Mercosur Dumps U.S. Economic Lunacy

by Cynthia R. Rush

Contrary to twisted media reports and the howls emanating from various centers of world finance, the July 20-21 Presidents' summit of the Common Market of the South (Mercosur), in Córdoba, Argentina, was not some meeting of Ibero-American leaders "moving to the left," supposedly evidenced by the presence of Cuban President Fidel Castro and Venezuela's Hugo Chávez.

The reality is that, like many other foreign leaders who see only insanity coming out of Washington, the five Presidents of Mercosur's permanent members (Brazil, Argentina, Paraguay, Uruguay, and now, Venezuela), and associate members Bolivia and Chile, are all seeking ways to distance themselves from the Bush-Cheney Administration's insistence that fascist globalization is the road to economic progress. Absent any serious global programmatic initiatives, such as those put forward by statesman Lyndon LaRouche, Ibero-American Presidents discussed plans to create new regional financing agencies and mechanisms to address disparities within the bloc, to accelerate the process of regional integration, and ensure that its benefits are enjoyed by all of its members.

Without a dramatic change in U.S. policy and a new global financial system, none of these proposals alone is sufficient to ensure survival. But these governments grasp, to varying degrees, that tolerance of Washington's current policy lunacy will doom them for sure, and they are actively exploring alternatives.

Argentine President Néstor Kirchner, who is providing crucial leadership to the region, was very clear in his July 21 speech to the summit's opening session. Difficulties in the integration process are to be expected, he said, especially in a region that has been looted as horrifically as South America has been. There are differences among members, but no one should assume Mercosur has failed because of that, he warned. Regional integration and Mercosur "are not mere rhetorical issues. . . . Mercosur is an instrument for the integral development of our countries . . . a strategic project."

Kirchner, who is passing the baton of Mercosur's President Pro Tem to his Brazilian colleague Lula da Silva, told the Presidents that "we have a great historic responsibility." It is difficult to "move beyond the concept of integration as a strictly economic agreement, to the vision of a *political community* oriented to the productive and social development of our people," he said. But this must be done. "We're not interested in a region of the world where economic integration exists alongside poverty, exclusion, unemployment . . . and lack of *industrial* development."

The issue is not "which country is slicker and can obtain more benefits for itself," Kirchner emphasized. "Solidarity must be the banner which guides our actions. . . . Integration must be fair for everyone." The Argentine President reported on the proposal to set up a $100 million Mercosur Structural Convergence Fund (FOCEM), which will offer credit lines to less-developed members Paraguay and Uruguay, and begin to address economic and trade disparities which have been a source of tension within the common market.

A Regional Development Bank

Mercosur's leaders enthusiastically endorsed the proposal to create a Mercosur Development Bank, first put forward some months ago by Venezuelan President Hugo Chávez, and then elaborated more fully by Argentine Finance Minister Felisa Miceli's staff in collaboration with Venezuelan officials. Brazil's support was crucial to moving forward with the proposal, as were consultations with other member governments.

The idea is to create a financing mechanism independent of the International Monetary Fund and World Bank, and the austerity conditionalities attached to their loans. Having paid off their debts to the IMF earlier this year, Brazil and Argentina are considered to be in a strong position to guide this process. Initially, Brazil's National Economic and Social Development Bank (BNDES), Argentina's Foreign Trade Bank (BICE) and its state-owned Banco de la Nación will capitalize the new bank, and Hugo Chávez has also offered to contribute $5 billion.

The creation of any independent financing entity is alarming to the financial predators on Wall Street and in the City of London. Equally distressful to them was the July 24 announcement by Brazil's Finance Minister Guido Mantega, that Brazil and Argentina were discussing how to "de-dollarize" bilateral trade by using only their own currencies. Mantega announced this after his meeting with Argentina's Felisa Miceli, during which the two also discussed formulating joint initiatives to be presented at the IMF's next annual meeting in September. Among these is the call to create a special IMF credit line to be available to members in the event of a financial emergency, without requiring a letter of intent or draconian conditionalities.

Since Lula took office in 2001, he has obediently applied the IMF's austerity dictates inside Brazil. But Mantega reflected the shift among Ibero-American governments—not "to the left," but toward an increasing desire for sovereign control over their economies—when he pointedly suggested that the IMF step up its surveillance of member countries that have failed to comply with stated targets and responsibilities—such as the U.S.! "I don't want to name names," he said, "but the U.S., for example, has a huge fiscal deficit while Brazil and Argentina have surplusses."