Wall Street Wants To Deindustrialize Latin America

Within the impoverished Third World, Latin America has historically been known for a relatively high degree of industrialization. Now, Latin America's illiquid creditors are demanding that the industrialization that has occurred over the past decades be promptly scrapped. Since the beginning of 1977, in particular, Wall Street has made it clear to every major Latin American nation that they must immediately sack their industrial sectors in favor of producing quick cash crops for export — as the only means of keeping up with their crushing debt service obligations. This focus on primary products exports, combined with manipulated commodity price hikes on these products, as in the current case of the coffee bubble, is the operational policy for insuring that a Latin American debt blowout of major proportions is postponed.

New York Times Latin America correspondent Jonathan Kandell laid out this Wall Street strategy in a March 25 feature article in which he recommends that Latin America scrap such "glamorous" industrial projects as steel and auto production. Forget the "irresistible allure" of unrealizeable industrialization, advises Kandell, and get down to producing cash crops for export.

Argentina, one of the countries Kandell focuses on heavily, has adopted this strategy of agricultural production at the expense of industry, especially since the March 1976 coup of General Jorge Videla. Already a marked industrial decline is evident there. But, more significantly, a collapse of agricultural production has also set in, as the decline of industrial production and reduced capital goods imports are forcing the use of increasingly labor-intensive technologies on the land.

What is apparent, not only from the Argentine case but from Brazil and Colombia as well, is that any attempt to meet debt payments by sacrificing the meagre industrial growth that is now occurring, immediately triggers a downward spiral of both industrial and agricultural collapse — a triaging of the productive economy to meet monetarist debt requirements.

The irony is that this "solution" to balance of payments problems is a short-lived process of self-cannibalization. Not only is the productive base and infra-structure of the Latin American economy being corroded at an accelerating rate, but the resulting impoverishment of the population and destruction of the environment is triggering tremendous social discontent long before the economy itself collapses. This is the story of Colombia today, where a decade of anti-industrial economic policies have destroyed that country's infrastructure to the degree that it is now literally being swept by wave after wave of droughts, energy shortages, epidemics and disease — *and* uncontrollable social discontent.

Far from being the necessary state of affairs in Latin America, there is in fact an entirely different strategy for developing the region which avoids both this economic devastation and its dangerous political consequences. The best recent example of this alternative — outside the oil-rich economy of Venezuela — is the industrialization of Mexico that occurred under ex-President Luis Echeverria (1970 — 1976). In the following economic survey, we include a study of that industrialization process fueled by the dynamic state sector, a process which Wall Street is now trying to dump overboard in Mexico as well. Unlike Argentina, Brazil and Colombia — where the monetarist policy of de-industrialization is now politically hegemonic — Mexico today is characterized by an ongoing political battle over which economic strategy to adopt: monetarism and primary product exports to pay the debt; or debt moratorium to permit accelerated rates of capital formation and industrialization.