

Bush hawks 'free trade' swindle to neighbors

by Peter Rush and Cynthia Rush

On June 28, President George Bush announced his proposal to create a hemispheric free trade zone, dubbed "Enterprise for the Americas." Scrambling for new targets to loot in order to cover up the increasingly evident bankruptcy of the U.S. economy, Bush went out of his way to cite Adam Smith, the notorious enemy of the American Revolution and the patron saint of imperialist pillage. Mr. Bush no doubt thought himself clever in doing this by quoting from a speech given by Colombian President Virgilio Barco during a trip to the U.S. earlier this year: "The long-running match between Karl Marx and Adam Smith is finally coming to an end with the recognition . . . that open economies with access to markets can lead to social progress."

The Bush announcement crowns a 12-year-long project of the Anglo-American financial elite to wipe out the basis for economic independence and industrial development from the countries of Ibero-America. In 1978, the New York Council on Foreign Relations (CFR) published its *1980s Project*, which contained a volume on "Reforming the World Monetary System" in which the Eastern Establishment body elaborated, among other policies, its plans for keeping backward economies backward. Attacking as "Gaullist" and "mercantilist" the protectionist policies which all countries have used to develop, the book claimed that the best route to mutual development was "free trade" prescribed by Adam Smith in the era of the American Declaration of Independence. It was in the same volume that the CFR called for "controlled disintegration" to destroy the industrial economies as well. Both aspects going ahead are right on schedule.

Selling your nation, cheap

The Presidents of the four biggest Ibero-American countries—Mexico, Venezuela, Brazil, and Argentina—all but tripped over each other to laud Bush's proposals.

Venezuela's Carlos Andrés Pérez, the veteran socialist who acts as Bush's alter ego in Central America, gushed in a July 5 speech that "never has the government of the United States adopted an initiative of such vast significance for the region" (see *Documentation*), and characterized Bush's free trade proposal as "a first and decisive step intended to end the historic indifference that has limited the two regions of our hemisphere from working together . . . for economic progress."

Mexico's Carlos Salinas de Gortari said Bush's proposal was "welcomed by Mexico and Latin America." Brazil's President Fernando Collor de Mello called it "broad, bold, and innovative." Speaking for the hapless Argentine President Carlos Menem, Buenos Aires Foreign Minister Domingo Cavallo said he "strongly supports" the proposal.

All four governments have recently sharply lowered tariff barriers to manufactured and agricultural imports. Both Collor and Menem, who met in Buenos Aires July 5-6 to discuss integrating their respective economies, bragged that Bush's free trade proposal was in part a response to their own efforts in the same direction. "Argentine-Brazilian integration is especially important," Menem said, "when from the most powerful country on Earth, the President of the United States has spoken to us of a free trade zone from Alaska to Tierra del Fuego."

But there is nothing new about the policy, and therefore not the slightest evidence that it will provide anything but a worse case of the same illness.

The fact is that since 1982, these nations' foreign debts have been used as blackmail weapons to stop growth and purge nationalists from government and military posts, leaving the aforementioned Milquetoasts and Kissinger clones in their stead. Now, with real incomes halved across the continent, "free trade" will wipe out what remains of domes-

tic industry and agriculture. In essence, the plan is an attempt to pit American labor and business against Ibero-American workers, who will be used to produce cheap, assembled manufactures for re-export to pay the debt. The continent's income levels will fall still further, and people now suffering malnutrition and epidemics will die in even greater numbers.

In Venezuela, "free trade" is devastating agriculture, the growth of which had been one of the the previous administration's major accomplishments. Pérez first hiked interest rates to farmers by more than 300% and sharply raised the costs of fertilizer and tractors. Then, after these "reforms" had driven many farmers out of business and sharply increased the costs of production for those still in business, Pérez has begun lowering tariff barriers on agricultural goods, flooding the country with cheap imports that are putting many more farmers out of business, and bringing back a heavy dependency on imported food. Politicians from all parties, including Pérez's own Democratic Action party, are up in arms about this.

In Colombia, which is also rapidly dropping trade barriers and tariff rates, the agricultural think tank CEGA reported that free import of farm commodities will threaten domestic soybean and rice farmers, while the palm oil producers report that dumping of imported palm oil is already depressing prices. In an article in the July 4 *El Tiempo*, the vice president of Colombia's Merchant Marine, Carlos Guillermo Aragón, attacked the government's lowering of the cargo quotas reserved for Colombian bottoms, done in the name of "showing the international financial authorities the will of the government of Colombia" to adopt free trade policies. Aragón noted that the merchant marines of all nations are among the most protected in the world.

Nationalists speak

Indeed, despite all the fanfare accompanying Bush's "Enterprise for the Americas," easy implementation of the plan is not guaranteed. The mere spectacle of the U.S. President's arrogance and the groveling of their own heads of state before it, has been enough to rekindle the historical opposition to slave trade which the British have the nerve to call "free trade," among nationalist circles in Ibero-America. Some nationalist spokesmen—like the dean of Brazil's press corps, the respected Barbosa Lima Sobrinho—are bringing up such names as the first U.S. treasury secretary, Alexander Hamilton, and the German-American economic genius Friedrich List—the seminal thinkers of what used to be known worldwide as the "American System of political-economy"—and their French forerunner, Jean Baptiste Colbert. They are citing these authorities to refute the free trade policies promoted by Bush and embraced by most of Ibero-America's heads of state. This could get infectious; it could even spread to the United States, where the founding fathers of the American industrial living standard have been more forgotten than anywhere else in the world.

Mexico: *El Día* newspaper was the first off the blocks the day after Bush delivered his address with a June 29 editorial pointing out that implicit in Bush's "offer" to Ibero-America, were included continued strict adherence to all of the standard "conditionalities" of the International Monetary Fund (IMF). Unless protected by the prior formation of an Ibero-American common market, the editorial stated, the Bush proposal will help only the U.S. multinational companies, "to the detriment of the perspectives for popular and national development of our countries."

Argentina: The implications of continued application of IMF policies were strongly attacked on June 24 by the Argentine Entrepreneurs' Front (FEN), which claimed that the signing of another letter of intent with the IMF "will result in the most brutal recession the country has ever known." The top leaders of Argentine business, members of the FEN, signed a document charging that the "adjustment" policy demanded by the IMF, and backed by Bush, "is aimed at reducing domestic consumption to a minimum," "will affect wage earners," "will force the government to reduce public expenses indiscriminately, will lower the quality of most the most essential services that the state must provide for the people, put an end to investments, and maintain wages at a very low level."

Brazil: Ulysses Guimaraes, head of the opposition PMDB, previously the ruling party under the previous government, wrote an article published July 9 in *Gazeta Mercantil* that attacked the argument for free trade on historic grounds. "Whoever wants to have a future, must take the lessons of history into account," he wrote. "At the beginning of the 19th century, the birth of steel in Brazil was aborted above all because government agreements gave England the role of supplying industrial products for our internal market. Today, what do we see? . . . Violent pressures on Brazil, whenever the country tries to develop its modern industry, that which finds its primary raw material in scientific knowledge," he concluded.

Colombia: Opposition to free trade was summed up most clearly by Abdón Espinosa Valderrama, the former finance minister and now economic columnist for *El Tiempo*. In a July 3 column, he wrote that the effort behind the Bush proposal was to "subject the developing countries to the ideological patterns forged in the major power centers . . . without considering their specific circumstances." He decried the abandoning by so many governments "of legitimate instruments to promote their industries and exports," and called for "reviving the decision to develop ourselves, of making our own industrial revolution, of mobilizing our own labor power, of assimilating modern technologies to combat misery." And he specifically attacked the rationale for free trade, pointing out that "our countries must protect our own manufacturing and agricultural production for a prudent period of time," because it is not possible for the country to absorb large-scale imports and still maintain domestic industries.

Documentation

Responses to Bush free-market plan

From "Aside from imprudent challenges," Jornal do Brasil, July 8, by Barbosa Lima Sobrinho.

. . . There is, for example, the plan to open Brazil up to the world, as if we were protected from or beyond any type of threat. The idea, in itself, is nothing new. At the beginning of the 19th century, the viscount of Cairu, José da Silva Lisboa, published in Lisbon . . . the *Principles of Political Economy*, whose ideas coincide with those of [Finance Minister] Mrs. Zelia Cardoso and even with those of President Fernando Collor de Mello. That was a time in which the lessons of Adam Smith gave the impression of . . . immediate acceptance, so as not to suggest heresy. His work was published in 1776, which would give Mrs. Zelia the right to use an 18th-century signboard. . .

The doctrines of Adam Smith seem to have the final say in economic science, replacing mercantilism, which appears to be definitely condemned by the modern day. Nonetheless, some resistance began to emerge, here and there, when it was realized that economic liberalism accompanied the plan for expansion of British industries. Colbert left deep roots in France, in the 18th century. The writings of George Washington's minister, Alexander Hamilton, defended ideas which later were consolidated in the system proposed by Friedrich List.

From an editorial in the Mexican daily El Día, June 29.

If President Bush's proposal for moving toward a hemispheric common market represents a change of focus on the part of the U.S. government, it should also be noted that, as explained, it follows the outlines which produced the Baker Plan, and which would later be adopted by the International Monetary Fund, and above all by the World Bank, in what became known in financial circles as conditionalities. . . .

The essence of these conditionalities consists of linking debt renegotiation to matters of economic policy, grouped under the headline of structural change and which include free trade, unhindered entry of foreign investment, privatization of state companies, deregulating the economy.

From a speech by Venezuelan President Carlos Andrés Pérez, July 5.

The Enterprise for the Americas represents an extraordinary

preamble, both to the summit of industrialized countries to be held soon in Houston, as well as to President Bush's visit to several Latin American countries in September.

President Bush has issued an affirmative challenge to Latin Americans. . . . Never has the government of the United States adopted an initiative of such vast significance for the region. The proposed dialogue opens routes never before explored. . . . A broad regimen of free and just trade is one goal proposed to us. This is the answer to our demand, and will have to be the basis on which we in the future will consider a free trade agreement with Latin America. . . . What is even more clear, is that this proposal points to the appropriateness of holding a hemispheric summit, which will have as its platform the U.S.

on the three pillars which must underlie a new hemispheric society: debt, trade, and investment, with two additional points which demand hemispheric agreement: drugs and ecology.

From an article in the Colombian daily El Espectador July 9, by Oscar López Apulecio.

President Bush's desire to transform Latin America into a free trade zone, reflects more the importance for the U.S. of having a Latin American market to purchase its products, than any intention to address the need of the countries of the southern hemisphere to modernize their economies or increase their exports. Some economic commentators and even influential government figures think that, in response to the President's declaration, the process of economic opening should be accelerated. . . . In fact, the opposite should be done: Show that only a gradual process of economic opening, which allows us to lay the basis for growth of manufacturing exports, will permit the reduction or suppression of tariffs or lists of prohibited imports to be implemented to the benefit of the economy and the social peace of the republic.

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—Lyndon H. LaRouche, Jr.

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