

RUPTURED FRONTIERS: THE TRANSFORMATION OF THE US-LATIN AMERICAN SYSTEM

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The United States is intent on consolidating a new order in the Western Hemisphere, an order that is embodied in the emergence of the North American Free Trade Association and the Enterprise for the Americas. George Bush made the Enterprise and free trade the cornerstone of **US-Latin American** policy when he toured Venezuela, Brazil and other countries in South America in December 1990, calling for an end to trade barriers and the free movement of capital from Alaska to the Straits of Magellan.

This new order marks a shift in the terms of economic exploitation and intervention by the United States. Under the banner of neo-liberalism and free trade, US governmental and corporate leaders, in conjunction with other hemispheric elites, are not only intensifying their exploitation of the continent's human and material resources, but are spreading immiseration and poverty more widely than ever. Indeed, this condition now severely affects the societies of the north as well as those of the south.

Little attention is devoted to this transformation of the US-Latin American system because, unlike the US counter-revolutionary wars in Central America in the **1980s**, today's interventionism does not pit **US-backed** armies against guerrillas or national liberation movements. This is a 'quiet interventionism' that aims at controlling societies from within and at altering their economies in fundamental ways. The US-sponsored drug wars, the repression and deportation of migrants, the IMF and US-backed slashing of social budgets, and the efforts to impose a continental economic union that benefits big capital while confining labour to its geographic boundaries and paying the lowest possible wages – these are forms of intervention that are just as debilitating and devastating for the Latin peoples as the more formal counter-insurgency interventions of the past.

The drug wars illustrate how social, economic and political intervention are increasingly intermeshed. Some critics of US policy argue that the United States is now particularly concerned with the flow of drugs, that it is actually using the drug issue as a guise for intervening militarily.' In

Colombia and Peru the United States is opposed to the guerrilla movements, and in fact some of the US drug war funds have gone for military training to combat armed guerrillas in Colombia and Sendero Luminoso in Peru.

But it can also be argued that the United States is just **as** determined to eliminate the drug lords of Latin America because they are autonomous economic actors, capable of accumulating substantial amounts of capital independently of the transnational corporations. Colombia is a case in point. Although US investment in Colombia declined in the **1980s**, the country had one of the highest economic growth rates in Latin **America**.⁷ Much of the internal investment for this growth came from the drug trade, **as** the cartels invested in industry, agriculture and commerce in order to launder and legitimise their drug fortunes.

The US military intervention in Panama can also be viewed from this **perspective**. There the United States intervened not under the old anti-communist banner, but to remove a US trained military ruler and his entourage because they had dared to set up their own system of profiteering and enrichment that was not endorsed by the US **government**.³ In sum, under the guise of an anti-drug campaign, the United States is intervening in a variety of ways. The drug issue enables the United States to beat down economic and political challengers, to step into rural areas where peasants and guerrillas are engaging in 'illegal activities' and more generally, it gives the US a new rationale for confronting hemispheric adversaries now that the 'communist menace' has **collapsed**.

An even more basic change in **the Americas** is that a common form of exploitation is now taking place on a hemispheric-wide basis, affecting US society **as** well as the southern countries. There is no longer one totally different pattern of investment and exploitation for Latin America and another for the United States. International boundaries have been broken down in the quest for markets and cheap labour resources. 'Capital flight' now affects the United States as industries are moved southward, social services gutted, and society stratified into two tiers, one rich and opulent, the other increasingly marginalised and poor. In the last 15 **years**, the income of the top 5% of the US population has increased by over 50% when adjusted for inflation, while that of the lower 60% of the population has declined. Today, one in five children in the United States live in poverty.⁸

Moreover parts of US society are becoming subject to kinds of repression and control not dissimilar from what more typically occurs in Latin America. Civil liberties are increasingly restricted, repression is intensified at the community level in the name of stopping drugs and crime, and there are increasing moral crusades over issues such as abortion and sexual behaviour. In California for example, the state supreme court is ordering that prisoners on death row be executed more quickly, and as the **video-**

taped beating of Rodney King reveals, the Los Angeles police today are as racist and repressive as the stereotyped sheriffs of the south were a generation ago. Be it in the United States, Panama, or Mexico, a system of law and order is being espoused that attempts to contain social unrest, monitors and controls the movement of peoples, and seeks to impose a system of social values and beliefs that serves the needs and interests of those in power.

The Drive for NAFTA and the Enterprise

The intensified exploitation and the new interventionism in the hemisphere are rooted in fundamental challenges that the US ruling class is facing. As is now commonly recognised, the United States may have won the cold war, but it is losing the war as the world's leading economic power. The rise of Japan, Germany and a unified Western Europe as dynamic power houses means that the United States is no longer the world's hegemonic economic power.

Simultaneously, US business is encountering difficulties in accumulating capital at home. The drop in domestic savings destined for investment, the crisis of the savings and loan and banking sectors, the decline of the US economic infrastructure, the enormous indebtedness of all sectors of the economy, and the gyrations of the stock market – these are critical signs that all is not well for the US bourgeoisie.

The push for a North American continental common market is an effort to keep Japanese and European capital at bay during this difficult period while the United States builds up its economic clout. As a columnist in *Business Week* pointed out, there are similarities between NAFTA (North American Free Trade Association) and earlier efforts by the British to maintain their empire through preferential trade agreements.¹ The United States, by locking other countries on the continent into its economic system, hopes to be in a better position to exclude and compete with Japanese and European capital. And even if full scale trade wars do not break out and the latest round of GATT negotiations on lowering international tariff barriers are successful, NAFTA will enable US corporate capital to take advantage of the cheap labour resources to the south and to better compete for markets on a global level.²

The drive for NAFTA and the Enterprise for the Americas is also a response to basic changes occurring within the Western hemisphere itself. Across the Americas, the boundaries of the nation-state are being ruptured. Migrants, commodities and capital now flow across the northern and southern continents and the Caribbean with an intensity never experienced before. Virtually all social classes are contributing to this process: the business classes, led by US capital, which seek better markets and investments; the popular masses that ignore national boundaries in their quest for economic opportunities and for an escape from the social and

political turmoil gripping many of their homelands, and the middle and professional classes, which for better or worse, are purveyors of cultural and social attitudes that cross national boundaries, either through professional and job activities, or simply through tourism and travel.

The governments of the individual states in this hemispheric system do exercise a semblance of control over these hemispheric processes. But their historic dominance is eroding. NAFTA and the Enterprise for the Americas are explicit attempts by the US ruling class, in conjunction with other leaders in the Americas, to exert and maintain their control over these internationalised social and economic dynamics. It is no secret that **NAFTA's** objectives are to slow the flow of migration to the United States and to enable transnational capital to expand its control over the region's markets and labour power.

From the perspective of the United States, Canada will play a largely dependent role in this process. With an economy and a population smaller than that of California, Canada is to be intermeshed economically with the greater US system. Canadian raw materials, particularly **petroleum** and lumber, are to be placed at the disposal of this system, and in return for their cooperation, Canadian capitalists are at least in principle to be granted 'equal rights' to participate in joint ventures, to invest in the United States and to help pillage the rest of the continent.

As for the current negotiations to extend the Canada-US agreement into a continental wide system, President Bush during a state visit by Mexican President Salinas de Gortari in December, **1991**, declared that he was determined to push ahead with an accord in 1992 in spite of earlier qualms about forcing such an agreement through Congress during a presidential election year. A few Democrats are raising questions about the impact of NAFTA on US labour, but by and large both Republican and Democratic politicians are supportive of NAFTA, as evidenced in Congressional support for the 'fast track' negotiations between the United States and Mexico. Certainly there is little opposition among the region's governments, as nationalistic policies—once the ideological life-blood of regimes, such as the one in Mexico—are tossed out of the window with little political opposition.

The reality, however, is that both NAFTA and the Enterprise for the Americas project may do little to stabilize the hemisphere. In fact they may contribute to even greater social and economic dislocation. Because NAFTA and the Enterprise are built on a foundation of intensified economic exploitation, they offer no real social or political vision for dealing with the growing social and economic problems that are **afflicting** the bulk of the hemisphere's populace.

Canada, the first country to begin continental integration with the United States in 1989, has already lost manufacturing jobs as big capital works both sides of the countries' common border. Environmentalists,

some labour leaders, and even a few local business groups in the United States are concerned about the impact of economic integration with Mexico. Opposition to NAFTA and the Enterprise at the grass roots level will only grow as the adverse impact of corporate-led economic integration is felt throughout the hemisphere.

Neo-Liberalism and the Origins of Crisis

The origins of NAFTA and the Enterprise are to be found in a decade-long economic crisis that has afflicted the Americas, both north and south. In Latin America, the **1980s** are commonly referred to as the 'lost decade'. Per capita growth rates during the 1980s were stagnant or even negative some years. By 1990 the per capita GDP of Latin America and the Caribbean had regressed to 1977 levels.'

During the Reagan years, neo-liberal theorists and monetarists were fairly successful in putting forth the view that the lost decade was the fault of the Latin American countries. They argued that for years the Latin American governments engaged in irresponsible economic policies by erecting protectionist barriers, subsidising state enterprises, and engaging in wasteful social **spending**.⁸ This interpretation is a flagrant distortion of reality to obscure the real origins of the economic crisis that hit Latin America in the 1980s. It conveniently ignores the fact that from **1960** to 1980 Latin America's economic policies stimulated both internal growth and exports. The increase in the gross domestic product averaged 5.6% per annum, and over all the region's economy grew by 200% during those two **decades**.⁹ This growth rate was more than double that of the United States, and only a few countries in east Asia matched Latin America's economic **performance**.¹⁰

The truth of the matter is that the economic crisis of the 1980s is the responsibility of transnational capital, the US state, and the military regimes that held power in most of Latin America in the 1970s. It is true, as the neo-liberals argue, that the huge international debt burden and the inability of the Latin American nations to repay that debt led to the liquidity crisis of the 1980s and the inability to attract capital and foment economic growth. But why did the Latin American nations become insolvent? Was it due to their protectionism? To their attempts to develop domestic industries? Or to their wasteful spending on social programmes?

Any serious student of economic and political developments in the 1970s is forced to recognise that if any particular actors bear responsibility for the crisis of the **1980s**, it is the international bankers and the military rulers. (One major exception to this is the Mexican regime, which will be discussed later.) From 1970 to 1982, **a period** when military regimes either controlled or took control of over three-fourths of Latin America's population, the debt of the region jumped from \$25 billion to \$318 billion." Wasteful state spending did occur during this period. But much of it was

due to increased military budgets, corruption within the military itself, or subsidies for pet industries that were run by the military or by favoured sectors of the local bourgeoisie. The Argentine military leaders, who controlled the country from 1976 to 1983, demonstrated a particular ability to run their country into the ground with wasteful military spending capped by an inept war in the Malvinas islands.

The transnational bankers were more than willing to look the other way, or in many cases to lend funds for dubious economic projects. The 1970s was a period in which the international banks were flush with capital due to the surge of petrodollars in the world's financial system, and the willingness of the central banks of the developed world to pump funds into the banking system. There was an abundance of banking capital, and Latin America, which was rich in resources and had demonstrated a capacity for sustained economic growth, became a major target for the banks to invest their funds.

In spite of the irresponsible policies of the bankers and the generals, the Latin American countries (and other third world borrowers) might have avoided a liquidity crisis if the international markets had not dealt the third world a major economic blow in the early 1980s. The prices of raw materials and agricultural products – coffee, cotton, bauxite, copper, tin, bananas and sugar – the mainstays of the Latin export markets, dropped precipitously. Furthermore, the price of manufactured and industrial products, the major exports of the developed world, continued to rise, leading to a decline in the terms of trade for commodity producing nations'. In 1982, the non-oil exporting countries were buying two thirds as much with their goods as in 1970.¹²

One factor leading to the decline in the terms of trade was that a significant portion of the international capital lent in the 1970s went to expand agricultural and mineral production. The Latin Americans were simply following the rules and logic of the capitalist market place in that they sought to expand their exports in order to repay the loans and to accumulate profits and capital for their own economic growth and development. But virtually all third world nations were following the same economic logic. As a result, by the 1980s there was a glut on the world market of most primary commodities and this of course led to falling prices. Moreover, the industrialised capitalist countries were developing manufactured or synthetic substitutes that curtailed the need for some third world products. The classic example is the use of artificial sweeteners and corn syrups which significantly curtailed the need for sugar cane.

In the early 1980s, reports by the World Bank, the IMF, private banks, and even government agencies acknowledged that the basic problems confronted by Latin America and other third world countries were due to factors in the international market place that were beyond the control of third world governments. But the rise of neo-liberal doctrine during the

Reagan and Thatcher years quickly shifted the blame for the crisis to the third world nations. Standing logic on its head, neo-liberalism argued that what was needed to resolve the crisis was not coordinated international efforts to regulate overproduction, or a moratorium on debt payments, but an end to any and all types of regulation. Only more of the same – the free market – they argued could turn the economies of the third world around.

As the 1980s wore on, most of the countries in Latin America bowed to the dictates of neo-liberal doctrine and the pressures of institutions like the IMF and the World Bank. They dropped their tariff barriers, sold off state industries, and basically threw their economies open to foreign capital. Initially banking and transnational capital did not respond to the prostration of the Latin American countries. It recognised that due to the so-called 'debt overhang' and the conditions of the international market there was little or no profit to be made by financing or investing in Latin America.

Indeed, throughout the mid and late 1980s capital was sucked out of Latin America by the transnationals – particularly the banks – and capital flight rather than capital investment was the overriding characteristic of the decade. Resources flowed from the south to the north in ever larger quantities while domestic investment and consumption shrank. In 1989, Latin America and the Caribbean transferred current net resources abroad equal to 10% of their gross domestic product. As the UN Economic Commission on Latin America proclaimed, during the 1980s 'the countries of Latin America were net exporters of vast amounts of financial resources to the developed countries, a phenomenon that thwarts the aspirations of its peoples and confutes the principles of development and international **co-operation**.'¹³

The results were devastating for the peoples of Latin America. The region as a whole could not import the capital equipment it needed to undertake new development projects, all social services were curtailed, infant mortality rates increased, street crime and delinquency jumped in virtually every country, education at all levels declined, and most importantly, hunger and malnutrition **increased**.¹⁴ Latin America experienced not simply a lost decade but a lost generation. Millions of people who grew up or came of age in the 80s lacked the basic health, nutritional and educational necessities needed to effectively participate in the region's development.

US Capital as Economic Scavenger

What is little noted is how capital, and particularly US capital, began to pillage the continent during the 1980s as never before. It is not merely that the bankers extracted vitally needed financial resources out of the continent. US industrial capital also stepped up its exploitation in certain selected areas of the hemisphere, especially in the latter part of the 1980s.

The devaluation of most Latin currencies – under the aegis of IMF austerity programmes – meant that the cost of labour power in the south dropped from the perspective of the transnationals.

As a result investment jumped in labour intensive industries, especially the *maquiladora* factories which utilise cheap labour in border areas or free trade zones to export to US markets. Overall, US direct investments in all of Latin America and the Caribbean expanded by 37% from 1986–1990.¹⁵ This is a modest increase compared to US direct investments in the developed countries of the world (Western Europe, Australia, etc.) where US investment rose by almost 70% during the same period. However, when the investments are broken down by country, one finds that a chosen few in Latin America and the Caribbean were receiving the bulk of US investments. The most notable expansion occurred in Mexico, where US direct investments doubled from 1986 to 1990, from \$4.6 billion to \$9.3 billion. The Dominican Republic and Chile had relatively higher increases in US investment (although the absolute amounts were significantly less), while Argentina, Peru, Columbia, Paraguay, Ecuador and other countries actually experienced net declines in US investment.¹⁶

What accounts for this pattern of US investment? *Business Week* in 1988 already detected the thrust of the new wave of US capital expansion. In Mexico it noted: 'After the debt crisis and peso collapse in 1982, cheap Mexican wages triggered a *maquiladora* explosion.'¹⁷ Other sources reveal that the expansion continued unabated throughout the entire decade. In 1982 there were 600 maquiladora plants, in 1986, 850, and in 1990, 1,500. The number of workers employed in the maquiladores leapt from 125,000 in 1982 to 450,000 in 1990, over one tenth of Mexico's industrial work force.¹⁸ Even *Business Week* was struck by what this meant for the Mexican workers: 'US employers turned to the most vulnerable – and cheapest – workers: young women and girls. Women represent two-thirds of the maquiladora labour force, and many are teenagers. The result is a labour force that's miserably underpaid – even for Mexico.'¹⁹

Another periodical, *South*, notes that countries in the Caribbean and Central America were trying to follow Mexico's example by setting up industrial tax free zones to attract foreign capital. The Dominican Republic has been particularly determined, setting up eight such zones for foreign investors.²⁰ These Dominican zones even preyed upon their weaker neighbours on the same island – Haiti – drawing away some US investors who did not like the political and economic conditions there after the fall of the Duvalier regime.

The other major country, Chile, had a slightly different attraction for US capital. There, the reign of General Augusto Pinochet had smashed the labour unions and driven down the cost of labour. However, it was not the *maquiladores* that flourished in Chile but the fresh fruit industry. Low wages, combined with Chile's capacity to produce fruits for the US winter

market, made agriculture a particularly attractive area for investment. Pinochet also trumped most other Latin American countries in offering easy access to Chile's natural resources. The country's virgin hardwood forests, some of the last on the continent, attracted significant foreign investment.

It is these types of investment that both NAFTA and the Enterprise will foment in the Americas. The extraction of resources and the brutal exploitation of labour is certainly nothing new for foreign capital, but what differentiates these hemispheric projects from previous ones is that they do not even make a pretence of creating a more just society. Capital simply wants to go in and suck out whatever profit it can as quickly as possible. One Mexican specialist on the maquiladora industry observing that 'capital is being subsidised' in so far as the maquiladores pay no taxes, and make no investments in urban infrastructure (the workers live in abominable conditions) concludes: 'It is an open question as to whether this (maquiladora) process brings any real benefits for Mexico.'

Until recently capital and the capitalist state often recognised that if they were successfully to exploit the third world they had to build a certain infrastructure. This was the logic behind the Alliance for Progress of the 1960s. Then it was believed that the population had to be educated to be an effective workforce, roads had to be built to move the resources to market, major water and irrigation projects were needed for the cities and agriculture, and the working population needed minimal health care and certain urban amenities to survive and reproduce. It is true that these projects and programmes did not eliminate poverty or marginality. But they did provide a limited infrastructure that helped ameliorate some of the backwardness, and at least provided a few public benefits, such as electricity, basic education, and some minimal health care.

But neo-liberal capitalism has broken with this trend in capitalist development and expansionism. It has no interest in developing the social infrastructure. Indeed its most obvious tendency is to slash all social programmes, to force societies to be 'efficient' – in other words to invest their capital exclusively in projects that have an immediate return for the capitalist class.

The Latin Americanisation of the North

Although the US led by George Bush denies it, NAFTA and the Enterprise will also intensify the exploitation of US society. US capital over the past decade has driven down the standard of living of working people in the United States as part of its global effort to maintain its own profits and wealth. The term 'Latin Americanisation' can be used to describe many regions and cities of the United States, not simply because of the increased importance of Latin immigrants, but because of the growth of poverty,

homelessness, petty street merchants and beggars. US urban centres today look more and more like their Latin counterparts.

US capitalism has returned to a phase akin to that of robber baron capitalism of the late 19th century. Entire social strata in the United States are being cast aside and economically marginalised as demonstrated by the demise of the US farming class, the elimination of millions of jobs through the deindustrialisation of parts of the United States, the abject impoverishment of the ghettos, and the growth in the ranks of poor whites and blacks stripped of the dignity they once held as members of the middle or working classes.

This brutalising phase of US capitalism has one salient characteristic that distinguishes it from the earlier era of the robber barons – it is rooted in the decline rather than the ascent of the US economic system. In the late 19th century, the new US bourgeoisie was building an industrial and economic machine that would soon surpass that of the European powers. The capital accumulated through ruthless exploitation of the US working class was by and large reinvested in steel mills, railroads, oil wells, factories and large grain exporting firms.

In the late 20th century, the US working class once again feels the tightening of exploitation by US capital, but this time the new surplus is as likely to go to support the opulent and ostentatious life styles of the rich as it is to be reinvested in productive enterprises. Supply side economics, the pro-business policy of the Reagan years, did not stimulate investment – it merely enabled the rich to get richer by cutting their taxes. In the corporate world, merger mania, financial speculation, and greenmail became the buzz words of the 1980s as young business executives became intent on making quick fortunes at the expense of the rest of society.

US capital, while stepping up the exploitation of its own peoples, is willing to work with the ruling classes of other countries in the Western hemisphere that accept the US rules of the game. In the early 1980s, there was significant opposition among Latin business leaders to US-imposed economic policies, particularly the austerity policies, because they often led to the collapse or depression of entire industries. But today, we are witnessing the emergence of new 'lean and mean' bourgeoisies that are willing to abide by the terms of the neo-liberal game.

Mexican entrepreneurs who once saw US capital as a threat are now willing to engage in a multiplicity of joint ventures with US transnationals. In Argentina, where the bourgeoisie has historically looked towards the British and Europe, the country's business leaders are dropping their barriers to foreign investment hoping that US capital and the Enterprise for the Americas will help resuscitate their economy. Carlos Salinas de Gortari of Mexico and Carlos **Menem** of Argentina, both of whom come from political parties that once stood up to US hegemony in the hemisphere, are today opening up their countries to the United States and

leading their bourgeoisies and political organisations into supporting and participating in close knit working alliances with US capital.

What accounts for the abandonment of any pretence at nationalistic policies by the Latin American elites? Fundamentally, international capital boxed them in, leaving them no alternative but openly to play the **neo-liberal** game. In the case of Mexico, the country's economy experienced many of the problems mentioned above that led to the debt crisis. The country had borrowed heavily in the 1970s to finance many new investment projects, but then the prices of its exported commodities, including petroleum, fell significantly in the early 1980s while the interest payments on the country's debt rose.

It is true, as the monetarists assert, that the Mexican state accumulated the bulk of the debt. But as James M. Cypher points out in his *State and Capital in Mexico*, much of this debt directly benefitted the private sector. Many state investments provided a basic infrastructure needed for private investors; the funds borrowed by the state were often placed in private banks where they were available for use by anyone, including businesses that needed to buy foreign exchange for imports; even more importantly, the state often directly lent foreign exchange to private firms for investment purposes, which they then repaid to the state in devalued national currency; and finally, in some cases the more inefficient private enterprises were taken over by the state, thereby adding to the state debt since the government assumed the enterprises' **loans**.²¹

When Mexico found itself unable to repay this debt, the international monetary institutions and the Reagan administration insisted that they would not provide refinancing or new capital unless the government slashed social spending and sold off state enterprises. The result was a bonanza for private capital, particularly transnational capital, which bought up many of the enterprises at bargain prices.

As Cypher notes for Mexico, and as the UN Economic Commission on Latin America and the Caribbean has pointed out for Latin America in general, the capitalist classes actually deepened the liquidity crisis by sending their capital abroad to the developed **world**.²² Capital flight rather than capital investment was the general rule of the Latin American business classes in the 1980s. With their own economies in severe depressions, thanks in large part to the IMF imposed austerity programmes, profits at home were meagre and they simply saw better opportunities abroad. Much of the capital sent abroad was invested in the international stock markets or deposited in interest bearing banking accounts in international banking centres like Miami. The US real estate market also drew sizeable Latin investments, particularly in California and the southwest where many 'second homes' were purchased so the upper classes could vacation or send their children for education and assimilation into the American 'way of life'. These investments dovetailed with the increased

flow of Latins to the commercial and shopping centres of Miami, Houston, San Diego, and other cities, where they purchased the luxury and consumer goods that they wanted to maintain their life styles at home while the masses experienced the worst economic conditions since the 1930s.

The Potential for Rebellion

At the present moment, there are no systemic challenges to the new US order for the hemisphere. The national liberation movements have been dealt serious blows in recent years, the drug cartels have been put on notice that the United States will wage war against them, and the few remaining nationalistic political figures, like Cuauhtemoc **Cardenas** in Mexico, are finding it difficult to maintain a popular base as pro-US politicians consolidate their hold." In the medium term it is possible that Brazil, which has not totally dismantled its protectionist barriers against transnational capital, could pose an alternative to the Enterprise for the Americas. It is attempting to form a trade bloc with Uruguay, Paraguay and Argentina. But it is unclear if this bloc will really consolidate, or merely become another regional economic formation that succumbs to foreign capital. As noted earlier, Argentina under Carlos **Menem** appears more intent on grovelling before US capital than in mounting a regional challenge with Brazil.

If a challenge is to appear, it is most likely to come about through a social explosion in the Latin country closest to the United States – Mexico. On the surface this would seem to be highly unlikely at present. In 1991, Mexico's economic growth was a stunning 5%, the highest after a decade of many negative growth years. This was the first time in modern history that Mexico was in the midst of an economic boom while the US was in a recession. The old saw 'when the US catches a cold, Mexico gets pneumonia' did not hold true. Moreover the boom was fed by a major influx of foreign capital – approximately \$10 billion according to one **estimate**.²⁵

However, this boom is fraught with dangers for the ruling classes of Mexico and the United States. While they were busy cutting deals and enriching themselves, the basic wages of workers actually shrank when adjusted for **inflation**.²⁶ Moreover, Salinas de Gortari has announced that the *ejidos* – the large communal tracts of land that are the backbone of subsistence for much of Mexico's peasant population – are to be abolished. The *ejidos* will be parcelled up in hopes that commercial agriculture, particularly that geared to the US market, will come to predominate.

This is an explosive social mix. A general rule in many third world upheavals is that an economic boom has laid the basis for revolution. Development is often very destabilising as it leads to increased popular demands. When these demands are frustrated or repressed, they can lead to violent upheavals. The Sandinista movement in Nicaragua for example took hold while the Somoza regime was sustaining annual average growth

rates in excess of 5% per year. And in Mexico itself the revolution of 1910 occurred after a long period of economic growth and foreign investment under the regime of Porfirio **Diaz**. In Mexico and Nicaragua, peasants were being expelled from their land as the demand for labour power increased in the urban areas. Peasants and workers were driven in revolutionary directions by both hope and despair – despair over being forced off their lands and into an exploitative labour market, and hope because of the fact that new opportunities and possibilities were appearing before their eyes as the new middle classes and the rich flaunted their wealth.

There are very real dangers for the United States in its efforts to set up a free trade association with such a large third world country as Mexico. The very attempt to consolidate an economic union with Mexico may actually exacerbate certain tendencies that US rulers want to control. For one, it is not at all clear that stepped up US investment in Mexico will lessen the flow of immigrants to the United States. Maquiladora industries have now been growing along the border for almost three decades, and these have done nothing to stem the flow of immigrants. If anything they may actually accelerate immigration as Mexicans become more aware of wage differentials and economic opportunities north of the border.

Finally, the consolidation of a formal economic alliance between US and Mexican rulers does provoke its own direct contradiction – growing collaboration between those north and south of the border who are the victims of the union. One cannot make too much of this potential in the short term, for cooperation among workers and the exploited has almost always lagged far behind the growth of collaboration among the bourgeoisies and state rulers. But one cannot ignore the fact that important coalitions and groupings began to emerge for the first time in early and mid-1991 when legislation for NAFTA was being pushed through the US Congress. Environmentalists, labour unions, human rights groups and non-governmental organisations – both north and south of the border – began to hold meetings and discussions together. Canadian churches and labour unions have been particularly active in leading a continental charge against transnational capital and the NAFTA trade agreement. And Mexican national leaders, like Cuauhtemoc Cardenas, are touring the United States and Canada, hoping to find political allies his party could cooperate with in opposing US intervention in Mexico's affairs.

Growing economic integration is a fact of hemispheric life. The integration itself probably cannot be stopped but the conditions and terms of that integration provide ample grounds for carrying out political struggle. NAFTA does in fact mean an intensification of the exploitation of workers, particularly women; it means a deteriorating environment, as residents on both sides of the border already know; and it also means a crack-down by US and Mexican border police and troops as they try to control the destabilising aspects of a commercial union.

Objectively, these conditions would seem to offer new political space for those who participated in the solidarity and progressive movements of the 1980s to redirect their efforts towards the issues raised along the US-Mexican border. Only the future will tell whether a new generation of continental activists have the political will and vision to take advantage of the imperial weaknesses that are emerging with the rupturing of hemispheric frontiers.

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NOTES

1. The NACLA, *Report on the Americas*, 'Coca: The Real Green Revolution,' March, 1989. See also Washington Office on Latin America (WOLA), *Clear and Present Dangers: The US Military and the War on Drugs in the Andes*, WOLA, Washington, D.C., 1991.
2. Colombia was one of only three countries in Latin America and the Caribbean with a positive per capita growth rate – Chile and the Dominican Republic were the other two. See Jorge G. Castenada, 'Latin America and the End of the Cold War,' *World Policy Journal*, Summer, 1990, p. 485.
3. John Weeks and Phil Gunson, *Panama: Made in the USA*, Latin American Bureau, London, 1991, pp. 47–55.
4. See for example, *BusinessWeek*, 'The Rich are Richer – and America May be the Poorer,' November 18, 1991, pp. 85–88.
5. Robert Kuttner, 'A Vote for Free Trade with Mexico is a Vote Against Free Trade,' *Business Week*, May 6, 1991, p. 18.
6. *Fortune* magazine took this approach in 1989 when it argued that the three main trade blocks, led by Western Europe, Japan and the United States, could each benefit without necessarily engaging in a trade war. See *Fortune*, 'North America's New Trade Punch,' May 22, 1989, p. 127.
7. *The Economist*, 'Latin America's Economic Reforms,' October 19, 1991.
8. See A.E. Brett, *International Money and Capitalist Crisis*, Westview Press, Boulder, Colorado, 1983. See also John Toye, *Dilemmas of Development*, Basil Blackwell, Oxford, 1987.
9. G.T. Global Financial Services, G.T. Global Special Report: Latin America, The New Investment Frontier, 1991, p. 2.
10. Abraham F. Lowenthal, *Partners in Conflict: Latin American and the United States in the 1990s*, Johns Hopkins Press, Baltimore, p. 147.
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18. Roberto A. Sanchez, 'Condiciones de Vida de los Trabajadores de la Maquiladora en Tijuana y Nogales,' *Frontera Norte: Publicacion Semestral de el Colegio de la Frontera Norte*, Tijuana, Julio-Diciembre, 1990, p. 154.
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