

The International Monetary Fund's 'Mexico model' produces starvation

by Carlos Méndez

The following speech was delivered by Carlos Méndez, associate director of EIR's Spanish-language Resumen Ejecutivo magazine, to the Schiller Institute conference "Global Financial Crisis: To Be or Not To Be," on May 17 in Washington, D.C. Carlos Cota Meza, EIR's Mexico City bureau chief, contributed to the research and preparation of the material.

In Mexico, the country so long presented as the great model of the "benefits" of free trade and of the North American Free Trade Agreement (NAFTA), it has now been demonstrated beyond a shadow of a doubt that such theories only serve to loot and, above all, to deliberately destroy the physical economy, the truly productive economy upon which the survival and growth of the population depends.

In the case of Mexican agriculture, which was not especially developed but which was growing little by little, the destruction occurred through the classic free-trade combination of raising interest rates and reducing credit, and raising the prices of agricultural inputs, keeping the prices of products artificially depressed, and opening up the borders to imports which came in at prices lower than those same products were produced domestically. Once national agriculture is destroyed, the country lacks the money to import food, and starvation begins to spread.

When the financial crash occurred in Mexico last December, what collapsed was not merely the "Mexican model," but the whole free-trade model imposed everywhere through such instruments as the International Monetary Fund (IMF).

Here, we are going to look at what has occurred in Mexican agriculture in just the 12 years that this model has been imposed. The assessment of what has occurred in this sector in Mexico is conclusive: For the first time in decades, the Mexican government has officially acknowledged that there are areas of starvation in the country—not of poverty or even extreme poverty, but outright starvation.

And this is not something only happening in Africa, thousands of miles from the United States, but just on the other side of the U.S. border. And this catastrophe implies not only the spread of epidemic disease and genocide, but also violent social explosions, which will not be kept out of the United States by concrete walls along the border.

Twelve centers of starvation

In February, when President Ernesto Zedillo announced the Family Food and Nutrition Program (not yet in effect), he officially recognized the existence of 12 zones "with serious nutritional problems" (see **Map**).

These zones are largely inhabited by Indian populations in which malnutrition and high infant mortality are already endemic. And yet, looking at the accompanying map, we see that hunger in Mexico has reached pandemic proportions and does not distinguish between Indians, peasants, and small property-owners, as is now occurring in the Lagunera region of Coahuila and Durango states. The 12 regions include:

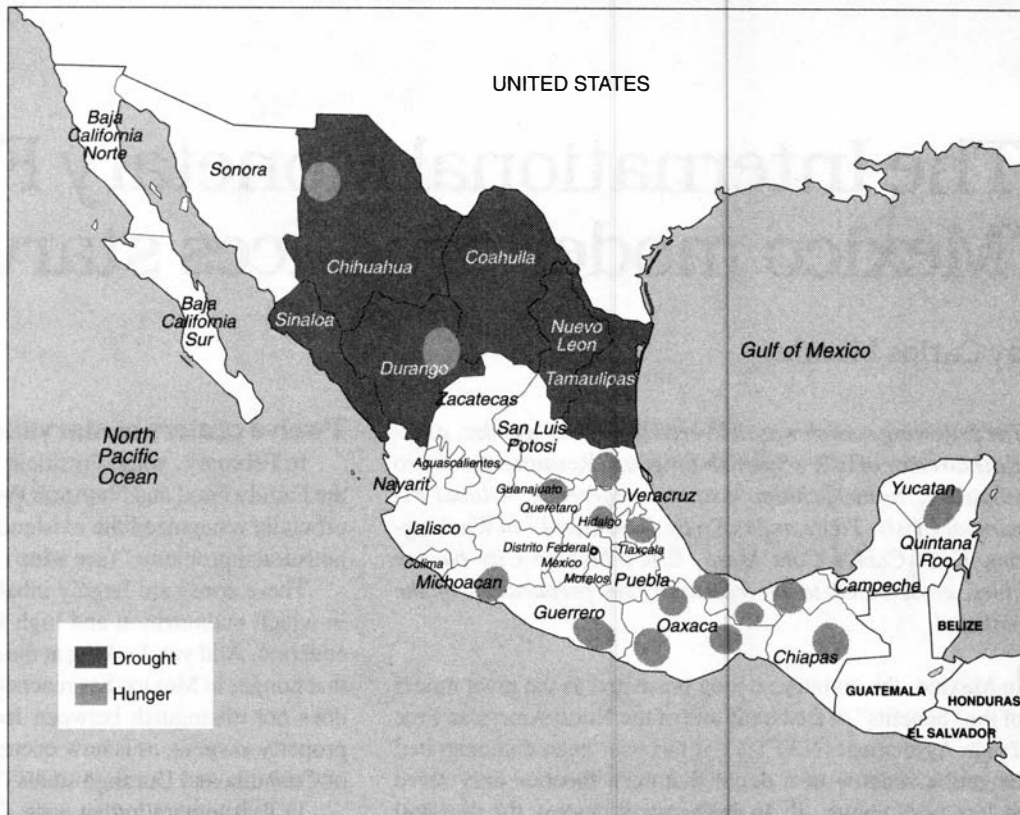
- 1) Tarahumara Indian zone, Chihuahua.
- 2) The highlands of Chiapas.
- 3) Montana, Tierra Caliente, Costa Grande, and Costa Chica, Guerrero.
- 4) Huasteca and Otomi-Tepohua region, Hidalgo.
- 5) Purepecha plateau and Tierra Caliente, Michoacán.
- 6) Sierra Norte, Mixteca, and Sierra Negra, Puebla.
- 7) Triqui, Sierra Mazateca, and Mixteca zones, Oaxaca.
- 8) Sierra Gorda, Querétaro.
- 9) Chontalpa and Costa regions, Tabasco.
- 10) La Huasteca, Los Tuxtlas, Zongolica, Sierra de So-teapan, and Valle de Uxpanapa, Veracruz.
- 11) Laguna region, Coahuila and Durango.
- 12) Maya zones, Yucatán and Quintana Roo.

Although officially, President Zedillo's program is supposed to meet the needs of some 2 million "high risk" families between now and the year 2000, the situation is much more serious. According to the daily *Reforma* on March 16, government sources have indicated that if contingency measures are not taken quickly, these 12 regions will begin to face starvation in the coming months due to a resurgence of the crisis, because "the population there is eating its last products, without any possibility of recultivating them, given the lack of resources to buy, sow, and deal with the drought."

This is truly the situation. As the result of 12 years of IMF free-trade lunacy, Mexico has already reached the point of lacking the resources to sow what it needs, to confront the drought, or to buy food abroad.

Severe droughts like the one Mexico is currently suffering have happened many times in the past. The difference is

Hunger spreads as Mexico crisis is aggravated by drought



that the last 12 years of disastrous economic policies have eliminated the resources for dealing with the drought. That is, at the current time, Mexico has no food reserves, it is not producing what it needs, and it has no money to buy food. Its dams do not have sufficient water reserves, because nothing has been done over the past 12 years to maintain them, much less to have built the new hydraulic works that the country has required for decades.

The process of destruction

The process of destruction began in 1983 with the government of President Miguel de la Madrid, who simultaneously imposed policies of punctual payment of the foreign debt, IMF genocidal austerity, and the commercial “opening” demanded by NAFTA—although the formal signing of the latter was done by President Carlos Salinas, who continued and intensified the same free-trade policies.

Between 1985 and 1991, Mexico removed customs tariffs—licenses and quotas—on more than 10,000 products that it imports. The average tariff fell from 47% to 9%. In 1985, De la Madrid announced even more radical measures of trade liberalization, together with a general opening-up of the economy (and in November of that year, Mexico entered the General Agreement on Tariffs and Trade). In November 1987, De la Madrid signed a trade agreement with the United States, the last stepping-stone to NAFTA.

With the debt crisis in late 1982, agricultural investment came to a complete halt. The hydraulic works that were in

process ground to a halt as well, and no new work was begun. According to official statistics of the Mexican Agriculture Department, public spending on the agricultural sector between 1980 and 1991 fell by 72%, while state credit to the rural sector practically disappeared altogether.

The result of this can be seen in the **Table**.

Today this situation is worse. In the six states of the republic most affected by the drought, a loss of 5 million hectares that were to have been cultivated in the 1995 spring-summer cycle, was reported.

- Tamaulipas: The Rio Bravo Agricultural Association

Mexico dependent on food imports, cumulative total 1988-94

Product	Millions of tons			(4) Imports as % of Consumption 2/3
	(1) Production	(2) Imports	(3) Consumption 1/2	
Rice	2,796	728	3,524	21%
Beans	7,308	520	7,828	7%
Corn	103,833	14,000	117,833	12%
Wheat	27,246	5,318	32,564	16%
Soy	4,133	15,564	19,697	79%
Cotton (seed)	1,540	981	2,521	39%
Sorghum	32,281	18,345	50,626	36%



In 1993, the Permanent Forum of Rural Producers organized protests against government and International Monetary Fund-dictated policies. The failure to reverse such policies has led to areas of starvation appearing across Mexico. Here, PFRP leaders demand an end to farm foreclosures.

reports that the sorghum, corn, and cotton harvests are in danger of being lost. Six municipalities have been declared "agricultural disaster zones" due to lack of water and spread of pests. At least 900,000 hectares of crops have been damaged to date, and the Tamaulipas Regional Cattleman's Union has warned that the situation could become even more chaotic, since meat and milk production have been severely affected by animal weight loss and high mortality rates, as yet unquantified.

- **Nuevo León:** Producers here calculate that at least 500,000 hectares on which a variety of basic crops have been sown, have been badly damaged; in addition, 30% of the area planned for cultivation has been abandoned. After 16 months without rain, the state government has declared a state of emergency. Of the three dams in the state, the largest, El Cuchillo, is running at only 15% of capacity; the second, Cerro Prieto, is at 30%; while La Boca is at 40%.

- **Coahuila:** At Comarca Lagunera, the Lázaro Cárdenas and Francisco Zarco dams are running at less than 30% of capacity. In the northern part of the state, 18,000 cows died in just four days, bringing the total of dead animals to 30,000. And, in areas totally dependent on rainfall (i.e., without irrigation), farmers planted only 322 hectares out of 50,000 originally planned. The small property owners of Coahuila indicated that around 400 hectares sown with basic crops are showing damage and losses.

- **Durango:** Small landowners and cattlemen report losses of 700,000 hectares of crops, and over 20,000 head of cattle dead. Inhabitants of many towns have begun to emigrate in search of food.

- **Chihuahua:** The state agricultural department reports

that, on average, most dams are running at 30% of capacity. The health secretary estimates that especially in the mountains, hunger and the number of deaths by starvation will increase markedly. Farmers and small landowners in the Juárez Valley estimate that total or partial damage is 1.5 million hectares. The state's economic crisis, aggravated by the drought, is so bad that even members of the Mennonite community, characterized by their affinity for hard work, are leaving their lands and other assets behind to emigrate to other countries.

- **Sinaloa:** Water shortages in the state's nine dams have caused a 35% reduction in the area sown with basic grains. The National Water Commission reports that there is only enough water to meet the population's needs during the summer, a season characterized by temperatures of 40° centigrade and above. The Sinaloa Confederation of Agricultural Associations (Caades) estimates that almost 1 million hectares have been damaged due to lack of water.

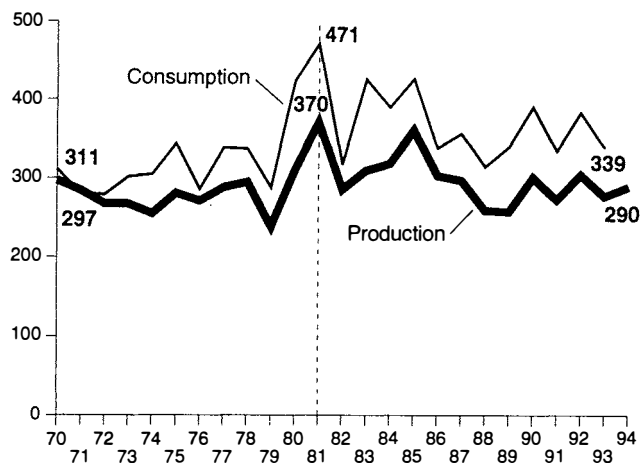
In the face of such a catastrophic situation, the government's response has been merely administrative, expressed through Agriculture Secretary Francisco Labastida Ochoa. The minister has explained that aid to the affected zones will arrive as soon as the details of an "Emergency Program Against the 1995 Drought" are formalized.

A dire emergency

As we showed in "Mexico's Physical Economy, a Victim of the Debt Cancer" (see *EIR Special Report*, "The Debt Bomb Explodes . . . Again," Jan. 27, 1995), grain production between 1981 and 1994 fell 22% per capita, although imports partially compensated for the drop in consumption levels.

Grain consumption and production

(kilograms per capita)



During the Salinas de Gortari government, food imports rose from a value of \$1.8 billion in 1988 to \$71.2 billion in 1994. It's clear that after the Christmas 1994 financial debacle, in which the peso collapsed and Mexico's foreign currency reserves were nearly depleted, there will be no more food imports, making consumption totally dependent on whatever can be produced inside the country. In the most important categories, this means an almost immediate fall of 10-20% in total food consumption.

But what is the state of national food production after six years of Salinas's demented policies? From 1988 to 1994, the area under cultivation nationally dropped by 9.959 million hectares. The government argues that corn was sown on some of this land, but the truth is that production of other basic grains required for Mexicans' daily diet ceased. Cumulatively, Mexico imported 21% of its total rice consumption. Despite the fact that the country is self-sufficient in bean production, 7% of its total consumption during this period was imported. There were record corn crops and an increase in the number of hectares under cultivation. Nonetheless, 12% of its corn consumption was imported, which means that, overall, Mexico imported the equivalent of one year's production (see **Figure**).

Wheat imports were 16% of total consumption over six years, a volume equal to the record 1985 crop of almost 5 million tons. As for soybeans, the equivalent of 79% of total consumption over six years was imported; and 38% of the national sorghum consumption was imported (see chart).

Even with a drop in the area under cultivation, fertilizer consumption per hectare stagnated between 1981 and 1991, and in 1992, the state fertilizer company Fertimex was privatized; compare this to the period between 1970 and 1981 when

the fertilizer consumption rate increased by 38%. National seed production has virtually collapsed, dropping by 75% over the past six years.

Agricultural economist José Luis Calva estimates that during the just-concluded 1994-95 autumn-winter season, production of eight basic grains dropped by 60%—from 11.3 million tons to 4.5 million tons. He predicts a further 20% drop in the area under cultivation for the 1995 spring-summer season due to the economic crisis and the drought. (If we assume that the 5 million hectares already affected by the drought were a part of the 13.7 million hectares sown in 1994, this would mean that there has already been a loss of more than 30% of arable land.)

Salinas sowed hunger

At the Agricultural Development Forum organized by the Mexican Senate, Agriculture Secretary Labastida Ochoa admitted that "in the last two decades there has been no increase in land under cultivation." He added that of the 24 million people who live in the countryside, "18 million live in poverty, and of these, 6 million live in extreme poverty."

According to research by the University of Chapingo, 45.2% of all rain-fed cultivated land, and 35.6% of irrigated land under cultivation, is used to grow corn. Data provided by the National Institute of Statistics, Geography, and Information (INEGI) indicate that 92% of all corn producers (2,249,598 Mexicans) work on holdings of less than five hectares, and 96% of them receive only the daily minimum wage or less. (This sector of the population produces only for its own consumption, or for very modest and precarious marketing.)

It is clear that this sector of the population is helpless in the face of higher prices for herbicides, fungicides, insecticides, and fertilizer, all of which increased by 54% in the month of March alone! The prices of machinery and equipment have increased by 25%, and interest rates on loans by over 100%.

The higher prices of inputs are destroying small property-owners who had maintained a semi-industrialized production with decent rates of productivity. The attack on this layer of producers will force the entire productive and reproductive cycle to break down at its weakest point, causing thousands of deaths by starvation. In urban centers, higher food prices and scarcity will result.

According to the May 12 issue of the daily *Excelsior*, in exchange for compliance with the IMF-World Bank accords, the creditor bankers are prepared to offer all the assets seized this year through foreclosures on producers—including commercial, industrial, residential, tourist, and agricultural properties—on the so-called "global market." The U.S. company La Salle Partners has been chosen by the country's top banks, including Banamex, Serfin, Inverlat, Bancentro, Banoro, and Banco Mexicano, to conduct a confidential auction of these properties on Aug. 11.

As can be seen, starting in the spring of 1995, death by starvation is once again showing its face to Mexicans.