

## The need for an Ibero-American Common Market

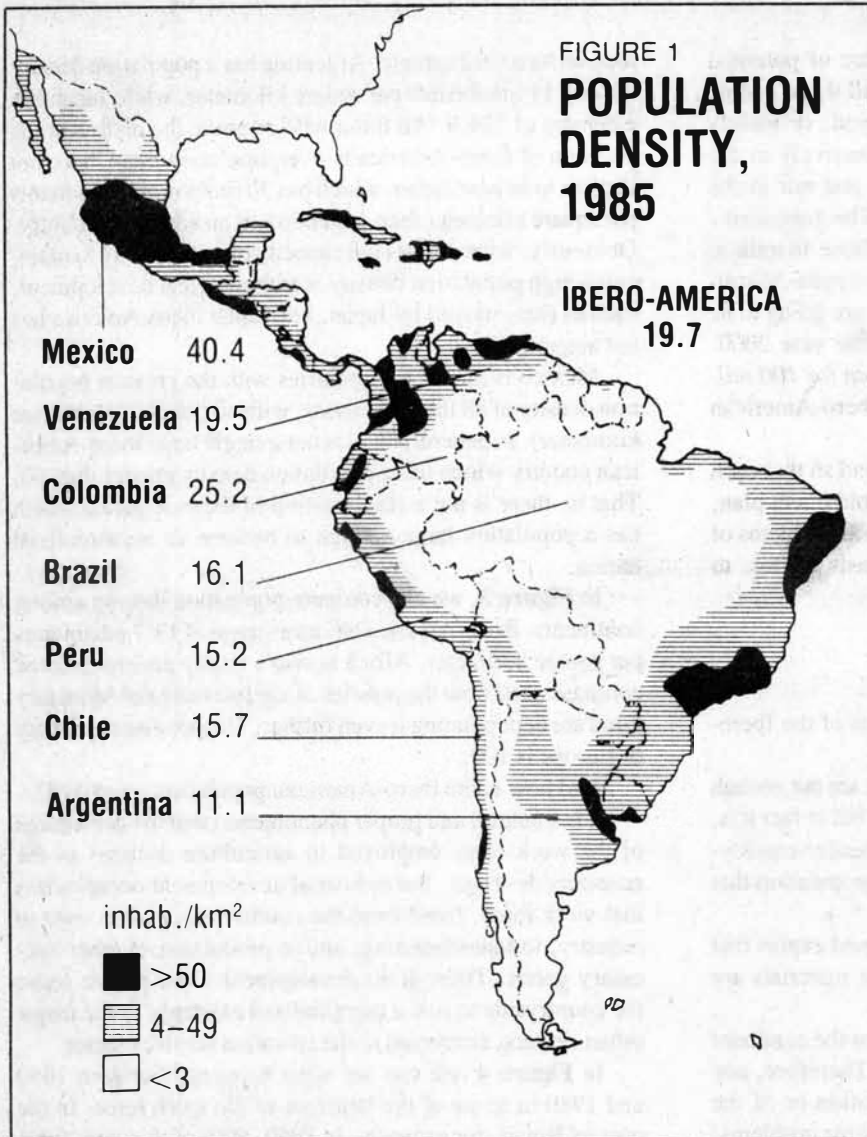
by Dennis Small

*The following is Part I of an abridged translation, from Spanish, of the author's presentation to the International Conference of Food Producers on Feb. 22, 1986, in Ciudad Obregón, Sonora, Mexico. Part I shows the need for a Common Market; Part II, which will appear in the next issue of EIR, outlines concrete measures to be taken.*

The theme I want to address today is the economic and political framework within which it is both feasible and possible to resolve the current food and economic crisis facing Ibero-America. Concretely, I want to speak with you about what has come to be known as the Ibero-American Common Market, or Ibero-American integration: that is, the means by which the countries of the Ibero-American continent, jointly, can solve the crisis which no single nation, by itself, is capable of resolving.

Several years ago, the great nationalist Argentine leader Gen. Juan Domingo Perón said: "The year 2000 will find us either united or subjugated." A campaign of international proportions was launched against General Perón's integration project to stop it. The oligarchy fabricated the *desarrollista* [the Spanish term comes from the word for "development," but the content is quite the opposite—ed.] movement of British agent Raúl Prebisch, a school which has had significant influence on many governments on the continent, as well as with the Interamerican Development Bank under Ortiz Mena. The *desarrollistas* and their British masters are attempting the impossible to try to eliminate the integrationist influence of General Perón.

Because what the general said is a great truth: If we do not unite, they will dominate and destroy us. I would disagree with Perón only in regard to the limit he imposed of the year 2000. In view of the way things are going, this battle will be decided in 1986, *in this year*. By the end of 1986, we will find ourselves either united or subjugated. Because what is hanging over us is the worst, the bloodiest offensive of the international financial institutions, of the international banks, of the International Monetary Fund, of international usury, that humanity has faced in 600 years.



*EIR Ibero-America Editor Dennis Small, who headed up a team which devised the Ibero-American Common Market program.*

FIGURE 2  
**POPULATION DENSITY, BY COUNTRY, 1985**  
(inhab./km<sup>2</sup>)

GERMANY	245.8
ITALY	189.7
JAPAN	324.9
SOUTH KOREA	432.9
THAILAND	102.5

FIGURE 3  
**POPULATION DENSITY, BY CONTINENT, 1985**  
(inhab./km<sup>2</sup>)

IBERO-AMERICA	19.7
AFRICA	17.5
ASIA	101
EUROPE	100
UNITED STATES	26.1

Whichever Ibero-American leader acts sovereignly to limit interest payments, as Alan García of Peru did, or whichever country says, "We have reached the limit of what our people can suffer," that leader or that country will be threatened with total economic warfare: "They will cut off our credit supply, they will cut off all imports, they will strangle us, they will impose economic and trade embargos impossible to withstand."

I would like to confess something to you: All of this is absolutely true. There is no nation of the continent, working alone, which in the medium or long term could resist this kind of embargo and strangulation. But *united*, it is possible. United, anything is possible. And that is the great difference.

Peru, by itself, under embargo, will soon or later be strangled for lack of food. Brazil would die for lack of oil, Mexico for lack of food and capital goods, and Argentina would also suffer, although that country has better possibilities of national self-sufficiency.

Nonetheless, if we see the continental economy as a whole, if we analyze the countries of the Latin American Economic System (SELA) as if it were a single economy, if we see this continent of ours as if it were a single "Patria Grande" [Great Fatherland], we must ask ourselves, "How much can we resist?" "How self-sufficient are we?" and "How can we develop?" To these questions, there are very interesting and revealing answers, answers which the bankers would no doubt consider revolutionary. The fact is that the continent taken as a whole is self-sufficient in practically everything: in food, in fuel, in minerals, in many manufactured goods. And so it would appear that the principal problem facing the continent, in terms of its self-sufficiency and in terms of its development possibilities, is the fact that Ibero-America is an *underpopulated* and *underemployed* continent. Nearly half of the Ibero-American population is unemployed, its population density is very low. That is: there are not enough people, and of those there are, too few are working.

But this weakness is also the main source of potential wealth of the continent, because if we take all those people who today are mis-employed, under-employed, or merely unemployed—if we put them to work productively in the countryside, in industry, in manufacturing, and *not* in the “services” sector—tremendous wealth would be generated.

What we must do therefore is put to work those 48 million Ibero-Americans currently unemployed, and create 54 million new jobs for those Ibero-Americans who are going to be entering the work force from now through the year 2000. What we propose, thus, is an *employment plan for 100 million*, 100 million productive new jobs in the Ibero-American economy over the next 15 years.

To be able to employ these 100 million, and so that each country also has a corresponding national employment plan, it is necessary to identify the principal structural problems of the Ibero-American economy, and on the basis of this, to define the correct solutions.

## Population and employment

The three fundamental structural problems of the Ibero-American economy are the following:

- 1) The problem of under-population. There are not enough people. This may not appear to be a problem, but in fact it is.
- 2) The problem of mis-employment, of under-employment and of unemployment of the minuscule population that does exist.
- 3) The economic structure of production and export that currently exists is overtly neo-colonial. Raw materials are exported and capital goods imported.

These are the only three important problems the continent faces; all the others derive from these three. Therefore, any “solution” to the economic problems of a nation or of the entire continent which does not resolve these three problems, is not a serious program.

**Figure 1** shows the “population density” of Ibero-America. A developed economy is historically defined and measured by a minimum population density of 50 inhabitants per square kilometer. But as you can see, there are few regions of Ibero-America where this level of density exists. Almost the entirety, and especially the interior of the continent, has a population density of less than three inhabitants per square kilometer: the area of Matto Grosso, of the Amazonas, all of eastern Peru, nearly all of Bolivia and Paraguay. Argentina is probably the most underpopulated country in the entire continent. In sum, the continent is dramatically underpopulated.

There should be a national and continental goal of increasing the population density, and of course of improving the economy so that such a level of population may be adequately maintained.

In **Figure 2**, one can see some comparisons between Ibero-American countries and other countries, those of Eu-

rope or Asia for example. Argentina has a population density of only 11 inhabitants per square kilometer, while Japan has a density of 324.9. All those who promote the myth that the problem of Ibero-America is overpopulation must therefore explain to us how Japan, which has 30 times more inhabitants per square kilometer than Argentina, is an advanced country. Obviously, what defines the capacity of an economy to maintain a high population density is technological development, such as that enjoyed by Japan, but which Ibero-America has not acquired.

Mexico is one of the countries with the greatest population density of all Ibero-America, with 40 (inhabitants/square kilometer). In general, there is not a single large Ibero-American country which has a population density greater than 50. That is, there is not a single nation in Ibero-America which has a population large enough to become an industrialized nation.

In **Figure 3**, we can compare population density among continents. Ibero-America has an average of 19.7 inhabitants per square kilometer. Africa is also a totally underpopulated continent, and now the policies of the International Monetary Fund are depopulating it even further. The population density of Europe is 100.

And how is the Ibero-American population employed?

It is a natural and proper phenomenon that the percentage of the work force employed in agriculture declines as the economy develops. But industrial development occurs when that work force, freed from the countryside, passes over to industry, to manufacturing, and to production of other necessary goods. There is no development when people leave the countryside to live a marginalized existence in the major urban centers, employed in the so-called services sector.

In **Figure 4** one can see what happened between 1950 and 1980 in terms of the structure of the work force. In the case of Brazil, for example, in 1950, 60% of the work force was employed in agriculture. By 1980, that figure was reduced to 30%. That is, 30% of the work force left the countryside for work elsewhere.

They should have gone into industry, but this is not what happened: They went instead into the so-called services, or into disguised unemployment.

The case of Peru is similar: From 1950 to 1980, agriculture declined, industry declined, and unproductive services increased dramatically.

Now compare this with what happened in an Asian country, South Korea, which did succeed in going from underdevelopment to the beginnings of industrial development in this 30-year period. There too employment in agriculture was reduced from 65% to 35%; and although there was a minimal increase in services, the majority went into industry.

Some commentators have noted that Ibero-America has gone from a pre-industrial to a post-industrial economy, but without ever going through the “inconvenience” of the industrial age.

FIGURE 4  
COMPOSITION OF THE LABOR FORCE, 1950-1980

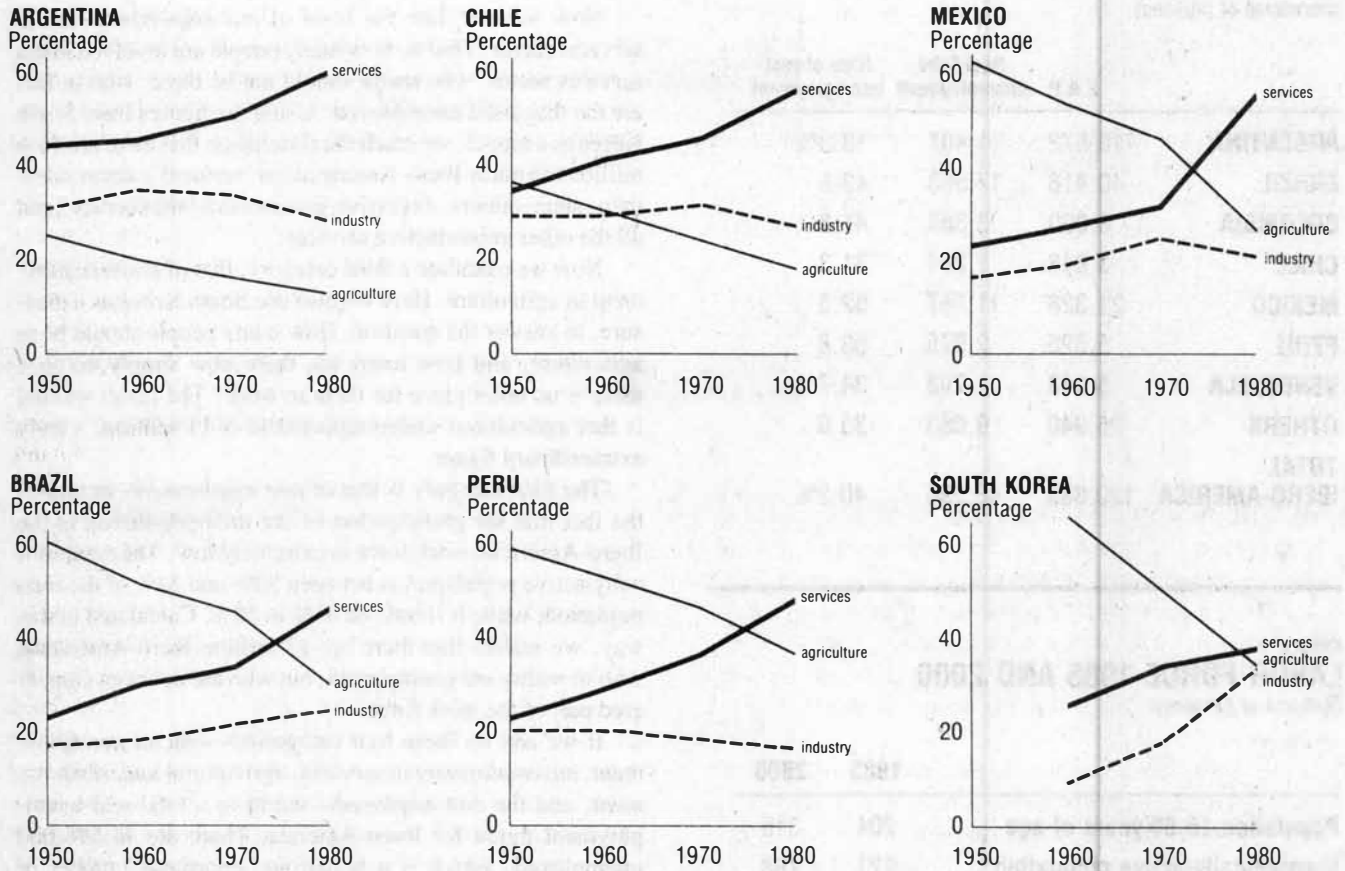


FIGURE 5  
NOMINAL AND REAL UNEMPLOYMENT  
(thousands of persons)

	Official unemployment	Mis-employment in services	Agricultural under-employment	Non-employment	Real total unemployment
<b>ARGENTINA</b>	244	1,163	0	0	1,407
<b>BRAZIL</b>	2,083	5,012	5,948	4,440	17,563
<b>CHILE</b>	648	1,400	0	1,335	3,383
<b>COLOMBIA</b>	648	550	73	172	1,204
<b>MEXICO</b>	902	4,138	1,604	4,545	11,189
<b>PERU</b>	355	995	631	995	2,975
<b>VENEZUELA</b>	303	557	248	683	9,083
<b>OTHERS</b>	1,202	2,720	2,553	735	9,083
<b>TOTAL</b>					
<b>IBERO-AMERICA</b>	6,145	16,615	11,057	12,905	48,596



FIGURE 6  
**ECONOMICALLY ACTIVE POPULATION  
 AND REAL UNEMPLOYMENT, 1982**  
 (thousands of persons)

	E.A.P.	Real total unemployment	Rate of real unemployment
ARGENTINA	10,572	1,407	13.3%
BRAZIL	40,416	17,563	43.5
COLOMBIA	8,090	3,383	41.8
CHILE	3,848	1,204	31.3
MEXICO	21,328	11,187	52.5
PERU	5,526	2,975	53.8
VENEZUELA	5,163	1,792	34.7
OTHERS	25,940	9,083	35.0
<b>TOTAL IBERO-AMERICA</b>	<b>120,883</b>	<b>48,596</b>	<b>40.2%</b>

FIGURE 7  
**LABOR FORCE 1985 AND 2000**  
 (millions of persons)

	1985	2000
Population 15-60 years of age .....	204	316
Economically-active population .....	121	198
Real unemployment .....	48	10
Productive employment .....	86	188
Necessary new jobs created .....	—	102

This is a useful analysis, because it enables us to determine the real level of unemployment of Ibero-America (Figure 5). First, we take *official unemployment*. Everyone knows that official unemployment statistics are a total lie, but no matter. We will begin there.

Now we calculate the level of *mis-employment* in the services sector. That is, how many people are involved in the services sector, who really should not be there, who in fact are the disguised unemployed? Using the figures from South Korea as a model, we reach the conclusion that there are 16.6 million too many Ibero-Americans in "services": street salesmen, shoe-shiners, excessive government bureaucracy, and all the other unproductive services.

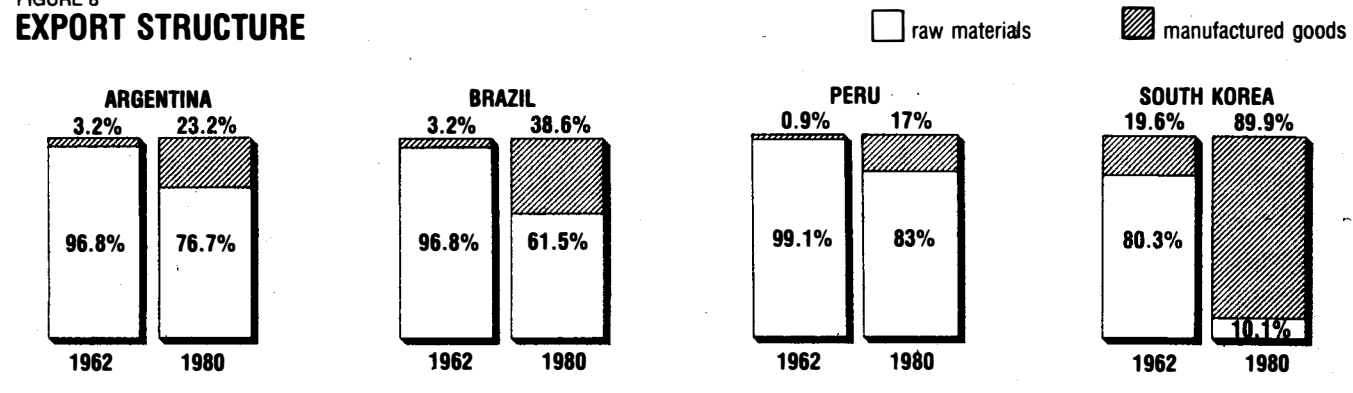
Now we calculate a third category, that of *underemployment* in agriculture. Here we also use South Korea as a measure, to answer the question: How many people should be in agriculture, and how many are there now simply because there is no other place for them to work? The result we find is that agricultural underemployment is 11 million, a truly extraordinary figure.

The final category is that of *non-employment*, or rather, the fact that the participation of the total population in the Ibero-American work force is extremely low. The economically active population is between 30% and 32% of the total population, while it should be 35% to 38%. Calculated in this way, we realize that there are 13 million Ibero-Americans who in reality are unemployed, but who are not even considered part of the work force.

If we add up these four categories—*official unemployment*, *misemployment* in services, *agricultural underemployment*, and the *non-employed*—we have a total real unemployment figure for Ibero-America. There are 48,596,000 unemployed, which is a barbarous, enormous number of people. Almost 50 million Ibero-Americans who could be producing, are not producing anything.

In Figure 6, one can see what this means in percentages. For example, Mexico's real level of unemployment is 52.5%, and 40% in Ibero-America taken as a whole.

FIGURE 8  
**EXPORT STRUCTURE**



What a waste of wealth! The greatest wealth that exists is that of the productive worker. But if he is not allowed to work productively; if there is no modern technology in the countryside which which to produce; if there is no industrial employment; if the only employment one can find is selling chewing gum on the street; you have a dramatic waste of the continent's most fundamental resource, worse in fact than if one were to extract all of Mexico's oil and toss it into the Gulf.

This leads us to **Figure 7**, which shows both the potential and the need for creation of jobs for the year 2000. Real unemployment, then, is 48 million, while 96 million are productively employed. We calculate that by the year 2000, 54 million new individuals will be entering the work force. Adding this to the figure of 48 million currently unemployed, one concludes that we must create 102 million new jobs between now and the year 2000, in order to fully employ the fundamental wealth of the continent.

This means that in fact we are doubling the continent's work force in a matter of 15 years, from the approximately 50 million today to 100 million. If in addition we achieve a moderate increase in labor productivity of about 3% a year through the introduction of new technologies, this combined with the increase in the labor force would triple the continental economy in 15 years.

### The colonial trade structure

In **Figure 8** we can see the problem of the continent's neo-colonial structure of production and of exports.

Taking the case of Argentina, we see that in 1962 96.8% of all its exports were raw materials, and only 3.2% were manufactured goods. By 1980 the percentage of manufactured exports had increased to 23%, but raw material exports still predominated. The case of Brazil is the same, with the percentage of raw material exports decreasing from 96.8% to 61.5%, and also the case of Peru. Compare this with South Korea, which in 1962 had an export structure very similar to that of Ibero-America: 80.3% of its exports were raw materials. But the structure of its production and exports was totally changed in those 18 years, and by 1980 it was exporting 10% in raw materials and 90% in manufactured goods.

But the problem is not merely the *content* of the exports, but also the *direction* of the trade, that is, with whom is trade carried on. In **Figure 9** the problem can be clearly seen.

Here we have the exports of several countries to other countries of Ibero-America, that is, within SELA (Latin American Economic System), and it is a minuscule percentage of the total. For example, in 1981 Argentina was exporting only 19% of its total exports to other Ibero-American countries. All the rest went to Europe, to the United States, and to the Soviet Union. Mexico is even worse, because its trade with the United States is so huge. Of the total of Ibero-American trade, only 16.5% is conducted within the continent itself.

How ridiculous! We are speaking of a single *Patria*

*Grande*, of the need for continental integration, and only 16.5% of all trade is carried out among one other! And from 1981 to 1983 that percentage fell; the dependence on countries outside the region grew worse.

The same can be seen in **Figure 10**, the case of imports.

How do we deal with this? We must change the pattern of trade, to give priority to interchange within the continent. For example, Peru today buys Argentine wheat, but on the New York market, instead of having a direct relation with Argentina. And so on, in case after case.

The fact is that if the continent were to make internal trade a priority, it could establish continental self-sufficiency in virtually all fundamental areas. This translates into a continental defense capability in the event of a possible trade embargo imposed by the creditor banks. In other words, if there is an embargo, if no one will sell us anything, what will we do? How much will we be able to produce and export within the continent, and how much will we continue to depend on from abroad?

*To be continued.*

FIGURE 9  
**EXPORTS TO SELA COUNTRIES**  
(percentage of total)

	1981	1983
ARGENTINA .....	19.3	13.1
BRAZIL .....	19.2	10.2
COLOMBIA .....	22.7	9.6
MEXICO .....	9.7	8.0
PERU .....	12.7	9.5
OTHERS .....	17.5	16.4
<b>TOTAL</b>		
<b>IBERO-AMERICA .....</b>	<b>16.5</b>	<b>12.6</b>

FIGURE 10  
**IMPORTS FROM SELA COUNTRIES**  
(percentage of total)

	1981	1983
ARGENTINA .....	21.4	30.7
BRAZIL .....	14.0	14.7
COLOMBIA .....	19.5	18.1
MEXICO .....	4.6	3.5
PERU .....	15.2	13.2
OTHERS .....	19.8	8.9
<b>TOTAL</b>		
<b>IBERO-AMERICA .....</b>	<b>14.9</b>	<b>11.1</b>