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The New Shape Of The Countryside: Agrarian Counter-reform In Mexico

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[The author is an economics professor at Universidad Autonoma Metropolitana's Xochimilco campus and Centro de Ecodesarrollo research director. This is the first part of two. The second part of will be published in the 01/20/93 issue of SourceMex.] Introduction Rural Mexico has changed dramatically. After more than fifty years of land distributions and peasant mobilizations, the typical village is no longer a cohesive and closed social unit and peasants working in a system of rain-fed agriculture are no longer the main source of maize for the nation. As the country grapples with integration into a North American free trade area, rural Mexico is poised to change again. The government of Carlos Salinas de Gortari has promulgated a new legal framework for agrarian relations and opened the countryside to the virtually unfettered operation of private capital, both domestic and foreign. The institutional context The agrarian reform mandated by Article 27 of the 1917 Constitution was a revolutionary response to demands of "tierra y libertad" (land and liberty), shouted by peasant insurgents. The land distribution program began in earnest 17 years later in 1934, with the accession of Lazaro Cardenas to the presidency. By 1990, more than half of the country's total rural area had been distributed to ejidatarios and colonists. The more than 3 million beneficiaries, who make up the "social sector" in Mexican agriculture, were a major factor contributing to the country's political stability. As recently as 1990, they accounted for 55% of total domestic maize production. They control 20 million hectares of arable land (more than half of the total) and are engaged in an increasingly intense struggle, as the neo-liberal policies of modernization through international economic integration threaten their survival. Institutional stability and rural growth Until recently, a basic feature of rural Mexico was its remarkable stability. The modern revival of the ejido in rural Mexico led to the construction of the strongest pillars of corporatist state control over society. Once begun, the land distribution policy offered important rewards to virtually all sectors of Mexican society: the fortunate peasants who received their inalienable plots with permanent usufruct rights enjoyed a new measure of freedom. This undoubtedly motivated them to labor diligently to make their lands produce and improve their families' welfare; and the nation enjoyed a new-found sense of security as the yields on peasant-tilled and commercial crops rose dramatically. Mexico discovered food self-sufficiency with rising nutritional standards could be achieved. The nation's burgeoning urbanized labor force was assured of unlimited supplies of cheap food, which had the additional effect of facilitating the imposition of wage restraints during the decade of the 1960s and contributing to the high profit rates that spurred investment throughout the economy. All these factors contributed to the "Mexican miracle," which was widely celebrated at the time. Rising food production reinforced domestic prosperity, and together with rapid import substituting industrialization and the growth of the service sectors (medicine, education and the bureaucracy), a broad internal market was created. Government development policies also broadened the scope of the market. They created new industries and brought isolated regions into the national economy through extensive irrigation programs emulating the highly acclaimed US Tennessee Valley Authority (TVA). Agricultural exports began to diversify as foreign brokers joined with local elites to introduce new crops and finance more intensive fruit
and vegetable production in the nation's most promising irrigation districts. In the nation's tropical rain forests, development went unbridled, causing great harm to the jungle, and introducing extensive cattle grazing to feed the middle classes's new found appetite for meat. All too soon this strategy proved very costly, not only in terms of its ecological impacts, but also because of its low economic returns to many of the investors involved in the wholesale forest destruction. The erosion of peasant support throughout the countryside, these commercial ventures created a new sense of movement, of economic growth, while their protagonists imperiously trampled on the rights and the resources of the rightful claimants to the nation's wealth. Captive peasant communities struggled to free themselves from the yoke of local bosses (caciques). Myriad indigenous groups struggled to maintain their identity and survive in a rapidly changing global marketplace. The rural population peasants, indigenous groups, colonists was not passive in the face of attacks by influential provincial bosses and inequitable national policies. The official National Campesino Confederation (Confederacion Nacional Campesina, CNC) offered little hope for local groups attempting to protect themselves, but other competing organizations responded to the spontaneous dissatisfaction with the forms progress was taking in rural Mexico. Peasant organizations were joined by urban supporters to counteract the policies that benefitted the urban rich. Once food self-sufficiency was achieved and celebrated in a presidential discourse in 1962, official price structures and other official policies turned more strongly against basic food production. Peasants had few productive alternatives; lacking access to credit and the full range of material inputs and technical skills required to diversify their production, they were forced to submit to the decisions which froze or lowered price support levels for basic foods for more than a decade. At the same time, expansion of government rural support programs was directed toward stimulating commercial crop production in the best endowed regions. Repeatedly, between 1970 and 1990, peasants expressed discontent with the state policies and repression that were rapidly eroding the gains of past eras. In two departures from the historical trend, special, short stop-gap programs were enacted to respond to their demands and the growing problem of food imports: In 1973, the state-run basic foodstuffs processing and marketing company (Compania Nacional de Subsistencias Populares, CONASUPO) created compensatory policies to stimulate basic food production among peasant groups and to provide welfare assistance to the neediest; In 1980, the president briefly captured the world's imagination with the Mexican Food System (Sistema Alimentario Mexicano, SAM), an innovative program that claimed to strengthen the peasant sector and regain food self-sufficiency, which had been sacrificed to demands to maintain food prices low during the previous 15 years. Political intrigue and outright corruption proved its undoing and paved the way for a much more serious attack against the small farmers. The response to crisis With the "discovery" of the debt crisis and the imposition of a draconian stabilization program in 1982, the official support programs for the peasantry (input subsidies and more adequate prices) went the way of almost all government programs oriented towards the less privileged. The initial waves of cuts in spending left agricultural extension agents without an operational budget and marginal peasant producers without credit. Further reorganizations led to massive reductions in government personnel and a gradual withdrawal from the countryside. By the early 1990s, producers were told they would be responsible for hiring their own advisors and the newly privatized banking system was assigned the task of financing production and the official agricultural credit bank further restricted its lending to risky borrowers. As the criteria of profitability permeated the economy, it became obvious that basic food production and the traditional producer were not good credit risks. With the opening of domestic markets to imports in every area except maize and beans, the magnitude of the attack against the small farmer, and even many medium-sized grain producers, became
evident throughout rural society. The case of sorghum is particularly revealing. It was introduced as a promising alternative crop into Mexico (where it was previously unknown) by private capital in the mid-1960s and promptly adopted by wealthier farmers in the north as a way to escape the imperious official price controls on maize. Despite a relation to maize, yields on the new hybrid seeds were greater. Sorghum was also well adapted to harsher climates than maize, its cultivation could be mechanized, and there was no incentive for the "midnight harvests" that plagued maize farmers (whose crop did not require processing to be consumed), as the grain was destined exclusively for animal feed. With the growth of "factory-raised" chickens and intensive hog-fattening operations, demand for feed burgeoned and sorghum cultivation responded. Although Ralston-Purina offered guaranteed prices for the sorghum, only a venturesome few began sowing the grain; it proved a great commercial success and rapidly spread to a widening circle of farmers, occupying as much as one-quarter of the nation’s best maize lands by the mid-1970s. As might be predicted by an outside analyst, once the crop became a popular product, its profitability fell and the state entered to control the market. The initial innovators moved on to sow other commercial crops (especially vegetables), while the remaining sorghum farmers attempted to develop a balance between various commercial and subsistence crops. However, the remaining sorghum farmers were repeatedly frustrated by unfulfilled official promises of adequate credit, delivery of fertilizers and other inputs and market guarantees. With the opening of local markets to imports in 1990, sorghum growers joined with soybean producers in major protest actions in many parts of rural Mexico. These generally futile attempts to obstruct the present government's international integration program illustrate the difficulties facing the majority of small farmers in the new policy environment. The opening of markets and the privatization of credit and technical assistance were not the only major policy changes of recent years. A program of "agro-maquilas" offered the highly capitalized agro-industrialists from the southwest US unparalleled opportunities to produce fruits and vegetables under highly profitable conditions in Mexico's most productive irrigation districts. The opening of local markets to imports of farm equipment went hand in hand with the gradual deregulation of biotechnology and the seed industry. In sum, Mexican agriculture is in the throes of a neo-liberal restructuring designed to bring unparalleled economic opportunities to those prepared to take advantage of the moment. Remaking of the Constitution for international integration These changes appear to have been a prelude to one of the most far reaching of the institutional changes in rural Mexico: the rewriting of the Mexican Constitution's Article 27. In November 1991, Salinas announced his intention to send a draft of his proposal for a new text for this cornerstone of rural society to the congress. In just two months, the draft was approved by both houses of congress, rubber-stamped by the legislatures of all 31 of the states, and became part of the Constitution in January 1992. Shortly thereafter, enabling legislation (La Ley Reglamentaria) was promulgated after a perfunctory debate in the congress. Perhaps the most remarkable thing about this process, was the tepid reaction that this far-reaching legislation aroused among the peasantry. As might be expected, the various opposition groups, within the formal political system and without, organized protests and mobilized small coteries of experts on rural affairs to offer their opinions about the destructive nature of the proposal. In the final analysis, Salinas exercised his considerable power to recast the legal framework within which rural development and struggle will take place in the coming years. Three significant changes were introduced with this legislation. The most widely commented upon modification is the new ease with which ejidos or groups of ejidatarios can now enter into commercial agreements to finance production on their lands. Although there are nominal limits on the area any one group may control, the very nature of corporations would make these restrictions inoperative in even the most rigid and honest of legal systems. The most widely
denounced change is the facility by which individual beneficiaries of the land reform program may now alienate title to their land, by direct sale, mortgage or other commercial figure. This creates the possibility for a reconcentration of land holdings throughout Mexico. The third innovation is the decision to not permit communal lands to be sold or mortgaged in the new setting, but rather to permit long-term leasing arrangements, with the approval of as few as one-third of the members of the community. This change is particularly important because a major part of the total land distributed under the agrarian reform program was given in communal title to the community as a whole. Virtually all the ejidal holdings in forests, rain forests and pasture lands exist under communal arrangements and can now be freed up for private appropriation under this new regime. These profound changes in the agrarian legislation must be understood in the context of the single most important initiative of the present administration: the creation of a trinational North American free trade area. For quite some time, in entrepreneurial circles, the ejidal system has been seen as a major stumbling block in promoting the free flow of capital among Mexico's partners. With the legal strictures removed, the Salinas administration hopes to attract large inflows of private investment capital to reshape agricultural production as a major dynamic force in rebuilding the Mexican economy. NAFTA negotiations made this patently clear: aside from a relatively protectionist regime for maize and beans, the rest of Mexican agriculture will be subjected to the ruthless discipline of the free market after a relatively short adjustment process. Although numerous escape clauses and restrictive procedures exist, an analysis of the reactions of the major transnational players in the agricultural sector suggests that safeguards such as quotas on the imports of basic food grains and dried milk will play a relatively minor role in protecting small and even medium-size Mexican producers from intense competition by well capitalized foreign counterparts. The limits of institutional diagnosis and control At the national, regional and local levels, any capacity to predict policy outcomes is perforce a function of a theory of the Mexican state, the political process and demographics. But more than ever before, contemporary policymakers are wearing ideological blinders, cut from the cloth of their neo-liberal doctrines, which leads to incorrect or partial diagnoses of current problems. As a result, there is a growing gap between the "official story" and reality, as perceived by important social groups. This is best illustrated by a relatively simple issue: the importance of urban areas in Mexico's population. The federal statistics agency (Instituto Nacional de Estadística, Geografía e Informatica, INEGI), certifies, on the basis of the 1990 population census, that Mexico is a predominantly urban country, with 76% of the population living in areas of more than 15,000 people. But Mexico's social reality does not correspond to this statistical image. A substantial part of Mexico's urban labor force actually works to provide sustenance for rural relatives and to guarantee their ability to "stay down on the farm." This is also true of a large number of migrants to the US, whose remittances end up in rural households. Such is the magnitude of this phenomenon, that in many communities in central Mexico that send migrants abroad, the dollar is less expensive than in the capital city because of the seemingly limitless quantities of bank notes arriving from the north. This definition of the degree of a country's "urbanness", for example, has misled policymakers. The current attack against traditional, low productivity rural producers is beginning to encounter opponents and even resentment from people living far from these areas. With agricultural credit increasingly restricted only 16% of the maize producers received any form of credit in 1990, compared to 38% who did so in each of the previous 5 years it is no wonder that many urban residents are asking who is to blame for the stagnation in agricultural yields in rain-fed agriculture during the past two decades. Small-scale farmers are in the difficult position of trying to bridge the broad chasm between their aspirations of local food self-sufficiency and the reality of insufficient jobs and very low wages for most workers.
Urbanites bemoan the threat of further waves of rural migrants, while farmers are forced into the urban underground economy to eke out a living because the government's offer of insignificant social welfare programs creates no new productive opportunities for rural communities. In other situations, erroneous figures deceive the policy makers while they protect and even reward the perpetrators of fraud. Capital flight is a particularly egregious example of this problem. During the height of the country's economic instability in the years 1973-1983, foreign trade provided a mechanism for transferring funds out of the country or evading taxes. The agricultural sector lends itself well to transactions where the erroneous (over or under) valuation of products by fractions of a cent per pound can represent sizable commissions for astute and unethical intermediaries. For Mexico, the problem of the misreporting of trade amounted to more than 12.5% of total value of foreign trade in 1979-1985. Unfortunately, policymakers consistently denied the existence of any problem and continue to be unprepared to face its consequences. In the 1990s, when the business community is attempting to design strategies to defend itself against the government's policy of "fiscal terrorism" and the government remains inflexible in its defense of the stability of the peso, it is likely that many people are again resorting to misreporting the value of foreign trade as a way of evading domestic taxes and hedging against adverse economic changes in Mexico. In Mexico today, the dangers arising from an incorrect assessment of the country’s economic and political health are especially great. While taking advantage of the generous profit opportunities which the regime has created, the world's capitalist community is rushing to congratulate Mexico for its successes while overlooking its weaknesses. Large segments of the academic community, at home and abroad, also are uncritically celebrating as the country announces its progress in stifling inflation, reducing unemployment, increasing exports, and raising wages, as it marches headlong on the road towards the first world. The optimistic analyses pour out even while there are widespread indications of profound social problems, such as a shrinking internal market, growing income disparities, increased crime, more migration to the US, environmental pollution, underemployment and profound lack of public confidence in policy and policymakers. In rural Mexico, the lack of understanding of the real situation is especially troubling. The government has imposed a single economic policy, narrowly guided by the principles of the free market and rooted in an absolute faith in the power of the international marketplace to discipline errant participants. Although the theory requires that the participants "play on a level field", Mexican policymakers seem to ignore the importance of the profound economic, cultural and productive differences among the competitors within Mexico and even more so with those from abroad. The profound modifications in the agrarian situation in recent years, resulting from the lowering of trade barriers, the deregulation of domestic commodity markets and the recent creation of a land market, create a dramatically different playing field. But the Mexican peasants are unprepared to play by the new rules.

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