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Mexico may join Canada and Brazil in a complaint filed with the World Trade Organization (WTO) against subsidies provided by the US government to agricultural producers. The WTO agreed to launch the investigation in December, shortly after the US Congress approved the 2007 Farm Bill, which sets US agriculture policy for five years. While many farm groups and opposition legislators strongly endorse Mexico's action to challenge the US subsidies, they say Mexico should take an additional step to protect Mexican agriculture by renegotiating the agriculture section of the North American Free Trade Agreement (NAFTA). These groups fear that Mexican agriculture will suffer now that tariffs for corn, beans, powdered milk, and sugar have been eliminated, effective Jan. 1, 2008.

WTO panel announced in December

The Canadian and Brazilian complaints about US agriculture subsidies were lodged in July 2007, several months before the US Senate completed work on the 2007 Farm Bill. At that time, it was already apparent that the US Congress was set to maintain subsidies at about the same levels as those in the 2002 Farm Bill. The House version approved in July and the Senate counterpart passed in November both retained subsidies at fairly high levels. The two versions must be reconciled by a conference committee before going to US President George W. Bush for his signature. The WTO agreed to form a panel to examine the Canadian and Brazilian complaints in mid-December.

The two countries allege that since 1999 the US has consistently surpassed its limit of US$19.1 billion in subsidies allowed under WTO guidelines. "Canada estimates that during these years the United States exceeded its WTO commitment levels by billions of dollars each year," the Canadian government said in a statement to the WTO. The Bush administration has sent mixed signals regarding the 2007 Farm Bill. The US president has threatened to veto the farm legislation because it does not cut subsidies sufficiently. At the same time, the administration sharply criticized Brazil and Canada for filing the WTO complaint. "This case represents an unnecessary diversion of time, resources, and attention from the important tasks before us in the Doha negotiations," said Gretchen Hamel, a spokeswoman for US Trade Representative (USTR) Susan Schwab.

Mexico is one of thirteen other countries or regions that have joined the case as a third party, which allows participation in the panel. The other third-party participants are the European Union (EU), Argentina, Australia, Chile, China, India, Japan, New Zealand, Nicaragua, South Africa, Taiwan, and Thailand. On Jan. 11, the Mexican government raised the possibility of joining Canada and Brazil as a principal complainant. The issue was brought up in the context of regular consultations between the US and Mexico on agriculture in Mexico City. US agriculture undersecretary Mark Keenum and Mexico's deputy agriculture secretary Francisco Lopez Tostado led the meetings. "If the US does
not limit trade-distorting subsidies on its production...other countries could present complaints similar to those brought forth by Canada and the US before the WTO," said a Mexican government statement.

The issue was discussed further during consultations between Mexican Agriculture Secretary Alberto Cardenas and Canadian Agriculture Minister Gerry Ritz in Mexico City on Jan. 21. The two officials agreed that aspects of the 2007 US Farm Bill would have a negative impact on regional trade relations. "Rather than advance a strategy to develop the North American market, we run the risk of falling behind in a highly competitive global arena," the officials said.

An effort is underway to convince the Mexican Senate to pass a resolution asking the Calderon administration to go through with a direct complaint about the US subsidies. The main proponent of the effort is Mario DiCostanzo, a top economic adviser for center-left opposition figure Andres Manuel Lopez Obrador of the Partido de la Revolucion Democratica (PRD). DiCostanzo said Mexico should follow the example of Brazil, which in 2004 won a WTO ruling against some US cotton subsidies. "A victory at the WTO could force the US to renegotiate the terms of its trade policies regarding corn," said DiCostanzo. Some senators seek to reopen NAFTA agriculture sections While the Mexican Congress is likely to offer strong support for DiCostanzo's proposal, some opposition legislators are more focused on pushing the Calderon administration to renegotiate the agriculture sections of NAFTA.

Deputy Hector Padilla, a member of the opposition Partido Revolucionario Institucional (PRI), raised concerns that the elimination of tariffs on imports of US agriculture products could be disastrous for Mexican agriculture. Under the NAFTA timetable, Mexico eliminated tariffs on corn, sugar, beans, and powdered milk at the start of this year. These were the last four agriculture products to retain protections since the agreement went into effect in 1994. The elimination of corn tariffs may not have a negative effect on the Mexican market in the near term, as tight supplies will probably limit US exports of yellow corn into the country. This would offset any negative impact on the price of white corn (SourceMex, December 12, 2007).

While the situation with the corn market may not be of immediate concern for Mexico, experts say the elimination of tariffs could cause problems for corn and bean producers in the long term. "Just as the US became the largest supplier of animal feed, it has the capacity to become a dominant supplier of dry beans and white corn, undermining markets in Mexico and creating a dependence on external sources for the two very clear main staple foods," Timothy Wise, deputy director of the Global Development and Environment Institute at Tufts University, told Reuters. Because of this, Padilla said he plans to summon Agriculture Secretary Cardenas and Economy Secretary Eduardo Sojo to explain why they believe NAFTA agriculture sectors cannot be reopened. "Any treaty is open to renegotiation," said Padilla, who chairs the agriculture committee (Comision de Agricultura y Ganaderia) in the lower house. Padilla said the renegotiation would not necessarily imply a fight with the US and Canada but rather the development of solutions where the three countries would benefit. He disputed statements from NAFTA proponents that the agreement has been beneficial for Mexico. He noted that agricultural exports only increased by 50% between the start of NAFTA in 1994 and 2006, while imports grew by 176%.
In contrast, he said, farm exports rose by 202% and imports by only 28% between 1980 and 1994. There was also criticism of NAFTA in the Senate, where the rural development committee (Comision de Desarrollo Rural) blamed the increase in the cost of basic products on NAFTA. "There has been a lack of government strategy to counter the negative effects of NAFTA," said committee chair Sen. Heladio Ramirez, also a member of the PRI. The legislator demanded that the government assume its responsibility to guarantee Mexico's food sovereignty.

Agriculture groups also push for renegotiation

A number of agriculture groups are backing the call to renegotiate NAFTA, including the Confederacion Nacional Campesina (CNC). The organization recently forged an alliance with the Sindicato Mexicano de Electricistas (SME) to organize a series of protests against NAFTA around the country on Jan. 31. The Mexico City daily newspaper Milenio Diario said this alliance is unusual because these two labor groups have rarely worked together before. The CNC has traditionally supported the PRI, while the SME is an independent labor organization that has tended to side with the PRD. "We are proposing a new negotiation, based on WTO criteria, which would give our country a fairer treatment [under NAFTA]," said CNC president Cruz Lopez. He said the two groups have begun to organize residents of 2,500 municipalities and 28,000 communal farms around the country to participate in the Jan. 31 action. Another agricultural organization, El Barzon Popular, is taking a different approach on the issue, bringing it to the country's high court (Suprema Corte de Justicia de la Nacion, SCJN).

On Jan. 10, members of the organization from four states held a demonstration in front of the SCJN building in Mexico City to demand that justices take up the issue. They succeeded in gaining an audience with Chief Justice Guillermo Ortiz Mayagoitia. "We told the justice that our goal is for this issue to be addressed comprehensively," said Patricia Barrios Castaneda, an attorney for the organization. "The bottom line is that no trade treaty should be considered above the Mexican Constitution." Critics contend that NAFTA violates Article 27 of the Constitution, which calls for the government to support the agriculture sector by generating jobs and promoting rural activity.

The chance that NAFTA would be renegotiated appears very remote, particularly because Calderon supports the agreement. "With all its benefits and drawbacks, NAFTA has been good for Mexico," the president said in speech in early January, noting that Mexico's agriculture exports have experienced an increase since the agreement went into effect. Some administration officials, like foreign-affairs adviser Arturo Sarukhan, said renegotiating parts of the treaty could also make things worse for Mexico. "The US and Canada have their own 'Christmas list' of sections they would like to change," said Sarukhan. Cardenas argues that NAFTA already contains safeguards that would help Mexico in case the country is overwhelmed by imports.

These safeguards would allow the country to temporarily restrict imports of corn, beans, sugar, and powdered milk in cases where its domestic agriculture was under immediate threat. "What we have to do is to boost productivity in the agriculture sector, and that's why we're investing 21.2 billion pesos (US$1.94 billion) on those four products this year," said the agriculture secretary. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Jan. 23, reported at 10.94 pesos per US$1.00]