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MEXICO

## **NAFTA challenges new leader**

**Mexico's apparent president-elect faces political pressure to roll back NAFTA to help farmers in Mexico's poor southern states, but he's resisting.**

By Kevin G. Hall, Janet Schwartz and Jay Root

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**URUAPAN, Mexico** - Felipe Calderón's contested, razor-thin victory in Mexico's presidential election last month is likely to force his attention toward the underdeveloped south, where poor farmers want to renegotiate the North American Free Trade Agreement.

The treaty with the United States and Canada took effect in 1994, but delayed complete free trade in the most politically sensitive products until 2007 and 2008. These include sugar and orange juice imports into the U.S. market and corn and beans into Mexico.

Leftist presidential candidate Andrés Manuel López Obrador, who's mounted a legal challenge to overturn the election results, promised on the campaign trail to renegotiate NAFTA's agricultural provisions with an eye toward protecting homegrown corn and beans. That helped him carry most of Mexico's south.

Mexico's industrialized north, which has benefited greatly from the trade deal, voted overwhelmingly for Calderón, a pro-business conservative. Over the 12 years of NAFTA's existence, Mexico's north has attracted billions of dollars in investment, much of it from the U.S. auto industry.

### **THE POOR SOUTH**

There's nothing comparable in Mexico's poorer south, which lacks the highways, ports, flush banks and geographic ties to the United States enjoyed by Mexico's north.

NAFTA has brought a flood of cheap corn imports for livestock. When coupled with falling human corn consumption in Mexico by its growing middle class, that's sunk prices for corn grown in the south.

Rightly or wrongly, many Southerners blame NAFTA, as does López Obrador.

"I think this is demagoguery," said Jaime Zabludovsky, a top NAFTA negotiator for Mexico. "The NAFTA cannot resolve all of Mexico's problems and it wasn't supposed to." But even Zabludovsky acknowledges that the south hasn't shared equally in NAFTA's benefits.

That's not to say that NAFTA has been all bad for Mexican farmers.

Times have never been better for Juan Calderón García, a 62-year-old nursery owner who sells just one product -- avocado saplings. NAFTA has fostered a boom for his city of Uruapan, whose entrance sign boasts in Spanish, "The World's Avocado Capital."

NAFTA opened the U.S. market, and initial restrictions were eased in January 2005, allowing Mexico to export to 47 U.S. states. Calderón García, who's no relation to the president-elect, is selling twice as many saplings as a year ago, and expects to sell 40,000 to 50,000 this year.

Mexico's avocado exports to the United States rose 115 percent last year. They're expected to grow well beyond that in 2007, when Florida, California and Hawaii also are opened to Mexican avocados. Mexico has surpassed Chile and Israel to become the top avocado exporter to the U.S. market.

## **NEGATIVE EFFECTS**

It's a different story for Miguel Santiago, a farmer in Santa Maria El Tule, a village in Mexico's southern state of Oaxaca. Cheap imported corn from the United States has driven down prices in Mexico, he and others allege.

"Good times are when we have enough to eat," said Santiago, 66, taking a break from cutting and cleaning maguey, the cactus from which mescal, the potent alcohol that's famously sold with a dead worm in the bottle, is made.

Ten years ago, Oaxacan marketplaces brimmed with locally produced corn. Now Mexicans buy sacks of U.S.-grown corn for a fraction of what it used to cost, said Chuck Collins, a scholar with the liberal Institute for Policy Studies in Washington.

"They can't really compete with the price of U.S. corn. The land is going fallow and some rural towns are more like ghost towns," he said. "If you own a restaurant [in Mexico] or you are just making tortillas, your corn isn't grown in Oaxaca anymore. It's grown in Nebraska."

As a result, farmers leave to seek work in sprawling urban centers such as Mexico City or cross illegally into the United States.

According to the U.S. Department of Agriculture, U.S. farmers exported 8 million tons of corn to Mexico in the 2004-05 growing year -- a 22 percent increase over 1995. Mexico is the second-largest export market for U.S. corn, trailing only Japan.

These statistics sting in southern Mexico, home to most of the country's indigenous populations. Corn is thought to have originated in Mexico and is central to native mythology. Ancient Aztecs and Maya believed that humans were created from corn, and that corn has a soul.

In a news conference after his apparent election, Calderón acknowledged that he must show real results in Mexico's impoverished south, but stressed that he won't seek a NAFTA renegotiation to help corn farmers.

Given rising protectionist sentiment in the U.S. Congress, he said, it was doubtful that Mexico would be an "easy winner" in any renegotiation.

Besides, some powerful U.S. lobbies are flexing their muscles.

"We will oppose very strongly any renegotiation of NAFTA. This is a trade agreement that's worked for the U.S. and it's worked well for Mexico," said Jon Doggett, the vice president of public policy for the National Corn Growers Association of St. Louis.

## **SAFEGUARDS**

Calderón's top foreign-policy advisor, Arturo Sarukan, told McClatchy Newspapers that NAFTA's safeguard provisions offer a way for Mexico to pursue delaying complete free trade in corn and beans beyond 2008. U.S. tomato growers sought and received similar protections against cheap Mexican-grown tomatoes, he noted.

The Bush administration also has ruled out reopening NAFTA. But some veteran businessmen think that Calderón will find a sympathetic ear for some plan to delay the full opening to corn imports.

"I think they'll work out it out. Maybe they'll put it off a year to let Calderón have some time to get his feet on the ground," said Al Zapanta, the president of the Washington-based U.S.-Mexico Chamber of Commerce. "My sense is there will be an accommodation."

The Ministry of Economy proposed in July to double the quota limit for corn imports because there's so much unmet demand for corn.

In essence, policymakers concluded there are greater benefits to consumers and cattlemen from cheap U.S. imports than from protecting Mexican-grown corn, which isn't produced efficiently and lacks a distribution network.

That leaves Calderón with a dilemma. Election results necessitate help for the south, but there's no easy answer for corn farmers.

"Mexico could have postponed the opening of its market to U.S. corn but chose not to," said Walter F. Morris Jr., an author and anthropologist who lives in the poor southern

state of Chiapas. "Clearly there was more concern over factories in the north than farmers in the south."