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Crisis in Agriculture Sector Brings Increased Scrutiny to Zedillo Trade Policies

by LADB Staff

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President Ernesto Zedillo's trade policies are facing increasing scrutiny in Mexico because of the crisis in Mexico's agriculture sector. Some Mexican legislators are pushing for the administration to renegotiate some of the agricultural sections of the North American Free Trade Agreement (NAFTA), but others believe Zedillo should use better judgement in implementing existing NAFTA provisions.

Frustration with the administration's trade policies came to a boil during annual hearings in the Chamber of Deputies and the Senate in late September. In a rare show of unity, members of the governing Partido Revolucionario Institucional (PRI) joined with legislators from the center-left Partido de la Revolucion Democratica (PRD) and the conservative Partido Accion Nacional (PAN) to criticize Zedillo's agriculture policies under NAFTA.

Trade secretary criticized for above-quota imports

Trade Secretary Herminio Blanco, summoned to testify at the hearings, was the main target of criticism. Legislators from all three parties questioned why the Zedillo administration had failed to impose adequate limits on duty-free imports from the US for such basic products as corn, sorghum, milk, and soybeans.

The administration's policies regarding imports of meat, sugar, and other products have also come under attack. "You have been fully aware of the corn and bean surpluses in our warehouses, and yet you authorized imports of duty-free corn from the US," PRD Sen. Jorge Calderon told Blanco. "You do this knowing that this corn, which carries hidden subsidies, is going to artificially lower prices and hurt millions of families in Mexico." Blanco defended the administration's policies on the grounds that the lower-cost imports were needed to keep feed costs down for the Mexican livestock industry and reduce tortilla and milk prices for the Mexican consumer.

But some critics argue that the benefits of the lower-cost imports have come at great expense to the majority in Mexico's agricultural sector. A recent report by the Asociacion Nacional de Empresas Comercializadoras (ANEC) argues that allowing imports of grain and beans above NAFTA quotas deprived Mexican producers of the equivalent of US\$1.6 billion in income between 1994 and 1998.

"Eliminating the protection and favoring massive imports at below-market prices is the principal cause, not the consequence, of stagnation of domestic production," ANEC said. The ANEC report also noted that corn imports between 1994 and 1998 totaled 58.5 million metric tons. "This is the equivalent of two years production," ANEC said.

PRD Sens. Calderon and Felix Salgado brought this up with Blanco during the hearing. "Mexican producers are forced to compete under unfavorable conditions against the world's most advanced agriculture system," said Calderon, who called for Blanco's resignation. "This is made worse by our government's reduced investment in rural development by 30% in real terms and tightened credit for most small-scale farmers." The statement was echoed the next day by the PRI delegation in the Chamber of Deputies, which pointed out that thousands of producers in Durango, Sinaloa, Nayarit, and other states have been unable to sell their crops at a fair price and have fallen overdue on agricultural loans. "I was born in a rural Mexico that was very poor. But we didn't have misery in my ejido, in my village," PRI Deputy Gazcon Blanco told the trade secretary. "Now, in my ejido, only 35% of the population remains, the rest has had to leave because there's no work and no loans for the land."

PAN legislators also castigated the administration's agricultural trade policies, but stopped short of calling for renegotiating NAFTA provisions. Instead, PAN Sens. Fernando Herrero and Francisco Salazar asked that Mexico implement production and export subsidies equivalent to those used by the US government. "The 1 million jobs the administration claims have been created under NAFTA are nothing compared with what our nation needs," said Herrero.

Salazar reminded Blanco that a Senate five-year review of NAFTA this year showed that the biggest winners under the accord were multinational companies and the biggest losers were Mexican small and medium-sized enterprises. The Senate review was based on reports compiled by 10 committees appointed in January (see SourceMex, 1999-02-03).

ECLAC report supports NAFTA critics

The argument that NAFTA has benefitted US agricultural producers more than their Mexican counterparts is supported by a recent study by the UN's Economic Commission for Latin America and the Caribbean (ECLAC). The ECLAC study, published in mid-July, said the Zedillo administration has consistently allowed imports of corn to surpass the fixed quotas, which has contributed to a growing agricultural trade deficit.

In addition, the report said Mexico has become a net importer of products such as rice and wheat. Furthermore, the report argues that, because of the commitment to free-market policies, the government has abandoned some traditional support programs for agriculture, such as rural development, technical assistance, crop insurance, and storage and warehousing. But in his testimony before the two chambers, Blanco emphasized that the administration has no plans to seek any renegotiation of NAFTA. Blanco, who was Mexico's chief negotiator during NAFTA talks with the US and Canada, said the accord was negotiated with the full input of the various agricultural sectors.

Furthermore, Blanco said the protection periods requested by the various sectors were built into the accord. NAFTA revision could become campaign issue Whether the Mexican government should push for at least some changes in NAFTA is expected to come up repeatedly during the presidential campaign. Some legislators, like PRD Sen. Salgado, said they would make sure that all candidates take note of Blanco's position not to seek changes to the accord. "Without a renegotiation, Mexican agriculture is going to die," said Salgado.

Candidates have addressed rural poverty and Mexico's agriculture crisis but not in the context of NAFTA. For example, PRI front-runner Roberto Madrazo Pintado has spoken about creating a national agricultural program (Programa Nacional Agropecuario) to eliminate rural poverty, but did not mention trade. In his television advertisements, Madrazo has taken a populist stance as a champion of the poor. But off camera, the candidate has expressed strong support for Zedillo's macroeconomic and trade policies.

The other PRI front-runner, Francisco Labastida, has talked about NAFTA in general terms, proposing to ensure that the agreement is "just, equitable, and productive." Labastida has pledged to consider revising some aspects of the accord, such as the sections dealing with sugar. Mexican sugar-cane growers have complained that a provision in NAFTA has allowed the US government to delay opening its market to Mexican sugar (see SourceMex, 1999-08-11). Among the opposition presidential candidates, the PRD's Cuauhtemoc Cardenas has often reiterated his party's position on NAFTA.

The PRD is pushing for a full revision of agriculture and labor aspects of the accord, including adding a section to protect undocumented workers. PAN candidate Vicente Fox has made no secret of his strong support for NAFTA, although he has acknowledged the need for some change in the federal government's policies with regard to the accord. Fox has called for starting a "second phase" to the agreement, whereby the government takes the necessary steps to ensure that all Mexicans, not just big enterprises, benefit from the agreement. (Sources: Proceso, 08/29/99; El Financiero International, 08/23/99, 09/16/99; Excelsior, 09/23/99; La Jornada, 07/19/99, 09/22/99; El Universal, 08/27/99, 09/22/99, 09/23/99; El Economista, 09/22/99, 09/23/99; The News, 05/20/99, 09/23/99)

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