

Dateline Mexico by Carlos Cota Meza

Salinas betrays Foreign Investment Law

Carla Hills and Mexico's oligarchs conspire to deliver a coup d'état against Mexico's nationalist past.

The Mexican team that is negotiating the Free Trade Agreement with the United States and Canada has suddenly found itself in a credibility crisis. It not only promised, but *pledged*, that Mexican oil would not be included in the treaty. Now, we learn, oil will be included as one more raw material under the rubric of "trade flows," while the petrochemical industry will undergo "reclassification." No longer considered strategic, it too will be offered as ripe pickings for foreign investors.

The same has occurred with Mexico's Foreign Investment Law. The Carlos Salinas de Gortari government's pledge to the Mexican people to treat the law as inviolable was rapidly abandoned when U.S. Trade Representative Carla Hills declared that the U.S. government "is ready to frankly and openly discuss" the matter—Bush-speak for insisting that the Mexican law be placed on the negotiating table, along with everything else. Thus, the Foreign Investment Law suddenly went from being "untouchable," to being "susceptible of revision," to ending up as "obsolete legislation" whose alteration was "inevitable."

Hills's statement also destroyed the Salinas government's presumption that Mexico is now "the world's best investment opportunity." Yet more concessions are demanded. And so, the calculations of Foreign Investment director Jorge Amigo that \$12 billion has already entered Mexico so far this year, "half of what was expected during [President Salinas's] six-year term," are useless. Useless too is the \$6 billion

investment package Salinas negotiated on his recent tour of Europe.

Also useless is the fact that foreign investment will now be permitted on the Mexican stock market (for "non-resident investors" who needn't change their dollars for the national currency); that foreign investment in banks and insurance, in highway construction, and even in electricity generation and oil exploration and drilling (so-called "service contracts") is now allowed. If Mexico is to "integrate" with its northern neighbors, it must give still more.

To this picture can be added the recent signing of the new Mexico-U.S. Textile Agreement, the first treaty signed within the framework of the North American Free Trade Agreement. Mexico's textile industrialists are still trying to figure out why government trade officials "yielded unconditionally" on the terms of the treaty. The fact is that the Salinas government conceded to view Mexico as a "textile exporter," when in reality it is a *net importer*. Mexico has a trade deficit of \$600 million, similar to the entire manufacturing sector, which has a trade deficit of more than \$4 billion.

If this has already occurred with the textile sector, one can imagine the panic of Mexico's other productive sectors. It is no accident that Trade Secretary Jaime Serra Puche has prohibited publication of the text of the textile agreement.

The truth behind the controversy over the Foreign Investment Law is that both the U.S. negotiators advised by Henry Kissinger's gang, and the

oligarchs, who are the real force behind the Mexican negotiating team (the fathers, uncles, and in-laws of the *jovencitos* (young technocrats of the Salinas generation who make up Mexico's official representatives), are determined to make a coup d'état against the heritage of former President Luis Echeverría Alvarez, whose 1970-76 government imposed a prohibition on foreign capital owning more than 49% of Mexican businesses.

On July 22, the Mexican press reported warnings by Alan Stoga, managing director of the consulting firm Kissinger Associates, that with regard to foreign investment, Mexico should "bring its legislation in line with reality," a reference to the standing restriction of 49% applied to foreign investors.

Susan Kaufman, vice president of the Society of the Americas, similarly declared that "the current situation is unsatisfactory, and it is a question of elementary logic to make reality and the law one and the same thing." John Purcell of Salomon Brothers joined the chorus, insisting that the draft of a new foreign investment law already exists in Mexico.

It is no accident that government and legislative circles linked to the ruling PRI party are maintaining an absolute silence on the matter, according to commentaries in the Mexican press.

Indeed, it will not be long before it becomes clear that the "frank and open discussion" Carla Hills is proposing, is that the Salinas government deliver the heritage of former President Luis Echeverría on a silver platter.

The problem will not be whether the *jovencitos* want to do so, but whether Luis Echeverría Alvarez, one of Mexico's three surviving former Presidents, and other nationalists will allow it.