Operation Juárez: the LaRouche recovery plan

Economist Lyndon LaRouche, in a nationally televised address on Nov. 5, 1984, the eve of the presidential election, detailed a plan to solve the debt crisis in Ibero-America, and simultaneously unleash an unprecedented economic recovery in the United States.

"If the leading nations of Ibero-America," he said, "were to create a customs union, a common market, and if the United States established the proper cooperation with such a common market, the combined development of the United States and Ibero-America would produce as much as one-quarter to one-third of the total production of wealth in the world over a period of a century to come. The potential market for U.S. exports of capital goods in Ibero-America is beyond the imagination of all but a tiny, well-informed segment of our exporters today. It would be most conservative to speak of between $50 and $100 billions of capital goods exported from the United States into Ibero-America during the year 1986, if the United States would adopt an intelligent policy toward this region of the world."

The LaRouche plan, known as "Operation Juárez," after the Mexican founding father and republican leader Benito Juárez, had circulated far and wide throughout the Ibero-American continent since August 1982, when *EIR*'s Special Report of that title was first released. In that document, LaRouche specified that President Reagan would have to dump the economic pólicies associated with David Rockefeller, the International Monetary Fund, and Kissinger Associates, Inc. If the U.S. government refused to act in so intelligent a manner, Ibero-America does possess sufficient resources to "go it alone," although this would considerably slow down the continental development effort.

We emphasize here those features of "Operation Juárez" which bear especially upon the relations of the United States with its southern neighbors.

If the U.S.A. were to discover suddenly its lost wisdom, LaRouche wrote, it would cooperate in reorganization of the Ibero-American debt, while undertaking, domestically, a few large-scale, basic infrastructural projects which would provide a stimulating market for private industry, overcoming the effects of Paul Volcker's depression. Such projects would include nuclear energy installations, ports, rail, maritime infrastructure, and major water-management projects. Injection of low-cost governmental credit at 2%, for construction-phase investment in such projects, would be required.

Such domestic-economy stimulants should be supplemented by foreign-trade stimulants. The United States should negotiate with developing-sector nations a collection of high-technology infrastructural projects most urgently needed by those nations, providing 2% per annum financing for medium-term to long-term construction and operation of such projects. This would translate into immediate demand from U.S. producers of capital goods.

A number of exporting nations, such as Japan and the Federal Republic of Germany, would probably wish to join the United States as partners in a multinational division of labor. If we added India, the ASEAN nations of Southeast Asia, and a few more developing-sector nations, we would be identifying a potential for at least $200 billion of increased capital-goods imports per year from capital-goods exporting nations. Mexico alone, for example, fully justifies $20 billion a year or more of increased capital-goods purchases. An additional $40 billion a year increase in selected capital-goods imports by Brazil, $10 billion by Argentina, and $50-100 billion by India, illustrate the general order of potentiality.

Each of the debtor nations would deliver to the creditor banks a portfolio of bonds equivalent in total value to the accrued value of the previous debt-contracts. The new bonds would have an interest rate of approximately 2% per annum, and the U.S. government should agree to make the new bond-issues discountable assets within the reformed—"federalized"—Federal Reserve System. This, combined with a capital-goods-export program and a gold-reserve-based U.S. credit and banking system, would make such bonds "as good as gold."

Should the U.S. government and American bankers prove too stupid or too cowardly to reorganize affairs in this way, LaRouche wrote, there are two other options for Ibero-American governments. In the first alternative, the creditor banks would be rescued, to the extent that their debtors are able to assist them, with the alternative of debt-reorganization bonds. In the worst case, in which the bankers found themselves to be fanatically stupid, the Ibero-American debt would be temporarily suspended, until such time as someone in a leading position in the United States brought that nation back to its senses.

In that case, the Ibero-American republics would themselves exploit the potentials for "South-South" cooperation, working with such trading partners as can be found among North-South trading partners. They would proceed to establish a common banking institution, to facilitate trade, with a common currency of account established for the customs union. This bank would soon become one of the most powerful financial institutions in the world.