 by Carlos Cota Meza

NAFTA zigzag has everybody nervous

Is the "Salinas economic model" just a Woody Allen disguised as an Arnold Schwarzenegger?

The widely acclaimed "Mexican economic model" is going from bad to worse. The impressive musculature that President Carlos Salinas de Gortari presents to the world is turning out to be nothing but an inflatable doll, which has already started to lose air.

The latest puncture was received at the 32nd Mexico-U.S. Interparliamentary Meeting in San Antonio, Texas May 1-2. There, U.S. Sen. Phil Gramm (R-Tex.) declared that the North American Free Trade Agreement (NAFTA) would not be discussed by the U.S. Congress any time this year, and suggested May 1993 as a likely target date instead. Responding to Mexican denials, Gramm insisted that the date for beginning the congressional debate on NAFTA was not speculation on his part, but rather a reflection of "U.S. political seasons; it is the policy of the George Bush government."

The Salinas government has placed its stakes on NAFTA, with the fraudulent argument that it will bail out the Mexican economy. What it will do, is turn Mexico into one big *maquiladora* sweat shop, driving down wages in both Mexico and the United States.

The new timetable Gramm forecasts, whether true or not, has led various analysts and investigators for Mexico's reprivatized banks to announce that they "expect massive flight capital" and an eventual peso devaluation. Even the 1991 Annual Report of the Bank of Mexico admits that "it would be imprudent to totally discount the contingency of some partial reversal of capital movements." Members of the private sector have told this news service that "high expectations have ended, and we are now returning to a more traditional analysis of the national economy. The current account and trade deficits are untenable."

The Mexican government has implicitly recognized that things are not going so well for itself either. On April 20, the Finance Department announced that Mexico was going to renew, "as soon as possible," the Extended Fund Facility it has held with the International Monetary Fund (IMF) for the past three years.

According to unidentified spokesmen for the department, the idea behind extending Mexico's letter of intent with the IMF is "to maintain security for investors and for international financial institutions." In other words, to try to prevent capital flight. According to these spokesmen, the Mexican government hopes that the IMF will recognize "as positive and natural" the government's immense current account and trade deficits.

What is really expected, is another story. The IMF will most likely treat Mexico like any other country which has failed to fulfill its conditionalities, and will impose a peso devaluation as the only means of "reordering" the deficits.

The intention of the IMF technocrats is to turn Mexico into an export economy. Mexico is now a highly indebted nation ($124 billion in 1992, according to the Institute of International Finances in Washington), and a major importer.

Mexico's alleged export capacity was always just a cover story to attract foreign capital and create the speculative bubble in the Mexican stock exchange, which Washington is now threatening to burst if Salinas does not hand over Mexico's oil under the guise of the trade agreement.

According to the Mixed Commission for Export Promotion, of the 339 export projects begun in 1991, only 130 (38.3%) have a defined date, program, and definition of concrete objectives. Of the remaining 209 projects, 16 were abandoned because of problems such as "technical bankruptcies, embargoes, or similar situations"; 53 offered "diverse problems" that led to their abandonment; 20 have "no classification"; 46 were only "initiatives"; and 74 are so ill-defined that no one knows exactly what they are. Of the 130 export projects considered real, only 55 are in operation, and the rest "are postponed in anticipation of completion of plant installation, finalization of credit lines, or by decision of the companies themselves."

The truth is that no one in Mexico is taking the government very seriously. On April 28-29, the Third Stock Market Convention heard Joseph Marie Cordova Montoya, coordinator of the Office of the Presidency, declare that Mexico will need "at least" $150 billion in foreign capital flows over the next 10 years "to finance its development needs." Under current world economic conditions, it is impossible to predict what will happen this year, let alone over the next 10.

Perhaps the most appropriate response to the Salinas government's latest projections, is the U.S. joke now making the rounds inside Mexico. Actor Woody Allen once asked Arnold Schwarzenegger how long it would take to develop a body like his. Schwarzenegger studied Allen closely, and replied: "Perhaps in two generations."