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NAFTA treaty clamps bankers' rule on Mexico

by Carlos Cota

The official summary of the draft of the "North American Free Trade Agreement," which was initialed by representatives of the United States, Mexico, and Canada on Aug. 12, fully confirms *EIR*'s analysis of the suicidal nature of the NAFTA treaty for all the countries concerned—and particularly for Mexico.

In our Special Report of May 1991, entitled "Auschwitz Below the Border: Free Trade Pact is George 'Hitler' Bush's Mexican Holocaust," we said that the agreement was intended to prop up the tottering international credit pyramid, by greatly increasing the flow of wealth from the Third World to the international banks. The agreement will effectively incorporate the economy of Mexico—and that of all the other countries of Ibero-America that may join in the future—into a huge dollar zone, annexing Mexico's raw materials, such as petroleum, into the U.S. economy, and using Mexico's cheap, captive work force mainly to produce goods for reexport to the United States. It will also destroy the wages of *both* countries and increase U.S. unemployment.

The dollar takes over

Beyond being a new plan to loot the economies of the Third World, the agreement will reorganize the structure of Ibero-American banking, creating the conditions for laundering the vast inflow of drug dollars to the U.S. banking system, an urgently needed infusion of cash.

EIR also established that the "foreign investment" that was supposed to flow to Mexico under the agreement—according to the propaganda of George Bush and Carlos Salinas de Gortari—would go strictly to purchase already existing factories, which would merely be a transfer of Mexican property into the hands of foreigners, and not the creation of new wealth.

The chapter on Financial Services in the official Summary of the Agreement spells out how foreign financial institutions will be allowed to take over in Mexico, ripping up any pretext of national sovereignty: "Financial service providers of a NAFTA country may establish in any other NAFTA country banking, insurance and securities operations as well as other types of financial services. Each country must permit its residents to purchase financial services in the territory of another NAFTA country. In addition, a country may not impose new restrictions on the cross-border provision of financial services in a sector. . . .

"Mexico will permit financial firms organized under the laws of another NAFTA country to establish financial institutions in Mexico, subject to certain market share limits that will apply during a transition period ending by the year 2000."

Canada exempts the United States and Mexico from its Rule 10/25, which prevents non-residents from acquiring more than 25% of the assets of a financial institution. The United States will permit Mexican financial groups that have legally acquired a Mexican bank with operations in the United States, to continue operating their stock brokerages in the U.S. for five years after such acquisition.

Canada, of course, is a British banking-financial paradise and the headquarters of much international real estate speculation. Both banking and real estate are now in the process of bankruptcy. And Mexico has ceded its territory for the installation and operation of all kinds of transnational financial transactions: pure money laundering.

In the chapter on investment, the Summary says: "The concept of investment is defined in a broad manner. . . . No NAFTA country may impose specified 'performance require-

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ments' in connection with any investments in its territory, namely specified export levels, minimum domestic content, preferences for domestic sourcing, trade balancing, technology transfer or product mandating."

What is euphemistically called investment is nothing but a hunting license for the so-called franchises to come to Mexico and to freely engage in corporate takeovers. This represents the elimination of Mexico's Foreign Investment Law, which has protected the Mexican economy from this kind of foreign looting for more than half a century.

Concerning "transfers," the Summary establishes that "NAFTA investors will be able to convert local currency into foreign currency at the prevailing market rate of exchange for earnings, proceeds of a sale, loan repayments or other transactions associated with an investment. Each NAFTA country will ensure that such foreign currency may be freely transferred."

What this means, is the creation of an enlarged dollar zone, in which the dollar will become the legal tender for every type of transaction that the U.S. financial powers consider an "investment."

Grabbing raw materials, such as petroleum

In the chapter on energy and basic petrochemicals, the three countries "set out the rights and obligations regarding crude oil, gas, refined products, basic petrochemicals, coal, electricity, and nuclear energy." Making a charade out of "respect for their constitutions," which in the case of Mexico allocates the petroleum sector to the exclusive domain of the Mexican government in perpetuity, the Summary states: "The three NAFTA countries recognize the desirability of strengthening the important role that trade in energy and basic petrochemical goods plays in the North American region and of enhancing this role through sustained and gradual liberalization.

"The NAFTA energy provisions recognize new private investment opportunitites in Mexico in non-basic petrochemical goods and in electricity-generating facilities for 'own-use,' co-generation, and independent power production by allowing NAFTA investors to acquire, establish, and operate facilities in these activities. Investment in non-basic petrochemical goods is governed by the general provisions of the Agreement.

"Each country will also allow its state enterprises to negotiate performance clauses in their service contracts; in the case of Mexico, such contracts will only have compensation payments in money." (The inclusion of the clause about "performance clauses" is a major shift for Mexico, which had previously said it would not accept "performance contracts.")

Trade war

In our Special Report of May 1991, *EIR* charged that the Western Hemisphere Free Trade Zone would be used as a battering ram against the industrial development of Japan and Germany, in particular, to prevent any alternative to Anglo-American economic predominance. In the NAFTA Summary's chapter on Rules of Origin (governing how to establish whether goods will be considered as imports or as originating in North America), a virtual trade war is declared against Japan, Germany, other countries of the European Community and Southeast Asia, as well as against Mexican producers themselves.

The rules of origin for the automobile industry in Mexico are applicable only against the Japanese Nissan company and Germany's Volkswagen. The rules of origin in the textile industry are applicable against the countries of Southeast Asia, as well as French and Mexican textile producers. "The rules of origin specify that goods originate in North America if they are wholly North American. Goods containing non-regional materials are also considered to be North American if the non-regional materials are sufficiently transformed in the NAFTA region" to meet certain standards.

To ensure that this occurs, strict inspection is established. The Customs Administration will be modified "in order to ensure that only goods satisfying the rules of origin are accorded preferential tariff treatment."

Destruction of Mexican industry

Mexico is committed to eliminating its "Decree for the Development and Modernization of the Automobile Industry," at the end of a 10-year transition period. During that time, Mexico will modify the decree "eliminating immediately the limitation on imports of vehicles based on sales in the Mexican market; amending its 'trade balancing' requirements immediately to permit assemblers to reduce gradually the level of exports of vehicles and parts required to import such goods, and eliminating the requirement that only assemblers in Mexico may import vehicles; and changing its 'national value-added' rules by reducing gradually the percentage of parts required to be purchased from Mexican parts producers, by counting purchases from certain in-bond production facilities," referring to the infamous *maquiladoras*, low-wage assembly plants on the U.S.-Mexican border.

Mexico will further "permit 'NAFTA investors' to make investments of up to 100% in Mexican 'national suppliers' of parts, and up to 49% in other automotive parts enterprises, increasing to 100% after five years." The automotive sector will be guided by "NAFTA's investment provisions." And the agreement also provides for the three countries to consult and agree to an even more accelerated elimination of tariffs.

With one stroke of the pen, the efforts of Mexico over 30 years to develop a national automobile industry have been eliminated!

Hostage to the grain cartels

Concerning agriculture, Mexico is committed to applying the Uruguay Round of the General Agreement on

Tariffs and Trade—even though *no other GATT member has accepted those terms*. Mexico will not import agricultural goods from those countries that subsidize agricultural production for exports. According to the Summary, "When an exporting NAFTA country believes that another NAFTA country is importing non-NAFTA agricultural goods that benefit from export subsidies, it may request consultations on measures the importing country could take against such subsidized imports." Mexico, in this fashion, agrees to apply embargoes against other nations, or against itself, such as in the case of the embargo against tuna fishers.

The document continues: "Mexico and the United States will eliminate immediately all non-tariff barriers to their agricultural trade, generally through their conversion to either 'tariff-rate quotas' (TRQs) or ordinary tariffs." Mexico and the United States "will eliminate immediately tariffs on a broad range of agricultural products. This means roughly one-half of U.S.-Mexico bilateral agricultural trade will be duty free. . . . All tariff barriers will be eliminated [in] no more than 10 years." That is to say, in 10 years or less, most probably less.

The fascist destruction of the labor force

In our Special Report of May 1991, we indicated that the free trade agreement would also drastically cut wages and worsen working conditions in the United States, especially for the shrinking portion of the labor force engaged in manufacturing. The intent is to completely restructure the U.S. economy, downgrading employment, as the basis of the economy is shifted from science and technology to a slave labor economy.

This restructuring will be accomplished with the supposed investment in the Mexican *maquiladoras,* where workers live and work in sub-human conditions. As we wrote in May 1991: "Ciudad Juárez, where fully one-third of all the *maquiladora* workers live, graphically illustrates the situation. Some 315 *maquiladoras* employ 135,000 workers, 65% of them women, 10% under 16 years of age. Wages are $3.60 a day, and turnover is so high there is a constant need for more workers. . . . Housing rents are double the levels across the Rio Grande in El Paso; incomes are less than one-tenth the U.S. levels."

The wage of a *maquiladora* worker in Mexico is a direct assault on wage levels in the United States. This fact will help convert the entire border area (the famous "*maquiladora* strip") into one huge slave labor camp.

Curiously, the subject of the *maquiladoras* is not touched upon in the NAFTA Summary. The reason is that, since the *maquiladoras* are considered part of the domestic trade of U.S. companies operating on Mexican territory, they are in the same so-called "recession" as the rest of the U.S. economy, and have found their markets in the United States shrinking.

The response of the Mexican government to this situation has been to extend the working conditions of the *maquiladoras* to the totality of the Mexican economy, disregarding Mexico's own labor laws and legally mandated protection for its workers. To achieve this end, Mexico's labor secretary has been fomenting "crazy strikes," such as those recently at Volkswagen and in the textile industry, which merely lead to companies ripping up collective bargaining contracts, and/or declaring bankruptcy, firing all their employees, and rehiring on an individual basis a smaller number of workers in a "free labor market," in which the workers lose all accumulated benefits and pensions, and are forced to accept new wages dictated by the "law of supply and demand." In reality, this treatment of labor is directly in line with the NAFTA chapter on investment.

This "model" was imported from the United States, where it was applied to the workers of the now-defunct Pan American, workers fired by General Motors, and others, going back to the 1981 breaking of the air traffic controllers union.

Thus NAFTA means more unemployment both in the United States and in Mexico, which will lead to a high level of mortality of companies on both sides of the border. The only jobs to be created will be more slave labor jobs on a level with existing *maquiladora* employment.

Some things have changed

Since our Special Report was published, some things have changed. George Bush has gotten his preliminary agreement, thanks to the lapdog obedience of the governments of Mexico and Canada. Bush needed a NAFTA agreement for his reelection campaign, not because the electorate wanted it, but to satisfy the Wall Street financial oligarchy, which otherwise could go for Bill Clinton as their new policeman to collect the debt. Clinton also backs NAFTA. Mexican President Salinas de Gortari and Canadian Premier Brian Mulroney would sign any paper without reading it, if it meant maintaining George Bush in power, since it is he who is guaranteeing the tenures and legitimacy of their own governments.

Looking farther south in the hemisphere, things have changed even more. Ibero-America is exploding, changing the political physiognomy of the region. The civil-military rebellion in Venezuela of Feb. 4, 1992, and the huge demonstrations in Brazil demanding the resignation of the corrupt President, Fernando Collor de Mello, all represent attacks on economic policies that are part and parcel of NAFTA. The economic policies of George Bush's friends, the Presidents of Colombia and Argentina, are also in jeopardy.

The purpose of our Special Report was to aid opponents of NAFTA to better understand the real operation and function of the treaty. Now that the final solution to the debt problem has been committed to paper, we know the full horror, and the political battles, that are coming. These must be stated, to refute the self-serving rhetoric of the defenders of free trade.