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In the absence of “global governments”, the role of information, mutual understanding and innovative transnational organizations that ensure fair and transparent “rules of the game” are important. They might become even more so.

SAGAR

Andrés Casco

Agricultural Policy

The bi-national commissions with the United States and Canada, have allowed Mexico to move forward with its agenda in agricultural policy. One issue which Mexico had with Canada was over potatoes. With communication and cooperation, we were able to move ahead.

My view is that we need to make the trade representatives more independent, autonomous and decentralized from central governments. Trade representatives respond to political pressures. If we move to make trade representatives more independent, the number of dumping cases will diminish. The barriers to making cases will be much higher because of the greater analytical basis.

I believe that there is much to do to improve trade laws. The trade laws in Mexico are like a mirror of the trade laws in the United States. Mexican trade laws need to be moved toward the WTO Plus standard. In the case of agricultural products, Mexican trade laws are useless. It is very hard to make a case using our standards, which basically reflect industry standards.

Third party international organizations have been very useful in reducing trade tensions. These organizations contributed to helping us identify rules and regulations based on scientific criteria. That has helped move forward the agenda.

Private Sector Issues

Mexico has not had an institutional framework to help the private sector settle disputes until recently. Unfortunately, we did not move in a comprehensive way, but tried to move to fill the spaces which were left after structural reforms. As the structural reforms have moved forward, SAGAR has begun mediating disputes. We formed COMPROMEX (The Commission for Protection of External Trade) a private corporation which is run by our import/export bank. It helps to design contracts and helps mediate disputes for commercial domestic contracts and in international situations as well. For example, if someone goes to COMPROMEX and brings a third party from another country, in the contract, they can designate COMPROMEX as the mediator.

We also began to analyze our sanitary, commercial and food safety standards. Currently, we have a proposal to change our sanitary law, which will include food safety issues. With the standards, SAGAR approves verification units which can be persons or corporations. Since SAGAR approves the verification units, the ministry is giving up to the verification units the verification of sanitary standards. SAGAR does not have to have an army of verifying bureaucrats in every processing plant.

The Ministry of Commerce approves verification and certification units. These certification units have to complete extensive training to be able to certify. Using avocados and mangos as examples, before the program of verification and certification units, producers were exporting without any standards. Very low quality avocados and mangos were exported. With the verification and certification unit programs begun this year, the quality standards as well as the sanitary standards will be met. Instead of looking at every farm, a private broker can discuss with the certification units all of the process from farming to processing. This reduces transaction costs and certifies that a sanitary and commercial standard process has been applied.

Only a small number of agents in Mexico have had the advantage of good economic information. They have collected economic rents from use of this information. We have been doing a lot of work to increase information by publishing papers and putting information on the Internet. Unfortunately, information is not moving to the producers as it is produced, and they are still without good current market information. We are trying to get new ideas about how to move information to the producers. One idea we are trying is to use television. As a separate signal on Channel 13, the national channel, we are putting market information for farmers. This is very cheap process with the signal receiver costing only 130 pesos or \$13.00 U.S. dollars. Producers can attach this to their television and receive the information for free.

We are encouraging contract farming by using programs which are subsidized by the governments. One of these programs is risk management. The program subsidizes a percentage of the cost of a put or call in a contract farming contract. With farmers contract loans, the subsidy is higher, but not more than 50 percent of the cost of an option at 90 percent of the market price of a contract or an option. The subsidy is provided through trust funds which producers put money into when they make use of the contract or option. So, the trust funds have two uses: hedging against the movement of price against the position of the producer and the premium goes to the trust fund which can be used as an income stabilizing fund.

Also, in risk management we have now included cattle in the insurance program. We subsidize about 20 percent of the value of the premium on the ten most important grains and oilseeds in Mexico.