U.S., Mexico Reach 'Fair Trade' Agreement, As the World Moves Toward Principles of LaRouche's New Bretton Woods

by Brian Lantz

Aug. 31—President Donald Trump announced on Aug. 27, that the United States and Mexico had reached a new trade agreement, paving the way for "termination" of the murderous North American Free Trade Agreement (NAFTA). Lyndon LaRouche and this publication have waged a major effort to defeat NAFTA, and in 1991, *Executive Intelligence Review* published an extensive, widely circulated special report, *Auschwitz Below the Border: Free Trade Pact is George 'Hitler' Bush's Mexican Holocaust*, warning that the pact, sold through the Chicago School's "free market" brainwashing, was actually intended to destroy the productive labor force on both sides of the border, benefitting only speculative predatory capital. Lyndon LaRouche's warnings have been fully vindicated in the almost 25 years since NAFTA's passage—on both sides of the border. These disastrous consequences fueled the vote for Trump in 2016. Now NAFTA is over.

In the Oval Office announcement of the new trade agreement, with Mexico's President Enrique Peña Nieto on speaker-phone, President Trump pointedly stated that NAFTA had "bad connotations because the United States was hurt very badly by NAFTA for many years, and it's now a really good deal for both countries." President Trump is clearly aiming at good productive jobs for Americans and Mexicans. Trump tweeted out that same day, "A big deal looking good with Mexico!" The agreement already has the blessings of Mexico's incoming new President, Andrés Manuel López Obrador. As of this writing, Canada and the U.S. continue negotiations for Canada to be included in the new agreement.

The reassertion of national sovereignty and the right to economic development is everywhere in the world today. Helga Zepp-LaRouche, founder of the Schiller Institutes, has issued an international call for the convening of a New Bretton Woods Conference, led by the four world powers of the U.S., Russia, China and India. Zepp-LaRouche has been the leading international exponent of what has become "The New Silk Road," China's Belt and Road Initiative. She has called on President Trump to join it. In June, Zepp-LaRouche highlighted what she called "the Singapore Model"—the successful talks between President Donald Trump and North Korea's Kim Jong-un—and said that this must be the springboard for similar, new international agreements in global "win-win" cooperation seeking peace and economic development.

The Agreement: Nation-Building

Automobile manufacturing in Mexico.

The new United States-Mexico Trade Agreement can be a positive step along this path, and a major step toward growing international coordination in promoting real economic development across the Americas. To be clear: This agreement is not aimed at China or creating an anti-China "bloc" in the Americas. Witness the British Empire's legacy media grinding their teeth over the successful U.S.-Mexico outcome! Here are details of the U.S.-Mexico agreement as announced to date:

• Forty to forty-five percent of American and Mexican auto and auto-parts workers must earn at least $16 an hour or more to avoid tariffs, breaking the straitjacket of the "cheap labor" NAFTA lunacy that has spread impoverishment on both sides of the border. Mexican auto workers typically make less than $8 an hour, and even less at parts plants, according to the Center for Automotive Research, as cited in *Transport Topics*.

• Under the new pact, there are provisions for new labor rules meant to benefit manufacturing workers. For example, Mexico has agreed to pass a law to provide "worker representation in collective bargaining."

• There are tightened "rules of origin" on vehicles made in the United States and Mexico, so that 75% of their content must be produced in the United States or Mexico, up from 62.5% previously. Seventy percent of the steel, aluminum and glass used to make a vehicle must also originate in North America. For example, American auto companies that assemble their cars in Mexico would also need to use more U.S.-made car parts to avoid tariffs, which would help U.S. manufacturing workers. "Only producers using sufficient and significant U.S. and Mexican parts and material receive preferential tariff benefit." This will aid workers in both countries, shielding them from competition from unscrupulous supply-chain sourcing.

• The nasty "dispute settlement provisions" of NAFTA were weakened. These had featured a system of supranational tribunals staffed by predatory corporate lawyers, which nullified protective national laws. City of London/Wall Street interests and wage-gouging "businessmen" had wanted to keep these tribunals in place to "reduce the risk of investing." (This would also have been an on-steroids provision of the now dead-and-buried Trans-Pacific Partnership or TPP.) Now only oil and gas, energy, and infrastructure companies will retain the right to use dispute settlement panels. However, precisely in this area, incoming President López Obrador has already signaled a suspension of new oil and gas concessions to foreign companies, and will launch an audit of existing concessions for possible corruption.

• Agriculture is the area that is perhaps least changed by the new U.S.-Mexico Trade Agreement. Agriculture remains a disaster in both nations—more on this below.

As a consequence of the agreement, the manufacturing sector is actually strengthened in both the United States and Mexico. Pay scales will rise on both sides of the border, improving the household incomes (the consumer market-basket) of the productive workforce of both countries. Contrary to the fake news from the City of London and Wall Street, this is quite compatible with China's Belt and Road Initiative and the prospect of positive outcomes with U.S. negotiations with China. This is all driving the City of London and Wall Street—and therefore many on Capitol Hill—up the wall.

And in Relation to a New Bretton Woods?

What does this have to do with a New Bretton Woods Agreement?

Cooperation among sovereign nation states is the *sine qua non* of the New Paradigm. A New Bretton Woods Agreement among those nations can only be organized successfully by fulfilling the physical economic requirements specified uniquely by economist and statesman Lyndon LaRouche ("Towards a New Bretton Woods," *EIR*, March 27, 1998). The science of physical economy places the development of the productive powers of labor—the development of the unique creative powers of each and every human individual—at the center. The physically required market-baskets—including consumer, capital goods and overhead market-baskets—must be thoughtfully developed and improved to grow healthy national economies. In his July 18, 2000 paper, "On a Basket of Hard Commodities: Trade Without Currency," LaRouche discusses how productive trade relations among nations must be advanced:

> The key to establishing a reasonably determined standard unit of account for a basket of commodities, is to reject, from the outset, the reductionist input-output presumption of Britain's Piero Sraffa, for example, that consumption might be represented as a process of production of commodities by commodities. We must examine the way in which combined market-baskets of economic infrastructure (such as public works), combined with household consumption and with technologically progressive, hard-commodity forms of increasingly capital-intensive investments in capital goods of production and physical distribution, increases the relative productive powers of labor, as this is to be measured, in physical product, per capita and per square kilometer. *It is that factor of rate of growth, as expressed in hard-commodity terms, which defines the appropriate notion of assignable economic value . . .*

To make possible the rapid increase of such productive powers in every nation, with commensurate upgrading of all national physical economies, exchange rates between national currencies must again be fixed (with minimal fluctuation) by international agreement, as they were under the 1944 Bretton Woods system, thus drying up unproductive currency speculation. Currently irrational, market-driven "global supply chains" and "value-added chains" must be transformed to serve national development priorities. This is not a promotion of autarky; quite the contrary.


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Andres Manuel López Obrador, Mexico's incoming president.

Mexico and Labor Power

Consider Mexico. Mexico is the world's ninth largest manufacturing hub and exporting country. Mexico's leading export categories are: $101.7 billion in vehicles (24.8% of total exports); $81.6 billion (19.9%) in electrical machinery and related equipment; $65.9 billion (16.1%) in machinery including computers; $22.6 billion (5.5%) in mineral fuels including oil; and $17.5 billion (4.3%) in optical, technical, and medical apparatus. From a continental perspective, 82.7% of Mexican exports by current market value were delivered to the United States and Canada—fellow members of what had been the North American Free Trade Agreement (NAFTA). Mexico was also the United States' second largest goods export market in 2017, after the European Union.

However, Mexico ranks 57th of 137 nations in hard infrastructure, according to one assessment, and 82nd of 137 nations in education (*World Economic Forum Global Competitiveness Report Index, 2016-2017*). It is clear that Mexico has the manufacturing prowess to build up its own physical economy, specifically to provide for the upgrading of its labor power through an improving production of the market basket for households to maintain and reproduce an ever more productive workforce. Incoming President López Obrador has stated that he intends to "strengthen the domestic market, to try to produce in the country what we consume." He is proposing a doubling of investment in

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Meebox all-in-one, desktop computer with touch screen (right) and a Meebox Slate tablet, from the first Mexican company to manufacture a full functioning tablet computer.

larger infrastructure projects to a total of 4.1% of the national budget, or over $50 billion a year. This is part of a broader program of investment in education, medical, and other infrastructure.

Just hours after his election victory, President-elect López Obrador tweeted about his recent phone call with President Trump: "I proposed that we explore an integral agreement of development projects, which generate jobs in Mexico and with that reduce migration and improve security. There was respectful treatment, and our representatives will speak more." But this is much bigger than the question of migration—as Franklin Roosevelt repeatedly said, a prosperous, developing Mexico means more and better jobs in the United States. There has also been a well-publicized exchange of letters between Trump and López Obrador on cooperation on regional security and economic development of the Americas, which includes the existential task of dismantling the regional drug cartels.

Agriculture is another area in which the United States and Mexico have a pressing, shared interest. Mexico's incoming Presidential administration has reasonably stated that it wants Mexico once again to be able to produce its own food—indeed, every country requires this. Consider that until the late 1990s, Mexico was a net exporter of agricultural products, yet today it is a net importer, mostly from the United States. Meanwhile, American farmers have been operating below break-even for decades, and most U.S. farmers are still on their land today only because of their off-*farm jobs.*

As a result of the "market-driven" global cartelization of food supplies, including 25 years of NAFTA, U.S. and Mexican agriculture are so crippled that it will take parity pricing measures and other major efforts to begin to undo the damage. Mexico is now dependent on the United States for corn, a staple of the Mexican diet! Mexican grain farmers had been driven bankrupt under NAFTA, unable to compete with U.S. high-tech agriculture. Now Mexico is also the top market for U.S. corn.

Some numbers: U.S. total exports of agricultural products to Mexico totaled $19 billion in 2017, the third largest agricultural export market for the United States. Leading export categories include: corn ($2.7 billion), soybeans ($1.6 billion), pork and pork products ($1.5 billion), dairy products ($1.3 billion), and beef and beef products ($979 million). Meanwhile, Mexico is now selling to the United States its vegetables and fruit. Mexico exported $25 billion in agricultural products to the United States in 2017, including $6.0 billion of fresh fruit and $5.5 billion worth of fresh vegetables. A number of U.S. agribusiness enterprises now have significant investments in Mexico.

Mexico, the U.S., and China

As in the relationship between the United States and China, if you think in physical-economic terms, you see that the United States and Mexico are joined at the hip. The just-signed U.S.-Mexico Trade Agreement now begins to show that triangular relationship in a new light.

Andrés Manuel López Obrador has invited *both* President Trump and China's President Xi Jinping to his December 1 swearing-in as Mexico's new President. "Speaking with and working with President-elect López Obrador has been absolutely a very, very special time," said President Trump, following the conclusion of the new agreement. Simultaneously, the incoming Mexican President has opened up discussions with China on the possibility of reactivating Chinese railroad proposals which Mexico had previously abandoned under pressure from Barack Obama, and on new Chinese investment proposals regarding Mexican infrastructure. On August 2, López Obrador held a well-publicized meeting with China's Ambassador to Mexico Qiu Xiaoqi, in which the Ambassador expressed China's strong commitment to work with Mexico.

As in other fast-paced developments, including the recent the Trump-Kim Singapore Summit, the Trump-Putin Helsinki summit, and the BRICS summit in Johannesburg, South Africa, the world is undergoing a rapid transformation led by the leaders of nations, acting as sovereign nations outside the established "globalist" institutions. The required reorganization of the global physical economy of mankind can be made to happen in this context.

Meanwhile in China, officials and scholars and are also working to come to cooperative terms with the United States and President Trump. An August 28 article in China's semi-official English language daily, *Global Times*, was titled "Complex Reshaping of Industry Chains Means Sino-U.S. Trade Dispute Likely to Drag On." The article refers to the "revamp of the North American Free Trade Agreement," and argues that there is an intention, on President Trump's part, through such bilateral trade deals, to "foster a high-standard global free trade network to reshape the global manufacturing chain, including between the U.S. and China." Therefore, Hu reasons, "the trade dispute is likely to become a protracted one, because the adjustment of the manufacturing chain is a long process."

Another article, this one an August 20 op-ed in the *South China Morning Post*, argues that President Trump's approach to tariffs is likely part of a "consistent" line of thinking: Trump is using tariffs on China "to indirectly penalize all those American companies which are investing in China as a base for manufacturing with cheap labor and then re-exporting back to the U.S. as well as to other countries." Foreign multinationals, the writer points out, produce 42% of China's exports to the world! While President Trump's tariffs may hurt these U.S. manufacturing companies in China in the short run, the author speculates that over the longer term, Trump is thinking that these tariffs—and the unpredictability of the trade environment generated by the threat of tariffs—will cut U.S. manufacturing investment in China, and—along with other signature Trump domestic measures—will work to bring manufacturing investment back to the United States.

These two articles are another indication that significant currents in China are thinking deeply about President Trump's intentions and America's historic Hamiltonian system of economy, as found in our Constitution. There is thoughtful consideration of the physical-economic parameters that must be addressed to achieve a "win-win" recovery of the scientific, technological, and manufacturing prowess of the United States—which is seen by China as a definite "win-win" goal for achieving world strategic stability and security. China's leadership, led by Xi Jinping, is extraordinarily capable of responding should the United States proffer an agreement to negotiate a New Bretton Woods System.

Towards a New Bretton Woods

The wretched digital Dark Age of the British Empire's monetarist *ultramontane* system, that had supplanted the authority of nation states, is collapsing. Evidence of that has been presented here. Once again, sovereign nation states, inspired by the ideas of the American System of Alexander Hamilton, Lincoln, FDR, Kennedy and LaRouche, and by Xi Jinping's Belt and Road Initiative, are acting on *Westphalian* principles, from the top down. This is at the heart of the "Singapore Model," and this inspired thinking is reflected in the outcome of the U.S.-Mexico Trade Agreement. Nations inspired and cooperating to regain the sovereignty of each, and each with its implicit sovereign power to create its own national banking and credit mechanisms—these are the irreplaceable means by which each can mobilize its own nation's unique productive, creative powers to contribute to the advancement of mankind.

President Trump and the other "Big Four" national leaders of China, India and Russia, can be caused to act for a New Bretton Woods Agreement, and Trump will be enabled to act domestically for LaRouche's "Four Laws," if the American people now crush the British Empire's Mueller/Russiagate coup attempt before the November midterm U.S. elections. A "consistent" policy perspective on President Trump's part, will include Lyndon LaRouche's Four Laws, starting with the return to Glass-Steagall and a national credit institution to provide trillions of dollars in credit to restart the U.S. economy from within. Mexico is willing, China is waiting; the whole world is watching.

In his official "Letter from the President to the Speaker of the House of Representatives and the President of the Senate," dated Friday, August 31, President Trump states, ". . . I intend to enter into a trade agreement with Mexico—and with Canada if it is willing, in a timely manner, to meet the high standards for free, fair, and reciprocal trade contained therein. . . ." The U.S. Congress now has 90 days to consider and vote on the U.S.-Mexico Trade Agreement before President Donald Trump signs it into law.