How self-sufficient is Ibero-America?

Part 7
Ibero-American integration

Only 15% of the foreign trade of the Ibero-American nations is with other nations of the region, while the rest is conducted outside the region. The Ibero-American Common Market would turn these proportions upside down, making the continent self-sufficient in almost all the major sectors of production.

The Schiller Institute's book, *Ibero-American Integration: 100 Million New Jobs by the Year 2000*, was published in Spanish in September 1986. An international team of experts prepared this study on the urgent measures needed to free Ibero-America of its economic dependency, elaborating the outlines of Lyndon LaRouche's 1982 proposal, "Operation Juárez."

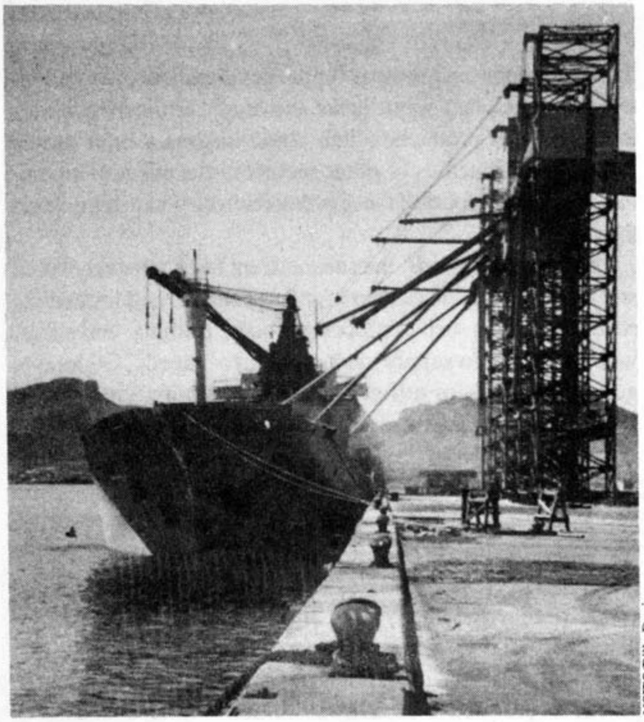
Appearing in English exclusively in *EIR*'s serialization, this book contains the program that could save the world economy.

With the sole exception of Peru, no Ibero-American government has yet broken with the International Monetary Fund (IMF). The typical argument used by these governments to justify their inaction is that, should they attempt such a move, they would suffer political reprisals, trade and financial warfare, and economic strangulation impossible to survive.

Without doubt, these vulnerabilities do exist, but the situation could be rapidly changed were the Ibero-American countries to join forces and begin to act in a coordinated and integrated way. This would allow them to successfully confront any reprisal unleashed against them.

The fact is, that if we consider the subcontinent in its entirety—that is, as a single economy—Ibero-America possesses sufficient productive capacity, natural resources, and labor force to cover the bulk of its current needs. Were the capacities of each country to be complemented by those of the others, the economic dependency and vulnerability of the subcontinent would be enormously reduced. In this way, Ibero-America would be in a position to act as an economic power to defeat the "financial Malvinas" that the international financial institutions might attempt to unleash against it.

Nonetheless, Ibero-America today suffers from a lack of economic integration and, as a result, from an incorrect orientation of the foreign trade of each country. Although some countries produce what the others need, the great majority of their products are exported *outside* the continent, and their needs are primarily met with imports from abroad as well. This is the case, individually, because each Ibero-American country has subordinated its export policy to the central thesis that foreign exchange must be had to pay the debt and balance payments.



NSIPS/Billy Davis

Loading grain on a ship in the port of Guaymas, Mexico. The Ibero-American subcontinent produces 103% of its own needs in cereals.

Therefore, an excessive dollar-dependency for trade has been generated, such that the mere idea of no longer receiving dollars terrifies each and every one of the Ibero-American governments. They tend to associate their economic security with the mere fact of having a certain quantity of dollars in reserve, totally apart from the real state of affairs of their economy. Under these circumstances, "trade strategy" is reduced to selling whatever to whomever, as long as they pay in dollars.

The result is economic madness. For example, Brazil and Mexico depend on massive imports of grain to meet their domestic needs, grain which in general is acquired *outside* the subcontinent, principally from the United States and Canada through the giant cartels that control the international grain market. Argentina, meanwhile, produces sufficient quantities of grain to meet the needs of all the Ibero-American countries lacking in grain, including Brazil and Mexico. Nonetheless, the majority of its surplus is exported *outside* the region, above all to the Soviet Union and Europe, also through the international cartels and with the primary purpose of obtaining sufficient foreign exchange to pay its debt.

The case of oil is similar. Brazil imports a considerable percentage of its oil from the Middle East, while Mexico and Venezuela export their oil abroad instead of meeting the needs of oil-deficient countries on the subcontinent. And who controls this trade? Neither Brazil, nor Mexico, nor Venezuela, but the major oil multinationals, the "seven sisters."

In truth, the economic vulnerability of the Ibero-American countries boils down to their lack of integration. As can be seen in **Table 3-1** below, the subcontinent in its entirety produces practically all its own food, energy, and strategic mineral needs, and also produces or is capable of producing the majority of its manufactured goods requirements, with the exception of certain specific products and various high-technology capital goods.

To determine the real levels of self-sufficiency of the subcontinent as a whole, we took the volumes of production and consumption of each of the items mentioned above for the years of their highest production and consumption levels, generally falling between 1980 and 1982. Our idea was to thus be able to reflect the real capacity of the Ibero-American countries to meet the maximum levels of consumption reached through the present time. Establishing a level of self-sufficiency of 80% as the minimum required for dealing with a situation of economic warfare, cases falling below that level were detected which enabled us to pinpoint the weak points of the continent. Few such weak points actually emerged, since the majority of the products under consideration were above 100%.

On the most fundamental aspect of any economy, the question of *food supply,* the majority of Ibero-American countries show a deformity of their productive structures, due to the colonial practices that have persisted in their foreign trade through such heavy dependence on grain imports while exporting huge quantities of other agricultural products, especially sugar, coffee and fruits. Nonetheless, Ibero-America in its entirety produces today a sufficient quantity of grain to fully meet its needs, due to the plentiful surplus generated by Argentina which, in the context of regional economic integration, would allow for an immediate situation of food self-sufficiency and would eliminate the subcontinent's vulnerability in this respect.

Regarding *energy products,* Ibero-America's situation is even more favorable, due to the high levels of oil produced, primarily by Mexico, Venezuela, and Ecuador and thanks to which not only the totality of regional needs could be supplied, but substantial surpluses would be available for increasing regional consumption and strengthening trade with countries outside the region.

In the category of *minerals and raw materials,* the balance is also very favorable due to the abundance of natural resources and the high mineral content of the region—particularly in Brazil, Mexico, Peru, Bolivia, and Chile. This is especially the case with such basic minerals as iron, copper, aluminum, and manganese, in which there are currently production levels sufficient to meet regional needs and export considerable surplus as well.

In all of these areas, the current deficiencies are few and are primarily limited to coking coal; such metals for steelmaking as vanadium, chromium, and titanium; minerals for fertilizer such as phosphoric rock and potassium; and various raw materials for the chemical industry. The limitations can be notably reduced in the cases of coal, titanium, and phosphoric rock, given the vast unexplored reserves of these minerals. Such is also the case with the majority of raw materials needed for the chemical industry.

In the matter of *manufactured goods,* it is important to differentiate between intermediate consumer goods and capital goods. In intermediate goods, Ibero-America is practically self-sufficient—the cases of steel and cement, two of the most important products for the development of any country, are exemplary—but lacks above all fertilizers and various chemical products which could impose a limit on the productive capacities of other sectors in the event of an embargo against import of these products from countries outside the region.

TABLE 3-1

Level of self-sufficiency of Ibero-America

(percentages)

Above 80%		Below 80%	
Foods:		**Minerals:**	
Cereals	103	Coal and coke	71
Meat	104	Chrome	73
Fish and shellfish	188	Titanium	*
Milk & dairy products	98	Tungsten	*
Fruits and vegetables	105	**Raw materials:**	
Energy:		Phosphoric rock	35
Crude petroleum	142	Potassium	*
Refined petroleum	100	Caustic soda	73
Minerals:		Sodium carbonate	61
Iron ore	257	**Basic Products:**	
Copper ore	118	Fertilizers	65
Bauxite	183	Pesticides	35
Manganese	161	Medicines	25
Sulphur	97	**Manufactures:**	
Basic metals:		Machinery and	
Iron and steel	90	equipment	30
Copper	282	Automobiles and trucks	65
Aluminum	120		
Lead	123		
Zinc	104		
Tin	114		
Nickel	400		
Basic Products:			
Cement	100		
Synthetic fibers	85		
Manufactures:			
Textiles	125		

*less than 10% self-sufficiency

Sources: United Nations Organization and authors' estimates.

In *consumer goods,* the subcontinent has a relatively broad and integrated industrial base for the production of immediate consumer goods such as processed foods, clothing, and shoes, with a capacity to supply most of the area's needs. Of durable goods, the levels of self-sufficiency and integration are less. In general, one could say that Ibero-America produces approximately 80% of the durable goods currently consumed, with a higher percentage in the case of furniture and domestic appliances, and lesser in cars and electronic appliances.

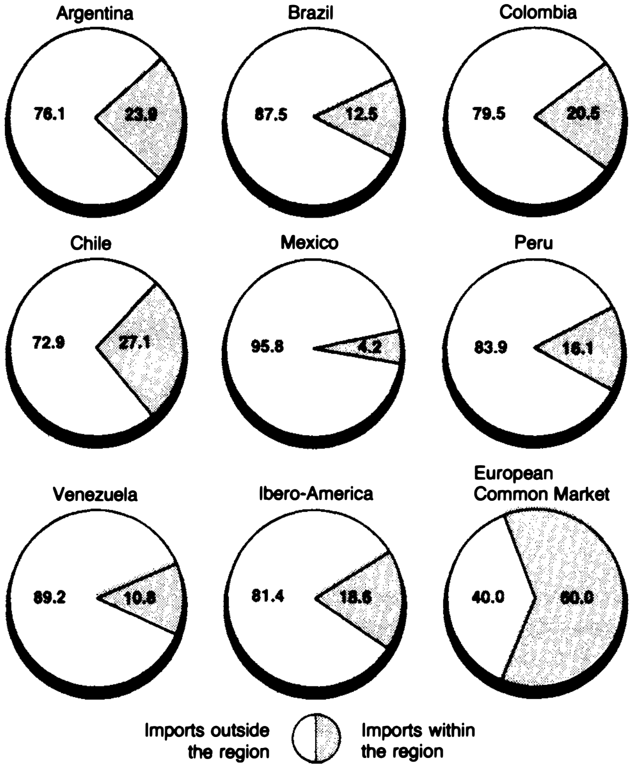
Undoubtedly, the most vulnerable point of the Ibero-American economies resides its its low capacity for *capital goods* production, above all in regard to high-technology machinery and equipment. Ibero-America as a whole produces only 30% of its capital goods needs, and the greater part of its productive capacity is limited to three countries—Brazil, Argentina, and Mexico. In reality, only Brazil has a relatively broad and integrated industry which generates nearly 70% of the region's production, and supplies around 80% of its internal needs. In the event of a trade blockade, this weakness would pose an enormous obstacle to the expansion of the region's productive capabilities and, worse, would endanger the very functioning of existing productive plant and equipment, because of the lack of repair parts. Eliminating this production weakness is undoubtedly one of the most urgent tasks for the economic integration of the subcontinent, a task which demands tremendous efforts on the technology front, in the search for real "partners" among the industrialized nations and their industrialist groups who would be disposed to cooperate within a scheme of regional integration.

In sum, the principal vulnerabilities of the subcontinent lie in the following points, major products in which self-sufficiency is less than 80%:

- Coal and coking coal 71%
- Phosphoric rock 35%
- Potassium 2%
- Fertilizers 65%
- Insecticides 35%
- Medicines 25%
- Machinery and equipment 30%

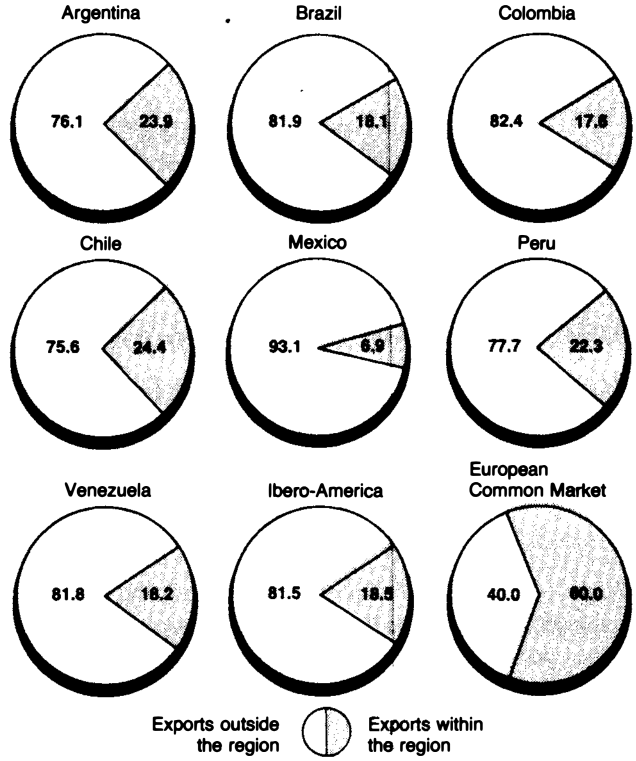
Another vulnerability of Ibero-America is its inadequate merchant marine which, while meeting the needs of the internal maritime transport of the majority of the countries, barely covers 60% of the foreign trade imports conducted through trans-oceanic transport, and less than 20% of the exports moved by sea. In truth, only Brazil has a national merchant marine with the capacity to mobilize its own im-

FIGURE 3-1
Origin of Ibero-America's imports 1980
(percentages)



Sources: Economic Council for Latin America and International Monetary Fund.

FIGURE 3-2
Destination of Ibero-America's imports 1980
(percentages)



Sources: Economic Council for Latin America and International Monetary Fund.

ports, while the others depend to a large degree on foreign merchant fleets that operate hand-in-hand with the major cartels that control the world market. In the event of a trade blockade, this situation would become a serious bottleneck, since the countries of the subcontinent would lack the capacity for maritime transport required to increase intra-regional trade, despite having available the products they need.

Once the weak points are identified, Ibero-America must also identify its strong points, the better to employ them fully to counteract the effects of a blockade and turn it into a doubled-edged sword against the countries behind it. The fact is that the subcontinent supplies the industrialized countries with a series of basic products for the operation of their industries, as is the case with several strategic minerals that are used in the production of specialty steels and metal alloys, whose scarcity could paralyze certain industrial sectors of those countries. As we have noted, it is highly unlikely that the international banks would be able to promote a total and prolonged blockade on the part of the countries with whom Ibero-America currently trades, given the negative repercussions this measure would have on their own economies, whether for lack of needed goods or for loss of an important market for its exports.

Intra- and extra-regional trade

Now let's take a closer look at the current situation of the economic under-integration of the region. As can be seen in **Figure 3-1,** during 1980 when the intra-regional trade of Ibero-America had reached its highest level just before the IMF's "adjustment" policies began to destabilize the region's imports, of the total imports of the continent only 19% came from within the region, while the other 81% were supplied from outside the subcontinent. The same held true for exports, of which only 19% were channeled to countries within the region. (See **Figure 3-2**). Thus, the intra-regional trade of Ibero-America has come to represent—at its best moments—less than a fifth of its total foreign trade. Compare this with the situation in Europe, where intra-regional trade absorbs 60% of the total foreign trade of that region.

To be continued.