

EIR seminar: 'EMS is here to stay'

Mexico's oil and its relation to the new monetary system

United States cooperation with Mexico's ambitious plans for development through exploitation of its oil reserves is not a matter of concern simply for North Americans, was the perspective detailed at the Jan. 11 *Executive Intelligence Review* seminar in New York City, hosted by Editor-in-Chief Fernando Quijano.

Presentations at the meeting, which included businessmen and labor leaders, asserted that a turn in U.S. policy for Third World development is basic to a U.S. policy decision to collaborate with the European Monetary System established by West German Chancellor Schmidt and French President Giscard d'Estaing.

By working through the new system's credit facilities, the U.S. could realize its export potential, taking advantage of the increased markets Mexico's program for high-technology development would create. Quijano stressed the essential problem to be the North-South dialogue. That, Quijano said, can be worked out in context of U.S. collaboration with the EMS.

More than 40 representatives from corporations, labor unions, and foreign countries heard the seminar presentations, delivered by Quijano, contributing editor to the *Executive Intelligence Review* Criton Zoakos, and U.S. Labor Party Director of Research and Development Uwe Parpart. In his presentation, Quijano characterized the major U.S. foreign policy question as a battle between the looting policies of the International Monetary Fund — now slated for both the developed and developing sectors — and the trade and growth perspective of the new European Monetary System. In Mexico, Quijano said, day-to-day political and economic policy decisions by the government are shaped by the necessity to circumvent the "austerity conditions" the IMF has tried to impose on the country. Quijano stressed that the success of Mexico's efforts hinges on the emergence of an "EMS world."

While much of the conference discussion centered on the significance of Mexico's recent oil finds, the conference also marked the first public discussion of a groundbreaking new program prepared by the U.S. Labor Party's Chairman, Lyndon H. LaRouche.

Speaking on "A Riemannian Model for Economic Growth," Uwe Parpart stressed that the program has the potential to eradicate the genocidal poverty of the Third World if the capacity to predict growth rates scientifically can be developed. Parpart's presentation followed the principles that the U.S. Labor Party's Lyndon H. LaRouche had first proposed for applying the theory embodied in the EMS to a scientific approach to economic planning as an alternative to the hodge-podge notion of Gross National Product (GNP). The speakers showed that the only competent means of predicting such growth rates is integrally connected to a global application of the EMS's development policies.

The conference also aimed at breaking the U.S. media's clampdown on the actual policies of the EMS. As Zoakos told a participant who challenged the EIR's "interpretation of the facts behind the EMS," the U.S. media has only addressed the system by heralding its alleged weaknesses and failures.

In contrast, Zoakos spelled out that once in full operation, the

new system will command no less than half a trillion dollars worth of development credits worldwide to achieve its purpose: "massive expansion of North-South and East-West trade," to prevent thermonuclear war.

"The EMS is here to stay," he stated, adding that the commitment of Schmidt and Giscard to its economic growth policies is "irreversible." Zoakos then depicted the political process which led Europe's key leaders to adopt the Grand Design of the new monetary program, emphasizing their growing perception at the close of the 1975 NATO-Hilex maneuvers that the outbreak of thermonuclear war was an imminent possibility. That perception was to sharpen into a sense of dire emergency in the first months of the Carter Administration in 1977. The process of launching the EMS, Zoakos explained, began when Schmidt signed a "groundbreaking treaty" with Soviet President Leonid Brezhnev in May 1978, which demonstrated Western Europe's commitment to peace by essentially "integrating West German industry into the Soviet Five Year Plan."

But, Zoakos said, the EMS is clouded by the continuing influence of the IMF and the World Bank, the institutions which governed the now-defunct Bretton Woods system. The IMF, Zoakos stressed, is still able to abort the economic advancement programs of much of the Third World. He cited the threats against Mexico that it could undergo economic chaos and civil unrest like Iran, if it insists in pursuing its oil export expansion program as well as the present crisis in Turkey. There, Zoakos said, an open fight is raging between the demands of NATO and the IMF for austerity and the government's program of an EMS-financed \$8 billion development plan. This is a test case of the conflict between the bankrupt IMF and the new monetary system.

U.S. view

In addressing the audience, Editor-in-Chief Quijano developed what would be an acceptable U.S. policy toward Mexico. He pointed out that for the U.S. businessmen and labor representatives in the audience, the World Bank and IMF, even though their dominance is waning are perceived as the ruling institutions. Contrary to what the media has presented in the U.S., the audience's counterparts in Europe and Mexico are much better apprised of the actual dimensions of the economic battle, Quijano said.

How to understand economic growth

Quijano emphasized that while most observers were concerned with Mexico's plans for its oil, Mexico's most valuable resource is its population. The Mexican population has a higher proportion of youth than does the U.S. which can be educated to become the advanced labor force.

The significance of Quijano's emphasis on the issue of population growth became clear in Parpart's address on the proposed Riemannian alternative to the GNP concept of economic growth. Parpart showed in simple statistical form that the prevailing model of Gross National Product, particularly that used in the

U.S. is based on a 40 percent component which is sheer monetary valuation (defense and services). While accounting for socially necessary activities, this 40 percent functions "as a tax burden" on the industrial and agricultural output that is the base of real economic activity.

More problematic, he pointed out, is that any "linear" (or accountant-method) view of the economy over time cannot account for crucial phenomena which have the effect of creating major social and economic problems. The two chief phenomena he addressed were (1) the increasing cost of producing the same raw materials over time, and (2) the related burden of indebtedness accruing to an economy when investment is stubbornly poured into the same levels of technology, based on the same raw materials.

The solution he proposed was that the extent to which we are capable of planning "scientific breakthroughs and to realizing those breakthroughs in the advancement of labor" be pinpointed as "the principal determining feature" in elaborating a method for measuring economic growth. He used an engineering problem in agriculture to show how simple increase in the amount of fertilizer on a farm shows "diminishing returns" in growth of agricultural output.

Behind the surprising Iraq-Syria unification

Suddenly, Syria and Iraq are uniting formally into a single state. The two countries — and a bitterly divided Ba'ath Party that rules in each — have been at each others' throats for years. Pushed by Franco-Soviets efforts to stabilize the Mideast since the Camp David "separate peace" fiasco, the Syrians are also hosting a conference of the Palestinian National Council to discuss setting up a Palestine government-in-exile, effectively run by the PLO (Palestine Liberation Organization).

The unification will have historic significance whatever happens. The Franco-Soviet faction is pushing a Geneva Conference overall settlement in the Mideast, but a faction underwritten by London policymakers is hyping the unification instead to run a holy war against Israel and push the Mideast back into the cauldron from which it is trying to climb.

As the Arab world reaches a new level of organization and integration based upon the French-Soviet concepts of mutual economic development, Israel has not surprisingly launched a series of provocations within Lebanon in order to attempt to factionalize the Arab world into warring hardline and moderate

groupings. Last week, heavy fighting took place in southern Lebanon between Israeli-supported Christian militias and UN peacekeeping forces. In addition, Israeli gunboats violated Lebanese territory by shelling southern Lebanese coastline positions, spuriously designated as "Palestinian bases."

Syria-Iraq rapprochement

"Syria and Iraq have reached agreement on all issues concerning the projected union between the two countries," said an official source in Damascus on Monday, Jan. 15.

According to Agence France Presse, "the two Iraqi ministers will focus on the finalization of various accords dealing with the unification of both the Syrian and Iraqi armies and the Ba'ath Party of each country." The meeting will also prepare for the Jan. 26 Damascus summit to be attended by Syrian President Hafez Assad and Hassan al Bakr. The Assad-al Bakr summit was preceded by an important visit of Syrian Defense Minister Mustapha Tlas to Moscow to discuss the integration of the two countries. In addition, a Soviet Communist Party delegation has arrived in Damascus to attend the talks.

Economic breakthrough

According to the Jan. 16 Toronto *Globe and Mail*, the key issue at hand during the talks was the question of mutual economic development. Already on the drawing board is a plan to pump Iraqi oil directly to the Mediterranean via Syria. In addition, Iraq will now provide Syria with oil for its own internal consumption.

One Lebanese daily last week quoted a Syrian official as saying that both countries would soon have "one flag, one president, and one national anthem." But a high-level Syrian diplomat stressed in response that unification can work only if it is approached with a careful strategy of economic development. He said that the union must not focus too heavily on the military question as this will tend to envenom the already dangerous Mideast situation.

The importance of the economic discussions even drew Jordan's King Hussein to Damascus for a surprise visit. According to informed sources, Hussein wanted to discuss the integration of his country into the economic deals.

On Jan. 15, the 14th Palestinian National Council (PNC) meeting met in Damascus as well. Composed of 293 members, it is believed that the main question on the agenda will be the question of a Palestinian government in exile. Although there is an increasing show of unity within the movement, problems still remain within the hardline faction led by George Habash's supporters.

The Palestinian question remains one of the key elements of the Syria-Iraq unification as well. Both PLO head Arafat and Jordan's Hussein have been brought into the high-level talks to share common strategy.

— Mary Jane Coates