

May 7: Chávez and the banks

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Published: May 6 2007 19:05 | Last updated: May 6 2007 19:05

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President Hugo Chávez's threat to nationalise Venezuela's banks may not be completely idle (he has already taken control of the oil, telecoms and electricity sectors this year). But it is unlikely that Venezuela's president wants – or would be able – to carry it out any time soon.

That is because these privately-owned institutions are playing a key economic role as Mr Chávez advances to put in place his "21st century socialism". By buying up government debt, banks essentially allow the government to keep public spending high without creating additional inflationary pressure. If the government couldn't place its debt with the banks, inflation – running at 19.4 per cent over the last 12 months – would probably be much higher.

Banks may complain they are already too dependent on the government, with 40 per cent of their assets in sovereign debt and more than half their deposits belonging to state entities. And Mr Chávez may well opt to turn the screw a little tighter by imposing even lower limits on lending rates and insisting that banks provide more credit for small businesses. But banks will probably go along with it. After all, business is still pretty good, with institutions achieving average rates of return on equity of about 40 per cent.

Benedict Mander

A conservative church

The Latin American Bishops' Conference doesn't meet very often and gatherings – which take place every ten to 15 years – can be pretty significant. Most famously, the Medellín conference of 1968, for example, marked the rising influence of the so-called theology of liberation, paving the way for a stormy period in which radical priests were often identified with guerrilla movements and left-wing governments.

The conference that will take place this week in Aparecida, São Paulo – which coincides with the visit of Pope Benedict XVI to Brazil – will define a very different direction, reinforcing a trend towards much more conservative stance in recent years.

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That is not to say that the Pope is not worried by the region's poverty and social inequality. Indeed he is expected to endorse the church's social work, such as that undertaken by Brazil's **Pastoral da Criança**. But he is a fierce critic of the more explicit political involvement advocated by liberation theologians and an even sterner conservative on issues like abortion, gay marriage, stem cell research and a string of other moral issues.

His posture on these latter questions is likely to ring hollow with many Catholic Latin Americans who happily ignore the church's teaching on contraception and even favour decriminalisation of abortion. That is particularly true in easy-going Brazil, where President Luiz Inácio Lula da Silva has recently called for an "end to hypocrisy" on contraception and where health minister José Gomes Temporão favours a referendum on abortion.

But social conservatism may well serve the church's interests as it battles to preserve its influence in the face of continuing recruitment by evangelical churches. As new research by the **Fundação Getúlio Vargas** pointed out last week, nearly 18 per cent of Brazilians profess to be Protestants, compared with only 5.2 per cent in 1970. The number of Catholics has stopped falling, but evangelicals and especially conservative Pentecostal churches continue to make big inroads, especially in poorer, more marginal urban areas.

Richard Lapper

Broken patents?

So, after coming repeatedly to the brink in its patent battles with international drugs companies, Brazil has finally **broken a patent** – or has it? Friday's decision to issue a "compulsory license" on Efavirenz, Merck's anti-Aids

drug, came after several months of fruitless efforts to press the company to reduce the costs of a drug used by more than 70,000 Brazilian AIDs sufferers. The company's offer – a 30 per cent discount – fell short of what health minister José Gomes Temporão was demanding.

But one senses that is not the end of the story. The savings obtained by buying generic versions of the drug from India amount to \$30m per year for the next six years or so, but if Brazil were to be seen as a patent buster, the costs could be much higher. The Brazilian way is to avoid points of no return. If Merck were to offer a bigger discount, there could still be a solution even at this late stage in the affair.

Richard Lapper

Opening up Mexican TV

It is not often that Televisa and TV Azteca, Mexico's two biggest broadcasters, fail to get their way. The two companies dominate television in Latin America's second most-populated country, and the advertising revenue they command as a result leaves little possibility for any other companies to compete effectively.

There is no clearer symbol of the power they wield than the so-called Televisa law, which was passed in March last year after intense lobbying of senators by the two companies.

The law, which in essence is a reform of the country's existing radio, television and telecommunications laws, is complicated. But the bottom line is that it favoured enormously the two incumbents, protecting their dominant positions and making it even harder than before for competitors to break into what has become a bullet-proofed market.

Yet this month could offer some hope. In a few days, the country's highest judicial authority is set to decide whether last year's reform is in keeping with the constitution. And there is a chance – by some accounts a good one – that it could strike down the law's most controversial aspects, leaving it pretty much without effect.

If it does, it will be a huge step in the right direction for two related reasons. The first has to do with fostering competition. The law came as a particular blow at a time when the issue of the need to weaken monopolies and create competition has emerged as one of Mexico's biggest challenges over the coming months and years.

The second reason is that stripping the guts from the reform will help promote the message that while big corporations may be very good at influencing legislators – the reform was "debated" in Mexico's lower house for just seven minutes before being approved – they cannot always get away with it.

Adam Thomson

Bank of the South

While the crisis continues at the World Bank, the future of Banco del Sur, the all-Latin American development bank being promoted by Venezuela's President Hugo Chávez seems to get brighter and brighter.

Officials from Venezuela and five other countries - Bolivia, Ecuador, Brazil, Paraguay and Argentina – met last week in Quito and will follow up with sessions in Rio de Janeiro and Asunción over the next month or so. If all goes according to plan, Banco del Sur could be launched by the end of June, much earlier than seemed to be the case only a few weeks ago.

Brazil's commitment to the organisation is still questionable, but Argentina seems seriously interested in building an institution that would make it less dependent on Washington. Venezuela is flush with funds as a result of the recovery in the oil price and President Chávez, eager to make maximum propaganda advantage from the misfortunes of **Paul Wolfowitz**, the World Bank president, is anxious to spend them as rapidly as possible. Banco del Sur may not amount to much in the end, but there can be no doubting Mr Chávez's determination to make it happen.

Richard Lapper

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