Trade pact to destroy Mexico, U.S. economies

by Peter Rush

On Feb. 6, Mexican Secretary of Trade and Industrial Promotion Jaime Serra Puche said that Mexico, the United States, and Canada will sign a free trade accord as soon as possible. The same day, President George Bush announced that the three nations expect to finish negotiations for a trilateral free trade zone quickly. "A successful conclusion of the free trade agreement will expand market opportunities, increase prosperity, and help our three countries meet the economic challenges of the future," Bush told the press. As with most of what Bush says, the reality will be exactly the opposite of what he is promising.

Bush and Serra Puche's statements make official what has been in the works for a while. As *EIR* has warned, the Wall Street establishment has a policy of creating a "North American Common Market" in which the U.S. will strip what it can from Canadian industry and agriculture, and use Mexico as a cheap labor pool to bludgeon U.S. workers into accepting wage and benefit cuts as the United States heads ever deeper into depression. With the Persian Gulf war, Bush's version of this old plan has been fine-tuned around the idea of annexing the Mexican economy (and eventually all the Ibero-American economies), and its raw materials in particular, such as oil, into the U.S. war economy.

Mexican opposition growing

While opposition to the pact in Mexico is still weak, it is growing rapidly as the implications of the free trade proposal become increasingly apparent. A meeting in Mexico City on Oct. 7, 1990, brought together 27 Canadian and 60 Mexican trade union, farmer, environmental, and other organizations to plan strategy. Leading Mexican journalists have been warning that the pact is a thinly veiled excuse to force Mexico to scrap its Constitution's stipulation that petroleum is the national patrimony, in order to turn the oil over to foreign multinational corporations.

One of the strongest critiques came from noted columnist Cárdenas Cruz, writing Feb. 3 in *El Excélsior,* who charged that U.S. policy had gone beyond "interventionism" to outright "annexationism." He said that under cover of the free trade agreement, the U.S. was asking for everything from including oil in the pact, in violation of the Constitution, to transforming Mexico's agricultural land tenure system, forcing U.S. environmental regulations upon Mexico, and even intervening to "improve" the nation's educational system.

Opposition is also strong in the U.S. and Canada. United Auto Workers President Owen Bieber said Feb. 8 that the pact would jeopardize American jobs, and called on a meeting of 1,000 UAW delegates to mobilize labor opposition. Speaking at a congressional hearing, Senate Finance Committee chairman Sen. Lloyd Bentsen (D-Tex.) complained that "never has a developed country of our wealth and size tried to negotiate a free trade agreement with a developing country like Mexico. Mexican wage rates are one-seventh of U.S. levels. That concerns many U.S. industries and workers. It concerns me."

But jobs will be lost not only in the United States. According to a declaration issued at the conclusion of the Oct. 7 meeting in Mexico City, since the imposition of the Canadian free trade pact in 1988, Canada has lost 150,000 jobs out of a work force of less than 12 million—more than 1%, affecting 1 of every 12 industrial workers. Promised new investment has not materialized; instead, direct investment capital has flowed *out* of the country to the tune of more than $4 billion Canadian, and Canadian energy has come more and more under the control of U.S. companies, which are shipping more and more of it to U.S. markets.

In Mexico, studies show that at least 77,000 Mexican small and medium-sized businesses have been wiped out by the dramatic lowering of Mexican tariffs since 1986, accounting for hundreds of thousands of lost jobs, in a foretaste of things to come. How many more will go under when the tariffs fall to zero, can only be guessed at. And the damage will not only be to industry. It is already being reported that under the free trade scheme, U.S. agro-industrial giants will swarm into Mexico, buy up the best land near the border, and grow vegetables to export back to the United States—wiping out U.S. production. In exchange, U.S. grain will flow into Mexico, wiping out most of Mexico's remaining grain farmers, according to an article in the Feb. 8 London *Financial Times*.

The 'comparative advantage' disadvantage

The argument being used to bludgeon opponents into silence, states that the United States and Mexico will each produce whatever they can produce more efficiently than the other. High labor-cost vegetable growing and low-skill assembly plant manufacturing will be done in Mexico, where wage levels are less than one-fifth those in the United States; high-technology grain growing and all heavy and high-technology industrial production will be done in the U.S. and exported to Mexico.

The obvious effect—which is fully intended by the initiators of the agreement—will be to shrink the economies of both countries as millions are thrown out of work, purchasing power in both countries declines, and the depression deepens.