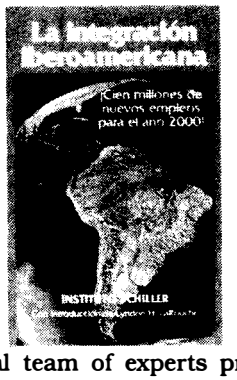
EIR Operation Juárez

A roadmap for industrial growth of Ibero-America

Part 13
Ibero-American integration

By the year 2000, 100 million new jobs will be created in Ibero-America, in which workers will be trained to be skilled in the production of capital goods. By 2015, the continent will be an economic superpower, whose production and productivity will equal the level attained by the industrialized countries of today.



This installment continues Chapter 5 of the Schiller Institute's book, *Ibero-American Integration: 100 Million New Jobs by the Year 2000!* published in September 1986 in Spanish, and appearing exclusively in English in *EIR*'s serialization. An international team of experts prepared this study on the urgent measures needed to free Ibero-America of its economic dependency and spark a true, worldwide economic recovery, elaborating the outline of Lyndon LaRouche's 1982 proposal, "Operation Juárez."

Numbering of figures and tables follows that of the book.

Profile of production by sector

The development of the economic structure of Ibero-America under the premises we have outlined—jobs, productivity, and composition of the work force—defines specific growth parameters for each one of the sectors of the economy. As can be summarily seen in **Figure 5-7,** what is required is a plan for economic growth primarily directed to strengthening the productive sector over the service sector, with special emphasis on those areas making up the industrial sector whose growth rate should be higher than the rest of the economy, in order to achieve the kind of capital-intensive growth that economic development requires. Over the next 15 years, Ibero-America will need to sustain annual growth rates on the order of 6% in agriculture, 12% in manufacturing, and no more than 9% in services. It is worth emphasizing that this 9% must be exclusively in *socially necessary services* (education, health, etc.) and not in unnecessary "services" with which we are so familiar today (excessive bureaucracy, street vendors, etc.).

During this first period, absolute growth of the industrial sector will be 2.2 times greater than that of agriculture, and 50% greater than that of the service sector.

Within the industrial sector itself, certain areas should experience a more accelerated growth rate than the rest, particularly those that directly feed the process of productive expansion, such as the production of machinery and equipment, basic metals, and construction materials, as can be seen in **Figure 5-8.** The primary productive effort should be concentrated on the industrial area of *machinery and equipment* (capital goods), which will serve as the spearhead of economic development and productive modernization of the

FIGURE 5-7

Projection of economic growth in Ibero-America, by sector 1985-2015

GDP = Gross Domestic Product
AGR = Agriculture
IND = Industry
MIN = Mining
MAN = Manufacturing
CON = Construction
TRN = Transportation
SER = Services

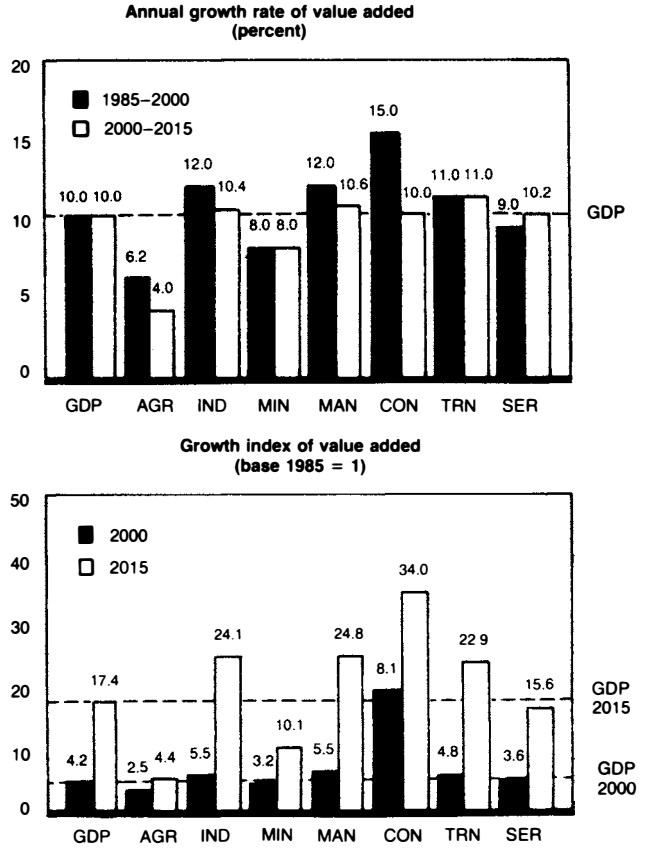
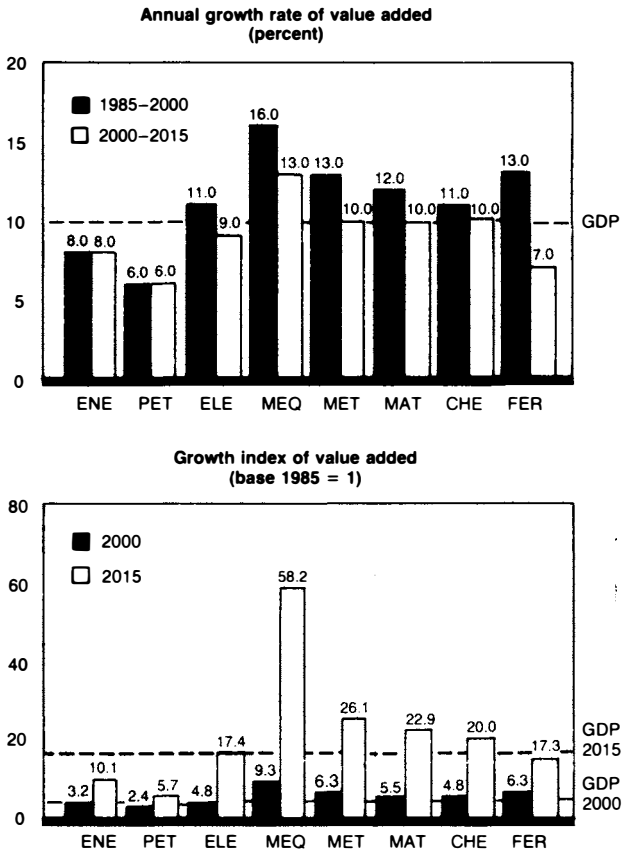


FIGURE 5-8

Projection of industrial growth in Ibero-America, by sector 1985-2015

ENE = Energy
PET = Petroleum
ELE = Electricity
MEQ = Machinery and equipment
MET = Basic metals
MAT = Construction materials
CHE = Chemical products
FER = Fertilizers



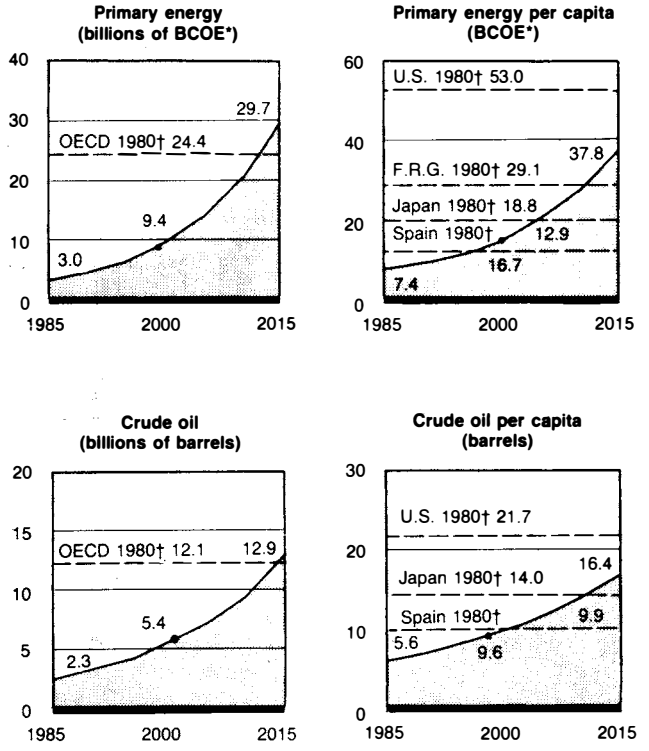
subcontinent. Over the next 15 years, this industrial sector should grow at an annual rate of 16%, that is, 4% more rapidly than industry as a whole, to be able to satisfy the growth needs of the other productive sectors. From the year 2000 to 2015, this area should continue to grow strongly, but at the lesser rate of 13% a year, and reach the year 2015 representing 40% of the activity of manufacturing industry, which is the minimum required level for the development of an industrial economy.

In contrast, the areas of *mining and petroleum* should grow at a rate less than the average of the total economy, for two major reasons. In the first place, Ibero-America today has a productive capacity in excess of its internal needs in both areas, which allows it to export huge volumes of oil and minerals, which will be slowly reoriented to the intra-regional market to satisfy the future needs of the countries of the region. But, in addition, productive expansion based on modern technologies and more efficient processes will provide a broad margin of efficiency in the use of natural resources and, ultimately, will relatively lessen the growth pressures on these industrial sectors.

For example, during the next 30 years, a modest annual growth rate of 8% in production of *primary energy* will be sufficient to allow a 10% growth of total product, and 12% of industrial production. And this does not mean that the energy intensity of production will be reduced; in fact, it will tend to increase to the extent that heavy industry increases in importance within the total economy. Rather, we will need a growth rate of only 8% in primary energy because technological development and modernization of the economy will

FIGURE 5–9

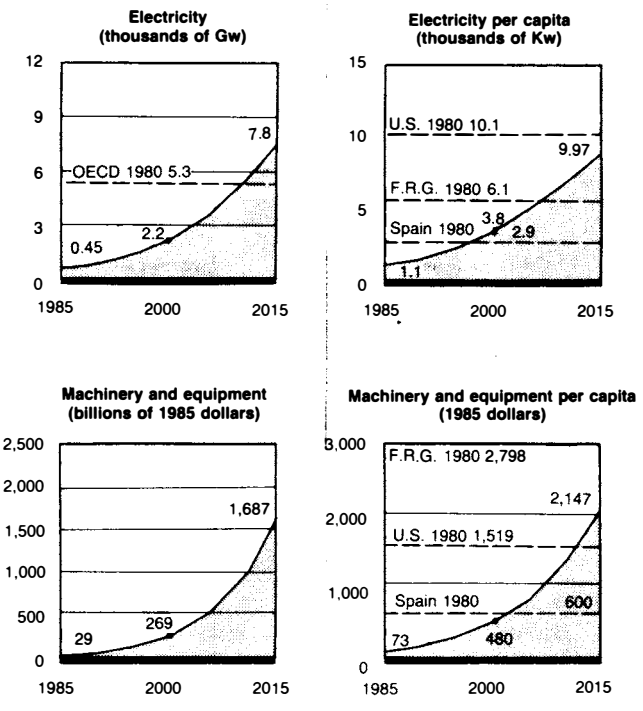
Parameters of industrial production in Ibero-America: primary energy and and crude oil 1985–2015



*BCOE = Barrels of crude oil equivalent.
† = Apparent consumption.

FIGURE 5–10

Parameters of industrial production in Ibero-America: electricity, machinery, and equipment 1985–2015



allow for taking full and efficient advantage of primary energy sources, which in turn will translate into growth rates of useful energy significantly higher than those of primary energy.

In the following figures, the production parameters of the main industrial sectors over the next 30 years are shown, both in their absolute magnitude and per capita, in comparison to the most relevant examples from the developed sector. Concretely, one can see that the Ibero-American countries will reach the year 2000 with a development level equivalent to that of Spain in 1980, while over the next 15 years, they will surpass the average level of the OECD nations of 1980, practically equalling the best levels currently sustained by the developed sector.

In **Figure 5-9** production parameters for *primary energy* and *crude petroleum* are indicated, based on growth rates established in the previous figure. In both cases, by the year 2015, the total 1980 consumption of the OECD will be slightly surpassed, but per-capita production will be considerably behind that of the United States, whose energy consumption is quite disproportionate with respect to the size of its economy. This is true both because of the energy inefficiency (i.e., technological backwardness) of certain key U.S. sectors, like steel, as well as for the high energy consumption levels of nationwide transport systems, due to the low demographic and industrial density in comparison with Japan and the advanced countries of Europe. Another important aspect is that oil moves to second place in total energy production, from supplying nearly 80% of production in 1985, to only producing around 40% by the year 2015.

In regard to *electricity* (**Figure 5-10**), the accelerated growth of this industrial sector is a fundamental premise for economic development, and is directly related to the need for the technological modernization of the economic infrastructure and productive apparatus of the subcontinent. This is derived from the fact that the most modern and efficient technologies, both in industry and in transport, tend to base themselves increasingly on the use of electricity as a primary source of energy. According to our growth projections, by the year 2000, the per-capita electricity consumption levels

FIGURE 5-11

Parameters of industrial production in Ibero-America: steel and cement 1985-2015

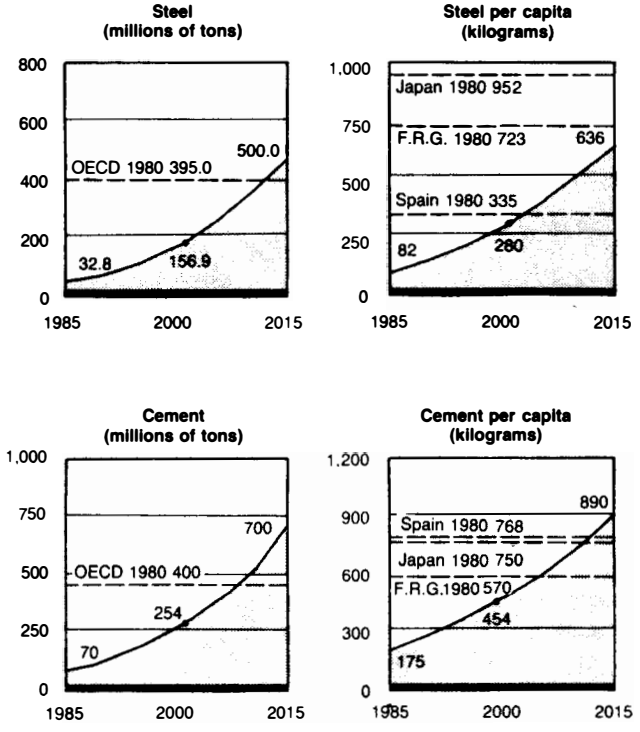
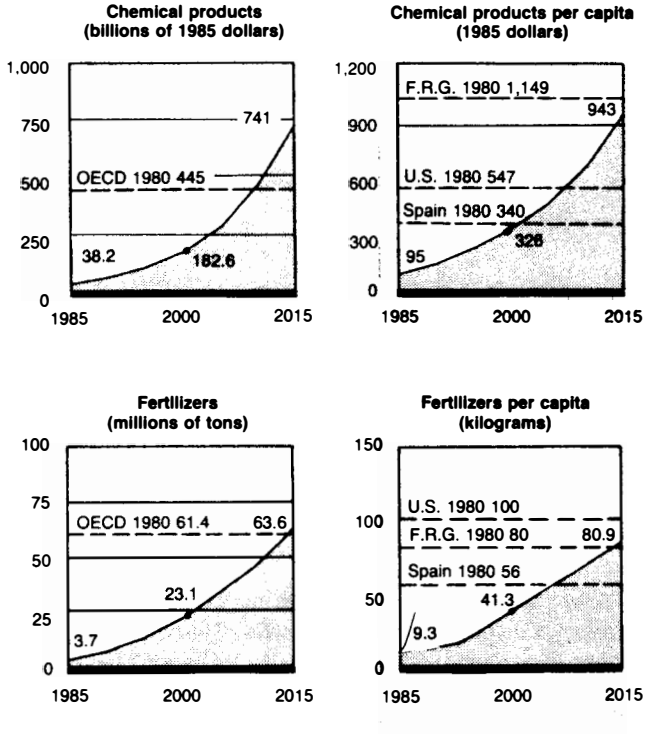


FIGURE 5-12

Parameters of industrial production in Ibero-America: chemical products and fertilizers 1985-2015



prevalent in 1980 Spain will have been surpassed, and by 2015 the level of consumption of the United States itself will be reached.

In regard to production of *machinery and equipment,* also represented in Figure 5-10, the accelerated growth of this sector will enable Ibero-America to reach the year 2000 with a per-capita production level characteristic of an economy at a medium level of industrialization, comparable to 1980 Spain, by means of which the greater part of the capital-goods needs of the subcontinent will be met, with the exception of certain types of high-technology machinery and equipment that is difficult to produce, which will have to be imported. Over the following 15 years, Ibero-America will reach, and even exceed, the per-capita capacities that the majority of the developed nations had in 1980, although it will still be behind West Germany, the industrialized nation with the highest relative level of capital-goods production in the world.

In regard to *steel and cement,* which are shown in **Figure 5-11,** these industrial sectors constitute two of the principal elements of economic growth, by supplying the most important requirements for industrial and infrastructural construction, which will have such importance for the economic take-off of the Ibero-American Common Market. In both cases, the growth of productive capacities take into account the requirements posed by the enormous construction tasks that the subcontinent will have to carry out during the coming decades, projects that will demand higher volumes of steel and cement production than those existing in the developed sector, above all in the case of cement where the creation of entire new cities across the subcontinent will imply a huge construction effort.

Finally, in **Figure 5-12,** one can see the production parameters of chemical products and fertilizers, derived from the high growth rate that these sectors must sustain to feed the development of other branches of the economy. The most relevant case is that of the fertilizer industry, which will have to grow at a rate much superior to the growth rate of the agricultural sector, so as to actually increase fertilization to meet the requirements of expanded agricultural productivity. From now through the year 2000, Ibero-America will have to increase about sixfold its production of fertilizer, in order to be able to adequately fertilize the greater part of its arable land, such that by the year 2015 it should achieve a production level 17 times greater than the current level. Thus it will achieve a per-capita production level equivalent to that of West Germany today.