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Brits fear alternative to NAFTA in S. America

by Peter Rush

Behind the scenes, a fierce battle over national and regional economic policy is raging in Ibero-America and financial centers such as Wall Street and the City of London. At the heart of this battle is the fear of the international banking community that Venezuela's independent economic policy may spread beyond Venezuela's borders and threaten the devotion to the "free market" of countries like Mexico, Colombia, and Argentina.

Henry Kissinger, a mouthpiece of the British Establishment's views, in his syndicated column appearing on Sept. 13, spills the beans on the concern of this crowd. In the midst of arguing that the summit meeting of Western Hemisphere heads of state, now scheduled for early December in Miami, should be postponed until the spring, Kissinger makes clear that his overriding concern is the danger to his British masters' free market looting policies for Ibero-America represented by the government of Rafael Caldera in Venezuela, and Caldera's explicit opposition to the International Monetary Fund (IMF).

Kissinger writes that at the time of the proposed summit, the two most important nations of Ibero-America, Mexico and Brazil, will have just had elections (Brazil), or will have just installed a new administration (Mexico), and will not, therefore, be able to fully participate. He says that Brazil "can be expected to favor Western Hemisphere integration based on 'Mercosur,' " the regional grouping of Brazil, Argentina, Paraguay, and Uruguay. Launched in 1991, Mercosur faces three options: It can turn into a "complement to [the North American Free Trade Agreement] NAFTA, become an alternative to it, or ultimately combine with it."

Venezuela may offer 'option two'

Unstated is what Kissinger and his British masters most fear: that Brazil, together with Venezuela (which is not currently a member of Mercosur, but has been exploring joining it), might develop Kissinger's feared "option two," turning Mercosur into an *alternative* policy avenue for other Ibero-American economies, based on Venezuela's present economic program, in which the government has a strong, participatory role—quite the opposite of the "free market" aproach Kissinger favors.

As *EIR* reported last week, Caldera, faced with a national banking crisis, chose to define a program of medium-term government controls and long-range government incentives for the construction of infrastructure and revival of the economy, along lines opposed by the IMF. In mid-September, Planning Minister Werner Corrales made this split with the IMF explicit, saying, "We are not expecting approval from the IMF. This is a program designed by the Venezuelan government to resolve Venezuela's problems."

Kissinger's desire to postpone the hemispheric summit by four months or more is motivated by two concerns. First, it is known that the intention of Kissinger's masters is to see Caldera removed from power, or at least his program revoked, by no later than the end of December. Kissinger does not want a summit attended by a Caldera riding high as an example of successful defiance of the IMF. Second, he wants time to nail down the incoming Brazilian and Mexican governments, which are not thought to be locked into place behind the NAFTA policy. For Kissinger, extending NAFTA to all Ibero-America is the only important agenda item for the summit.

The threat to Kissinger and his backers comes equally from Caldera's emerging foreign policy, which has already forged a close relationship with Brazil, reversing decades of geopolitical rivalry and even animosity between the two countries. On his just completed visit to Brazil, Caldera offered to greatly expand petroleum exports to Brazil, and also to sell electricity to Brazil's impoverished northeast, just across Venezuela's southern border. This unprecedented offer speaks to Brazil's historic vulnerability—it must import a major portion of its oil—and provides Brazil the means to be more independent of foreign economic pressures.

Perhaps even more threatening to Caldera's enemies in its long-range implications, is Caldera's proposed linking of the Orinoco River basin of Venezuela with the Amazon River system of Brazil, and with the Paraná River system in South America's southern cone. Such a major infrastructure job would fulfill a long-standing project first put forward by the great German explorer and scientist Alexander Humboldt in the early 19th century. Together with a few other projects, such a linkup would create a unified inland waterway suitable for barges and small ships that would extend inland from the Caribbean coast through Venezuela, Brazil, Paraguay, and Argentina, with spurs into Colombia, Peru, and Bolivia, opening up the vast interior of the continent to development. This project was proposed most recently by U.S. economist Lyndon LaRouche and his collaborators in a 1986 Spanish-language book *Ibero-American Integration* (serialized in *EIR*, Sept. 5, 1986 through May 1, 1987).

The independence of the Caldera government from traditional U.S. policy on Haiti, Cuba, and economic policy was noted on Sept. 16 by the Venezuelan daily *Diario de Caracas*. But Kissinger must even be wondering whether the Clinton administration itself will remain faithful to "traditional" (i.e., British-run) U.S. policy, as exemplified by George Bush's Ibero-American policy, given Clinton's propensity to distance himself from the British on various policy issues.

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