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Chavez pulls out of IMF, World Bank

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VENEZUELAN President Hugo Chavez has announced Venezuela will quit the World Bank and the International Monetary Fund.

- [Video: May Day rally](#)

The practical impact of the move is unclear. But withdrawing from the world's two premier financial institutions, which have been associated since World War II with US economic policies, would send a powerful political statement.

It also might embolden activists throughout the world who are opposed to privatisation and fiscal austerity, two courses that the institutions often require of economically troubled nations.

It was unclear how much money the World Bank and the IMF would have to hand over to Caracas.

Venezuela's share of the IMF is worth \$US3.9 billion, though it wasn't known whether the IMF would be expected to pay Venezuela that much when its membership is terminated.

In a defiant speech yesterday, Mr Chavez demanded that the World Bank pay oil-rich Venezuela its contributions. "Now it is they that owe us," he said.

There was no reaction from either organisation today, but the US State Department said Mr Chavez was only digging a deeper hole for his people.

"Look, you can't take the shovel out of the man's hand," said spokesman Sean McCormack. "He just keeps on digging. So, and sadly, it's the Venezuelan people who are victimized by this."

The World Bank and the IMF were established near the end of World War II to help rebuild war damage.

The World Bank helps countries finance development projects, while the IMF tries to ensure orderly world trade by regulating exchange rates and providing assistance to countries unable to pay their debts.

Traditionally, the World Bank is led by an American, and the IMF head is a European.

In recent years, both organisations have refrained from criticising Mr Chavez's economic policies, including re-nationalisations of the oil and telecommunications industry, in hopes of quietly persuading his government to stick with more market-friendly policies.

The latest World Economic Outlook, the IMF's assessment of the world economy, barely mentioned Venezuela when it was issued a month ago.

No IMF mission has visited Venezuela since 2004, though Anoop Singh, the IMF's top Latin American official, told reporters last month that the IMF hoped to send a mission to Caracas to discuss inflation control later this year.

Nations rarely walk away from the IMF or the World Bank. One of the last to do so was Cuba, in 1964.

Liliana Rojas-Suarez, a former IMF official now with the Washington-based Center for Global Development think tank, said Chavez's move is consistent with his vision of creating a system independent of US influence.

"This is definitely political and consistent with Chavez's strategy," she said, pointing out that Mr Chavez is founding a new Bank for the South, which would play a role similar to the World Bank but under Latin American control.

Venezuela has bought more than \$US3 billion in Argentine bonds, allowing Argentina to pay off the IMF.

Mr Chavez also has pledged money to Ecuador so that the Andean nation can reduce its debt to both institutions.

Last month, Venezuela finished paying off its debts, and the IMF closed its office in Caracas last year.

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