponds directly to the size of their economies. The Bank will 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 choose their own destinies: "The signing of the Bank of the South agreement is going to help us establish our financial independence."²

¹ "A Bank of Their Own," By Mark Weisbrot, CEPR, October 31, 2007 <http://www.cepr.net/content/view/1346/45/>

² "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>

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."³

³ "Chavez, Allies Launch Bank of the South," By Bill Cormier, Associated Press, December 9, 2007
<http://www.rethinkvenezuela.com/news/12-09-07ap.html>