

Ethanol, Free Trade in Mexico Augur Inflation, Starvation, Mass Migration

by Dennis Small

Have you ever eaten a Mexican *tortilla*?

Odds are you have. . . or what passes for a tortilla in the fast-food demiworld of *tacos* and *burritos*.

But Mexicans—all 107 million of them—eat the real thing every day. In fact, according to Mexican press accounts, Mexicans are estimated to eat a staggering 630 million tortillas *a day!* The tortilla—a kind of thin, unleavened flat bread, made from finely ground maize, or corn—is *the* staple of the Mexican diet, especially for the 50 million Mexicans who are officially living in poverty. Tortillas are the source of 47% of the calories consumed by Mexicans, and along with beans, are pretty much the only thing that most poor Mexicans really eat.

Even so, under the auspices of NAFTA—the flagship free trade accord negotiated by George H.W. Bush and Mexican President Carlos Salinas de Gortari, and put into effect by the two countries and Canada in 1994—Mexican agriculture has been devastated, as have overall consumption levels. For example, average annual tortilla consumption dropped from 140 kilos per capita in 1996, to 104 kg in 2006, a 25% plunge.

With that summary picture in mind, what do you think

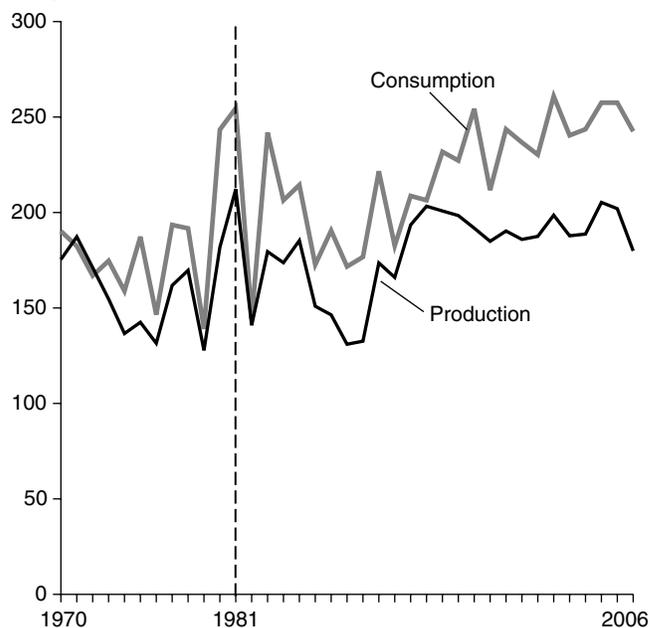


Corn tortillas are the staple of the Mexican diet, especially for the poor, but prices are soaring, in part as a result of the global ethanol craze. And the Calderón government wants to make production of more ethanol a national priority—taking food out of people's mouths.

would happen if the price of tortillas in Mexico rose by 50%? Well, that's what just happened, in a period of less than two weeks at the beginning of 2007. A kilo of tortillas which cost 6.5 pesos (about 60 cents) at the end of 2006, leapt to 8 pesos a kilo on Jan. 6, and to 10 pesos on Jan. 9. In some parts of the country, prices have been reported as high as 20-30 pesos per kilo. It is widely expected that the average national price will go up to 13-15 pesos per kilo by March. *That will mean a doubling in the price of Mexico's most basic food staple, in three months time.*

The response of the government of Felipe Calderón, who took office on Dec. 1, 2006, has been both psychotic and criminal. The former, because it is so totally dissociated from the elementary physical economic reality facing Mexico; the

FIGURE 1
Mexico's Corn Production and Consumption
(Kilograms per Capita)

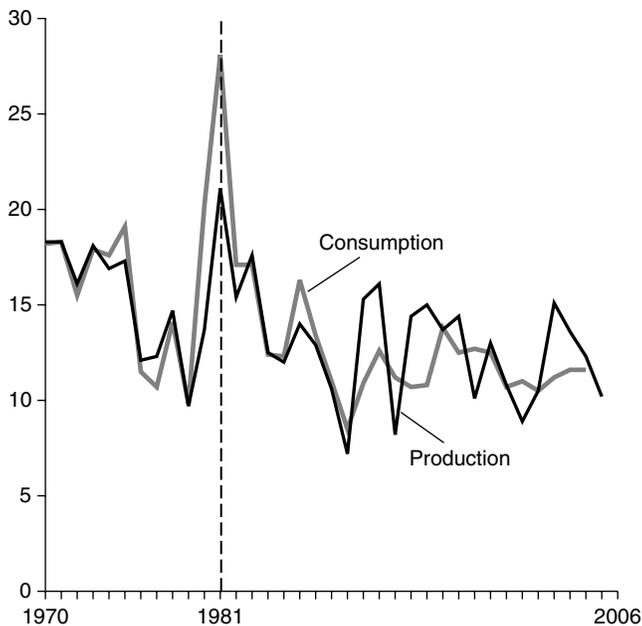


Source: FAO

FIGURE 2

Mexico's Bean Production and Consumption

(Kilograms per Capita)

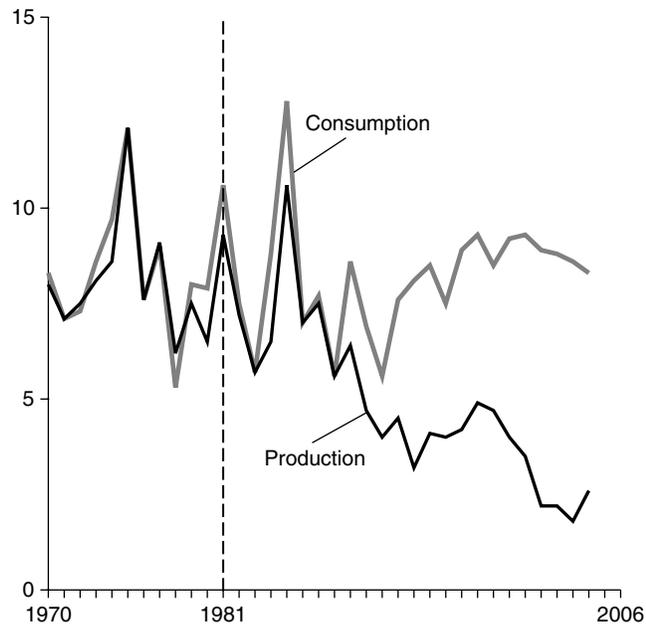


Source: FAO

FIGURE 3

Mexico's Rice Production and Consumption

(Kilograms per Capita)



Source: FAO

latter, because of the foreseeable genocidal consequences for the vast majority of Mexicans, millions of whom will face dramatic hunger and/or attempt to flee across the border to the United States as economic refugees, just to keep themselves and their families alive.

The Calderón government's response in the tortilla affair has been two-fold:

1. They quickly blamed the skyrocketing price of tortillas, and corn on which it is based, on the world ethanol boom and the consequent leap in demand for corn (see articles in this *Feature*). But rather than protect Mexico from this madness, the Calderón government jumped boldly into the abyss. Agriculture Secretary Alberto Cárdenas argued that "the Mexican countryside urgently needs competitively priced corn and sugar cane in order to produce ethanol," according to the Mexican daily *Excelsior*. "Mexico needs to cultivate at least one million hectares of that grain [corn] in order to satisfy the demand that will be generated by bio-fuel plants," officials calculate. Juan Camilo Mouriño, head of the Office of the Presidency, elaborated that ethanol would be a top priority in the administration's national development plan, as a way of dealing with "the lack of employment in the agricultural sector."

The Calderón government's decision to jump into bed with the bio-fools was *not*, however, the result of the latest price run-up. Back in October of 2006, before he was even

sworn in as President, Calderón traveled to Brazil and Canada to announce that Mexico would be moving into bio-fuels, big time.

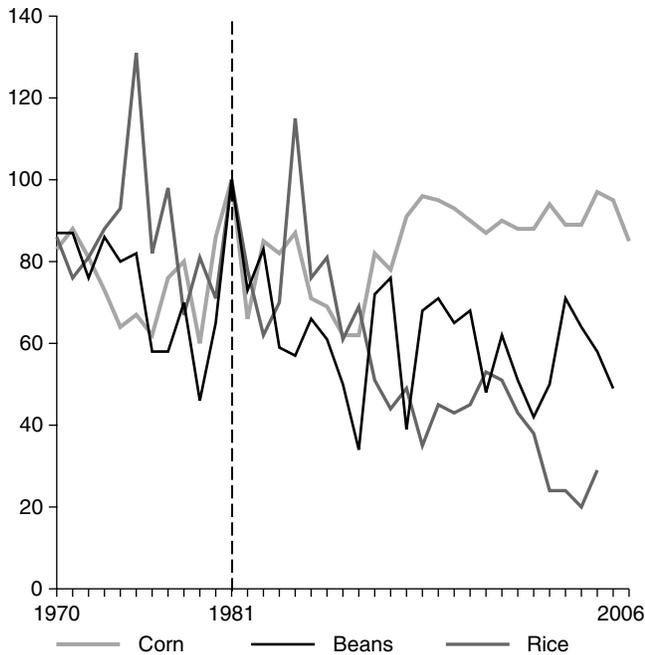
The utter insanity of Mexico—one of the world's great oil producers—switching to corn to produce ethanol, when its own population is so hungry, and depends so totally on corn tortillas to provide minimal nutrition, has not been lost on Mexicans. Víctor Suárez Carrera, director of the National Association of Marketing Companies (ANRC), denounced "neo-liberal economic policies" for decimating agriculture. "There isn't enough supply to meet demand, but authorities should focus their policies on production for *human consumption*, rather than for biofuels."

2. The Calderón government's second policy decision was to refuse to apply price controls in the face of the out-of-control speculative spiral, arguing that this would "discourage production." "Market forces"—i.e. criminal speculators—will be allowed to continue to rule. Rather than price controls, or steps to increase output, Economics Minister Eduardo Sojo announced the immediate lifting of restrictions on corn imports, purportedly to allow more foreign corn (principally from the United States) to enter the country and lower the price that way. The only real-world effect this decision to open the flood gates will have, is to bankrupt the 2.2 million Mexicans still engaged in corn production. Half of Mexico's cultivated land is dedicated to corn production, so the eco-

FIGURE 4

Mexico's Corn, Bean, and Rice Production

(Index 1981 = 100)



Source: FAO

conomic and social consequences of such a free-trade tidal wave are unimaginable.

Free trade under NAFTA has already gone a long way to wiping out Mexico's agriculture. In the decade since its adoption in 1994, NAFTA has helped wipe out 2 million jobs in the Mexican countryside, contributing significantly to mass emigration: There are now about 12 million Mexicans residing in the United States. As PRD congressman José Antonio Almazán González stated in early January:

"The crisis we are facing, regarding tortillas, is the crisis of the Mexican countryside, because before neo-liberalism, Mexico was self-sufficient in food. What does that mean? That the beans, the rice, the tortillas—the things we eat—we produced them. And with the Free Trade Agreement, that all ended. And that is the deeper explanation we have for this matter of the criminal increase of the price of tortillas, which the government wants to ignore."

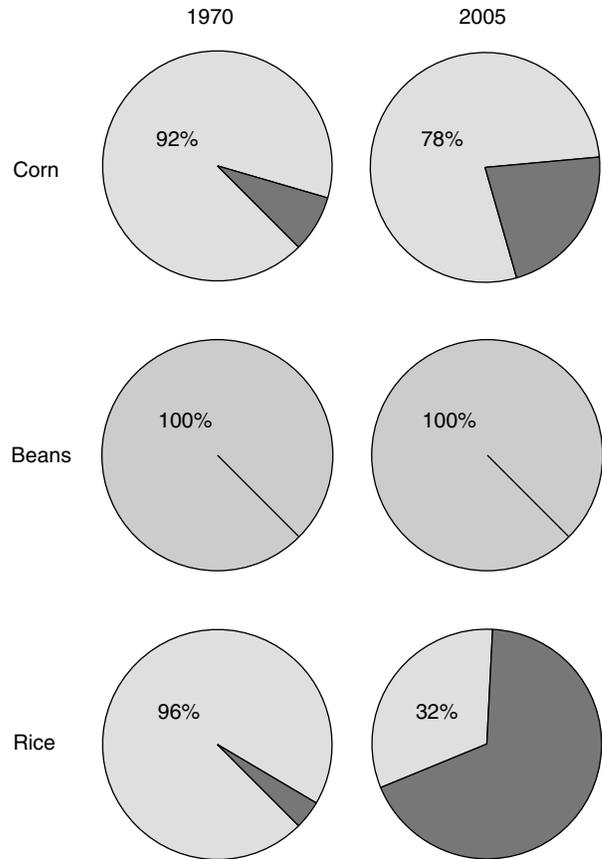
Enter Venice

Congressman Almazán's remarks point to a deeper issue.

Under the terms of NAFTA, rice, soybeans, and wheat each became totally free of Mexican tariff restrictions in 2003, following a nine-year transition to trade liberalization. Over those nine years, Mexican production of those crops was wrecked, with rice being particularly devastated—as we will

FIGURE 5

Mexico's Production of Corn, Beans, and Rice as a Percentage of Consumption



Source: FAO.

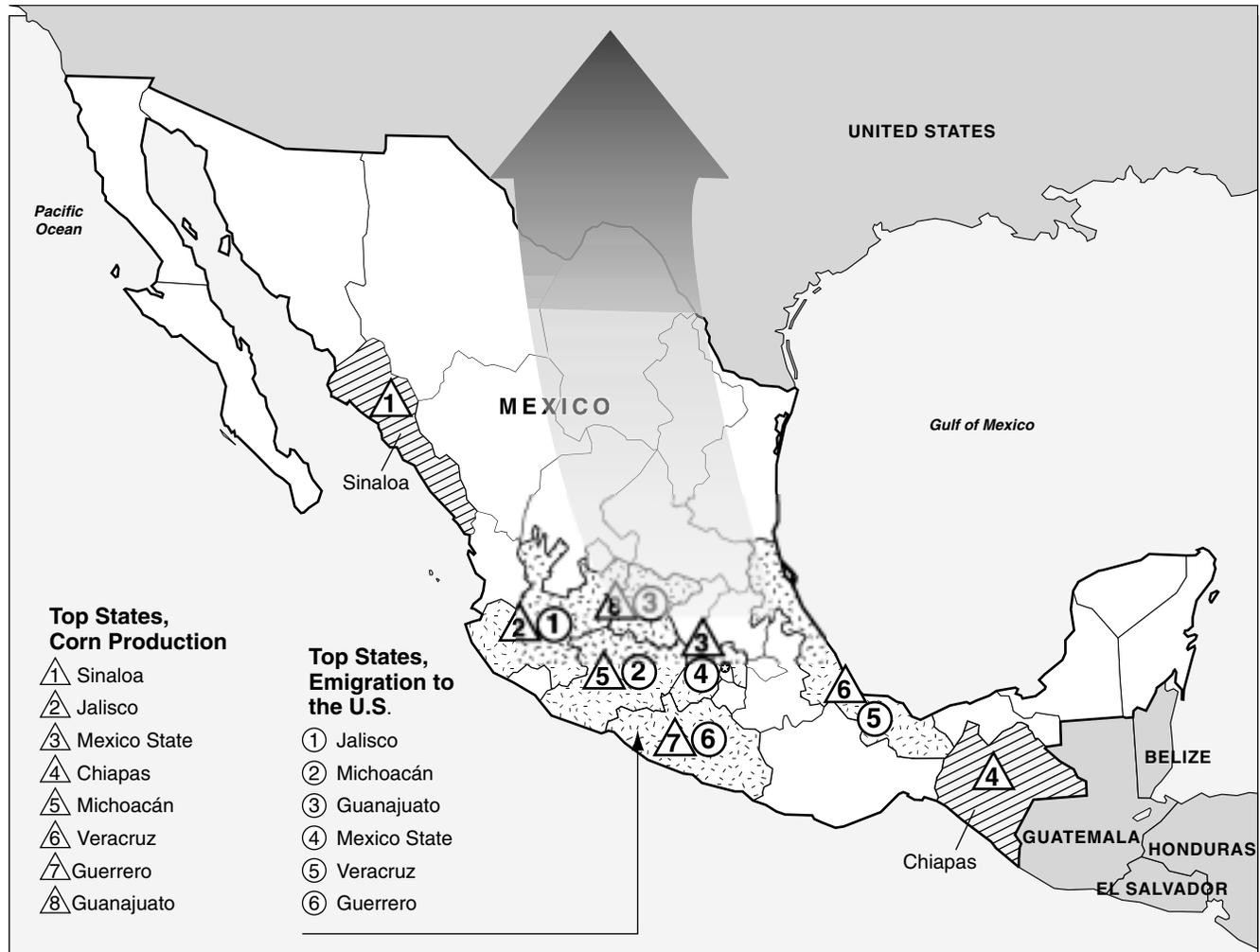
document below.

Corn and beans, however, the staples of the Mexican diet, were excluded from that deadline in the 1994 NAFTA accord, because, in the words of a May 2004 U.S. Department of Agriculture study, "It was widely believed that a sudden opening of the Mexican corn market to U.S. exports would be extremely disruptive, displacing many small-scale corn producers in Mexico and forcing them to migrate to other job opportunities in either Mexico or the United States." The transition to free trade in corn and beans was given 14 years rather than 9—but D-day, Jan. 1, 2008, is rapidly approaching.

There is enormous political opposition in Mexico to accepting this looming deadline, which is widely viewed as the death sentence for Mexican agriculture. But with tortilla prices now skyrocketing out of reach of most Mexicans, there are powerful international forces which are trying to orches-

FIGURE 6

Mexico: Corn Production and Emigration to the United States, 1995-2000



Source: INEGI (Mexico).

trate a clamor in the country to bring in cheaper imports *now* from somewhere, anywhere, to bring down prices.

Who are the big players in the tortilla market in Mexico? A staggering 85% of the corn flour industry in Mexico is controlled by a single company, Maseca. Maseca's owner is Roberto González Barrera, who also controls Mexico's fourth largest bank, Banorte. He is perhaps best known inside the country as the businessman who helped the hated former Mexican President Carlos Salinas de Gortari flee the country in González Barrera's private jet in March 1995. But González Barrera has a far more sinister—and important—*foreign* connection that has been little noted, outside of these pages (see *EIR* of July 2, 2004).

González Barrera is on the General Council of Assicurazioni Generali, the powerful old-money Venetian insurance gi-

ant which, among other things, financed Mussolini's rise to power in Italy. Assicurazione's General Council reads like a *Who's Who* of Europe's oldest and dirtiest money interests. No mere local banker joins that body, unless he is playing Venice's game, in which *they* call the shots.

González Barrera may have a stranglehold on Mexico's tortillas, but his international fame stems from his mastery of what Citigroup's SmithBarney refers to as "the loan recovery and administration business of non-performing loans"—i.e., buying up heavily discounted bad loans, and then collecting like a mafia loan-shark. As SmithBarney noted with respect in a 2004 report, Banorte has an "average recovery ratio of 40% of face value [on the bad debt]. In this particular business, return on investment on many of these assets has been more than 100%."

What Awaits

To get a better idea of what may come from the present tortilla crisis and related ethanol hoax in Mexico, consider the recent history of Mexican agriculture, as portrayed in the following series of graphs, covering the period 1970 to the present. Note that the International Monetary Fund imposed devastating economic conditionalities on Mexico, beginning in 1982, whose results are evident in these graphs.

Figure 1 shows the evolution of Mexico's per capita corn production and consumption. After reaching a high of 212 kg per capita in 1981, corn production has stagnated, with 2006 production of 180 kg per capita being 15% less than 25 years earlier. The only way that per capita consumption levels have not declined, is by importing growing quantities from abroad. Today, almost a quarter of national consumption is imported.

Figure 2 shows what has happened to beans, where 1981's per capita production of 21.1 kg had been halved by 2005. Here, imports have not been as significant, and so consumption has mirrored the production drop.

Rice is the real horror story, as **Figure 3** shows plainly. In 1981, per-capita production was at 9.3 kg, but it had plummeted to 2.6 kg by 2004—a more than 70% collapse. Foreign imports meanwhile flooded Mexico, so that the per-capita consumption of rice “only” dropped by 22% in that same period. Imports now make up about 70% of national consumption, according to FAO figures—although statistics provided by Mexican rice producers put the figure at 80%.

Under NAFTA, rice imports were totally freed up as of 2002. That is what is slated to happen to corn and beans as of Jan. 1, 2008.

As Heladio Ramírez, the president of the National Peasant Confederation (CNC), put it in 2005: “NAFTA has done more damage to the Mexican countryside than a hurricane, because rice nearly disappeared as a productive sector; and NAFTA now endangers millions of producers of corn, beans, and sugar cane, because the trade agreement establishes that in 2008 Mexico will be invaded by foreign production.”

Figure 4 summarizes the production trend for the three crops, indexed to their 1981 levels: corn dropped by 15%, beans by 51%, and rice by a whopping 71%. **Figure 5** tells the respective stories of the diminishing role of national production in domestic consumption.

One of questions one is forced to ask upon reviewing this summary picture, is: What will happen when the Mexican corn sector receives the “rice treatment”—which is now slated to happen not on Jan. 1, 2008, but *now*, as a result of the ethanol/tortilla crisis?

What will happen as foreign corn imports bankrupt the remaining 2.2 million impoverished Mexican corn producers? What will happen to tortilla consumption, as millions of hectares of corn are turned over to the ethanol lunacy? What will happen as the price of tortillas continues to sky-



LaRouche Youth Movement organizers constructed a nuclear cooling tower as their costume, for organizing in Mexico City last year. Now, their theme is, “Only nuclear energy will save your tortillas!”

rocket thanks to Venetian-run speculators? Consider the fact that back in 1999, the year that the Mexican government formally abandoned price controls on tortillas, a kilogram of tortillas could be purchased with about 1% of the minimum wage, whereas at the end of 2006 that same kilo required 20% of the minimum wage. What will happen as the price of tortillas doubles, and it takes 40% of the minimum wage to purchase a kilo?

Now look at the map in **Figure 6**. About half of all Mexican emigrants to the United States—legal and illegal alike—come from six states in the center of the country. Those same six states are also among the country's top eight corn-producing states, and the six jointly produce 49% of the country's corn. Two other leading corn states, Sinaloa and Chiapas, produce another 14% and 10%, respectively.

Just what do you think is going to happen—to Mexico, and to the United States—if the lunatic ethanol and free trade policies continue to be implemented?

Better to go nuclear and put an end to the era of globalization. As the LaRouche Youth Movement is telling people in the streets of Mexico: “Only nuclear energy will save your tortillas.”