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FREE TRADE

NAFTA enters final stage

The final lifting of trade barriers between the United States and Mexico will occur on Jan. 1. Government officials insist the measure is largely symbolic.

By Jeremy Schwartz

MEXICO CITY --

Farmers and activists here are planning a series of protests as NAFTA enters its final stage on New Years Day, when the last of the tariffs and quotas Mexico has imposed on imported corn, beans, milk and sugar melt away.

Opponents of the North American Free Trade Agreement warn that the final lifting of trade barriers could spark even more migration from Mexico's devastated countryside and leave Mexico dependent on the United States for corn and beans, staple dishes since the age of the Aztecs.

At least one peasant group has said the NAFTA expansion could spark armed rebellion in the countryside if President Felipe Calderón's government doesn't do more to protect small farmers.

Corn and beans were considered especially sensitive to the Mexican economy when the free-trade agreement was signed in 1993, and officials buffered them with 15 years of gradually dwindling protections.

Government officials insist the Jan. 1 opening is largely symbolic.

NAFTA supporters in Mexico say protesters are trying to wrest more government aid by exaggerating the impact of the opening.

"It's an important date because it marks the end of the process," said Luis de la Calle, a Mexico City economist who helped negotiate the original agreement in the early 1990s. "But in terms of the market there will be very little impact."

But members of Mexico's left-leaning Democratic Revolution Party, or PRD, the second largest party in Congress, have called on Calderón to renegotiate the final opening and remove corn and beans from the list of unprotected trade goods.

SET IN STONE

Calderón however, has shown no inclination to tinker with the free-trade agreement.

"The government is scared of renegotiating [corn and bean tariffs] because renegotiating part could mean renegotiating the whole thing," said Jose Romero, a NAFTA expert at the College of Mexico. "And they worry renegotiating could send bad signals to international financial markets."

Mexican farm associations say Mexican farmers are woefully unprepared to face an onslaught of American corn, and decry the large subsidies that American corn farmers receive.

This week, the World Trade Organization launched an investigation into whether the United States has surpassed international limits on so-called trade distorting subsidies for its farmers by billions of dollars since 1999.

And American farmers are far more productive than their Mexican counterparts. According to the Mexican Institute of Competition, American farms produce an average of 22 tons of corn per acre, compared to just six tons on Mexican farms.

Cruz Lopez, president of the National Farmers Confederation, said domestic corn producers fear they will go out of business, unable to compete with American imports, and leave Mexico dependent on the United States for its basic food needs.

"There is an abyss between the [subsidies] that we receive and those of the Canadian and U.S. farmers," he said. "For us, it is very important to guarantee to the Mexican people that we can produce corn and beans."

Mexican farmers are pushing for more subsidies from the Mexican government, and predicting dire consequences if they aren't helped.

"If this refusal to protect the national producers continues on the part of the government . . . the countryside could take the path of weapons and the guerrilla," Max Correa, leader of the Central Campesina Cardenista Peasant, a farmers' advocacy group, told the Mexican press recently. "It's not a catastrophic vision, it's a reality."

3 MILLION JOBS

Since Mexico entered into NAFTA, it has lost nearly three million farm jobs and seen a massive migration from the countryside to the United States. An estimated 80 percent of the 400,000 Mexicans who annually migrate to the United States are from rural areas.

Many experts say that the great bet of NAFTA -- that peasant farmers would find jobs in a burgeoning Mexican manufacturing industry -- hasn't been realized.

"The U.S. doesn't want them, the manufacturing industry can't absorb them, so where do they go?" Romero said. "They don't have the political strength to influence policies."

Experts say the high worldwide price of corn, driven by ethanol production, should provide a buffer for Mexican farmers, but that could prove temporary.

The end of sugar tariffs, however, should benefit Mexican producers by opening up the lucrative American market, de la Calle said.

But Mexican sugar producers fret that high production costs in Mexico could slow exports to the United States.

Among the protest actions planned are street rallies in various Mexican cities and a human chain along the U.S.-Mexico border.

But with the Mexican Congress on holiday and Calderón uninterested in renegotiating, experts say the chances of heading off the opening are nonexistent.



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A peasant holds a bunch of corn during a demonstration against high food prices in Mexico City.