

# NAFTA and Agricultural Policy

## The Peasantry's Reasons

José Luis Calva\*



Rodolfo Angulo/Cuartoscuro

Peasants demanding the renegotiation of NAFTA.

Since the first day of 2008, peasant protests and mobilizations demanding the renegotiation of the North American Free Trade Agreement's agricultural chapter and a comprehensive agricultural policy have once again caused great disquiet in Mexico. The immediate reason for the peasantry's demand is, of course, the last round of trade liberalizations for important agricultural products that went into effect as the last stage of the treaty, including corn and

beans, on which the livelihood of three million peasant families depends.

However, this round of liberalizations is actually the straw that broke the camel's back of the peasantry's patience after almost a quarter of a century of turning the Mexican countryside into an enormous laboratory for experimenting with "structural adjustment" policies prescribed by the World Bank.

### "STRUCTURAL ADJUSTMENT" AND ITS RESULTS

In the Mexican countryside, what the World Bank calls "structural adjustment" programs have been persistently implemented from the 1980s on. Broadly speaking, in the agricultural sector, they were made up of three kinds: 1) severely reduced state participation in actively promoting economic development in the sector; 2) an abrupt, unilateral trade opening starting at breakneck speed in 1984 and concluding with the complete incorporation of the agricultural sector into NAFTA; and 3) the reform of agrarian legislation. The latter eliminated the inalienable and unattachable nature of *ejido* and communal land, as well as its protection from adverse possession, all of which were established by the Mexican Revolution, thus opening the way for buying and selling land and concentrating agriculture in large productive units.

---

\* Researcher at the UNAM Institute for Economic Research and member of the National System of Researchers (SNI).

The promoters and implementers of the reforms supposed that this liberal program would lead to an increase in capital investment in agriculture, higher efficiency and the development of food and agricultural raw material production.

However, the results of the neoliberal experiment have been very different from what they expected. Agricultural and forestry gross domestic product for the three years from 2004 to 2006 was 8.7 percent less per capita than that achieved in the three years prior to the neoliberal experiment (1980-1982). In kilograms per capita, production of the eight most important grains was 9.6 percent less in the 2004-2006 period than output in 1980-1982;<sup>1</sup> per capita red meat production was 26.3 percent less; and lumber production was 49.8 percent less measured in cubic decimeters.

By contrast, despite a reduction in poor and extremely poor Mexicans' calorie intake, food imports shot up from US\$2.76 billion a year in the 1980-1982 period to US\$14.31 billion a year for 2004-2006.

The essential principles and instruments of "structural adjustment" necessarily had to bring forth this result. In the first place, the abrupt, unilateral trade opening, combined with an almost uninterrupted over-valuing of our currency, has caused a swift decline in real prices of products in which Mexico has notorious competitive disadvantages. For example, in the three-year period from 2004 to 2006, corn growers' output was worth 52.1 percent less than in the 1980-1982 period, even factoring into the sale price the Procampo subsidy equivalent per ton, instituted in 1993 as an instrument to compensate for the dwindling prices resulting from NAFTA-linked trade liberalization. Wheat growers lost 33.4 percent of their purchasing power; bean growers, 42.9 percent, etc. As a result, not only did the countryside de-capitalize, but rural poverty also increased.

In addition to the adverse effects of the bottom dropping out of agricultural terms of exchange was the state's abrupt withdrawal from its other rural programs. Quite to the contrary to what happened in developed countries with vigorous agricultural sectors (the United States, the European Union, etc.), which shored up government intervention in the countryside (going as far as to wage a subsidy guerilla war), in Mexico, government programs in the sector were either hastily suppressed or drastically reduced. As a result, public investment to foster rural development dropped 92.8 percent between 1980-1982 and 2004-2006. This retarded the much-needed expansion of infrastructure—for example, the land opened up to irrigation every year dropped

Quite to the contrary to  
what happened in developed countries  
with vigorous agricultural sectors, which shored up  
government intervention in the countryside, in Mexico,  
government programs in the sector were either  
hastily suppressed or drastically reduced.

from 146,100 hectares in 1981 to 10,400 hectares in 2006—and reduced maintenance on already existing infrastructure. In addition, overall public spending on rural development dropped 74.4 percent in the same period, particularly affecting research, agricultural extension services, plant sanitation, etc., and canceling specific forms of support such as fertilizer and improved seeds programs.

Finally, "structural adjustment" also brought with it a sharp drop in working capital available as loans. Agricultural loans by the commercial banking system dropped from 15.78 billion pesos annually in the 1980-1982 period (averaging results at constant 1994 prices) to 4.90 billion pesos a year in the period from 2004 to 2006. Total credit to the agricultural sector, including monies from development banks, decreased from 34.42 billion pesos a year to 5.09 billion pesos a year in those same time periods.

To top it all off, the neoliberal reform of agrarian legislation was pushed through during the Salinas administration, breaking the agrarian social contract established by the Mexican Revolution. This reform put an end to the distribution of land before the constitutional mandate was fully completed in important regions like Chiapas. It also suppressed the land tenure system established under the 1915 Zapatista Agrarian Law, which made *ejido* and communal peasant lands inalienable, unattachable and not subject to adverse possession. Finally, Salinas's reform opened up many ways for individuals to amass large swathes of land. This added, then, a political crisis to the agricultural crisis: according to Subcommander Marcos, the January 1994 Zapatista uprising was sparked precisely by the neoliberal amendment to constitutional Article 27.

For this reason, the crucial question now is to determine whether the Mexican countryside should continue to be used as an enormous laboratory for neoliberal experimentation, or, whether, taking into account the legitimate claims of Mexican rural producers, we should reformulate our economic strategy and agricultural development policies.

The promoters of the reforms supposed that this liberal program would lead to increased capital investment in agriculture, higher efficiency and greater food and agricultural raw material production. However, the results of the neoliberal experiment have been very different.

#### RENEGOTIATING NAFTA

Ever since NAFTA came into effect, peasant groups have been demanding it be renegotiated, and they have pressed that demand in giant demonstrations like those of January 2008, when the latest round of trade liberalizations included corn and beans. The demand derives from the enormous agricultural asymmetries between Mexico and NAFTA's developed partners.

In the five-year period from 2002 to 2006, in Mexico we harvested 2.8 tons of corn per hectare, compared to 9.2 tons in the United States and 8.1 tons in Canada. In Mexico, the yield per hectare in bean production was 789 kilograms, while in the U.S. it was 1,825 kilograms and in Canada, 1,935 kilograms. And the list goes on. The gap is even wider if we look at labor productivity: the gross value of agricultural production per laborer in the 2004-2006 period was US\$4,150 a year in Mexico, while in the United States, it was US\$86,280.80 and in Canada, US\$76,709.

Among the reasons that explain these asymmetries in productivity are the unequal supply of inputs and agricultural machinery. According to the most recent Food and Agriculture Organization (FAO) figures, the United States had 1.7 tractors for each agricultural worker. Canada had two. But Mexico had only 3.8 tractors per every 100 agricultural workers. In the United States, 7.2 tons of fertilizers are used per agricultural worker; in Canada, 7.5 tons; while in Mexico, only 0.2 tons. And the list goes on.

Added to technological asymmetries are the differences in natural resources among the three countries. Per agricultural laborer, the United States has 63.6 hectares of cultivated land, of which 7.9 are irrigated; 83.3 hectares of pasture land and 87.2 hectares of forests. In contrast, Mexico has only 3.2 hectares of cultivated land per agricultural worker, of which only 0.7 hectares are irrigated; 9.3 hectares of pasture land, most of which is of low quality; and 5.7

hectares of forests. (In Canada, the figures per agricultural laborer are 146.8 hectares of cultivated land, 2.1 irrigated; 43.4 hectares of pasture land; and 985.4 hectares of forest.)

As if that were not enough, the quality of the land used for growing corn in terms of temperatures, rainfall, soil and topography was —and is— also better in the United States. Its enormous cereal belt receives 1,489 millimeters of rainfall a year, while Mexico's best rainfall-fed lands receive only 865 millimeters. Also, at the time the corn is flowering, when the plants need more sunlight, in the U.S. cereal belt, the sun comes up at 4 a.m. and goes down at 10 p.m., while in Mexico, two parallels to the south, the days are not this long.

Finally, the United States' competitive advantage in agricultural policies is also overwhelming. In fact, if it has managed to become the world's first agricultural power, it is thanks to its support for agriculture. Starting with the 1862 Morrill Act, which set up educational, research and agricultural extension institutions that have spread throughout the U.S. countryside, it culminated in the 1933 Farm Bill, which established the system of parity prices for the main commodity crops, creating certainty for rural production and thus favoring farms capitalizing and using technology to produce. In the period from 2004 to 2006, Organization for Economic Cooperation and Development (OECD) figures put total agricultural subsidies as a percentage of the gross value of agricultural production at 42.99 percent in the United States, 17.5 percent in Mexico and 33.6 percent in Canada.

Despite these asymmetries, the administration of Carlos Salinas (1988-1994) decided to integrate the entire Mexican agricultural sector into NAFTA, something Canada did not do (it left out sensitive products like milk, cotton, sugar, chicken and eggs, among others). The reigning technocrats considered that trade liberalization would bring with it a substitution of crops in traditional, low productivity segments with products with greater potential. For the more vulnerable products (corn, beans and milk), "extra-long time limits (15 years) for eliminating tariffs" were set, with the supposition that that would be enough to convert the country's production and adjust agricultural production. Naturally, the technocrats never planned what would happen if these premises turned out to be false.

However, we university researchers had already alerted the public that they were false. In fact, my book *Probables efectos de un tratado de libre comercio en el campo mexicano* (Probable Effects of a Free Trade Agreement in the Mexican Countryside), published in 1991 when NAFTA negotiations were

just beginning, predicts figures similar to those cited above, sketching what actually happened. In that book, I warned, “We cannot reasonably think that in the foreseeable future we will be able to match our neighbors to the north because capitalization and technological innovation move ahead there too, and very frequently more rapidly than in Mexico. Equally, it is illusory to suppose that Mexico can beat the United States in a ‘war of treasuries,’ that is, in agricultural subsidies.”

The future caught up with us. Today, even the World Bank recognizes that Mexico’s agricultural sector is not prepared for the coming competition under NAFTA. It has admitted that the sector has been subjected to the most drastic structural reforms —the liberalization spurred by the General Agreement on Tariffs and Trade (GATT) and NAFTA, the elimination of price controls, the land tenure structural reform—but the results have been disappointing: stagnation of growth, lack of external competitiveness and increased rural poverty.<sup>2</sup> The same institution identified the unequal conditions for competition faced by Mexican peasants because of their smaller plots and resources and the extensive U.S. agricultural subsidy programs.<sup>3</sup> Undoubtedly, they should be thanked for recognizing this, but it does not make up for the costs of the neoliberal experiment.

Today, events have proven the technocracy’s calculations wrong, but there is no remedying the past. The issue is deciding the future.

One approach consists of underplaying the negative effects of trade liberalization, arguing that high grain prices, caused by the ethanol boom and the explosive demand for food from China and India, will make it possible for Mex-

ican farmers to withstand the competition. The problem is that the high international prices are temporary, while the productive and technological asymmetries are structural.

A second stance would be to face the problem with a realistic vision in accordance with the nation’s general interest. This would require redesigning our agricultural policy to apply support mechanisms similar to those used in the United States and at the same time renegotiate NAFTA, either to exercise a common agricultural policy and create structural funds like the European Union’s or to simply agree to exclude corn, beans and other sensitive products from NAFTA’s liberalization commitments.

This, in short, is the reason the peasants demonstrated once again in Mexico’s capital in January 2008.


It would be better to deal with their legitimate complaints, not only to return hope to rural residents, but also to speed domestic production of food and agricultural inputs, making it feasible for the Mexican countryside to fulfill its important functions in the nation’s economic development. **NMM**

#### NOTES


<sup>1</sup> The eight most important grains are corn, beans, wheat, rice, soy, safflower seeds, sesame seeds and sorghum. (Editor’s Note.)

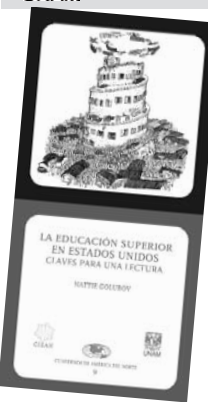


<sup>2</sup> World Bank, *Estrategia de asistencia para el país 2002*, Report 23849-ME, available at [http://siteresources.worldbank.org/INTMEXICO/SPANISH/Resources/EAP\\_Documento\\_Principal2002.pdf](http://siteresources.worldbank.org/INTMEXICO/SPANISH/Resources/EAP_Documento_Principal2002.pdf). [Editor’s Note.]

<sup>3</sup> World Bank, *Generación de ingreso y protección social para los pobres, 2005*. The World Bank carried out this study at the behest of the Mexican government. See [http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187282&theSitePK=523679&entityID=000012009\\_20060727152557&searchMenuPK=64187282&theSitePK=523679](http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187282&theSitePK=523679&entityID=000012009_20060727152557&searchMenuPK=64187282&theSitePK=523679) [Editor’s Note.]



## The North American Booklets



The collection is an academic series aimed at readers interested in social, political, economic, demographic and, of course, foreign policy and international relations issues in North America.

The series presents both well-documented, timely analyses of current issues and theoretical, specialized reflections based on rigorous research.

For sale at Torre II de Humanidades, piso 10,  
Ciudad Universitaria, Mexico City.

Phones: (0115255) 5623-0311, 5623-0314  
and 5623-0315

[www.cisan.unam.mx](http://www.cisan.unam.mx)