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Dateline Mexico by Carlos Cota Meza

A Trilateral oil grab

Negotiations around a North American Common Market will still have but one goal: Mexican crude for the United States.

Without further ado, the Carlos Salinas de Gortari government has announced, through Trade Secretary Jaime Serra Puche, that talks with Canada to integrate that nation into a Trilateral Free Trade Pact (Mexico-U.S.-Canada) have already been launched. The talks are occurring despite the fact that the Mexican Senate had only authorized negotiations for a bilateral Free Trade Pact with the United States.

The sudden appearance of a third party in the negotiations is reportedly a result of U.S. pressure. Some business layers in Mexico have responded negatively to the idea, with spokesmen for such Mexican business associations as Concamin, Canacintra, and Concanaco describing the sudden change as "dangerous," alleging that Canada will pressure the United States against giving "more advantages" to Mexico than those supposedly attained by Canada in its own bilateral trade pact with the U.S.

The central issue at stake is Mexican oil and how quickly the U.S. can get its hands on it. In fact, none of the governments currently involved in the trilateral trade talks deny that the sudden acceleration of negotiations is due to the Persian Gulf crisis, nor do they deny the fact that Mexican oil has become a "strategic priority" for both the U.S. and Canada. At the recent U.N. General Assembly session, Bush, Salinas, and Canadian Prime Minister Brian Mulroney were repeatedly photographed together, with Salinas usually sandwiched between his "advanced sector" colleagues.

Mexico's Secretary of Mines and Energy Fernando Hiriart has announced that "an increase in the production and export platform of hydrocarbons is imminent," but the Bush administration, according to the Sept. 28 *New York Times*, considers Mexico to be moving too slowly. "Talks with [oil producer] Venezuela have been much more encouraging," the *Times* reported. Indeed, officials of the state oil company Pemex have denounced growing pressures by Shell, Texaco, Exxon, and Chevron to permit their "association" with Pemex in the exploration, extraction, and marketing of the Paleocañón de Chicontepec oil fields. These fields, where extraction of crude is reportedly the most technically difficult in the world, nonetheless are one of the largest crude reserves in the world: a 3,000 square kilometer basin with an accumulation of 100 billion barrels of crude *in situ*, and a recovery capacity of 17%, or 17 billion barrels.

While the U.S. is reaching for Mexico's oil, one can only wonder what Mexico hopes to gain. The Canadian example is not promising. A recent survey published by Free Trade Consultants one year after the Canadian-U.S. Free Trade pact was signed, reveals that many Canadians consider the pact a failure.

The main point of the survey is that in simultaneously offering the products of both economies to a single consumer market, the Canadian side prefers American products. Canadians who cross the Rainbow and Whirlpool "bridges" to buy in the U.S. have increased in number by 60%, while those crossing the Lewiston-Queenston "bridge" into Canada have increased by a mere 10%. As a result, expectations for production increases in Canada fell from 2.8% to 1.9%. Unemployment grew from 7.5% to 7.7%; in Ontario alone, 71,000 new jobs were predicted for 1990, some 19,000 fewer than in 1989.

Simon Reisman, a Canadian negotiator on the Trade Pact with the U.S., maintains that there are "negative effects of a global nature" stemming from the agreement. "Canadian manufactured goods are between 20-25% less productive than those of the United States. . . . Canada exports merchandise [while] it imports services, investment and technology from the United States. The result is that between 1989 and 1990, Canada has—for the first time in recent years—an important balance of trade deficit with the United States."

The executive secretary for the U.N.'s Economic Commission for Latin America (ECLA), Gert Rosenthal, recently warned of the risks that Mexico will face in signing such a deal with the U.S. The most evident risk, according to Rosenthal, is "the massive bankruptcy of companies that cannot compete. . . . [Mexico] has very small-scale production compared to the United States."

The second risk is that "the trade opening is too accelerated," which not only will produce "bankruptcies and unemployment," but also raises the question of whether the Mexican economy is "in any shape to withstand this, and in submitting itself to a long period of adjustment and recession, is placing its bets on something that it cannot be absolutely sure will occur." The third risk, concludes Rosenthal, is that of "subordinating the Mexican economy to the vagaries of the U.S. economy," which is periodically jolted by recessions.

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