Excerpts from *An Industrialized Argentina: Axis of Ibero-American Integration*

A common market would mobilize the continent's vast potential

In his Operation Juárez proposal, now so widely influencing opinion in Ibero-America, Lyndon LaRouche called upon the nations of the continent to undertake two broad policy measures. The first involves an orderly restructuring of foreign debt, to be forced upon the financial oligarchies of the Northern Hemisphere if necessary by a debtors' club of Ibero-American nations. The second concerns formation of an Ibero-American Common Market.

The Malvinas War brought the subject of Ibero-American integration to the center of policy thinking because it dramatically demonstrated the value of strength through unity. Ironically, however, one hears Argentines more than any other Ibero-Americans argue that their country does not require such continent-wide unity to develop, that it is uniquely positioned to handle its debt crisis, and maybe even industrialize, on its own.

True, Argentina is unique among the nations of the continent in that it is self-sufficient in both food and energy, the two most fundamental economic inputs. Nevertheless, a "common market" approach is an absolute necessity, for Argentina in particular.

First, Argentina's labor force is too small by an order of magnitude to permit well-rounded industrialization. This also means that the size of the Argentine domestic market is insufficient for the development strategy required.

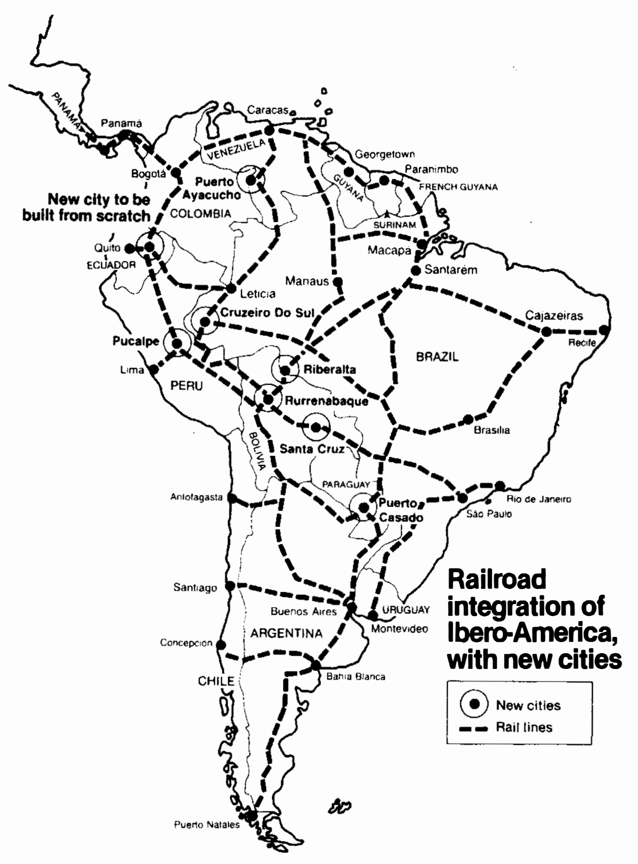
Second, Japanese-style rates of productivity increase depend on a range of infrastructure projects which are by nature regional in scope. Such projects, in a number of cases, would double the productivity growth Argentina could achieve on its own.

Third, even if Argentina were to singly survive somehow, the onslaughts of the IMF and private financial powers of the North, none of its neighbors would. It should be evident that Argentina's sovereign development would become impossible when surrounded by neighbors condemned to the IMF's genocidal regimen, devastated under Pinochet-style dictatorships, which can alone preside over such extreme forms of monetarist destruction.

A self-sufficient superpower

Ibero-America's current trade pattern is an irrational legacy of colonialism. Only 15 percent of the nations' foreign trade occurs within Ibero-America. Raw-materials-producing enclaves exported to Europe and the United States, in turn importing processed and manufactured goods from them. The continent's current transport infrastructure consists of little more than rail lines and roads leading from mines and farming areas straight to export ports.

Let us view Ibero-America as if it were a single economy, a "nation of republics," so to speak. Some startling facts stand out. The continent is entirely self-sufficient in food—thanks to Argentina. It is self-sufficient in energy—thanks to Mexico and Venezuela. It is self-sufficient in most raw materials—thanks to the Andean nations. It is self-sufficient in capital-goods production—thanks to Brazil. There are gaps,



Railroad integration of Ibero-America, with new cities

of course: chemical production, advanced capital goods, high technology items, spare parts for machinery, to name the most important. But overall, *EIR* has calculated that Ibero-America, by shifting its foreign trade pattern toward intracontinental arrangements, could attain self-sufficiency in the range of 70 percent regional.

A good example is petroleum. The energy ministers of Mexico, Venezuela, Ecuador, and Trinidad-and-Tobago recently determined that, among themselves, they produce over 5 million barrels per day of oil, of which they export 3.5 million bpd abroad. The other nations of the continent import oil from abroad, in quantities that could easily be supplied directly from the four oil exporters.

And so it goes with almost every item produced in Ibero-America. *The principal reason is debt.* Exports abroad earn foreign exchange for the exporting nations. A common market thus tends to follow "naturally" upon formation of a debtors' club to relieve the unpayable debt burdens. A shift to intracontinental trade would itself constitute a de facto debt moratorium.

Argentina, for example, could export grain and meat surplus to a hungry Mexico. Mexico could supply energy-short Brazil with oil. Brazil could complete the triangle by shipping Argentina many of the capital goods it requires for its industrial processes. No dollars would be required to carry this out. The net result would be to deflect goods from the international markets, where they are now sold to obtain means of debt repayment, and to channel them into regional trade for regional development.

However, productive self-sufficiency *per se* is not the goal of an Ibero-American Common Market. The goal is development, the transformation of the continent into an economic superpower in one generation. The principal means of accomplishing this is to launch a series of great projects on regional infrastructure, not only bringing about the continent's physical integration, but accomplishing productivity boosts on a now-unimagined scale: a second Panama Canal; major nuclear plant construction, especially in Mexico, Brazil, and Argentina; a high-technology integrated steel facility along the Colombian/Venezuelan border; the Grande Carajás iron mining and processing project in Brazil; an ecologically sound agro-industrial development of the Amazon; development of the Cuenca del Plata agricultural zone; an integrated continental transportation grid to vastly cheapen intracontinental trade, and to open the interior to habitation and development.

Peruvian President Fernando Belaunde Terry has recently revived a proposal first issued by the German explorer Alexander von Humboldt in the early 19th century: the physical integration of the continent's three great river basins, the Amazon, the Paraná, and the Oronoco systems. By means of canal, dam, and excavation projects on a mere 4 percent of the 10,000 kilometer water route, and small water control and dredging operations on 28 percent, the entire system would become fully navigable, connecting every nation on the continent but Chile by inland waterways—by far the cheapest form of bulk transportation..

Building a *Zollverein*

All that is required to realize the enormous potential of a continental common market is appropriate trade and monetary mechanisms. The basic idea is that of the *Zollverein* or customs union, modeled on 19th-century German economist Friedrich List's system of protective barriers favoring domestic industrialization. To build a modern *Zollverein,* the following specific steps must be taken:

1) **Formation of a debtors' cartel** or club, informing the creditors that debt obligations will henceforth be met on terms permitting rapid industrial development—before a single penny is paid.

2) **Formation of a regional development bank and an Ibero-American currency of account,** used to issue new credits for that portion of infrastructure projects corresponding to regional production (as high as 70 percent of the total).

There must also be drastic domestic monetary reforms. These must be conceived, in Argentina's case, along the lines of the "heavy franc" reform conducted by Charles de Gaulle's monetary adviser, Jacques Rueff. Capital flight, and speculative capital inflow, as the country's productive base was dismantled under former finance minister Martínez de Hoz, has produced a legendary rate of inflation. Argentina's money supply today is like a contaminated circulatory system: It needs a total transfusion. A "heavy peso" must be established, recalling all old currency and trading the new for it. Citizens will be required to explain the origin of their holdings, and if determined illegal or speculative, they shall be confiscated or converted to the "heavy peso" at discriminatory rates.

The basic idea is that the state must retake sovereign control of Argentine credit and taxation, using these to orient the economy in the national interest. Therefore, a second step must be establishment of a national central bank, whose legal function will be to orient the national credit structure toward high-technology industrial activities, and to establish a two-tier credit system for this purpose: high rates for speculative and non-productive activities, low rates and preferential amounts of credit for productive agriculture, industry, and infrastructure. The central bank will be empowered to obtain funds on the domestic and international credit markets through issuance of gold-backed government bonds at low (2 percent) interest rates, and to regulate all private banking in the nation.

A third set of necessary measures involves the establishment of strict capital and exchange controls, to defend the economy from financial warfare periodically conducted by supranational financial oligarchies. The nation's currency parity and convertibility is a matter of strict national sovereignty, to be fixed without any foreign interference whatever. Those foreign investors or corporations wishing to participate in Argentina's development should be welcomed—insofar as they abide by the cited rules of the game.