
Mexico

Corpse of Free Trade Is Starting To Stink

by Marivilia Carrasco,

The situation in Mexico is dramatic, and will sink even further if the *Titanic* to which we are tied, should go under. The collapse of the flow of foreign investment with which the United States covers its balance of trade deficit, means that the U.S. will continue to reduce its imports and shrink its market, to which Mexico has been sending 90% of its exports.

The *maquiladora* sector, which during the 1990s was the only sector in Mexico which grew at an accelerated rate, and which was supposedly proof of the success of the North American Free Trade Agreement (NAFTA), has been on the decline since late 2000. Worse, the rate of collapse is accelerating, as can be seen in the overwhelming fall in production levels, by 19.6% in the fourth quarter of 2001, and 19.1% in the first quarter of 2002. Employment in the *maquiladoras* fell 17% in 2001 alone, meaning that some 300,000 Mexicans were thrown onto the street, without jobs. The decline is continuing.

Going the Way of Argentina

The same disastrous dynamic is expressed by the fact that the rate of collapse of Mexico's Gross National Product is so precipitous, that the country is on an accelerated entropic spiral similar to that which led to the bankruptcy of Argentina.

The collapse of the *maquiladoras* is due to the fact that the United States can no longer fulfill its role as "importer of last resort." Under the "New Economy," the United States has been transformed from a society of producers, to a society of consumers. But the "New Economy" cannot be sustained. Americans are told over and over again, to the point that it has been adopted as dogma, that "we must fight to defend free trade." And yet today, it is dying, and lies have been invented as a form of artificial respiration, to keep it alive. When U.S. Federal Reserve Chairman Alan Greenspan lied a year ago, before the events of Sept. 11, that there was no recession in the United States, only Lyndon LaRouche refuted it.

A year later, those who denied the recession have had to admit that the successive reductions in interest rates did nothing to prevent it. Today, Greenspan is still trying to pretend that there are "unequivocal" signs of a recovery, but all he can offer as proof are cooked statistics: the supposed 5.6% growth of the GNP in the first quarter of 2002, and the alleged 8.5% increase in productivity. But U.S. unemployment figures gave the lie to such optimism, and point to precisely

the opposite situation; the current unemployment rate is the highest since 1994. Major U.S. companies are reporting multibillion-dollar losses every day.

To conclude that we need only sit back and await the "recovery" of the U.S. economy to save Argentina, Mexico, or whatever country, is "pure dreaming."

The National Institute of Geography and Statistics (INEGI) of Mexico revealed on May 15 that, in the first quarter of 2002, the GNP fell 2% over the same quarter of 2001. The 2% decline rate is not only the worst in recent times, but follows two quarters in which the rates of GNP decline were worse than the preceding ones.

The suicidal policy of the Vicente Fox government, of keeping the budget deficit frozen at 0.6%, is a criminal pretext for imposing new budget cuts each time the tax revenue flow to the government falls. This decline is the inevitable result of the dysfunction of the whole economic model, which is destroying the tax base of the country.

One example is the reduction of income because of the Value-Added Tax (IVA), the result of a decline in consumption which is directly linked to unemployment and to the Banco de México's policy of drastically reducing money in circulation. Budget cutbacks imposed in 2002, are already more than double the cutbacks enforced in 2001, having reached approximately \$3.3 billion. This, of course, ensures that the descending spiral in which we are caught will grow steeper still. Under depression conditions such as those which prevail today, each cutback in public spending produces a consequent reduction of the tax base, leading to less tax money and thus, by decree of the International Monetary Fund, yet more cutbacks. A process of self-cannibalization, leading directly into bankruptcy.

The potential that Mexico will become ungovernable thus grows. Industrial production fell by 7.6% in March, as compared to March 2001, the greatest decline since October of 1995, when the country suffered the ravages of bankruptcy of the national banking system. Manufacturing reported a 9.1% decline, after a 4% decline in the last quarter of 2001. As in Argentina, what will follow bankruptcy in Mexico, will be genocide.

We Must Save the Nation

It is the system itself which is crumbling, and Mexico must urgently recognize this, because it cannot survive more games with the United States and the failed free-trade model. In many ways, it is Mexico's relationship with NAFTA which reflects, more than anywhere else in the world, the true insanity and criminal fraud of the free-trade system. The solution can only come with a new economic policy, such as the New Bretton Woods proposal of Lyndon LaRouche. This includes a system of fixed exchange rates, and protectionist measures for agriculture and industry, as well as an alliance with the other nations of Ibero-America, as proposed by LaRouche in his celebrated 1982 work, *Operation Juárez*.