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Volume 15
Number 1 *Symposium: Free Trade and the
Environment in Latin America*

Article 6

12-1-1992

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Cuauhtemoc Cardenas, *Free Trade, the Environment, and the Need for a Social Charter*, 15 Loy. L.A. Int'l & Comp. L. Rev. 71 (1992).

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III. THE NORTH AMERICAN FREE TRADE AGREEMENT AND THE ENVIRONMENT

Free Trade, the Environment, and the Need for a Social Charter

CUAUHTÉMOC CÁRDENAS*

I. INTRODUCTION

As the second half of the Salinas administration begins, and the Mexican economy enters its tenth year of adjustment and supply side experiment, the results are not particularly encouraging. The overnight, indiscriminate and ideologically driven trade opening has generated a huge trade deficit, now running at one billion dollars per month. Imports have grown much faster than exports. Goods and now, increasingly, services from the United States and Asia, are displacing Mexican goods and services. Many industrial sectors — from textiles to automobiles — that previously ran trade surpluses are now running deficits. Large entrepreneurs that used to be manufacturers are turning into import retailers. Jobs are being lost, industries are closing down. Potential comparative advantages in world trade are being lost to this ill-conceived policy. Instead of opening some sectors, and encouraging others, in order to make them truly competitive on the world market like every other country does — through protection, subsidies, support — the Mexican administration decided to leave everything to the market. The result is that the fastest growing export sector is frozen melons, and Mexico is returning to the age of primary commodities, tourism and speculation.

* Cuauhtémoc Cárdenas began his career as an engineer. After earning his degree in civil engineering in Mexico, he studied in France, West Germany and Italy, and then returned to Mexico and worked for two decades as an engineer and planner. In 1980, with the backing of the Institutional Revolutionary Party (PRI), Cárdenas was elected governor of Michoacán, his home state. He ultimately split with the PRI, and formed the Democratic Revolutionary Party (PRD) which he leads. In 1988 he ran for the presidency of Mexico, a position which his father, Lázaro Cárdenas, had held in the 1930s. He claims that he legitimately won the 1988 election, and he continues to be a critic of many of the policies of President Salinas de Gortari.

Formal employment is not growing. Manufacturing jobs are down and, as everyone who walks through Mexico City can see, the informal, underground economy is taking over our sidewalks, streets, and economic initiative. The size of the informal economy and the speed at which it is growing are proof of the failure of the modernization program. The increasing disparities in wealth and income are proof of the model's true colors: an unjust, depredatory and humiliating program.

The paradox, then, is that a growing economy, fueled by huge inflows of capital attracted to Mexico by an indiscriminate fire-sale of national assets, is not creating jobs or expanding the economy. It is simply making the rich richer and generating demand for depressed economies abroad. We are selling off important national assets in strategic sectors of the economy in order to finance the import frenzy bill being run up by some industrialists and by conspicuous consumption of the upper classes.

II. THE NORTH AMERICAN FREE TRADE AGREEMENT: MAINTAINING THE STATUS QUO

The North American Free Trade Agreement ("NAFTA"), as it is being negotiated, is in fact simply an instrument to lock in place the policies and conditions that make this model possible. Instead of being an open-ended mechanism for transformation, NAFTA is conceived by its proponents as a supra-national instrument to consolidate the status quo, perpetuate current structures, and lock Mexico into a series of binding agreements with the United States that do not help this country to face its own realities, nor help Mexico to enter the world economy in a truly advantageous manner. Numerous attempts have been made by organizations in the three countries to engage the authorities in a constructive dialogue regarding the context and extent of this agreement. They have stubbornly pursued a line of negotiations that is unresponsive to the needs and aspirations of citizens on both sides of the border.

III. MEXICO'S DOMESTIC PROBLEMS

We have suggested a social charter as a fundamental part of an agreement between our countries. But we feel that a social charter begins at home, that it is a national objective and until the country agrees on a domestic social charter, there is little that can be done to translate it into an international pact. The national social charter is a

central component of our struggle for democracy. It must be the outcome of a series of consultations among workers, businesspeople, social organizations, universities, and others. It must take into consideration what has already been socially achieved in legislation, social security systems, wage negotiations, working conditions, and so on, and it must represent real progress for all the parties involved.

A. Economic Conditions

Since 1982 Mexico has been applying an economic and political model designed by the World Bank and the International Monetary fund, the same model, identical in practical terms, that has caused so many troubles in Brazil, the Dominican Republic, Argentina, and Venezuela. These policies have brought Mexico to the verge of a new crisis, as deep and wide as the one we lived acutely in 1982, and whose effects we still feel.

By mid-1989 Mexico's external debt was renegotiated with more than five hundred creditor banks. At that moment the debt amounted to \$92 billion. The negotiations reduced its service in absolute terms by about \$700 million (less than 1%); the real gain was that the new conditions facilitated its prompt and full payment. But the policies followed by the Mexican government did not liberate the resources being used to serve the debt and have failed to attract productive national or foreign investment. It is true that Mexico has been receiving investments from abroad. But more than 80% has gone to speculation, around \$20 billion in the last years.

Mexico has thus been living on the razor's edge and economic stability has been kept only through the loans accorded, for political reasons, by President Bush's administration, and now the debt has risen again and is already \$104 billion. After two years of surplus, according to official figures, in 1989 the trade balance turned negative, showing a deficit in 1990 of \$5 billion and reaching \$12 billion in 1991.

Meanwhile, the net savings of the private sector decreased in the last two years by more than 90%. It fell from \$37 billion in 1989 to only \$2.32 billion in 1990, and in the first semester of 1991, it showed already a negative value of \$49.2 billion and the negative trend is expected to continue.

These are clear signs of an economic crisis due to lack of productivity, to corruption, to the waste of the country's resources, and to

the massive unemployment generated by the government's protection of speculators, foreign products, and of the privileges of the very few.

Our peso is overvalued. We fear a fall, a much more drastic devaluation than those that took place in previous administrations, with all the economic and political consequences.

B. Social Conditions

Social conditions are no better.

Wages have lost more than 60% of their purchasing power in the last decade in real terms, of which 25% corresponds to the Salinas administration. In this same decade, only 1,300,000 jobs were created, when there are 1,100,000 young people that ask for employment every year. Only 17% of the job demand has been met. Unemployment now amounts to 8,900,000 people, which represent a third of the country's work force. In 1982 salaries represented 36% of the Gross Domestic Product; now they are only 24%, which shows how income is concentrated.

It is also important to point out that the recent constitutional reforms that modify the legal basis of our agrarian structure, unless they are reversed in a short term, will result in two million peasant families, that is around ten million people, being expelled from the land they now work and moving to the cities. It is estimated that half of them will come to this country to join the five million Mexicans that have migrated to the United States in the last decade.

In the negotiations carried on by Mexico, the United States and Canada, the Mexican government has been presenting as our comparative advantages the low wages — that tend to continue decreasing — paid to Mexican workers, the fact that there are no requirements to industries establishing in Mexico to invest in social or community infrastructure, and the lack of enforcement regarding our environmental regulations.

IV. PROTECTION OF THE ENVIRONMENT

Mexican environmental laws are very similar to those in the United States, but they are not fully enforced. Funding of our environmental programs is scarce and corruption seems to be endemic.

There are 2000 United States-owned *maquiladoras* in our border areas and it is very clear how they disregard environmental regulations. Just one example: the handling of wastes. In 1990, only 19% of the plants using toxic substances were able to demonstrate that

they had properly disposed of these materials; and in 1988 only 20 out of 1600 *maquiladoras* operating in Mexico returned their toxic wastes to the United States in compliance with the treaty signed in 1983 by the two countries.

Pollution in the border is a serious problem. Raw sewage discharged in the Tijuana River flows into the New River, causing diseases and infections on both sides of the border; the Nogales Wash, in our Sonora-Arizona border is highly contaminated with industrial and residential sewage, including toxic chemicals.

V. ALTERNATIVE POLICIES

Considering the course the negotiations on NAFTA have been following, the treaty will consolidate the imbalances existing between our countries, inserting Mexico into the world economy through a path of subordination and, in fact, absorption into the United States economy. We are therefore concerned if these are going to be the results of the new trilateral trade agreement, deeply concerned that this could be our country's destiny.

That is why we have proposed a different pact: the utilization of multiple economic instruments in order to overcome the existing asymmetries and our backwardness, as well as a different vision of international relations, particularly between Mexico and the United States, namely, the fulfillment of one unavoidable condition, the democratization of the country's political life.

Negotiations between the United States and Mexico should deal with trade matters specifically. They should also contemplate the harmonization of investment rules, anti-monopoly laws, a social charter, measures to protect the environment and intellectual property, the mechanisms for the settlement of disputes, labor mobility, and compensatory investments, like those agreed upon by the European Economic Community ("EEC") with Portugal, Spain, Greece, and Ireland when their incorporation to the European Community was decided. By recognizing the differences and deciding to eliminate them through joint efforts, compensatory investments become the keystone of the agreement and its articulating axis.

As an alternative to NAFTA, which is the point of departure for President Bush's Enterprise for the Americas Initiative — a clearly insufficient proposal to develop Latin America — we propose a continental agreement for trade and development, to be discussed and negotiated by all the nations of the continent. It could have its starting

point in the recognition of the existing differences in degrees of development, productivity of the economies, and social conditions. It could set as its first objective the decrease of these differences until they are eradicated, so that an economic cooperation and competitiveness based on fairness can be established.

In order to attain conditions of sufficient, balanced and self-sustained development, as well as a relationship of equity, both internally and internationally in our hemisphere, it is necessary to utilize different economic tools simultaneously over the long term: gradually applied trade liberalization; compensatory investments; a new external debt negotiation to effectively liberate resources for investment; the adoption of measures to stimulate productive investment and serve as a deterrent for financial speculation; and the determination and recognition in each country of its economic niches.

VI. DEMOCRACY IN MEXICO

In the past decade it has been clearly demonstrated in Mexico that trade liberalization does not necessarily lead to political opening. On the contrary, our experience shows that it leads to the hardening of the political system. The party of state regime in Mexico, one of the few that survive in the continent and in the world, in order to remain in power, has become more rigid, and has had to resort regularly and systematically to electoral fraud, repression, and the violation of basic human rights with impunity.

The Mexican authoritarian regime survives and finds relief today in the economic aid and political and diplomatic support it receives from Washington. A favorable international image of the Mexican government, as an accountable and democratic regime, has prevailed, although this does not correspond in any way to reality. In direct contradiction to the positions held in the last years by the main public opinion currents in the world in favor of democracy, the international community has granted the Salinas administration a political legitimacy it does not have and a representation it has not earned. In the cases of some governments and political movements in our continent, there has been a change of attitude from veiled support of the Mexican authoritarian regime, mainly through omission, to open and unquestioned support. With a few isolated exceptions, short-term interests and complacent attitudes keep the cause of Mexican democracy almost without advocates in the official sectors of the continent.

If Mexico's political system remains unchanged, economic dis-

parity in the country will not improve. Democratization necessarily requires that the vote be respected in free and unmanipulated elections. Under the existing political system the economic policies of subordination, income concentration, and social exclusion are going to prevent the development of strong, active, wide national markets, of consumers with increasing purchasing power. There will continue to be export-oriented modern sectors, together with disaster areas, such as agriculture, or activities tending to disappear, such as the consumer goods industry. We will continue to depend on substantial foreign assistance paid mainly by United States taxpayers, as has been the usual practice since 1982 and especially from 1988 on. The flow of Mexican workers to the United States will increase.

In spite of all this, we are optimistic about our future, our immediate future. Democracy is not far removed in Mexico. Numerous organizations and civic groups are preparing for the 1994 elections, uniting and facing together the presidential succession, and closing the way, once and forever to electoral fraud and imposition. We ask those Americans from South, Center, and North of the continent, convinced of the justice and reason of the cause of democracy, to have a watchful attitude regarding Mexico. Past and present struggles against dictatorships, against racial discrimination, for the defense of sovereignty and democracy, for the respect of life and human rights in other countries, will continue to awaken our unending solidarity.

We demand this same solidarity today for those in Mexico struggling to end the autocratic and corrupt one party regime. We can move to a wide, participatory democracy. We want to organize, among other things, the observation of our municipal and state elections that will take place in 1992 and 1993, as well as the national elections of 1994. We know it is not just a matter of having or not having electoral observers. With or without observers the vote will not be respected, unless the government has the political will. And that may have to be imposed by a political force.

Our main objective today is to create this force, plural and diverse, that has the capacity to open the way to transition toward democracy. We need to open the media. It is a condition for democracy. We have to build the means to buy time and space, and also create alternative communications which are distinct, broad, objective, and truthful.

We know we can do it. We know the Mexican people can do it.

We need your help and we request it respectfully. We ask you to

focus your attention on the struggle for democracy in Mexico and make American public opinion and the government of the United States aware of the situation in our country. But bringing democracy to Mexico has to be a Mexican task, achieved above all by Mexicans in Mexico. This is our responsibility and our commitment. The people of Mexico are devoting the best of their lives to this ideal. In the end it will prevail.