

EIR Operation Juárez

Continental integration: a century-old battle

What follows is the first part of Chapter 1, "History of the battle for integration," from the book, Ibero-American Integration: 100 Million New Jobs by the Year 2000. The second and concluding part of the chapter will appear in EIR's next issue.

In August of 1982, in the heat of the debt crisis in Mexico, then President José López Portillo held secret consultations with the Presidents of Argentina and Brazil. He proposed to them a joint declaration of moratorium on payment of their foreign debts, with the intention of thus forcing the creation of a new and more just international economic order.

López Portillo's argument was simple. Since the second trimester of 1982, Mexico had been the victim of a violent campaign of economic and financial warfare, including billions of dollars of capital flight, and a brazen destabilization offensive on the part of the international news media. The international banks sought to dismember Mexico's ambitious industrialization programs, and sought that country's submission to the International Monetary Fund which—as the Mexican head of state well understood—would have meant loss of economic sovereignty and any chance of development for the country.

López Portillo reasoned that Argentina and Brazil faced comparable situations regarding the creditor banks and the IMF. Each of the three major debtor nations—Argentina, Brazil, and Mexico—were bound to lose if they continued in bilateral negotiations with the banks; by this path, they had no future. But together, allied, with a collective debt of nearly \$250 billion dollars, they would be a political and economic power capable of demanding and obtaining a reasonable renegotiation of the foreign debt. The Malvinas War had forged an Ibero-American unity which, however partial and insuf-

ficient for winning the war, nonetheless succeeded in politically transforming the continent.

Another element—effectively unknown to the Mexican President himself—completes the strategic picture of the Third World foreign debt. U.S. President Ronald Reagan is currently considering two diametrically opposed policies. According to the first, that of Henry Kissinger, the debtors will never dare to form a "debtors club," and therefore the United States should support the unrestrained and merciless collection of the foreign debt. The other is that of Lyndon H. LaRouche, who in his work *Operation Juárez* of August 1982, proposed the formation of a debtors club and an Ibero-American common market, and argued that the United States would benefit from supporting the development of Ibero-America over collection of the debt.

In the still undecided mind of Ronald Reagan, a joint Ibero-American action could well alter the balance in favor of LaRouche, and against Kissinger. At the same time, López Portillo recognized that the very survival of Ibero-America demanded a dramatic joint action . . . and that was what he proposed. Argentina and Brazil responded exactly as the bankers would have wanted them to. The Argentine President told López Portillo that he would not support such a strategy, because they had "better negotiating conditions" than the Mexicans. Brazil went even further: they sent word that not only would they not join the Mexican initiative, but would ally with the banks and would actively participate in the political and economic isolation of Mexico. In the face of these two negative responses, the Mexican President was forced to adopt defensive national measures to counteract the economic warfare: the banks were nationalized, and strict exchange controls were imposed.

As a result of this lack of unity, from 1982 to the present

time Ibero-America has suffered a worse defeat than that of the Malvinas. *All* the nations of Ibero-America—emphatically including that of Argentina and Brazil—have been looted and destroyed by the usury of the banks and the austerity programs imposed by the IMF. In one bilateral negotiation after the other, a fraudulent and illegitimate debt has been imposed; all the development programs that existed have been destroyed; the living standards of the population have been strangled; national businessmen have been driven into bankruptcy; national currencies have been devalued to the lowest possible levels; inflation has soared out of control. And, what is worse, sovereignty has been compromised.

Nonetheless, that battle was not the last. Today Ibero-America faces another challenge—and another chance—similar to that of 1982. Peruvian President Alan García has hoisted anew the flag of continental unity, and has called for breaking with the IMF and creating a common market: “If we accomplish the miracle of Latin American integration,” said García in September of 1985, “we would have an immense continental market to increase the production of our factories; we would have the capacity to unite in defense of the price of our labor and of our raw materials. . . . It is not possible that we would have to use among ourselves the currency of the most powerful country on Earth, being brother countries.”

Have the political leaders of Ibero-America learned the lesson of August 1982?

The 19th century

The integrationist thinking of García and of López Portillo is neither new nor unique. Since the period of the Independence and even earlier, thinkers in the republican tradition have constantly spoken of the “Patria Grande” (Greater Fatherland) that is Ibero-America. This subcontinent—emphatically including Brazil—has a common legacy of language and culture which is based, in its highest forms, on the “Augustinian tradition of Christianity.” For over a century, it has been the British and their colonialist confederates who have insisted on the strategy of fragmenting the Greater Fatherland, to impose their will through “bilateral” negotiations.

The history of nation-building shows us that there are several universal guidelines to follow to achieve a region’s unity and development. Those guidelines were already fully worked out a hundred years ago, but continue to be valid for the current Ibero-American situation. In addition to the already identified cultural situation which is the foundation of all else, these guidelines include:

1. The region’s physical integration through construction of great infrastructural works which, in turn, increase the economy’s overall productivity.
2. Reinvestment of wealth generated by the economic process in order to maximize employment of labor power with the best possible technology and productivity.
3. Establishing a protective tariff system which guaran-

Part 3

Ibero-American integration

By the year 2000 there will be 100 million jobless in Ibero-America, unless the countries of the continent repudiate the policy of “adjustments” and “conditions” of the International Monetary Fund and World Bank.

In this book the reader will encounter a scientific program to meet the crisis. Prepared by an international group of specialists of the Schiller Institute at the request of the institute’s Ibero-American Trade Union Commission, it is a study of the urgent means that will free Ibero-America of its economic dependency. The formation of a “debtors club,” the physical integration of the continent by great infrastructure projects, and the creation of a Common Market are the first steps toward shaping an virtually self-sufficient economic superpower.



Released in September 1986 in Spanish by the New Benjamin Franklin House of New York, the book is being made available exclusively in English through *EIR*’s serialization.

tees the development of regional industry to supply the maximum of the region’s necessities.

4. The application of state dirigism to create a currency and a credit system subordinate to the sovereign interests of the nations; that is, to facilitate the first three requisites and to punish usury and other forms of economic immorality.

Who would promote the adoption of these four strategies in Ibero-America?

The German Alexander von Humboldt, in his scientific voyage through the Ibero-American countries at the end of the 18th century, proposed connecting the three great watersheds of the subcontinent—the Orinoco, the Amazon and the Plata basins—to facilitate the region’s physical unity (point #1). Humboldt also proposed setting up a network of biological and geographical scientific institutes across Ibero-America in order to accelerate scientific and technological progress in the region (point #2).

The 1790s also saw the creation in Mexico of the Mining

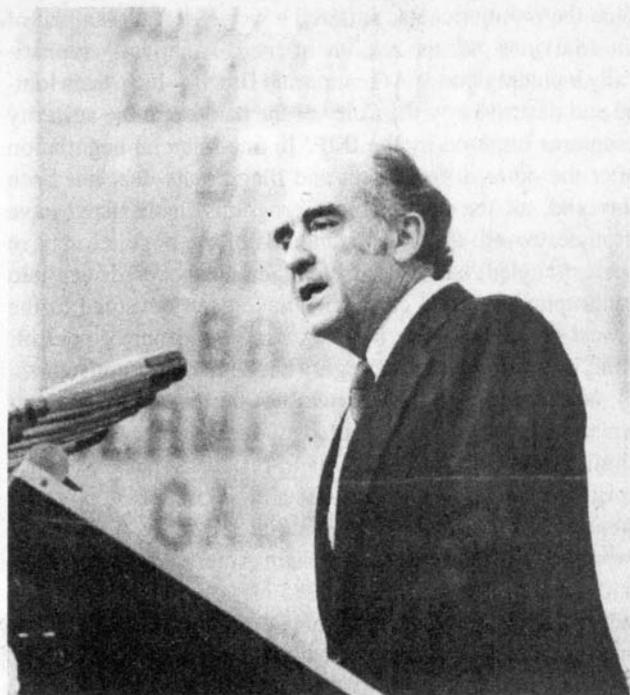
Bank, explicitly based on Alexander Hamilton's concept of credit. Its purpose was to guarantee a flow of cheap credit for mining activities employing the most advanced technologies (point #4). The College of Mines was founded in Mexico for the same objective in 1792, with the Spanish scientist Fausto Elhúyar as its first director. As Luis Vásquez showed in his book, *Mexican Mercantilism vs. English Liberalism*, the College of Mines:

from the beginning functioned as part of a continental plan, since Mexico's College of Mines was to radiate its benefits to all Spanish America. It was designed as the educational center for the educators of the rest of the continent. When it graduated its first class, a Royal Order mandated that the alumni of the College of Mines should conduct their professional practice not only in New Spain [Mexico], but also in the viceroyalties of Peru and Buenos Aires and in the provinces of Guatemala, Quito and Chile.

In the middle of the 19th Century, Mexican President Benito Juárez attracted around him a group of economists who applied and developed the protectionist ideas of the great German economist Friedrich List, the architect of the *Zollverein*, or customs union, in the Germany of the 1830s. In the Americas, economists such as the Mexican Carlos de Olayuibel and the Chilean José Manuel Balmaceda spread these protectionist ideas during the middle and end of the century. Their use resulted in the economic development achieved in those years by their respective nations (point #3).

One of the most important integrationist initiatives which surged forth in the 1870s and 1880s was the idea of building a continental railroad network which would link the continent from Tierra del Fuego to Mexico and which would connect there with the great railroad system already existing in the United States (point #1). At the February 1890 Pan-American Conference in Washington, D.C., Mexico's representative Matías Romero—who had been Benito Juárez' ambassador to Abraham Lincoln three decades before—achieved the passage of a resolution favoring building an intercontinental or Panamerican railroad using the railroad policy of his old friend Lincoln as the model. A commission was formed to study the project, and a few years later, the Commission on the Panamerican Railroad, chaired by José López Portillo y Rojas (grandfather of the former Mexican President), released its final report and made the following observation:

Experience has everywhere shown that the development of a country's natural resources follows the establishment of rail communications. . . . Communications between the nations of the hemisphere would bring nothing other than the development of the republics of the South, especially their interiors. . . .



Former Mexican President José López Portillo

Statistics from the majority of these countries show that until now only the regions contiguous to the sea have been developed. . . . Such a railroad would help to exploit territory now practically inaccessible and would contribute to the general wealth of the countries it passes through. . . .

It is worth noting that this excellent century-old project has still not been carried out, and in general none of the four principles mentioned above have been adequately applied in Ibero-America. The Greater Fatherland remains balkanized and underdeveloped, unprotected and over-dollared.

The Peronist experiment

The reader interrupts us impatiently: "All this is fine and good, and I agree that with time we must unite the continent. But let us keep our feet on the ground and be practical. To unite to break with the IMF now would be an irresponsible adventure; the creditor banks and their allies would destroy us with economic and trade reprisals. And in regard to a Common Market, we have already tried this several times, and we have always failed. There are the efforts of ECLA; of all the moribund organizations: ALALC, ALADI, CARI-COM, etc. And what they tried was much more modest than what you are proposing."

The interruption merits a response. To the first doubt—if it would cost more to break with the IMF or to continue applying its prescriptions—the entirety of this book is an undeniable response. To form a "debtors club" and an Ibero-

American Common Market has its costs, without doubt, and also its dangers. But we will prove that, even in the worst of cases, a united Ibero-America would survive economic and trade war, if it reorients its production and its trade toward an internal Ibero-American market. But if it continues with the present policy of the International Monetary Fund, starvation and genocide, and the political dismembering of each and every one of our nations, is guaranteed.

To the second doubt, it must be made clear that the oft-cited examples of ECLA of the 1950s and 60s, were *neither* serious nor honest attempts to achieve Ibero-American integration. Rather, they were operations intended to cover up and divert attention from the *genuine* integrationist effort on the continent launched from Argentina a decade earlier by General Juan Domingo Perón. Further, we will prove that the entirety of ECLA's activities, as well as the entirety of the "developmentalist" (*desarrollista*) theory of Raul Prebisch, was no more than an anti-Peronist and anti-integrationist factional operation launched by the Anglo-American oligarchy.

The true history of what Perón did, both in Argentina and on a continental scale, is virtually unknown, thanks in large part to the ECLA publications that have covered it up. In the national sphere, Perón achieved a dramatic leap in the industrialization of the country; he imposed protectionist tariffs and nationalized foreign trade; he established a national bank based on the ideas of Alexander Hamilton; and he imposed advanced technology, such as nuclear.

But Perón knew that this national effort could not win in the long term without continental integration, and therefore he undertook this task of unification from the moment he assumed the presidency, in February of 1946.

By the end of that year, a conference on the already mentioned Panamerican Railroad was held, to take up anew the task of integration launched 50 years earlier by Romero and the others. Two Argentine engineers, Pedro J. Crista and Vicente F. Ottado, presented the conference with a detailed study demonstrating both the feasibility and desirability of the project, a study which—in its most salient points—retains its appropriateness to the present day.

The proposal of the Panamerican Railroad exemplifies the attitude with which the nationalists of Argentina, and of all of Ibero-America, emerged from the Second World War. They had economically and politically supported the defense of democracy in the West, and sought the creation of a post-war world free of colonialism and underdevelopment. They insisted on the industrialization of their countries, and to achieve it they proposed importing capital goods from the United States. At the end of the war, they demanded that the United States fulfill the promises of economic aid that it had made during the war.

For example, in the Conference on Trade, held in Havana, Cuba in December 1947, the majority of the Ibero-American delegations demanded capital transfer from the

United States, and the right to apply protectionism and form regional economic and trade pacts to defend their industrialization. The Argentine representative, Molinari, even suggested a "Perón similar to the Marshall Plan for Europe.

The United States responded with the typical free-trade arguments that they had learned from the British; their objective at the conference was to establish the GATT. The Deputy Secretary of State, William Clayton, rejected any U.S. obligation to export capital and promote development (this would occur, argued Clayton, to the extent that Ibero-America attracted private capital); he definitively opposed the idea of any regional pact whatsoever; and insisted on a drastic worldwide reduction of customs tariffs. The 1949 yearbook published by the Council on Foreign Relations of New York, *The U.S. in World Affairs*, reported what happened:

The United States was not prepared for the onslaught it encountered. . . . The strongest voices were the delegations of the industrially underdeveloped countries, particularly the Latin Americas.

General Perón had already foreseen several months previously the possibility that the victors of World War II would not accept a new world order in which the Third World could achieve its industrialization. The intransigence of the superpowers, he explained, meant that the underdeveloped countries, and particularly the Ibero-Americas, should unite and adopt a "third position" in their foreign policy. On July 6, 1947, Perón sent a note to all the Ibero-American governments, in which he called for continental unity and suggested that the first steps in that direction could be taken with the help and mediation of the Vatican. Perón's Argentina, for its part, refused to affiliate with international institutions against development, such as the International Monetary Fund.

Perón's integrationist initiative took precise shape and form in one of his statements made March 24, 1948:

I believe that the time for conferences, speeches and dinners at Foreign Ministries is over, for that path leads nowhere. . . . We have always lived in contempt for those interests which are not contemptible in fact. To found a true community of the Americas I believe we must intertwine our interests. Our policy is to reach bilateral agreements with all the Latin-American countries, offering what we have.

Three years later, in an article published on Dec. 20, 1951, Perón explained that his strategy is to consolidate an alliance among Argentina, Brazil and Chile—the famous "ABC" proposal—and to use this alliance as the basis for constructing a "South American Confederation" for the year 2000. As he frequently stated, "The year 2000 will find us united or subjugated."

To be continued.