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Cancun Trade Meetings Highlight Agricultural Subsidies by Rich Nations

by LADB Staff
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Mexican producer organizations are viewing the recently concluded summit of the World Trade Organization (WTO) in Cancun as a general success because developing nations were able to bring attention to excessive agricultural subsidies employed by the rich nations. Mexico is a member of the Group of 21 (G-21), a coalition led by Brazil, India, and China, that diverted the spotlight to the unfair farm subsidies. The overwhelming attention to this issue derailed the goal of developing nations to use the Cancun meetings to make progress on an agreement to phase out subsidies by 2005, a goal that now appears in jeopardy (see NotiCen, 2003-09-18).

The optimism expressed by many organizations was guarded, however, because they had hoped for some breakthrough agreement that would have led to dismantling agricultural subsidies. "Unfortunately, the result is not all that favorable," said Armando Paredes Arroyo, president of the Consejo Nacional Agropecuario (CNA). "We already have a market that is open to both the US and the European Union (EU), and the lack of agreement to reduce agricultural subsidies keeps us at a disadvantage."

Similar sentiments were expressed by Heladio Ramirez, who heads the Confederacion Nacional Campesina (CNC). Ramirez raised concerns that the failure of the WTO meeting would affect future relations between countries like Mexico and developed nations. "Everything will continue to be decided by the rich countries," said Ramirez. "They will impose the rules regarding the transfer of technology and the system of investments, which will widen the gap between the wealthy and the poor even more."

The British-based nongovernmental organization Oxfam was a major player in the debate against the subsidies by rich countries. Phil Bloomer, who led Oxfam's campaign to give the issue a higher profile at the Cancun meeting, expressed regret that wealthy nations were not more accommodating. "It appears the United States and the European Union were not prepared to listen and take the necessary steps to make global trade rules work for the poor as well as the rich," said Bloomer.

Mexican politicians also weighed in with their opinions. "The failure of the meeting is a clear signal that we have to use all the mechanisms we have available to strengthen our internal economy," said federal Deputy Alberto Aguilar Inarritu of the former governing Partido Revolucionario Institucional (PRI). Deputy Rene Arce of the center-left Partido de la Revolucion Democratica (PRD) suggested that Mexico formalize its participation in a bloc of developing nations, especially those that had a high profile in Cancun through the G-21.

The PRD approach was also endorsed by the Consejo Agrario Permanente (CAP), which cited the need to promote a new global agricultural trade agreement that allows the widest possible
multilateral cooperation but that also favors the lesser-developed nations. "The G-21 proposes a reduction in export subsidies, which present the greatest distortions in the market," said CAP coordinator Max Correa. "In contrast, the text presented at the WTO offers a consolidated proposal that benefits primarily the US and the EU."

The organization Via Campesina took the proposal one step further at the Cancun meeting, recommending that small-scale producer organizations form a coalition to push for a comprehensive long-term agriculture agreement to boost domestic markets and demand that their governments revise agricultural relations with the US and the EU. Via Campesina, which has connections with the Mexican organization El Campo No Aguanta Mas, links small-scale farmers from 80 countries.

Groups push for higher agriculture budget to offset subsidies

The CAP, CNA, and other organizations, meanwhile, are urging President Vicente Fox's administration to take urgent steps to help Mexican agriculture in the absence of a major commitment of the US, EU, and Japan to reduce agricultural subsidies. The CNA is preparing a recommendation that would boost agriculture spending by 50 billion pesos (US$4.63 billion) in the 2004 federal budget to help producers compete with foreign subsidies, especially those from the US."

As long as the developed nations refuse to eliminate unfair subsidies, the Mexican government must not stop supports for its agriculture sector because this would mean surrendering to unfair trade practices," said Paredes Arroyo. The CNA also took the opportunity to criticize Fox for failing to meet the commitments made to agricultural producers under an agreement negotiated with several organizations earlier this year. The agreement, the Acuerdo Nacional para el Campo, intends to help producers cope with increased imports by boosting direct and indirect financial assistance and creating new mechanisms of support (see SourceMex, 2003-04-23). "The administration has not complied with the terms of the accord," said the CNA. "No new programs have been created, and financial resources have not been disbursed in a timely manner."

Agricultural organizations are also pushing the Fox government to intensify efforts to rectify Mexico's unfavorable agricultural trade relationship with the US by seeking changes in the North American Free Trade Agreement (NAFTA). US corn producers received more than US$9 billion in production subsidies in 2000 and more than US$6 billion in 2001. Mexico's entire emergency 2003 farm bill, which includes big increases, is the equivalent of about US$2.1 billion. The CNA contends that, even though Mexico has increased exports of fruits and vegetables to the US, the benefit is more than offset by the huge influx of US agricultural products.

Even with its strong complaints, the CNA endorses a negotiated approach to Mexico's relationship to the US. The CAP, in contrast, has given the Fox administration until the end of this year to show some progress on renegotiating NAFTA. Otherwise, said Correa, the organization plans major protests, including blockades at locations that rely on international trade. "After that we'll turn to drastic measures like shutting down US border crossings and the ports of Veracruz and Manzanillo," Correa said in an interview with Mexico City English-language newspaper The Herald.
In Washington, former President Carlos Salinas de Gortari (1988-1994) said the failure of the WTO talks in Cancun would have negative repercussions for Mexico's relationship with the US. "There will be no immigration agreement and no reduction of US agricultural subsidies for products that enter our market," Salinas told reporters.

**Implications for Mexico-Japan negotiations**

The strong attention on subsidies at the WTO meeting in Cancun could have repercussions for Mexico's efforts to complete a free-trade agreement with Japan. Japan faced the same criticism as the US and the EU for giving its farmers huge production subsidies, which are much larger than those offered by US and European counterparts. The difference, however, is that Japan is a net importer of agricultural products, rather than an exporter. This means that the country does not flood other countries with inexpensive produce.

The biggest complaint against Japan is its tendency to impose tight restrictions on imports to protect its domestic producers. Mexico and Japan have been engaged in formal discussions on a free-trade agreement since November 2002 (see SourceMex, 2002-11-13). President Vicente Fox is scheduled to travel to Japan in October to formalize a symbolic "letter of intent" to push through the agreements.

But the Japanese restrictions have become a major stumbling block in the negotiations on a bilateral free-trade agreement, creating the possibility that the letter of intent may not be signed, said Economy Secretary Fernando Canales Clariond.

Among other things, Mexican agricultural producers are demanding that an agreement contain provisions requiring Japan to double its imports of Mexican pork, said Alfredo Moises Ceja, the CNA's vice president for international trade. This is a stark contrast to the Japanese position, which would exclude pork and sugar from any opening of its agricultural markets.

Japanese negotiators would also like a more gradual phase-in of tariff reductions, as opposed to a quicker market-opening sought by Mexican farm groups. "If the two sides do not agree on an acceptable section on agriculture, there will be no agreement," said Luis Martinez Reguello, president of the Coordinadora de Organismos Empresariales de Comercio Exterior (COECE). Gerardo Trasloheros, director of multilateral negotiations at the Secretaria de Economia (SE), said the Fox administration would do everything possible to find a negotiated solution to the disagreements over agriculture. "The Japanese have their own internal procedures to achieve consensus and we can help, but we cannot make the decision for them," said Trasloheros.

Canales Clariond told reporters the Fox government was attempting to negotiate an agreement that was equitable and balanced and that would be endorsed by Mexican producer groups. An agreement with Japan could prove beneficial for Mexican fruit and vegetable producers, who would find new markets in the Asian country, some trade experts said.

The economy secretary said the latest round of talks, held in Mexico City in late September, was not very encouraging because Japan would not budge on its positions regarding trade in agriculture, steel, and auto parts. "[Japanese negotiators] insist on conditions that are unacceptable to Mexico," said Canales.
Still, some key members of opposition parties continue to endorse an agreement with Japan. "There is no doubt that this accord would be beneficial to Mexico," said PRI Sen. Dulce Maria Sauri Riancho, who chairs the subcommittee on Asia-Pacific relations. Sauri said the accord should not be viewed as just another free-trade agreement. "This is also a technical-cooperation accord, which would facilitate the transfer of Japanese technology to our country's support industries like auto parts," said Sauri. "Our small and medium-sized companies could also benefit, especially those engaged in production of textiles and chemicals."

Some of the transfer of technology will come through increased Japanese investments. Three Japanese consortia were among the groups that expressed interest in forming a joint venture with Mexican partners this year to construct five new industrial plants at the Lazaro Cardenas refinery in Veracruz state.

**An opportunity with Brazil**

Mexico's participation in the G-21 also created opportunities for the Fox administration to increase contacts with Brazil, one of the leaders of the coalition. The Fox government is attempting to upgrade its economic-cooperation agreement with Brazil to a full free-trade accord. In 2002, the two countries completed an accord that eliminates or eases tariffs on 800 industrial and agricultural products (see SourceMex, 2002-06-19). The upgrade was expected to be one of the subjects of discussion in meetings between Fox and Brazilian President Luiz Inacio Lula da Silva in Mexico City on Sept. 25-26.

Fernando Mateo, who directs the SE's office on Latin American and Caribbean negotiations, said discussions with Brazil would commence once Mexico completes negotiations on an agreement with Argentina. Brazil has rejected such proposals as the US-proposed Free Trade Area of the Americas (FTAA) and incorporating Mexico into the Southern Cone Common Market (MERCOSUR), but remains committed to expanding its trade relations with Mexico, Mateo told reporters. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Sept. 24, reported at 10.79 pesos per US$1.00] (Sources: Dow Jones news service, 04/30/03, 05/09/03; The New York Times, 09/14/03; La Cronica de Hoy, 06/10/03, 07/23/03, 09/15/03; Los Angeles Times, Agencia de noticias Proceso, El Financiero, 09/15/03; El Sol de Mexico, 09/17/03; Notimex, 09/17/03, 09/20/03, 09/21/03; Reforma, 05/01/03, 05/13/03, 06/24/03, 07/11/03, 07/29/03, 08/05/03, 09/15/03, 09/19/03, 09/22/03, 09/23/03; The Herald, 09/15/03, 09/19/03, 09/23/03; El Universal, 05/07/03, 05/19/03, 06/02/03, 07/15/03, 08/06/03 09/15/03, 09/17/03, 09/24/03; Milenio Diario, 05/15/03, 05/23/03, 06/20/03, 07/24/03, 09/15/03, 09/17/03, 09/18/03, 09/22-24/03; Unomasuno, 09/08/03, 09/17/03, 09/24/03; La Jornada, 09/15/03, 09/18/03, 09/19/03, 09/22/03, 09/24/03

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