

# A Huge Step Forward For Integration

by Cynthia R. Rush

Speaking from Santiago, Chile on Nov. 10, Ecuadorian President Rafael Correa announced that the Bank of the South, a new regional financial institution with eight founding members, will be officially established on Dec. 9 in Buenos Aires, not in Caracas as originally planned.

The date and location of the founding ceremony are extremely significant, given that all of Ibero-America's heads of state will be gathered in the Argentine capital to attend the Dec. 10 inauguration of Sen. Cristina Fernández de Kirchner as President. These two events together will provide an opportunity for a meeting of the informal Ibero-American "Presidents' Club," the group of leaders whose coordination has been crucial over the past few years in advancing the agenda of regional integration, and forging such initiatives as the Bank of the South.

The Bank's founders envision it as an alternative to the International Monetary Fund's usurious policies, a fact which has badly rattled financier banking factions on Wall Street and the City of London. Its primary purpose will be to finance large infrastructure projects, without the austerity conditionalities that the Fund normally attaches to its loans. Regardless of the size of member countries, each will have one vote, and for the moment, member nations will contribute the amount of funds they are able to.

The founding "will be an enormous step forward for the integration of Latin America, and above all for South America," Correa said, "to finance our own development projects and not the remote-control ones such as those imposed on us by the World Bank, which bankrupted us."

## What Will the Bank of the South Be?

As the newest member of the Presidents' Club, Senator Fernández has vowed to play an activist role in the region, just as her husband, outgoing President Néstor Kirchner, has done. This has hardly endeared her to the financier interests, who have deployed their own assets throughout the region to sabotage the Bank's founding, or to make it a watered-down version of the truly independent institution its strongest backers want it to be.

Against the backdrop of the accelerating global financial crash, Fernández takes office in the midst of an intense battle as to exactly what the bank will be, and how it will function.

Take the Brazilian case. As South America's biggest and most diverse economy, Brazil's participation in the Bank is



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*Left to right: President Rafael Correa of Ecuador, outgoing Argentine President Néstor Kirchner, and Sen. Cristina Fernández de Kirchner, who will be sworn in as Argentina's new President on Dec. 10, are among the members of the informal Ibero-American "Presidents Club," who have promoted the founding of the Bank of the South.*

vital to its success. The Lula da Silva government made the decision to be part of the project—not joining was not an option—but at the same time has done little to restrain those financial interests, including domestic agents of Spain's British monarchy-linked Banco Santander, that want to limit it.

Similarly in Chile, banking interests represented by Foreign Minister Alejandro Foxley, a former IMF official and finance minister, have made every effort to keep Chile out of the Bank of the South. Their argument is that, were Chile to join forces with so-called economic "populists" like Venezuelan President Hugo Chávez, one of the Bank's early promoters, Chile's status as a free-market paradise, and close U.S. ally, might be jeopardized.

But Chile's "paradise" status is already crumbling under the weight of the global financial meltdown. And President Michelle Bachelet has sent delegates to attend the several ministerial-level planning and technical meetings that have occurred this year, leading up to the Bank of the South's founding. Financier interests also worry about Bachelet's close personal friendship with Argentina's new President—they enjoyed a warm meeting Nov. 8 in Santiago—fearing that at some point, she may decide to come on board the project, just as another U.S. ally, Colombian President Alvaro Uribe, has recently done.

Meanwhile, Presidents Correa and Kirchner are providing important leadership in defining the existential issues facing the continent as it creates this new institution. In his Nov. 9 speech before the 17th Ibero-American heads-of-state summit in Santiago, Chile, Kirchner raised the question of which model Ibero-America will follow.

"It is very important that we work to deepen common policies," he said. "But, let us dare to speak of building the model *that the region needs*. Let's start creating the teams, and generating the necessary debate, because if we are able to articulate a *joint model* ... without abandoning each country's

individuality, we will be giving real force and real encouragement to social cohesion, to the cohesion of the region, and most importantly, to Latin America's cohesion."

The free-market model, the "invisible hand" of Adam Smith, brought only misery to Argentina and Ibero-America in the 1990s, he said. "We destroyed our entire productive structure, all our industry ... we were driven to the brink." Ibero-America needs a model "based on income distribution ... an industrial model that coexists with production and agriculture, but a model with *strong industrial roots*."

Pluralism must be respected, Kirchner said, but the model must have "content" and "principles," so that Ibero-America can consolidate an "alternative proposal," rather than the uniform and arbitrary one that international lending agencies imposed on the region, and that subjugated its people.

The region must "always take many steps forward," Kirchner concluded, "but never one step back ... because we know what happened to us" in the 1990s heyday of neo-liberalism, and that will never again be an option for any of our nations.

### **Kick Out the 'Modern-Day Money Changers'**

President Correa made a similar point, speaking Nov. 9 before the Third Ibero-American Civic and Business Conference, which occurred on the sidelines of the Ibero-American heads-of-state summit in Santiago.

As in his speech to the summit, Correa scathingly denounced the predatory looting practices that free-market ideologues, who called themselves "businessmen," applied in Ecuador and in Ibero-America in the 1990s, leaving destruction in their wake. But now, he underscored, "it's time for the real businessmen ... those who bet on the nation and its future, to throw the modern-day money-changers out of Latin America's temples."

As he told the heads of state summit, "the long night of neoliberalism" made "egotism" and "competition" values which defined a way of life. But, he warned, Ibero-America "shall never find social cohesion as long as we are subjected to the entelechy of the market, where the poor are considered only to be 'collateral damage' ... We can only speak of social cohesion, when we consecrate the rights of the majority."

In separate remarks in Santiago, Correa also polemically attacked as a form of "pimping," the practice that most central banks have of depositing a nation's foreign reserves abroad. Currently, \$450 billion of Ibero-America's reserves are deposited outside the region, "supposedly for security reasons," he said. In fact, "we are financing the United States!"

In the case of Ecuador, he said, "this is a case of Ripley's 'Believe it or Not!'" The "autonomous" Central Bank has deposited our reserves, which are largely public-sector deposits, in Miami! "Those national savings should instead be invested in our refineries and dams, but instead, those brilliant Central Bank technocrats have invested them abroad, and we can't touch them, because [the bank] is autonomous, by law." Correa warned that once the Constituent Assembly goes into session, "all this will change."