

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 barium 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

organizing for a new world economic order. Peruvian Foreign Minister Miguel Angel de la Flor, for example, issued a call for a global Third World debt moratorium in February 1976 at the pre-Colombo conference of the Non-Aligned in the Philippines. Guyana's Foreign Minister Frederick Wills went before the United Nations General Assembly in September 1976 to demand an end to the bankrupt Bretton Woods monetary system, to propose a new international development bank and to insist: "We cannot afford to mortgage the future of unborn generations to the obligations of burdensome capital repayments and crushing debt servicing. The time has come for a debt moratorium."

But the developing-sector countries that fought for a new economic order were picked off one by one, as the financial oligarchs of Geneva, London, and New York dispatched their hatchetmen like Henry Kissinger and Raul Prebisch of the Economic Commission for Latin America (ECLA). Ibero-America lacked the kind of economic security pact which could have defended those nations' economies from attack.

Just days after de la Flor's call for Third World unity and a debt moratorium, Henry Kissinger arrived in Lima to threaten the Morales Bermúdez government with U.S. support for a Chilean invasion of Peru if Lima did not abandon its orientation. One month later, Morales Bermúdez announced an abandonment of the country's pro-development foreign policy in a major address to the nation. Guyanese Prime Minister Forbes Burnham similarly yielded to Kissingerian blackmail and dumped Foreign Minister Wills within months of the latter's United Nations speech.

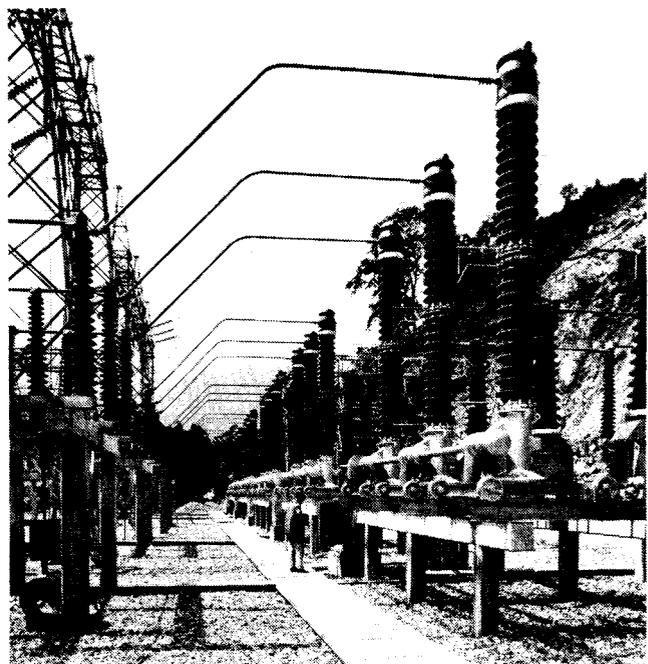
To counter LaRouche's IDB proposal, Kissinger launched his scheme for an International Resources Bank that would put up the Third World's natural resources as collateral for loans.

Argentine monetarist Prebisch simultaneously maneuvered from within, using his influence in the United Nations to contain the continent's pro-development initiatives. When banker Felix Rohatyn later answered LaRouche's July 1982 "Operation Juárez" initiative for global debt renegotiation with his own proposal for a debt "stretch-out" based on attaching the debtor nations' assets, Prebisch leapt to embrace the "Rohatyn Plan" by name.

Quito: a turning point

Today's aggravated state of collapse of the economies of Ibero-America under the burden of their unpayable foreign debt, plus the growing enthusiasm for LaRouche's proposals, led to the January 1984 Latin American Economic Conference in Quito, Ecuador, sponsored jointly by SELA and ECLA. Expectations that a "debtors' cartel" would come out of the heads-of-state summit were dashed, largely due to the efforts of Prebisch and his buddy ECLA president Enrique Iglesias, both on the scene.

However, the Quito conference did succeed in establishing a common consensus regarding debt repayment terms, as well as a series of "common market" agreements which ranged



Colombian Information Service

The integration of Ibero-America will create the basis for economic expansion. Shown is a hydroelectric works in Colombia.

from guaranteeing the continent's food security to promoting multilateral energy projects and intra-regional financing mechanisms for expanded trade.

- **On the debt:** "In renegotiating foreign debt, income from exports should not be committed beyond reasonable levels that are compatible with the maintenance of adequate levels of domestic productive activity. . . . Formulas should be adopted to reduce debt service payments, through a drastic reduction of interest rates, commissions and service costs. . . . It is necessary to agree on payment schedules and due dates that are substantially longer than at present. . . ."

- **On intra-regional trade:** "We agree that it is indispensable to perfect and expand the coverage of the existing systems of reciprocal payments and credits in the region, [including] . . . a significant reduction in the use of convertible currencies for intra-regional transactions of goods and services, to design and implement financial mechanisms to facilitate trade within the region, to develop new intra-regional instruments to facilitate exports within the region and to third countries. . . ."

- **On subregional financial institutions:** "Provision in common of Latin American resources for projects of shared interest should be permitted by appropriate legal instruments to flow in the form of capital and technology through co-investment mechanisms with the participation of national and subregional financial institutions and regional and extra-regional businessmen or investments."

- **On energy:** "Promote new energy cooperation agreements and identify multinational energy projects which would give impetus to integration among the region's countries."

Documents of the de la Madrid trip: Five presidents look to integration

Excerpts from the joint communiqués, presidential toasts, and press conferences offered throughout Mexican President Miguel de la Madrid's Ibero-American tour:

March 27



Joint Communiqué of Colombia and Mexico: The presidents noted the open rapport which exists between the two governments and in order to strengthen and expand this they decided to establish a permanent mechanism of consultation for topics of mutual concern . . . in order to approach regional problems and promote a more effective

definition of positions in the face of the great challenges of our time. They indicated that this prospect makes it necessary to find a new approach to the relations between Latin America and the industrialized nations in this hemisphere. . . .

They renewed their appeal to the [Central American] area countries to fulfill the political commitments made within the framework of Contadora and adopt the juridical agreements and positions that will develop these commitments and guarantee their suitable fulfillment and enforcement. They also exhorted the states that exert political influence and provide military supplies to the area to abstain from carrying out actions that intensify the existing antagonisms, and instead lend their effective cooperation to the peace process. . . . They also agreed that appeals should be made to obtain international solidarity on behalf of Central America through economic and technical cooperation, in order to alleviate the social situation in the area.

In reviewing the regional economic situation, the heads of state acknowledged that the developed countries' insufficient efforts at cooperation with the regional countries limit the scope of Latin America's actions in response to the crisis. They thus agreed on the need to favor closer ties among the Latin American countries and to endorse the efforts made to

achieve coordination, economic cooperation, and integration, as these are the essential objectives of the various integration groups and attempts in Latin America. They reiterated their political support for the Latin American Economic System (SELA), the principal organization for regional coordination and cooperation, and agreed to collaborate actively to strengthen the system and its various action committees. Special mention was made of the support that the two presidents have given to the activities carried out by the Aid Committee for the Economic and Social Development of Central America (Cadesca). . . . The two presidents referred with satisfaction to the results achieved at the Latin American Economic Conference held in Quito. They agreed that this event had implemented the Ecuadoran president's initiative to draft proposals aimed at reducing Latin America's external vulnerability. They also feel that the declaration of the Quito Action Plan represents a new starting point for Latin American cooperation.

The two presidents acknowledged the need to increase bilateral cooperation in the industrial sector given the complementary nature of their economies. For this reason, they advocated the creation of joint enterprises, the establishment of co-investment funds, and greater contact and cooperation between the two countries' public enterprises. They also expressed their satisfaction over the agreements reached recently for the supply of coal to the steel industry. . . . They also said that they are interested in establishing a working group that would include the participation of Brazil to conduct feasibility studies for a trilateral project for the exploitation of coal for heating in Colombia. They emphasized the importance of the project to link the electrical systems of Mexico, Central America, and Colombia, agreeing to create a working group to review the project in conjunction with the IDB [Inter-American Development Bank] and ALADI [Latin American Integration Association].

In acknowledging the importance of developing scientific and technological fields on an autonomous basis for the overall expansion of their economies, the presidents reaffirmed their desire to give priority treatment to bilateral cooperation

in these areas. In this context, they agreed to promote the realization of joint programs and projects in the field of engineering, agriculture, forestry, management of natural resources, and hydroelectric energy. Regarding hydroelectric power, they concluded that it would be suitable to promote concrete projects between the corresponding government entities.

The two presidents emphasized their belief that culture, defined as the origin and reflection of the national self, is a dimension inseparable from the process of development, in that it strengthens the independence, sovereignty, and identity of nations. They agreed that the similarities of the two peoples are based on the concept of Latin American unity and that the paths toward bilateral understanding and cooperation arise from the understanding of this concept.

March 29



Speech of Brazilian President João Figueiredo at Itamaraty Palace honoring de la Madrid: Thanks to Mexico's initiative, along with Colombia, Panama, and Venezuela, the Contadora Group's negotiations were set in motion. In view of the human and social scope of the regional antagonisms, Contadora opens the path for

balanced and stable solutions based on the continent's best diplomatic traditions. . . . The Contadora Group's spirit is also reflected in the creation, within the SELA, of the Cadesca, a happy Mexican initiative that appears to be the indispensable economic complement to the regional diplomatic and political action.

I hereby want to mention the remarkable task that Your Excellency, at the head of the Mexican government, is carrying out to recover your country's economy. Despite the sacrifices it entails, we Brazilians have made a similar effort. However, this effort—the price of which is well known by our peoples—will only yield the desired results if the developed countries show a more constructive attitude. So far we have seen very little in this regard; therefore, we must strengthen our efforts to establish an international economic order that will be more just, balanced, and in keeping with the legitimate and inalienable aspirations of developing countries. . . .

The Latin American Economic Conference held in Quito in January was an event of great significance. By adopting measures for coordinated action, the countries represented at the Quito conference revealed their awareness that, in view of the challenges which the world economy imposes on us, only cooperation and the rationalization of efforts will allow the current crisis to be tackled effectively. Today I reiterate Brazil's determination to support the initiatives that may stem from the Quito conference either on the relationship with the developed world or on the impetus to intraregional cooperation and commerce.

April 4



Joint Communiqué of Argentina and Mexico: The presidents of Argentina and Mexico, Raul Alfonsín and Miguel de la Madrid, today ratified their commitment to promote effective measures with an eye to finally achieving complete nuclear disarmament on a nondiscriminatory basis and reaffirmed the need for Latin American integration. . . . On asserting the independent nature of the foreign policies of their countries, the two presidents warned that the confrontational policy of the blocs is a threat to humanity and that it is an attack against the aspirations of the self-determination and democracy of nations. . . .

[Support for principles of nonalignment and the role of the Contadora Group]

[Concern for state of the world economy]

In regard to bilateral relations, the chiefs of state mentioned efforts made to stabilize and reinvigorate their respective economies and expressed their political will to significantly expand bilateral economic cooperation between Argentina and Mexico. . . .

The two presidents were gratified by the agreement on counterbalanced trade programs and considered their rapid implementation as fundamental for the attainment of common commercial objectives. They also expressed their satisfaction over the signing of an agreement for supplying grains and other agricultural products, and agreed to support efforts toward the substitution of extraregional imports. As for economic and technological cooperation, areas of common interest will be pinpointed so that agreements can be signed and a bilateral information system can be established.

The two presidents talked about mutual cooperation projects to undertake studies in the area of oil, ports, food, telecommunications, electronics, computer science, and others. . . . It was agreed that the Argentine Central Bank and the Mexican National Foreign Trade Bank should, as soon as possible, establish reciprocal credit lines for as much as \$50 million for export financing. . . .

April 5



De la Madrid to Venezuelan Congress: Peace is the patrimony of mankind. Let us not leave it in the hands of those who endanger it to justify their strategic defense. . . . In the basin surrounded by Venezuela and Mexico we have the political fragility and economic and social backwardness of our Central American brothers as an urgent call to our Bolivarian conscience. . . . We are actually between the end of one war and the beginning of another [and this] is the essential content of the global crisis that afflicts us.

April 6

De la Madrid speech to SELA in Caracas: In the past few days, through direct contact with diverse sectors of Latin America, I have fully confirmed that our countries must consolidate their common actions, extending the borders of political cooperation and accelerating the path of integration above all differences. . . . Despite the destructive effects of the crisis which in disproportionate form affects the developing countries, the resistance to change continues, the unilateral measures of adjustments in important industrialized economies continue, international economic cooperation remains stagnant and the traditional mechanisms of negotiation continue prisoners of inadequacy. . . .

[We must] insist on the negative effects of spiraling interest rates, in the retraction of net financial flows to the region, the broadening of the protectionist sea that prevents the access of our products to the industrialized countries, of the high costs of the technologies which obstructs the diversification of the Latin American economies. Not to overcome these phenomena means to condemn Latin America to stagnation, if not regression. . . . We cannot, and now less than ever, underestimate the organisms and forums for Latin American cooperation that have forged long and fruitful periods of fraternity and integration. . . . The good or bad functioning of these regional institutions is but the reflection of our desires or limitations.

April 7

Joint Communiqué of Venezuela and Mexico: [The presidents] resolved to establish an institutional and permanent framework of consultation that would allow them to systematically and regularly evaluate bilateral relations and jointly examine the main aspects of the regional and world situation. . . . They declared that the conflicts and growing tensions and the serious economic difficulties that dominate the world scene make even more necessary that their countries, with the other Latin American countries, promote initiatives and actions that favor political understanding and global economic negotiations. . . .

[Need for permanent mechanisms of consultation between the two nations and regionally; support for Quito initiatives]

The presidents attributed special significance to the financial cooperation that their countries, together with Brazil and Colombia, recently provided to Argentina. Such an exceptional initiative reflects the solidaristic capacity of the Latin American countries and should bring the international community to take urgent and realistic measures, in accordance with the essential development requirements of the debtor nations.

On the one hand, they reiterated the necessity of restoring net [capital] flows for the financing of development under adequate conditions. On the other, they reaffirmed, as noted in the Quito Action Plan, that flexible and realistic criteria for the renegotiation of the debt are required, including terms,

grace periods, and interest rates compatible with the recovery of economic growth. Only in this way can the continued payment of debt service be guaranteed.

The presidents noted with concern that bilateral trade has fallen in recent years, despite the opportunities for trade and possibilities for complementarity that exist. Desiring not only to correct this situation, but to assure the growth, diversification, and dynamic equilibrium of interchange, they agreed to adopt, in the framework of economic cooperation between both countries, a commitment to give reciprocal facilities and avoid restrictive measures that affect trade flows. . . .

At the same time, they agreed to encourage a growing trade, establish programs of compensated trade, defined by the commercial authorities of each country, based on lists of suggested products by the respective business sectors. These programs, with adequate financial support, would permit the more rational use of available foreign exchange. They agreed that it was indispensable to perfect and broaden the coverage of the Contract of Payments and Reciprocal Credits among the Central Banks, as a function of the needs of trade of goods and services between both countries. After noting the areas of complementarity that exist, they stressed the possibility of carrying out joint investment efforts in areas of common interest—among others, iron alloys, and non-iron minerals.

In the face of the contraction of intra-Latin-American trade in recent years, the presidents viewed as positive the initiative to establish Unilateral Regional Preferential Tariffs for the countries of ALADI and others of Latin America, given without demand of reciprocity. The degree of preferential treatment, determined as a function of the level of development and of participation in subregional integration schemes, should be such as to effectively encourage the channeling of trade flows toward the region and to facilitate the common objective of broadening and diversifying trade in the area.

The presidents noted that their governments, aware of the reality of the problem of drug trafficking and of its international ramifications, will adopt joint measures to coordinate the war against drugs and to promote a concerted international effort in this regard. They will establish acts of technical cooperation in this regard. . . .

April 7



Joint Communiqué of Mexico and Panama: President Illueca thanked the Mexican president for his report and stated that the trip he is concluding in Panama is a valuable contribution to Latin American efforts in the search for formulas with which to solve their problems. The two presidents carefully examined the situation in Latin

America and reached the conclusion that under the current circumstances, characterized by the economic crisis and the process of change, favorable conditions have been created to

promote Latin American cooperation toward areas of open understanding and political unity. These conditions, aside from being answers to the mutual aspirations for unity, allow for the consideration of joint positions and the adoption of coordinated actions toward the problems faced by the region in its international relations, insofar as its most pressing political challenges and matters that decisively influence economic and social development are concerned.

In view of this the presidents stated that they have a duty to continue strengthening political and economic cooperation through the appropriate Latin American organizations. They reiterated their full support for the SELA and the OLADE [Latin American Energy Organization], organizations they believe are essential for this cooperation. The presidents also reiterated their resolute support for the objectives of economic integration as the main instrument to achieve regional unity. . . . They stressed their belief that strengthening regional solidarity is a very important factor in the efforts to consolidate the Latin American capacity for joint negotiation. The two presidents renewed their support for the results of the Latin America Economic Conference.

April 10



Speech of de la Madrid to the Mexican people: This visit is an indication of the high priority that we give to our relations with Latin America. . . . We recognize that our brother countries and the countries I have now visited have a specific and very important weight in the region as a whole. Together with Mexico, these countries—

Colombia, Brazil, Argentina, Venezuela, and Panama, represent 78% of the territory of the area and 75% of the population. Their economies represent 77% of the total of the region.

The foreign policy of the countries visited, I am happy to confirm for you, coincides with the principal objectives of our foreign policy: We pursue the same objectives; we see problems with an analogous view; we have the political will for reciprocal cooperation, and we also agree on concrete formulas, in the mechanisms we must use to give real and concrete content to our attitude. . . .

[Review of Central American crisis, generalized support for Contadora, importance of Cadesca in solving Central American crisis]

[Review of economic crisis in Latin America shared by all]

We governments of Latin America recognize that the primary task [to solve economic crisis] belongs to our nations. We don't presume that all the blames lies abroad, nor do we believe that the solution to the crisis must come from abroad. . . . Mexico agreed with the countries it visited that there is much on which we can collaborate among ourselves, through increase in our trade relations, the complementarity

of our economies, advances in the economic integration process, and reciprocal technical assistance.

Therefore, with all the countries [visited], we approved or reinforced agreements toward these ends, designating specific areas of collaboration with each one. . . . I want to simply mention as an example, and at the risk of forgetting some projects or some ideas that were included in the joint communiqués or in the agreements that we signed, that with Colombia we elaborated more flexible mechanisms for financing and paying for exports in both directions, more dynamic links between the businessmen of both countries, mixed investment projects, supplies of Colombian coal to Mexico, including the project for a company with participation of both Brazilian and Mexican capital, a great project . . . of electrical grids between Colombia, Central America, and Mexico. Colombia has enormous hydroelectric potential which it cannot absorb in the foreseeable period, and it could therefore generate electrical energy and transfer it throughout the Central American isthmus, beginning with Panama, and could, through another series of projects that could be generated on the Central American isthmus, increase the electrical supply for our country. In Colombia we also discussed mixed fishing programs, and programs of technical cooperation and of engineering services. . . .

In Brazil we formulated a working program of economic cooperation for the years 1984 and 1985, emphasizing the need for greater interchange to achieve a better trade balance. The balance is now to Mexico's favor. The Brazilians asked us to buy more. . . . But we also realized that there are broad areas to complement industrial sectors. Our economies are not merely competitive. Although our industrial development has parallels, there are also differences and there are certain areas where we could reciprocally benefit, principally in capital goods and in technology interchange.

With Argentina a general agreement of economic cooperation was approved; a working program for 1984 and 1985 was also formulated; including tasks in the areas of trade, financial cooperation, economic complementarity, transport, tourism, planning, and scientific-technical cooperation. An agreement for the supply of grains and other agricultural products was produced; also negotiations were begun for the purchase of Mexican fertilizer on Argentina's part. . . . We also discussed various areas of industrial complementarity.

In Argentina there was an express and special recognition of the support that Mexico lent, along with Brazil, Colombia, Venezuela, and the United States, to overcoming the emergency situation of interest payments due on its foreign debt. . . . Of course, we have in this another example in which we help other countries but also help ourselves. It is an operation of solidarity, but not of charity. It is an operation of common and reciprocal convenience. . . .

The Latin American countries agreed on the necessity of coordinating our viewpoints toward the industrialized countries, and of negotiating with them the solutions that our peoples need. . . .