

The lack of information and open debate about the Free Trade Agreement (FTA) between Canada, Mexico and the United States, has produced a plethora of myths and extremist positions. It is important to dispel them so that underlying issues of the democratization of relations between Mexico and the U.S. can surface and be dealt with. The goal is to build a productive, unexplosive relationship where in the past it has been one governed by the undemocratic "law of the strongest".

The free trade agreement, not a panacea nor an apocalypse

Mexico's current administration is trapped between the real need for modernization and the mirage of easy solutions. The governing powers, which include both the "Economic Cabinet" and large foreign and local business interests have become the main promoters of the theory that the Free Trade Agreement is almost a panacea.

Once the President of Mexico announced his intention of signing a Free Trade Agreement in 1990, in Washington the official discourse

began billing the Agreement in the media as the provider of multiple benefits, namely:

- A share in the largest market in the world
- The elimination of Mexico's export barriers
- An unprecedented increase in exports
- An unequalled flow of foreign investment
- Jobs
- An increase in the population's standard of living

Statements have been made, with slight variation of words, that the Free Trade Agreement represents the last chance in this century for Mexico to leave under-development behind and join the First World. If the Free Trade Agreement is not signed, this line of thinking goes on to say, we will be isolated from the modern world's integrationalist current and therefore condemned to poverty.

The other extreme reacts to the Free Trade Agreement as though signing would be tantamount to apocalypse. This ultraradical position predicts that the Free Trade Agreement will bring on disasters, among them:

- The invasion of foreign merchandise and services
- Total alienation of the national productive plant
- Waves of unemployment due to massive bankruptcies
- Perpetuation of subsistence wages
- Subjugation of our own culture
- A total loss of sovereignty
- Annexation to the United States

The ideological positions underlying the panacea and apocalypse theories are trivial and transparent. Both lose sight of the fact

Pros and cons of the Free Trade Agreement

*Luis González Souza**

* Full time professor doing research at The Center for International Relations of the School of Political and Social Sciences, UNAM.

that the Free Trade Agreement, like any other legal instrument, can have a variety of repercussions, and therefore rigidly predicting either dire or utopic consequences is entirely futile.

It is, therefore, unwise to deal with the Free Trade Agreement as a blessing or a curse. It is not possible to support or reject it until the final document has been drawn up.

We can, however, use facts to project a Free Trade Agreement that would take the trends in our world into account. In fact, this is the role of both conscientious politicians and social scientists committed to averting problems and finding solutions to focus on these issues. We therefore believe that a constructive debate should be held to discuss:

1. The Free Trade Agreement's regulations in terms of both Mexico's interests and in terms of the need to mend our relationship with the neighbors to the north, especially the United States
2. The type of Free Trade Agreement that would focus objectively on our current reality to clarify the first point
3. Alternative ways to reconcile the first two points, and characteristics of other possible Free Trade Agreement that would meet our needs in addition to the one under negotiation, as well as ways to achieve our own national goals, with or without the FTA

Voices of Mexico is an excellent place to publish our opinions. The long-range effect of the Free Trade Agreement deserves a full multi-national debate, and *Voices of Mexico* provides an ideal forum.

The key: a fair and democratic Free Trade Agreement

Democracy is a means as well as an end, and it can be applied not only

within but also among countries. The "how" of democracy (free elections, par excellence) could also be expressed with "what", "who" and "what for". The inhabitants of civil and geographic entities not only elect their representatives, they also actualize, and benefit, from social change. The lack of a true electoral democracy is, in fact, the basic complaint today, and its implementation is the key to modernization.

Democracy's relationship to principles such as justice, equality and sovereignty are apparent when seen from this perspective. A nation that is not sovereign does not exist in the international forum.

When we look honestly at the history of Mexican-American relations, they don't reflect democratic principles. Without going into excessive detail, let us review the following:

If we compare the Gross National Product (GNP) in Mexico to that of the United States we find that during the 1980's Mexico's GNP dropped from 16 times less to 27 times less than that in the United States. The per capita income also dropped from 6 to ten times less than in the U.S. A principal factor was the unprecedented aperture of the Mexican economy.

This means that as U.S.-Mexico relations grew, the U.S. profited from a disproportionately larger economic benefit. The political arena tends to reflect the same situation. Mexico's last two administrations (De la Madrid and Salinas de Gortari) have made an effort to smooth differences. Their parallel administrations (Reagan and Bush) seemed to increase demands and pressure, not to mention the relatively unfriendly signals such as the Simpson-Rodino Law and the increasingly alarming numbers of Mexicans killed on the border.

It is clear then that basic modifications have to be made in order to improve Mexican-American

relations and make them productive within a truly democratic framework. This could be the cornerstone of a democratic Free Trade Agreement.

The main focus would be to create, or at least lay the basis for, the necessary conditions such that the greater part of our relationship becomes an equalization process and not a continuation of the perverse cycle we have known up to now: inequality -integration- greater inequality. The cycle seems to have a political parallel: domination -subjugation- more domination.

Concretely, a fair and democratic Free Trade Agreement could be initiated with guarantees that the United States reciprocate the most recent concessions made by Mexico, such as:

- A real elimination of tariff barriers
- Increased benefits for foreign capital with the new Foreign Investment Regulations (1989)
- Increased incentives for in-bond plants
- A labor policy that favors employers and keeps unions under control
- Greater cooperation with the U.S. in Mexico's costly drug control program and with politically sensitive issues such as Mexico's foreign policy

Another necessary aspect along the same lines is a Free Trade Agreement that would establish preferential treatment for Mexico. This would mean, for example, longer time periods for liberalization of the economy and safeguard clauses for disadvantaged sectors that face competition in the approaching open market (agriculture, capital goods, financial services, etc.).

Unless these measures are included, and even if the Free Trade Agreement were only egalitarian and

not fair, the inequality gap between Mexico and the U.S., far from decreasing, will continue to grow unacceptably.

Summing up, a democratic Free Trade Agreement, in addition to being decided by a majority of the people in each participating country would have to tangibly improve the standard of living and work conditions of both those majorities. On the other hand, in the worst case, the Free Trade Agreement could be the impetus for big business in each country to concentrate wealth; if so, "free trade" will have served to disguise license for the powerful as "democracy".

The problem: the FTA is not very democratic

High U.S. government authorities have pointed out repeatedly that they seek the most benefits from the FTA. This means, in short, creating an economic bloc that can compete successfully with the European bloc in 1992 as well as with Japan and with the Pacific Rim.

Bush himself made this clear with his announcement of the *Initiative of the Americas* on the twenty-eighth of June in 1990. The mission is to create "one great free trade area" stretching from Alaska to Patagonia.

Mexico, within this strategic project, has been assigned the role of a "bridge": the Free Trade Agreement with Mexico is the first step in carrying out the Initiative.

It does not seem feasible for the Free Trade Agreement to fulfill the three suggested elements and at the same time establish a truly democratic process. Far from reciprocating Mexico's concessions, the U.S. maintains a protectionist policy: the "tuna embargo" has reappeared and large consortiums such as *Cementos Mexicanos* have had their exports blocked.

Controversy on the northern border

Work on the construction of a wire mesh fence ordered by the United States government on the Mexican-American border, between San Ysidro and Tijuana, has fired a controversy over the possible American "motives" for wanting such a barrier. At the beginning of June of this year the United States government's plan to build a metal wall with scrap metal from the Gulf War along the border between San Diego and Tijuana was reported in Mexico City. It was later revealed that since May of 1991 repair work had been carried out on the border fence along a twenty-four kilometer stretch of the border between San Ysidro and Tijuana. Soldiers wearing U.S. army uniforms had been building a 2.5 meter high metal wall, using corrugated perforated sheets of metal which had been used by the U.S. army for making improvised landing strips for war planes. The Department of Defense authorized the use of military engineers to supervise the project.

In Mexico this was seen as an indication of the possible militarization of the border under the pretext of putting a halt to drug trafficking and controlling the flow of immigrants, in addition to being an act of aggression against Mexico. Victor Clark Alfaro, of the Bi-National Center for Human Rights, classified it as a means of increasing control of the flow of immigrants, which increases during the summer. Antonio García Sánchez, the border delegate for the Ministry of Foreign Affairs, said that the official purpose of the steel wall is to shift the flow of immigrants towards the Mesa de Otay zone in Tijuana, where those without papers would be easy prey for the Border Patrol. The Chicano leader, Roberto L. Martínez, observed that for some time now members of the National Guard, the Marines and the Army have been placed along the northern border in California, Arizona and Texas respectively, under the pretext of controlling drug trafficking. Javier Barros Valero, the Under Secretary for the Ministry of Foreign Affairs, said that although the work hardly constituted an act of friendship or good will, it would not cloud relations with the United States nor would it hinder business negotiations between the two countries.

In response, Duke Austin, the spokesman for the Immigration and Naturalization Service, dismissed the affair as irrelevant and said that work on repairing the fence was normal, since, he remarked, it was severely damaged. He denied that there was any connection between this and the slight rise in the number of illegal detainees. Likewise, he characterized the term "border militarization" as an exaggeration. According to a letter from the Pentagon, as announced by a spokesman for the Republican representative, Duncan Hunter, work on the border fence is aimed at more effectively reducing drug trafficking between Tijuana and the port of San Diego. The spokesman indicated that even though the metal wall made illegal crossings more difficult this was not its main purpose. According to United States Embassy officials in Mexico, the aim is not to build any further sections of wall but to simply carry out administrative and repair work.

The borders of the future FTA

The three North American countries each have a different number of land borders. Canada has one with the United States; the United States has two, with Canada and with Mexico; whereas Mexico has three, with the United States, Guatemala and Belize.

Economic asymmetry	Mexico	USA	Canada
Population (millions)	81.4	247.3	26.3
GNP per capita (dollars)	1,760	19,840	16,960
Mean annual growth rate of GNP 1980-88 (%)	-1.4	2.1	2.3
Inflation rate 1989 (%)	19.7	4.6	4.9
Exports 1988 (billions of dollars)	20.7	315.3	111.4
Imports 1988 (billions of dollars)	18.9	458.7	112.2
GNP 1988 (billions of dollars)	151.8	4,863.6	473.4
Wages 1990 (hourly average in dollars)	0.57	10.47	

Source: World Bank and IMF 1990. Taken from IMEP, *Política Mexicana*, Feb. 1991, *El Cotidiano*, May-June 1991.

- The list of new requests formulated by Carla Hills and by the American Chamber of Commerce in Mexico only a few days after President Salinas announced his intention of signing the Free Trade Agreement
- Ambassador Negroponte's confidential memorandum to the State Department, published by a popular Mexican political weekly² glossed over the extensive document that Bush read to sway Congressman who opposed the fast track a few weeks before it was approved

It is not realistic to expect that the Free Trade Agreement will be approved by a majority of the working people in each of the three countries. The Canada-U.S. Free Trade Agreement that went into effect in January 1989 is a first warning. Canadian workers have lost jobs and fringe benefits.

It is significant that in Mexico the strongest support for the Free Trade Agreement is from top political and economic echelons. Those with the greatest reservations or even outright rejection are the rest of the population, including wide cross sections of small and medium businesses, understandably worried about their future if the cyclone is unleashed: the tendency towards monopoly of free trade. Furthermore, the cyclone will hit Mexico as it is: very vulnerable.

Better slow but steady

If current reality hinders developing a democratic FTA, the most sensible thing to do is to make an effort to create conditions that would promote the changes required to achieve it. The changes are many and complex, and would be likely to include:

² *Proceso* No. 758, May 13, 1991, pp. 8-11.

It seems clear that the tendency to even greater protectionism is being further encouraged by the new recession developing in the U.S. economy.

Sidney Weintraub, an experienced and well informed authority in this field who is known for his support of the Free Trade Agreement, long before the recession summed up the dilemma thus, "a profound and potentially destructive irony." It is worth while to quote him further: "At the time when Mexico begins to modify its policy and focus

outside -something that has been insisted upon for years by several U.S. spokesmen- the U.S. is preparing to enter into its most protectionist period since the great depression...!"

If reciprocity is difficult today, what can we expect in the uncertain future? The U.S. government wants greater benefits, more than it is willing to give Mexico special advantages or concessions. Many things point to this, among them:

¹ Weintraub, Sidney. *México frente al Acuerdo de Libre Comercio Canadá-Estados Unidos*, IBAFIN-Diana, México, 1989, p. 43.



Marco A. Cruz/Imaginatina

Moving on up...

1. The strengthening of Mexico's negotiating power that calls for full democratization, as well as

bringing more like-minded nations together, such as others in Latin America.

2. The fostering of capital democratization in such a way that most business interests, including those in Canada and the U.S., and not just a handful of large consortiums, can compete with a chance to benefit from the FTA.
3. The promotion of a labor policy that would drop subsistence wages as a principal "comparative advantage" for Mexico as negotiations take place with our neighbors.
4. The establishment of economic, political and cultural exchanges to increase the interaction with our neighbors to the north so that Mexico can become closer, rather than more distant, in terms of development and capacity for self-determination.
5. Helping people in the U.S., especially the ruling classes, to learn to be responsible in the deepest sense of the word democratically so that such an ethic can be applied to their relationships with other countries, starting with weak nations such as Mexico.

The last point might be driven home with a plaque on the doors of the Capitol, as well as at universities and multinational corporations, that says: "Perhaps the most important thing is for the U.S. to recognize Mexico's right to self determination... We don't mean this as a self-righteous warning. The U.S. stands to gain a great deal from an independent, prosperous Mexico, and to lose a lot with a weak dependent neighbor"³ ❏

³ Peter H. Smith, a highly respected expert in U.S. -Mexico relations. "México y Estados Unidos. Vecinos Incómodos." *Nexos*, No. 115, México, July 1987, p. 41.