

Bank of the South: Kernel of New System

by Cynthia R. Rush

At a meeting in Quito, Ecuador on May 3, the finance ministers of six South American nations—Argentina, Brazil, Paraguay, Bolivia, Ecuador, and Venezuela—took a historic first step toward creating a new Banco del Sur—Bank of the South—to provide the region with an independent institution to finance the great infrastructural development projects it so desperately needs. In remarks that must have rattled the Anglo-Dutch oligarchs who are nervously monitoring Ibero-American developments, Ecuador’s President Rafael Correa emphasized at the opening of the meeting, according to the official Presidential website, that “We’re not only talking about creating a new financial institution here, but thinking also of a new world financial architecture, based on the logic of cooperation and development, and not on the logic of the market and competition, as the World Bank and International Monetary Fund do.”

While the Finance Ministers were debating these initiatives, American statesman Lyndon LaRouche’s statement in support of the Bank’s creation was already circulating throughout the region, covered prominently in Venezuela and also in Ecuador, where *EIR*’s Ibero-America editor Dennis Small was interviewed at length on May 3 by Patricio Pillajo, host of a popular radio talk show. Pillajo opened his show by reading the beginning of LaRouche’s statement supporting these nations’ “efforts in dealing with this challenge, as well as the recent steps by many of them to break with the International Monetary Fund and its policies.” The show is broadcast to all of Ecuador.

The meeting’s final “Quito Declaration,” laid out a timetable of meetings that will occur over the next seven weeks—in Brazil on May 11 and in Paraguay on May 22—culminating in a late-June Presidents’ summit in Quito where the Bank of the South’s founding document will be signed. Along with the bank, which will finance development projects, the ministers also agreed to study the establishment of a “Fund of the South” to hold the participating nations’ reserves, and be available to aid countries hit by financial crises. They also discussed setting up a single regional currency, and expanding the model developed by Argentina and Brazil, of dumping the dollar and using their own currencies for bilateral trade.

Sovereign Credit Generation Is the Key

In his statement, LaRouche elaborated on the need to break with the IMF, noting that “Argentine President Néstor

Kirchner has taken leadership, both in dumping the IMF and in elaborating the Bank of the South proposal, and there are also interesting things coming out of Ecuador, Venezuela, Bolivia, and elsewhere on these points. Brazil has yet to define itself on the matter,” he said. “The point is,” he continued, “that only an institution which is *controlled by sovereign governments* should be allowed a role in credit generation, and in financing great infrastructure projects. You need to invest in long-term high-technology projects that will produce physical economic benefits over a 25-50 year lifespan, to benefit the whole continent—high-speed rail, water management, nuclear energy, and so on. My associates and I have detailed these proposals over the years and decades. It is now time to act” (emphasis in original).

LaRouche added: “The nations of the region know how to do things better than the IMF and the World Bank. The World Bank should be shut down: its projects are *designed* to fail, and to leave countries saddled with unpayable debt,” LaRouche explained. George Shultz, the man who brought you Chilean Nazi dictator Augusto Pinochet, is a specialist in these operations, LaRouche noted. John Perkins’s book, *Confessions of an Economic Hit Man*, is relevant on this subject.

“The IMF and the World Bank should be thrown off the premises anywhere in Ibero-America where they are still operating,” LaRouche advised. “Their method is to steal. You don’t want a thief in your house, so why would you want the IMF and World Bank in your country?”

Briefed on the successful conclusion of the Quito meeting, LaRouche warned that “nastiness of a genocidal potential is to be anticipated from the international banking circles” who are threatened by this assertion of the right of sovereign nations to economic development. While welcoming the overall results, LaRouche cautioned that the included idea of creating a single or regional currency to settle accounts, is a mistake. It reflects pessimism on the part of these nations about the possibility of actually creating a New Bretton Woods, and in understanding that the entire global system is shot, he said. In the sense that this proposal is an “anti-American impulse,” he added, it’s dangerous.

Kick Out the IMF ‘Gendarme’

As if responding to LaRouche’s remarks on the need to pull the plug on the IMF and World Bank, President Correa told the gathered finance ministers that the two proposed entities represent “a political answer to the International Monetary Fund, which is a disaster for the Third World.” In recent years, he said, the IMF has simply become the “gendarme for the region’s creditors.” Moreover, he continued, “the financial logic applied by multilateral lending agencies has privileged the interests of speculative capital, and hasn’t combatted poverty, as these entities’ principles suggest.”

The Bank of the South, he proposed, would finance re-

gional development projects in such areas as energy and communications, providing a regional answer to the World Bank, which “has been perverted by the logic of the market, and which is, moreover, one of the institutions of the *Washington Consensus* and of neoliberalism that has caused such disaster in our region.”

Venezuelan President Hugo Chávez has already announced that he intends to withdraw from both the IMF and the World Bank, stating on April 30 that Venezuela, and its people, “have no need of those entities. We have no need of a governor or representative there.” Warning that, “we are leaving shortly,” he demanded that both agencies return money owed to Venezuela.

Similarly, Correa recently declared the World Bank representative in Ecuador, Eduardo Sommensato, to be *persona non grata*, effectively expelling him. Declaring on April 27 that, “We are nobody’s colony,” Correa documented the World Bank’s attempted blackmail of Ecuador in 2005, when it withheld an already approved \$100 million credit because it opposed legislation that would have allowed revenue from oil exports to help finance social programs, rather than go toward debt payment to the IMF and World Bank.

Ecuador, Venezuela, and Argentina have all aggressively organized for creating an alternative to the crumbling IMF system. The big problem in firming up plans to establish the Bank of the South has been Brazil, the continent’s economic powerhouse and territorial giant. President Lula da Silva, in typical pragmatic fashion, deluded himself into thinking he can have one foot in the IMF monetarists’ camp, and the other in the integration and development camp—and survive. The decision to create the Fund of the South was a nod to Brazil, which, while unable to reject the Bank of the South outright, consistently argued that it would be better to expand existing financial agencies such as the Andean Development Corporation (CAF) or the Latin American Reserve Fund (FLAR), “first.”

To keep the momentum going, and ensure Brazil’s participation, the ministers decided to adopt the idea of creating two institutions, a bank and a fund, with different functions. This was first floated publicly in *Folha de São Paulo* April 19, by Brazil’s new man on the IMF board, Paulo Nogueira Batista, who posed a way to bridge the differences among governments over how daring the region could be in confronting the world financial powers. In describing the Fund’s function, Correa argued that, “We cannot continue with the absurdity that, on the one hand, we have conditions imposed [on us] for a handful of pesos, a few dollars,” while on the other hand, the region has upwards of \$200 billion in reserves deposited in foreign banks.

And Mexico?

The glaring absence in these excellent developments is Mexico, a nation to which the rest of Ibero-America has looked historically for leadership in the defense of regional

integration, sovereignty, and national interests. After 1982, when President José López Portillo left office, Mexico’s Presidents turned their backs on this tradition, instead allying with the global financial oligarchy and U.S. synarchists of the Bush-Cheney stripe.

In an April 24-26 visit to Mexico, Argentine First Lady and Federal Senator Cristina Fernández de Kirchner invited that nation to once again take up its historic role as a continental leader, and join with its neighbors to the South, in the fight for regional integration and economic development, instead of free trade. Speaking April 24 before the Executive of the Mexican Senate, attended also by the heads of the party caucuses and Foreign Affairs Commission, Sen. Fernández delivered an optimistic message on how Argentina has been able to recover from its economic meltdown of the 1990s, by using the powers inherent in the U.S.-based model of Presidentialism, which both countries share.

This was a crucial conceptual intervention against those Mexican synarchists who are trying to overturn Mexico’s own Presidential system, and replace it with a European-style parliamentary one to ensure the destruction of the nation-state. In its document, “How To Constitute a New Mexico, Preamble for Our Constitution; A New Politics Begins,” the LaRouche Youth Movement in Mexico has identified this fight as the central issue for the survival of Mexico and Ibero-America.

“You know,” Fernández said, “that our Presidency, our Constitution, is a copy of the American Constitution.” Because of the history of the 1976-83 military dictatorship, and the corrupt “democratic” governments that followed it, citizens lost faith in the Presidential system, she said. They lost faith in candidates who promised one thing and did another when they got elected. The institutions became discredited.

But the issue was never the institution itself, she said, but the individuals who occupied the post. Now, after four years of the Kirchner government, and economic policies that she has identified as based on Franklin Roosevelt’s New Deal, Argentina is on the road to recovery. Citizens once again have hope, and pride in their accomplishments. As President Kirchner often notes, the country has almost climbed out of Hell, and is at the gates of Purgatory.

Fernandez underscored that both Argentina and Mexico now have a “fantastic opportunity” to strengthen their ties, and to work together to deepen regional integration. “This is part of the reason which has brought me here to Mexico,” she said. Mexico is at one end of the continent and Argentina at the other, “as if these were the two arms of the region.” Those two arms must be extended to embrace the region, she said, deepening the ties that bind these nations historically, economically and politically. While the region suffers from many problems, particularly unjust income distribution, Fernandez said, the conditions today are such that the region can “grow harmoniously.”