NAFTA accord will sink North American economies

by Peter Rush and Carlos Cota Meza

With indecent haste, negotiators from the U.S., Mexico, and Canada are racing through a dozen remaining conflicts over the terms of the North American Free Trade Agreement (NAFTA), in order to come up with a final draft in time for George Bush to claim credit before the Republican National Convention. At press time, negotiators were promising to have the draft treaty initialed at any moment; it has been less than 15 months after talks began in May 1991. Publicly, the treaty is the darling of Bush and Mexican President Carlos Salinas de Gortari, who has staked the success of his presidency on passage of the treaty. Both Presidents will now celebrate a great public relations victory, in a new rendition of the festivities aboard the Titanic one cold night in the North Atlantic many years ago.

Privately, the NAFTA treaty is the piece of work of a circle of businessmen, bankers, and congressmen who have been pushing the dogma of "free trade" as a means to destroy national sovereignty by smashing the domestic industries of Third World countries like Mexico and taking over their banking systems in order to loot capital to prop up the U.S. debt bubble. Last February, president of the Council of the Americas David Rockefeller, former Secretary of State Henry Kissinger, and other luminaries, assembled at the Council of the Americas and decided that NAFTA would be pushed through in 1992, full stop. Kissinger and others wrote a series of articles laying out to policymakers that this was to happen.

All that remains, from their standpoint, is the technicality of ensuring passage through the U.S. Congress. In this, the Bush administration is aided by the Majority Leader of the U.S. House of Representatives Richard Gephardt (Mo.), the man who betrayed American workers by once talking tough against NAFTA, only to switch sides in May 1991, and ram through Congress Bush's "fast-track" bill which now ensures that there can be no amendments to the trade treaty. Congress must vote the entire complex package up or down as is.

Gephardt is at it again, leading an effort to facilitate passage of NAFTA by attaching provisions that are supposed to look to the public like improving the treaty, while in fact facilitating U.S. runaway shops to Mexico—at enormous taxpayer expense. Since the treaty itself cannot be amended, Gephardt, along with Rep. Henry Waxman (D-Calif.), introduced a non-binding resolution that calls for the free trade treaty to protect jobs and the environment. The *New York Times* noted "it was so broadly worded that even the administration supported it." A week earlier, speaking to the Institute of International Economics in Washington July 27, Gephardt spelled out a series of measures he wanted the Bush administration to implement as the condition for his support for the treaty. Beneath demagogic twaddle about concern for jobs, Gephardt "out-Bushed Bush" in two demands. He said that many billions had to be spent for "infrastructure" along both sides of the U.S.-Mexico border—which would merely make it easier and cheaper for U.S. factories to relocate to Mexico. And he demanded that Mexico, a sovereign state, enact specific legislation concerning wages, working conditions, and pollution control to suit Gephardt—an exercise in interference in other countries' internal affairs fully worthy of Bush's new world order.

But it's been Bush's bully-boy negotiators who have turned Mexico into an economic colony of the U.S., forcing Mexico to surrender its economic sovereignty if it wanted any treaty at all. A prime U.S. objective for decades has been to open up and eventually take over Mexico's oil industry, and its vast oil fields. Last month, U.S. pressure forced Mexico to split up its national oil company, Pemex, and allow foreign exploration and exploitation to begin operating on a limited basis. Also last month, Mexico was forced to agree to open up its banking system to U.S. multinational banks and insurance companies.

Free trade kills jobs

Free trade's proponents constantly claim that free trade increases jobs, and that those jobs lost in one industry are more than compensated by increases in others. Nothing of the sort occurs: In reality, both countries *dump* whatever products they produce most cheaply into the other country, always wiping out more jobs there than are created in their own.

Tens of thousands of U.S. jobs have already been lost in recent years to runaway shops that have migrated to northern Mexico, the so-called *maquiladora* plants, which have benefited for years from very low tariffs on re-imports into the United States. Half a million Mexican workers are now employed in these shops, at wages below a dollar an hour. A million or more U.S. workers could easily lose their manufacturing jobs in the first year or two after NAFTA goes into effect. Many companies have just been waiting for the treaty to come into effect to move south of the border. They see the treaty as locking future Mexican governments into free trade policies, guaranteeing the looting rights of foreign capital for a long time.

In Mexico, millions of jobs are in jeopardy, as NAFTA will complete the process of destoying Mexico's nationally based manufacturing industries. Many indicators confirm that the Mexican economy is experiencing a severe depression—caused by free trade—which is so severe that a wave of strikes and mobilizations by unemployed workers, and by farmers being stripped of their lands, has broken out.

GATT began Mexico's economic slide

Ever since Mexico's 1986 entrance into the General Agreement on Tariffs and Trade (GATT), national industry has been in a ferocious battle against a policy of open imports, otherwise known as *dumping*. Six years after the battle began, the line of resistance has been broken.

According to the latest figures of the Bank of Mexico, the country's current accounts deficit was nearly $4.4 billion in the first quarter of 1992, more than $2.6 billion more than the deficit registered for the same period in 1991. Documents issued by the Center for Economic Studies of the Private Sector (CEESP) reveal that the fast-growing deficit is in large part due to soaring imports. CEESP reveals that nationally made products are losing their presence on the Mexican market at an annual rate of 3.9%. "While in 1985, domestic products met 78.2% of the country's total demand, today they satisfy a mere 62% because of the severe displacement Mexican products have suffered over the past seven years."

More and more economic sectors are announcing their bankruptcy. The cattlemen's associations of the states of Veracruz, Campeche, Chiapas, Mexico, and Querétaro are calling for the borders to be closed to meat and milk imports. Some 20,000 ranchers are facing destruction after defeat by the credit institutions, while dairy farms are starting to close their doors everywhere.

The National Association of Poultry Breeders has asked the Finance Ministry for a long-term rescheduling of their overdue $166 million debt. The association is charging that the crisis afflicting the industry is due to the daily import of 1,400 tons of eggs from the U.S.

Forty percent of the country's sugar mills are in appalling shape, and many are in technical bankruptcy. The debt of the National Sugar Producers Finance Agency and the National Chamber of the Sugar Industry is $1 billion. The sugar producers are also demanding $50 million in payments owed to the industry. The new owners of the recently privatized sugar mills are asking the federal government for authorization to lay off 40% of their 20,000 workers.

The small coffee growers of Oaxaca have warned that they will not allow the recently privatized commercial banks to seize their assets because of unpaid debts. The problem of debt arrearage, caused by the international decline in coffee prices, affects 50,000 growers.

At the moment, there are 22,000 workers from 220 cotton textile firms out on strike. According to the National Chamber of Textile Industries, these companies may soon be declared bankrupt. From the viewpoint of the textile workers union, the problem is otherwise. "Ever since the trade opening, the work force has been reduced by 40,000 workers." In the garment industry, "layoffs have been more severe, [with the work force] falling from 600,000 in 1986 to 300,000 today." According to the steel company Hylsa, this sector contracted by 6.4% in 1991, "because imports increased 22% despite the fact that Mexico has the capacity to meet domestic demand. Prices for national steel products fell 55% from 1987 to 1991, due to foreign competition." The analysis of this company is that "imports are carried out through unfair practices . . . while it is Mexico which is being charged in the United States with *dumping* in steel sales." The Chamber of Commerce of Mexico's Federal District has acknowledged that in the first quarter of this year, 50,000 stores shut down, while 48,000 new "informal" shops opened, most of them selling imported products.

The unemployment crisis is fast reaching the point of social explosion. According to the consulting firm Ciemex-Wefa, "economic deceleration" in 1992 will increase unemployment still further. "At the end of 1991, there existed 1,992,000 working-age Mexicans without jobs; at the end of 1992, that figure will have grown by 2,065,000 more." This is taking place *before* NAFTA. Once implemented, NAFTA will revolve this growing number of Mexican unemployed into and out of low-wage concentration camps south of the U.S. border. After NAFTA, the "lucky" U.S. workers will be those who take wage cuts to hang on to their jobs; the rest will go the way of Mexico's unemployed.