EIR Economics

Hemispheric Policy Debated: FTAA or LaRouche Doctrine?

by Silvia Palacios and Lorenzo Carrasco

Intense Brazilian diplomacy centered around South American integration—including the building of a strategic Brazil-Argentine alliance and a trilateral alliance of Brazil-India-South Africa, with the possibility of extending that to other nations such as China and Russia—is leading to a continental reformulation of hemispheric policy. Brazilian President Luiz Inácio Lula da Silva's meeting with American President George W. Bush on June 20 bypassed the sterile spectacle of protocol, and made it clear that by agreeing to a January 2005 deadline for concluding negotiations for the Free Trade Area of the Americas (FTAA), what they actually did was launch a countdown for having to choose which hemispheric policy will determine the hemisphere's future.

Clearer still, is that there no longer exist the conditions for maintaining the status quo that has constituted hemispheric relations for at least the past 100 years. Especially Brazil, as a leader of South America, is not disposed to continuing the relationship of submission which, with a few exceptions, it has maintained since the beginning of the 19th Century, with the infamous Roosevelt Corollary to the Monroe Doctrine, through which the United States, under the dictates of Wall Street and the City of London, turned the Western Hemisphere into its own "backyard."

Thus, one could not help but cringe at the comments of U.S. Ambassador to Brazil Donna Hrinak, quoted in a June 15 article in *Folha de São Paulo,* referring to Teddy Roosevelt as a symbol of what she called a "lasting association" between the two countries.

In contrast to this, the figure of the other famous President Roosevelt, Franklin Delano Roosevelt, has recently been raised, both in Brazil and in Argentina. FDR's New Deal is being looked to today as an example of how dirigist intervention by the national governments can lead to rebuilding economies devastated by the "neoliberal" onslaught of free-trade doctrine. The nations of the hemisphere well remember how FDR was the author of the "Good Neighbor" policy with respect to Ibero-America. In Brazil in particular, he is remembered as a sincere admirer of its President Getulio Vargas, FDR's contemporary, who is considered one of those who inspired the New Deal.

In reality, two irreconciliable paradigms have been created: either economic annexation through the FTAA, as part of the imperial drive made brutally manifest in the war against Iraq; or a sovereign order, in which the equality of nations predominates, as was proposed by U.S. Presidential candidate Lyndon LaRouche during his June 2002 visit to Brazil. There, he formulated his *LaRouche Doctrine* for the Americas, in documents that since then have broadly circulated among the informed elites of the nation.

Brazil-Argentina 'Strategic Alliance'

This new push for a change in hemispheric relations is structurally based on the establishment of a solid alliance between Brazil and Argentina. Britain's imperial diplomacy for the Rio de la Plata region during the 18th Century, and the Anglo-American policy that has been imposed through to the present time, is based precisely on fomenting rivalities between the two largest nations in South America. Only for a brief moment in the early 1950s was there an attempt made to break this scheme. That was under the government of President Juan Domingo Perón in Argentina, and the second Presidency of Getulio Vargas in Brazil. Both administrations were destabilized, and eventually deposed.

Thus the courage of Brazilian President Lula da Silva and Argentine President Néstor Kirchner, in establishing what they have dubbed the "Brazil-Argentina strategic alliance," in a joint communiqué issued following their meeting in Brasilia on June 11.

This alliance is based on the following elements: First, the physical integration of Mercosur (Common Market of the South) and all South America, "promoted in the interests of all, having as its goal the formation of a development model in which growth, social justice, and the dignity of the citizens are reconciled." In this context, they propose to transform Mercosur into a customs union, involving the development of productive and industrial tools. To facilitate this, a "monetary institute" was established that would seek to create a "common currency." The Presidents committed themselves to undertake immediately "the project of physical bilateral integration, which would have a multiplier effect both in terms of generating jobs and for integration." As part of this, they emphasized the importance of securing financing in part through Brazil's BNDES (National Bank of Economic and Social Development), for bilateral trade and for the construction of infrastructure.

Secondly, the communiqué stressed "the commitment of both countries to reinforcing the strategic alliance by means of intensifying dialogue on matters of defense and security."

Thirdly, they agreed that negotiations for the FTAA –would be carried out among their two countries and the rest of the member nations of Mercosur, so as to guarantee defense of the interests of the nations as a bloc.

From Asunción to Washington

The commitments assumed by Brazil and Argentina were ratified during the 24th meeting of Mercosur, held in the Paraguayan capital of Asunción on June 18-19. There, Brazil's Lula gave an improvised speech to open the summit meeting, during which he pledged that by the end of his Presidential term in 2006, a Common Market of South America will have come into being. "Mercosur needs to have the dimension of all of South America. A new South America will be created through the union of Mercosur and the Andean Community of Nations. . . . There will be no political, cultural, commercial, or economic integration of South America, if there is no physical integration."

In the press conference at the end of the Asunción meeting, the Brazilian leader mentioned that he would be taking this South American integration project, and the necessity for investment in infrastructure, into his meeting with President Bush, to be held in Washington the next day. "The Brazilian position on FTAA is explicit: Brazil will not accept a relationship of colony and metropolis, much less a process of annexation. We need ports, airports, bridges, railways and waterways. Obviously, I would not miss the opportunity, being in the richest country on the planet, to demonstrate how important it is for the rich countries to help South America in that integration process."

During talks with the U.S. government, the Brazilian delegation in Washington posed the need for investment in infrastructure. According to the June 23 issue of the daily *Gazeta Mercantil,* President Lula stated, "I told Bush that there will only be growth with the physical integration of the region, and that the government of the United States has an important role in this. I believe that he is going to help, but I didn't expect any decisions in a two-hour meeting."

One very positive point that was adopted as a result of Lula's state visit to Washington, was that "they agreed to undertake joint activities to improve treatment, care and prevention of HIV/AIDS in Portuguese-speaking Africa. President Bush stressed that the program would take advantage of Brazil's expertise in creating a national program for the prevention, care and treatment of HIV/AIDS"—which, in fact, has been highly successful.

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—Brazilian President Inácio Lula da Silva

Limits of the New Foreign Policy

The enormous expectation created by Brazil's diplomatic initiatives, both regarding the integration of South America as well as the South-South alliance with India and South Africa, will come to naught, if this foreign policy is not connected to a new economic policy as well. As was suggested by influential journalist Clovis Rossi in the pages of *Folha de São Paulo,* the country should "import its own foreign policy" to be able to put into effect an urgently-needed development plan that would alleviate the enormous social pressures of unemployment and poverty, aggravated by continuing the economic policies dictated by the International Monetary Fund.

A clamor has arisen inside Brazil to accelerate the rate of change of domestic policy. The New Deal programs of Franklin Delano Roosevelt served as inspiration for two recent manifestos issued by Brazilian economists. The first, entitled, *The Banned Agenda*, was released during the first week of June, and is signed by 299 nationally-known economists, including Luiz Gonzaga Belluzo, João Manuel Cardoso de Mello, João Paulo de Almeida Magalhães, and Dercio García Munhoz. The text promotes the New Deal as an example of a state economic initiative "to correct the distortions caused by free trade, above all the high level of unemployment that compromises the country's social and political stability." The statement further calls for foreign capital controls, exchange controls, reduction in the basic rate of interest, and promotion of public investments.

The second statement was prepared by the Regional Councils of Economy—professional associations of economists—and warns of "the real threat facing the country, of an unprecedented economic crisis, causing a greater rending of our already weakened social fabric." The Councils call for "effective and immediate changes in current economic policy." The document stresses five points: a) the abandonment of practices of fundamentalist market economics, which were established by the previous government and are being reinforced by the current one; b) the immediate creation of the minimal necessary conditions for promoting economic and social growth and development. The indispensable precondition for achieving this being the rapid and vigorous reduction of interest rates, including those abusive rates charged against citizens and companies by private and public banks; c) "restarting public investments in sanitation, housing and infrastructure, and therefore, the necessary immediate reduction of the pre-set goal for primary surplus" of the public budget; and d) the establishment of public policies that stimulate the capacity to expand the domestic consumer market.

In addition to these statements, the National Federation of Industries presented its own proposal for economic recovery, based on a program of investment in infrastructure, estimated at nearly $15 billion a year over the next four years, for a total of $60 billion.

LaRouche Doctrine for the Americas

Despite the evident good intentions of these and other proposals, they all avoid addressing the central question of an urgently-needed reform of the *international* financial system. At best, they are defensive measures which will only serve to prolong the social agony, but can solve nothing definitively. Similarly, the foreign policy will exhaust itself, if it is restricted to the limited focus of expanding foreign markets which are themselves in a state of deterioration.

Thus, both economic and foreign policy must focus on convoking a New Bretton Woods conference, while also backing the international efforts of U.S. Presidential candidate LaRouche to transform the enormous Eurasian region into a motor for world development.

Between now and 2005, the goal therefore must be the launching of a new world financial system, instead of the economic submission that the FTAA signifies.

Euro Council Votes Up Italy's 'New Deal Plan

by Claudio Celani

The European Council, comprised of the European Union's heads of state and government, has given Italy the go-ahead for its proposal to implement a "European New Deal" infrastructure investment plan. Starting July 1, Italy will take the rotating presidency of the European Union for six months, and will work to have the plan fully in place by the end of the semester. The Italians, as we reported last week, plan to have the "New Deal" proposal officially approved by the next meeting of the economic and finance ministers of the EU (Ecofin) in mid-July, and finally adopted by the European Council's next semi-annual meeting in December. During that period, the technicalities and practical aspects of the proposal shall be worked out by the European Commission.

If things stay on schedule, by the beginning of 2004, a European Investment Facility will be established—under the umbrella of the European Investment Bank—which, according to Italian Finance Minister Giulio Tremonti, will be able to finance about 70 billion euros of infrastructure projects yearly. Such investments will be off-budget, not increasing public deficits of EU member states and thus formally respecting the Maastricht Treaty "Stability Pact." In its substance, however, it is a reversal of the no-growth trend established with the 1989 Maastricht Treaties. "We must open a new phase in the conduct of economic policy in Europe, focussed on growth," said the Rome government in its official program for the EU semester.

This development is a major victory for the LaRouche movement in Europe, which has campaigned for such a European-wide infrastructure program, especially in transportation, since LaRouche issued his "Productive Triangle" program in 1989, and which has promoted the "New Deal" approach of Franklin Roosevelt.

Policy Fight Still On

However, this shift will not occur without overcoming political and ideological opposition. Already the official conclusions of the European Council meeting in Thessaloniki, Greece (June 19-20), although giving the green light to the Italian initiative—known as the Tremonti Plan—fell short of fully acknowledging it. The Conclusions reads: "The European Council notes the Commission's intention to launch an initiative in cooperation with the European Investment Bank to support growth and integration by increasing overall investment and private sector involvement in TENs [Trans European Networks] and major R&D projects, and in this con-