

NAFTA and Peasant Protests

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Since the end of 2002, peasant protests, mobilizations and demands to renegotiate the agricultural chapters of the North American Free Trade Agreement (NAFTA) have been an outstanding reason for concern in Mexico.

The immediate cause of peasant protests is, of course, the elimination of trade restrictions on important agricultural and livestock products that came into effect this year as part of NAFTA. This is above all because they

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happen after the Farm Security and Rural Investment Act of 2002 came into effect in the United States, which significantly increased subsidies and supports for agriculture, sharpening Mexican producers' competitive disadvantage.

Both events, however, are really the last straw for peasants, after two decades in which the Mexican countryside has been turned into an enormous laboratory to experiment with

“structural adjustments” prescribed by the Washington Consensus. These “structural reforms,” consistently applied in Mexico since the 1980s, include the liberalization of agriculture along three main lines: 1) the severe reduction of state participation in actively promoting sectoral economic development; 2) a unilateral, abrupt trade opening since 1984 that ended up with the complete inclusion of agriculture in NAFTA; 3) the reform of agrarian legisla-

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tion to eliminate provisions that banned the sale, confiscation, embargo of or time limitations on peasant collective *ejido* and communal lands, as instituted by the Mexican Revolution, thus opening up different ways for land to be sold and concentrated in large production units.

The reforms' promoters and implementers supposed that this liberalizing program, which left the free assignation of productive factors to private individuals and spontaneous market forces, would lead to increased efficiency and capital investment in agriculture and the development of food and agricultural raw materials production.

The results of the neoliberal experiment, however, have been very different. The 2001 per capita value of the agricultural and forestry gross domestic product (GDP) was 14.3 percent less than in 1981. In per capita kilograms, production of the eight main basic grains was 21.8 percent less in 2001 than 20 years before; per capita red meat production went down 28.8 percent in the same time period; liters per capita of milk production dropped 8.4 percent; and lumber production in cubic decimeters plummeted 39.9 percent with regard to 1981.¹

Despite the reduction in food consumption of Mexicans who fell below the poverty and extreme poverty lines, imports of food products skyrocketed from U.S.\$1.79 billion in 1982 to U.S.\$7.2744 billion in 1994 and U.S.\$11.0774 billion in 2001.²

The essential principles and instruments of the neoliberal reform of agricultural policy necessarily had to lead to this result.

In the first place, the unilateral, abrupt trade opening is repeatedly combined with a sinister policy of keeping

the peso strong by using the exchange rate as a pillar of an anti-inflationary policy that has led to growing overvaluing of our currency (a phenomenon clear in the 1989-1994 administration and again in 1997-2002). This together with the suppression of guaranteed price supports, has caused an abrupt descent in the real prices of agricultural products, which came under the sway of international prices, in which Mexico has clear competitive disadvantages.³ Between 1982 and 2001, corn growers lost 56.2 percent of the purchasing power of their grain vis-à-vis the national index of consumer prices (adding the sale price to the Procampo per-ton subsidy, instituted in 1993 as an instrument to compen-

To the adverse effects of the decline in the agricultural sector's terms of exchange was added the state's abrupt withdrawal from its other economic support activities. In contrast to what happened in countries with vigorous agricultural sectors (the United States, Canada, the European Union, etc.), which shored up their government intervention in the countryside—going as far as guerrilla warfare in subsidies—in Mexico there was a precipitate suppression of or reduction in sectoral programs. This was attributable to the neoliberal notion that private agents acting in deregulated markets without distortions stemming from sectoral programs achieve the optimum assignation of productive resources.

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sate for the deterioration of prices because of the NAFTA trade liberalization). Wheat growers lost 46.3 percent; bean growers, 37 percent; and soybean producers, 62.4 percent. In terms of profitability, the loss was even greater: transformed into constant purchasing power units with the index of agricultural raw material prices for fertilizers, fuel, etc., corn prices dropped 62.1 percent; wheat prices, 53.8 percent; beans 45.6 percent; and soybeans 67.5 percent.⁴

As a result, not only was the countryside de-capitalized, but rural poverty also increased. According to the Ministry of Social Development's most recent survey, 69.3 percent of the rural population is poor and 42.4 percent lives in abject poverty.⁵

Public investment in rural projects decreased 95.5 percent from 1982 to 2001 to less than one-twentieth of what it had been. This affected the much needed expansion of infrastructure. For example, the annual increase in the area of irrigated land dropped from 146,100 hectares in 1981 to 5,800 hectares in 2001. Monies used to maintain already existing infrastructure also dropped. In addition, overall public spending for rural development programs declined 73.1 percent between 1981 and 2001. If we disregard—as we should to make the figures comparable—the Procampo monies used to partially compensate for the deterioration of real grain prices caused by Mexico's inclusion in NAFTA, the drop in public spend-

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ing on agricultural programs was 82.6 percent between 1982 and 2001. This affected strategic items like research, agricultural extension services,⁶ plant sanitation, etc., and canceled specific support programs, such as the one providing agricultural machinery.⁷

Finally, the third major cause of the collapse of the agricultural sector is the scarcity of working capital available as credit. On the one hand, the national development bank decreased its lines of agricultural credit from 19.193 billion pesos in 1981 (measured in December at constant 1994 prices) to 4.0189 billion pesos in 2001. This severely affected the most needy peasants: the area covered by Banrural credits dropped from 7.3 million hectares in 1982 to only 1.5 million in 2001.⁸ On the other hand, agricultural loans awarded by commercial banks dropped sharply from 19.1404 billion pesos in 1981 to 6.647 billion pesos in 1987. Although there was significant growth in these loans from 1988 to 1994, they later dropped to 9.9165 billion pesos in 2001. Loans to the agricultural sector by the banking system as a whole, from both commercial and development banks, dropped from 38.3333 billion pesos in 1981 (at 1994 prices) to 13.6353 billion pesos in 2001. In addition, the overdue loan portfolio, even after all cancelled and condoned loans are taken into effect, came to 60 percent of that amount in 2001 (8.1754 billion pesos), which put the real loans at only 5.4599 billion pesos,

about one-sixth of what it had been in the early 1980s.⁹

The causes of the agricultural disaster, instead of being combatted, were confused, with the *ejido* singled out as the main culprit. As a result, a neoliberal agrarian reform was legislated, breaking the social contract established by the Mexican Revolution by putting an end to the distribution of land—established by the 1917 Constitution—before it had been completed in important areas of the country like most of the state of Chiapas. The reform also suppressed the form of land ownership established since Zapata's 1915 Agrarian Law, making *ejido* and communal land unsaleable, not subject to embargo or time limitations, and opened up the possibilities for various forms of reconcentration of the land. This means that, taken to the extreme, for-profit companies could create 10,933 latifundia covering all of Mexico's 180 million hectares of agricultural, cattle-raising and forest lands.¹⁰

In this way, instead of resolving the agricultural crisis, another, political crisis was added to it: the Zapatista uprising in Chiapas, set off precisely, according to Subcommander Marcos, by the neoliberal reform of Article 27 of the Constitution.

U.S. ASSYMETRIC POLICIES

The scissor-like move against the Mexican agricultural sector, made up of the

Farm Security and Rural Investment Act of 2002 and the round of NAFTA-based trade tariff eliminations on important livestock and agricultural products has awakened justified concerns among rural producers.

The Farm Security and Rural Investment Act is cause enough for concern because it not only consolidates emergency budget increases over the last four years aimed at shoring up U.S. farmers' incomes, but also significantly increases fiscal supports channeled into agricultural development. In addition, as has been the case since the 1933 Farm Bill, which instituted the current price-support system, government monies not only cover the costs of horizontal instruments for supporting agriculture (research and education, land conservation, etc.), but are mainly aimed at subsidizing specific areas of production (wheat, corn, rice, soybeans, cotton, sugar, milk, beans, etc., including some products that, like honey, received no subsidies under the previous Farm Bill).

Nothing is new under the sun. If the United States has managed to turn itself into the world's first agricultural power and the largest exporter of agricultural and livestock products, this has been thanks to its persistent agricultural policies, originating with the 1862 Morrill Act, designed with an eye to long-term planning. In particular, its price-supports policy, instituted in 1933 and bolstered by the 2002 Farm Bill, gives certainty to agricultural producers, allowing them appropriate margins of profitability and safeguarding them from market price fluctuations.

Contrary to persistent U.S. agricultural pragmatism, in Mexico, we are now completing two decades of per-

sistent agricultural neoliberalism, that is, the fanatical application of structural adjustment policies that the United States recommends to everyone else, but does not implement itself.

Of course, overall support to the agricultural sector in Mexico is very inferior to what the U.S. government gives its agricultural sector. According to the uniform methodology that the Organization for Economic Cooperation and Development applies in evaluating its member countries' agricultural policies, support received by U.S. farmers in 2001 came to 47.2 percent of the total value of agricultural production, while that received by Mexican peasants came to only 24.1 percent of output.¹¹

In addition, in the area covered by NAFTA, there are profound asymmetries in productivity, technological development and natural resource supply. From 1997 to 2001, in Mexico, we harvested 2.4 tons of corn per hectare, compared to 8.4 tons in the United States and 7.3 tons in Canada; beans yielded 606 kilograms per hectare, compared to 1,846 in the United States and 1,849 in Canada; we harvested 4.4 tons of rice per hectare, compared to 6.8 tons in the United States, etc.¹² The differences in the ratio of workers to productivity are even greater: in Mexico the gross value of agricultural output per worker was U.S.\$3,758.90 in 2001, while in the U.S. it was U.S.\$67,871.30 and in Canada, U.S.\$54,081.60.¹³

The enormous productivity gap is derived from the United States' high investment in research and technological innovation, as well as its internal price and subsidy policies, which have favored continual capitalization and introduction of technology by guaranteeing farm profitability. While

the U.S. has 1.6 tractors per agricultural worker (counting the entire agricultural work force), and Canada has 1.8 tractors per worker, in Mexico, there are only two tractors per 100 workers. For each person occupied in Mexican agriculture, 209.6 kilograms of fertilizers are used, while in the United States, 6,114 kilograms are applied and in Canada, 6,352.¹⁴

In addition, there is an enormous gap in natural resource supply. For each agricultural worker, the United States has 59.1 hectares of cultivated land—of which 7.4 hectares are irrigated—, 79 hectares of pasture land and 58.5 hectares of forests. In Mexico, we have only 3.1 hectares of cultivated land—of which 0.7 hectares are irrigated—, 9.2 hectares of pasture land and 2.8 hectares of forests. In Canada, the figures are 117.2 hectares of cultivated land, 1.9 hectares irrigated, 74.4 hectares of pasture lands and 116.8 hectares of forests per worker. In addition, the quality of these resources in terms of topography, rainfall and temperature is also superior in the northern countries.

These are the reasons behind the peasant demand to renegotiate NAFTA and implement a vigorous agricultural development policy. In January, February and March 2003, peasant mobilizations have prompted the government to sit down to negotiate with the main rural producers' organizations in a "Dialogue for a State Policy in the Countryside." The crucial question is, precisely, to decide whether the Mexican countryside should continue to be used as an enormous neoliberal laboratory or, in deference to the legitimate complaints of Mexican rural producers, we should reformulate our strategy for agricultural development, designing the instruments for sectoral

economic policy that will open up the way for sustained agricultural development with equity. **MM**

NOTES

¹ INEGI, *Sistema de Cuentas Nacionales de México* (<http://www.inegi.gob.mx/difusion/espanol/fbie.html>); Banco de México, *Indicadores Económicos* (<http://www.banxico.org.mx/eInfoFinanciera/FSinfoFinanciera.html>); Secretaría de Hacienda y Crédito Público, *Cuenta de la Hacienda Pública Federal* (Mexico City: SHCP, 1981 a 2001); SAGARPA, SIEAP, www.siea.sagarpa.gob.mx; and Vicente Fox, *Segundo Informe de Gobierno, Anexo Estadístico* (Mexico City: Presidencia de la República, 2002).

² Ibid.

³ Guaranteed support prices were a system whereby the Mexican state guaranteed a minimum payment for the harvest of different agricultural products; if the market price was lower than the guaranteed price, the state made up the difference. [Editor's Note.]

⁴ INEGI, et al., op. cit.

⁵ Sedesol, *Evaluación y características de la pobreza en México en la última década del siglo XX* (Mexico City: Sedesol, 2002).

⁶ Agricultural extension services were provided by the state's sending agronomists to provide advisory services and training to peasants about ways to make their farming more efficient. [Editor's Note.]

⁷ OECD, *Agricultural Policies in OECD Countries. Monitoring and Evaluation 2002* (Paris: OECD, 2002).

⁸ Banrural is short for the National Rural Credit Bank, part of the state-operated development banking system. [Editor's Note.]

⁹ OECD, op. cit.

¹⁰ José Luis Calva, *La disputa por la tierra* (Mexico City: Fontamara, 1993).

¹¹ OECD, op. cit.

¹² Food and Agriculture Organization, *Statistical Database* (<http://apps.fao.org/page/collections?subset=agriculture&language=ES>).

¹³ OECD, op. cit. and FAO, op. cit.

¹⁴ FAO, op. cit.

beans, sorghum, soy, rice and wheat, producers will continue to suffer losses and go bankrupt.

The only way to reestablish national production capacity is by following the example of developed countries. They protect their agriculture, create high subsidies to foster production, jealously preserve self-sufficiency and achieve food sovereignty. At the end of the day, the peasant organizations are demanding an agricultural policy similar to the one in the United States. Nothing more and nothing less. **MM**

NOTES

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² The second two are peasant organizations that have opposed NAFTA from the beginning. El

Barzón was organized by debtors to demand suspension of the payment of the debt contracted by broad sectors of Mexican society with Mexican banks before 1995, when interest rates skyrocketed. [Editor's Note.]

³ B. Coriat, *El taller y el cronómetro. Ensayo sobre el taylorismo, el fordismo y la producción en masa* (Mexico City: Siglo XXI, 1977), p. 148.

⁴ Peter Rosset, "The ABC of Farm Bill Payments," *Backgrounder* 8, no. 3 (Institute for Food and Development Policy), 2002.

⁵ Magda Fritscher, "¿Librecambio o proteccionismo? Apuntes sobre la disyuntiva agrícola mundial," *Polis*, no. 92 (Mexico City: Universidad Autónoma Metropolitana, Iztapalapa), 1993.

⁶ FAO, *Faostat, P.C.* (Rome: FAO, 2002).

⁷ Rosset, *op. cit.*

⁸ Anuradha Mittal, "Giving Away the Farm: The 2002 Farm Bill," *Backgrounder* 8, no. 3 (Institute for Food and Development Policy), 2002.

⁹ Blanca Rubio, "Los impactos de la globalización en el campo mexicano" (paper presented at the II World Congress on Rural Develop-

ment in the Framework of Globalization, at Laguardia, Spain, 24-26 October 2002).

¹⁰ Alejandro Nadal, "Subsidios agrícolas: más allá de la parodia," *La Jornada* (Mexico City), 15 May 2002.

¹¹ Mexican yields for wheat are higher than in the United States, since in Mexico wheat is grown on irrigated land, whereas in the United States, it is grown on rain-fed land. Our soy yield is lower than that of the United States, but higher than the world average.

¹² Figures taken from Ernesto Zedillo, *VI Informe de Gobierno. Anexo Estadístico* (Mexico City: Secretaría de la Presidencia, 2000).

¹³ Secretaría de Agricultura, *Programa Sectorial de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación 2001-2006* (Mexico City: Secretaría de Agricultura, 2001).

¹⁴ Blanca Rubio, *Explotados y excluidos. Los campesinos latinoamericanos en la fase agro-exportadora neoliberal* (Mexico City: Editorial Plaza y Valdés/Universidad Autónoma de Chapingo, 2001).

¹⁵ Progresá, *Documento Progresá* (Mexico City: Progresá, 1998).