Why NAFTA will destroy the U.S., Canada, and Mexico

What follows is abridged from Chapters 1 and 3 of EIR's *Special Report "Auschwitz below the Border."*

Despite what its proponents claim, the North American Free Trade Agreement is *not* fundamentally a free trade agreement. There is no need for such an accord with Mexico, because there is *already* virtually free trade between the two countries. Beginning in 1985, the Mexican government, under the pressure of its international creditor banks, the International Monetary Fund (IMF), and the Reagan State Department, drastically reduced its previous tariff and other protective barriers. Today, there are no licenses, tariffs, or quotas on over 10,000 products imported by Mexico, and the average tariff has plummeted from 47% to 9%.

In actuality, NAFTA—and its proposed extension to the entirety of Ibero-America, and from there to the rest of the Third World—is the economic centerpiece of Bush's much-trumpeted "new world order." In conjunction with the General Agreement on Tariffs and Trade (GATT), which will codify such free market policies on a global scale, NAFTA's objective is to give a new lease on life to the bankrupt Anglo-American financial system, which has dominated the world economy since World War II. It is intended to do this in three principal ways:

1) NAFTA and its sequels are designed to bolster the shaky, overextended international credit pyramid by vastly increasing and solidifying the flow of Third World debt payments to the international banks. It will do this by thoroughly absorbing the economies of the nations of Ibero-America into an extended dollar zone, annexing their raw materials (such as oil), and using their labor forces as captive cheap labor in runaway shops, principally for production for export back into the United States.

Along with this projected new looting of Third World economies, NAFTA will also reorganize the entire Ibero-American banking structure, and thereby create the conditions under which the vast financial flows originating in the Ibero-American drug trade can be more readily laundered into the cash-strapped Anglo-American banking system.

As one perceptive United Auto Workers official put it: "NAFTA isn't free trade. It's protectionism for the bankers."

2) NAFTA will be the wedge used to dramatically lower wage levels and working conditions in the U.S., especially among the shrinking percentage of the U.S. labor force still employed in manufacturing. In fact, an overall restructuring of the U.S. economy is intended, as explained in a recent interview by jailed U.S. political leader Lyndon H. LaRouche: "The process of lowering incomes, of degrading jobs, is a prime product of going from a science-based, energy-intensive economy, into a slave-labor economy."

3) The newly formed Western Hemisphere free trade zone, this bankers' common market, will then be used as a battering ram against the industrial development of Japan and Germany, in particular, to make sure that no alternative to Anglo-American economic predominance emerges anywhere on the international scene. With the Soviet Union enmired in its own difficulties—or so the theory goes—and with European and Japanese competition eliminated, and with America's vast military might being wielded to bomb any recalcitrant opponents back into the Stone Age, as occurred in the war against Iraq, the Anglo-American establishment hopes to reign unchallenged for the indefinite future.

An Auschwitz on the border

What will happen if Bush has his way, and NAFTA and GATT are implemented?

First, propping up the bankrupt Bretton Woods financial system through further looting of Ibero-America and the Third World, will create conditions of poverty so drastic that wave upon wave of epidemic disease, and outright starvation, will sweep the developing sector, and will quickly spread to the United States itself. The current cholera epidemic striking South America is a first result of these same looting policies, and there is a strong probability that it will soon reach Mexico and from there spread into the United States. NAFTA will be largely responsible, because it will promote the growth of the notorious *maquiladora* belt in northern Mexico, the so-called "in bond" assembly plants which produce for re-export to the United States and make use of cheap Mexican labor (including child labor), as workers are forced to live and work in subhuman conditions. Average wages in the *maquiladoras* are 98¢ an hour, compared to the average in U.S. manufacturing wage of nearly $11 today. The minimum wage in Mexico is even lower: 59¢

an hour, and dropping. The fact is that NAFTA will help turn the entire border area into an Auschwitz slave-labor camp.

Second, underselling Germany and Japan by using runaway sweatshop labor in Mexico, will create both a sharp rise in unemployment in the United States, *and* a dramatic drop in U.S. real wages, perhaps by as much as one-third in the manufacturing sector. This will *not* make America more "competitive": It will destroy the very high-technology/high-productivity emphasis which once made the U.S. competitive.

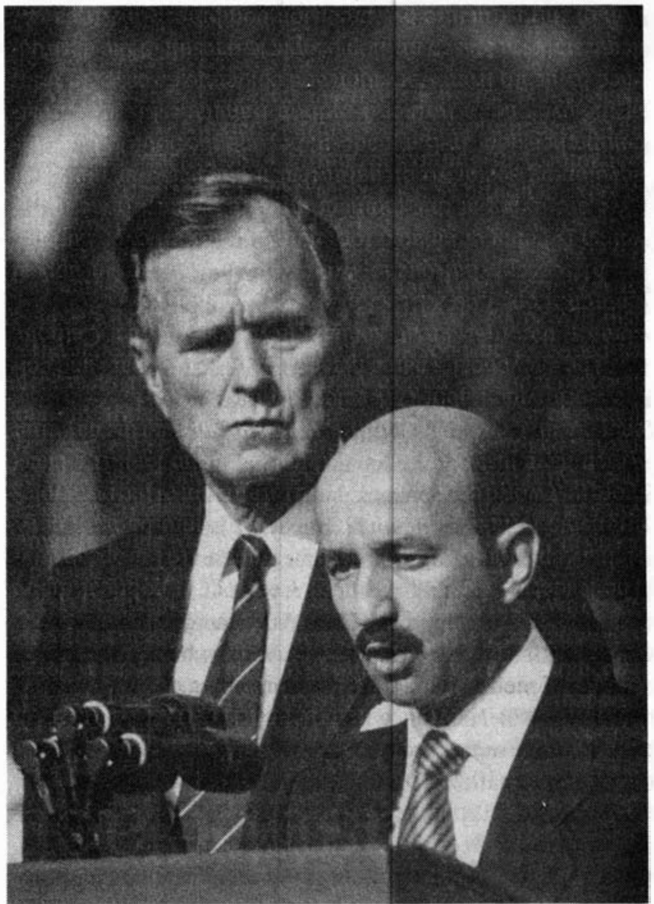
Third, if the Anglo-Americans succeed in destroying the economic potential of Germany and Japan, the irony is that this very result will condemn the U.S. to destruction as well. The U.S. economy has been so damaged by 25 years of Anglo-American policies, that it is today incapable of generating a sustained recovery without the help of the productive capabilities of Germany and Japan. Only a dramatic mobilization of Europe's economic potential, in particular of the sort envisioned in the "Productive Triangle" proposal of U.S. presidential candidate Lyndon LaRouche, can transform the world economic environment in a way that will permit the United States to be rescued from the disaster that three decades of rotten policies have produced.

The purpose of this *EIR* Special Report, which is being simultaneously issued in English and in Spanish, is to wake up the people of the United States and Ibero-America, their elected representatives, and their other leaders, to the horror about to befall us all, and to do this in time to stop Bush's fast track to genocide. The fast track must be stopped. The NAFTA and GATT treaties as a whole must be defeated. And the malthusian policies underlying them must be reversed permanently, in favor of pro-growth measures which will lead to the rapid industrialization of all the Americas, North and South.

As far back as 1976, in a nationally televised broadcast on Election Eve, Lyndon LaRouche warned that Anglo-American policies already in place would lead to the creation of an Auschwitz on the Mexican border. He reported that the establishment's malthusian policy was exemplified by the 1975 remarks of the State Department-linked agronomist William Paddock, when he pronounced that "the Mexican population must be reduced by half. Seal the border and watch them scream." He added that this would happen "by the usual means: famine, war, and pestilence." At the time, LaRouche's analysis was dismissed by many as "too extreme" or "apocalyptic." Today, the facts are bearing it out.

NAFTA, myth and reality

The Bush and Salinas de Gortari administrations have launched a full-scale public relations drive to convince their respective populations of the marvels of NAFTA. As we document in detail below, each of their principal claims of the benefits that will supposedly be achieved, is patently false. Chief among these are:



Partnership for genocide: Harvard's President of Mexico Carlos Salinas is backed by Yale's President of the United States, George Bush.

Myth #1: NAFTA means more jobs for Americans. U.S. exports to Mexico will increase sharply under NAFTA—by as much as $14 billion, according to Commerce Secretary Robert Mosbacher. Since each $1 billion in exports translates into 25,000 jobs for U.S. workers, he claims, NAFTA means millions of new jobs for Americans.

Fact: NAFTA means less jobs for Americans. Vastly cheaper wage rates mean that U.S. runaway shops will flee to the *maquiladora* zone, which will soon be extended to encompass the entire nation of Mexico. As for an export boom to Mexico, it won't happen. The market for exported U.S. consumer goods is limited by the terrible poverty of the majority of the Mexican population. And the IMF and Mexico's creditor banks will not permit it anyway: They are demanding that Mexico export more and import *less,* in order to pay off their gigantic debt to the banks.

Myth #2: NAFTA means that U.S. investment will pour into Mexico, and help Mexico develop. The Bush administration is projecting rates of $5 billion per year and higher.

Fact: Under NAFTA, most of the "investment" that will go into Mexico will be to take over existing plant and equipment. It is a transfer of ownership into the hands of foreigners, not the creation of new wealth.

Myth #3: NAFTA will create millions of new jobs in Mexico and thus help stem the tide of illegal migration across the border into the United States.

Fact: NAFTA will mean a net destruction of jobs in Mexico. Domestic manufacturing will be wiped out by the dumping of cheaper U.S. imports on the market. The only jobs that will be created will be those in the expanding *maquiladora* zone, under conditions so horrendous that "Auschwitz" is the only word that properly describes them. This will foster the very conditions driving desperate Mexicans across the border looking for jobs in the United States.

Myth #4: NAFTA will make the U.S. competitive once again with Germany and Japan, by reducing the labor component of manufacturing costs.

Fact: There is no doubt that the wage bill in *maquiladoras* on the Mexican side of the border will be far lower than in the U.S. today. But this will destroy the U.S. economy, and in particular the educational and technological training that comes with a higher standard of living, which are the true sources of productivity and competitiveness.

Myth #5: NAFTA will open up the Mexican banking and financial sector and modernize it. This will attract vast flows of international finance capital.

Fact: NAFTA's banking takeover will open up the banking system of the Americas to all sorts of speculative hot money flows—including those of the drug trade. Such activity does not aid production; it destroys it.

Should we really embark on a "fast track" to achieve these results?

What is NAFTA?

In March of 1991, the U.S. Commerce Department's International Trade Administration issued a 70-page booklet entitled: "North American Free Trade Agreement: Generating Jobs for Americans." It is the Bush administration's public relations statement of its case, claiming:

"A North American Free Trade Agreement is essential to assure a strong U.S. economic future. By creating the largest free market in the world it will: ensure U.S. made products are more competitive both at home and in the global marketplace; produce more and better jobs for U.S. workers; increase North American productivity; reduce migration pressures; benefit consumers in the United States, Mexico and Canada; increase the standard of living for all Americans" (page v).

Each of these claims can, and will be refuted specifically in the pages that follow. But perhaps the quickest way to get an idea of just how false they are, is to briefly review two precedents, where the same free trade policies have already been implemented. These are: 1) the 1988 U.S.-Canada Free Trade Agreement; 2) U.S.-Mexican economic relations in the 1987-1990 period, when free trade was already in force. As we do this, the reader should keep in mind that NAFTA, in its final version, is intended to include four principal components:

1) free trade;

2) free flow of capital, i.e., of foreign investment;

3) opening up of Mexico's banking sector, in particular, to foreign involvement and ownership; and

4) all of the above are to occur within the strict parameters established by the International Monetary Fund for Mexico's repayment of its foreign debt.

Free trade's effects on Mexico, 1987-90

The last three years of relatively free trade between the U.S. and Mexico have also been a disaster—for both countries.

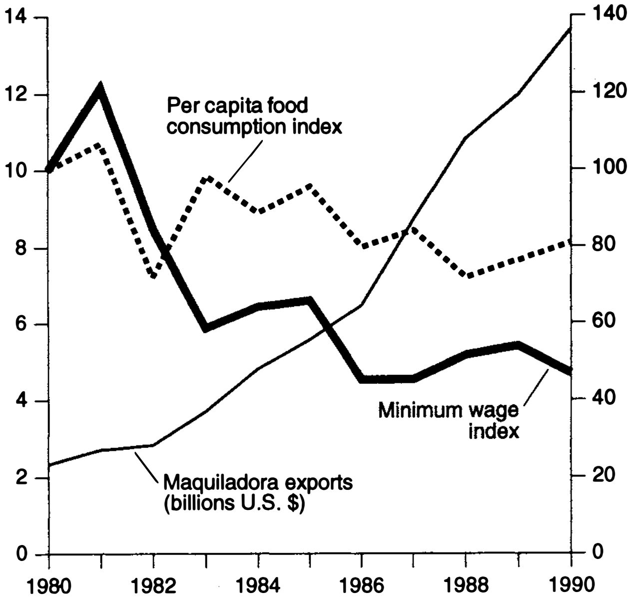
Mexico today is in a deep depression, with soaring unemployment and real wage levels less than 50% of their 1982 levels, with more than 1 million new workers each year entering the labor market, most of whom will not find jobs. The effect of lowered tariff barriers has been to undercut Mexican farmers, increase agricultural unemployment, and to bankrupt tens of thousands of smaller manufacturing producers, while a small number of larger, often multinational-owned firms, have exported to the United States the output that used to be consumed by Mexicans.

The results are shocking: Per capita consumption of corn, beans, rice, and wheat, the staples in the Mexican diet, is today about 20% lower than the already miserable levels of 1980 (**Figure 1**). The minimum wage has dropped from the equivalent of U.S.$1.26 per hour in 1980, to $0.59 per hour in 1990—a 53% decline. In the last three years alone—the model years for NAFTA—wages are estimated to have plummeted by 29%. As the figure indicates, this collapse has occurred during the big "boom" years for the *maquiladoras*, the very model NAFTA intends to spread throughout Mexico, as we shall see below.

There is no basis in any projections for Mexican growth to assert that the poorer 85% of the Mexican population will become consumers of U.S. exports, or that Mexican "prosperity" will permit wages to rise significantly.

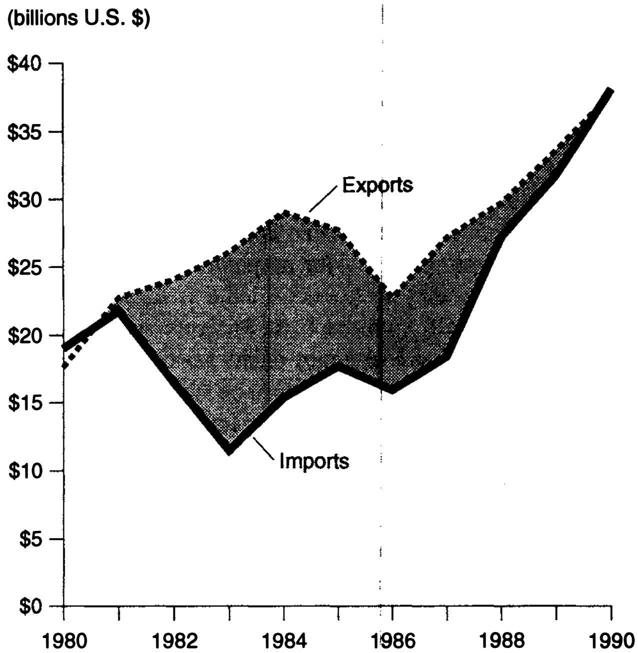
The productive sector of the U.S. economy is likewise sinking rapidly into its own depression, with a substantial job loss having already been incurred by runaway shops in Mexico. This will worsen under NAFTA, as will greatly increased downward pressure on wage levels for those jobs that remain, especially in the manufacturing sector, where wages are traditionally higher than in services. Investment in the U.S. will dry up, productivity will not increase, U.S. unemployment will soar, and consumption and living standards will go down. In short, none of the premises of the Commerce Department will be realized, except that U.S. exports to Europe and Japan will, indeed, be cheaper, based on de facto Mexican slave labor and lower U.S. wages as well, but to no benefit to the U.S. economy or work force.

FIGURE 1
Maquiladoras grow, Mexicans starve



Sources: Secretaría de Agricultura y Recursos Hidráulicos (SARH), Mexico; AFL-CIO, Exploiting Both Sides: U.S.-Mexico Free Trade, Feb. 1991; U.S. Department of Commerce (USDC); U.S. International Trade Commission (USITC); own elaborations.

FIGURE 2
Mexico's total trade, 1980-90



Sources: USDC; USITC; Banco de Mexico (BdM); Instituto Nacional de Estadísticas, Geografía y Informática (INEGI), Mexico; own elaborations.

The foreign debt framework

In 70 pages defending NAFTA, the Commerce Department's glossy pamphlet fails to mention the issue of Mexico's foreign debt even once. And yet it is the single most significant economic fact shaping the entire framework NAFTA is scheduled to operate in. Mexico has a foreign debt of nearly $100 billion, the second largest in the developing sector after Brazil. The servicing of this debt continues to impose a huge burden on the nation's balance of payments, to the tune of over $9 billion in 1990 for debt service alone—even with the supposed reductions achieved thorugh the Brady Plan renegotiations. During the mid-1980s, the debt service was paid out of a balance of trade surplus which came from severely restricting imports while expanding exports, as shown in **Figure 2.** However, since 1986, with the rapid lowering of tariff and non-tariff barriers by Mexico, imports have soared, largely for consumer goods, outstripping even the rapid rise of exports, to the point that in 1990 for the first time in a decade, Mexico ran a merchandise trade deficit.

In the short term, Mexico has managed to keep paying this $9 billion annually in interest payments. In 1988, this was partially done by a $7 billion outflow from Mexico's reserves. But in the last two years, the interest has been paid out of sizable capital inflows from: the repatriation of capital which fled Mexico over the course of the 1980s (about $3 billion reportedly returned in 1990); new loans (about $7 billion in 1990); foreign investment ($2 billion); and the foreign tourist trade in Mexico (almost $5 billion in 1990).

One of the unstated, but crucial, functions of NAFTA is to ensure the means to continue paying this debt service. One source will be the expected inflow of foreign investment capital, buying up Mexican state sector companies that are now being "privatized," or buying out private sector companies. The incoming foreign exchange will just turn around and go back out again to the banks.

The other primary means to pay the debt will be the surplus generated by the *maquiladoras,* as we explain more fully below, and other exports. It would be illusory for U.S. exporters to believe that Mexico will be able to continue running a trade deficit, even if slight, for very long. Mexico's creditors, and the International Monetary Fund (IMF), are insistent that Mexico continue to fully service its debt, which means a balance of trade surplus.

This crisis will also be exacerbated by another phenomenon not being talked about by the proponents of the NAFTA. With increasing foreign investment in Mexico, the annual outflow of profit remittances will also put increasing pressure on Mexico's balance of payments, thus also forcing Mexico to resume running significant balance of trade surpluses. This has already begun to happen, making a mockery of "debt-for-equity" swaps as a supposed debt reduction measure.

Since 1982, outflow of profit remittances has risen steadily, and now approaches $1 billion annually, and this can be expected to soar as "investment" money begins to flood in, buying up Mexican companies in the coming years.

How 'maquiladora' trade works

The centerpiece of NAFTA's entire free trade strategy is the expansion of the *maquiladora* sector of the Mexican economy, the "in-bond" assembly plants located mostly just across the border in Mexico, which use cheap Mexican labor to assemble U.S. components into finished goods—electronics and auto parts, mainly—for re-export back to the U.S. Only the value added by Mexican labor is taxed on entry of the products back into the U.S. Properly speaking, the *maquiladoras* are not really part of the Mexican economy, aside from the fact that they happen to be located on Mexican territory. They are a *foreign enclave,* a free trade zone, which operate much like the Colón Free Trade Zone in Panama.

The only way to get a competent picture of what Mexican trade looks like, is to *separate out* the *maquiladora* trade as the distinct entity that it is. In other words, we must consider the *maquiladora* sector in terms of its own imports and exports, and then examine its relationship to the remainder of U.S.-Mexican trade.

To the best of *EIR*'s knowledge, this has never been done in print, prior to the present study.

The findings are shocking, and reveal the truth behind NAFTA.

To present these findings, we have chosen to divide all of Mexico's foreign trade into three categories, instead of the usual two: 1) trade with the U.S., exclusive of the *maquiladora* sector; 2) *maquiladora* trade; and 3) trade with the rest of the world. In **Table 1** we see Mexican exports and imports broken down into these three categories. The combined trade between the United States and Mexico, including the *maquiladora* sector, accounts for fully 78% of Mexico's exports, and 72% of its imports.

Figure 3 examines the *maquiladora* component only, and shows the extraordinary rise in *maquiladora* exports to the U.S. From just over $2 billion in 1980, *maquiladora* exports reached nearly $14 billion in 1990, a sixfold increase in just ten years, representing a growth rate of over 19% a year. Approximately half of this export value was accounted for by *maquiladora* imports of intermediate goods from the U.S. Employing about 500,000 workers in 1990, the *maquiladoras* accounted for the equivalent of 2.5% of the total U.S. manufacturing work force, working in jobs that 15 years ago were performed in the U.S.

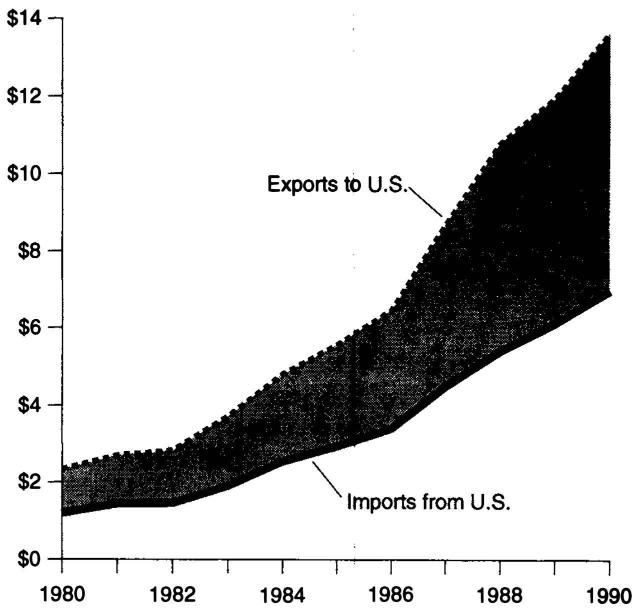
The crucial role recently assumed by the *maquiladoras* is even more starkly shown in **Figure 4,** which shows Mexico's trade surplus (exports minus imports). After 1987, the *maquilas* (as they are also called) provided *the entire surplus* in Mexico's merchandise trade balance. In 1990, Mexico (excluding the *maquiladoras*) ran a nearly $5 billion deficit

TABLE 1
Mexico's true trade figures, including two-way maquiladora trade in 1982, 1986, and 1990
(billions U.S. $)

	1982	1986	1990
Imports			
From United States (non-maquiladora)	$ 9.65	$ 8.52	$20.49
From United States (to maquiladoras)	1.45	3.40	6.98
Subtotal: Total U.S. import	11.10	11.93	27.47
From the rest of the world*	5.39	4.00	10.52
Total	$16.50	$15.93	$37.99
Exports			
To United States (non-maquiladora)	$12.73	$10.74	$15.87
To United States (from maquiladoras)	2.84	6.46	13.64
Subtotal: Total U.S. export	15.57	17.20	29.51
To the rest of the world*	8.50	5.50	8.10
Total	$24.07	$22.69	$37.61

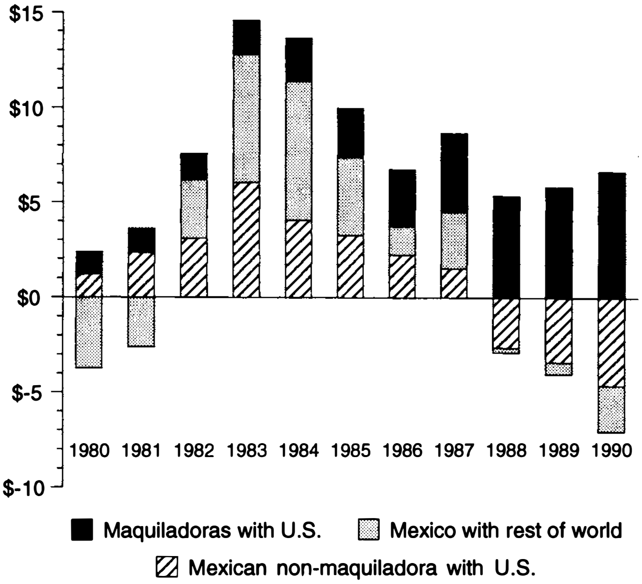
* Estimated for 1982 and 1986.
Sources: BdM; INEGI; USDC; USITC; own elaborations.

FIGURE 3
Growth of the maquiladora trade
(billions U.S. $)



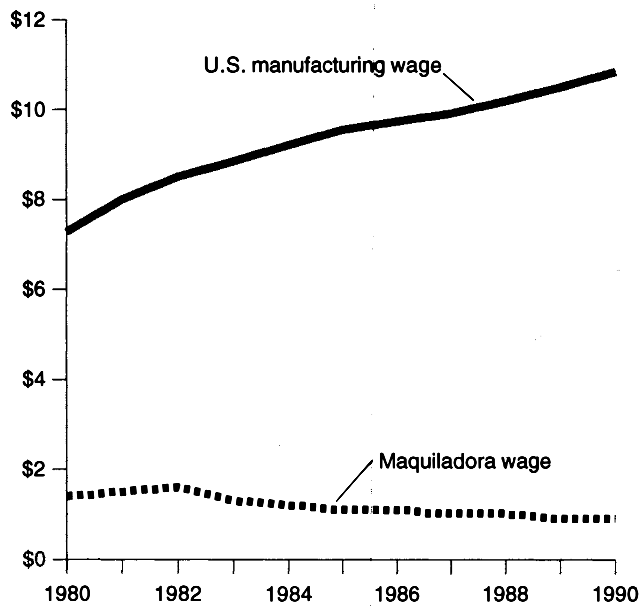
Sources: USDC; USITC; own elaborations.

FIGURE 4
Sources of Mexico's trade surplus, 1980-90
(billions U.S. $)



Sources: USDC; USITC; BdM; INEGI; own elaborations.

FIGURE 5
U.S. manufacturing wages versus maquiladora wage
(U.S. $ per hour)



Sources: Economic Report of the President, 1990; AFL-CIO; own estimates.

with the U.S. and one of more than $2 billion with the rest of the world. Mexico's true dependence on the *maquiladora* portion of its total trade is now enormous. Without the *maquila* trade, Mexico would today be suffering a greater than $7 billion merchandise trade deficit, and an equally great hole in its current account balance—and in its ability to service its foreign debt.

All of this may explain why Mexican President Salinas de Gortari has repeatedly emphasized that his real plan for the "growth" of Mexico is to simply develop *maquila* industries, not just along the border, but throughout the country, and turn the entire manufacturing sector into little more than a workshop for re-export of *maquila* products to the U.S. As the Mexican President put it in a March 29, 1991 speech in his home town of Agualeguas, Nuevo León: "It is necessary to establish new schemes for future sources of jobs . . . the *maquiladoras* are an excellent alternative for the country to root Mexicans in their places of origin, and to strengthen the national economy."

Slave labor wages, living conditions

Many groups, such as the AFL-CIO, other labor, church, social welfare, and environmental organizations, have documented that the *maquiladora* phenomenon represents nothing but U.S. runaway shops, possibly the most massive "runaway shop" slave-labor operation in history. These groups have also compiled massive and irrefutable evidence as to the subhuman conditions of work in the *maquiladoras*, and the *colonias* (shantytowns) surrounding them. We do not need, here, to repeat this information in detail, since it is in the public record in numerous congressional hearings and in widely circulated published form. But the outlines bear reiteration.

• Wage levels are abominably low. Contrary to some claims, the average wages paid by the *maquiladoras* are far below even the already abysmally low wages paid in the non-*maquiladora* manufacturing sector of Mexico. According to AFL-CIO figures, average *maquiladora* wages are $.98/hour, compared to $1.56/hour for manufacturing in the rest of the country. But many maquiladora workers receive substantially less even than $.98. **Figure 5** contrasts this low, and declining, *maquiladora* wage to the average manufacturing wage in the United States, which has risen slowly over the years. While in 1980, the wage differential was about 5:1, it is now worse than 11:1. And even these figures understate the comparison, as some U.S. workers still receive fringe benefits up to 50% the value of their wages; the *maquiladora* workers receive none.

• The profile of the *maquiladora* labor force reads like something out of Charles Dickens or New York City's tenement factories before the first child labor laws at the turn of the century. Two-thirds of the 500,000 workers in them are females, and most of these are young girls, either trying to supplement the income of desperately poor families, or earning their first living away from home any way they can. Turnover rates in the *maquiladoras* reach 120% per year.

- Working conditions are also 19th-century, with widespread violation of worker safety laws, blatantly unsafe working conditions, failure to inform the workers of hazards, failure to use proper protective devices on machinery, and other abuses amply documented by others.
- Living conditions are crushingly poor, with the vast majority of the 500,000 workers, plus dependents, living in the so-called *colonias,* urban slums reminiscent of Brazil's notorious *favelas*. Almost none of these residents have indoor running water, many do not even have access to running water at all, and drink from water collected in huge barrels formerly used by local companies to contain toxic substances. Sewage facilities are almost unknown in the *colonias,* and open sewage runs through the camps. Conditions, according to first-hand observers, are as squalid and hideous as anywhere on earth today. It is scarcely an exaggeration to call them concentration camps. Needless to say, health care and treatment are all but non-existent as well, making these camps ripe ground for cholera and other epidemics, which, once unleashed, will not respect national borders.

What does the Bush administration say about this horror? The cited Commerce Department booklet cheerfully reports that Mexico has excellent labor and anti-pollution laws "on the books," but that enforcement is a little less than what might be desired because, after all, Mexico is a poor country and can't budget quite enough for enforcement!

Apart from the question of the horrendous physical conditions characteristic of the *maquiladoras,* behind their astounding growth in recent years is a broader Anglo-American establishment policy agenda. At present rates of growth, there will be 608,000 *maquiladora* workers by 1992; 860,000 million by 1994; 1.1 million by 1997; and 1.5 million by the year 2000.

The aim of NAFTA over the coming years is to enlarge these enclaves to encompass virtually the entirety of Mexico—and from there, the rest of Ibero-America. Anything resembling today's distinct national economies will disappear. The entire continent will become one giant appendage of the U.S. economy, based on a huge cheap labor pool, employed to assemble export goods in order to pay their foreign debt to the banks.

This is not hyperbole. Many U.S. businesses have already announced that once NAFTA is law, they plan to begin taking advantage of it immediately to shift investment from the U.S. to Mexico, in what amounts to a two-front assault on American labor, and on U.S. living standards. By shifting hundreds of thousands, and eventually millions of jobs south of the border, they will create a huge army of unemployed in the U.S. which will drive down wage levels. And the reimport to the U.S. of the finished products of these runaway shops will force out of business every industry that doesn't do the same, further depressing wage levels.

Mexico's import 'boom' a cruel joke

But perhaps all of this will be offset by skyrocketing U.S. exports to Mexico? That is what the Bush administration claims. But this, too, is a lie.

It is a fact that Mexico's imports (three-quarters of which come from the U.S.) have risen sharply over the last three to four years, as a result of former President Miguel de la Madrid's and Salinas's trade liberalization measures. But a closer look at the composition of those imports shows that consumer goods are the ones growing most rapidly. U.S. consumer goods have been replacing Mexican goods at supermarkets and department stores, but that process has largely run its course. It would be illusory to think that this is a market that can continue to rapidly expand.

The argument that "Mexico is a booming market" is nothing but a cruel joke. One might as well trumpet the tremendous market for U.S. exporters represented by Bangladesh today. Desperately poor people, as most Mexicans have become under De la Madrid and Salinas's policies, are not a market for anybody's exports. The entire Mexican economy, encompassing a population one-third the size of the United States, disposes of an economy barely 4% as large. And the share of GNP represented by popular incomes in Mexico is much lower in Mexico than in the United States. Real incomes have plummeted for the average Mexican by more than one-half since 1982. It is estimated that more than two-thirds of the population are poor, and at least half of them desperately poor.

As for capital goods imports, the amount of these actually invested into the Mexican economy has been dropping significantly since 1980 (see **Figure 6**): It is today at only 60% the level it was at in 1980. And of those imported capital goods that are invested, the fact is that the lion's share of these have gone into building up industries for exports—in particular the *maquiladoras*—rather than contributing to the growth of the Mexican national economy.

There is no future of growth in such trends.

Foreign investment, grabbing resources

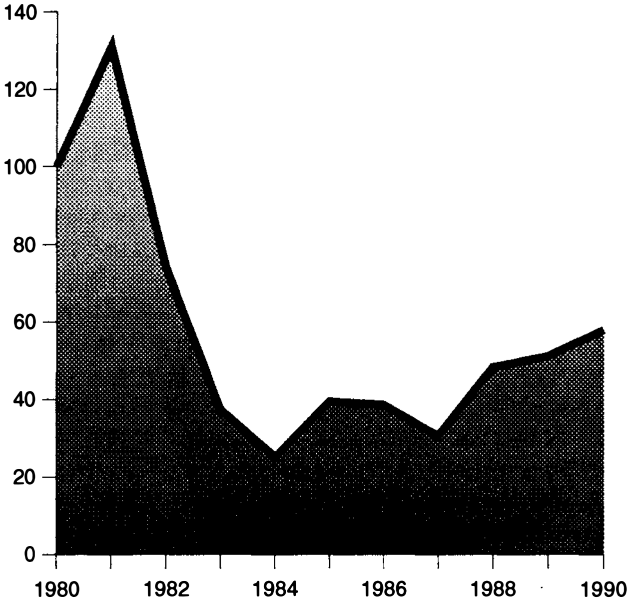
One of the central objectives of NAFTA is to create an environment propitious for significant flows of foreign investment into Mexico.

But what sort of investment will actually occur? *Maquiladora* investment will certainly take off under NAFTA, for the reasons indicated. But this will not constitute the prime form of investment. The major thrust of U.S. foreign investment will be in buying out core sectors of the existing Mexican economy—*not* in the construction of new plant and equipment. In other words, it will consist of a mere exchange of property titles, from Mexicans (including the state), to foreigners. This is proven by the fact that, despite balance of payments figures showing about $2-3 billion of foreign investment in each of the last couple of years, there has been no corresponding flow of actual physical imports of capital goods, as we documented above.

FIGURE 6

Invested imported capital goods in Mexico

(index 1980 = 100)



Sources: BdM; INEGI.

This process is already well under way, as Mexico has "privatized" the bulk of its formerly public sector companies—70% have reportedly already been sold off. The strategic aim of the NAFTA is to force Mexico to liberalize its foreign investment laws, and to make the changes permanent. The U.S. has targeted all remaining statutory and constitutional restrictions on full 100% foreign ownership of Mexican companies, even in formerly "strategic" industries, and will demand these reforms as the price of NAFTA.

And of course, there is the central issue of oil. Here, the policy is to gradually whittle down Mexican opposition to resuming foreign control and eventually ownership over Mexico's oil resources and oil industry.

The long-term goal here is to deny Mexico the full use of its oil revenues for national development and to ensure the U.S. a large and continuing supply of oil close to home. In fact, the intent of NAFTA, and of Bush's broader new world order, is to achieve control of all strategic minerals, including oil, in Mexico, Ibero-America, and the entire Third World.

A final feature of the opening to foreign investment is the NAFTA agenda item known as "intellectual property rights." This nominally refers to patent, copyright, and other regulations, but is in fact geared to ensure that Mexico, Ibero-America, and the Third World remain totally technologically dependent on the U.S. No technology will be transferred without prior U.S. approval and conditions applied, and no *independent* technological development will be tolerated either. The model in this area is the ongoing assault against the independent capabilities of Argentina and Brazil in the area of nuclear and aerospace technologies. The idea is to enforce technological backwardness, through what is openly advocated as "technological apartheid."

Establishing a dollar zone

NAFTA has one last principal goal: to permit the full opening up of Mexico's banking and financial system to takeover by the international banks. Once permitted full rights to operate in Mexico, the major Wall Street, London, European, and Japanese banks will quickly take over Mexico's financial system.

The goal is, as with the *maquiladoras,* to turn Mexico City into another version of Panama's now destroyed "banking center," an onshore "offshore" banking haven, which transmogrifies Mexico's national savings into the means for international speculative activities earning profits for the banks, emphatically including the laundering of hundreds of billions of dollars in drug revenues every year.

With the financial takeover completed, and trade and foreign investment fully liberalized, NAFTA's ultimate objective is to turn the entirety of the Americas into a *dollar zone*. What this means is the supplanting of each of the local currencies by the dollar, *as legal tender,* for all external and internal economic transactions.

The model, again, is Panama, where the local currency, the balboa, is actually nothing other than the U.S. dollar bill. Nicaragua under President Violeta Chamorro has recently taken steps in the same direction, where three currencies now stand side-by-side as legal tender: the old cordoba, the new cordoba, and the dollar. And in Argentina, Harvard graduate Finance Minister Domingo Cavallo has just implemented a series of measures which have also made the dollar de facto legal tender in Argentina, and indexed all Argentine financial aggregates to the U.S. currency.

Such steps go far beyond the current state of affairs, where the IMF, the creditor banks, and the U.S. government directly dictate policy to the governments of Ibero-America as to what their economic and monetary policies should be. They will no longer have economic and monetary processes that they can even call their own: They will all be run by the dollar, i.e., by the United States government.

This kind of loss of economic sovereignty is tantamount to erasing all national borders, and goes hand in hand with the NAFTA plan of turning the whole continent into one giant *maquiladora* foreign enclave.

There are, of course, political obstacles to such a thorough surrender of sovereignty by the Ibero-Americans, but the Bush administration is fully intent on removing them from its path. Principal among these are the institutions of the armed forces and the Catholic Church in Ibero-America, both of which are today under full-scale assault by the Anglo-American establishment forces internationally.