Dateline Mexico by Carlos Valdez and Dennis Small

Free trade zone spreads south

Salinas met with the Presidents of Central America, and made them an offer they couldn't refuse.

Mexican President Carlos Salinas de Gortari hosted a meeting with his five Central American counterparts on Jan. 10 and 11, in the southern Mexican city of Tuxtla Gutiérrez, Chiapas, near the Guatemalan border. At the summit, the Mexican head of state offered that in exchange for supplying the oil-importing Central American nations with desperately needed petroleum at subsidized prices (a matter of life and death in light of the Persian Gulf war), they are to join Mexico in establishing a Bush-style "free trade zone" throughout the region.

When they left two days later, the heads of state of Guatemala, Honduras, Nicaragua, Costa Rica, and El Salvador had joined Mexico in signing the "Declaration of Tuxtla," which calls for establishing a regional free trade zone in Central America by 1996, with the intention of expanding it further south to include Panama, Colombia, and Venezuela.

In fact, Venezuelan President Carlos Andrés Pérez has offered to host a second meeting of the new grouping in Caracas at an unspecified date in the future.

Mexico is currently negotiating a landmark Free Trade Agreement with the Bush administration, under which the Mexican economy is becoming little more than an appendage of the U.S. New Age war economy. By dropping all protective tariffs and privatizing critical economic sectors, Mexico is abandoning all pretense of industrialization, accepting instead to become nothing but a supplier of cheap raw materials—oil in particular—to the United States.

The new Central American free trade zone means that those five economies will now in turn become extensions of the Mexican market—"appendages on the appendage," as one observer put it. In his speech to the group of Presidents, Salinas stated happily: "The program's objective is to form a free trade zone which will turn itself into the first region where Mexico has established an economic area of this type."

It is desperation that is driving the nations of Central America. They are totally dependent on oil imports, jointly importing in the range of 250,000 barrels per day—all of it from Mexico and Venezuela. With the United States putting enormous pressure on these two oil producers to increase their shipments to the U.S. because of the Gulf crisis, the Central Americans fear that they will be left high and dry—especially since they are all way behind in their payments to Mexico and Venezuela for oil already shipped. Nicaragua, for example, already owes Mexico $1 billion—half of it for oil.

A number of the Central American nations have already adopted emergency measures to deal with the crisis. Honduras, for example, has begun to ration gasoline, and is planning to reduce automobile consumption *by 50%* at the moment that war begins in the Gulf.

A major feature of the Tuxtla meeting was thus to discuss how to handle energy emergencies that might result from the outbreak of war in the Middle East. The details of that discussion have not been made public, but one of the concrete results was the revision of the San José Accord, under which Mexico and Venezuela have been providing subsidized oil to their Central American neighbors.

Under the new arrangement, which was co-sponsored by the Inter-American Development Bank (IADB), the consuming nations will pay 80% of their total oil bill (which has been running at about $370 million per year) in hard currency to Mexico and Venezuela—who will in turn deposit that full amount into a new "co-financing fund" set up at the IADB. That fund will then be used to help finance "development projects" in the region. The Central American consumer nations will then pay the remaining 20% in local currency into their respective central banks. These percentages will hold so long as the international price of oil fluctuates between $17 and $27 per barrel. Should the price rise above $27, then Central Americans would only have to cover 70% of the bill directly, paying the remaining 30% into their own central banks.

President Salinas was unabashed in advocating to his counterparts the need for them all to annex their economies to that of the United States, as Mexico is doing. In today's circumstances, he explained, no country can advance at all if it tries to do so "in isolation."

Speaking on behalf of all the Central American Presidents, Guatemala's Vinicio Cerezo agreed: To play a role in the great world transformation now under way, "we will have to do it jointly. . . . We are definitely initiating the new leadership of a great country, Mexico, that is inviting other countries of Latin America to share with us the destiny which we want jointly to forge."

Carried away with his own rhetoric, the lame-duck Guatemalan head of state expounded: "With this meeting we are initiating a new historical leadership. We Central Americans, Mexicans, and Latin Americans want to be the builders of our own destiny."