Dateline Mexico by Carlos Cota Meza

Oil at center of NAFTA talks

Washington is threatening to wipe out Mexico's exchange reserves if oil isn't placed on the negotiating table.

It was clear from the get-go that the North American Free Trade Agreement (NAFTA) negotiations would grind to a halt at precisely the point that they did: namely, the moment Mexico would have to decide if it were going to hand over its oil to the United States.

Unofficial reports leaked from within the Mexican negotiating team have confirmed this. The Bush government wants not only a trade treaty for reelection purposes, but a treaty according to which the United States views oil "as an important part of the free trade treaty," says U.S. trade negotiator Carla Hills.

Thus far, the degree of resistance (or of surrender) of the Mexican government has been unknown. What has been clear is that Washington has initiated a new negotiating strategy to pressure Mexico: The so-called Mexican economic miracle has begun to receive criticism from those who before could not say enough in its favor.

The White House position is unofficially reported to be that either Mexico signs Bush's treaty as is, or the United States will empty Mexico's foreign exchange reserves in 24 hours.

On March 12, *The Wall Street Journal* published a commentary by U.S. economist Christopher Whalen, in which he states that "Mexico's economy is far from the healthy animal its current fans would have us believe." Whalen predicts a devaluation of the peso as soon as Mexico stops receiving money from abroad.

This triggered a series of official and semi-official responses from the Mexican government, ranging from Treasury Undersecretary Angel Gurria and Otto Granados, the former director of the presidential press office (and currently PRI candidate for governor of Aguascalientes), to the Mexican consul in New York, Manuel Alonso. In a word, they denied the reports.

Jude Wanniski, president of Polyconomics Inc. and the paid pen of the Mexican ambassador in Washington, also sent a response to Whalen, in the form of a letter to the *Journal*. But all the letters and statements say only that what Whalen claims "is not true."

Meanwhile, *Moody's*, one of the most important rating companies on Wall Street, published its early April report, "Persistent Risks of the Latin American Sovereign Debt," which gave the Mexican foreign debt a Ba2 credit rating, placing it as more at risk than that of Hungary and Czechoslovakia.

In the Latin American context, *Moody's* places Mexico among those countries with a debt that is "growing very rapidly," and indicates that it carries other potential risks as well, such as the highly speculative content of capital inflows, the poor repayment capacity of the national economy, and the dangers of political instability.

On April 8, the price of the dollar inside Mexico rose 18 pesos in a period of 24-48 hours. According to experts in banking and the exchange houses, there is strong demand for dollars that are being taken out of the country because foreign investors are anticipating a delay in the signing of the NAFTA treaty. These experts calculate that the rise in the price of the dollar is equivalent to the flight of between $500-600 million.

A group of analysts and economists from the daily *El Financiero* have already clearly established the vulnerability of the "Mexican miracle" over the past three years. According to analyst Gustavo Lomelín, "the Mexican economic miracle . . . is a financial-stock market boom which runs the risk of collapsing like a house of cards at any moment."

Lomelín declares that "from the very beginning, this scheme was supported and promoted from Washington and New York. In fact, the Mexican miracle is based on a propaganda campaign invented in the United States, to make Mexico reappear as the new destination of international capital."

Economist Enrique Quintana, like Lomelín, presents a picture of the Arabian bazaar into which the Mexican economy has been turned. He writes that in the past 26 months, "the amount of foreign investment in the Mexican Stock Exchange has risen to nearly $24.4 billion, and already surpasses the level of international reserves, which are currently estimated at $21 billion. However, these reserves—the highest in Mexico's history—represent only one-fourth of the total value of the stock market, which "borders on $100 billion."

The most disturbing fact of all is that the $24 billion invested in speculative ventures on the Stock Exchange are concentrated in the hands of 2,928 foreigners. These "investors" hold the fate of the Mexican economy and of President Carlos Salinas de Gortari's political future, and their decisions can make the Mexican government tremble.