

glo-American oligarchy, which seeks to impose a new Roman Empire, a post-modern version of a new Roman Empire. This utopian faction began to emerge in its contemporary form, most clearly, as of 1971, when President Richard Nixon destroyed the world financial system, which was the cause of all the economic misfortunes the world faced for the next 30 years. August 1971, the breaking of the Bretton Woods agreements, launched an era in which the world political system of sovereign nation-states could not coexist with, was not compatible with, the floating exchange-rate system.

These are two essentially exclusive, essentially incompatible systems, because monetary controls and the emission of credit and money are attributes of the nation-state—perhaps the most important attributes of the nation-state—since money and credit are as important as having an army. They are symbolic expressions of the national wealth, of the growth of national wealth and of the national esteem of its citizens. This began to become corrupted, and we can see it in its exaggerated form in the Argentine situation, where basically the dollar was adopted as their own currency, and at that moment, it became clear that the limit had been reached in the process of dissolution of that nation-state. . . .

And so, in 1982, we saw the beginning of this painful process, which identified for us who were friendly forces, and who were the enemy forces. It is interesting that, while we did not know [Argentina's Col. Mohamed Alí] Seineldín, who was in combat at the time, we in Mexico were waking up to a very real sense of international life, because up until that time, we had been concerned only with Mexican politics. Yes, we had the mission to save the sovereignty of Mexico, but we paid little attention in reality to how we were going to defend the sovereignty of Argentina or of Brazil.

And so, with the Malvinas War, with the campaign that LaRouche led, the huge worldwide mobilization that he headed, we were given a responsibility that we couldn't have imagined: We were taken off the farm and told, "Look, this world is more complicated than you ever imagined." And so, the mobilization was born. And so, too, later in that same year of 1982, *Operation Juárez*, the mission for Ibero-American integration which later led us to the creation of the Ibero-American Solidarity Movement.

The enormous mobilization in favor of Argentina launched us into South America, because LaRouche was the only politician who, from inside the United States, came out in defense of Argentine sovereignty, taking as his argument the Constitutional precepts of the United States itself. Today, we have in this meeting, a large number of the protagonists of that unique year. Seineldín was fighting on the [Malvinas] Islands; LaRouche was defending a principle with an unprecedented mobilization; and later, President José López Portillo joined that fight in defense of the sovereign nation-state.

We stayed in contact with President López Portillo, and he had the patience and kindness to receive politically immature youth, and to tell them that they had to ready themselves to govern the country—which was repeated to us several times.

We took it as encouragement, but not yet as a concrete responsibility. . . .

The problems we face today are not going to be resolved merely by the ideas of a seminar, or with the ideas of an elite. These ideas are guidelines, but war is won by logistics, by the improvisation of each one of the individuals who confronts the enemy. The responsibility lies within each one of you. Governments that are today aligned with globalization will fall, destroyed by the very process of the crisis. If we assume the responsibilities that lie before us, we can transform the painful defeats of 1982 into a strategic victory, which we will be able to record for all posterity.

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Marivilia Carrasco

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## We Are in the Final Phase of the System's Disintegration

*Marivilia Carrasco, president of the Ibero-American Solidarity Movement (MSIA) of Mexico, gave this speech on Aug. 23, 2002, on the second day of the seminar "Mexico-Brazil-Argentina: The Hour of Integration; March Towards a New Bretton Woods." The speech has been translated from Spanish.*

I am going to present to you a picture of how we are definitely in the end phase of the disintegration of the current international financial system, and of the policies associated with it which have been implemented over the past 35 years. This picture must be viewed from the standpoint of what has happened in Mexico, Brazil, and Argentina, a joint view of these three countries, which demonstrates that this crisis in fact is also a window of opportunity for achieving integration.

We can scientifically prove that the conditions exist for a qualitative change in the economic situation, as long as there is a political movement to achieve integration, because change will not occur unless we are capable of intervening in the regional and global strategic situation. This is the purpose of holding this seminar. And so, we will also present a picture of the disintegration of the U.S. bubble, and its effects on the real physical economy.

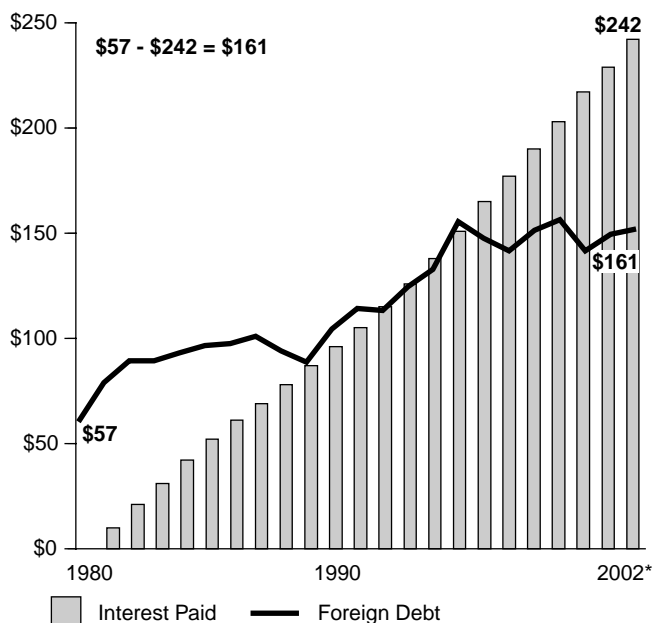
I will begin with a figure that shows what everyone knows as "bankers' arithmetic." It is very clear that those of us who learned to add 2+2, did not use the arithmetic of bankers, who add and subtract in an incomprehensible, irrational, and absurd way.

The most recent research we are using is that of my col-

FIGURE 1

### Mexico: Bankers' Arithmetic

(Billions \$)



\* Projection

Sources: Mexican Finance Ministry; World Bank; *EIR*.

league and friend Ronald Moncayo, together with Dennis Small of *EIR* magazine. Earlier such studies were prepared by Dennis, along with my colleague Carlos Cota Meza, of the MSIA executive committee, who died on March 21 of this year, and who would have liked nothing more than to participate in this event, at which we today honor his memory.

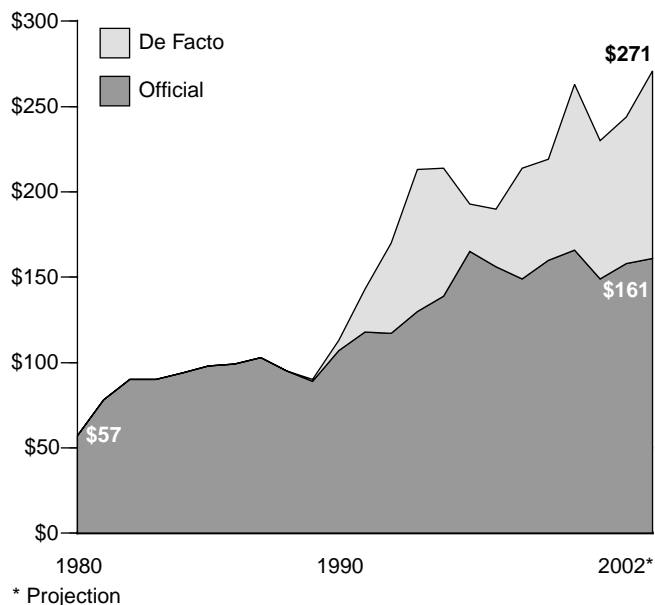
**Figure 1** describes cumulative interest payments, from 1980 through the first six months of 2002, and Mexico's official foreign debt. We owed \$57 billion in 1980, and we have paid \$242 billion in interest since then, but we still officially owe \$161 billion:  $57 - 242 = 161$ ! It is said that Mexico's official foreign debt is \$161 billion—public and private foreign debt, that is—although that is not the real de facto foreign debt. The figure shows cumulative interest payments, not amortization, according to World Bank sources, and that equals \$242 billion (which is four times the original debt). But the current official debt of \$161 billion is three times the original debt. The official debt includes government and private sector debt owed to the multilateral institutions, governments, and private international banks.

**Figure 2** shows the real foreign debt of Mexico. On top of the official foreign debt of \$161 billion, Mexico has an additional de facto foreign debt of \$109 billion, which includes a certain amount of government bonds (Cetes). Although denominated in pesos, some of these bonds are in the

FIGURE 2

### Mexico: Real Foreign Debt

(Billions \$)



\* Projection

Sources: Mexican Finance Ministry; 2002 State of the Union, Mexico; Mexican Stock Exchange; World Bank; *EIR*.

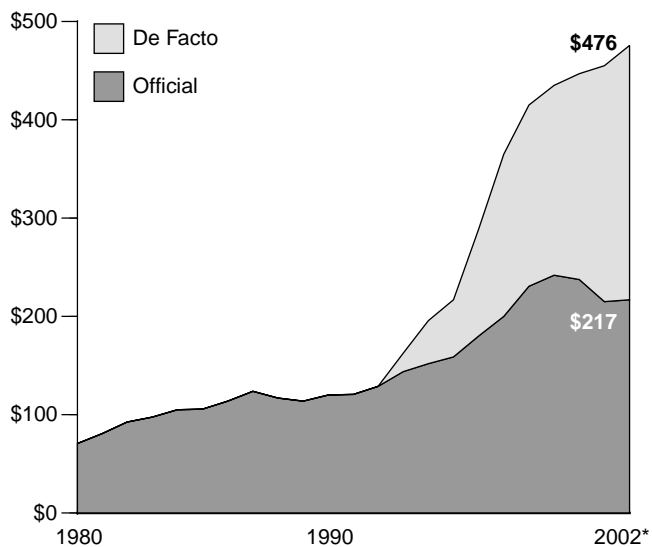
hands of foreigners and are therefore de facto foreign financial obligations. The de facto debt also includes foreign investment in the stock market, and the so-called *Pidiregas*, which are financial obligations that, while not formally loans to the government, nonetheless commit the government's debt-carrying capacity. The government claims it has reduced and stabilized the foreign public debt by approximately \$80 billion over the last few years. It is true that the portion of the public foreign debt held by multilateral agencies and foreign governments has been reduced, but that has not reduced the total real foreign debt, because new financial obligations have been contracted in the form of IOUs, the *Pidiregas*, to which we will return later.

Brazil's situation is comparable, as can be seen in **Figure 3**. The government acknowledges \$217 billion as the official foreign debt; however, the de facto foreign debt of Brazil, according to our calculations, brings the total real foreign debt to \$476 billion. Brazil is facing an explosive situation, similar to the bubble that burst in Mexico in the form of dollar-denominated government bonds, the *Tesobonos*, in December 1994. The dollarized domestic debt, which de facto becomes foreign debt, is \$259 billion in Brazil. We will return to this, as well.

In **Figure 4**, the real foreign debt of Argentina, Mexico, and Brazil is compared. Argentina has a real foreign debt of \$242 billion; Mexico's is \$270 billion; and Brazil's is \$476 billion. The rate of growth of Mexico's real foreign debt between 1989 and 1994 was 14% a year, on average. In 1994,

FIGURE 3  
**Brazil: Real Foreign Debt**

(Billions \$)

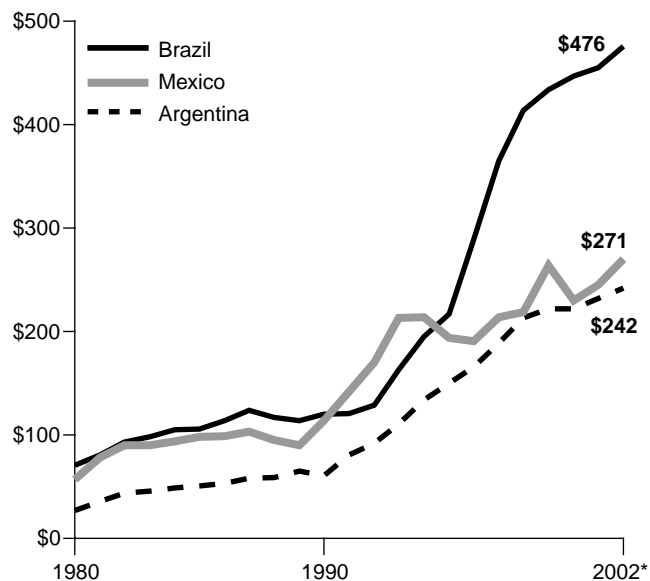


\* Projection

Sources: Brazilian Central Bank; World Bank; *EIR*.

FIGURE 4  
**Real Foreign Debt**

(Billions \$)



\* Projection

Sources: Mexican Finance Ministry; 2002 State of the Union, Mexico; Mexican Stock Exchange; Banco de México; Brazilian Central Bank; INDEC, Argentina; World Bank; *EIR*.

the crisis of the Tesobonos exploded, and Mexico fell into bankruptcy and the entirety of the national banking system disintegrated. The Tesobonos were paid off with emergency foreign loans, which were then covered with a massive contraction of the domestic economy. It is estimated that, in 1995, Mexico paid more than \$70 billion in foreign obligations. So the debt was reduced, but it nonetheless continued to grow at a rate of about 5% a year.

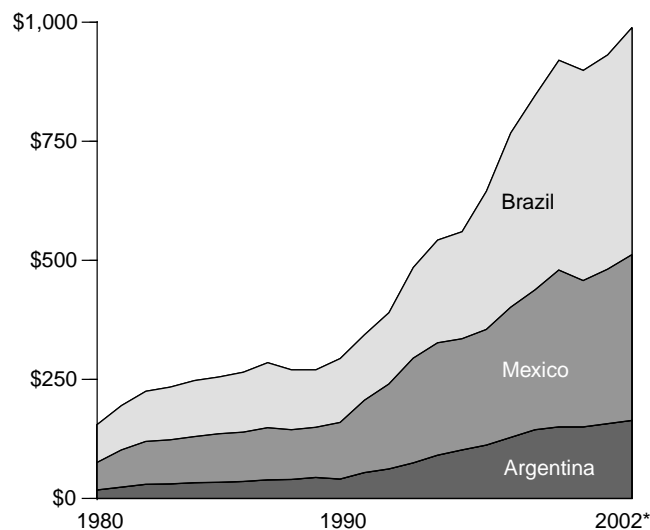
The Brazilian bubble, like Mexico's of the early 1990s, has had an annual growth rate of 12% between 1995 and 2002. The greater part of that indebtedness are the Brazilian equivalent of Tesobonos, the so-called NTN-D bonds, which is the name given to these domestic government bonds, which are denominated in dollars. That is, it is a nominally domestic debt, but in reality, they are foreign financial obligations.

**Figure 5** shows the bubble of the combined real foreign debts of Mexico, Brazil, and Argentina, which adds up to nearly \$1 trillion. Not exactly insignificant; this is an unpayable bubble of \$989 billion which could be defaulted on at any moment.

The growth of the de facto foreign debt of these countries is not the legitimate result of loans for reconstruction or investment, which, once the project matures, are easily payable. No; what we are seeing is the dynamic of looting, plain and simple. The debt grows at the same time that the conditions for repaying it worsen. In the global system, this is leading to a process associated with a collapse function. For example, devaluations of a national currency directly impact the cost

FIGURE 5  
**Combined Real Foreign Debt**

(Billions \$)



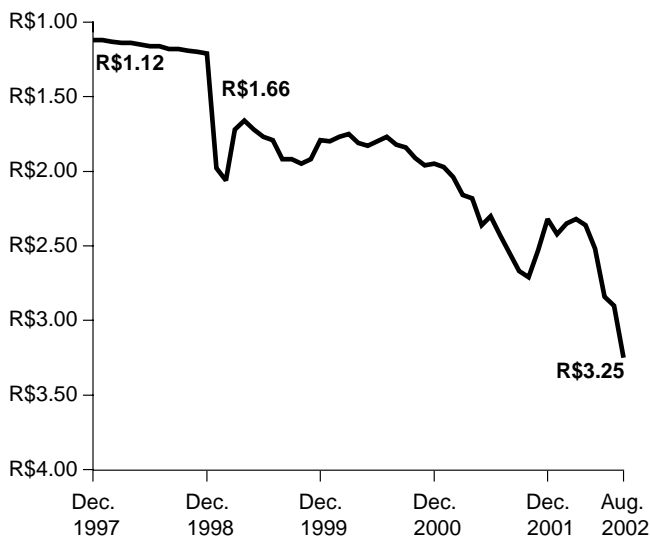
\* Projection

Sources: Mexican Finance Ministry; 2002 State of the Union, Mexico; Mexican Stock Exchange; Banco de México; Brazilian Central Bank; INDEC, Argentina; World Bank; *EIR*.

FIGURE 6

### Brazil: Devaluation of the Real

(reals/dollars)

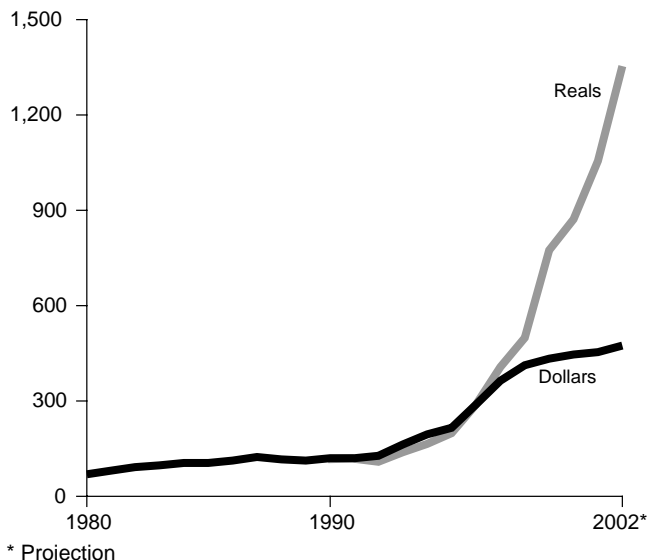


Source: Brazilian Central Bank.

FIGURE 7

### Brazil: Real Foreign Debt

(Billions)



Sources: Brazilian Central Bank; World Bank; EIR.

of indebtedness for that country. The foreign debt, denominated in a foreign currency, usually dollars, grows in direct proportion to the devaluation of the national currency. More national economic resources, which are denominated in the national currency that is being devalued, must be allocated to the debt.

In the case of Brazil, as can be seen in **Figure 6**, their currency, the real, traded at 1.12 to the dollar in December 1997; in the December 1998 crisis, which nearly led to a Brazilian default, the real was devalued by 33%; and currently, the real is worth 30¢. A dollar can now be bought for 3.25 reals. That means an additional devaluation of nearly 50%.

At the time of the 1998 Brazilian crisis, George Soros called for building the now famous “wall of money” to prevent a Brazilian default. The hyperinflationary policy of huge bailouts continues today, and Brazil is being forced to issue its version of Tesobonos, despite the fact that the Mexico case showed how extremely explosive and highly dangerous these are. Today, in the middle of a world financial storm, and following the bankruptcy of Argentina, Brazil is facing deadly pressure against the real.

In Argentina, the value of the peso was maintained at an artificial rate of one to the dollar for 12 years, causing the shutdown of half of the agricultural and industrial plant of the country. The dollar today is at about 3.66 pesos, a devaluation of more than 70% since December 2001.

We show Brazil in **Figure 7**, but the cases of Argentina

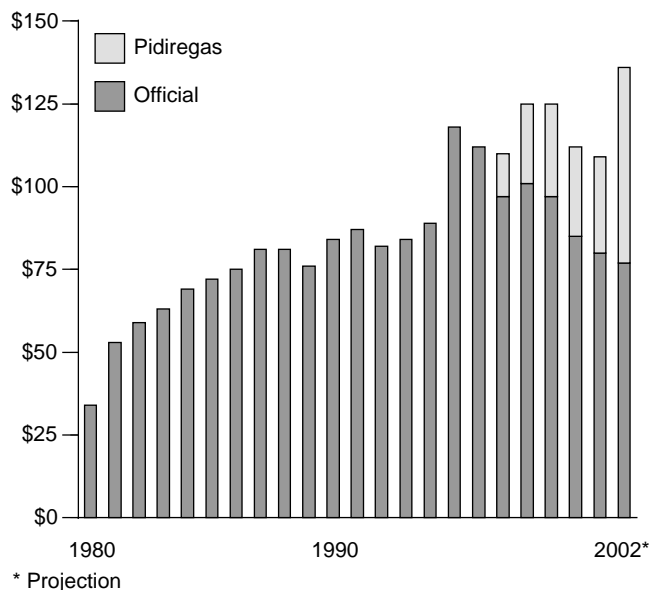
and Mexico are the same: The Brazilian foreign debt, as measured in dollars, is shown against the same debt measured in reals. The gap between the two reflects the magnitude of the looting of the Brazilian economy. The difference has to be paid in real physical terms every time the currency is devalued.

This is the absolutely incredible looting mechanism that was initiated as of Richard Nixon’s 1971 decision to end the fixed-exchange-rate system, and which opened up the global system to currency speculation. This dynamic worsened as of 1982, becoming a truly voracious, destructive, and implacable process, which explains the subsequent deterioration and destruction of the economy and the public institutions, and of the very nations themselves. The line that nations impoverished themselves due to “the corruption of politicians and government officials,” is a cover story for the true corruption of the usury and looting of the international financial system through the foreign debt.

In the real foreign debt of Mexico we have to include the *Pidiregas*. In **Figure 8**, we discover one of the accounting frauds which are used to hide the true magnitude of the real foreign debt. With the idea of deregulating, or in this case piratizing, the energy sector, international financiers hope to apply a model in the oil and electricity sectors, whereby the government contracts with foreign or national companies for the construction and operation of a given facility or plant. The government then gives the company an IOU for the cost of the project, but it also buys up the plant’s product or output at

FIGURE 8  
**Mexico: Real Public Foreign Debt**

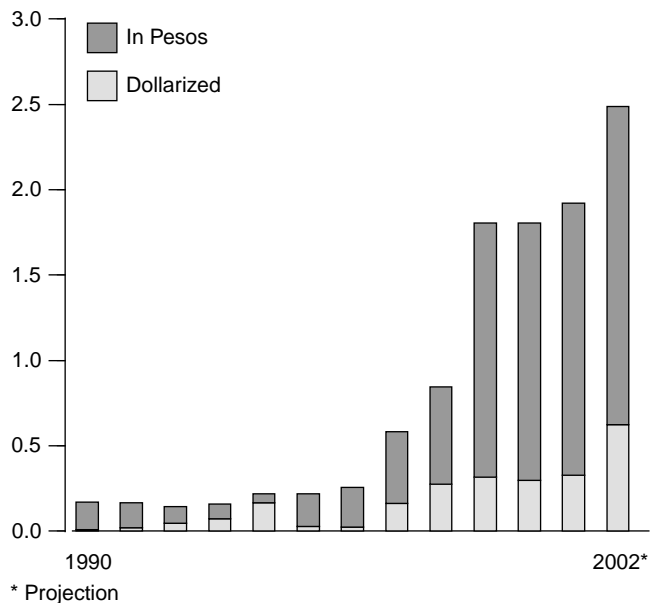
(Billions \$)



Sources: Mexican Finance Ministry; 2001 and 2002 State of the Union, Mexico; Mexican Stock Exchange; Banco de México; *EIR*.

FIGURE 9  
**Mexico: Dollarization of the Public Domestic Debt**

(Billions of Pesos)



Sources: Mexican Finance Ministry; 2001 and 2002 State of the Union, Mexico; Mexican Stock Exchange; Banco de México; *EIR*.

market prices. The IOU is turned into an immediate, de facto debt, although the project may take years to complete. This reduces the government's capacity for indebtedness for other purposes.

This model was chosen to carry out the dogma of deregulation and privatization of energy production, in particular; but it turns out to be more costly for the nation than if the federal government were to make the investments directly. And the actual obligation is not counted as part of the official foreign debt.

The argument that governments haven't the resources for such direct investments is a fallacy, used to justify various means of looting national resources. The government only acknowledges \$80 billion of public foreign debt, but hides the debt of the *Pidiregas*. We estimate that a full 75% of these IOUs are in the hands of foreigners, and thereby constitute de facto foreign debt—in fact, the government itself accounts for the *Pidiregas* at an exchange rate of 10.10 pesos per dollar. This is a good example of unofficial foreign debts, but which are de facto financial obligations of the nation.

**Figure 9** shows the dollarization of the domestic public debt, a mechanism by means of which that debt is turned into de facto foreign debt, because part of the public debt is denominated in dollars. In 1994, Mexico issued the short-term dollar-denominated government bonds, or *Tesobonos*, which over time, with the crisis of 1994-95, were converted

into official foreign debt. The government had to pay \$33 billion in this category alone, while the bankruptcy of the entire Mexican banking system occurred. Mexico no longer issues those bonds, but Brazil does.

In Mexico, however, in absolute numbers, the dollarized portion of the public domestic debt is more than double that of 1994. Today, 25% of the Mexican public domestic debt is either denominated in dollars, or held by foreigners; here, we include *Cetes*, the *Fobaproa* debt [for bailing out the bankrupt Mexican banking system], etc. This amounts to some \$65 billion, while the ability to pay that debt today is worse than in 1995.

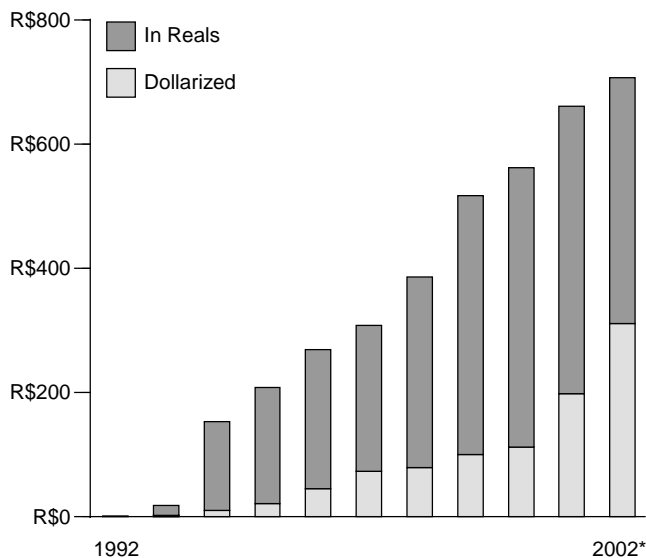
This has paved the way for the dynamic of collapse, in which we see hyperinflation of financial obligations, at the same time that a hyperdepression of the real economy is occurring, from which the resources to pay inflated financial obligations are being squeezed.

Currently, Brazil is even worse off than Mexico. Forty percent of the Brazilian domestic public debt is denominated in dollars, as can be seen in **Figure 10**, due to the existence of Brazilian version of *Tesobonos*, known as *NTN-D*. (One should actually think in terms of *TNT*, rather than *NTN*, because they are truly a time bomb.) The government refuses to admit this, but they are not actually domestic debt: They are foreign obligations.

FIGURE 10

## Brazil: Dollarization of the Public Domestic Debt

(Billions of Reals)



\* Projection

Sources: Brazilian Central Bank; World Bank; EIR.

## Argentina Is Dying

We can see similar statistics in Argentina. Reality, however, is not limited to statistics. As was so correctly stated yesterday by Maj. Adrián Romero Mundani, the moment has arrived in which all these statistics are now translating into horrible reality, into a nightmare affecting flesh-and-blood people. It is a horror show, but if we are truly impassioned about bringing this message to active people—not impotent people, but inspired people, with a will to change—then I am certain that this crisis, the Argentine tragedy, can be used to change the hearts of many people.

In late August, the statistical institution of Argentina, INDEC, issued its latest report, which includes information through May 2002. It acknowledges an official unemployment level of 22%. This report is obviously closer to reality than the statistical fraud perpetrated on Mexicans, where a mere 2.4% unemployment rate is accepted officially. In Mexico, we have masses of unemployed, and 53 million of our 100 million Mexicans are surviving under the most extreme conditions of poverty, but “officially” we have virtually no unemployment.

In Argentina today, it is reported that 53% of the population is already living under the poverty line, while 25% of the population is barely managing to survive under conditions of *extreme* poverty. According to parameters of the United

Nations, the officially “poor” person is one who receives less than \$2 a day, while the “extremely poor” receives less than \$1 a day. There is little difference between the two, in real life. The most impressive fact is that 4 million Argentine children are living below the poverty line, that is to say, they are indigent. Seventy percent of Argentine children under the age of 14 live in poverty. In this light, remember the story that we heard yesterday of the starving child who, just before dying, asked her mother if there was food in heaven.

This is the reality that cries out for divine justice. And thus, I insist on the need to convert this knowledge into a potent message of revolutionary change. If we don’t do this, this society of ours will rapidly lose its capacity to survive. Because these statistics also demonstrate that the forces against which we are battling have no scruples, no limits, and their hearts cannot be moved to change these conditions to allow for the recovery and dignity of the people.

After the Argentine INDEC report was released, they admitted that from October 2001—on the eve of the December bankruptcy—through May 2002, four million more people became poor; that is, 4 million joined the ranks of the unprotected in Argentina. Not only did they admit that the purchasing power of the average wage had fallen 25% in the same period, but they estimate that every four seconds, another person enters the ranks of the poor. They also admitted that there are some places, such as the city of Formosa, where 78% of the population is impoverished.

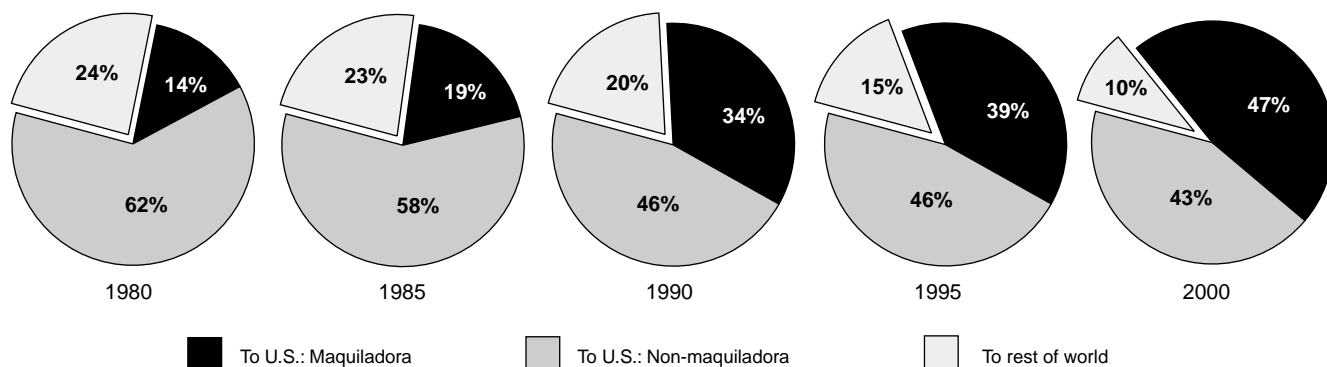
Everything that has been said here, however, has been insufficient to stop the International Monetary Fund’s genocide. Once again, in my experience, I am convinced that what rules these forces’ way of thinking is a genocidal concept. There is an intrinsic evil in their way of conceiving of economics. In contrast to all this, we counterpose the universality and value of the ideas of Lyndon LaRouche regarding what is economy and how to truly measure the economy: relative potential population density.

## Mexico and the U.S. ‘Recovery’

The nature of this crisis is still being debated by some: whether this is a systemic crisis, as we maintain, or merely a cyclical crisis. Some insist that the United States is already on the road to recovery, although there is not a bit of evidence of this. Last week, Mexican President Vicente Fox said that there have already been unequivocal signs of recovery, and predicted, without any basis in fact, that by the end of this year’s fourth quarter, Mexico will be growing by 4% a year. And absurdities of this sort.

It is thus necessary to return to the threat that hangs over Mexico as a result of the inevitable collapse of the U.S. financial bubble. We honor [President] José López Portillo and his 1982 decrees, because these were, for Mexico, the culmination of the fight for its dignity, and so that the nation would no longer be looted. López Portillo resorted to the prerogatives of the Executive branch to impose exchange controls as a barrier

FIGURE 11

**Mexico's Export Dependency on the U.S.**

Sources: Banco de México, INEGI.

against looting, to recover the sovereignty of the Central Bank, to extend control over the national banking system and try to make it function, while surviving the storm. With these measures, he hoped to build a better future.

The administration that succeeded López Portillo imposed IMF measures. It said that it did not seek to attack the industrialization of Mexico, but the country nonetheless entered into a de facto phase of deindustrialization. From 1982 to 1986, an enormous number of industrial jobs were lost. We lost what had been built in the area of machine tools, of capital goods, which is the weakest sector in Mexico, as a result of the Anglo-American veto against the nation's industrialization—the idea that they would never permit another “Japan south of the United States.” The attempt to launch an industrial program truly went against the current.

As of 1982, all of these programs were wrecked, and Wall Street's bankers came to offer us a new model; they told us that now we were going to industrialize with the fraudulent model of the *maquiladoras*. They told us that the *maquiladoras* helped to industrialize Japan, Taiwan, South Korea. These were lies. In fact, neither Japan, Taiwan, nor South Korea industrialized with *maquiladoras*. The *maquiladoras*, rather, were foreign enclaves which had nothing to do with the national economies.

The truth about *maquiladoras* was stated by Milton Friedman, when he stated: “The Free Trade Agreement and the *maquiladora* do not have the purpose of improving the living and wage conditions of Mexicans. Their objective is to reduce the salaries of the population and of U.S. workers.”

The *maquiladoras* represent a form of labor recycling through the use of cheap labor, slave labor deployed against the workers of the advanced sector, a fascist recycling of labor to sustain the speculative bubble.

Mexican President Carlos Salinas said at the time that

“our competitive advantage is cheap wages, cheap labor.”

**Figure 11** shows the absurd dependency that was created in Mexico around the *maquiladora* sector, now being slammed by the crisis in the United States. These figures show Mexican exports from 1980 to 2000, divided into three categories:

1. *maquiladora* exports (almost all go to the U.S.);
2. non-*maquiladora* exports to the U.S.; and
3. exports to the rest of the world.

As can be seen, Mexico has always been very dependent on trade with the United States. In 1980, seventy-six percent of our exports went to the United States, combining the *maquiladora* and non-*maquiladora* sectors, and only 24% went to the rest of the world. Twenty years later, we export 90% of our products to the U.S., and only 10% to the rest of the world. What is the tragedy here? What is scandalous, truly destructive, is that the composition of what we send to the United States has changed qualitatively. Of the 90% we now send to the U.S., half comes from *maquiladoras*.

The dream throughout the 1990s was that the United States would be an eternal importer of the *maquiladora* sector's products. The worst case, among all the countries which are oriented to the U.S. market, is Mexico.

**Figure 12** shows the growth of the U.S. current account deficit. The current account includes the trade deficit plus payment of interest on the debt and other so-called “service payments,” such as insurance. The United States today has an annual deficit of more than \$400 billion, which requires a daily average inflow of \$1.5 billion. This is the deficit to which Lyndon LaRouche referred yesterday, when he indicated that the world model is collapsing, and cannot be saved. The United States has stopped pulling in anything near that amount in investments or sale of government bonds, which is needed to sustain the global model. The global model requires

FIGURE 12  
**U.S. Current Account Deficit**

(Billions \$)

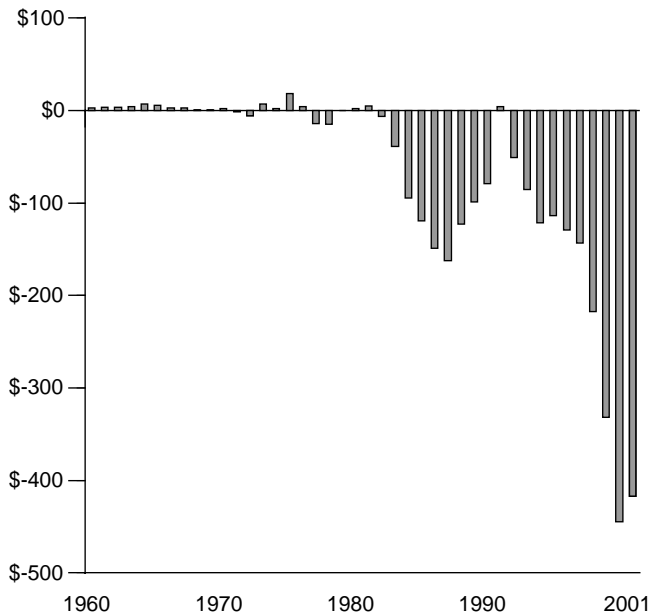
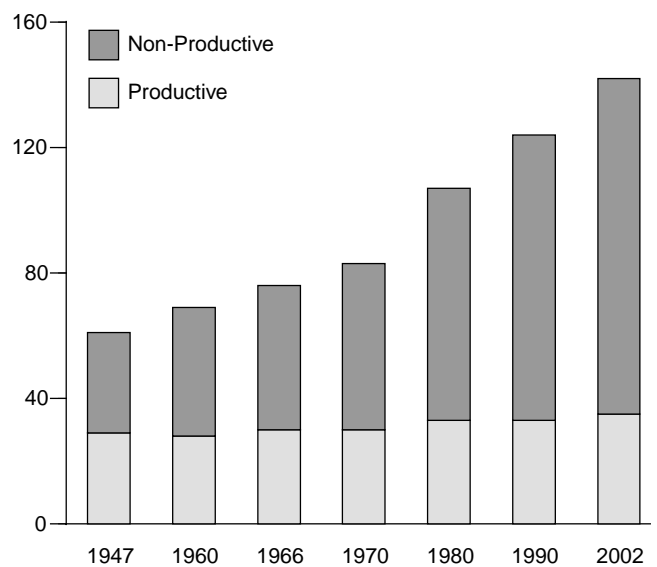


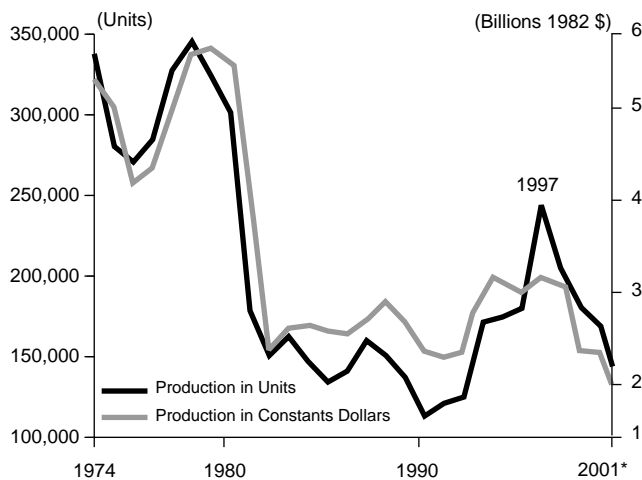
FIGURE 13  
**U.S. Labor Force**

(Millions of Workers)



Sources: Bureau of Labor Statistics, *EIR*.

FIGURE 14  
**Physical Economy: U.S. Machine Tools**

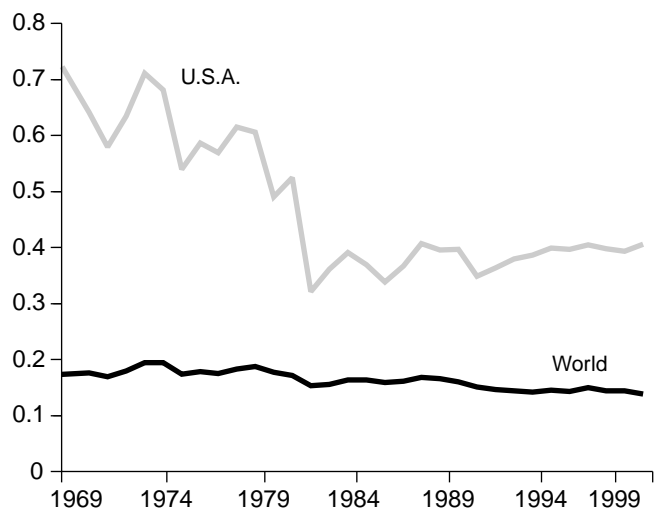


\* projected, based on first three quarters of 2001.

Sources: Association for Manufacturing Technology; U.S. Department of Commerce; *EIR*.

FIGURE 15  
**World and U.S. Steel Production Per Capita**

(Short Tons)



Sources: American Iron & Steel Institute, U.S. Census, *EIR*.

such vast U.S. imports, but its deficit is not sustainable any longer.

To the U.S. current account deficit, one must add the structural crisis of its economy, which LaRouche has studied since

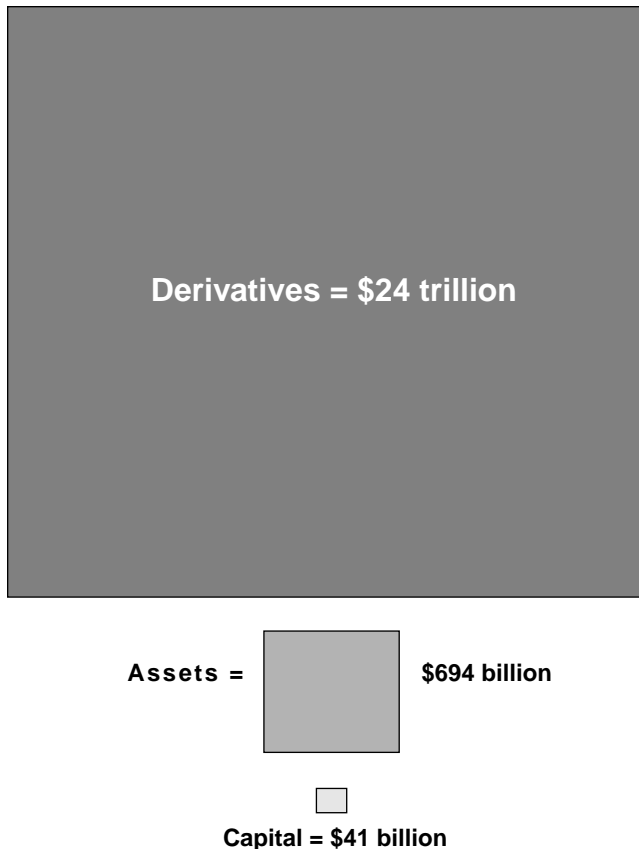
the mid-1970s. The United States slowly lost the role it had won, during and after the government of Franklin Delano Roosevelt, of being the center of industry and prosperity of the entire world. In **Figure 13**, one sees the shrinking of the



FIGURE 16

**J.P. Morgan Chase & Co.**

(As of Dec. 31, 2001)



Source: *EIR*.

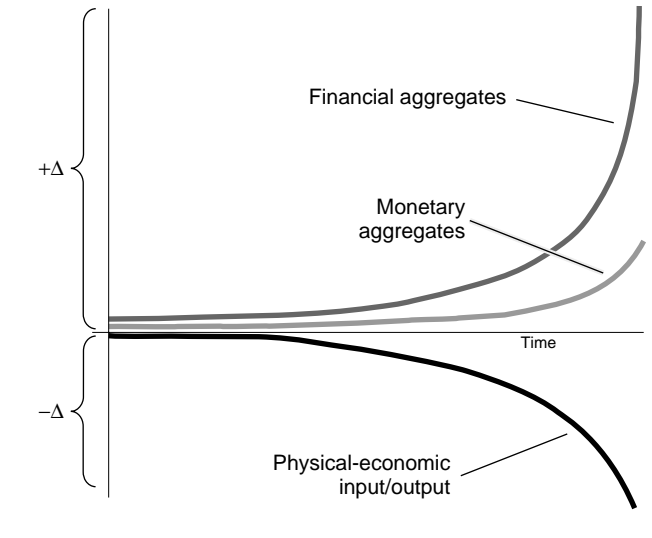
productive sector of the labor force in the post-war period. At the end of World War II, one productive worker was employed for every worker employed in services. Five decades later, there is only one productive worker for every four service workers. This weakness is critical at a moment when the speculative financial bubble is blowing apart. The bubble is, in essence, the entire U.S. economy of the 1990s.

Beyond the looting of other economies, such as that of Mexico, the United States dismantled its own productive capacity. Unlike the 1929-33 crisis, the current one is affecting the United States at the end of a period of more than 30 years of take-down of productive capacity, while sustaining a much larger bubble than has existed in any other moment in history. We are talking about the greatest crisis in modern history, and in the history of the United States.

The decay of U.S. industry can be seen in the machine-tool sector, as shown by **Figure 14**, measured both in physical units and constant dollars. The decline, beginning in 1979, is associated with the administration of Jimmy Carter, who

FIGURE 17

**A Typical Collapse Function**



imposed the high-interest-rate policies of [Federal Reserve Board Chairman] Paul Volcker that accelerated the process of deindustrialization.

**Figure 15** shows what happened to U.S. steel production, another key indicator of the state of the real economy. Without machine tools and steel, you cannot have a real industrial economy. There is less per-capita productive capacity in the United States today, than there was 10, 15, 20, and 30 years ago.

The disintegration of the bubble accelerated in May 2000. From that point to the present, two-thirds of the nominal value of the Nasdaq index has disintegrated. The Nasdaq index is considered the chief indicator of the success of the New Economy. Add to this the megafrauds, the fall of Enron, World-Com, U.S. Airways, etc., which are the best-known bankruptcies of the past nine months.

*EIR* estimates that some \$7 trillion in financial values have been lost in the past two years; some are fictitious fortunes, but some involve countries like Argentina or companies that produce physical goods, European and Japanese as well as American. These financial assets are nonetheless a small percentage of the global financial bubble, which LaRouche estimates at \$400 trillion. That is to say, the worst is still to come. The bankruptcies of Brazil, Mexico, Colombia, Peru, Venezuela, and so forth are waiting to happen.

**Figure 16** shows financial obligations acquired by J.P. Morgan Chase on the derivatives market. In that merger of J.P. Morgan and Chase Manhattan, the consolidated, financial obligations are \$24 trillion, against \$694 billion in assets and \$41 billion in capital. This is the case in which the flea is larger than the dog. Losses of \$700 billion—or \$41 billion—in derivatives, will wipe out the assets and capital of that company, which is already technically in bankruptcy. Further,

J.P. Morgan Chase, in particular, has been slammed by the Enron and WorldCom bankruptcies, as well as by a possible Brazilian default. This explains why the U.S. government so urgently facilitated the \$30 billion IMF loan to Brazil. The object was to save Citibank and J.P. Morgan Chase, not Brazil. And it was done despite the U.S. government having insisted earlier, “Not a penny for Brazil. We will not do any more bailouts, like what we did for Mexico in 1995.”

J.P. Morgan Chase’s financial derivatives represent double the GNP of the United States. That’s the size of the problem that can hit us tomorrow morning when we wake up. This is what LaRouche meant, when he said the worst is yet to come. But what must be understood is that the crisis *has already begun, and no one can stop it.*

The final figure, **Figure 17**, is the famous typical collapse function, designed by LaRouche. This figure reflects the methodology of economic study used, by counterposing the growth of financial aggregates and monetary aggregates, which become a hyperinflation of financial obligations, against the hyperdeflation of real economic values. This is the scientific instrument that we have in hand, and which we have used to prove to you the historic moment we are facing.

Thank you very much.

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Rubén Cota Meza

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## National Development or Jorge Castañeda’s ‘Imperial Maquiladora’

*Presented on Aug. 23 to the Guadalajara meeting. Mr. Cota Meza a leader of the MSIA in Mexico.*

Since the disastrous era of Antonio López de Santa Anna and the wretched imperial design of that puppet of the Holy Alliance, Napoleon III, and the heedless Maximilian of Hapsburg, never in our history has the existence of our nation as an independent and sovereign republic been more at risk than it is today under the co-government of Jorge Castañeda Gutman.

Castañeda’s policies and commitments are to an imperial plan; a plan already well defined by him, of which he has spoken and written publicly, which he has documented, argued for, and issued open calls to other political forces to help bring about. He has already designated the “two axes” of his foreign policy, which are a North American Community, and an Empire of International Law as the “supreme law” of Mexico.

Castañeda doesn’t even bother to disguise his proposals, but presents them crudely under the title of “diplomatic realism.” In the debate on Mexican international strategy, Castañeda says, “two forces are arrayed against each other”; one is “real politics” and the other is “moral politics. . . . The new foreign policy of Mexico is realist; it recognizes the incontrovertible fact that there exists a hegemonic power today, to which we are closely tied by reasons of history, geography, and concrete interests”: the United States, which “occupies a position of undeniable hegemony” (*El Universal*, June 29-30, 2002). Based on the premise of “incontrovertible fact,” and with the “undeniable hegemony” of the United States thus accepted, Castañeda goes on to develop a strategy for annexing Mexico to that superpower.

### The Diplomacy of Anticipated Surrender

Following Vicente Fox’s electoral victory of July 2, 2000, wrote Castañeda in the Feb. 24, 2002 issue of *Reforma*, it was imperative to bring Mexico’s relations with the rest of the world “up to date.” To do this, President Fox established a double strategy. On the one hand, “to give greater depth to our long-term strategic relationship with the United States, which for both historic and geopolitical reasons is—and will continue to be for the foreseeable future—Mexico’s most important partner.”

For “greater depth,” Castañeda understands the creation of “a new set of permanent institutions” in North America, which would “promote prosperity,” while at the same time contributing to Mexico’s achievement of “a successful and definitive transition to democracy.” Specifically, he says one must seek “a new set of permanent institutions that will permit the free movement of capital, goods, services, and people,” which he dubs a North American Community. Such a Community would require designing mechanisms for “resource transfer” from the United States to Mexico, and then, to “strengthen social cohesion and develop infrastructure.” By “resource transfer,” he means opening Mexico’s doors to so-called “foreign investment,” which, according to Castañeda himself, “represents a correct step in the right direction that was taken more than a decade ago.” That is, Castañeda is proposing going further down the path that was traced by [President] Carlos Salinas de Gortari.

Says Castañeda, the North American Free Trade Agreement “was proposed and presented as a means of anchoring the new macroeconomic policies of the United States and Canada.” However, according to Castañeda, the clearest limitations of NAFTA derive from the “typically authoritarian manner” in which the instrument was negotiated. NAFTA “left national sovereignty practically intact,” laments Castañeda, and “this last is crucial,” since “our country should transcend limitations which—in the context of a poorly understood sovereignty—have atrophied its potential for development.” For Castañeda, consolidating democracy “demands that we update that notion of sovereignty,” so that “Mexico commits itself to adhering to supranational rules in exchange