

How to build the Ibero-American Common Market

by Dennis Small

The following is Part II of an abridged translation, from Spanish, of the author's presentation to the International Conference of Food Producers on Feb. 22, 1986, in Ciudad Obregón, Sonora, Mexico. Part I discussed the three fundamental structural problems of the Ibero-American economy: 1) Under-population. There are not enough people. This may not appear to be a problem, but in fact it is. 2) Mis-employment, under-employment and unemployment of the minuscule population that does exist. 3) An economic structure of production and export that is overtly neo-colonial. Raw materials are exported and capital goods imported.

Can the continent be self-sufficient?

Let us take the case of crude oil (Figure 1). There is an index of self-sufficiency of 112%, that is, it is possible to cover all the regional oil needs, plus 12%. The countries upon which this capacity depends are Mexico and Venezuela. If Mexico were to stop selling oil in the international markets and sell first of all to the continent's countries that require oil, through barter deals, to obtain from those countries what Mexico in turn needs, no one would lack oil. For this, Mexico would only have to stop worrying about earning dollars through oil exports, to pay the debt; we are speaking of a situation of a regional debt moratorium. The same would happen with gasoline, which gives us an index of self-sufficiency of 103%.

Coal is a problem, especially coking coal. When El Cerrejón in Colombia enters into production, many needs will be able to be covered, but even El Cerrejón's coal is not cokable. Hence there is an important strategic vulnerability for steel production. There exists, however, the alternative, of employing direct-reduction to produce steel, which does not use coke, but natural gas with the iron ore.

Iron ore gives a self-sufficiency index of 325%, because Brazil, Venezuela, and Peru have it in abundance. Iron has an index of 104%. Steel stands at 97.3%, above all thanks to Brazil's production. Ibero-America does not need to import steel from anyone. It is true that not enough steel is consumed, but for the short term, Ibero-America can take care of itself in steel. The region also counts on



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Lyndon LaRouche meets with trade unionists in Argentina during his 1984 campaign for the U.S. presidency. To his left is Dennis Small. The purpose of their tour was to organize support for "Operation Juárez," the economic development plan which includes the creation of an Ibero-American common market.

FIGURE 1

Self-sufficiency of Ibero-America under total embargo—I

Crude oil	112.0%	Mexico, Venezuela
Gasoline	103.4%	Mexico, Venezuela
Coal	77%	
Iron ore	325.6%	Brazil, Venezuela, Peru
Iron	104.5%	Brazil, Venezuela
Steel	97.3%	Brazil
Sheet steel	95.4%	Brazil
Aluminum	125.9%	Argentina, Venezuela
Copper	243.4%	Chile, Peru
Lead	163.8%	all
Sulphuric acid	97.8%	Mexico, Venezuela
Ammoniac	121.6%	
Caustic soda	72.8%	

FIGURE 2

Self-sufficiency of Ibero-America under total embargo—II

Sodium carbonate	61.1%	
Hydrogen peroxide	85.0%	
Nitrogenous fertilizers	45.2%	
Phosphoric fertilizers	76.6%	
Footwear	98.0%	all
Cement	97.0%	Colombia, Peru, Mexico
Paper	85.0%	
Rice	94.0%	Argentina
Maize	114.5%	Argentina
Wheat	84.0%	
Soybeans	102.0%	Argentina, Brazil
Milk	94.0%	all
Beef	104.0%	Argentina

Operation Juárez: the LaRouche recovery plan

Economist Lyndon LaRouche, in a nationally televised address on Nov. 5, 1984, the eve of the presidential election, detailed a plan to solve the debt crisis in Ibero-America, and simultaneously unleash an unprecedented economic recovery in the United States.

"If the leading nations of Ibero-America," he said, "were to create a customs union, a common market, and if the United States established the proper cooperation with such a common market, the combined development of the United States and Ibero-America would produce as much as one-quarter to one-third of the total production of wealth in the world over a period of a century to come. The potential market for U.S. exports of capital goods in Ibero-America is beyond the imagination of all but a tiny, well-informed segment of our exporters today. It would be most conservative to speak of between \$50 and \$100 billions of capital goods exported from the United States into Ibero-America during the year 1986, if the United States would adopt an intelligent policy toward this region of the world."

The LaRouche plan, known as "Operation Juárez," after the Mexican founding father and republican leader Benito Juárez, had circulated far and wide throughout the Ibero-American continent since August 1982, when *EIR*'s Special Report of that title was first released. In that document, LaRouche specified that President Reagan would have to dump the economic policies associated with David Rockefeller, the International Monetary Fund, and Kissinger Associates, Inc. If the U.S. government refused to act in so intelligent a manner, Ibero-America does possess sufficient resources to "go it alone," although this would considerably slow down the continental development effort.

We emphasize here those features of "Operation Juárez" which bear especially upon the relations of the United States with its southern neighbors.

If the U.S.A. were to discover suddenly its lost wisdom, LaRouche wrote, it would cooperate in reorganization of the Ibero-American debt, while undertaking, domestically, a few large-scale, basic infrastructural projects which would provide a stimulating market for private industry, overcoming the effects of Paul Volcker's depression. Such projects would include nuclear energy installations, ports, rail, maritime infrastructure, and major water-management projects. Injection of low-cost governmental credit at 2%, for construction-phase investment in such projects, would be required.

Such domestic-economy stimulants should be supplemented by foreign-trade stimulants. The United States

should negotiate with developing-sector nations a collection of high-technology infrastructural projects most urgently needed by those nations, providing 2% per annum financing for medium-term to long-term construction and operation of such projects. This would translate into immediate demand from U.S. producers of capital goods.

A number of exporting nations, such as Japan and the Federal Republic of Germany, would probably wish to join the United States as partners in a multinational division of labor. If we added India, the ASEAN nations of Southeast Asia, and a few more developing-sector nations, we would be identifying a potential for at least \$200 billion of increased capital-goods imports per year from capital-goods exporting nations. Mexico alone, for example, fully justifies \$20 billion a year or more of increased capital-goods purchases. An additional \$40 billion a year increase in selected capital-goods imports by Brazil, \$10 billion by Argentina, and \$50-100 billion by India, illustrate the general order of potentiality.

Each of the debtor nations would deliver to the creditor banks a portfolio of bonds equivalent in total value to the accrued value of the previous debt-contracts. The new bonds would have an interest rate of approximately 2% per annum, and the U.S. government should agree to make the new bond-issues discountable assets within the reformed—"federalized"—Federal Reserve System. This, combined with a capital-goods-export program and a gold-reserve-based U.S. credit and banking system, would make such bonds "as good as gold."

Should the U.S. government and American bankers prove too stupid or too cowardly to reorganize affairs in this way, LaRouche wrote, there are two other options for Ibero-American governments. In the first alternative, the creditor banks would be rescued, to the extent that their debtors are able to assist them, with the alternative of debt-reorganization bonds. In the worst case, in which the bankers found themselves to be fanatically stupid, the Ibero-American debt would be temporarily suspended, until such time as someone in a leading position in the United States brought that nation back to its senses.

In that case, the Ibero-American republics would themselves exploit the potentials for "South-South" cooperation, working with such trading partners as can be found among North-South trading partners. They would proceed to establish a common banking institution, to facilitate trade, with a common currency of account established for the customs union. This bank would soon become one of the most powerful financial institutions in the world.

FIGURE 3

Self-sufficiency of Ibero-America under total embargo—III

(millions of dollars)

	Exports to		Imports from the rest of the world	Trade balance with the rest of the world
	SELA	the rest of the world		
Motors and turbines	75	452	1,113	- 661
Agricultural machinery	133	194	365	- 171
Metalworking & woodworking machinery	52	66	846	- 780
Machinery specially for industry	437	650	6,688	- 6,038
Electrical machinery	231	534	3,431	- 2,897
Rail equipment	11	88	294	- 206
Trucks	122	265	487	- 222
Aircraft	23	89	650	- 561
Ships	65	176	569	- 393
Totals	1,149	2,514	14,443	- 11,929



sufficient aluminum, copper, lead, sulphuric acid, ammonia, etc.

There are important weaknesses. The self-sufficiency index for caustic soda, which is a very important input for industry, is only 72.8%, for example.

In general, the weak spots are in chemicals, petrochemicals, fertilizers, pharmaceuticals, and so forth (Figure 2). Little sodium carbonate is produced, and barely 45% of the nitrogenous fertilizers the region requires.

Now in wheat, 84% of the requirement is produced. Argentina produces rice, corn, soya, meat, and milk. Thanks to Argentina, the region could be self-sufficient in food, even with the limited present production.

In Figure 3, we see other areas of relative vulnerability: machinery, and capital goods. In these areas, Ibero-America has to acquire \$11 billion worth of goods from the rest of the world, as it cannot supply itself; but, in any case, this is not too large a figure.

In general, Ibero-America is much stronger, economically, than is thought. There are weaknesses, but if they are known, they can be resolved.

Figure 4 presents the calculations of what has to be done in Ibero-America to satisfy the needs of a growing population. Two population-growth curves appear. One is the normal curve, which from here to the year 2000 would lead us to have 560 million inhabitants. The other is the curve of restricted growth which the World Bank and International Monetary Fund are proposing. According to them, there should be 47 million fewer human beings between now and the year 2000.

Supposing that by the year 2000 there will be 567 million Ibero-Americans, we calculate how much food and other products will be necessary to be able to maintain this population. The principal problem to produce food for such a

population is the problem of per-hectare yields in agriculture, as is seen in Figure 5.

The yield, for example, of rice, is 2 tons throughout Ibero-America. In the United States it is 5.3 tons; i.e., the U.S. yield is 2-3 times greater than that of Ibero-America. To satisfy the food needs of this growing population, obviously yields have to be increased.

On average, by the year 2000 each person must consume some 2,750 calories per day, and a good proportion of this should be animal protein. For this it is necessary to increase annual grain production by several million tons. Where today 110 million tons are produced, by the year 2000 we will have

FIGURE 4
**Population growth 1980-2000:
two scenarios**

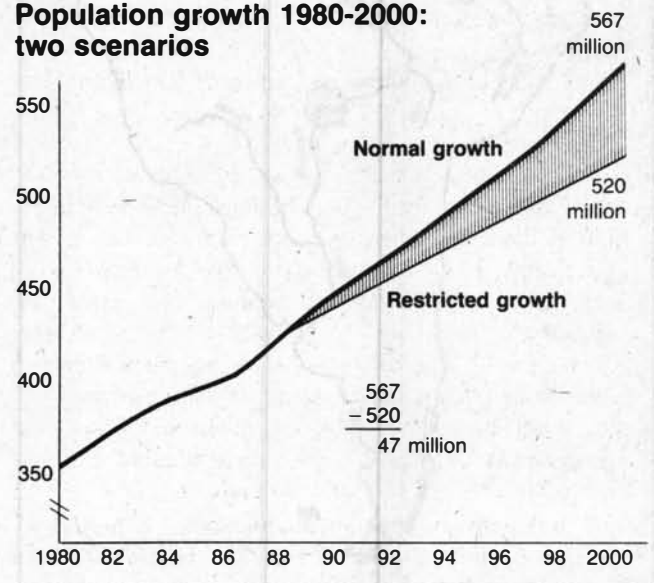


FIGURE 5
Production and yields of cereals, 1982

	Area (10 ³ has.)	Production (tons)	Yield (kgs./ha.)	U.S. yield (kgs./ha.)
Rice	8,187	17,260	2,108	5,315
Wheat	12,026	21,000	1,746	2,396
Maize	26,678	50,468	1,892	7,205
Sorghum & other	7,288	21,272	2,919	3,013
Total	54,179	110,000	2,030	4,409

FIGURE 6
Cereals requirements in the year 2000
 (thousands of tons)

Present production	110,000
Per capital increase (25%)	137,500
For population in year 2000	195,000
Grain for animal consumption	50,000
Total	245,000
Total increase	135,000
—owing to better yields (of 3.47 tons/ha.)	85,000
—owing to increase in land under cultivation	50,000

FIGURE 7
River integration of Ibero-America



to produce 254 million tons (Figure 6). This can be done with better yields, increasing grain production levels to 3.5 tons per hectare as an average, and by increasing the land under cultivation by some 15 million hectares.

Various industrial inputs for agriculture will have to be produced, such as fertilizers and tractors, in growing quantities. Between now and 2000, for example, Ibero-America will have to go from using 75 kilograms per hectare of fertilizers, to 250 kg per hectare. As far as tractors go, today there is one for every 110 hectares, whereas this should be one tractor for every 40 hectares. In other words, we have to more or less triple both fertilizer and tractor production in the region, by the year 2000.

Now, the key element to increase productivity and efficiency in the entire Ibero-American economy and to resolve the three problems I indicated—underpopulation, poor employment, and the economy's colonial structure—is to launch a series of great infrastructural projects in the region. It is a question of completely transforming the Ibero-American continent. For example:

For 200-300 years it has been known that it is relatively easy to achieve the physical integration of the three principal river basins of South America, the Orinoco, the Amazon, and the Parana river basins: Humboldt proposed this a long time ago, and it has also been talked about very recently.

These rivers are navigable, with few exceptions, including the areas of the two circles that are seen in Figure 7, which would be points where one would have to connect the river networks with canals, dredge the river to make it deeper. By this means a network of river transport would be created for all of South America, which would facilitate the region's internal trade.

Figure 8 (page 36) shows a series of large waterworks, related to the integration of the three river basins: canals, trans-Andean tunnels, and others. This includes the PLHINO and the PLHIGON in Mexico, the construction of a second Panama Canal, and the building of trans-Andean tunnels to draw water to the Pacific coast, which runs from the other side of the Andes, to the Amazon, to use it in agriculture.

The famous canal project of Bermejo to integrate Bolivia, Paraguay, and Argentina, would open to cultivation an area in Argentina equal in size and in yield to the damp pampas, which would be something truly extraordinary.

In conjunction with this, various hydroelectrical works of vast importance can be executed, of more than 2,000 megawatts in the entire continent. There is a fabulous hydroelectrical potential.

Figure 9 illustrates how the continental rail network should look, another vital element for the physical integration of the region. Almost nothing of this exists today; but if one compares Figure 9 with a map of Europe or the United States, one sees that the density of rail networks in Europe and the United States is enormous compared to Ibero-America. One thing which facilitates the European Common Market and industrial development there, is the fact that there exists an

adequate transport system throughout Europe. We have to build the same thing in Ibero-America.

Around this a whole series of very advanced technology mining and industrial projects would develop (Figure 10, page 37), to employ the manpower that is now idle, and that would enter into the workforce between now and 2000: a total of 100 million jobs. This includes the old proposal of Mexico, today abandoned, to build four big port cities: Altamira, Coatzacoalcos, Salina Cruz, and Lázaro Cárdenas. They would have to be superports and urban centers endowed with nuclear energy, organized according to the idea of the "nuplex." In the case of Colombia, the Cerrejon has to be exploited, in coordination with Zulia in Venezuela, where there are also important mining, natural gas, and petroleum centers. A large-scale steel industry can be set up there.

We can count on the Great Carajas of Brazil, which is today the world's largest iron mine. Recently it has been discovered that in Mutan at the Bolivia-Brazil border, there exist greater iron deposits than those of Carajas, and also of great purity. With this iron and the natural gas in the region of Santa Cruz and northern Argentina, a very important steel complex could be established. Argentina needs to greatly expand its nuclear-electric industry, to establish a superport in Bahía Blanca, etc.

Our preliminary reckoning indicates that with a continental program of industrialization and infrastructure like this, it is absolutely possible to create 100 million new jobs. Figure 11 presents the case of Brazil. The total of new jobs, with an investment of \$240 billion, would be approximately 25 million. Brazil, in this sense, is simply one-fourth of what is needed for the whole continent. In other words, if we do the same thing in the rest of the continent, we will have the necessary employment level, and this, with an investment of about \$1 trillion, in 15 years.

Now, \$1 trillion in 15 years may seem like a lot of money, but in reality it is not. International drug trafficking yields \$500 billion per year, today. Let's expropriate these ill-gotten funds to begin, and there's half of the needed investment.

Now, it is a commonplace that, in the face of proposals like this and the idea that drastic measures must be taken, a pragmatic attitude tends to take over: "This is not possible. This is not pragmatic. This does not fit into the rules of the game." But just look at what Alan García has done, who took a sovereign decision, without asking permission of anyone!

But there is something more. Alan García proposed that if four or five countries more don't join up with this Peruvian effort, in the immediate future the Peruvian experiment will crash. He needs the backing of four or five countries of the continent by the middle of this year. If we do not achieve this minimal level of unity, we cannot win the battle against the International Monetary Fund and usury. And if we lose, epidemics will multiply, hunger will spread, and millions of people will die in a fruitful holocaust.

Here again, we hear those who say it cannot be done. People who think that way are like the university academics

who say that "politics is the science of the possible." How many times have we heard that? It is a lie. True politics is the science of the *necessary*, of the "not possible." And if it is necessary to achieve continental unity, as it is, as Perón said, then it *must* be done, even though it seems impossible.

This quality of doing the almost-impossible, is what defines us as human beings. As Schiller said, "Man must be greater than his circumstances, he must be greater than his own destiny."

FIGURE 9



FIGURE 11

Brazil: great projects and jobs creation

	Investment (\$ bil.)	New direct jobs (thous.)	New productive direct and indirect jobs (thous.)	Total new jobs (thous.)
Grand Carajas	70	1,700	5,100	7,650
Itaipú	11	23	69	104
Railways	8	87	261	391
New farmlands	6	1,000	3,000	4,500
Nuclear energy	25	45	135	203
Other projects	120	2,856	8,568	12,852
Total	240	5,711	17,133	25,700

FIGURE 8

Great Water Projects

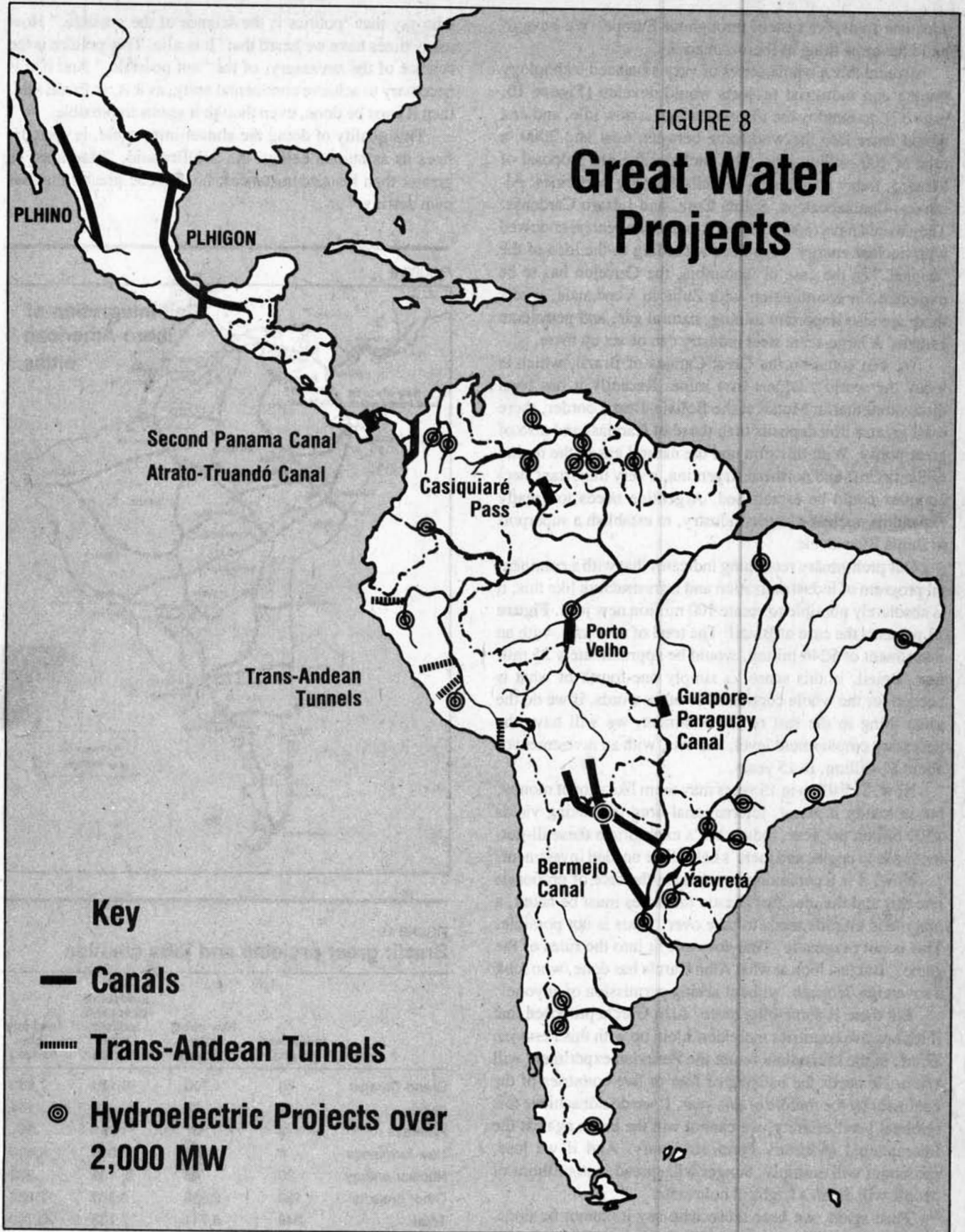


FIGURE 10
**Great
 Mining-Industrial
 Projects**



- Superport
- ▣ Industrial complex
- Mining center
- Coal; petroleum
- ⊗ Nuclear complex
- ⊗ Nuplex
- ⊗ Irradiation plant
- Gas pipeline
- ⋯ Electrical network
- △ Petrochemicals, fertilizers, plastics