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WHAT DOES THE BANK OF THE SOUTH REALLY SIGNIFY?

Christine St. Germain*

IN an effort to curb the influence of Washington-based lending institutions, most notably the World Bank and the International Monetary Fund (IMF), to promote his own idea of twenty-first century socialism, and to aid in Latin American integration, Venezuelan President Hugo Chavez has proposed to create the “Bank of the South,” a regional development bank run by Latin Americans for the benefit of Latin Americans.¹ His proposed Bank is just the latest venture for Chavez, who is seeking to spread his own blend of “military populism and neo-Marxist statism” across Latin America.² Since being elected president of Venezuela in 1998, Chavez has “nationalized private assets, forced the departure of U.S. companies, cracked down on the media and other opposition outlets, and funded his own corps of leftist candidates throughout Latin America.”³ Recently he proposed a Constitutional amendment that would allow him to serve as President for life.⁴

Chavez refers to both the World Bank and the IMF as the United States’ imperialist tools, and vows that with the creation of the Bank of the South, Latin America will no longer be forced to rely on Washington, the World Bank, or the IMF.⁵ Chavez’s envisions his anti-American political project as an alternative to the World Bank and the IMF for South America.⁶ “In a clear departure from the undemocratic and paternalistic governance structure of the World-Bank which based voting privileges on financial contribution, giving the US Treasury the largest share of the vote, the Bank of the South promises that no one country will be the ‘sole

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1. Sara Miller Llana & Matthew Clark, *Latin America’s answer to the World Bank and IMF*, CHRISTIAN SCI. MONITOR, July 11, 2007.

2. *Venezuela: The rise of the “Boligarchs,”* THE ECONOMIST, Issue 950, August 11, 2007.

3. Nancy Soderberg, *US must tell Fernandez to be more Responsible*, FIN. TIMES, September 9, 2007.

4. *Id.*

5. *Id.*; Karen Krebsbach, *Bank of the South Draws Mixed Reviews*, US BANKER, September 1, 2007.

6. *Venezuela and South America: Hugo Chavez moves into Banking*, THE ECONOMIST, Issue 950, May 12, 2007.

owner.”⁷ It is speculated that the voting privileges within the Bank of the South will be allocated based on financial need, rather than financial contribution or political clout.⁸ Much like the World Bank or the IMF, the Bank of the South would supply the funding for development projects, but they would come *without* the conditions that are normally associated with IMF or World Bank loans.⁹ These conditions “favor stringent controls on public spending, [have] a heavy emphasis on privatizing public industries, and often favor United States and European interests, since [they] control the multilateral institutions’ staffs and policies because of their large contributions.”¹⁰ The supposed goal of the regional development bank is to finance social projects, such as health and education systems in Bolivia, with little policy strings attached.¹¹

Another goal of the Bank is to deepen the financial and economic integration of South America.¹² In order to accomplish this, Chavez will need to recruit a qualified staff and choose a proper funding model.¹³ Although the idea has been rebuffed by countries such as Brazil, it has been suggested that member countries use part of their own foreign reserves to capitalize the bank.¹⁴ Chavez already has complex and far-reaching plans for South American integration.¹⁵

He hopes to build a 5,000-mile natural gas pipeline from Venezuela to Argentina, and he is creating the Petrosur regional oil company as a conglomerate of state-owned oil ventures. He has launched TeleSUR as a regional television broadcaster . . . [And] He is also the main proponent of what he calls the Bolivarian Alternative for the Americas, a regional free-trade arrangement to rival the US’s failed Free Trade Area of the Americas (FTAA) hemispheric trade pact.¹⁶

Chavez’s recent withdrawal from the World Bank and the IMF was seen largely as a symbolic move for Venezuela since they have already paid off their \$3.3 billion debt owed to the World Bank, and the IMF had not had an office in Caracas since 2006.¹⁷ Argentina, Brazil, and Ecuador are also no longer in debt to the IMF, and other Latin American countries are hoping to follow suit.¹⁸ Ecuador has also expelled the Bank’s representative and declared him *persona non grata* for allegedly failing to

7. *Id.*

8. *Id.*

9. *Venezuelan President Hugo Chavez Signs Multiple Regional Agreements*, NOTISUR S. AM. POL. AND ECON. AFFAIRS, August 24, 2007.

10. *Id.*

11. *Latin America: Banking on It*, BUS. LATIN AM., April 2, 2007.

12. *Id.*

13. *Id.*

14. *Id.*

15. Antonio Guerrero, *A Changing Agenda*, GLOBAL FIN., Volume 21; Issue 7, July 1, 2007.

16. *Id.*

17. Karen Krebsbach, *Bank of the South Draws Mixed Reviews*, US BANKER, September 1, 2007.

18. Martin Delfin, *Leftist Leaders Abandon Money Lenders*, EL PAIS, May 2, 2007.

release pledged funds.¹⁹ These actions have the opportunity to demonstrate to other developing countries, which have become "increasingly frustrated by their dependence on capital—and influence—from the United States and Europe," that not being a part of the World Bank and the IMF is a viable option.²⁰ This sentiment is strengthened by a rise in commodity prices and a flood of international liquidity, which has allowed most countries in the region to increase their current surpluses, strengthen their reserves, and decrease their dependency on the Washington-based multilaterals.²¹ Nancy Soderber, writing a commentary to the *Washington Times*, said this of Mr. Chavez:

Mr. Chavez spreads his oil money and rhetoric about 21st century socialism around the region, tempting Venezuela's neighbors to thumb their noses at 'neoliberalism' and follow [him]. He hopes that under his tutelage, new leaders in Latin America will repudiate their debt obligations, buck foreign contracts, nationalize foreign assets and side with Mr. Chavez and his brand of fiery anti-American populism-cum-socialism over responsible commercial relationships.²²

Venezuela is the only country other than Cuba and North Korea that is not a member of either the World Bank or the IMF.²³ Although Venezuela currently has no need for these institutions because of its increased oil wealth, some fear that other poorer countries in Latin America - such as Bolivia, Ecuador, and Nicaragua - may also be tempted to withdraw.²⁴

This is not the first falling out between Venezuela and the IMF or the World Bank.²⁵ In 1989, riots erupted in Caracas and throughout Venezuela after a series of IMF prescribed austerity measures that caused substantial increases in subsidized gasoline prices and public transportation fares.²⁶ Tragically, over 300 people were killed and dozens more injured, businesses were destroyed, and dozens of buses were burned in the streets during the riots.²⁷

Although the World Bank has provided trillions of dollars in loans to developing nations, and in Latin America, financing by the bank accounts for 20 percent of multilateral lending, Latin American leaders see the money being attached to conditions that interfere with their governmental sovereignty.²⁸ It has been said that "there have been few more assidu-

19. Nadia Martinez, *Bank Off! Countries are Booting out the World Bank*, NEW INT'L, July 1, 2007.

20. *Id.*

21. Richard Lapper, *Washington restive as Chavez plans pioneer bank*, FIN. TIMES, March 23, 2007.

22. Nancy Soderberg, *Steering Clear of Chavez*, WASH. TIMES, Commentary, March 8, 2007.

23. *Venezuela, the World Bank and the IMF: Wolf v. Wolf*, THE ECONOMIST, Issue 950, May 12, 2007.

24. *Id.*

25. Martin Delfin, *Leftist Leaders Abandon Money Lenders*, EL PAIS, May 2, 2007.

26. *Id.*

27. *Id.*

28. Nadia Martinez, *Bank Off! Countries are Booting out the World Bank*, NEW INT'L, July 1, 2007.

ous customers of the International Monetary Fund and the World Bank than Latin American governments. Even as they privately welcomed the economic rationality that comes with loans from the fund and the bank, the region's leaders often blamed them for unpopular but needed measures.²⁹ As a result, many Latin Americans revile the multilateral institutions.³⁰ In the last five years, the IMF's commitment to Latin America has fallen from \$50 billion to less than \$3 billion.³¹ Latin American countries have also been borrowing between one-fourth and one-half less from the World Bank in the last eight years.³² Venezuela is not the only nation to feel this way; there is growing resentment against "the Washington consensus" in many parts of the developing world.³³ African countries are now jumping at the chance for Chinese aid because it comes with considerably fewer policy prescriptions and conditions.³⁴ The IMF is also not the most favored institution in Argentina, one of Venezuela's staunchest allies, who largely misplaced blame on the fund for its economic collapse in 2001.³⁵ Argentina later disregarded IMF advice by defaulting on its debt and then experienced robust economic recovery, solidifying the country's distrust of the institution.³⁶ Bolivian President Evo Morales has also expressed his distaste for the World Bank describing it as a "one-sided organization which protects big business interests."³⁷ Ecuador's President Rafael Correa also has strong words for the World Bank: he charges that the bank suspended the disbursement of a \$100 million loan that had already been approved in an effort to "strong-arm his administration into not increasing the amount of money it draws from an oil stabilization fund, and dedicates to social spending."³⁸

Many Latin American countries are finding new ways to secure loans for development projects, often turning to private capital or other lending institutions, including the Andean Development Corporation (CAF) for funding.³⁹ Countries are attracted to these other sources, fueled by a market flushed with capital, because they are easily accessible.⁴⁰ "These other lenders, attracted to the region by its increasing wealth, are also free of the baggage that burdens the multilateral institutions, especially their role in Argentina's 2001 economic collapse and the [recent] scandal

29. *Venezuela and South America: Hugo Chavez moves into Banking*, THE ECONOMIST, Issue 950, May 12, 2007.

30. *Id.*

31. Sara Miller Llana & Matthew Clark, *Latin America's answer to the World Bank and IMF*, CHRISTIAN SCI MONITOR, July 11, 2007.

32. Marcela Sanchez, *Will IMF, World Bank Get the Message?*, SEATTLE POST-INTELLIGENCER BG, May 16, 2007.

33. *Venezuela, the World Bank and the IMF: Wolf v. Wolf*, THE ECONOMIST, Issue 950, May 12, 2007.

34. *Id.*

35. Martin Delfin, *Leftist Leaders Abandon Money Lenders*, EL PAIS, May 2, 2007.

36. Sara Miller Llana & Matthew Clark, *Latin America's answer to the World Bank and IMF*, CHRISTIAN SCI MONITOR, July 11, 2007.

37. Delfin, *supra* note 18, at 4.

38. Guerrero, *supra* note 15, at 16.

39. Llana & Clark, *supra* note 1, at 4.

40. *Id.*

surrounding World Bank President Paul Wolfowitz."⁴¹ The reaction against the IMF and the World Bank represent a popular rejection of the idea that foreign aid must be conditioned upon the implementation of privatization programs, which has failed to produce much of a reduction in the poverty rate.⁴² There has now been a clear political backlash from the fact that poverty has persisted in Latin America in the face of the World Bank and IMF policy prescriptions.⁴³ Twelve presidential races were held in Latin America in 2006.⁴⁴ Leftwing candidates were victorious in half of those elections, and in another four races leftist parties made substantial progress.⁴⁵ Economic policy was a pervasive theme of the elections, with the "candidates who were critical of the conservative, pro-business, free-market economic policies of their predecessors [faring] much better than supporters of the Washington-favoured status quo."⁴⁶

Not only did Venezuela withdraw from the World Bank and the IMF, and is now encouraging other countries to do so as well, but "[President Hugo] Chavez's government is now offering more direct state funding to Latin America and the Caribbean than the United States."⁴⁷ While "Venezuela has pledged more than \$8.8 billion in aid, financing, and energy funding"; the latest figure shows that the United States has sent only "\$3 billion in grants and loans."⁴⁸ There is a difference in the type of aid disbursed by the two nations.⁴⁹ In an effort to keep a low profile and to abide by strict guidelines, the United States' distribution of aid is often distributed under the guise of another institution, that way the recipients are unaware of its origin.⁵⁰ Alternatively, Venezuelan aid favors leftward-leaning nations that support Chavez's vision of a more independent Latin America, and often comes with few strings attached.⁵¹ An example of the disparity in spending between the two countries occurred when flooding ravaged Bolivia this past year.⁵² "The U.S. provided \$1.5 million in a planeload of supplies and cash," which seems like a drop in the bucket compared to the \$800 million pledged by the Venezuelan government and the teams sent to help the victims for weeks at a time.⁵³ Venezuela is also offering help to other South American countries, including Argentina, backing jointly sold bonds, and purchasing "\$2.5 billion of Argentine government bonds, [which] helped Argentina replenish its

41. Sanchez, *supra* note 32, at B6.

42. *Id.*

43. Martinez, *supra* note 19.

44. *Id.*

45. *Id.*

46. *Id.*

47. Natalie Obiko Pearson & Ian James, *Chavez's Aid Offers Trump the United States / Venezuela's Commitment to Latin America is Unprecedented*, HOUS. CHRON., Aug. 27, 2007, at A1.

48. *Id.*

49. *See id.*

50. *Id.*

51. *Id.*

52. *Id.*

53. *Id.*

reserves after it repaid \$9.5 billion of debt to the IMF in late 2005.”⁵⁴ Chavez’s motivating reason for helping Argentina is to try “and end their dependence on the IMF.”⁵⁵

Although Chavez claims that his aid comes without strings attached, Richard Feinberg, professor of international political economy at the University of California in San Diego says that there is still “Chavez conditionality.”⁵⁶ Chavez conditionality means choosing his version of 21st-century socialism over the traditional Bretton Woods conditionality.⁵⁷ The traditional model includes many of the “harsh economic reforms that have left Latin American voters dissatisfied and looking for more radical solutions to the region’s socioeconomic problems.”⁵⁸ As a result, many Latin American governments adhere to “Chavez conditionality” and continually accept aid from Venezuela in exchange for echoing Chavez’s political rhetoric, and these countries often find themselves “stuck between Washington and Caracas in a region where the United States remains the number-one trading and investment partner.”⁵⁹ One such example is the current situation in Ecuador.⁶⁰

Ecuador has become an important front in President Chavez’s war to increase Venezuela’s regional influence.⁶¹ Unlike other oil-exporting countries, Ecuador has not experienced economic growth from rising oil prices; in fact, their economy has slowed over the last quarter from 4 percent, to 2.2 percent.⁶² “Venezuela has offered help to refine some of Ecuador’s crude oil and has supported Ecuador’s plan to return to OPEC, which it left in the early 1990s after it fell behind in paying dues.”⁶³ Venezuela is offering to give Ecuador as much as \$500 million dollars, while Ecuador, at the same time, is threatening to default on \$10 billion dollars worth of overseas debt.⁶⁴ Extending such offers enable Venezuela to take over the role of the IMF as the lender of last resort.⁶⁵ Coincidentally, Ecuador has been a loud supporter of Chavez’s Bank of the South.⁶⁶ And although there are echoes of Mr. Chavez’s policies in Ecuador’s proposal to “regulate” news organizations and their opposition to the “renewal of an agreement allowing the United States to maintain a military base in Manta,” they have also skillfully resisted the type of Ven-

54. Christopher Swann, *Chavez Exploits Oil Wealth to Push IMF out of Latin America*, INT’L HERALD TRIB., Mar. 2, 2007, at 16.

55. *Id.*

56. Guerrero, *supra* note 15, at 16.

57. *Id.*

58. *Id.*

59. *Id.*

60. See Simon Romero & Carola D’nan Bass, *Ecuador, Ever Unstable, Prepares for New Leader’s Plans*, N.Y. TIMES, Apr. 15, 2007, §1, at 114.

61. *Id.*

62. *Id.*

63. *Id.*

64. Swann, *supra* note 54, at 16.

65. *Id.*

66. Romero & Bass, *supra* note 60, at 114.

euzelan aid offered to countries such as Bolivia and Nicaragua.⁶⁷

In Latin America, there has been a gradual division into pro- and anti-Chavez nations, and these divisions also mirror differing attitudes concerning Washington, Chavez's nemesis.⁶⁸ "Many officials voice concerns that creation of the bank will serve to highlight, if not exacerbate, the growing ideological divisions in the region between left-leaning and more conservative governments, and between those with cool and those with warm relations with Washington."⁶⁹ These regional divisions have risen as a result of "the radicalization of Venezuela and the growth of an anti-American camp - backed since last year by elections in Bolivia, Ecuador and Nicaragua."⁷⁰

It may not be that clear-cut. But imperial overreach by the Bush Administration, and the Iraq debacle, have created a power vacuum that Chavez . . . is exploiting. [Chavez], who seems to fancy himself as Castro's successor, has big plans, casting himself as a populist leader of a revolution, that, fuelled by petro-dollars, will make Venezuela the linchpin of a rejuvenated continent with elected left-governments in Brazil, Bolivia, Chile, Ecuador, and Argentina.⁷¹

The United States has made an effort to counter Chavez's aggressive grab for regional influence by promoting "a year of engagement with Latin America. . . but many wonder if it is too little too late."⁷²

"The diverging views of the project point to the contrasts between Brazil's president, Luiz de Silva, a longtime socialist who embraced market-friendly policies once in power. . . and Mr. Chavez, who favors a more assertive role for Venezuela's government in guiding economic policy here and elsewhere in the region."⁷³ Brazil and Venezuela have differing ideas about the proposed Bank of the South.⁷⁴ The location of the Bank's headquarters is one such example.⁷⁵ Brazil would like the headquarters to be located in a neutral country, instead of the Venezuelan strong holds of Caracas and Buenos Aires.⁷⁶ Additionally, their views on the role of the bank differ; Chavez's wants the Bank to replace the IMF and World Bank by usurping its role in the region and financing infrastructure projects.⁷⁷ Alternatively, Brazil sees it purely as a development bank.⁷⁸

67. *Id.*

68. *Id.*

69. *Id.*

70. Lapper, *supra* note 21.

71. *Oil-fired Power Player Turns up Heat on United States*, NEW ZEALAND HERALD, June 23, 2007, at B13.

72. *Id.*

73. Simon Romero & Alexei Barrionuevo, *Brazil's Objections Slow Chavez's Plan for Regional Bank*, N.Y. TIMES, July 22, 2007, at A12.

74. *See Brazil Manoeuvres in Designing Banco del Sur*, O GLOBO (Braz.), June 19, 2007.

75. *Id.*

76. *Id.*

77. *Id.*

78. *Id.*

The debate over the Bank is evidence of a larger power struggle between Brazil and Venezuela.⁷⁹ And while Brazil's President maintains a good relationship with President Bush, he also maintains a close relationship with Mr. Chavez.⁸⁰ Recently, though, Brazil has begun to distance itself from Venezuela on several key issues.⁸¹ In March, Brazil's communications minister made a comparison between Venezuela's state run television system and Cuba's.⁸² This is the closest Brazil has come to publicly recognizing and criticizing the apparent anti-democratic drift of Mr. Chavez's Presidency.⁸³ Brazil has also rebuked Bolivia's treatment of Petrobras, Brazil's state owned energy firm.⁸⁴ Last year, Bolivia's president "nationalized" oil and gas, an idea backed by Mr. Chavez, which forced Petrobras to accept harsh new terms for its Bolivian operations.⁸⁵ Mr. Morales then issued a decree granting Bolivia's state-owned YPF a monopoly on the sales from Petrobras's two Bolivian refineries, basically usurping their cash flow.⁸⁶ At this point, the Brazilian government spoke out against the property grab saying that it could hurt the relationship between the two countries.⁸⁷ Petrobras then issued an ultimatum that Bolivia either had to buy the two refineries for a fair price or face international arbitration.⁸⁸ Experts say that the "ostensibly warm relations between Chavez and Lula mask an intense competition for political and economic influence . . . Venezuela has used oil revenue to win allies, but Lula is employing diplomacy and his prestige as an up-from-the-factory former union leader who is now Brazil's widely respected head of state."⁸⁹ "The Brazilian president has been a strong proponent of South American integration, a vaguely defined goal that most leaders on the continent endorse in theory. But Lula has departed from Chavez's anti-U.S. vision of integration, failing to embrace, for instance the Venezuelan's plan for a 'Bank of the South.'"⁹⁰ The emergence of a pro-Chavez, anti-Washington alliance in Latin America has caused concern within the Bush administration, and as a reaction they have warmly embraced Lula as a moderate leftist and elevated him as a role model for the region.⁹¹ The two countries recently traded visits, symbolizing efforts to expand Lula's profile in order to offset Chavez's ever-increasing image.⁹²

79. *Venezuela and South America: Hugo Chavez moves into Banking*, THE ECONOMIST, Issue 950, May 12, 2007.

80. *Id.*

81. *Id.*

82. *Id.*

83. *Id.*

84. *Id.*

85. *Venezuela and South America: Hugo Chavez moves into Banking*, *supra* note 79.

86. *Id.*

87. *Id.*

88. *Id.*

89. Patrick McDonald, *Lula seeks to restore Brazil's Regional Sway on Trips to Chile and Argentina, he is trying to counter Chavez's oil-funded effort to gain clout, analysts says*, LA TIMES, April 27, 2007.

90. *Id.*

91. *Id.*

92. *Id.*

Recently, Chavez toured South and Central America in an effort to promote Venezuela's entry into MERCOSUR, a South American regional trade block, and to offer energy aid and financial deals to its allies.⁹³ MERCOSUR, the Common Market of the South, is being hailed as "one of the clearest expressions of the 'new regionalism'" spreading across Latin America.⁹⁴ Chavez envisions Venezuela's addition to the trade bloc as the solidification of a grand South American alliance, created to counteract U.S. dominance.⁹⁵ However,

Venezuela's pending entry into the Mercosur trade bloc may not come to fruition. Venezuelan President Hugo Chavez's criticism of Brazil's Congress has already held up approval of Venezuela's membership. But Mr. Chavez's more recent assertion that Brazil's legislature is acting on behalf of the US in delaying Venezuela's entry into the trade group (comprised of Brazil, Argentina, Paraguay and Uruguay as full members) may have been the final straw. The head of the Brazilian Senate's foreign relations committee, Heraclito Fortes, called the statement "unacceptable" and said Brazil's Congress will not be pressured. At the same time, Mr. Chavez has hinted that he might withdraw his application to join Mercosur entirely, possibly to return to the fold of another trading group, the Andean Community.⁹⁶

In the last two years there has been a resurgence of resource nationalism in Latin America "as wide income inequalities—amid soaring world commodity prices—have prompted demand for a larger share of the windfall from energy resources."⁹⁷ Economic issues have come to the forefront and replaced political ones in the fight over influence.⁹⁸ Chavez has used expanded oil revenues to exert his financial power, and in turn, governmental intervention in Venezuela has become the most radical in all of Latin America.⁹⁹ In the past few years Chavez has "nationalized telecommunications, electricity and oil companies; forged a single socialist party for his followers; deepened alliances with countries like Cuba and Iran; and sped the distribution of billions of dollars for local governing entities called communal councils."¹⁰⁰ Chavez insists that the primary objective of his so-called petroleum socialism is to help the poor,

93. *Venezuelan President Hugo Chavez Signs Multiple Regional Agreements*, NOTISUR SOUTH AM. POL. AND ECON. AFFAIRS, August 24, 2007.

94. Andres Rivarola Puntigliano, *Global Shift: The U.N. System and the New Regionalism in Latin America*, LATIN AM. POL. AND SOCIETY, Volume 49; Issue 1, April 1, 2007.

95. *Id.*

96. *Venezuela Politics: Mercosur Entry in Doubt*, ECONOMIST INTELLIGENCE UNIT, October 1, 2007.

97. *Latin America: Nationalism Revived*, BUS. LATIN AM., April, 16, 2007.

98. Andres Rivarola Puntigliano, *Global Shift: The U.N. System and the New Regionalism in Latin America*, LATIN AM. POL. AND SOCIETY, Volume 49; Issue 1, April 1, 2007.

99. *Id.*

100. Simon Romero, *Chavez Expected to Propose Removing his Term Limits*, N.Y. TIMES, August 15, 2007, § A.

who make up a majority of Venezuela's population.¹⁰¹ Even though he claims to be pursuing endogenous development, Venezuelan farmers and manufacturers are struggling to compete with cheaper imports.¹⁰² In Chavez's own government subsidized grocery stores, imported Gouda and Emmenthal cheeses have replaced local dairy products, and "while the importers who supply [the grocery store] have grown rich . . . Venezuela's ranchers are becoming extinct, threatened by expropriations, land invasions and price controls, as well as by extortion and kidnappings by criminal gangs."¹⁰³ The Venezuelan government still claims that two-thirds of the poor have been helped by their social policies, including "missions" which offer education and health care, and giving up to two million people small cash stipends.¹⁰⁴ This being said, inflation is still a major problem despite efforts to increase the minimum wage and control the prices of basic goods.¹⁰⁵ Venezuela's economy is growing at 10 percent a year, fueled by oil dollars and thirty-six billion in reserves, however, with high public spending, an 18.4 percent inflation rate, and random food shortages, many fear that the growth could be derailed.¹⁰⁶

On taking office for a third term, Mr. Chavez moved quickly to nationalize a number of utilities and has set in motion another constitutional reform. However, it is unclear whether a majority of voters support the shift to greater state control. Opinion polls consistently show that Mr. Chavez's support is based on his pro-poor policies and the rise in real incomes in recent years, rather than ideological support for socialism. His drive to 'deepen the revolution' could potentially erode support for the government, particularly if at the same time the government fails to effectively address concerns such as crime, corruption and housing, or if the economic environment deteriorates. That said, a cohesive opposition leadership is not currently in sight.¹⁰⁷

Recently, Chavez refused to renew the license of Radio Caracas Television (RCTV), the country's most influential television station, because the station has been openly hostile toward President Chavez.¹⁰⁸ RCTV supported the coup against Chavez in 2002 and it refused to bend to government directives, Chavez's decision to shut it down "shows the outright authoritarianism and arbitrary character of the Venezuelan leader."¹⁰⁹ Chavez's decision to shut down RCTV also "reflects the ineffectiveness of the mechanisms of control which, in democratic systems, balance and

101. *Venezuela: The rise of the "Boligarchs,"* THE ECONOMIST, Issue 950, August 11, 2007.

102. *Id.*

103. *Id.*

104. *Id.*

105. *Id.*

106. *Oil-fired Power Player Turns up Heat on US,* NEW ZEALAND HERALD, June 23, 2007, at B13.

107. *Venezuela Economy: Business Climate Overview,* ECONOMIST INTELLIGENCE UNIT, September 11, 2007.

108. *Chavez is the Law,* EL PAIS (English), May 26, 2007, § Unica.

109. *Id.*

rectify possible abuses on the part of the executive branch."¹¹⁰ Although approximately 70 percent of the public was against the closing of RCTV, it happened because of the void of any truly independent institutions in Venezuela.¹¹¹ In Venezuela, Chavez is impossible to escape; he is pictured on billboards, posters, and murals, where he is seen "hugging children, embracing old women, chanting slogans, and plugging energy saving Cuban light bulbs into sockets."¹¹²

The Bank of the South seems to be both indicative of and an exacerbation of the current political climate of Latin America. It illustrates the trend of rising nationalism and regionalism in Latin America as well as the backlash against Washington-based lending institutions that seemed to have done little to quash poverty in Latin America. It also demonstrates the rift that has formed in Latin America between those countries that still support the United States and those leftist leaders who follow Chavez. As with most of Chavez's initiatives, the Bank of the South would not be possible without oil money, demonstrating the rise of resource nationalism in South America generally, but in Venezuela particularly giving Chavez the ability to economically dominate the South American market and thus politically dominate Venezuela.

110. *Id.*

111. *Id.*

112. Simon Romero, *Chavez Expected to Propose Removing his Term Limits*, N.Y. TIMES, August 15, 2007, § A.

