

# 'Free trade' won't save Ibero-America

by Cynthia R. Rush

Ibero-American heads of state are clinging to monetarist economic policies and free trade schemes demanded by the Bush administration. But as the U.S. economic collapse accelerates, as a result of the same policies these governments are so slavishly embracing, the battle is escalating over what measures are needed to pull the continent out of its worsening crisis. The lines are drawn between the defenders of Adam Smith, the 18th-century free trade ideologue who acted on behalf of British imperialism, and those who back the protectionist policies of the "American System" economists such as the German-American Friedrich List, or the United States' first Treasury Secretary, Alexander Hamilton, which can guarantee Ibero-America's industrial and economic development.

One example of this fight was seen at the third congress of the Brazilian Nuclear Energy Association (ABEN), held in late July. Pointing to the remarkable developments in Eastern Europe and the reunification of Germany, ABEN president Guilherme Camargo told his audience that the model that could guarantee the development of Brazil's nuclear potential is found in those countries "which base themselves on the strengthening of the physical economy, investing in brainpower, in capital goods and infrastructure, following the tradition of the French Polytechnic School of Lazare Carnot, in the 18th century, and the German economic school of Friedrich List in the 19th century."

Adam Smith's defenders are also unfortunately visible. In Colombia, where debate is raging over the government's commitment to abandon all regulation of the economy at the behest of the Bush administration, the daily *El Tiempo* dedicated its July 17 lead editorial to clearing up what it claimed were "distortions" of Smith's thinking. "It's not true," *El Tiempo* said, "that Smith elevated the capital sin of egotism to the category of virtue. He simply said that this nefarious custom of the human being to permanently seek his personal well-being could be taken advantage of for the common good. Thus the famous theory of the 'invisible hand' was born." The Bogotá paper added that if Smith were to reappear in Colombia today, he would certainly be upset at how his ideas have been interpreted, particularly with "the excessive protection, lack of mobility and competition in the

labor market, and inefficient state intervention."

## Banks eliminate nations

U.S. creditor banks, most of which border on insolvency, are continuously sending their henchmen to Ibero-America to demand adherence to economic liberalization to squeeze debt payments out of these nations. During a recent trip to Mexico, Citibank chairman John Reed told the government that all its policy concessions to the financial community were insufficient to remove it from the creditors' "black list"; and during a late-July stop-off in Brazil, Reed threatened that unless President Fernando Collor's government immediately resumed interest payments on its debt, it could very well "disappear" from the map. Such countries as Peru and Bolivia, he added, are economic basket cases, and will definitely cease to exist as nations.

The Collor government has opted for total economic liberalization. But a July 30 wire published by the Cuban press agency Prensa Latina, datelined São Paulo, reflects the fact that there is fierce opposition to that policy inside Brazil. Published in Mexico's *El Financiero*, the article reviews aspects of efforts to create nation-states in 19th century Ibero-America, focusing on the fight between those who tried to emulate the early United States' protectionist model, and those who worked on behalf of the British to impose free trade.

The Prensa Latina author points out that protective tariffs established in the mid-19th century by leaders such as Argentina's Juan Manuel de Rosas, or Paraguay's Francia-López, "had to be brutally liquidated through the force of arms to freely reestablish British privileges." The Alves Branco protective tariff in Brazil led to "spectacular industrialization," the author points out, until it was suspended in 1860 by proponents of free trade. The article warns that George Bush's announced plan to build a hemispheric free-trade zone, the much-heralded "Enterprise for the Americas" scheme, is nothing but a new assault by the forces behind the Trilateral Commission to destroy the nation-state.

In a March 1990 report, the Trilateral Commission demanded that Ibero-America accept economic liberalization and free trade, and pointed to Chile as a country that had enjoyed tremendous growth as a result of such policies. Not everyone buys this line, however. Former Colombian Finance Minister Abdón Espinosa Valderrama wrote in *El Tiempo* July 28 that to follow Chile's example while "ignoring clear rights and experiences, could destroy our national development." It used to be the case, Espinosa said, that Colombia wanted to emulate the Asian countries "with their strongly state-run economies. . . . Now the model in vogue is the drastic opening of General Pinochet's regime in Chile, under the aegis of neo-liberal principles applied in their most radical and crude form." In fact, Espinosa explained, the "Chilean process is characterized by its dramatic deindustrialization, decline in industrial production per capita, and reduction in number of industrial establishments."