Click here for Full Issue of EIR Volume 11, Number 17, May 1, 1984

Projects, trade deals build common market

by Valerie Rush

In January 1984, the heads of state of Latin America gathered in Quito, Ecuador to discuss joint action to deal with the economic crisis ravaging the continent. In their concluding "Action Plan," the presidents declared: "To the extent that the perspectives for North-South cooperation are discouraging . . . it is that much more urgent that we turn our eyes again to the region and make integration and regional cooperation an essential factor in the dynamization of the Latin American economies."

On March 27, Mexican President Miguel de la Madrid took off on a tour of Ibero-America's major political and economic powers—Colombia, Brazil, Argentina, and Venezuela—with one primary task: the integration of the Ibero-American economies behind the development needs of the continent. In his two-week tour, de la Madrid launched the implementation phase of the Quito "Action Plan" and brought a Latin American Common Market one large step closer to reality.

'A single great nation'

What goes largely unrecognized by most North Americans is that Ibero-America, if viewed as "one single great nation" as Colombian President Belisario Betancur recently described it, is almost entirely self-sufficient in food, energy, capital-goods production, and most raw materials. The complementarity of its industrial and agricultural capacities has given the continent a potential for self-sufficiency which would not only enable it to survive—if necessary—a credit/trade cut-off on the part of the "North," but which also lays the basis for transforming Ibero-America into an economic superpower through a program of regionwide development projects.

A second Panama Canal, joint hydroelectric/nuclear energy grids, the agroindustrial development of the Amazon River region, and a continental transportation network would not only bring about the physical integration of a continent too long divided by geographic hindrances, but would also pose the kind of challenges that could boost the skill levels, the industrial output, the science and technology capabilities necessary to bring Ibero-America into the 21st century.

On de la Madrid's first stop, he and Colombian President Belisario Betancur elaborated the kind of "great project" which set the tone for the rest of the trip. Drawing on the potential of Mexican engineering know-how, Brazilian capital, and Colombia's vast hydroelectric resources, the presidents proposed a collaborative plan for constructing and powering an electrical energy grid across Central America and up into Mexico.

De la Madrid described the plan in his report to the Mexican nation at the conclusion of his trip: "Colombia has enormous hydroelectric potential, which it cannot absorb in the foreseeable period, and could thereby generate electric energy and transfer it throughout the Central American isthmus, beginning with Panama, and could, through a series of projects that would be generated on the Central American isthmus, increase the energy supply in our own country."

As both de la Madrid and Betancur—co-founders of the Contadora Group—emphasized, such a development initiative would also directly challenge the Kissingerian cycle of violence in the war-torn region the two powers encompass between them.

A customs union

During the two-day visit to Colombia, de la Madrid and Betancur elaborated a number of bilateral projects, ranging from technology transfer and training programs to the creation of joint enterprises and co-investment funds. In a press conference given by Mexican Commerce Secretary Héctor Hernández, Mexico announced the first implementation of its proposal made at the January Quito Conference for a Unilateral Preferential Tariff, by which a "more advantaged" nation would extend preferential treatment to a trading partner, without necessarily requesting reciprocal treatment. In this case, the Mexicans offered to eliminate customs tariffs on some 400 products that make up Colombian-Mexican, trade, in hope of balancing commercial relations between the two countries.

Hernández also revealed that Mexico and Colombia will be using their own currencies in bilateral trade instead of dollars or pounds sterling. And, according to unofficial reports, Mexico will be paying for one million tons of Colombia's high-grade coking coal per year with a variety of Mexican manufactured goods, a barter arrangement of significant proportions.

Private urging on the part of the Colombians that Mexico exchange its oil for their coal was rejected by Hernández, who emphasized that Mexico's "exchange problems" made such an arrangement impossible. Mexico remains fearful that only regular inflows of dollars from its oil exports will keep its creditors at bay.

During de la Madrid's three days in Brazil, three documents were signed covering bilateral economic cooperation, reciprocal financial support for expanding trade, and agreements on industrial complementarity. Gradual elimination of tariff barriers and commercial diversification were discussed as the means for bringing Brazilian-Mexican trade levels to the $2 billion level. Last year, trade between the two countries was down to $850 million from nearly $1.5 billion in

© 1984 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.

1981. Six hundred million dollars of Brazil's 1983 import bill went for Mexican oil.

As de la Madrid stressed during his visit: "Our economies are not merely competitive. Although our industrial development has parallels, it also has differences and there are certain areas where we could reciprocally benefit, primarily in capital goods and technology transfer."

De la Madrid's visit to Argentina was unique for a number of reasons. First, it immediately followed on the heels of the March 31 $500 million-bailout package for Argentina which established the precedent of coordination by the debtor nations to forestall a default crisis, a package which Mexico had taken the lead in putting together.

Second, it consolidated the supply of a whopping 1 million tons of Argentine grain to Mexico in 1984, to increase to as much as 1.5 million tons over the next several years. Unofficial reports are that the purchase will be covered in part by Mexico's surplus of nitrogenous fertilizer. Agreements were also reached for the extension of reciprocal credit lines at a preliminary level of $50 million apiece to finance exports without the use of foreign exchange.

In Venezuela, the two chiefs of state discussed how to complement their petroleum and auxiliary industries for mutual benefit. Venezuela, with no refining capacity of its own, has much to learn from Mexico, whose refineries are 100% state-owned. Continued discussions were held on the prospective formation of an independent Latin American oil company, Petrolatin, but de la Madrid postponed the actual incorporation of the company, citing unfavorable oil market conditions.

Among potential barter arrangements discussed were the exchange of Venezuelan laminated steel for Mexican zinc and barrium oxide. Mexico presently imports some 600,000 tons of steel, mostly from Japan. Importing steel from Venezuela would considerably reduce shipping costs.

Turning the tide

What makes the accomplishments of the de la Madrid trip so outstanding is that they represent a reversal of the trend toward intraregional trade collapse that has accompanied the aggravation of the foreign debt crisis in recent years. Brazil alone has lost at least $3.1 billion in foreign exchange transactions with other members of the ALADI (Latin American Integration Association), from $7.3 billion in 1981 down to $4.2 billion in December of last year. Similarly, the Andean Pact nations have suffered a series of competitive currency devaluations which have nearly wiped out all intra-Pact trade, and are presently threatening the very existence of the Pact itself.

As de la Madrid emphasized on each stop of his tour: "There is much in which we can collaborate through increasing commercial relations, the complementarity of our economies, advancing the process of economic integration, and reciprocal technical assistance. . . . By helping each other, we are helping ourselves."

How Latin nations moved toward unity

by Valerie Rush

One decade ago, in June 1974, Mexican President Luis Echeverría toured several countries in Ibero-America to launch a long-overdue initiative: the creation of a permanent and aggressive Ibero-American organization for policy coordination and economic cooperation. The continent was beginning to acquire a foreign debt burden of some $45 billion—a mere 10% of the 1984 debt and yet already unpayable—while Henry Kissinger, in his heyday at the head of U.S. foreign policy, was destabilizing one Ibero-American nation after another, and while the threat of a new "War of the Pacific" hovered over them all.

The stagnation of the Ibero-American economies since the frustrating days of the Alliance for Progress, worsened by drastic shortages of lending capital, made it imperative that the continent develop a strategy of integration in defense of its common interests. Out of Echeverría's initiative, and with the key backing of Venezuelan President Carlos Andrés Pérez, the Latin American Economic System (SELA) was born.

SELA's 1975 founding document, the Panama Accord, stated: "It is imperative to encourage a greater unity among the countries of Latin America, to guarantee acts of solidarity in the area of intraregional economic and social cooperation, to increase the negotiating power of the region and to assure that Latin America occupies the place that rightfully belongs to it in the heart of the international community."

A new world economic order

The SELA initiative coincided with a growing clamor on the part of the so-called developing sector worldwide for the right to enter the 20th century on a par with its more advantaged neighbors in the "North." The Non-Aligned movement had begun to organize for a new world economic order. This drive was to culminate in the August 1976 conference in Colombo, Sri Lanka, where 85 nations demanded global debt relief and a new monetary system to facilitate their pressing development needs.

Lyndon LaRouche's 1975 proposal to create an International Development Bank (IDB) to replace the IMF, facilitate a global debt reorganization, and finance high-technology development projects was circulating widely and gaining growing support within the Non-Aligned.

Leaders from Ibero-America played a key role in the