# After debt deal, 'Common Market' hoax to starve Mexico, hurt U.S. too

by Peter Rush

Barely two weeks after Mexico agreed to a humiliating renegotiation of its $54 billion foreign bank debt, almost half the Bush cabinet traipsed to Mexico for a one-day photo opportunity and an excuse to tell the press about the golden new era of U.S.-Mexico relations. The pretext for the junket was the "Binational Meeting" of the Bilateral U.S.-Mexico Commission, the first such meeting in more than two years, which took place at Tlatelolco, in Mexico City, on Aug. 7. Present from the U.S. side were Secretary of State James Baker, Treasury Secretary Nicholas Brady, Commerce Secretary Robert Mosbacher, Attorney General Richard Thornburgh, Special Trade Representative Carla Hills, FBI head William Sessions, Drug Enforcement Administration head John Lawn, and Environmental Protection Agency head William Reilly.

For all of this high-powered U.S. representation—matched by their opposite numbers from Mexico—the one-day session produced no results beyond agreeing to build another bridge across the Rio Grande and other tertiary accords. This vacuum confirms that the purpose of the meeting was "atmospherics," intended to shore up the debt agreement signed July 23. Both events had nothing to do with helping Mexico's moribund economy to recover from a seven-year depression, but will merely further the absorption of the Mexican economy into the U.S. economy as a pool of slave labor and a tourist playground.

This is intended to come about through the formation of a free trade agreement known since 1980 as the "North American Common Market." The NACM is intended to obliterate the national sovereignty of Mexico, and to ensure that Mexico never joins an Ibero-American Common Market, the creation of which has been the objective of Ibero-American patriots for more than a century. Until the regime of Miguel de la Madrid in 1983, such was also the historical goal of Mexican policy. But since the debt crisis of 1982 put on the table the issue of Ibero-American integration as the only solution, both U.S. and Mexican administrations have been moving toward U.S.-Mexico "integration" instead.

The first stage has already been completed, with the approval by the United States and Canada last year of a Free Trade Agreement which abolishes tariffs between the two countries and facilitates cross-border financial takeovers and other market manipulations.

The plan is for Mexico to enter into the same sort of agreement, where all tariff and other trade barriers protecting Mexican industry would be abolished, and U.S. investment would have free play inside Mexico. Given the weakness of most of Mexico's industries, Mexico would be left supplying oil and raw materials plus labor-intensive, low-skill industrial products, at very low wages, while its efforts to develop a solid, broad industrial base would be crippled.

Nor is any real U.S. interest served—unless you count the greed of the high-flying international financiers who pull the strings on Baker, Brady, et al. The "Common Market" will just speed up the destruction of U.S. labor and industry by forcing down wages and prices, and create explosive levels of social instability on the U.S. southern border.

## U.S. pushes 'freer markets'

James Baker set the tone, saying "some defined the old U.S.-Mexican relationship as 'Managing Irritants.' We are committed to a new relationship: 'Creating Common Opportunities.' " He said he was speaking on behalf of President Bush in saying that "the U.S. has no more important relationship than that with its neighbor and friend, the Republic of Mexico." While the meeting touched on other topics, such as the environment and fighting the drug traffick, trade and U.S. foreign investment in Mexico were the only items of real interest. Brady praised the fact that "Mexican trade practices have been liberalized in an impressive fashion, and foreign investment is now welcome." He said the U.S. welcomes "freer markets" with Mexico and is ready "to accelerate trade and investment talks with Mexico."

Mosbacher was even blunter, telling the press that the U.S. goal is "to see how we can turn the liberalization of the economy into a reality where their private sector and our private sector can work together." Carla Hills was quoted in the *Washington Post* Aug. 6: "There really is an enormous change going on" with respect to foreign investment in Mexico. "We applaud it. We want very much to have a close and personal and growing relationship with Mexico."

They refer to the nearly complete dismantling of Mexico's system of protection of domestic manufacturing under former President Miguel de la Madrid Hurtado (1983-88), which has accelerated under Carlos Salinas de Gortari. Especially targeted by the United States was Mexico's system of import licenses, and secondarily its high import tariffs, which had functioned to ensure that Mexican industry was able to produce above all for the domestic Mexican market. Under De la Madrid, Mexico joined the General Agreement on Trade and Tariffs (GATT) in 1986, which obligated the country to dispense with import licenses, and to lower tariffs to no more than 20% ad valorem. Mexico had made both reforms by 1987.

Cheap imports from the United States have begun flooding the Mexican market, driving tens of thousands of largely medium and small companies out of business. Canned goods imported from the United States, and cheaper than equivalent goods of Mexican origin, are now on Mexican supermarket shelves. It is this liberalization of imports, that Secretary Brady found so praiseworthy, and which the U.S. establishment seeks to extend even further. It is also this liberalization that has eliminated Mexico's huge annual trade surplus and helped to create a foreign exchange crisis. The NACM, which would imply the elimination of all tariffs and import licenses, would devastate what remains of Mexico's industry producing for the domestic market.

## The Common Market is 'a fact'

In an interview with Mexico's *El Financiero* Aug. 7, Congressman Jim Kolbe (R-Ariz.) spilled the beans, when he said that the North American Common Market between the U.S., Mexico, and Canada is "a fact," and that "little by little, the pieces of the jigsaw are coming together." He said that it won't be long before we see "the full integration of our economies."

Kolbe's remarks take on significance because he co-chairs of one of the major U.S. centers planning for the Common Market, the Congressional Study Group on Mexico. The group, based at the the Georgetown University Center for International Studies (CSIS), where the NACM idea was born, boasts a membership of six senators and ten representatives mostly from states bordering Mexico, and is chaired by Senators Lloyd Bentsen (D-Tex.) and Pete Wilson (R-Calif.) and Reps. Ronald D. Coleman (D-Tex.) and Kolbe. A just-issued policy monograph by the study group, based on meetings of the 16 congressmen in 1987 and 1988, touts the seminal meaning of Mexico's joining GATT in July 1986. The paper states that the NACM proposal demonstrates "a creative foresight for the long term . . . [that] offers a positive vision and goal for the future."

In his interview, Kolbe outlined the change in official Mexican attitudes over three years toward the NACM. "Three years ago, when I made the proposal for a North American Common Market, or simply a free trade accord between Mexico and the United States," he said, "Mexican officials told me, 'impossible, don't even think it.' A year ago, the response was, 'It is an interesting idea, but premature.' This year, in conversations . . . the attitude has been, 'Yes, it could come about.' There are Mexican officials who have told me, 'We must bring up the theme to guarantee that it is done correctly and not through inertia, we must influence the form in which free trade will come about.' "

Kolbe attacked those in Mexico who see the elimination of all trade and tariff barriers in trade with the U.S. as a loss of national sovereignty, saying they were "belittling and dishonoring Mexico." Asked whether there wasn't a negative side to total trade liberalization, especially for small and medium-sized industries, Kolbe replied "There is no doubt of that in this type of accord, there will be those who lose out. But as with everything, in order to cook an omelette, one must first break the egg."

A crony of Kolbe's, ex-trade negotiator for Mexico in the Reagan administration Tim Bennett, spelled out the even harsher policy being pushed in private. In an interview published in the same issue of *El Financiero,* Bennett revealed that the Bush administration has rejected a Mexican proposal to negotiate "sector by sector" on reducing tariff barriers and licensing requirements even further. Bennett called "myopic" the belief of the Salinas regime that a few sectors a year could be negotiated in this fashion. Bennett specified that there must be simultaneous talks for the elimination of tariffs on ten strategic sectors of the economy: automobiles, clothing, telecommunications, electronics, pharmaceuticals, chemicals and petrochemicals, steel, food processing, paper, and energy.

Another group that has long pushed for U.S.-Mexico integration, the National Commission on the Future of U.S.-Mexico Relations, has gone one step beyond the NACM to call for creating "new bi-national structures," independent of both U.S. and Mexican governments, to "take responsibility for matters of common interest" between the two countries in their respective border regions, in the words of a November 1988 study published by the group. The group reflects the views of Henry Kissinger, a long-term advocate of U.S.-Mexico "integration," and is co-chaired by Kissinger's lawyer William D. Rogers. One of its most active members was former Kissinger Associates president Lawrence Eagleburger, now deputy secretary of state.

## Mexico tied to U.S. economy

Nowhere in the public record are the supposed benefits to Mexico of the NACM clearly outlined. A 1988 CSIS monograph by Sidney Weintraub repeats the platitudes of "free market" advocates about how all of Mexico's reforms will better "efficiency" and "productivity." The real story is revealed in the most recent CSIS report, which notes that "Mexico's exports generate the foreign exchange necessary to meet foreign debt payments." In fact, Mexican export of manufactured goods rose from $2.7 billion in 1980 to $9.9 billion in

1987—about the interest bill that Mexico paid out in that latter year. The surge in manufacturing exports, mainly to the United States, so praised by NACM advocates, has manifestly not helped the Mexican economy one iota. It has been shipped abroad as a donation to the country's creditor banks.

The Weintraub study further shows the extreme dependence of Mexican trade on the U.S. economy: Between 1985 and 1987, more than 80% of Mexico's manufacturing exports went to the U.S., with more than one-half of them being generated by U.S. companies operating in Mexico. Weintraub states that despite the weakness of being so dependent on another economy for both imports and exports, Mexico "has little choice. It must rely on the U.S. market or suffer the consequences of lower incomes." He gloats that "those who believe that the two markets are inextricably linked are in ascendance today in the development of Mexican trade and industrial policy."

## Economic reality: Mexico is starving

Despite all the talk, Bush, Salinas, Kissinger, and the various policy elites lined up behind the NACM, are, as on so many other questions, deluding themselves on their expected success. Underneath the new rosy future that both the Salinas and Bush administrations are painting for each other, lies the reality that the Mexican economy is fast nearing total collapse. Agriculture is the worst: Where output this year is projected to be at least 35% below normal, due to a combination of the second year of a severe drought and Salinas's policy of paying farmers less for their grain than their costs of production, on the pretext of forcing them to be more "efficient." Mexican food imports are already projected to double this year, from $2 billion to $3.5 billion or more. With world food supplies shrinking weekly, Mexico may well discover that it cannot even find enough grain to cover its basic needs, which could detonate a social explosion.

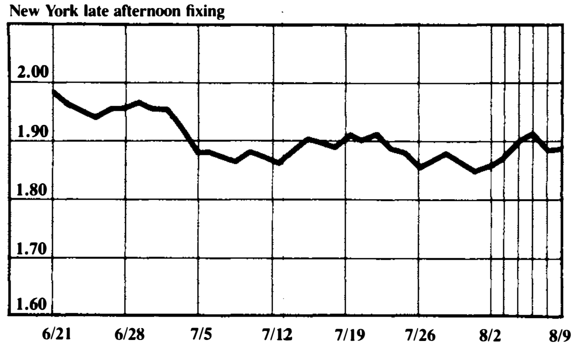
Equally seriously, 40-50% of the entire Mexican workforce is severely under- or unemployed, and the ranks of the unemployed are growing as a result of the 1 million new workers annually who enter the workforce. And this year, hundreds of thousands of rural families are migrating to the cities each month, due to the collapse of farming, further swelling the unemployed and homeless. Nothing in the NACM proposals even begins to offer a sufficient rate of job creation to even cover each year's new workers, much less the backlog of presently unemployed.

Real incomes for all except the rich are half or less what they were in 1982. Despite the absence of public protest so far, the overwhelming majority of Mexicans hates the Salinas government, and has no use for his style of "integration" with the United States. Any further shocks to the economy—and such are fast approaching—will assuredly result in a social explosion that will sweep both the Salinas administration, and the dreams of a North American Common Market, off the stage in a hurry.

# Currency Rates

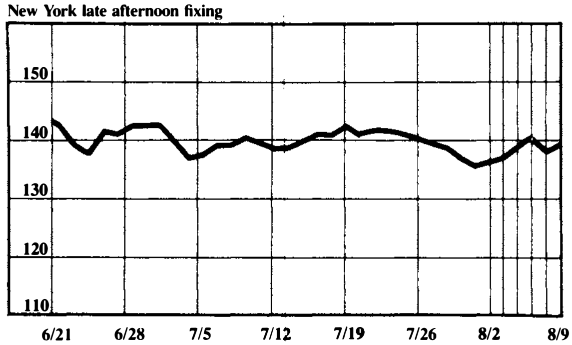
### The dollar in deutschemarks

New York late afternoon fixing



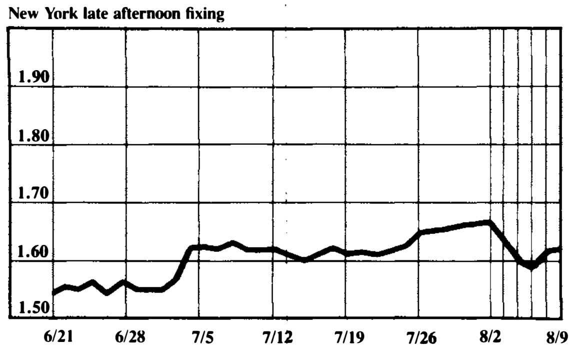

### The dollar in yen

New York late afternoon fixing




### The British pound in dollars

New York late afternoon fixing




### The dollar in Swiss francs

New York late afternoon fixing