

# EIR Operation Juárez

## How Ibero-America can become self-sufficient

### Part 8

#### Ibero-American integration

Only 15% of the foreign trade of the Ibero-American nations is with other nations of the region, while the rest is conducted outside the region. The Ibero-American Common Market would turn these proportions upside down, making the continent self-sufficient in almost all the major sectors of production.

The Schiller Institute's book, *Ibero-American Integration: 100 Million New Jobs by the Year 2000*, was published in Spanish in September 1986. An international team of experts prepared this study on the urgent measures needed to free Ibero-America of its economic dependency, elaborating the outlines of Lyndon LaRouche's 1982 proposal, "Operation Juárez."

Appearing in English exclusively in *EIR*'s serialization, this book contains the program that could save the world economy.



*Last week's installment documented that only one fifth of the trade of the Ibero-American subcontinent currently occurs within the region. This contrasts to Europe, where intra-regional trade absorbs 60% of the total internal product.*

Behind this lack of trade integration of the region lies the fact that each Ibero-American country, to the extent it has been subjected to the "free trade" practices of the major cartels that control international trade, has been forced to remain an exporter of raw materials to the industrialized countries, and an importer of manufactured goods from those same countries. This lessens the chances of producing and trading among themselves the manufactured goods they all need—and especially capital goods. Of the total products that Ibero-America exported in 1980, 77% were primary goods, i.e., food, energy products, and minerals, while 67% of their total imports were manufactured goods (Figure 3-3.)

This colonial trait that characterizes the foreign trade of Ibero-America has been perpetuated for decades, relegating all the countries of the region to a greater or lesser degree to the status of "branch offices" of the biggest international trade cartels. Suffice it to compare the composition of Ibero-America's foreign trade during 1960-80 with the changes that occurred in other countries in the same period. While primary goods made up the great majority of Ibero-America's exports of that period, with 92% in 1960 and 77% in 1980, in Japan the percentage of manufactured goods over total exports rose from 70% to 96%, and in South Korea, from 14% to 90% during that same period (Figure 3-4).

Since 1980, the precarious situation of intra-regional trade has worsened. Its absolute volume has fallen around 25%,

and its level relative to the total foreign trade of the subcontinent has fallen some 14%. Ibero-America thus fell back to the situation of 1970. This process of disintegration is the result of the "adjustment" schemes imposed by the IMF on the region's countries, which have forced them to cut their total imports and increase their exports outside the area, with the aim of generating enough surplus in their trade balances to service their foreign debts.

In the past four or five years, nearly all the Ibero-American countries—under pressures and threats of the International Monetary Fund (IMF) and the international banks—have adopted the goal of a "balanced" balance of payments as the top priority for all their economic programs, meaning simply that each country must produce surpluses in its trade balance. They are exporting more and importing less to pay interest on the foreign debt. These countries have thus desperately sought to reduce imports and increase their exports out of the region, in the hope of getting the foreign exchange they need to cover their most essential imports, after paying interest to the international banks.

But nothing has been gained and much has been lost with this export-oriented policy. From 1980 to 1985, the Ibero-American countries as a whole succeeded in increasing their exports out of the region by only 6% in value terms, but at the same time suffered a shrinkage of 25% in intra-regional trade because of the measures they all adopted to reduce imports, thereby wiping out the minimal advance in exports outside the region (Table 3-2).

In this situation, the effort by some Ibero-American countries to break the "protectionist barriers" of the industrialized nations, under the illusion that this could lead to a significant increase in their exports to these countries, is pathetic. The domestic markets of the industrialized countries themselves have contracted to such a degree that the survival of their own industries is in danger. More pathetic still are the steps that Mexico has taken to join the GATT, stripping away protection of its own national industry in order to gain access to the allegedly larger markets of the developed countries.

From now on, if the Ibero-American countries want to preserve their productive capacity and their foreign trade, it will have to be by drastically altering the trade pattern of the region, taking maximum advantage of the subcontinent's capabilities to meet its own needs on a priority basis. Any other export-based scheme will fail, and make the economic disintegration of Ibero-America worse.

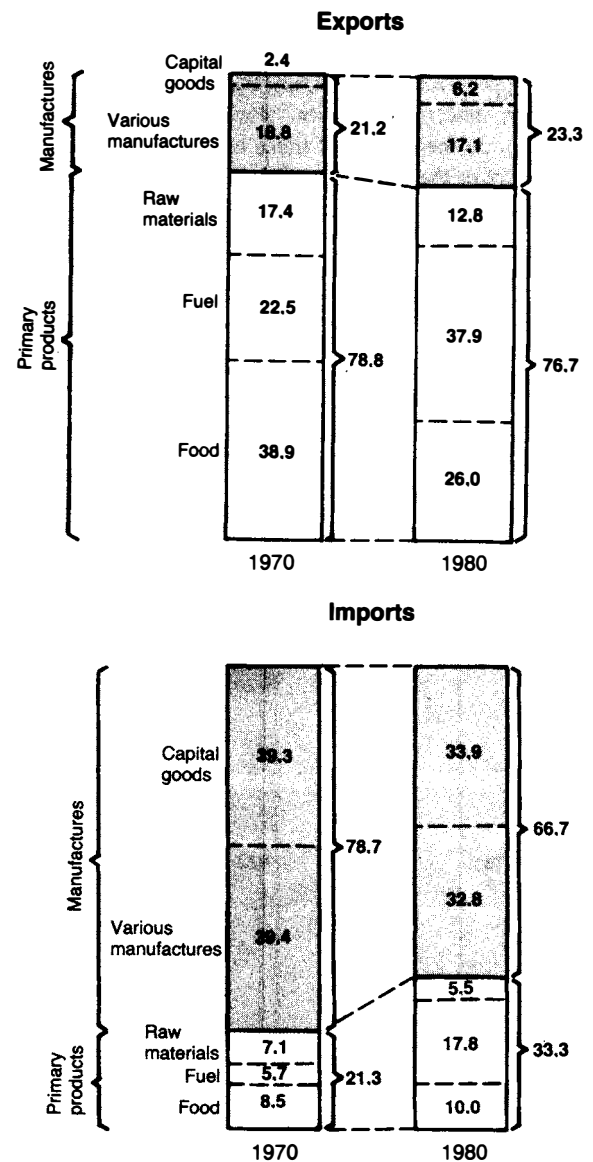
### Self-sufficiency as a goal

By giving absolute priority to intra-regional trade, and establishing the trade and financial mechanisms required to facilitate it, the nations of Ibero-America will be in a position to rapidly increase trade in all the product lines required by the region, which is either already producing them or has the capacity to do so. The unused capacity that prevails in many industries as a result of IMF austerity programs, could be fully employed to meet the subcontinent's needs, thereby

reactivating industrial plant and equipment, and thus raising levels of production and employment throughout the region. This is the only kind of program that will work.

Proceeding from this premise, Ibero-America could immediately triple its intra-regional trade, which would mean devoting 50% of its total foreign trade to regional commerce, merely by reorienting toward the subcontinent its current exports of food and energy products to cover the needs of the countries which ask for them. As can be seen in Figure 3-5,

FIGURE 3-3  
**Structure of Ibero-America's exports and imports 1970-80**  
 (percentages)



Source: ECLA

TABLE 3-2

**Orientation of foreign trade of Ibero-America**

(billions of dollars)

	1980	1985	Variation (%)
<b>Total Exports</b>	92.0	91.9	-0.1
Within the region	17.0	12.8	-24.8
Outside the region	75.0	79.1	5.6
<b>Total Imports</b>	93.0	57.6	-38.3
Within the region	17.3	13.0	-24.8
Outside the region	75.7	44.6	-41.1

Sources: ECLA and authors' estimates.

the Ibero-American countries buy 75% of their food imports and 80% of their energy needs from outside the area, amounting to an approximate total of \$20 billion. At the same time, they export nearly \$50 billion worth—in only these two areas—outside the region. If these exports were partly re-oriented to cover the cited import needs, intra-regional trade would be increased from its current level of \$13 billion to a total of \$33 billion, a full 57% of the current total exports of the subcontinent.

In a matter of weeks and months, on the basis of a greater knowledge of export possibilities and manufactured goods import needs of all the countries of the area, it is estimated that intra-regional trade could absorb up to 80% of the total foreign trade of the subcontinent, surpassing even the current level of trade integration within the European Community, because of the tremendous complementarity of the Ibero-American economies. The other 20% represents products that Ibero-America does not produce, or whose production capacity is inadequate with respect to present needs. This is the case of certain raw materials for the chemical industry, various basic products like fertilizer, insecticides, and medicines, and a large percentage of capital goods, above all high-technology machinery and equipment.

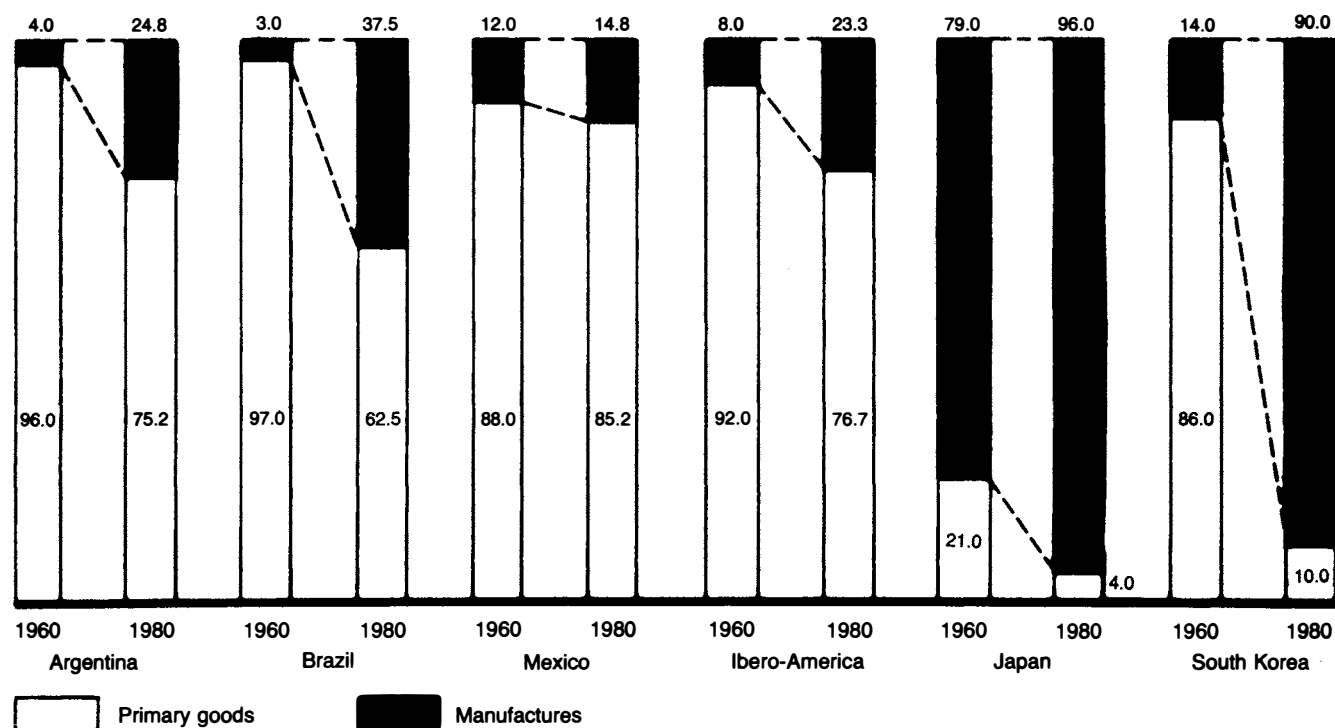
**The merchant marine**

The main physical obstacle to achieving the level of trade integration required by a common market lies in the inadequate maritime transport capacity of the Ibero-American countries. In a very short period of time, the subcontinent could be in a position to increase its volume of intra-regional trade fourfold—except that its existing merchant marine would be able to move less than half of that increased volume. Thus, expanding the maritime transport capability of Ibero-America is a strategic priority.

FIGURE 3-4

**Structure of exports, various countries 1960-80**

(percentages)



Sources: Economic Council for Latin America and World Bank.

The merchant marine that Ibero-America currently possesses—some 900 ships, representing 19 million tons of cargo—is capable of transporting around 200 million tons a year, of which 65% corresponds to the movement of cargo among the different countries of the region, and the remaining 35% to trans-oceanic transport. The strengthening of intra-regional trade in the terms we have proposed would almost immediately generate an increase of anywhere from 25 to 100 million tons in the volume of goods that Ibero-American countries could interchange, but its merchant marine as currently constituted could move no more than 50 million additional tons without diverting naval resources from internal shipping and certain strategic areas of trade outside the region. To meet the totality of transport needs of expanded intercontinental trade, the capacity of the subcontinent's merchant marine would have to be increased by a full 25% (Figure 3-6).

Hence, one of the first priorities of the Ibero-American common market would have to be the immediate acquisition of some 100 ships with a collective cargo capacity of 5 million tons, thus consolidating a continent-wide merchant marine equal to the new requirements of intra-regional trade. To reach this goal, Ibero-America would have to purchase most of these ships on the world market, taking advantage of the current idle transport capacity worldwide due to the contraction of international trade. The resources that would have to be allocated for purchasing ships are minimal compared to the economic and strategic benefits that a continental mer-

chant marine would produce.

At the same time, the shipbuilding potential of Brazil, Argentina, and Mexico would have to be geared up to maximum capacity, to allow 60 new ships a year with a collective cargo capacity of 3 million tons to be added to the continental merchant marine. In this way, a 10% annual growth of the maritime transport capacities of the region would be assured, guaranteeing that the bulk of the requirements deriving from the economic development and integration of the subcontinent would be met.

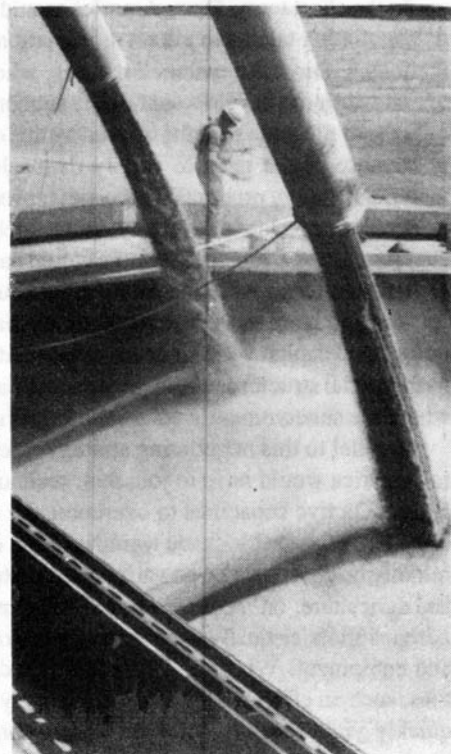
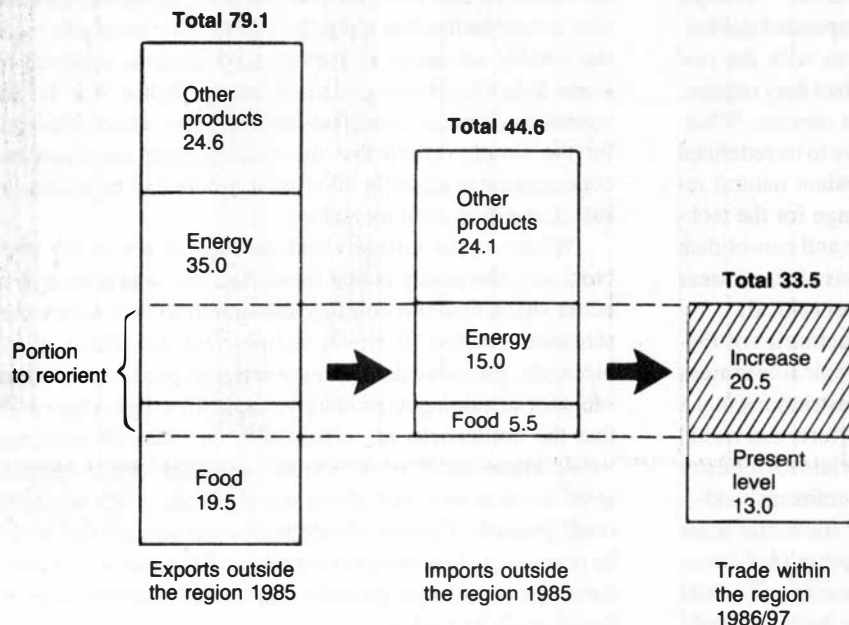
### The medium term

Once the bottleneck of maritime transport is broken, the growth of intra-regional trade would proceed with relative ease toward the goal we have set. Even so, this level of economic integration is not enough. The problem is that, despite the relatively small percentage that extra-regional trade would come to represent, this would still be made up of strategically essential products for the development of the region. That means a continued vulnerability that would have to be progressively eliminated, within a reasonable time-frame.

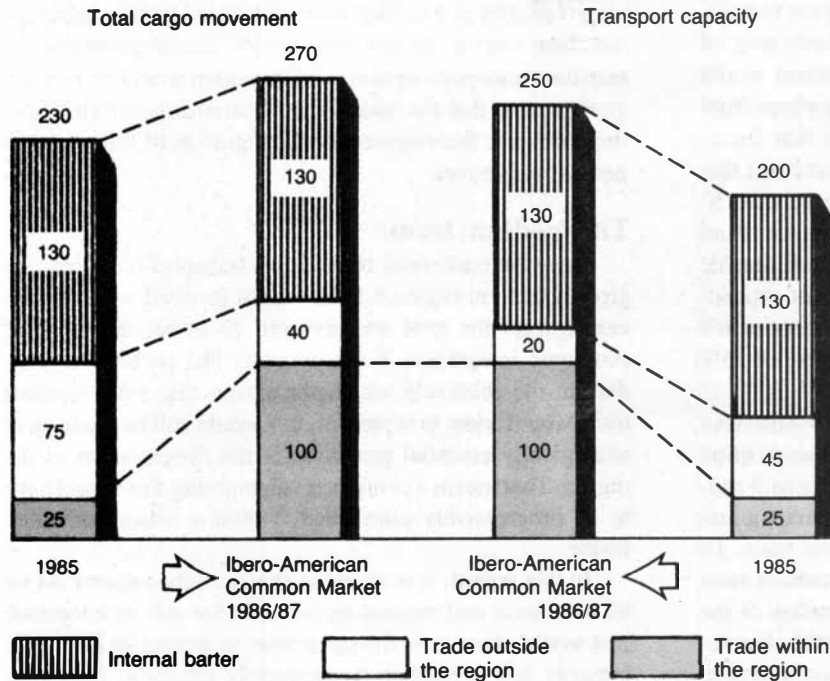
In this regard, it is essential that the subcontinent set up its own solid and expanding capacity for self-development that would allow it, at the same time, to defend its economic integrity and strengthen its productive structure. Only thus could it gain enough autonomy to launch the great development projects the region needs, to make the turning of Ibero-

FIGURE 3-5  
**Reorientation of exports of food and energy from Ibero-America**

(billions of dollars)



**FIGURE 3-6**  
**Maritime transport needs in Ibero-America**  
 (millions of tons of cargo)



America into an economic superpower a reality, as we will detail in the following chapters.

In the short term, Ibero-America would have to use all of its negotiating talents to attract those nations, or industrialist factions within the developed nations, who are ready to cooperate with the development of the subcontinent—whether because of the trade benefits offered by this expanded market, or because of the need to supply themselves with the raw materials, energy products, or any other product they require, or even to negotiate partial payment of debt service. Whatever the case, the rules of the game would have to be redefined in terms of Ibero-America offering its abundant natural resources and huge market potential in exchange for the technology and capital goods it needs to integrate and consolidate its industrial structure, with a priority emphasis on those areas where the subcontinent's vulnerability is most critical.

Parallel to this negotiating strategy, the countries of Ibero-America would have to join their technological resources and productive capacities to overcome the restrictions that a hypothetical trade blockade would impose, efforts that would initially be concentrated on various raw materials for industry and agriculture, on medicines and medical instruments, and—perhaps most critically—on spare parts for industrial plant and equipment. With the help of some industrialized countries, such an effort would proceed relatively easily and would quickly yield results. But even without any help, it would

necessarily be successful, albeit with greater difficulties and over a longer term.

Ibero-America has enough historic national examples of technological breakthroughs in similar situations, such as the efforts of Mexico to sustain and develop its oil industry after the blockade that was imposed following its sovereign decision to nationalize that industry in 1938. One must also recall the notable advances in industrial production achieved by some Ibero-American countries during World War II, advances made under conditions equivalent to a trade blockade for the simple reason that the industrialized countries had concentrated practically all of their productive capacities on sustaining their military actions.

Whatever the intensity and duration of a possible trade blockade, the reality is that Ibero-America would emerge in better shape than if it continues to submit to IMF adjustment schemes. At first, it would sharply feel the effects of the blockade, forced to do without a series of products indispensable for sustaining its productive capacities. But to the extent that the bottlenecks are eliminated, the affected industries would immediately recover those capacities, and an increase in production over and above pre-blockade levels would be made possible. Further, the technological mastery that would be progressively won by the countries of the area would allow them to undertake the great development projects the subcontinent needs as a whole.

# What do the Russians think of *Executive Intelligence Review*?



**"Dirty, dirty  
magazine."**

—Aleksander Bovin, *Izvestia* political commentator and top spokesman for the Soviet Politburo, at Reykjavik Oct. 11.

- Only *EIR*, among Western print-media, stated before and during the Reykjavik meeting that the Strategic Defense Initiative was the *only* issue at stake for the Russians. The dramatic ending of the pre-summit proved us right—and the liberal media wrong.

- *EIR* founder Lyndon LaRouche first publicly presented the "beam-weapons defense" program now known as the Strategic Defense Initiative in Washington, at an *EIR*-sponsored conference in Washington in February 1982.

- In March 1983, President Reagan gave his historic speech announcing the new strategic doctrine based on defensive weapons that could make nuclear missiles "impotent and obsolete," *EIR* was the only general-circulation weekly to define this as the key to reviving the Western ideal of technological optimism.

- *EIR* has waged a four-year campaign to educate the public on SDI and build up popular support—while the Wall Street crowd around President Reagan kept the administration from doing any mass organizing for it.

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- *EIR* issued a *Special Report* in 1983 on how beam-weapons technologies would transform the civilian economy and start a real worldwide recovery. Since 1983, *EIR* brought together political and industrial leaders in Paris, Rome, Stockholm, Tokyo, Bonn, and elsewhere in major conferences on the SDI. The Russians called these meetings "gatherings of cavemen" in their press!

- *EIR*'s founder Lyndon LaRouche in spring 1984 proposed guidelines for U.S. Soviet negotiations to develop the SDI in parallel and deploy it jointly. In 1986, this approach was fully adopted by President Ronald Reagan.

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