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LADB Staff

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Nicaragua Beans Embargoed

by LADB Staff

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Nicaragua has threatened to halt the importation of certain Mexican goods in reprisal for Mexico's having locked out black beans coming from the Central American country (see SourceMex, 2003-12-03). Agriculture and Forestry (Magfor) Minister Jose Augusto Navarro said in Managua that he was already drawing up a list of the most sensitive products coming from Mexico and scheduling them for exclusion, if Mexico continues to bar Nica products in alleged violation of a free-trade agreement (FTA) that exists between the two countries (see NotiCen, 1997-09-25).

Navarro said that his action would be coordinated with a complaint that the Ministry of Promotion, Industry and Commerce (Mific) will file with the World Trade Organization (WTO). "We're going to take several measures, because President Vicente Fox practically ordered that Nicaraguan agricultural products remain banned, in violation of the FTA." Navarro said that, under the bilateral treaty, Nicaragua is entitled to export 4,500 tons of beans. The treaty has been in effect since 1998 and has provided Nicaraguan farmers with an incentive to increase black-bean plantings. Mexico's refusal to accept the beans will result in severe hardship for the producers.

Bean merchants also face economic problems. James Falla, a dealer in beans, warned that he and others in his business would go broke if the prohibitions remained in force. Falla was involved in making up the list of reprisal products and said that they would be chosen for their negative impact on the Mexican economy. He said that those in danger of bankruptcy in Nicaragua included producers and exporters who are currently being financed by a US\$2.5 million aid package from the US Agency for International Development (USAID), the European Union (EU), the Inter-American Development Bank (IDB), and other donors. Growers of black beans in the northern Nicaragua department of Esteli are especially worried about the Mexican action. They have been producing for the export market for years and were caught flat-footed by the turn of events.

Ligia Briones, president of the Union Nacional de Agricultores y Ganaderos de Esteli (UNAG) said that more than two hundred producers in the department would be affected (see NotiCen, 1999-01-08). They have around 10,000 quintals (46 kg) in storage, already earmarked for export to Mexico and Costa Rica. Apart from UNAG, worst hit by the Mexican embargo is exporter Agronexsa, one of UNAG's members, which has already negotiated contracts with producers.

The problems created by all this are complex. Producers in the municipalities of Pueblo Nuevo and Condega now owe Agronexsa for beans provided them at planting time, and for which they will now not have the means to pay. Both the producers and the exporter have in the meantime incurred other debts in anticipation of settlement at the time they receive payment for the crop. Now, with those payments removed from the equation, those third parties are threatening lawsuits and confiscation of the warehoused beans.

Even without the lawsuits, the problem compounds with the interest on the loans. Said Briones, "Those most hurt economically are the producers, who have no other alternatives. We have been pressing the government but it has all been like preaching in the desert." Briones also said that "the government must take care that the free trade treaties don't end up just exploiting poor countries like Nicaragua, through simple consumerism, but that everything be reciprocal. The other governments impose conditions and here in Nicaragua the current administration just shuts up and accepts them." Turning to her country's southern neighbor, with which Nicaragua also has had trade battles, Briones continued, "Costa Rica closed their country to Nicaraguan black beans but the Ticos still bring in their products to Nicaragua with no restriction. We have demanded that the government close the borders to those products because we don't want to be their commercial playground any more."

Mexico claimed, on March 6, according to Associated Press reports quoted in La Prensa, that it had suspended imports of Nicaraguan black beans as long as a year ago because those beans had not been grown in Nicaragua but had been donated by other countries and the Nicas were simply reselling them. Mifac Minister Mario Arana denied the charge. But, said Javier Trujillo, director of the Servicio Nacional de Sanidad e Inocuidad y Calidad Agroalimentaria de Mexico, "We know that Nicaragua has received food aid, and from a health standpoint, it puts us in a complicated situation because we don't know the origin of the beans." Arana demurred, saying, "Black beans are not eaten in Nicaragua, we have a quota with Mexico that they have to comply with. There are several cooperatives that have been producing black beans and we have been exporting to Costa Rica, and we are interested in exporting to Mexico."

Trujillo countered that about a year ago, Mexico requested that Nicaragua allow a field audit to be able to compare the area under cultivation with the amount of product exported, but the visit was just authorized this year. Mexican officials will only be arriving in the next couple of weeks to do the inspection. Arana, however, is seeking redress elsewhere. He is asking the Solution of Controversies section of the WTO to deal with the situation. "We are working on that, preparing all the documents, and will submit them as soon as they are ready," said Arana. "Also, the US has already visited our embassy in Geneva [WTO headquarters] and said that they are disposed to accompany us on this issue." One matter to be resolved is the issuance of a regulatory document by Mexico that would set the conditions for the bean imports in accordance with the already agreed-upon limits.

Nicaragua's Arana said that Mexico had promised the technical document repeatedly, but had not delivered, and "each time I am losing more confidence that they are going to do something." Mexico's Trujillo replied, through the international press, that the analysis of the regulation is in process and that it is a matter of weeks. But, he said, before publication of the rules, it is necessary to clear up the controversy over the bean donations. Nicaragua rejected the rejoinder, calling the donation issue a "delaying tactic."

Taking up the argument for his boss Arana, on March 9, Mifac Vice Minister Jaime Morales downplayed the idea, first floated on March 6, that there would be a reciprocal action to block Mexican imports because it would cause additional damage to consumers. But he admitted that the government cabinet is divided on how to respond, beyond going to the WTO, and that Navarro is in fact promoting a ban on Mexico's most sensitive products. He said that the treaty with Mexico

contains mechanisms to resolve disputes and that avoiding a trade war is in everybody's interest. "In all wars, everybody loses," Morales said. He said he believed that behind all the rhetoric was Mexico's internal struggle to deal with its own agricultural sector, which has suffered, and will increasingly suffer, the effects of its North American Free Trade Agreement (NAFTA) agreements with its more productive and heavily subsidized partners. Those partners, the US and Canada, strongly agree.

Exporters from those countries have accused the Mexican government of holding beans hostage for the purpose of calming campesino protests. Jorge Uriarte, representative of Canadian and US producers, told reporters, "This is a political issue, for all the nonsense the Mexican producers have made of it. For the Secretary of Agriculture, it is a health matter, but there are no laboratory tests that demonstrate the existence of any shipment infected by bacteria." Uriarte was speaking of the Mexican attempt to hold back beans on its northern borders. Mexico suspended the imports on Jan. 22, leaving some 5,000 tons of US beans, representing more than US\$5 million in losses, stranded. By March 12, the controversy had finally bubbled to the top.

President Enrique Bolanos sent an appeal directly to Mexico's Vicente Fox asking him to intervene to lift the embargo and to see that Mexico adhere to its obligations under the bilateral treaty. Speaking in Matagalpa, Bolanos demanded that Fox comply, saying, "Just as he [Fox] demands of the United States that it comply with certain things of NAFTA, so must [Mexico] comply with us, buying our black beans." Bolanos, not just trusting in God but also tying up his camel, also said that the Instituto Nicaraguense de Tecnologia Agropecuaria has entered into discussions with Costa Rica, as a possible buyer of its bulging bean inventory.

Mexico imported 91,500 tons of beans in 2002, principally from the US and Canada, its partners in NAFTA. The country produced 1.2 million tons.

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