

is now threatened with disintegration as a nation.

But it is still possible for the continent to throw off the yoke of monetarism and revive the projects and dreams of a decade ago. The following excerpts from "The Mercantilist Manifesto for an Industrial Peru," put out by the Independent Solidarity Movement of Peru for use by its 100 congressional candidates in the April 15 election, show how this country, one of the poorest, most devastated nations of South America, could in short order halt its inflation, start a series of major infrastructure projects required to permit the rest of the economy to function, and put down the drug and terrorist threats now menacing its national existence. The program is directly based on LaRouche's approach to development.

One of the strongest voices for nationalist economic policy, until his death in 1983, was that of the great Argentine patriot Gen. Juan E. Guglielmelli, whose views are discussed in the following pages. In 1977, Guglielmelli stood steadfastly against the imposition of British liberal economic policies on the Argentine economy by then-Finance Minister Martínez de Hoz, whose measures set into motion the crisis confronting the country today. He upheld in opposition the mercantilist position derived from the founder of German economic unity Friedrich List and from Abraham Lincoln's economic adviser Henry C. Carey, based on protection for infant industries and a commitment to use the state to direct private enterprise toward the tasks of developing the nation.

### **The present triumph of liberalism**

The liberal, monetarist economist policies being imposed from Argentina to Mexico are intended to maintain the region as a provider of raw materials and agricultural exports, inhibiting industrial development. Tariff protection for domestic industries has been strongly attacked, permitting floods of foreign imports which are wiping out domestic industry, while sovereignty over national currencies and banking systems is being eroded.

The latest attack has come in the form of so-called "shock programs," such as that designed for Bolivia four years ago by the fanatical economist from Harvard, Jeffrey Sachs. Bolivia suffered calamitous declines in real wages, supposedly to kill inflation, but even four years later, it hasn't begun to regain pre-"shock treatment" levels of economic activity, the manufacturing sector has been destroyed, and the only booming sector of the economy is coca growing. Poland, which has adopted a similar program, is suffering equally disastrous consequences.

One part of the liberal project is to rope Ibero-America into a "common market" with the United States which would facilitate the looting. Vice President Dan Quayle has recently called for creating "America '92," based on neo-liberal principles, in which tariff barriers between Ibero-American nations and the United States and Canada would come down. This would open the nations south of the Rio Grande to a flood of U.S. exports and the final destruction of national industry.

## **A plan for industrial development of Peru**

"The Mercantilist Manifesto for an Industrial Peru," excerpted below, is the program of 100 Peruvian civic leaders, businessmen, retired military officers, and ordinary citizens running for Congress in the April 15 elections. It was presented on Oct. 19, 1989, by Luis Ernesto Vásquez, who heads the slate for Senate from Lima, as the program of the Independent Solidarity Movement.

The Solidarity list has injected its perspective for national Great Projects for development into a country otherwise drowning in despair from a cancerous combination of cocaine trafficking, communist terrorism, and economic collapse worsened by harsh austerity, and the cynicism of the politicians. On March 15, the Federation of Miners and Metalworkers, Peru's most powerful non-communist labor union, declared its support for the Solidarity candidates and the principles of their program. Peru's poverty-stricken voting population is offended by the multimillion-dollar campaign of the "conservative" Fredemo coalition, whose candidate, economic libertarian Mario Vargas Llosa, offers nothing but a "shock" program to be administered by the International Monetary Fund. The ruling APRA party and other assorted leftist grouplets aren't much better.

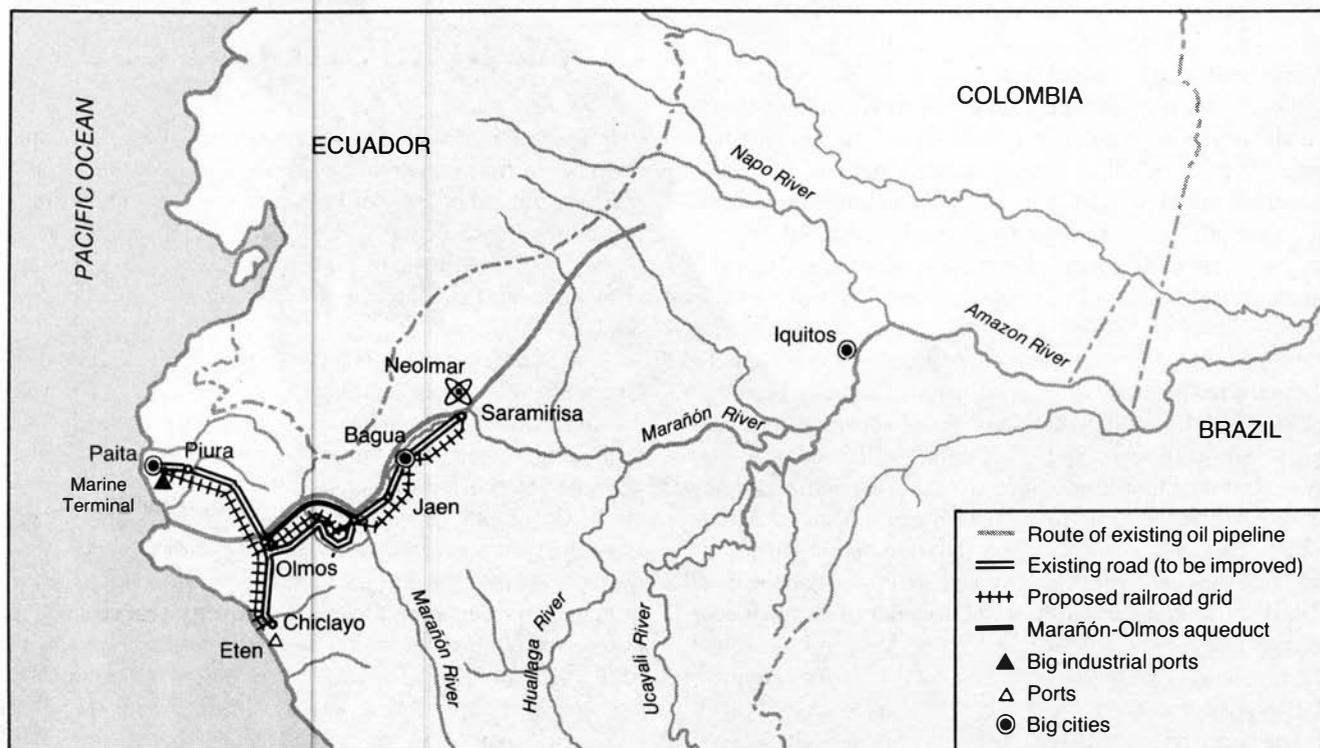
The "Mercantilist Manifesto" starts from Peru's strategic geopolitical position, not from magical nostrums for lowering inflation: "Peru is the keystone of the intersection between the Pacific Basin and South America, and that circumstance, fortunately, should be the starting point for designing the Peru we must build this coming decade." By comparing Peru to other rapidly developing countries, such as South Korea, which has 30 times Peru's population density, it shows that Peru is underpopulated. Peru's productivity is atrocious, with only 26% of the economically active population productively employed, and most of them working without modern technology.

Most of the population is so grossly underfed as to be below minimal subsistence levels. The program presents a \$20.5 billion package of great projects for the transport grids, water management, and energy infrastructure with which Peru could easily feed well double the number of people it is now feeding badly.

The fertile but isolated valleys now overrun by the cocaine traffickers would be transformed into a breadbasket with the building of efficient transport corridors linking them to Peru's coast. As the Manifesto states, "We have 12.7% of the economically active population, that is, nearly 900,000 people who directly or indirectly are working in narcotics, including growing, trafficking, or processing. Apart from being a moral problem, because it is a crime against humanity, in economic

FIGURE 1

**Northern Peru development region**



terms it is one of the major inflation-causing factors, since it not only pulls people out of production, but also takes away the best land and does not produce anything useful.”

**The Mercantilist Manifesto**

**Nuclear power for the north**

We have the following energy proposal for this decade. The location of great energy projects obviously should be related to the way we will occupy our territory. As we can see on the map, the three transcontinental corridors will require energy; hence, we need to provide these corridors with dense-energy sources with a sufficient number of millions of megawatts (MW).

In the north, we have a magnificent project recently proposed by retired Peruvian Army Col. Rodrigo Córdova, one of our candidates who has always been concerned with solutions of this kind for the country. Colonel Córdova proposes building a nuclear plant which could generate up to 1,200 MW in the north of the country. The Neolmar (Olmos-Marañón Nuclear Electric) project would provide enough energy to pump the waters of the Marañón River [which are now lost into the Amazon] to the coast, to irrigate the Olmos and Sechura deserts. Pumping water along the route of the north

Peruvian oil pipeline is the only sure way to bring water to the Peruvian northern coast, since geological faults make it very risky to try tunnels under the Andes Mountains.

This project includes building a railroad from an industrial port on the Pacific, such as Paita, to link the Pacific with the Amazon Basin. This transcontinental corridor is really the only viable way the Peruvian economy could have a door to the Atlantic. It is the optimal way to integrate the Amazon Basin, a rapidly industrializing region, to the Pacific Basin. One only need think of the Carajás, Manaus, and other projects in Brazil, to understand that this transcontinental trunk route is Peru’s future. The railroad route would take advantage of the lowest pass in the entire Peruvian Andes chain, Porcuya Pass. It would open up the nation’s largest potential agricultural expansion. Water is the only limit on irrigating Olmos, the Piura and Sechura deserts. If water is pumped from the Marañón to the coast, 850,000 hectares (more than 2 million acres) could be brought under cultivation.

On the other hand, linking the Amazon to the Pacific would automatically mean bringing into agricultural production Peru’s richest valley, the Upper Huallaga Valley, now the world’s largest coca producer. Building this corridor, adding the extremely rich lands of the northern jungle to national agriculture, should be a genuine counter to narcotics trafficking. When one calls for a serious war on drugs, one has to call for building projects of this kind. If the United States



*The program for development of Peru requires a \$20.5 billion package of great projects which will raise the productivity of the labor force and apply technology to provide adequate infrastructure, energy, and food for a growing population. Shown here is a brick-layer in Ciudad de Dios.*

really wants to eradicate coca cultivation, it should help us build this project. The idea of growing annatto trees or other export crops instead of coca, is an unrealizable utopia. The only way to end coca production on the jungle rim is to provide these zones with transport infrastructure for food production and to develop great agro-industrial complexes right there.

### **Industrial ports, yes; free ports, no!**

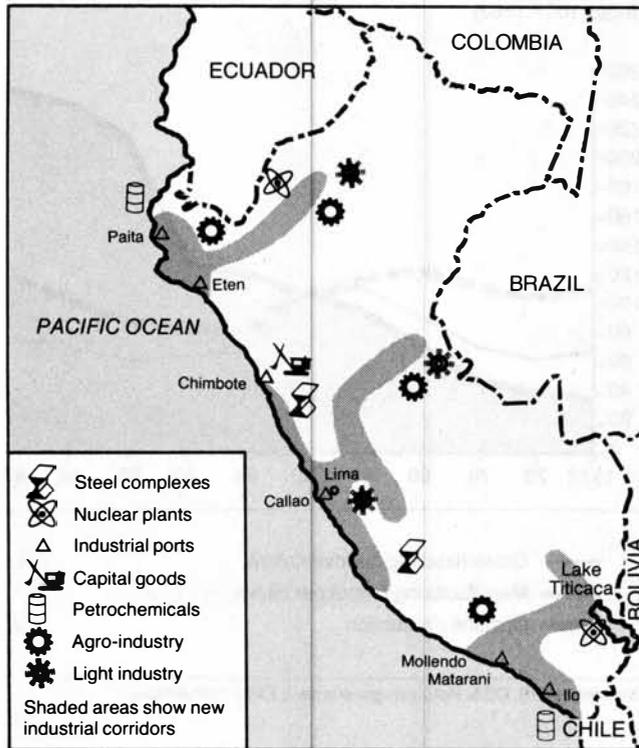
A final consideration is the plan to develop the northern transcontinental corridor. The railroad linking the Amazon and the Pacific Basin, which will become one of Peru's biggest urban industrial corridors in the 20th century, should end at a great industrial port, not a "free port." This perspective of industrial ports is crucial, and is diametrically opposed to Fredemo's and APRA's proposal for free ports. Free ports are for pure contraband, and although the awful law passed by the Aprista parliament speaks of "industrial free ports," the truth is that the way these free zones have been promoted, they will be good only for contraband, gambling, and drug trafficking. In-bond sweatshops, assembling [for export], will exploit cheap labor, and only an Aprista economist could call that industrialization.

The free port at Arica [just over the Chilean border], for example, has been the worst obstacle to the industrialization of Arequipa [in southern Peru.] This geostrategic design has been something which Chile's national leaders today haven't been able to figure out. Now, they want to create free zones all over the country, making us into a corridor for contraband and export-oriented sweatshops, a second class country. That's suicide. . . .

### **Industrial corridors, central and southern Peru**

The south's energy deficit has not been solved even by the final stage of Charcani Dam going on stream. The industrialization of the south and Arequipa has been stagnating because of two factors: 1) contraband from Arica [Chile] and 2), the lack of electrical power. We must urgently build the Majes hydroelectric project, and undertake another large project by building a nuclear electric plant on Lake Titicaca, with capacity to generate between 600,000 and 1 million MW (Figure 2). This will also make possible irrigating the entire Titicaca plateau, where about 200,000 hectares (480,000 acres) could be won for agriculture, irrigating the

FIGURE 2  
**Industrial corridors**



coasts of Moquegua and Tacna by pumping Titicaca's waters toward the coast. A total of more than 500,000 hectares (1.2 million acres) could be gained there.

In this zone, the industrial ports of Ilo and Matarani would be the starting points for railroad integration with Brazil, Bolivia, and Argentina, and would also be the starting point for the great urban industrial corridor of the south.

For the Lima region, we have to build the Sheque hydroelectric plant, using water diverted from the Mantaro River to the Sheque River. This would also solve the already dramatic water shortage in the great thirsty city of Lima.

The central corridor and the Mantaro Valley have traditionally been the axis around which the country has developed; but these are overutilized and have long since been exhausted. It is necessary not only to rebuild the central highway, but also to complete and modernize the rail line to Pucallpa, to provide the jungle and the central highlands with an efficient link with Lima and the industrial port of Callao.

### Optimize productivity

As can be seen on **Figure 3**, this is the transport grid which we minimally must build this decade. First is the northern road and rail corridor, which we have referred to. It would leave the ports of Paita and Etén, pass through Olmos,

FIGURE 3  
**Proposed new railroads**



then through Jaén and Bagua, until it reaches what will become the great industrial port of Saramirisa, where the ships arriving on the Marañón River, after having come all the way up the Amazon, will unload.

Then there is the transversal road and rail axis in the center of the country, [from Lima] to Pucallpa, which should be optimized as previously described. From Pucallpa, cargo would continue by boat down the Ucayali to the Amazon, or by the road junction to the highway the Brazilians have built almost up to Pucallpa.

In the south, the rail connection described has to be built to rapidly reach Madre de Dios [deep in the Peruvian jungle] and then Inapari in Brazil, where it will connect with the Acre trans-Amazonic highway being built by Brazil.

Complementing these transcontinental trunklines, we should rebuild the Pan American Highway (along the Pacific coast) and start thinking of building a railroad the length of the coast. During this decade, we also have to finish building the marginal highway [along the edge of the Amazon jungle], which today, frankly speaking, only serves drug trafficking.

### More tractors, fewer buffalos!

It is not true that Peru lacks land; all that is missing is adequate water management. That is why this country must

TABLE 1  
**Availability of water**  
(billions of cubic meters/yr.)

	Volume of flow	Volume regulated
To Pacific	35	3.3
percent of total	1.7	66.0
To Atlantic (Amazon)	1,999	1.7
percent of total	98.3	33.0
Total	2,033	5.0

Source: ONERN

TABLE 2  
**Decline of nutritional levels**  
(consumption per day per capita)

	1976	1979
Calories per capita		
Lower class	1,645	1,486
Middle class	1,700	1,595
Grams of protein		
Lower class	47.6	41.3
Middle class	55.6	48.4

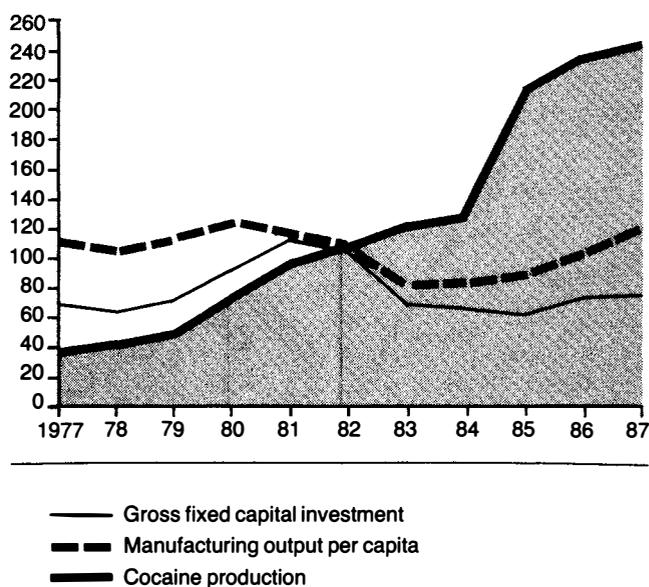
Source: Peruvian Agriculture Ministry

be a country of builders and engineers. Every day, we should be building tunnels, dams, canals; we have to cross the Andes. But we are not going to do this with pick and shovel; we have to use the most advanced technology. Therefore we must extirpate the pick-and-shovel ideological message from [ex-President Francisco Belaúnde's] Popular Cooperation and [President Alan García's] PAIT; that World Bank-sponsored ideology only brings misery.

Only 760,000 hectares of the coastal region are being used for agriculture today. The land used diminishes every day, instead of growing; croplands are lost faster through erosion than they are won by new irrigation projects. Considering the limits on available water, minimally more than 860,000 hectares of new lands could be gained on the coast, according to the Ministry of Agriculture. If our coast had water, there are easily 2 million hectares of land suitable for agriculture. This area, with modern technology, drip irrigation, and fertilizers, could easily feed more than 20 million people. Israel, with 250-300,000 hectares of land, feeds its population and even exports food to Europe.

On the other side [of the Andes], we have the upper jungle, where there is the most potential agricultural land. Today, 440,000 hectares are in use there; but there are about 4.5 million hectares of potential cropland. We don't even use 10%, and most of that is used to grow coca bushes! It is not possible to make optimal use of these lands if we do not

FIGURE 4  
**Drugs vs. the productive economy**  
(Index 100=1982)



Sources: IADB, DEA, Peruvian government, EIR's calculations

integrate them physically with the rest of the country, with highways and railroads.

### Battalions of military engineers

A military-directed labor force is needed to build these projects. Therefore, we propose the formation of civic-military engineering battalions—battalions of engineers armed against terrorism, building the roads which would put an end to isolation and the narco-terrorists' sanctuaries. We should use the republican tradition of obligatory military service to this end; our youth should participate in the building of our Peru. If we fail to apply ourselves to this higher task, they will end up being recruited for the country's destruction. Every year, 500,000 youth reach the age of 18 in Peru; most of them will not go to university, nor have a job; unless we mobilize them, they will continue to be terrorism's quarry.

Let us not cry later over what we did not have the wisdom to defend now. The fate of the irregular warfare being fought in the country will not be decided in street fighting; it is being determined in the minds of the youth, in what they expect of this democratic system. Put yourself into the mind of a Peruvian boy: Is it worth fighting for a system that only offers misery? That boy must be incorporated into the building of the nation; he should build these great projects, and afterwards enjoy their benefits.