

Free Trade for Mexico: Imposition from the Top or Demand from Below?

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Conventional wisdom among many intellectual observers in Mexico is that the proposed Treaty of Mexican-U.S. Trade (TLC) is being imposed on Mexico by President Carlos Salinas de Gortari and his small clique of U.S.-trained government advisors. This view has been seized upon by U.S. critics of the idea of a North American Common Market to argue that Mexico is being led antidemocratically into exploitation as it is forced to join a world economy based upon ruthless productivity.

Because this intellectual criticism of free trade is so important and because it appears frequently, it is my purpose here to put this conventional wisdom into perspective. I do so by presenting my 1991 interviews in the regions of Eastern Europe. These interviews verify what I found during 1990-1991 in Mexico—see my article "The Political Agenda in Opening Mexico's Economy: Salinas Versus the *Caciques*," *MEXICO POLICY NEWS* 6, Spring 1991, pp 11-13. Clearly, Eastern Europe and Mexico are undergoing comparable debate about the meaning of, and how to, open economies to market forces.

The conventional intellectual view of TLC in Mexico is perhaps most eloquently argued by Sergio Zermeño, who offers a post-modernist view of TLC's costs. (See *Revista Mexicana de Sociología* 2/91). Zermeño argues that the TLC will contribute to and not resolve the loss of self-identity and societal disorder that has arisen in Latin America owing to the lost decade of the 1980s. According to Zermeño, the region lives in "an epoch in which economic health seems to be the inverse of that of the health of society at large."

In the Zermeño school of "post-modernist" thinking, the general future of Latin America and Mexico (typified in the case of Peru) is bleak as countries incorporate themselves without protection into the world economy through mindless industrialization (including extraction of raw materials for export), massive urbanization, monumental traffic jams, widespread pollution, and government paralysis. These factors result in the breakdown of social services, rise of disease (such as AIDS and cholera), unending growth of grim slums, gridlock in social mobility, desperate poverty for the masses, breakdown of social institutions such as the family and religion, and collapse of morality with the consequences of civil war between "terrorists" and "armed forces of the state."

Zermeño's specific metaphor for Mexico's future under the TLC is the northern Mexican border under the sway of the "so-called" industrial boom based on the maquila plants. He sees the maquila industry as involving foreign exploitation of Mexico's poor economy and sacrifice of what little social well-being the country enjoys. Moreover, Zermeño is concerned that Mexico is proceeding in months toward TLC, compared to the evolution of the European Common Market over several decades.

Although Zermeño writes persuasively, my interviews in the region of Eastern Europe suggest, as they have for Mexico, that a major premise of his argument is not what it seems.

While traveling by automobile during September 1991 through Czechoslovakia, Hungary, Romania, Poland, and "East" Germany (which still exists in fact, if not in the form a legal entity), I was able to talk to the people who have spoken from "below" as well as those who represent the view from the "top" of society. It soon became clear that, much as in Mexico, the capital speaks from the top, the regions from below. Where leaders and entrepreneurs speak from the top, the workers, peasants, and would-be entrepreneurs speak from below. In contrast to Mexico, where so many intellectuals see the movement for free trade as being imposed from the top down, every Eastern European intellectual with whom I spoke sees the demand for free trade as having come from below, from the top and indeed from every sector but the old-line statist bureaucratic group, which is losing its power.

The issue in Eastern Europe is not where the demand comes from but how to speed up the process of integration into the world economy. Persons everywhere are nearly unanimous in stating that they demand an end to the so-called protectionism that left the economy and society so far from world standards for industry and welfare. Let us listen to representative views from the bottom:

--Cimpulung-Moldovenc, Romania: "We must integrate immediately into the world economy or lose the race against other countries which seek to attract the world's scarce capital, capital needed to build modern industry in Latin America and Africa as well as in Eastern Europe."

--Miskolc, Hungary: "if foreign capital means 'exploitation,' let us have the kind of exploitation. We have been exploited too long by lack of capital and that is the worst kind of exploitation".

--Zakopane, Poland: "The issue is not 'exploitation,' it is incentives. There is no way for the government to give incentives without corruption; incentives can only come from the free market."

--Kraków, Poland: "The fall of the Iron Curtain represents the demand of the masses against so-called political thinkers who once believed here that they could 'protect' us from the 'evils of capitalistic incentives.' Such statist gave us this communist monstrosity of a steel mill, Nawa Huta, which is an ecological disaster as well as an economic one."

--[East] Berlin, Germany: "Look at that Trabant automobile, it is the symbol of failure in central planning. The state is the problem, not the solution."

Ironically, the billions of Western marks being invested now to put into place a new infrastructure (telephone, roads, rail systems, etc.) here need to be invested more quickly and efficiently'

'Time is of the essence, 'as you say in the West, because the solution to our problems must come from private investment and ideas, both from inside West Germany and from abroad."

If sentiment is clearly in favor of moving Eastern Europe more rapidly to integrate into the world economy, nevertheless issues remain which have relevance for Mexico:

--Kromerice, Czechoslovakia : "This problem of exploitation is not here and now an international one, it is the national problem of Czechoslovakia. The Czech industrial north is exploiting the Slovak raw materials of the south. Prague is profiting from the processing of primary materials for resale at high prices in the south."

--Sighuetu-Marmatiei, Romania: "Theoretically we are free from the communist bosses who ran our towns, however, in practical terms the same bosses, who now call themselves 'democrats,' control government investment, credit, jobs, scholarships, and the permissions upon which life is based. They are still watching to see who might oppose them' Until the bossism is eliminated, neither democracy nor a free market is possible."

In Eastern Europe, then, as in Mexico, what much of the population seeks is the economic right to openly bid and compete without favoritism and to be able to sell goods at fair prices. New economic powers may well replace the old; but surely there will be more of them and national well-being will not be influenced to the same degree as in the past by political cronyism and local control. Without such economic change, caciques will continue to dominate the local life, and political democracy will be still- born.

The demand to open the economy in Mexico and in Eastern Europe comes from the bottom of society, where the people know that free trade offers an immediate opportunity to break the age- old power of local bosses.