

## Dateline Mexico by Carlos Cota Meza

### NAFTA on the ropes

*Both Presidents are desperate for it: Bush to help save U.S. banks, and Salinas to protect his financial bubble.*

The only thing to have clearly emerged from the Camp David talks between Presidents Bush and Carlos Salinas de Gortari in December is that both are in hot water, and the much-touted North American Free Trade Agreement along with them. All the protocol reports of "positive and cordial" exchanges between the two notwithstanding, Salinas's efforts to disentangle the NAFTA negotiations and extract a commitment for the treaty's early passage by the U.S. Congress—before the 1992 U.S. elections—were doomed by Bush's repeated insistence, as a precondition for NAFTA's approval, on politically explosive concessions regarding Mexico's oil and banking industries.

Ironically, both Presidents desperately need NAFTA. For Bush, the treaty is a critical first step to eliminating remaining restrictions on U.S. banking and multinational takeovers in Ibero-America. It is precisely such looting abroad that has been keeping the U.S. financial system afloat this long.

For Salinas, NAFTA is essential to prevent the Mexican financial bubble, upon which his "miracle" depends, from collapsing. Mexico's \$11 billion annual trade deficit, expected to rise to \$14 billion in 1992, has so far been papered over with an enormous inflow of capital into Mexico's speculative stock market, largely based on expectation of an early passage of NAFTA by the U.S. Congress. That money is short-term, and can flow out as fast as it flowed in.

In fact, the Mexican stock market collapsed by over 5% Dec. 9-10, precisely on the news that NAFTA was on the ropes. Such slippage could become

a free fall if the rumors continue, and that could lead to a sudden exodus from Mexico of billions of U.S. dollars.

The new situation can be traced back to Nov. 5, the day on which the Bush administration hurriedly moved NAFTA to the back burner, following the stunning upset electoral victory in Pennsylvania of Democratic senatorial candidate Harris Wofford on an anti-free-trade platform. It quickly became clear to the Bush boys in Washington that the Democrats are in a position to use the growing sentiment against NAFTA among U.S. workers and others as an election issue. Even some Republicans began to recognize that NAFTA is a loser in the context of the deepening economic depression in the United States.

Thus, according to anonymous Bush administration officials quoted by the Dec. 16 *New York Times*, Bush told Salinas that "there must be very good content," and that reaching an agreement "would take a lot of work and include some give on the part of the Mexicans," before Bush would dare to put NAFTA to a vote before the 1992 elections. That "very good content" and "give on the part of the Mexicans," suggested the *New York Times*, is the total opening up of Mexico's oil and banking industries to foreign investment and ownership.

This has been the focus of the Anglo-American establishment from way back, as promoted by former Secretary of State Henry Kissinger in particular. Early in 1991, Kissinger insisted that the central issue in NAFTA had to be Mexico's handing over of its oil. He reiterated that theme during his December visit to Mexico. It comes

as no surprise that Kissinger held a private luncheon with Salinas in December, before the latter's conversations with Bush, and that Kissinger Associates, Inc.—in its capacity as hired consultant to the Salinas government—helped define the agenda of the presidential talks.

Following his 1990 tour of Europe, Salinas had returned home "convinced" that Mexico could not survive the competition of eastern Europe without forging "the largest market in the world" with the U.S. and Canada. Even as late as three weeks ago, Salinas was still piping the tune that Mexico needed a NAFTA "revolution" to meet the changing times. Speaking before the Economic Club of New York Dec. 13, a forum organized by Kissinger Associates, Salinas insisted that for both nations, the NAFTA treaty "was the only way to face the future."

And yet, as the pressure to hand over Mexico's oil intensifies, Salinas knows that such a concession on his part could easily destroy the fragile political control he has thus far succeeded in imposing. And so, as much as he needs NAFTA, Salinas is beginning to panic over the price he is being asked to pay for it. At least, so his post-Camp David comments to the press would suggest. No longer presented as the *sine qua non* of Mexico's future, Salinas declared that the NAFTA "treaty will be one more, additional instrument, within a very broad process of reform that we are carrying out in Mexico."

The final result of the talks was nothing more than a proposal by Bush that both sides come up with a preliminary draft of the pact, in which areas of disagreement are noted in brackets, to be ready by sometime in January. But Bush made no commitment as to when he would present it to Congress—if ever.