

Mexican Merger?

United we fall

by **George Szamuely**

According to the US Census Bureau, minorities are now the majority population of California. Whites comprise 49.9 percent of the state's 33.1 million residents; Hispanics 31.6 percent; Asians, 11.4 percent, and Blacks 6.7 percent. That's quite a turnaround. In 1970 California was 80 percent white. The state's astonishing demographic shift is likely to be repeated across the nation. Between 1990 and 1999, America's Hispanic population grew 38.8 percent to 31.3 million while the Asian population grew 43 percent to 10.8 million. It has been estimated that within 100 years, the nation's Hispanic population will be about 190 million, just 40 million behind the white population.

There is no mystery as to how this came about. Every year about 200,000 Mexicans immigrants enter the United States. An additional 300,000 Mexicans cross the border and enter the United States illegally. In 1960, 75 percent of immigrants came from Europe; 9 percent from

George Szamuely is a columnist with Antiwar.com from which this is reprinted with permission.

Latin America; and 5 percent from Asia. By 1999, only 16 percent came from Europe; while 51 were from Latin America; and 27 percent from Asia. The elites of the United States and Mexico have pursued a deliberate policy of encouraging large-scale immigration. The elites of the United States want cheap labor. The elites of Mexico want to get rid of their unemployed, not to mention the remittances that they subsequently send home from the United States. The Mexican Government has as little interest in stemming the flow of immigrants to the North as it has in stopping the narcotics trade. This is something the United States is well aware of. Mexico is our colony — a permanent source of cheap labor. Close the illegal immigration safety valve and Mexico faces economic ruin and political collapse. End drug trafficking and, again, Mexico faces economic ruin and political collapse. Nothing much then is asked of Mexico's rulers other than to come to Washington every year, and promise solemnly that they intend to crack down mercilessly on drug trafficking and illegal border crossings.

To Washington's consternation, however, Mexican President-elect Vicente Fox has decided to change the rules of the game. He is not interested in the

old hypocrisy. He has blurted out the basic premise of US-Mexican relations. Since the United States already looks the other way as millions of illegals pour into the country, why not do away with the pretense of immigration controls altogether? Fox has proposed economic union with the United States modeled on the European Union. He also wants the United States to increase the annual number of Mexican immigrants it takes in legally. And he wants the United States to end the "drug certification" program, whereby countries are rewarded or penalized according to whether Washington believes they are doing enough to crack down on the drug trade. Note that Mexico has never been decertified even though almost all of the drugs entering the United States go through Mexico.

Fox has also demanded that the United States establish a regional development fund to ensure that living standards in the two countries start to converge. Improving living standards for Mexicans, he argues, is the only way to stop illegal immigration. "As long as we work on development ... we will not have migration" problems, he explained during his recent trip to the U.S. "We will never be that good friend, that good neighbor, that good partner, as long as

Mexico is lagging way behind in development,” he also said. Interesting, though Mexico’s exports to the U.S. have tripled since the launch of NAFTA, average Mexican wages have declined. Fox is, of course, trying to shake down the United States. Increase the number of Mexicans you let in legally, and in exchange, I will try to cut down on the number entering illegally. Fork over some cash, otherwise I will not be able to control the flow of illegal immigrants. Do you want 500,000 Mexicans to cross the border next year? How about 750,000? How about a million? Mexico can afford to lose these numbers without suffering in the slightest. The United States, on the other hand, would soon be facing serious civil disturbances in most of its major cities.

This is all election year and U.S. policymakers have not rushed to embrace Fox’s proposals. “We have borders, and we have laws that apply to them and we have to apply them. And so do the Mexicans” — thus Bill Clinton. “I believe we ought to enforce our borders” — thus George W. Bush. “Gore said some elements of Fox’s proposal were problematic in the U.S. ... But he was interested to note that Fox wanted to paint this as a very long-term vision” — thus Leon Fuerth, Al Gore’s national security adviser. During his recent visit, Fox toned down his rhetoric. However, he promised Mexican immigrant leaders to create a special office to address the issues

of Mexicans living abroad. One of his most important responsibilities as Mexico’s President, he says, is to look after the interests of Mexicans living abroad. “You come to a new country with more anger, more audacity and with a stronger hope of fighting for a better life, and yet you still haven’t forgotten your homeland,” Fox bellowed to an enthusiastic crowd of Mexican immigrants in Texas.

It is a safe bet however that, once the election is over, America’s rulers will become warm to Fox’s proposals. “North America Doesn’t Need Borders” ran the triumphant headline of a *Wall Street Journal* editorial page article written by Judy Shelton, longtime Senior Fellow of the Hoover Institution [See the following article]. Business leaders want more immigrants to enter the United States. They complain that with unemployment rates at around 4 per cent, they are facing labor shortages. The media, of course, repeat this nonsense uncritically.

There are no labor shortages in the United States. There are only shortages at the income levels the employers wish to pay. Since employers can always rely on cheap immigrant labor, they have little incentive to pay more. Federal Reserve chairman. Alan Greenspan, recently told a congressional committee that unless immigration was increased wage increases could start to outpace productivity. This would lead to inflation or to a squeezing of profit margins. “Either

outcome [is] capable of bringing our growing prosperity to an end,” he explained. Greenspan forever worries about wages outpacing productivity — whatever that may mean. That evidently has inflationary consequences and are, therefore, bad. Yet large profit margins or zooming share prices, for some reason, never have inflationary consequences and are always good. The hacks are too cowed by this godlike creature to ask him to explain this incongruity.

What are the consequences for the United States of having this ever growing Mexican population here? Hispanics are voting in U.S. elections in greater numbers than ever before. The number of Hispanics who voted in congressional races increased from 3.4 million in 1994 to 4.1 million in 1998. The overall number of voters nationwide, however, dropped by 2.6 million. Mexican-Americans, moreover, see themselves increasingly as a lobbying group on behalf of Mexico. “We want to build a mechanism where Mexican immigrants can influence U.S. policy by becoming a more sensible voice on behalf of Mexico on issues related to bilateral matters,” explained Adolfo Aguilar Zinser, a key political adviser to Fox. What the United States is facing is not the secession of large chunks of the South West. Mexicans did not come here in order to rejoin their former country. Instead, a massive campaign will soon be underway to establish an ever-

closer union between Mexico and the United States. Already California's Governor Gray Davis says: "People will look at California and Mexico as one magnificent region." Such talk will only increase. Recently a Los Angeles resident was elected to the Mexican Congress.

A union between Mexico and the United States serves the interests of the ruling elites of both countries. Not only will they profit while everyone else will be impoverished, it will also be good for the American Empire. The more heterogeneous the population, the harder it is so

forge a sense of common purpose. This is where imperial ambition comes in. What will come to unite Americans? Not language, not race, not the Constitution but the idea that the United States is a microcosm of the world and must hence rule this world. ■

No Borders Needed

The usual mantra from the corporate structure

by **Judy Shelton**

Vicente Fox, Mexico's incoming president, made a whirlwind trip to Canada and the U.S. [in August] to talk about his vision for the future of North America. Mr. Fox generated buzz everywhere with his ideas. His talk of open borders is deeply controversial in the U.S. though what he is really selling is the fulfillment of open markets. His proposal to combine resources across borders may strike some as too imaginative in its scope. But it is, in fact, steeped in pragmatism.

Convinced that the North American Free Trade Agreement

Judy Shelton is professor of international finance at DUXX Graduate School of Business Leadership, Monterrey, Mexico. Reprinted from The Wall Street Journal ©2000 Dow Jones & Company, Inc. All rights reserved.

has delivered substantial benefits on all sides since its inception in 1994, Mr. Fox wants to deepen the alliance. Beyond the free trade of goods and services, he would like to work toward a greater movement of people, so that resources, whether human financial or material, are more efficiently utilized in the interests of all market participants. And realizing that Mexico's vulnerability to economic instability has crippled its own development even as it has threatened international financial relations, he proposes that Mexico commit itself to achieving reduced levels of inflation and public debt on a par with the U.S.

Mr. Fox's approach, which one might call convergence by objective, would aim to bring down Mexico's inflation from its current 9 percent to less than 3 percent, to match American and Canadian rates by 2003. Likewise, he would impose limits on deficit spending consistent with achieving a balanced budget

in the same year. He would seek to strengthen the banking system and to bring Mexico's regulatory approach into conformity with U.S. standards.

The benefits to Mexico, in terms of increased fiscal discipline and a fortified financial sector, would be tremendous. But for Mr. Fox, the real payoff would come from lower interest rates, which would lower the cost of capital for aspiring Mexican entrepreneurs. A long-time supporter of microcredits to provide seed money for small business, Mr. Fox believes strongly in the economic ingenuity of individuals.

Mexico's problem has been its prohibitively high interest rates, which have cut off access to financial capital and stifled opportunity. Where inflation is rampant, there is little reason to save. And where currency depreciation undermines the gains on invested capital, foreign investors demand higher rates of compensation. By closing the gap