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THE COMPLEX NO-POLICY OPTION: U.S. AGRICULTURAL RELATIONS WITH MEXICO

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ABSTRACT

U.S. agricultural relations with Mexico have become more important in recent years, due to the increasing importance of basic grains imports to the Mexican food system, the ascendance of Mexico as the leading Third World trade partner of the United States, and the significant trade disputes that have complicated the "special relationship" between the two countries. In 1982 and 1983 the growing agricultural relationship suffered further difficulties, when Mexico slipped into a major economic crisis affecting its import capacity, and, ultimately, its ability to buy food for its population. The U.S. response to the Mexican crisis focused on the immediate needs of the export market, but failed to address critical questions of the bilateral relationship, in the context of general international trade and trade-finance dilemmas.

This paper concerns itself with a description of the structural and policy framework of U.S.-Mexican agricultural relations, the institutional setting of U.S. agricultural policy, and the complications of crisis response in U.S. policy toward Mexico. The principal argument of the paper is that the United States and Mexico view agricultural relations differently along a number of dimensions. The United States is market-oriented and prefers a low state profile; Mexico has had significant state intervention in agricultural growth and trade for decades. The United States views agricultural relations as a trade matter; Mexico sees the bilateral relationship as part of a linked set of issues relating to food security and agripower. The United States links agricultural relations and the Mexican economic "bailout" package of 1982-83 to general trade issues of "graduation" and institutional participation in the General Agreement on Tariffs and Trade. Mexico rejects this linkage, as well as the general institutional environment of U.S. trade policy.

In addition to analyzing differences in political perception of the bilateral agricultural relationship, this paper argues that due to the absence of strong and durable institutional settings for agricultural relations between the U.S. and Mexico, the United States makes policy in an institutional vacuum, concentrating on ad hoc responses to Mexican demand and other domestic and international pressures, and abjuring more long term policymaking. The paper concludes that the U.S. responds to its most important Third World trade partner flexibly, but without much underlying commitment to set policy or to create institutional avenues for ongoing negotiation. Hence, the complex no-policy option takes the place of an institutionalized bilateral process.

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Four nations account for 39 percent of United States agricultural trade.[1] Three of them, Japan, Canada, and the Netherlands, are industrialized nations, members of the Organization for Economic Cooperation and Development, and signatories of the General Agreement on Tariffs and Trade. The fourth, and most recent entrant into the hierarchy of commodity trade relations with the United States is Mexico. Until its recent economic crisis Mexico was the third largest overall market for exports from the United States and the third largest agricultural trade partner. As a major commercial partner of the United States, and as a so-called newly-industriaLized country (NIC), Mexico stands apart in substance and in political position from its Third World associates. Its proximity to the 2,000-mile southern border of the United States also marks it as a "special case" in U.S. foreign policy toward the Third World. Mexico "interacts" with the United States through trade, direct foreign investment, cultural interpenetration, and migration to a much greater degree than other Latin American countries.

Mexico's "special" position in the hemisphere and in United States-Latin American relations has become a permanent part of bilateral political discourse. The "special relationship"--regarded more ruefully as inescapable by many Mexicans--has also created or sustained a degree of tension between the two neighboring countries. Mexico's late decision not to enter the GATT after participating in the Tokyo Round Multilateral Trade Negotiations marked its preference for bilateral relations unencumbered by multilateral conventions designed by the advanced industrial nations of the West. Nevertheless the GATT decision still rankles

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in United States' policy circles as evidence of Mexico's political "immaturity."[2] Mexico occupies the anomalous position of being a leader of Third World industrial growth and trade expansion and a major trade partner of the United States while staying on the institutional fringes of the international trade system.

Mexico's unique position is complicated by circumstances of debt, foreign exchange instability, a sharply-reduced import capacity in 1982-1983, and the economic stabilization program presided over by the current presidential administration of Miguel de la Madrid, together with the transnational commercial bankers and the International Monetary Fund. Mexico has a uniquely bilateral trade bill--it sends over two-thirds of its exports to the United States and imports an even greater proportion from its northern neighbor[3]--has forced agricultural trade to the forefront of the bilateral agenda in 1982-1983. This has been accompanied by all the usual inequalities of power and uncertainties about the shifting division of labor. The trade-finance link which has surfaced for the first time in the current crisis has involved new actors in the bilateral agricultural relationship and has shifted many of the multilateral concerns of the international financial community to the United States system. At the same time, due to the conjunctural circumstances of the United States economy, convergent interests between the two nations are perhaps also gaining more attention than usual. The salutary possibilities of such increasing attention are of course complicated further by longstanding tensions between the United States and Mexico.

In addition, bilateral agricultural relations have been shadowed in the last five years by growing concern in Mexico over a domestic food crisis. In the Mexican countryside there is a generalized crisis of agricultural employment, income distribution, emigration, and population growth. Future difficulties in feeding the growing rural population with an agricultural base less attentive to their needs and a trade base more constrained by external imbalances suggest a long period of difficulties destined to spill over into the bilateral agricultural relationship.

The statistical evidence of the food crisis--however incomplete--is powerful. The Mexican National Institute of Nutrition has estimated that over 18 million Mexicans fall seriously short of established daily caloric and protein needs.[4] From its very inception, the Sistema Alimentario Mexicano asserted in one of its baseline studies that 90 percent of the rural population, a population of 21 million persons, suffers some degree of caloric and protein deficiency.[5] The Inter-American Development Bank allows that pre-schoolers in the countryside are particularly susceptible to malnutrition through biases in the family distribution of scarce foods.[6] Assuming (only for the sake of illustration) the same proportion of rural-urban population, the rural population could climb from 24.5 million in 1980 to over 32 million in 1990. If current trends continue, one-third of that population will not eat meat or eggs; 37 percent will not eat wheat bread; and 59 percent will never taste milk.[7] While those specific proportions will undoubtedly vary, nothing in recent development experience indicates a resolution of the crisis.

For at least a decade, agriculture has played a central role in the bilateral relationship. Agricultural commodities dominate non-petroleum exports from Mexico to the United States. Conversely, Mexican imports of agricultural commodities are dominated by basic food-grains, oilseeds, and feedgrains that constitute highly variable but truly essential imports to supplement the strained domestic agricultural sector. Mexico, as a new food deficit nation, an importer of basic foodstuffs, a first-year participatn in United States commodity credit mechanisms, and a traditional advocate of agricultural modernization, looks with more than passing interest at the agricultural policy of the United States. On the other hand, the United States, as a major grain exporter whose agricultural sector is increasingly important to gross national product and the trade balance, has an abiding interest in Mexican agricultural trade. Considering the broader "logic" of American foreign policy, including national security issues and development policy, we might expect to find even more interest in creating a stable and growing bilateral agricultural trade under mutually-acceptable circumstances. A likely hypothesis would propose to find commensurate growth in policy coherence within and among United States government actors as Mexican agricultural relations in general become more important to foreign policy.

The thesis of this paper is nevertheless precisely the opposite. This presentation will argue that there is no "Mexico policy" to be found in the United States government; that the absence of such a policy has a certain logic of its own in view of the "special" character of the United States-Mexican relationship; but that the progressive potential for such an intellectually and politically evolved "no-policy option" is unfortunately undercut by deep structural and political factors beyond the purview of the political institutions guiding United States policy.

This analysis will purposely ignore the more iniquitous possibility that the United States does not have a Mexico policy because it does not care enough about Mexico to formulate a policy; or, because it is unwilling to formulate a serious policy toward Mexico until that country accepts the conventions of the GATT and "acts like a mature industrial economy." Nevertheless, interviews with many public officials certainly reveal a scarcely-hidden despair with Mexico's protectionism *cum* export promotion, to which I shall return briefly at the end of the paper. It is easy to find such sentiment in characterizations that range from Mexico's "immaturity" to its "reckless disregard" for "sensible exchange rates" to the "foolish borrowing" that allegedly broke the oil boom pumping cash to agricultural importers. A surprising number of trade policy interviews conducted during the term of this research project came around to a discussion of how Mexico "manipulates" the United States and "takes advantage" of the special relationship, a dynamic encouraged by America's sensitivity to Mexico's importance. The argument to be followed here does not preclude such sentiments from having a certain influence on United States policy toward Mexico. Informal conversation among many officials sensitive to the deeper dynamics of Mexico's society brings out traditional mistrust of the motives and capabilities of the Mexican system. Nevertheless, the bilateral relationship is "special" enough (i.e., durable and deep, if not endearing) and the no-policy option embraced by the United States complex enough to put aside the difficult and unrewarding task of charting subliminal feelings of Yankee superiority in favor of institutional and process dynamics, to which I shall turn momentarily.

A Definitional Digression

Before marking the boundaries of United States agricultural policy we should first stipulate what it means to say that the United States does or does not have a policy. By policy we are here simply talking about a coherent set of principles guiding organized political action in the issue areas defining the bilateral agricultural complex. The limiting words in such a working definition, of course, are coherence and organization. Regarding organization, this paper will show that Mexico and the United States both lack the institutional framework for consistent negotiation over the long-term resolution of the issues and tensions of their agricultural relationship. As far as coherence is concerned, there is no programmatic framework. Nothing, for instance, is comparable to United States agricultural policy toward the Soviet Union or the European Economic Community. The reasons and evidence for that lack of policy coherence should become obvious in the course of this paper. Initially, however, we can identify some of the key elements for the lack of coherence in the bilateral agricultural relationship as reflected in United States policy.

In the first place, Mexico and the United States have serious differences over the definition of agricultural and food policy, which, in turn, reflect radically different historical and institutional commitments to the development of rural economy and society. Such differences range from basic philosophical orientations toward state involvement in commodity price management to the goals of agricultural trade. The literature on agricultural and food policy in Mexico is uneven, but voluminous.[8] Studies of the United States farm economy and its development are even more numerous, and yet more narrowly focused on domestic policy than on foreign trade or policy.[9] The divergence and size of the two intellectual traditions and economies require that we begin our treatment of United States policy toward Mexico with some basic defining assumptions.

First, we must specify that the discussion here deals with <u>agricultural</u> policy, not <u>food</u> policy. The United States does not have a food policy toward Mexico, except as agricultural trade contributes to food consumption in that country. While that may seem a fine distinction, it does limit the way the United States shapes its policies toward Mexico. The United States does have a food policy toward other countries in the Third World. Food aid programs such as P.L. 480 offer concessional facilities for the import of foodstuffs from the United States. Blended official credit is available for certain importers of foodstuffs. And through multilateral development assistance the United States participates in international food policy (e.g., through the World Food Conference, the Organization for Economic Cooperation and Development, and emergency famine relief programs of the United Nations). Mexico, both for its relatively developed agricultural sector, its longstanding cash exchange relationship with the United States, and its "high" level of gross national product per capita ($2,250 in 1981),[10] finds itself ineligible for most concessional aid programs presided over by the United States and its developed country partners. As we shall see in some detail shortly, the United States formally views agricultural relations with Mexico strictly as an agricultural trade problem, however sensitive many officials may be personally to the food question in Mexico.

A related boundary of this paper involves the linkage between agricultural trade and rural development. In Mexico agricultural trade and rural development questions are inextricably intertwined. In United States policy toward Mexico there is no real forum for considering rural development or food security in Mexico. In fact some conservationists in the United States argue that little consideration of United States rural development finds its way into United States domestic agricultural policy in export goods. Throughout the United States government--at least at the level of policy articulation--the general prejudice is to allow international markets to function, and to seriously oppose intervention for the sake of domestic protection, or for broader ecological or developmental goals. While the anti-dumping, countervailing duty, and other safeguards against unregulated trade qualify such market predilections, the United States generally opposes market intervention by the state. Such a predisposition, along with the legislative and economic mandate to promote export markets, quickly disposes of any residual interest in rural development in Mexico.

From this presupposition comes the question of the market itself: What constitutes the market relationship between the United States and Mexico? Normally one would distinguish between national and international markets in a bilateral relationship, a distinction undone by the contiguous economies, and the related "internationalization" of the United States and Mexican agricultural systems.[11] Specifically, for most agricultural imports, the United States price is equivalent to the world price for Mexico because of the lack of alternative importers. From the perspective of regional livestock importers in the United States Southwest feed cattle availability in North Mexico affects investment decisions and feedlot schedules. For the United States producer of winter vegetables crop prices depend on the level of competition from Mexican imports, especially at the beginning and the end of the crop season.[12] In short, the high level of interaction and mutual productive integration in key traded goods between the United States and Mexico undermines the pure concept of national market as traditionally understood.

The concept of the market is also qualified in the United States context by the levels of public intervention in agriculture on both sides of the border. The Mexican government, for the past three decades, and particularly in the days of the Sistema Alimentario Mexicano, has intervened in setting prices, mobilizing inputs, purchasing commodities, distributing food, and other basic activities otherwise considered to fall under the purview of the market. The United States, despite its longstanding reputation for "low stateness" in agricultural development, also intervenes through its various set-aside programs, loan target rates, and export incentives such as the Commodity

Credit Corporation "blended credit" program. Both countries, of course, limit trade through political initiative, whether in the form of import licenses, foreign exchange policy, credit constraints, or the more direct forms of tariff and quality barriers. So when we talk about the market in this paper, it must be understood that the concept has less than its usual academic integrity, when considered in the context of the special bilateral relationship.

Nevertheless, the relationships guiding commodity production and trade between the two countries are still market relationships, not easily amenable to planning at the national level. While this is not intended as a prescriptive statement, a clear conclusion of research on both the United States and Mexican agricultural systems indicates that the agricultural sector is an extremely difficult one to manage. Not only do business cycles undermine whatever planning might exist in a mixed economy, but weather, technology, and the vicissitudes of the international market regularly surprise both the United States and Mexican governments. Therefore, in one of the many contradictions of the bilateral relationship, we find that, as agricultural commodity trade becomes more important to each of the two countries, the market becomes more difficult to manage and production and trade goals more difficult to target.[13]

This combination of factors--increasing trade and productive integration between the two agricultural economies, subtle state involvement in agricultural trade, unequal commitment to rural development as an agricultural policy value, inability to manage the rural sector--along with others still to be described, lead to a bilateral "vulnerability" surrounding the issues and tensions of agricultural policy.[14] Mexico is vulnerable in obvious ways: its food insecurity, its lack of foreign exchange, its aversion to bilateral dependence on an unpredictable partner, and its desire to enhance the conditions of the national rural economy. But, the United States is vulnerable as well: its bank exposure in Mexico, its concern over the political stability of its southern neighbor (however misdefined and misunderstood), and its increasing reliance on agricultural trade as a partial answer to balance-of-trade problems. Such mutual vulnerability offers unique opportunities for a progressive relationship, presuming, for the moment, policy interest and commitment to resolving some of the more immediate concerns in the relationship. The "policy window" offered by such vulnerability, however, is shaded by the fundamental inequalities of the bilateral relationship, the programmatic constraints of the United States policy framework, and more serious underlying conflicts in the national goals of the two countries.

The "sensitivity" to the issues at hand also aggravates the problems of the relationship. The United States is far more "insulated" from these pressing issues that Mexico. For the United States it is a question of market maintenance and enhancement. For Mexico agricultural policy disputes center on the most critical issues of food availability and distribution.

A final point of orientation needs emphasis. In this paper we will discuss tensions and issues in the United States-Mexican agricultural relationship through the special lens of United States agricultural policy. The critical perspective to be adopted does not mean to suggest that specific, identifiable political changes can "solve" the problems attending the United States-Mexican relationship. For all the problems that are the object of United States policy--transport, financing, marketing--deeper questions such as access to markets, import competition, food security elude political solutions available to any set of leaders or institutions currently engaged. To outline the real political framework of United States agricultural policy toward Mexico is to recognize a durable and contentious political agenda without a short-term answer. Conscious of such limits to policy, the purpose of this paper, at least at that level, is to pose the questions more broadly.

Background Considerations in United States-Mexican Agricultural Relations

Mexico and the United States have a longstanding agricultural relationship built on commodity and livestock trade, agribusiness investment, and a transnational agricultural labor force. The depth of that relationship extends back to the settlement of the Southwestern United States frontier in the post-Civil War period, which coincided with the colonization of the Mexican North under the Porfiriato. However, in the 1960s and 1970s, the character of agricultural relations began to change as a result of changing commodity composition, heavy agricultural modernization, and market transformation in both countries. The result has been a highly integrated agricultural trade, investment, and policy network. The principal features of this phenomenon both irritate and nurture populations on both sides of the border.

The first element of the changing agricultural landscape in the United States-Mexican context is the expansion of commodity trade (Tables I-III). The total value of agricultural trade with Mexico has skyrocketed over the past decade from $668 million in 1970 to $2.6 billion in 1982, figure much reduced by the economic crisis from the peak year 1981 value of $3.7 billion. As Table I shows, Mexico has sold in excess of $U.S. 1 billion in agricultural commodities and livestock to the United States since 1977. Likewise, the United States has increased its exports to Mexico apace at the same rate. In recent years, United States exports to its southern neighbor have exceeded $2 billion, and total agricultural trade with Mexico threatens to surpass $4 billion mark in this decade. As a result of this dynamic and relatively regular trade, Mexico has become an increasingly important trade partner for the United States accepting 7 percent of total United States agricultural exports in 1981 and 6.3 percent of basic grain exports.[15] The realization that Mexico is under more normal circumstances the third largest agricultural trade partner of the United States reveals a number of issues to be considered in more detail shortly.

TABLE I.

NOMINAL VALUE OF U.S.-MEXICAN AGRICULTURAL TRADE, SELECTED YEARS, 1970-1982

(1000 $U.S.)

Year	U.S. Exports	Mexican Exports
1970	138,932	526,593
1975	851,455	583,602
1980	2,003,266	1,197,435
1981	2,723,234	1,075,166
1982	1,493,249	1,119,949

SOURCE: USDA, Foreign Agricultural Trade Statistical Report, various years.

TABLE II

VALUE OF KEY U.S. AGRICULTURAL IMPORTS FROM MEXICO, 1960-1982

(1,000 1967 dollars)

Year	Coffee[a]	Straw-berries	Tomatoes	Citrus Fruit	Other[b] Winter Vegtbls	FOJC[c]	Dutiable[d] Cattle	Feeder[e] Cattle
1960	59,934	3,326	21,066	1,236	6,394	---	31,566	n.a.
1965	66,189	8,763	29,813	3,940	9,775	---	37,014	n.a.
1970	64,789	13,429	83,343	3,225	35,032	n.a.	72,046	n.a.
1971	58,160	9,673	75,826	5,805	38,694	n.a.	58,709	56,639
1972	50,679	9,677	69,703	3,965	33,426	n.a.	71,531	91,030
1973	68,285	11,804	64,091	4,495	33,518	n.a.	61,856	n.a.
1974	58,092	12,641	35,037	4,316	23,307	1,117	61,298	32,067
1975	49,691	11,055	32,849	3,982	19,514	772	10,549	12,454
1976	126,291	5,546	34,743	3,188	25,056	349	20,522	30,621
1977	215,120	11,266	76,455	7,168	35,230	4,389	37,186	40,294
1978	125,[illegible]	8,685	76,913	4,809	57,376	4,153	45,586	59,971
1979	166,051	13,263	61,740	6,104	65,174	2,502	41,819	38,575
1980	147,320	9,890	53,464	6,220	70,819	604	54,247	35,934
1981	86,927	9,394	94,219	4,214	72,020	2,251	33,102	26,884
1982	106,454	6,218	65,081	4,398	91,271	5,947	31,479	45,418

[a]Includes coffee-crude, coffee-roasted ground, coffee-extracts-essences.

[b]Includes cucumbers, garlic, onions, vegetables.

TABLE II (cont'd)

[c]From USDA, Foreign Agricultural Trade, United States, cited in USDA, Citrus in Mexico (Washington, D.C.: USGPO, 1981).

[d]Dutiable cattle under import quota.

[e]Bureau of the Census, FT 246, U.S. Imports for Consumption and General Imports--TSUSA Commodity by Country of Origin.

SOURCE: Bureau of the Census, Commodity Schedule A, except where noted.

TABLE III

VALUE OF KEY MEXICAN AGRICULTURAL IMPORTS FROM THE UNITED STATES, 1960-1982

(1,000 1967 dollars)

Year	Basic Grains	Oilseeds	Animal Feed
1960	5,740	164	5,273
1965	11,933	800	13,677
1970	25,024	149,532	5,525
1971	2,472	7,820	15,458
1972	26,195	1,689	12,641
1973	58,027	7,315	12,039
1974	165,572	43,081	13,292
1975	263,374	45,636	47,928
1976	71,577	3,132	14,570
1977	133,226	62,980	36,455
1978	116,302	61,456	42,485
1979	162,338	92,939	62,770
1980	420,060	128,424	165,931
1981	488,465	150,386	173,631
1982	108,916	131,634	42,542

SOURCE: Elaborated from U.S. Bureau of the Census, Commodity Schedule A.

The second aspect of the changing bilateral relationship in agriculture is the changing composition of commodity and livestock trade. The United States has increasingly become an important provider of basic grains to Mexico, in part because per capita production has not kept up steadily with consumption needs in that country. Wheat, the most successful "green revolution" crop, has sustained high levels of production and yield in recent years but Mexico has had to weather drought, uneven agricultural stimuli, competition from other cash crops, and other disincentives to increased wheat production. In addition, wheat--which is overwhelmingly cultivated in federal irrigation districts--is coming up against real crop area limits in Mexico. The transformation of Mexico from a net exporter of wheat in the 1960s and early 1970s to a net importer of large volumes since the mid-1970s, has been one of the most difficult shocks sustained by the Mexican agricultural trade bill. Nevertheless, in years of reasonable weather and incentives (e.g., 1982), wheat imports are still relatively modest.

TABLE IV

BASIC GRAIN IMPORTS TO MEXICO FROM THE UNITED STATES, 1960-1982
(Metric tons)

Year	Wheat	Maize[a]	Sorghum[b]	Barley	Beans
1960[c]	1,000	46,000	9,164	42,000	---
1965	1,000	12,000	50,324	61,000	---
1970	4,000	374,793	27,236	3,251	129
1971	3,360	165,684	22,527	2,444	---
1972	375,760	15,218	84,560	4,233	---
1973	607,269	433,695	185,487	27,338	---
1974	657,109	1,465,138	180,753	165,011	---
1975	777,354	1,444,520	572,065	206,618	---
1976	777,662	1,001,942	42,025	6,764	---
1977	306,981	1,442,611	81,124	2,378	---
1978	317,704	1,315,102	502,167	37,395	394
1979	1,199,558	629,361	1,128,109	68,068	2,353
1980	875,712	3,871,538	2,287,575	221,232	3,730
1981	1,132,855	3,832,675	2,664,016	14,908	2,541
1982	541,927	556,777	565,063	---	890

[a]Category includes corn seed, yellow corn unmilled, and other corn unmilled, except 1970-1974, where only corn seed appeared in the data.

[b]Category includes grain sorghum seed and other grain sorghum.

[c]1960 and 1965 data are from USDA supply-distribution tables.

SOURCE: U.S. Bureau of the Census, Commodity Schedule B.

In other basic grains, principally maize, sorghum, and barley, Mexico has become a significant importer as well. Sorghum--a crop not even accounted for in official Mexican statistics until 1958--has not only challenged maize acreage in rainfed districts, but has become an increasingly burdensome import for the past several years. Sorghum is used almost exclusively for animal feed in Mexico and is especially important to the poultry industry. Future hog-raising plans, however, promise to increase demand for sorghum and other animal feeds in the 1980s. Despite substantial price supports for sorghum cultivation, imports have increased steadily, raising concern in Mexico over the impact on the balance of payments. Such concern has been reflected in increased incentives for sorghum cultivation that have challenged maize acreage in a fundamental way over the past decade. Sorghum and maize compete for the same land in many areas, and the rise in sorghum production as a concomitant of animal protein production in Mexico has undercut the production of maize.

Maize has always been the principal foodstock of Mexico and is essential in the culture and productive habits of the countryside, with the exception of the far north. But maize has been produced in large measure by campesinos who live in very precarious relation to the land and market. In recent years the advent of competing crops such as sorghum, vegetables for canning, and even frozen strawberries for the export trade have undermined basic grain production in some of the traditionally most productive rainfed lands of the central plateau. In a direct and lasting way, the integration of the Mexican agricultural system into the United States trade orbit has meant a challenge to maize production for local popular consumption. Increasingly, that challenge has been subsidized by growing imports of U.S. corn to supplement the national crop.[16]

Mexico has also become increasingly dependent on United States exports of oilseeds. Despite a growing and productive soya production system, Mexico has not been able to keep up with national consumption without heavy and growing imports over the past several years, as Table V shows.

The reasons for vegetable oil and oilseed deficiencies are familiar ones: the vulnerability of Sinaloa and Sonora to the late autumn storms of the North (Mexican) Pacific; the inadequacy of reservoirs to plant two crops on federally irrigated land; challenges from more remunerative crops; and the failure to rationalize production from farm to processor to market, except in the case of soya meal for animal feed.

Animal feed has become an increasingly difficult import cost to Mexico (Table VI), and promises to endure over the 1980s if present consumption patterns and state policies continue. The poultry industry --as already noted--consumes the vast bulk of prepared animal feeds in Mexico, with estimates of poultry consumption running as high as 69 percent of all animal feed consumption.[17] The growing hog industry--based on the advanced technologies of confinement feeding--promises to consume more prepared feed, as well as other agroindustrial inputs such as antibiotics, feedlot construction materials, and breeding stock. But beef cattle are also threatening for the first time to impose heavy pressure on the animal feed industry in Mexico, probably resulting in

TABLE V

MEXICAN OILSEED AND VEGETABLE OIL IMPORTS FROM THE UNITED STATES 1960-1982

(Metric Tons)

Year	Soya[a]	Safflower	Sunflower	Soybean Oil	Sunflower Seed Oil
1960	---	---	---	647	---
1965	4,772	---	---	1,043	---
1970	120,527	302	---	7,593	---
1971	67,118	1,888	---	2,302	---
1972	17,945	15	---	173	---
1973	50,318	---	---	10,240	---
1974	254,918	---	---	39,121	---
1975	135,300	---	---	76,465	---
1976	12,655	---	---	2,745	---
1977	400,009	---	8,636	15,284	---
1978	348,936	---	78,081	29,419	---
1979	585,720	521	263,075	4,574	---
1980	846,725	6,479	238,680	30,326	4,117
1981	869,397	---	231,630	21,027	6,026
1982	371,251		620,643	45,056	8

[a]Category includes soybean seed for planning and soybeans, other.

SOURCE: United States Bureau of the Census, Commodity Schedule.

higher imports from the United States. Though the industry is currently in a trough because of the huge losses in the recent drought, plans continue to reorient some of the northern cattle industry toward domestic feeding and slaughter for consumption in Mexico. As we shall see shortly, the current orientation of the frontier beef cattle industry is one of the thorniest problems in the bilateral agricultural trading relationship. We shall also see, however, that the reorientation of the export cattle industry for domestic consumption helds equal possibilities for bilateral tension and conflict. For the moment, suffice it to say that the increasing import bill for animal feed has two important effects for the agricultural trade relationship between the United States and Mexico: it aggravates the current Mexican agricultural trade deficit, and it stimulates domestic production of feeds that often challenge basic foods.

On the side of Mexican exports to the United States major changes have also occurred since the 1960s. As Table VI shows, the volume of exports of key commodities from Mexico has increased dramatically in some areas, particularly in tomatoes, and steadily in other winter vegetables. While traditional exports such as coffee have fallen off to some extent, Mexico is still an important trader in coffee beans, and, increasingly in soluble coffee product.

TABLE VI

MEXICAN ANIMAL FEED IMPORTS FROM THE UNITED STATES, 1960-1982

(Metric Tons)

Year	Sorghum[a]	Cottonseed	Cottonseed Cake[c]	Soybean Cake[c]	Other Oilcake	Prepared Feed[c]	Total
1960	9,164	3,980	n.a.	22,000	---	29,000	
1965	50,324	1,268	n.a.	29,000	---	23,000	
1970	27,236	12,313	2,000[b]	0	---	21,000	
1971	22,527	37,985	19,000	77,000	---	16,000	
1972	84,560	577	0	89,000	---	10,000	
1973	185,487	4,299	1,000	29,000	---	18,000	
1974	180,753	41,274	43,000	38,000	---	19,000	
1975	572,065	108	7,000	27,000	---	37,000	
1976	42,025	65,355	5,000	8,000	---	25,000	
1977	81,124	7,455	4,000	210,000	---	20,000	
1978	502,167	26,698	5,041	94,712	583	25,377	654,578
1979	1,128,109	1,686	1,191	91,160	5,778	22,857	1,250,781
1980	2,287,575	118,712	35,049	147,683	31,223	70,223	2,690,472
1981	2,664,016	34,985	77,672	186,733	16,915	55,006	3,035,327
1982	565,063	14,089	25,945	33,375	1,346	44,756	684,574

[a]Category includes Grain Sorghum Seed and Other Grain Sorghum.

[b]This figure differs from one yearbook to another. The figure here comes from the 1970 Commodity Schedule.

[c]Figures are in short tons until 1977.

SOURCE: United States Bureau of Census, Commodity Schedule B.

TABLE VII

KEY U.S. AGRICULTURAL IMPORTS FROM MEXICO, 1960-1982

Year	Coffee[a]	Straw-berries[b]	Tomatoes	Citrus Fruit	Other Winter Vgtbls[c]	FOJC[d] (000gal)	Dutiable Cattle[e] (head)	Feeder Cattle[f] (head)
1960	66,376	11,371	114,465	n.a.	30,672	---	391,000	n.a.
1965	69,537	26,175	120,663	n.a.	52,854	---	535,000	n.a.
1970	76,507	45,820	283,682	27,493	154,640	151	1,007,000	889,809
1971	66,475	39,234	263,383	35,926	170,558	1,189	761,000	718,642
1972	71,360	38,370	263,261	34,322	167,512	5,726	844,000	869,527
1973	105,737	46,116	334,092	52,725	228,538	5,848	838,000	634,697
1974	81,255	47,218	275,193	46,780	222,299	5,160	678,000	395,505
1975	75,450	42,437	243,875	34,866	166,645	3,315	139,000	190,062
1976	122,170	17,808	280,840	26,732	221,020	1,473	331,000	492,319
1977	96,069	38,558	355,324	54,082	284,291	13,790	574,000	571,198
1978	76,123	38,388	377,574	41,386	348,297	9,860	721,281	794,451
1979	125,423	48,087	323,548	57,745	393,610	7,376	517,487	376,491
1980	94,295	35,268	301,549	57,526	409,250	2,171	511,894	327,695
1981	79,849	26,222	242,399	46,154	367,032	6,960	377,678	320,040
1982	87,030	14,063	246,525	48,057	405,878	17,453	353,285	508,206

[a] Includes coffee-crude, coffee-roasted, ground, coffee-extracts, essences.
[b] In metric tons.
[c] Includes cucumbers, garlic, onions, other vegetables.
[d] Bureau of the Census, FT 246, U.S. Imports for Consumption and General Imports--TSUSA Commodity by Country of Origin.
[e] Dutiable cattle under import quota.
[f] USDA, Livestock and Meat Situation, 1960-1980; Bureau of the Census, FT 246, 1981-1982. Feeder cattle are live cattle from 200 to 700 lbs.

SOURCE: Bureau of the Census, Commodity Schedule A.

In winter vegetables particularly, but also in citrus, grapes, live cattle, and frozen orange juice concentrate, the growth of Mexican exports to the United States has caused United States producers to complain of unfair competition and market encroachment.[18] These complaints, whether in the form of the famous "Florida Tomato War" of the 1970s or quieter attempts to set grape packing and sorting standards or produce labeling requirements, find their way onto the agenda of the United States-Mexican agricultural relationship. At times, they provide a bellwether of United States agricultural policy toward Mexico. In recent years, United States producers have continually petitioned their government for various kinds of relief from import competition in major crops, from pineapples to tomatoes, live cattle, grapes, raisins, fresh citrus, and frozen orange juice concentrate. The United States has responded to such petitions according, not only to the merits of the individual producers' situation, but the broader international relations agenda as well. At times that approach has infused the immediate issues of produce production and trade with the flavor of the multilateral trade negotiations, the Strategic Petroleum Reserve, the international debt situation, or the Central American crisis.

Beyond the immediate significance of any one issue, however, the expansion of agricultural trade with Mexico has created a number of institutionalized tensions between the countries. That is, Florida tomatoes or Midwestern feeder cattle are less the crux of the United States-Mexican agricultural relationship than are more general matters of trade adjustment between two competitors, export subsidies subject to countervailing duties, "predatory pricing" that invokes the penalties of United States anti-dumping statutes, and general domestic matters of farmer support programs vs. cheap food policy. A more or less continuous backdrop of bilateral trade tensions involving these questions has affected the possibilities of creating a more coherent institutional relationship between the United States and Mexico. From the United States side, the diffuse organizational format of agricultural policy enhances the flexibility of policy at the same time it undermines its coherence and dilutes individual producer power.

Agricultural Policy and the Question of Food Security in Mexico. If we accept a mainstream definition of "food policy,"[19] the United States does not have a food policy toward Mexico. The foci of agricultural policy are commodity trade expansion, domestic producer protection, and cheap food policy at home. In Mexico, however, the central concern of recent presidential administrations has involved some notion of "food security," underlined by a serious attempt to make overall "macro-food policy."[20] The bilateral agricultural relationship reflects a more or less permanent level of tension that emanates directly from the grossly different priorities embraced by the two governments.

From the perspective of Mexican basic grain production, for example, the past several years have witnessed an increasing commitment by the Mexican government to producer subsidies as part of an overall food security program led for a time by the Sistema Alimentario Mexicano. Declining per capita wheat production (the dramatic drop from a peak of

55 kg/capita to 35 kg/capita from 1976 to 1979 reflected a general stagnation of per capita wheat output since 1964) led to enormous imports, increasing reliance on irrigated cultivation, and attempts to subsidize prices against the growing tide of inflation.[21] However, cheap import competition from the United States and the inability of the Mexican government to keep guarantee prices ahead of the inflation rate gave a new look to an old economic principle. From the trade angle, comparative advantage in basic grains (especially maize and wheat) dictated that Mexico could enhance general social welfare and economic efficiency by importing from the United States. But from the food security perspective, the presence of cheap wheat and corn across the border frustrated attempts to free basic food production from import dependence. "Import-substitution in agriculture," led by producer price incentives and input subsidies, to some extent was undermined by the imperatives of the international market, as well as the more celebrated shortcomings of administered pricing systems under high rates of inflation. The import dependence of Mexico is currently aggravated further by high interest rates and the high value of the dollar internationally.

From the perspective of United States agricultural policy, such trade dependence was unsurprising and felicitous. Desite the many obstacles to high-volume trade in agricultural commodities between the United States and Mexico (to which we shall turn shortly), the explicit legislative and regulatory mandate of the leading agencies of United States agricultural policy dictated expanded trade in basic grains and other products to be a primary policy goal.[22] The food security concerns of Mexico, from the perspective of a free-trade oriented grains provider such as the United States, could best be served by rationalized trade. Added to such a "natural" position for a grain trading country is the general institutional prejudice of the United States government against state-intervened regimes of trade and distribution.[23] Needless to say, Mexico, which has enjoyed one of the most successful and elaborate state-led agricultural modernization experiences in the entire Third World, did not share the "low-state, market-led" perspective of United States policy makers. The tendency of interested United States observers to couch a genuine difference in political perspective in the glib language of "realism" vs. "utopian autarky" contributed little to resolving related issues.

United States Food Power and Mexican Food Security. Explicit in the growing Mexican disquietude over import-dependence on the United States was the matter of "food power." The rising dependence of Mexico on imports of basic agricultural commodities from the United States--combined with Mexico's rapidly growing presence as a major oil exporter in the "energy crisis" climate of the late 1970s--gave new ammunition to food power advocates in the United States. Food power is a blunt instrument, neither finely controlled nor preditable in its effects. In its more explicit forms, it has not been a particularly successful way of attracting friends or punishing enemies.[24] Nevertheless, food power has taken many forms in United States foreign relations, some of which have been related elsewhere.[25] In Mexico, political leaders have feared that their country is a prime candidate for food weapon tactics by the American government, though more blatant forms have yet to show themselves. The origins of the Sistema Alimentario Mexicano were marked by an official recognition that the huge bilateral trade in basic grains, cattle, fruit, and vegetables left Mexico vulnerable to the vicissitudes of the international market and to the caprice of United States agricultural export policy. In an era of vertiginous drops in commodity prices and enormous grain surpluses, it is unlikely that any administration in the United States could withstand the political and economic distress of undercutting Mexico's status as its largest Latin American trade partner. Additionally, provisions of the 1981 farm bill make unilateral embargoes much more difficult politically, by requiring that such sanctions be taken across-the-board and not in agricultural trade alone, and by stipulating that U.S. producers must be compensated for losses resulting from embargoes.[26]

The nostrum of "food for crude" still holds good demagogic appeal in the hustings, though, and even after the farm bill provisions, State Department officials allegedly discussed the prospect of using Mexico's financial crisis as a lever to influence their political position on Central America in a direction more to the taste of the United States.[27] And, in a case that provides an alarming new twist to the Mexican fears of United States political manipulation of mutually-advantageous agricultural policy, the United States cut the Nicaraguan sugar quota in an implicit violation of its own declared principles of not using food as a weapon. While export embargoes differ from access to the United States market in United States policy circles,[28] other countries sensitive to the use of trade as a political weapon (e.g., Chile or Mexico) find the distinction difficult.

Political manipulation of agricultural policy by the United States has a vivid, related dimension in Mexico's immediate past. Agricultural exports from Mexico have traditionally played an important role in generating foreign exchange for industrialization. In the aftermath of the famous "tomato war" with Florida producers, Mexican state policy has, in effect, responded to U.S. jawboning to encourage Mexican producers to cut back production of winter vegetables for fear of evoking protectionist laws or the imposition of dumping duties. As we shall see, the stabilization program and the peso devaluation may threaten the durability of what amounts to a "Voluntary Export Restraint" in tomatoes. And, if the constancy of the United States as an exporting partner is now assured by the Farm bill of 1981, protectionist interests in the United States farm community have not allowed free traders to ignore their power.

A collateral aspect of United States desire to use its coercive power to limit Mexican agricultural exports in recent years emanates from United States dissatisfaction with the failure of the Multilateral Trade Negotiations and Mexico's refusal to join the GATT conventions in which it participated during the Tokyo Round. The resolution of the winter vegetable dispute in favor of Mexican producers and United States import interests occurred during the Tokyo Round, and the GATT negotiations were clearly on the minds of United States decision makers, who feared that a favorable resolution to Mexico

> ....may also foster the belief that the U.S. is willing to bend over backwards to avoid straining relations with Mexico. If the public were led to believe that we could trade tomatoes (or agriculture) for oil, our position in the MTN and future negotiation with Mexico would be severely weakened. The resolution of the antidumping investigation is closely related to the Mexican decision on GATT accession.[29] [Emphasis in original.]

The USDA also worried at the time that a popular proposal to exclude perishables from antidumping statutes might represent an outright concession to Mexico and cause the United States to "lose negotiating leverage in the MTN."[30] Mexico's decision in March 1980 not to join the GATT left United States officials shocked and angry in light of their view of the winter vegetable dispute's resolution.

Later, through the trade and aid elements of the Caribbean Basin Initiative (CBI) proposed by the Reagan Administration in 1982, the nited States encouraged other-country competition with Mexican exports of horticultural products, and, perhaps, even live cattle eventually.[31] An implicit motivation in the CBI was to encourage alternative producers to challenge Mexico's position as exporter of certain commodities to the United States, until such time as Mexico might reconsider its "graduated status" as a newly-industrialized country (NIC), and recant its own protectionist heresies.[32] Perhaps inattentive to the irony, United States protectionist agricultural interests--to the extent they have tried to kill or reshape the CBI trade initiative--are potentially protecting the same producer interests in Mexico that they have so recently fought in other venues.

The Institutional Setting of United States Agricultural Policy

Trade policy in the United States has an institutionally diffuse setting. Agricultural policy--focusing as it does on domestic farm policy and agricultural trade--has a similarly complex organizational format. Assuming an overlap between trade policy and agricultural policy, it is easy to see that finding the locus of such policymaking is a difficult task.

The primary United States agency involved in agricultural policy, of course, is the Department of Agriculture. It has an overarching commitment to United States agricultural producers, and makes policy based overwhelmingly on United States domestic farm concerns.[33] Nevertheless, throughout the post-World War II years, the Department of Agriculture has increased its commitment to enhancing foreign markets for American produce, particularly since the enactment of the P.L. 480 provisions in the Agricultural Trade Development and Assistance Act of 1954. Likewise, the Commodity Credit Corporation's programs extending credit guarantees for foreign purchases of United States commodities have increased.[34] In recent years, the politics of Russian grain trade, the famines of the early 1970s, the grain shortages of those same years, and the current grain glut have all served to increase the foreign aspect of policy attention in the Department of Agriculture.

While the Department of Agriculture maintains its primary links to the United States farm constituency, the diversity of that constituency and its susceptibility to foreign competition is an official environment of free trade has contributed to a more fractionalized political decision-making process within the agency. The increasing importance of the Foreign Agricultural Service--which accompanies the mandate to expand agricultural export and marketing services--and the encroachment of foreign responsibilities on other branches of the agricultural service (e.g., the Office of Transportation, the Agricultural Marketing Service, and the Animal and Plant Health Inspection Service, among others) has often divided the political position of the USDA between the defense of domestic producer interests in one sector (e.g., winter vegetables, or citrus) vs. the trade expansion interests of another (e.g., the grain producers of the Midwest).

In the bilateral relationship, USDA has had a substantive role in negotiating the four United States-Mexico Supply Agreements since 1980.[35] These nonbinding commitments to assure Mexico access to the United States market within the limits of minimum and maximum expected purchases have underlined the continuing importance of the USDA in the policy-making process. Likewise, the USDA's responsibility under the agreements includes co-managing a Transportation Working Group to resolve the massive bottlenecks encountered in 1980, and participating as a full partner in the disposition of the CCC credit program. Also, USDA manages negotiations on bilateral scientific and technical exchange programs, which have increased in recent years.

For all the interest of the USDA in the discussion of current policy issues in United States-Mexican agriculture, the venue has changed from USDA to the Office of the United States Trade Representative (USTR), the Department of State, the Treasury Department, or even the Office of Management and Budget.[36] That is not to say that USDA has no input into decision making in bilateral agricultural relations, but an exclusive focus on USDA would misstate the dynamics of United States agricultural policy seriously. In fact, the evolution of United States agricultural plicy toward Mexico--insofar as it differs from United States agricultural policy in general--has proceeded on an issue-by-issue basis, making ad hoc responses to immediate problems in the institutional setting most appropriately (or most aggressively) attuned to the matter. Often, the USDA's interests are held more by domestic considerations.

Concretely, in the current political context of the Mexican financial, exchange rate, and debt crises, that has meant a number of changes in the policy process, generally to the exclusion of USDA in favor of the other agencies mentioned above. Though the incremental approach to policy makes it hard to generalize, we can propose the following realms of institutional responsibility in the United States agricultural policy establishment.

The United States Trade Representative is the leading agency for trade policy in agriculture. Because of its longstanding special relationship to the executive branch and its current high profile in trade policy, USTR has assumed much of the commercial policy obligations of the Department of Commerce (which were never very great in agriculture) and the foreign policy obligations of USDA. Both of these areas were relatively easy to capture, one suspects, as neither Commerce nor USDA saw them as natural or congenial parts of their basic mission--trade in manufactures in the case of commerce, and domestic agricultural support in the case of USDA.

USTR divided the question of United States agricultural policy in two: general trade policy and bilateral agricultural relations, implying that trade policy principles are consistent for all countries, and suggesting that the bilateral relationship varies from those principles, according to the exigencies of the situation. USTR leads trade policy, but does not hold sway over trade finance, which is dominated by Treasury. USTR argues that there exists an interagency agreement not to change trade policy for high-debt countries; Treasury, in contrast, seeks to enhance trade conditions to help resolve the debt crisis. Mexico provides plenty of interest for both.

In any event, USTR leads the policy process in a number of ways. It is the key trade policy agency in general. The United States Trade Representative chairs the interagency Trade Policy Committee. It maintains working groups on Mexico, agriculture, and subsidies, all of which obviously pertain to the issues under consideration here. In addition the Trade Representative co-chairs (with Commerce) the Joint Commission on Commerce and Trade. The State Department describes itself as a sort of "transmission belt" for issues--present, but not in the lead.[37]

Currently, the other important agency in United States-Mexican agricultural policy formation is the Department of the Treasury. Its link to the policy process comes in the relatively narrow areas of finance and trade finance issues. The Office of Developing Countries maintains a country analysis of general financial conditions, which of course have become much more important in light of recent economic crisis in Mexico. The Trade Finance office governs CCC credits and credit guarantees, not with a specific country focus, but with overall responsibility. Therefore, any proposal to participate in United States blended credit schemes, credit guarantees and guarantee exposure ceilings, or actual borrowing through the CCC, passes through the Trade Finance officers of the Treasury Department. In addition, of course, the Treasury Department has a Trade Policy division that handles GATT issues (subsidies, export promotion) and participates in the Cabinet Council on Food and Agriculture chaired by USDA Secretary John Block. Also, Treasury chairs the Senior Intergovernment Group on International Economic Policy and the National Advisory Council on International Monetary and Financial Policies, which reviews all United States government lending programs abroad, including P.L. 480 and CCC credits.[38] Despite Treasury's importance in the current policy framework, however, trade specialists separate themselves from the trade finance networks of Treasury. This self-conscious differentiation, along with USTR's fine line between bilateral and global trade policy, contributes further to the diffuse environment guiding United States agricultural policy.

The Commerce Department has a relatively modest role in agricultural trade. On the statistical and market development side, Commerce has ceded responsibility to USDA, which is the natural agency for such matters and has a more elaborate bureaucratic capacity to deal with market enhancement and commodity credit. It does maintain a trade office, through which it promotes United States manufactured exports often related to agricultural commodities, and it participates in many of the interagency oversight committees mentioned earlier. But, in all, Commerce's direct participation in the bilateral agricultural relationship is small.

Likewise, the Congress has limited responsibility in the execution of United States agricultural policy toward Mexico. Directly, the Agricultural and Food Act of 1981, building on previous agricultural legislation, and the Trade Act of 1974 and Trade Agreements Act of 1979 are the principal modes by which the United States Congress has intervened in the structuring of agricultural policy. In the past decade, more responsibility and discretion has been ceded to the Trade Representative and the Secretary of Agriculture; the latter, in addition, has substantial regulatory license in regard to marketing orders, nontariff barriers, and the like. Where Congress does intervene in the bilateral relationship, trade officials describe its tendency to be more stingy and to require more "discipline" from Mexico before granting concessions. Congress has been cited as an obstacle to dropping the graduation issue, as well as negotiating a bilateral injury test agreement.

The State Department also has an obvious role in agricultural policy. Through the Office of Mexican Affairs in the Bureau of Inter-American Affairs and the Economic and Business Bureau, the State Department consults with other cabinet agencies in the NAC and similar organizations. Likewise, the State Department obviously has larger diplomatic and political goals that find their way into the determination of United States agricultural policy in general. In many countries, one can imagine a level of interaction and importance so low as to make agricultural policy a relatively technical matter, with a correspondingly low involvement in the State Department. In the Mexican case, the bilateral relationship is uniformly described by United States officials as one of the most openly "political," which gives rise to a complex policy environment and undermines the role of more technically- and legislatively-rationalized agencies in the formation of agricultural policy.

In fact, the intensely political atmosphere of the United States-Mexican relationship gives rise to a rough characterization of agricultural policy formation. At a very general level, the politically contentious nature of the "special relationship" heightens the role of the State Department, broadens the hidden agenda of policy goals in United States government to include such matters as the Strategic Petroleum Reserve and the international debt situation, and muddies the procedures and criteria by which agricultural policy might be made in more placid times. Combined with such complicating factors is the almost-total absence of multilateral forums for resolving bilateral issues, given Mexico's "outsider" status in many of the organizations to which the two countries otherwise might have recourse.

The Crises of 1982-1983 and the Dynamics of United States Response

While the tenor of United States-Mexican agricultural relations has been changing over the past decade at least, a crisis atmosphere began to take hold of more normal processes in the second half of 1982. That atmosphere and the political responses to it have not yet vanished from the bilateral scene. They point up both the limits and the possibilities for a "special relationship" between the two countries in a climate of increasing economic integration and relatively permanent tension.

Consistent with the institutional groundwork for United States agricultural policy, the leading actors from the United States side included the USDA and the USTR, with the Treasury Department at the lead. The important parts of the crisis from the United States perspective centered on the disastrous Mexican debt situation, and the related inability of Mexico to import agricultural commodities from the United States in the absence of official credit guarantees. From Mexico's side, the related issues of food security were involved, complicated by the great difficulties of drought-induced shortages in supply and distribution. While United States policy makers have couched the crisis response in the language of a financial "bail-out" of Mexico, we shall see that it served more general United States interests as much as Mexican import requirements.

The first point in understanding the 1982-1983 bilateral trade and debt agreement is the key role of the Treasury Department. Treasury has been increasingly involved in the bilateral trade and agricultural policy process in view of the exposure of the United States banks in Mexico and the general concern of the United States in patching up the badly-bruised international financial system. In the general credit "fix," Treasury was bound to have a role, of course, as befits its earlier description. Officials interviewed during this research uniformly identified Treasury as the leader (along with the Federal Reserve) of the program by which the United States government created a $4 billion package consisting of three principal elements:

- Prepayment to Mexico of $1 billion for oil to be used in the United States Strategic Petroleum Reserve during FY 1983.
- Provision of $1 billion in Commodity Credit Corporation credit guarantees for agricultural exports to Mexico (later expanded to $1.2 billion in February 1983).
- Fifty percent participation in a $1.85 billion short-term "bridge loan" put together through the Bank for International Settlements.

Mexico, in return, was expected to establish an IMF stabilization agreement and work with commercial banks to find new medium-term financing and ways to restructure private sector debt.[39] The package shows the institutional and political orientation of the Treasury Department, which focuses on trade finance, economic stabilization, and the security of commercial loans in Mexico. Interestingly, Treasury in this case also became the "agent" for purchases of oil to be used by the Departments of Energy and Defense in the controversial Strategic Petroleum Reserve program. Though Treasury did not have a direct interest in such a program, the national security-energy connection of the Mexico "bailout" was not an incidental to United States policy makers.

The second element in understanding the crisis response of the United States to the new conditions of the agricultural relationship involves the commodity credit deal. Mexico is not normally eligible for CCC credit guarantees under the GSM-102 program. It is considered too rich for such credit guarantees and has always paid cash for its imports or found commercial credit without United States government intervention. Naturally, that might not have been the case had the great increases in import requirements not coincided with the rise of the oil boom; but they did. For the first time, after the 1982 financial crisis--and especially after the August devaluations and September bank nationalization--Mexico found itself without either the credit rating or the cash to purchase the required imports of basic agricultural commodities. As part of the United States response--an important domestic policy move in light of the huge agricultural trade role played by the Mexican economy--the Office of Management and Budget authorized an increase in the official exposure ceiling allocated to the Commodity Credit Corporation for credit guarantees. Despite a certain level of in-house opposition to the move in USDA, OMB expanded the CCC guarantee program ceiling by 36 percent, from $2.8 billion to $3.8 billion, with the extra billion targeted specifically for Mexico.[40] USDA opposition stemmed from a concern that CCC credits not be appropriated as an explicit foreign policy tool, apart from the rather strict country and commodity requirements stipulated by the program.[41] USDA had already experienced a "politicization" of the credit guarantee program in the case of El Salvador, which it found disagreeable to its institutional purpose.

The credit deal in FY 1983 has generated an ongoing dynamic among the Mexican government, led by CONASUPO as official purchasing agent for many agricultural commodities, the Treasury Department, and USDA. Shortly after the expansion of the credit guarantee program and the extension of its services to Mexico, it became clear that at the time (Fall 1982) few banks wanted to extend guarantees to Mexico unless all risks were covered by the program. In the climate of a recently-nationalized banking system, an intensely-nationalist atmosphere, and an imminent change of government, commercial bankers found plenty of reasons to avoid further debt exposure in Mexico. So, in an unprecedented action, the Treasury Department authorized a full 100 percent guarantee of principal under the CCC program and an increase in interest rate guarantees for Mexican purchases.[42]

By the beginning of 1983, Mexico again asked for an increase in the program ceiling, indicating two processes underway: the success of the full guarantees in stimulating creditor interest in Mexican commodity purchases, and the higher-than-expected purchases needed by the strained Mexican agricultural sector. Secretary of Agriculture Block, after consulting the appropriate trade finance office in Treasury, announced on February 4, 1983 that the credit guarantees would be increased by $200 million. Unnoticed in the announcement was the fact that OMB had stipulated that the additional amount would have to be absorbed within the already-allocated program ceiling, and that the Mexican government had "insisted" that the entire amount be reserved for official CONASUPO purchases, leaving the private sector to its own devices.[43] The USDA complained that such restrictions would hamper the credit program's ability to serve other countries' needs as well as shortchanging United States exporters not able to deal with the basic-grains-oriented CONASUPO.[44] Nevertheless, the request was approved from existing CCC program limits, and the bulk of the purchases were targeted for feedgrains ($176 million).[45]

Commodity credit guarantees hardly disappeared from the political scene with this concession, however. In February 1983, shortly after the announcement of the credit guarantee expansion, CONASUPO officially requested admission to the "blended credit" program (GSM-5).[46] The program, which mixes guaranteed credits at commercial rates under GSM-102 with concessional credits from CCC, is generally reserved for poor countries and special cases (such as the Egyptian wheat flour deal). Mexico's request was denied, reportedly because of reluctance to give concessional aid to a country able to pay its own way with commercial credit.

Not to be rebuffed so easily, the Mexican government again began to negotiate on the credit front in the summer of 1983, asking that that United States forward its $500 million FY 1984 credit guarantee allocation to FY 1983 for increased purchases made necessary by crop shortfalls in Mexico. At the time of this writing, the Treasury Department had still not ruled on the request, and Mexico has made an interesting move that has been perceived variously as an attempt to force the decision or, alternatively, as an act of a grains buyer desperately short of stocks. The move that provoked interest from the Chicago Board of Trade to the Treasury, State, and Agriculture Departments involved a June purchase of $115 million in corn from the United States, with only $15-20 million of CCC credit guarantees remaining.[47] With the debt and payments problems of Mexico still unresolved, wary creditors seemed unlikely to forward commercial credits for the balance, without further United States CCC guarantees. At the same time, the Mexican government was presumed to be short of corn stocks for July and August, given the poor expected harvest and the timing of the purchase. It is certainly consistent with United States policy objectives to forward the $500 million from FY 1984 to 1983 for the sake of enhancing or maintaining the Mexican market, but $500 million represents a new and unforeseen assault on the CCC commodity and country limits, as well as a major qualitative increase in the overall program. The absence of an institutional relationship for such exchanges allows, on the one hand, a flexible policy response by the United States government, but at the same time undercuts the need for such flexibility which might come from a more clearly-understood and negotiated bilateral agricultural policy. While the prospect that the credit guarantee increase is being held up as a gift for the Reagan visit to Mexico in August offers a measure of high drama to the bilateral relationship, longer term understanding and negotiation are not necessary enhanced.

The Political Framework of United States Agricultural Policy Toward Mexico

The Mexican "bailout," as the United States response to the past year of crisis has been termed, actually was a low-cost, self-interested set of political actions that enhanced Mexico's capacity to purchase United States goods. To say that is not to indict or praise the United States response, but merely to disengage the discussion from evaluation for the moment. As much be expected, of course, the United States response to the Mexican agricultural import crisis combined flexible policy with a specific political orientation toward commodity trade in general. It demonstrates the durability of certain tensions between the two countries, as well as the prospect of healthy bilateral trade relations in certain circumstances. We can argue also that the policy response to future Mexican import requirements will succeed according to their perceived costs to the United States, rather than any long-term interest in Mexican development.

The first issue that had to be addressed in 1982-1983 involved finding mechanisms to assure the Mexican market. As in many other cases in recent years, the question of "additionality" (i.e., the promise of more and newer markets for United States goods) that guided commodity credit and export promotion plans in USDA gave way to market maintenance. The short-term obligation of the United States government was to provide "facilitative assistance" (as opposed to aid) to Mexico for the sake of United States agricultural exports. Happily, that obligation coincided with Mexico's desparate need to find new ways of paying for its imports of basic grains and oilseeds. In the short term, the bilateral issue at hand was to smooth a short-term transition from cash customer to credit customer, within the narrow confines of market relationships.

While the immediate issue of Mexican grain purchases came to a successful resolution, they left more difficult problems unresolved. In fact, the credit guarantee program begged the issue of what to do about Mexico as its food import requirements exceed its capacity to pay. The credit guarantee mechanism is well within the market-oriented boundaries of United States policy, in the sense that it involves no real money outlay for the United States. The credit guarantees, like the bilateral grain supply agreements, are basically good-faith statements of access to the United States market. No state involvement is required in the guarantees, except in the unlikely event of default. And, in the case of the grain supply agreements, no government-to-government contracts exist.[48] As each of the agencies involved in the Mexican "bail-out" admitted, no long-range plans exist that would solve the trade-finance link with Mexico in the 1980s. Beyond the loose framework of "guaranteed access to supplies," the United States government has no institutions for stabilizing agricultural trade negotiations in the period of economic stabilization and reduced import capacity that face Mexico at least until 1985.

The second aspect of the agricultural relationship facing United States policy makers in 1982-1983 involved assuring that the Mexican market would continue to depend on the United States for supplies. Mexican dependence on the United States has always been taken for granted, to a great extent, because of the much-vaunted trade statistics of recent years, in which Mexico trades nearly 70 percent of its goods with its northern neighbor. Nevertheless, the early 1980s have shaken some analysts' faith in the inviolability of the United States market position in basic grains, especially in the wake of the Russian grain embargo. While the United States position as almost exclusive exporter of baisic grains to Mexico does not seem vulnerable to challenge in the short term, Mexico has maneuvered to purchase wheat outside the bilateral framework. Such maneuvers raise questions as to the future of United States wheat exports at least, and open the door for examination of the entire commodity trade environment.

Specifically, Mexico has used the bilateral commodity credit facility to diversify its wheat purchases. After being granted $75 million in the overall credit facility to purchase United States wheat, Mexico requested a change in the composition of its credit guarantees, in order to shift purchases from wheat to corn. At the same time, Mexico began to purchase Canadian wheat through a number of methods, including issuing a tender that only met Canadian specifications.[49] Meanwhile, USDA approved the shift in credit guarantee ceilings in favor of more corn purchases, while the United States ambassador was reported to have called opposing the concession due to the impending wheat deal with Canada.

Aside from the immediate hard feelings generated by the Mexican move--the United States resented having its CCC guarantees manipulated according to general market conditions--questions arise as to the viability of the United States as sole supplier of wheat to Mexico, especially in a cash environment. Canada is an insignificant force in the corn market, but in wheat provides possible competition for United States exports to Mexico, as well as credit facilities of its own. Argentina, through price competition, also offers an interesting alternative to United States supplies, though transportation problems and lack of credit have not encouraged it to enter the Mexican market. And, finally, the somewhat far-fetched specter of European competition in Latin America may reach to include Mexico, especially in the wake of the Egyptian wheat flour sale and the ensuing trade conflict between the United States and the European Community.

If the United States position is sound for now, clearly the CCC facility has enhanced its market worth. In the absence of such attractive credit guarantees, commercial credit in 1982-1983 clearly would not have been available for Mexican purchases. The political environment between the United States and Mexico would be darkened by a cutoff or major reduction in the CCC program in coming years; and, yet, the relationship between the United States market position in Mexico and the trade finance link remains unstudied. Such a failed link between trade and trade finance in the bilateral relationship raises a more serious question about the future of the two countries' agricultural trade needs, which transcends the more immediate politics of crisis management.

The core of the no-policy option as we see it in the 1982-1983 agricultural relationship avoids the question of trade finance in the coming years. Rather, commodity credit guarantees have been assigned to Mexico only over the short term, with the implicit assumption that the mid-1980s will see Mexico returning to its prior cash customer status, as befits such a large trade partner. This expectation, in turn, is tied to the "graduation" issue in trade. Mexico is perceived as a "newly-industrialized country," both for its productive capacity and its GNP per capita. The United States increasingly views Mexico as a "graduated" country, which affects its participation in the Generalized System of Preferences, its eligibility for food program aid, and the expectations of the United States regarding its orientation toward free trade. As a graduated country, Mexico is generally seen as fully liable for its trade bill on either a cash or commercial credit basis; responsible for adequate food supplies and distribution to its population; and remiss in its refusal to join the multilateral institutions of the advanced industrial countries. The division of the Third World into low-income or nonindustrial economies vs. middle-income NICs has stratified the reduced aid available, culling countries such as Mexico from the aid list.

From a pure trade perspective, embracing the concepts of comparative advantage, and reflecting on the agricultural trade surpluses of Mexico's recent past, such a position appears to be a reasonable part United States policy. And, in fact, such a perspective fits with the predisposition of the United States to treat agricultural relations as trade relations, to stipulate a decided preference for the market over official government-to-government agreements and public credits, and to insist on a "free trade environment for fairly-traded goods."[50] The essence of the no-policy option in the 1982-1983 crisis response has been the intention of the United States to replicate the previously-existing market environment with a low level of "facilitative assistance" (as distinguished from aid), with the expectation of a return to the market as soon as the crisis subsides. That focus explains, to a great extent, the appearance of the trade finance policy makers in United States agricultural trade policy toward Mexico. The Department of the Treasury consciously perceives its policy role to be that of a trade finance facilitator, in the general context of a multilateral perspective on the international debt and payments crisis. USTR has not traditionally viewed the trade finance "establishment" as a normal part of the trade policy community; nothing in this research indicated Treasury resistance to that limited trade policy role. But such limits to trade finance as a part of the bilateral agricultural relationship in general ignores the long-term complex of development relations between the United States and Mexico, as we shall see shortly.

The separation of the trade-finance from the trade policy community, and the export side of the United States relationship from the import side is found also in the ambivalent attitude of the United States on the question of Mexican access to United States markets in agricultural produce. For now, USDA has held off producer fears about the trade impact of the recent devaluations and their possible challenge to United States producers of winter vegetables, feeder cattle, and the like. But, the USTR and Treasury do not agree on whether to change trade policy for the sake of economic recovery in Mexico. The United States does not have a resolution to the subsidies issue in Mexican agricultural trade. And, Mexico is still vulnerable to countervailing duties and other barriers to trade, without the privilege of the injury test.

United States Agricultural Policy and the Question of Issue "Linkage"

United States agricultural policy toward Mexico does not exist in a vacuum. We have seen already that trade, trade finance, domestic grain supplies, and the institutional politics of many agencies are involved in the policy process. The past year of Mexican crisis has shown the complexity of the no-policy option in sharp relief. But, even beyond the straightforward trade issues as we have covered them here, the no-policy option fails to link Mexico's critical problems to agricultural policy. United States agricultural policy has impact on Mexican development, food security, and domestic politics, as well as general foreign trade policy. However, in the formulation of United States agricultural policy, little attention is given to the links between that policy and the more general political environment of the bilateral relationship. Insensitivity to the relationship between agricultural issues and rural emigration to the border, low productivity, trade imbalances, and food maldistribution aggravates bilateral tensions. The unquestioned preference for market relationships, commercial credit, and short-term *ad hoc* agreements undercuts the potential institutionalization of the bilateral relationship. And, the compartmentalized nature of the agricultural policy agenda--leaving each agency to administer its own aspect of policy formulation--gives short shrift to high-level interagency coordination as a matter of policy *planning* (as opposed to the more serious interagency coordination on policy *response*, now in effect.

From the United States perspective, it is argued that the institutional requirements of the agricultural relationship are modest, not demanding more coherence or organizational capacity than now exists. From a strictly functional, short-term perspective, there is little to argue with in such a position. But, if we consider the bilateral agricultural agenda to be an entry point of a broader set of United States-Mexican issues, the complex no-policy option appears less adequate to the task. If, in fact, the United States government takes the bilateral agenda seriously--as its claim to a "special relationship" demands--setting agricultural policy is, arguably, the most sensitive point with potential for bilateral progress. More concessional access to United

States markets would offer Mexico one of its few opportunities to "trade its way fee" of current trade imbalances, without the extra burden of reduced import capacity. A more sensitive agricultural relationship would concentrate on concessional export credit terms, rather than stacking up new credit obligations for a high-debt country already reeling from exorbitant commercial rates. And a more integrated agricultural policy building on a successful scientific and technological exchange tradition would work out in advance the worrisome possibility that "structural adjustment" in agribusiness trade might also mean that powerful United States producer groups would suffer in a "new international division of labor" written at the bilateral level.

Obstacles to an Improved United States Agricultural Policy Toward Mexico

Within the very specific limits of this research, we can summarize United States agricultural policy as relatively unstructured and flexible. In the specific context of the past year's crisis in Mexico, United States trade policy makers have responded quickly, and, from a short-term view, successfully. Three "political premises" that pervade the United States trade and trade finance policy community limit the range and potential of that response, however.[51] The lack of organizational structure for policy planning, the absence of long-term programmatic coherence, and the shape of political attitudes toward Mexico limit the possibility that agricultural policy might become the vanguard of a more insightful "special relationship" between the United States and Mexico. The political premises, shaped into one-sentence propositions, are as follows:

Mexico is taking advantage of the United States. This thesis underlying bilateral negotiations has many manifestations. Most obviously, trade negotiators must attend to the self-interest of the United States in making trade policy with Mexico. In the absence of multilateral conventions, traditional suspicions arise and become the prevailing logic of policy. The GATT accession is a case in point. The United States trade policy community has felt since 1980 that Mexico "took advantage of the United States" by participating in MTN negotiations and then refusing the GATT codes. It is unclear that the United States would have benefitted materially from Mexican accession to the GATT, in light of the uniquely flexible terms of the proposed protocol,[52] and the short-term distortions of oil boom and United States recession. Mexico's desire to pursue trade matters in a bilateral framework stems logically, not only from its long tradition of nationalism, but its uniquely bilateral trade bill, and its heavy domestic political pressures on trade matters. The absence of the GATT convention allows the United States to use the injury test, countervailing duties, and a subsidies code as a matter of bilateral political leverage, and yet, many policy makers in the United States government view the GATT issue as an area where Mexico took advantage of the United States. Other examples abound, including the thesis that the Central American crisis allows Mexico to "steamroll" the United States on trade issues, or that shifting wheat credit guarantees to corn purchases was a "dirty trick" to buy Canadian wheat. This general premise postulates a high level of flexibility and political savvy in Mexico, at the same time Mexico's policy elite are chided by the same UNited States policymaking agencies for their incapacity to manage their debt and their national economic priorities.

Mexico must behave as a graduated country. This attitude, closely related to the first, stipulates that Mexico should liberalize its trade, pay cash for trade or commercial rates for credit, and remain outside the United States food aid program. With the exception of the new 1982 authority for dairy donations (under which Mexico received 60,000 tons of nonfat dry milk in 1982-1983), Mexico and the United States have no institutionalized mechanism for food aid or rural development concerns. Part of the responsibility lies with Mexico's desire to remain aloof from United States aid for domestic political reasons. But part of the responsibility lies with the United States and the graduation issue. In response to the 1983 Mexican request for "blended credit" under the CCC GSM-5 program, the United States rejected Mexico as a candidate, based on its status as a NIC, a cash customer in agricultural products, and an irresponsible provider of food to its citizens. While there are admittedly poorer countries who benefit from the limited blended credit program, no one has yet adequately justified the proposition that Mexico's aggregate economic wealth has something to do with its capacity to feed its people in the short term. Beyond the successes of development-oriented bilateral programs (such as the Mediterranean fly eradication program, or the hoof-and-mouth disease control program of the late 1940s), the United States does not consider the difficult relation between its agricultural policy and the condition of the rural poor in Mexico. The concern that cheap maize exports might prove a disincentive for domestic production, or that freer access to import markets for plantation crops might give market signals penalizing the production of rice or oilseeds, does not play a role in an United States agricultural policy devoted exclusively to trade and trade finance. Mexico's graduated status, its exception to the GATT conventions, and its cash tradition in commodity trade, have all short-circuited the United States aid and rural development programs that might be available. A similar bias exists in multilateral agencies.

An agricultural relationship built strictly on trade relieves United States taxpayers. Shifting again to United States self-interest, one of the arguments that limits United States agricultural policy to a trade-based framework is the estimation that United States taxpayers should not have to "foot the bill" for Mexican food requirements, and that a trade-centric policy relieves them of that burden. First, credit guarantees impose no real burden, except in the case of default. In that event, of course, the $1.2 billion in current guarantees would be the least of the United States taxpayers' worries. In regard to concessional trade, credits, or rural development assistance, it is unclear that not allowing Mexico access to food aid and other facilities benefits the United States taxpayer. In the absence of studies evaluating the effect of imports on rural production, the "push" effect of imports on rural emigration, and the bilateral "human capital" costs of a free market policy, it is difficult to assert that the United States taxpayer benefits from a market-oriented, trade-centered policy that assumes Mexican graduation. Comparative advantage, for all its descriptive power as a guide for trade dynamics, does not attend to the complex human and economic interaction that is unique to the United States-Mexican agricultural relationship. Depending on such limited approaches to agricultural policy removes many of the more serious tensions between the two countries from the prospect of negotiation.

These three political premises and their insertion in a relatively institution-free regime constrains United States agricultural policy from coming to the forefront of a genuinely positive "special relationship," at the same time the substantive issues of agriculture consume more high-level policy attention. For now, it is apparent that United States agricultural policy will address mainly the question of trade, ignoring the more thorny "national" issues of rural development, food security, and the influences of trade on cropping patterns. Likewise, there is no attention being paid in United States agricultural policy to the role of United States agriculture--whether domestic production or traded goods--on the pressing linked issues of rural emigration, transborder labor markets, and the like. So, the constitutive principles of United States agricultural policy toward Mexico are sharply defined, by law and by policy persuasion. Mexico is a graduated country market. The importance of being Mexico lies not in a subtle or profound understanding the bilateral relationship, but in the episodes that disturb the no-policy option. In planning the relationship, United States agricultural policy makers are less pressed than they are to respond to the moment-to-moment demands of a highly active relationship. It is unsurprising that agricultural policy toward Mexico yields so little in the form of permanent policy dividends or improvements in bilateral relations, when considered from this point of view. The bilateral agenda does not attend to building long-term structures or coherence, but merely to putting out policy "brushfires" with such measures as facilitative assistance for grain purchases.

The no-policy option is less a real policy artifice and more a statement of Mexico's low position in the competitive and contentious atmosphere of current trade and agricultural policy. As I found in this research, Mexico is not a country around which the United States makes its agricultural policy or its trade policy. It is a "policy-taker," special relationship notwithstanding. Policy toward Mexico does not account for the indirect effects of United States recession, the high value of the dollar, or the export impact of the Payment-in-Kind program. And, these realizations, in turn, portend a painful prospect for the future. Mexico is again edging its way back to the top of the United States trade partner list. Its food demands for the 1980s will strain the capacity of the country to produce and import; its per capita production of basic grains will probably decrease throughout the decade. And, the population and employment demands of the rural poor will skyrocket over the next decade, raising questions about the volume of migration to the United States and the political will of the United States to understand its dynamics. Mexico, in short, seems doomed to face a relatively permanent agrarian crisis, only one edge of which is described by the trade relationship with the United States.

In this light, the largest Third World market for United States agricultural commodities, the only poor country on the United States border, and the object of the much-vaunted special relationship is relegated to a poor backwater in United States policy planning. While the crisis episode described briefly here resulted in many positive short-term policy responses, there is little indication that the United States is now reflecting on the complexities of building a policy that looks beyond the immediate needs of the United States as it seeks to protect and extend its market horizons. The ultimate yield of the complex, no-policy option will not be a United States-Mexican policy framework equipped to fight the bilateral battles of the 1980s and 1990s, but an ad hoc adaptation of agricultural policies designed for other partners and other times. If such policy responses work in specific conjunctures, they are tested at each turn of the bilateral economic system. And, while the costs of institutionalizing the bilateral agricultural relationship are now few, the future penalties for not having done so may be great.

INTERVIEWS

This research was aided by interviews with public officials in various agencies of the United States government, as listed below. In almost all cases, I have chosen to cite them by agency, rather than by interviewee. While I have tried to verify each of the conclusions I have drawn from interviews with other sources of information, the persons whom I interviewed cannot be held responsible for my conclusions.

Marian Barell
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Carl Crook-Castan
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Michael Goldman
Chief, Food Programs Division
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United States Department of Agriculture

Paul L. Mills
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Edmond Missiaen
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Donna Roberts
Mexico Country Officer
Economic Research Service
United States Department of Agriculture

Jean Rosenheim
Office of Trade Finance
Department of the Treasury

Gretchen Heimpel Stanton
Leader, Inter-America Group
Foreign Agricultural Service
United States Department of Agriculture

Frederick J. Tower
Mexico Desk Officer
International Trade Administration
United States Department of Commerce

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[2]Dale Story, "Trade Politics in the Third World: A Case Study of the Mexican GATT Decision," International Organization 36:4 (Autumn 1982), 767-794; interview, Office of the U.S. Trade Representative, May 1982.

[3]Mexico-U.S. trade proportions vary annually; for 1982, Mexico exported 63.5 percent of its goods to the U.S. and imported 74.5 percent of its goods from the U.S., according to the U.S. Department of State, Background Notes: Mexico (June 1983).

[4]Adolfo Chávez, "Nutrición: problemas y alternativas," in Pablo González Casanova and Enrique Florescano (eds.), México, hoy (Mexico: Siglo XXI, 1979), p. 225.

[5]México, Oficina de Asesores al C. Presidente, Sistema Alimentario Mexicano, primer plantamiento (Mexico: SAM, 1980), p. 8.

[6]Inter-American Development Bank (IDB), Nutrition and Economic Development in Latin America (Washington, D.C.: Inter-American Development Bank, 1978), pp. 27ff.

[7]México, Secretaria de Programación y Presupuesto (SPP), La población de México, su ocupación, y sus niveles de bienestar (Mexico: SPP, 1979).

[8]Recent contributions include: David Barkin and Blanca Suarez, El fin de autosuficiencia alimentaria en México (Mexico: Nueva Imagen, 1981); Chávez, op. cit.; Jack Corbett, "Policy Implementation in a Complex Environment: Production Incentives and the SAM," paper delivered at the Western Social Science Association Meeting, April 1982; Gretchen Heimpel, "Mexico: Agricultural and Trade Policies," USDA Foreign Agricultural Service Report, 1981; Cynthia Hewitt de Alcántara, Modernizing Mexican Agriculture: Socioeconomic Aspects of Technological Change, 1940-1970 (Geneva: UNRISD, 1976); Cassio Luiselli, "Por qué el SAM?" Nexos 3:32 (August 1980), 26-35; Frank Meissner, "The Mexican Food System (SAM)--A Strategy for Sowing Petroleum," Food Policy 6:4 (November 1981), 219-230; Michael Redclift, "The Mexican Food System (SAM)--Sowing Subsidies, Reaping Apathy," Food Policy 6:4 (November 1981), 231-235.

[9]See, for example: Peter G. Brown and Henry Shue (eds.), Food Policy: The Responsibility of the United States in the Life and Death Choices (New York: Free Press, 1977); D. Gale Johnson and John A. Schnittker (eds.), U.S. Agriculture in a World Context: Policies and Approaches for the Next Decade (New York: Praeger, 1974); American Enterprise Institute, Food and Agricultural Policy (Washington, D.C.: AEI, 1977); John Tarrant, Food Policies (New York: Wiley, 1980); and, C. Peter Timmer, Walter P. Falcon, and Scott R. Pearson, Food Policy Analysis (Baltimore: Johns Hopkins University Press, 1983). The single

most helpful study of American farm and food policy from a domestic perspective is Luther Tweeten, Foundations of Farm Policy, 2nd ed. (Lincoln: University of Nebraska Press, 1979).

[10] Mexican GNP per capita figures from The World Bank, World Development Report, 1983 (New York: Oxford University Press, 1983).

[11] Agricultural internationalization here signifies the tendency of Mexican agriculture to transcend national boundaries, not only at the level of financial investment and commodity trade, but at the level of production as well. Elements of the internationalization of agriculture include commodity trade, agribusiness integration and coordination, state policy toward export promotion and cheap food policies, and the like. For more detailed analysis, see Steven E. Sanderson, The Transformation of Mexican Agriculture: International Dimensions of Rural Change, unpublished ms., 1983.

[12] See especially, Andrew Schmitz, Robert S. Firch, and Jimmye S. Hillman, "Agricultural Export Dumping: The Case of Winter Vegetables in the U.S. Market," American Journal of Agricultural Economics 63:4 (November 1981), 645-654; and Steven E. Sanderson, "Florida Tomatoes, U.S.-Mexican Relations, and the International Division of Labor," Inter-American Economic Affairs 35:3 (Winter 1981), 23-52. The technical details of U.S. and Mexican tomato production are clearly presented in Glen A. Zepp and R. L. Simmons, "Producing Fresh Winter Vegetables in Florida and Mexico: Costs and Competition," USDA Economics, Statistics, and Cooperatives Service (ESCS) Report, 1979; and, by the same authors, "Producing Frensh Tomatoes in California and Baja California: Costs and Competition," USDA ESCS Report, 1980.

[13] For some literature attesting to this difficulty, see Timmer, Falcon, and Pearson, esp. chapter 4.

[14] The concept of vulnerability is adapted from Robert Keohane and Joseph Nye, Power and Interdependence: World Politics in Transition (Boston: Little, Brown, 1977).

[15] USDA, Foreign Agriculture Trade Statistical Report, 1981.

[16] Difficulties managing the real price of corn in the high-inflation environment of 1981 and 1982 may have meant an implicit subsidy to imports. See Kenneth Shwedel, "Los precios agricolas: una perspectiva historica," unpublished manuscript, 1982.

[17] Mexico, Camara Nacional de Industrias de Transformacion (CANACINTRA), Seccion de Fabricantes de Alimentos para Animales, La industria alimenticia animal en México (en cifras) (Mexico: CANACINTRA, 1978).

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[18]This has occurred most prominently in the Florida Tomato War, but also in midwestern cattle. See U.S. Department of Commerce, International Trade Commission (ITC), Conditions of Competition in U.S. Markets between Domestic and Foreign Live Cattle and Cattle Meat for Human Consumption (Washington, D.C.: USGPO, 1977). After the 1982 devaluations, U.S. producers again voiced their concern to the USDA that Mexican exports might be too competitive. Indeed, Mexican winter vegetable plantings did increase, but were confounded by liquidity problems and difficulties finding inputs. Likewise, in fresh citrus, disease (citrus canker) effectively reduced exports to U.S. markets, momentarily placating the U.S. competition. 1983 should prove to be a test year for the export impact of peso devaluation.

[19]I have accepted the definition of food policy as "the collective efforts of governments to influence the decisionmaking environment of food producers, food consumers, and food marketing agents in order to further social objectives." Timmer, Falcon, and Pearson, p. 9. In the context of U.S. foreign agricultural policy, this would most certainly imply attention to the food needs of the Mexican population, as is consistent with food aid programs not directed toward Mexico.

[20]Once again, Timmer, Falcon, and Pearson allude to macro-food policy as an all-encompassing intersectoral analysis of food policy in order to maximize social objectives for both producers and consumers. See especially Chapter 6.

[21]Wheat imports climbed to over 1 million tons per year from 1978 to 1981, according to USDA Supply-Distribution data. Irrigated wheat production accounted for 68 percent of all wheat acreage in 1978, compared with 42 percent in 1960. México, Secretaría de Programación y Presupuesto, (SPP), El sector alimentario en México (Mexico: SPP, 1981).

[22]The 1981 farm bill stipulates a strong trade mandate, as does the Trade Act of 1974.

[23]Witness the reluctance even in the height of the "great grain robbery" or the "Structure of Agriculture Debate" of the late Carter administration to accept the idea of a grain marketing board.

[24]See Robert L. Paarlberg, "Food, Oil, and Coercive Resource Power," International Security 3:2 (Fall 1978), pp. 3-19; and William T. Weber, "The Complexities of Agripower: A Review Essay," Agricultural History 52:4 (October 1978), 526-537.

[25]Dan Morgan, Merchants of Grain (New York: Viking, 1979), Chapter 11, passim; U.S. Congress, Senate Committee on Agriculture and Forestry, Hearings, Policies and Operations of PL 480, 84th Cong., 1st Sess., (1957), p. 129, cited in Roger Burbach and Patricia Flynn, Agribusiness in the Americas (New York: Monthly Review Press, 1980), p. 67. I. M. Destler, "United States Food Policy, 1972-1976: Reconciling Domestic and International Objectives," in Raymond Hopkins and

Donald J. Puchala, (eds.), The Global Political Economy of Food (Madison: University of Wisconsin Press, 1978), pp. 57-59; Frances Moore Lappe and Joseph Collins, Food First: Beyond the Myth of Scarcity (Boston: Houghton Mifflin, 1977), p. 358. Emma Rothschild, "Food Politics," Foreign Affairs 54:2 (January 1976), 286-307; Leslie Gelb and Anthony Lake, "Washington Dateline: Less Food, More Politics," Foreign Policy 17 (Winter 1974-75), 176-189.

[26] Agriculture and Food Act of 1981, P.L. 97-98, Sec. 1204-5.

[27] This proposal was part of a set of possible policy options in the U.S. State Department in the August 1982 crisis. Obviously, even the circulation of such an allegation in Mexico would have dramatic impact, especially in light of traditional "food power" fears. For a rendition of the State Department option, see Alan Riding, "U.S. and Mexico: Major Rift Emerges," New York Times, August 14, 1982. Officials in the State Department take serious exception to Riding's interpretation of the option paper, as well as to some of the evidence in the article.

[28] Interview, U.S. State Department, Food Policy Division, Economic and Business Bureau, July 18, 1983.

[29] U.S. Department of Agriculture Memorandum, July 17, 1979. For more general comments, see the statement of Alonzo L. McDonald, Deputy Special Representative for Trade Negotiations in the Carter administration, in "U.S. Agriculture's Stake in the MTN," U.S. Department of State Bulletin, #79 (August 1979), 41-43.

[30] USDA Memorandum from Under Secretary for International Affairs and Commodity Programs to Deputy Secretary of Agriculture, May 30, 1979.

[31] For background on such potential, see Gustavo Uceda, "Prospects for Expanding Beef Production in the Basin," Caribbean Basin Economic Survey, Federal Reserve Bank of Atlanta 5:4 (September-October 1979), 10-16; and Edward Bee, "Prospects for Basin Fresh Vegetable Exports," Caribbean Basin Economic Survey 4:4 (July-August 1978), 12-15.

[32] Interview, office of the U.S. Trade Representative, May, 1982.

[33] Tweeten, op. cit.

[34] For general description of CCC programs, see USDA, Regulations Covering Export Financing of Sales of Agricultural Commodities (Washington, D.C.: USGPO, 1982); USDA, Export Credit Guarantee Program (GSM-102) (Washington, D.C.: USGPO, 1980).

[35] Bilateral agreements have been negotiated each year since 1980, based on minimum and maximum expected purchases of U.S. grains. They are, in effect, guarantees of access to the market, and not contracts or binding agreements, such as the one the U.S. negotiated recently with the Soviet Union. In recent agreements, matters of transportation bottlenecks have also been negotiated.

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[36] In this set, the Department of Commerce and OMB are the most marginal, the first for its general lack of mandate in agriculture. OMB mainly acts as an oversight agency for CCC Credit Guarantee Exposure Ceilings, in cooperation with Treasury and USDA, Export Credit Division of the Foreign Agricultural Service.

[37] Interview, U.S. State Department, Office of Mexican Affairs, July 27, 1983.

[38] The National Advisory Commission (NAC) is made up of Treasury (chair), Commerce, State, USTR, IDCA-AID, the Federal Reserve, and Export-Import Bank. Interview USDA, FAS, Export Finance, Program Development, June 17, 1983.

[39] Statement of Gay Sills Hoar, Assistant Director, Office of Developing Nations, U.S. Treasury Department to the U.S.-Mexico Chamber of Commerce, June 2, 1983.

[40] Interview, USDA, FAS, Export Finance Program Development, June 17, 1983. U.S. Department of Commerce, International Trade Administration, Foreign Economic Trends and Their Implications for the United States: Mexico (January 1983), p. 6.

[41] Interview, fn 40.

[42] Interview, Trade Finance Division, U.S. Treasury Department, June 29, 1983, USDA, FAS Report, April 7, 1983.

[43] Memorandum for Action, from Richard A. Smith, Administrator, USDA, FAS, to Alan T. Tracy, Acting Under Secretary for International Affairs and Commodity Programs, March 4, 1983.

[44] Ibid. The $200 million increase did come out of the existing program ceilings anyway.

[45] USDA, FAS Report, April 7, 1983.

[46] U.S. Department of State Telegram, from American Embassy in Mexico to Secretary of State, February 8, 1983.

[47] Interview, USDA, Office of Transportation, June 30, 1983.

[48] See Agreements for the Supply of Agricultural Commodities between the United States and the United Mexican States, 1980-1983.

[49] Interview, USDA, Economic Research Service, July 22, 1983.

[50] Interview, Office of the U.S. Trade Representative, July 22, 1983.

[51] These are not personal attitudes of individuals, necessarily, but pervasive political assumptions underlying trade policy formulation. In fact, the essence of these premises or assumptions is that they are more durable than the individual policy makers themselves, and make up part of the traditional U.S. foreign policy perception of Mexico.

[52] Story, p. 773.