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Producer Groups Worried About Widening of Mexico's Agricultural Trade Deficit

by LADB Staff

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The Consejo Nacional Agropecuario (CNA) and other agricultural organizations have begun to raise concerns about Mexico's widening agricultural trade deficit. In a report published in mid-October, the CNA said the country's agricultural trade deficit of US\$278 million in January-July was primarily the result of a surge in imports. Agricultural imports totaled US\$4.887 billion in January-July, compared with exports of US\$4.609 billion.

The CNA acknowledged that the increase in agricultural imports in recent years is due primarily to drought and other adverse weather conditions that required Mexico to import more grain from the US and other countries. This year, Mexico is expected to import a record 13.4 million metric tons of grains and oil seeds because of sharply reduced production (see SourceMex, 08/05/98 and 09/02/98).

Some groups blame NAFTA for reduced grain output

But the CNA, the Asociacion Nacional de Empresas Comercializadoras del Sector Social (ANEC), and other organizations argue that the North American Free Trade Agreement (NAFTA) has also contributed to the expansion of the trade deficit. In a report published in mid-October, ANEC said Mexican agricultural production has fallen by almost 2% since NAFTA was implemented in January 1994.

Since the beginning of NAFTA, the agriculture sector's share of Mexico's GDP has declined from 7.5% to 5%, the report said. Since 1994, grain imports have increased each year by 18.7% in terms of volume and by 37.5% in terms of value, ANEC said. The organizations say the increased imports are only one of the effects of NAFTA on Mexican agriculture, particularly grain production. According to ANEC, President Ernesto Zedillo and former president Carlos Salinas de Gortari eliminated or reduced the size of key agricultural support programs in order to meet obligations under NAFTA and other international trade treaties.

Among other things, the government reduced technical and research programs for producers of basic grain crops and eliminated subsidies for purchases of fuels and chemicals. At the same time, the government eliminated guaranteed prices, leaving grain producers open to fluctuations in global prices. ANEC said prices for Mexican grain producers have fallen since 1994 by as much as 60%. Furthermore, ANEC said the percentage of corn production financed by the Banco Nacional de Credito Rural (BANRURAL) declined to 3.4% in 1997, compared with 40.3% in 1988.

Opposition parties urge government to renegotiate NAFTA

Opposition legislators have also begun to raise concerns about the impact of NAFTA on the Mexican agriculture sector. The issue was raised during testimony by Agriculture Secretary Romarico Arroyo Marroquin in the Chamber of Deputies in mid-September. The delegations of the conservative

Partido Accion Nacional (PAN) and the center-left Partido de la Revolucion Democratica (PRD) urged Marroquin and President Zedillo to seek modifications of the agricultural sections of NAFTA to guarantee more equal access to agricultural products.

Deputies Joaquin Montano Yamuni of the PAN and Enrique Bautista Villegas of the PRD said the administration must seek changes in NAFTA before proceeding with negotiation on a trade agreement with the European Union (EU). "Let us not waste any more time justifying a commercial agreement that has only led to the failure of our agricultural sector," Montano told Arroyo Marroquin.

Any significant changes in the agricultural sections of NAFTA would require consent by the three signatory countries. During a visit to Mexico City, Canadian Agriculture Minister Lyle Vanclief said his country was open to renegotiation of NAFTA's agricultural sections. However, the US is likely to oppose renegotiation of the NAFTA agricultural provisions. (Sources: Excelsior, El Universal, 09/22/98; El Economista, 09/11/98, 09/22/98, 09/23/98, 10/12/98; The News, 09/22/98, 10/16/98)

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