University of South Alabama
JagWorks@USA

Anthropology Undergraduate Senior Theses | USA Anthropology Program

Spring 5-2022

Neoliberal Economic Policies: Implications of Structural Adjustment Programs (SAPs) and Free Trade on Small-Scale Farmers and Agricultural Production in Latin American Developing Nations

Alaynah Mowjee

Follow this and additional works at: https://jagworks.southalabama.edu/anthro_ugrad_theses

Part of the Social and Cultural Anthropology Commons

NEOLIBERAL ECONOMIC POLICIES: IMPLICATIONS OF STRUCTURAL ADJUSTMENT PROGRAMS (SAPs) AND FREE TRADE ON SMALL-SCALE FARMERS AND AGRICULTURAL PRODUCTION IN LATIN AMERICAN DEVELOPING NATIONS

By

Alaynah Mowjee

An undergraduate thesis submitted for the Bachelor of Arts and Sciences in the Sociology, Anthropology, and Social Work Department.

University of South Alabama

Mobile, AL

May 2022

Approved by:

Mark A. Moberg

Erin Nelson

Christopher R. Freed

© 2022
Alaynah Mowjee
ALL RIGHTS RESERVED

DEDICATION

I want to firstly dedicate this thesis and all of the grueling work necessary to complete it, to myself. Despite recurring mental health challenges, obstacles, and personal struggles with doubt, I commend myself for staying committed to its completion and quality of work. Dealing with expectations of failure and imperfection have held me back in various ways, however I chose to prove to myself my academic capabilities which I will never forget.

Secondly, I want to dedicate this undergraduate thesis to the millions of Latin American voices who have been lost forever to the hands of foreign entities. I want to dedicate this work which will hopefully influence my career and higher education to the individuals whose voices have been forcibly silenced, and permanently dismissed. I want to dedicate this work to the millions of small-scale farmers whose lives have been destroyed due to the implementation of neoliberal policies in their homelands.

ACKNOWLEDGEMENTS

To my thesis committee, Dr. Moberg, Dr. Freed, and Dr. Nelson, for witnessing my first attempt at an undergraduate research thesis. This process has been incredibly difficult, thought-provoking, and rewarding, and I hope my dedication is evident through my work.

To the University of South Alabama Anthropology department, for offering coursework which have contributed to expanding my mental horizons and fostering a life perspective revolved around tolerance.

To Dr. Moberg, for never doubting my abilities to achieve great things even when I could not see them for myself.

To my mother, Elizabeth, who has remained a pillar of strength in my personal development, and for reminding me that I am capable of anything I set my mind to.

TABLE OF CONTENTS

DEDICATION	**2**
ACKNOWLEDGEMENTS	**3**
TABLE OF CONTENTS	**4**
LIST OF FIGURES	**5**
INTRODUCTION	**6**
BACKGROUND	**10**
LITERATURE REVIEW- Case Studies	**20**
CONCLUSION	**43**
REFERENCES	**44**

LIST OF FIGURES

Figure 1. *1969-1990 agricultural credit and subsidies for Brazilian coffee.*

Figure 2. *Global trends of real interest rates from 1880-2000.*

Figure 3. *Global coffee prices, 1976-2006.*

Figure 4. *Annual growth of household income.*

INTRODUCTION

Globalization can be defined for the purpose of this paper as the introduction of foreign interests, companies, or governments to the domestic context of a specific less developed country. Globalization can be seen as the process which creates the fantastic modern world, allows for international cultural exchange, and is the reason why many of us are able to eat exotic foods and purchase luxury goods. Although that statement is true and at first glance globalization appears to be the driving force behind modern human productivity and advancement, there are many implications which suggest that globalization can be calamitous. Western ideologies have consistently played an active role in the development of Latin America economically, politically, and socially since the dawn of colonization, which began nearly 500 years ago within the continent. This paper adds tremendous value to the growing body of knowledge and research regarding globalization and its effects on developing countries by specifically employing an anthropological perspective, which firstly includes holism. The holistic perspective within the field of anthropology takes into account the interrelatedness of various mechanisms which all act on human life. For the purpose of this paper, these mechanisms include but are not limited to the global economy, agriculture, poverty, global monetary policy and politics, and neoliberal philosophy. An anthropological perspective is also valuable in this particular area of study as it prioritizes the affected lives of people in developing nations, while also illuminating the devastating impacts neoliberal ideology has on local communities. Anthropology as an academic discipline began during colonial times as explorers sought to understand the 'foreign' societies they came across, therefore it is critical to note the discipline's origin, and more importantly its evolution which allows for the holistic analysis of the lives affected by global economics in developing countries.

The Western ideology we are concerned with in this paper resides within the field of classical economics, the idea of neoliberalism. In his analysis of the effects of globalization on the rural poor in Latin America, anthropologist William M. Loker defines neoliberalism as "an economic theory that claims that the market is the most efficient mechanism for the distribution of goods and services in a society, that private property and capitalist economic principles are the most efficient means for the production of goods, and that state interference with the workings of the market and capitalist production should be minimized." (Loker 1999). Neoliberalism therefore is a philosophical and political approach to capitalism that prioritizes free markets and privatization. Various nations, corporations, and governmental bodies across the globe use this approach in policy-making, which has varying effects. The United States takes a neoliberal approach to international trade relations, thus involving itself in many less developed countries around the world, and particularly in Latin America. Unfortunately, there are immense consequences for Latin American people when this involvement in practice later proves to be one-sided, serving Western interests while debilitating Latin American citizens.

The United States specifically has had a long-standing history of involvement with Latin America in various ways; through lending large amounts of money for the sake of economic development, by influencing political parties and even installing and removing governments at will, and by being a major consumer of Latin American export commodities. American banks' lending practices specifically have had a range of consequences on the developing countries of Latin America, with the most significant being its ability to prevent Latin American countries and their governments from achieving full economic autonomy. This is because of American central banks *over lending* to Latin American countries, who accrued massive amounts of debt due to these poor lending practices, and eventually were unable to pay back their debts, leading

to economic and social crises. With the looming threat of major default present across Latin America, many developing nations implemented programs aimed at debt relief in order to regain economic stability. Structural Adjustment Programs (SAPs), for instance, were thus put in place by the International Monetary Fund (IMF) in these nations to restructure their economies in replacement of debt payment. However, instead of improving conditions for the betterment of Latin American people, SAPs and the guidelines included in these debt relief programs have made achieving autonomy and the conditions of their lives more difficult, which will be discussed in greater detail in later paragraphs.

It is important to notice the local impacts of money lending by Western banks in developing countries in order to understand how global relations affect citizens' day-to-day lives. The macroeconomic implications of globalization and neoliberalism are rather evident and discussed often, but their domestic social and economic disruption of developing nations is swept under the rug. The livelihoods of small-scale staple crop farmers and agricultural producers in developing nations are constantly threatened by the US and global involvement in their domestic markets, as policy decisions directly impact these people in the most negative ways. The devaluation of local currencies and reduced access to healthcare are just a few examples from an extensive list of negative side effects due to Western involvement. It is also extremely important to note the inability of many Latin American countries to gain economic momentum through domestic means instead of needing external assistance to thrive, because this perspective drives many of the actions taken by Western countries. Without a strong economic foundation, rooted in local businesses and legitimized by domestic economic progress, developing countries of Latin America cannot thrive without the financial assistance of the West. In order for developing

countries of Latin America to achieve full autonomy, we must analyze the global factors that prevent developing countries from reaching full autonomy.

I will be using the following Latin American countries of Brazil, Guatemala, Mexico, and Costa Rica as case studies to exemplify the various impacts of neoliberal policy embodied in SAPs and free trade on agricultural production and small-scale farmers. More specifically the introduction of export commodity production, encouraged through neoliberal reform, has worsened the state of small-scale producers within these developing countries and has prevented them from increasing their profits and thus improving their livelihoods. I will present various implications on small-scale agricultural production according to the specific economic, political, and historical contexts of Brazil, Mexico, Costa Rica, and Guatemala. Through focusing on the economic reforms included in SAPs, Brazil and Guatemala will exemplify the impacts of these implementations of neoliberal policy. Through focusing on specific trade agreements (ICA and NAFTA), the effects of free trade are displayed in Mexico and Costa Rica. These implications include, but are not limited to, land degradation, diminishing returns, vulnerability in global markets, displacement due to foreign competition, and worsening rural poverty rates. The following case studies in Rosario da Limeira, Brazil, Guanajuato state, Mexico, Perez Zeledone canton, Costa Rica, and the Kaqchikel Maya region of Guatemala, will be used as specific examples which demonstrate the real world effects on small-scale agricultural production.

BACKGROUND

Neoliberalism

Neoliberalism was first implemented by Western countries beginning in the 1970s, but after the Cold War it spread globally, when this political and economic stance underpinned the acceleration of the global economy until the worldwide Great Recession in 2008 (Centeno 2012:318). Neoliberalism can be described as an ideological perspective of economic development, whose principles favor an economically stable, 'free market', deregulated, privatized, and globalized approach to the production and consumption of goods. For the purpose of this paper neoliberalism is instantiated in three dimensions globally, as a philosophical and political perspective which benefits Western countries, as an economic system rooted in capitalism that in practice disrupts the autonomy of developing countries, and as an hegemonic ideological perspective which reduces individuals' ability to act rationally. Neoliberalism in this manner is thus a "model of economic development that views national economic sovereignty as an impediment to the free and unregulated movement of capital." (Moberg 2008:9). The policies and responses included in neoliberal thought are said to be inevitable consequences due to the natural evolution of global economic policy and the introduction of developing nations into the global economy, but this view can be easily refuted.

The policies of neoliberal economics prioritize privatization, austerity, market deregulation, and free markets, which in theory should prove beneficial for whichever country is involved, however the real-world repercussions of neoliberal economics prove to be detrimental for developing nations (Centeno 2012:319). For the purpose of this paper, neoliberal economic policies are embodied by free trade and Structural Adjustment Programs (SAPs) in the developing nations of Latin America. The objective of implementing free trade policies is to

eliminate competition, in order to freely trade goods without restrictions such as tariffs. The intent of SAPs is economic growth by restructuring economies through various avenues such as cutting government budgets or privatizing state services, all to make revenue available for debt repayment. "The ultimate aim of structural adjustment is to enable a country to move to a third stage of export-led growth. The government should give priority to exports, encouraging the private sector to diversify and find new markets for its products." (Green 1996:110). As mentioned before, Latin American nations accrued massive amounts of debt from US central banks, which resulted in the application of SAPs across the continent. Many developing nations also liberalized their trade conditions, with the aim of catalyzing economic growth. Through examining the real world effects of neoliberal economic policies it becomes clear that this system of thought benefits Western economies first and foremost, while the economic sovereignty of developing nations in Latin America is threatened. This is primarily because the financial conditions of developing countries in Latin America are completely dependent upon the decisions made by the West.

Under World-Systems Theory (Wallerstein 2004), a historical and political perspective which explains the affluence of Western countries alongside the continued economic struggle of 'periphery nations', the harm of neoliberal economics can be identified even more clearly (Chirot 1982:81). In the contemporary 'World-System,' Western nations represent the core, which includes highly-skilled labor and intensive production, while the periphery consists of countries that provide cheap labor and raw materials. Increasingly, many countries of the periphery are producers of manufactured goods as well, but these are overwhelmingly destined for export to more affluent core countries. Because of their limited internal markets and competition for export markets with other peripheral countries, this has fueled a "race to the bottom" in wages

and working conditions. As a result, whatever growth they have experienced in manufacturing results in growing inequities in wealth distribution, unlike the experience of the already developed core. This system inherently reinforces the global economic control Western countries have on periphery nations, such as the developing countries of Latin America. By examining World-Systems Theory, it is evident that there are multiple mechanisms acting against developing countries to reach economic sovereignty.

Free Trade

The free *market* approach within neoliberal economic policy aims to promote open trade from producer to consumer without government intervention or national barriers. For the purpose of this paper, free *trade* can be understood as the globalized version of the free market system. Under free trade, or international trade policy, imports and exports are not restricted and the barriers which regulate the international movement of goods, such as tariffs, are removed. Free trade will also be referred to as trade liberalization, which involves greater participation by private corporations or entities while decreasing state or government regulation, allowing for a more direct stream of exchange between producers and consumers. Through a neoliberal economic perspective trade liberalization is viewed as a positive driving force resulting in economic growth, while protectionism, which implements barriers such as tariffs and quotas, is viewed in a negative light. Until the 1990s, countries of the periphery widely employed such restrictions in order to shield vulnerable and disadvantaged producers, such as small-scale farmers, from direct competition with more heavily capitalized producers in core countries. The subsequent removal of protectionist measures has had devastating effects on both farmers and

national industries in peripheral economies. The elimination of tariffs and quotas in international trade has been an explicit provision imposed on countries whenever they participate in Free Trade Agreements (FTAs), such as the North American Free Trade Agreement (NAFTA), which allows Mexico and the United States to freely trade their goods and services to one another. An important concern within the discussion of free trade for the purpose of this paper involves how competition in global markets is overwhelming for small-scale producers, as they lack the necessary capital to be sustainable competitors in liberalized markets.

The promotion of free trade is premised on the idea of comparative advantage as a mechanism of development. Comparative advantage, within the context of international trade, refers to the ability of one country to produce a specialized good with utmost efficiency as 'compared' to other competitors. In Latin America, one could argue that Mexico has a comparative advantage on fruits and vegetables due to climatic conditions which allow for year-round cultivation, even though the US is a major competitor in this market. Mexico thus has an advantage because of "the ability to produce fresh fruits and vegetables when US farmers except in Florida are not producing. Commodities such as avocados are produced year round, and protective culture is allowing Mexican farmers to extend their production and export seasons." (Martin 2020). Climatic conditions and advancements in production techniques allow for Mexican farmers to produce and export fruits and vegetables at a lower *opportunity cost* than competitors, which is a key component to comparative advantage. Opportunity cost in this sense includes production inputs, such as labor, equipment, monetary investments, or fuel. Specializing in goods that you can produce efficiently for export sounds enticing and profitable, however there are negative effects of comparative advantage once we see it play out on the ground.

Economists recognize the potential losses included within comparative advantage, however the benefits certainly outweigh them and are felt by more people.

In a detailed report of comparative advantage, Professor of International Economics Alan V. Deardorff of University of Michigan, claims that import dependent societies are the most vulnerable to the negative effects of comparative advantage. “It is the demanders of imports who gain from their lower price, again both consumers and firms buying them as inputs. And it is the suppliers, not of the imports themselves but of domestic goods that compete with them, who lose. It is this cost to import-competing suppliers, both firms and workers, that is often the most visible effect of trade.” (Deardorff 9/10). The harmful effects on Latin American developing countries that are import-dependent on various goods will be discussed in later paragraphs. Deardorff claims that policies should be implemented to buffer these effects, as economists are aware of the costs involved in comparative advantage, and how they impact the most vulnerable portions of a society. “This is important, for it means that it should be possible to devise social policies that offset the harm to low wage workers while leaving the overall gains from trade to be enjoyed by all.” (Deardorff 12). In Free Trade Agreements such as NAFTA, various “side agreements” were proposed to offset the impact on both sides of the border for displaced workers due to the removal of tariffs. In practice, however, these were not implemented, with the result that many manufacturing workers lost their jobs north of the border, while even greater numbers of agricultural producers in Mexico lost their livelihoods and land. The impact of these policies will be illustrated below for Mexican dairy farmers.

Structural Adjustment Programs (SAPs)

As mentioned previously, the principles of neoliberalism revolve around economic stability, free markets, deregulation, and privatization. The principles of neoliberalism are embodied in various policies of national governments and multilateral agencies, but for the purpose of this paper particular emphasis will be given to Structural Adjustment Programs (SAPs). The Institute for Policy Studies describes SAPs in these terms: "Formulated as loan conditions by Northern governments and the International Financial Institutions (IFIs), SAPs mandate macroeconomic policy changes that obligate recipient nations to liberalize their trade and investment policies." (Oringer 1998). Within the Latin American context, SAPs are put in place in indebted developing nations that seek external assistance in growing their economy or repaying existing debts through loans from IFIs, such as the IMF and World Bank. These institutions then allocate funds to indebted countries under the guise of economic growth, which can ostensibly be achieved through implementing the economic reforms mandated in their SAPs.

According to the Institute for Policy Studies, "SAPs share a common objective: to move countries away from self-directed models of national development that focus on the domestic market and toward outward-looking development models that stress the importance of complete integration into the dominant global structures of trade, finance, and production." (Oringer 1998). SAPs thus encourage economic development through market liberalization, ushering developing nations to now compete in global markets, primarily through export commodity production. Other principles of neoliberalism are expressed within SAPs under its main objective of market liberalization, which inevitably requires deregulation and privatization as components of economic growth. Countries that request IMF assistance typically do so to help them repay debts to commercial banks, so SAPs almost invariably require their governments to slash public

payrolls and social services, and to sell off publicly-owned services and enterprises, to free up revenue for debt repayment. Public education and health care are frequently the first casualties of this process. Numerous other adverse social and political consequences stem from this macroeconomic approach to development and stability In Latin America, "...SAPs have bankrupted local industries, increased dependency on food imports, gutted social services, and fostered a widening gap between rich and poor" (Oringer 1998). These impacts are direct results of the conditions incorporated within SAP guidelines, such as local currency devaluation and reducing public sector employment in order to decrease budget deficits. These actions taken by indebted countries, otherwise known as austerity measures, are in line with the demands of SAPs, which push indebted developing nations to embrace a free market economic model while also practicing fiscal restraint.

Origins of the Debt Crisis

Latin America faced a serious debt crisis in the early 1980's whose effects are still impacting many countries today in terms of economic development, public and social services, and the industrial and agricultural sectors. This period of time within Latin American history is commonly referred to as "La Decada Perdida" or, The Lost Decade. The debt crisis occurred because Latin American countries incurred excessive amounts of foreign debt which surpassed their individual earning power, making it impossible to make their debt payments on time, or at all. Leading up into the 1970s, many Latin American developing countries experienced steady economic growth amidst the changing world economy due to an abundance of resources available for export markets and a robust labor force. Indeed, growth rates in most Latin

American countries during the 1960s regularly exceeded those of the United States (de Janvry 1981). Multinational corporations saw promising investment potential in Latin America due to these conditions which led to the expansion of the manufacturing sectors within the region. This development did not go unnoticed by the US commercial banks, who became heavily involved in many Latin American countries through corporate investments and commercial bank loans leading into the early 1970's. Within this period, Latin America alone generated ⅔ of all commercial bank loans to Less Developed Countries (LDCs) (International Debt Crisis 1984). At the end of 1970 Latin American commercial debt equaled $29 billion, but by the end of 1978 it totaled $159 billion. In theory, this massive amount of debt was intended for bettering the economies of Latin American nations, who seemed to be gaining economic momentum up until the 1970's, by kickstarting development projects, improving manufacturing and industrialization, and aiding in infrastructure. Because major Latin American countries such as Brazil, Argentina, and Chile were under military dictatorships during the time, however, some of this debt was incurred for armaments whose oppressive uses had nothing to do with economic development.

In October, 1973, member nations of the Organization of the Petroleum Exporting Countries (OPEC) enacted an embargo on oil, which had an immense effect on the global economy. This politically charged 'oil shock' of 1973 would be the first but not the last within this decade. This embargo was targeted towards Western countries, primarily the United States due to its support for Israel in the Yom Kippur War. Due to US support of Israel, Arab oil producing nations made a retaliatory move by curbing access to oil for the US and other Israeli allies. As a result of the oil embargo the global price for oil increased dramatically, going from $3 per barrel to $12 per barrel, a 400% total price increase. Price inflation was one effect of the oil shock in the developed countries, which sharply affected consumer buying power. A majority

of Latin American countries rely on export commodities to generate the bulk of their nations' revenue, therefore the decline in global demand also decreased the prices they received for their commodities. These conditions led to the increased cost of imported goods and oil within LDCs, which were facing massive deficits. In order to counteract these deficits LDCs turned to commercial banks in international capital markets for even more lending. Oil exporting countries of OPEC saw a huge surplus of money in their current accounts due to increased oil prices, which resulted in oil dollar recycling, or the depositing of petro dollars by OPEC nations into US commercial banks and international banks such as the IMF and World Bank. Now equipped with massive amounts of capital, international financial institutions were able to invest in Latin American countries specifically, contributing to more debt accumulation among these nations.

As the years continued the amount of foreign debt among Latin American LDCs continued to rise, and became more difficult to repay due to global financial conditions. In 1979 Iran was experiencing a revolution which led to a decrease in oil production which had recessionary implications in the global economy, also referred to as the '1979 oil crisis' or 'second oil shock'. This ultimately affected the global oil market by raising prices of imported oil again on already constrained LDCs, which resulted in high inflation among these countries. Many countries affected by the second oil crisis attempted to lower inflation through increasing interest rates, such as the US, which made debt repayment by LDCs even more arduous. Overlending practices created a codependent relationship with Latin American LDCs, therefore impacting LDCs when the global economy underwent periods of instability. By 1981, the state of global trade declined due to various export markets falling, leading many Latin American LDCs into the worst of the debt crisis. When Mexico announced its default in 1982, or its inability to complete the debt payments, it signified the official start of the debt crisis as international banks

realized other LDCs in the region would soon follow. Due to their inability to repay external debt, LDCs of Latin America agreed to certain neoliberal economic reform conditions such as the implementation of SAPs or the reliance on free trade for economic growth. The introduction of certain structural reforms to Latin American developing nations had an overwhelmingly detrimental impact on the agricultural sector in various nations which will be exemplified in the case studies to follow. To put the scale of the economic crises into modern perspective, the indebted countries of Latin America are still paying off today the interest which accumulated during the inflationary period between 1970-1980’s, even though the principal of their debts were paid off by the 1990’s.

LITERATURE REVIEW- Case Studies

Case Study 1: *Coffee production in Brazil*

The Federative Republic of Brazil currently stands as the fifth largest country in the world and the most populous country in Latin America, accounting for ⅓ of the continent's entire population. Brazil also contains the largest rural population within Latin America of over 27 million people as of 2020, although this has seen a steady decline since the onset of the 21st Century. According to the World Bank, as of the year 2020 the population of Brazil was 212,559,409 citizens, with a GDP in US dollars of 1.44 trillion (World Bank). Of this population, nearly 4 million people are impoverished, 29 million are unemployed, and less than half enjoy consistent access to proper sanitation services (World Bank). Brazil is recognized as the Latin American nation most heavily integrated within the international economy, and as Latin America's leading coffee exporter. Despite the size of its economy and labor force, Brazil is considered an emerging nation and still faces to this day many structural challenges that impede agricultural producers' livelihoods. Leading into the 1970s like many other developing nations, Brazil's economy seemed promising but the debt crisis was already unfolding in the region and began reversing much progress made in prior years. The Latin American debt crisis put Brazil in an economic chokehold due to rising international interest rates, which reached crisis levels in 1982 when the Brazilian state began reducing government expenditures by over 60%, largely in order to repay its foreign debt (Perz 2000). The following case study focuses on the Brazilian coffee-producing state of Minas Gerais and details the impacts of neoliberal economic policies on small-scale coffee farmers.

Minas Gerais, Brazil

As Latin America's leading coffee exporter, Brazil has remained a front runner in global coffee production since the 19th century. The global coffee market involves mainly Arabica and Robusta coffee varieties, which differ in regards to taste, price, quality, and production process. The overwhelming majority of Brazil's coffee exports consist of Arabica varieties, destined mainly for the US and Germany, despite the perceived lower quality of Arabica coffee compared to Robusta (Achinelli/Watson 2008). The quality of coffee also differs based on the environment in which it is produced, that being sun- or shade grown. Sun grown Arabica coffee dominates coffee production in the Minas Gerais state for many reasons to be discussed in later paragraphs. Minas Gerais is the leading coffee producer of the country and supplies nearly half of all coffee that is exported from Brazil. It is important to note that Brazilian coffee is typically produced in rural, geographically isolated areas where poverty runs rampant (Achinelli/Watson 2008).

Prior to the advent of neoliberalism, import-substitution-industrialization (ISI) was widely embraced as an economic policy that favored protectionism in trade and industrialization in order for developing nations to become self-sufficient and less dependent on imports. Beginning in the 1940s and leading into the 1970s Latin America as a whole was swept by ISI policies which were targeted towards mechanizing the agricultural sectors within the region. Similar to neoliberal economic policies, ISI policies encouraged intensification and modernization in agriculture; unlike them, however, ISI policy objectives were focused on domestic production to improve *local markets.* Under ISI economic policy domestic producers of Brazil were incentivized by agricultural subsidies and credits, while penalties and high taxes deterred producers from exporting their goods (Achinelli/Watson 2008). This strategy of economic development ultimately aimed to replace imported goods with domestically produced

goods in an effort to *decrease* reliance on wealthy nations. Such policies were popular among Brazilian workers and farmers and had been endorsed by that country's democratic governments until the early 1960s. Following a US-backed coup d'etat in 1964, however, Brazil's military dictatorship sought to reverse ISI programs and to shift to export-oriented agriculture, thus introducing neoliberal doctrines (Achinelli/Watson 2008).

The agricultural sector of Brazil in the 1970s was characterized by a push for industrialization and the introduction of foreign investment, which aimed to seamlessly usher the Brazilian coffee industry into the global coffee market and increase productivity levels. This period in Brazil resembled much of the rest of Latin America during this time, in that market liberalization was profitable. Figure 1 depicts the total agricultural credit and subsidies for Brazilian coffee from 1969-1990. The total agricultural credit and subsidies steadily increased throughout the 1970s, however a steep decline beginning in 1980 is evident. It is clear that the early 1980s began to see a downturn in availability of credit and subsidies, which corresponds to the global recession occurring during this time. The global recession occurred for many reasons, but the second 'oil shock' in 1979 helped catalyze the already diminishing state of global finance. The 1980s marked the peak of the debt crisis with inflation rates in 1980 at 110%, which soared to 1,783% by 1989 (Hefland 1999). Figure 2 shows how countries attempted to fight high inflation rates by raising interest rates, reaching record highs beginning in the 1980s (Marco et.al 2018).

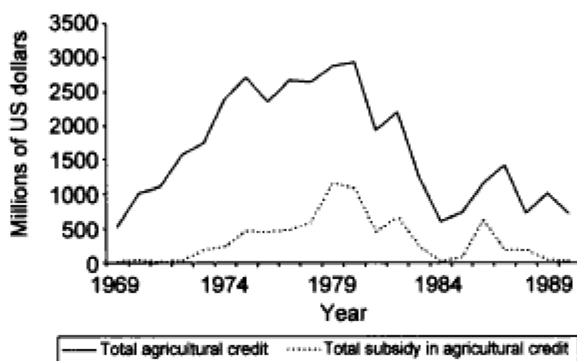

Figure 1. *1969-1990 agricultural credit and subsidies for Brazilian coffee.*

These financial conditions ultimately led to Brazil being unable to service its debt which was steadily increasing by the billions every year. In 1970 Brazil's total debt equalled US$5.3 billion, increasing to US$85.3 billion by 1982 (Valenca 1998:23). In 1982, the same year as Mexico's default, "...Brazil [also] halted the repayments on the principal of its foreign debt. A first letter of intent to the IMF, an economic program, and a loan were agreed to in the same year." (Valenca 1998:23). The contract with the IMF solidified in Brazil the necessary conditions under structural adjustment which would include devaluing national currency, cutting back on agricultural credit and subsidies, and decreasing taxes on exports.

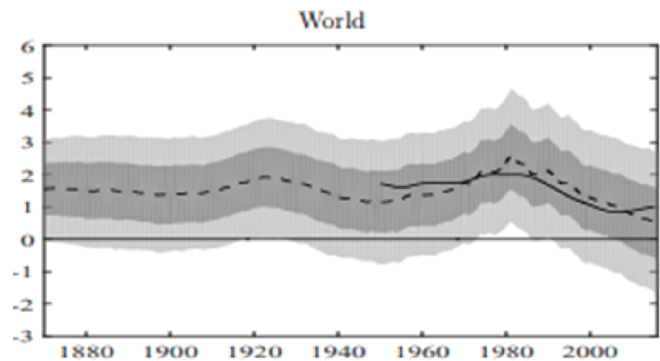

Figure 2. *Global trends of real interest rates from 1880-2000.*

(Data collected from the US, UK, Canada, France, Germany, Japan, Italy. Dashed line represents the world real interest rate.)

Rosário da Limeira, Minas Gerais

By 1982, then, Brazil had incurred overwhelming amounts of debt, was experiencing high inflation along with rising interest rates, and had entered into an agreement with the IMF to begin economic reforms through SAPs. In the same year, global coffee prices began to drop due to the global financial crisis and the market became flooded with surplus coffee (Achinelli/Watson 2008). Small-scale coffee farmers of Rosario da Limeira, a *munícipio* of Minas Gerais, began to feel the harmful effects of participating in export markets because of this sequence of events. Of its 10,000 residents, 90% of the population participates in coffee production of varying scales. Coffee has become the most dominant crop within Rosario da Limeira and its presence has lessened the practice of subsistence farming, leading growers to rely

on coffee to provide income to purchase staple foods and other necessities (Achinelli/Watson 2008). Neoliberal reforms embodied in SAPs have made small-scale coffee farmers of Rosario da Limeira vulnerable to many consequences such as insecure incomes, land degradation, and reduced access to agricultural credit and subsidies.

Market liberalization under neoliberal reform inserts small-scale farmers in the global coffee market, therefore global factors determine the price at which their coffee is purchased. Due to limited capital and access to resources, poor farmers are pressured to sell their coffee immediately after harvest, as they cannot afford to wait for favorable global market conditions. Figure 3 displays the global price steadily declining from the end of the 1970s and reaching the lowest in years during 1982, with drastic fluctuations in the years after (Achinelli/Watson 2008). Severe global price decreases along with fluctuations leave small-scale farmers in a state of uncertainty, which forces farmers to sell their coffee cheaply while also preventing them from gaining economic stability. This process worsens the state of declining returns that small-scale coffee farmers consistently face. Local factors of Rosario da Limeira which exacerbate persistent economic uncertainty among small-scale coffee farmers include limited access to transportation, as well as Rosario da Limeira having the lowest literacy rate in Minas Gerais (Achinelli/Watson 2008).

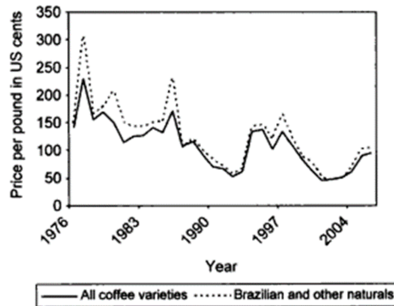

Figure 3. *Global coffee prices, 1976-2006.*

Small-scale coffee farmers in Rosario da Limeira grow on marginal lands which are located on steep slopes, overexposed to the sun, vulnerable to heavy rains, and decreasing in soil fertility. Small-scale farmers have no other choice but to plant coffee on these lands due to foreign demand for sun-grown coffee, which exhausts the soil through routine planting but

provides a high yield. This process contributes to the wide-scale problem of decreasing soil fertility within the region, and while mediation strategies such as fertilizer use temporarily extends the productivity of a coffee plantation, it is expensive to obtain and is still harmful to the soil. Small-scale farmers are thus forced into making compromises in exchange for short-term security through planting on poor soils and using techniques which guarantee a high yield, but also continue to deteriorate the soil fertility. Because farmers in Rosario da Limeira do not have adequate capital to participate in shade-grown coffee, which relies on lower yields in order to preserve soil health, farmers are at risk by default. Small-scale coffee farmers are unable to diversify their crops for this same reason as the Brazilian government and agricultural extension agencies encourage only the cultivation of coffee (Achinelli/Watson 2008). As sun-grown coffee is grown on steep slopes which are vulnerable to heavy rains, soil erosion minimizes the productivity of coffee trees to only 15 years, forcing small-scale farmers to seek out new land periodically or to expand their current landholding through burning the nearby Atlantic forest (Achinelli/Watson 2008). Burning the nearby forest to clear land aids in expanding the amount of fertile land for small-scale coffee farmers, however it has left the Atlantic forest critically endangered. In 1988, clearing was made illegal and farmers were susceptible to heavy fines if they were caught (Achinell/Watson 7/2008).

Under neoliberal economic reform state support for agricultural production is almost exclusively limited to export commodities, thus discouraging the production of staple foods for personal or domestic consumption. In Rosario da Limeira, the Brazilian government extends this support for coffee growers only. This allows for small-scale farmers to have access to low interest government loans for coffee production and nothing else. Agricultural extension agencies are present within Rosario da Limeira as mentioned previously, however they only

provide services to *coffee* farmers. The agricultural extension agencies in Rosario da Limeira do not prioritize the problem of decreasing soil fertility within the region, leaving small-scale farmers vulnerable to environmental challenges that larger local farmers do not have to face. The extension agencies also promote the monocropping model, or the cultivation of a single crop on the same land, which pressures farmers to continuously exhaust their soil and to remain in the global coffee production market, despite declining returns and increasing risk. The monocropping model prevents small-scale coffee farmers from diversifying their crops, leading many farmers to seek out wage work on *fazendas,* or larger coffee plantations, where they can earn slightly more than minimum wage and receive income (Achinelli/Watson 9/2008). The income derived from wage work often surpasses the income made from small-scale coffee farmers' own production, which increases the reliance on *fazendeiros* (Achinelli Watson 9/2008). This income is primarily used for purchasing staple foods which are displaced due to coffee production, but other necessities are also purchased with this income.

Due to neoliberal economic reforms embodied in structural adjustment programs (SAPs), small-scale coffee farmers in the Brazilian *município* Rosário da Limeira of Minas Gerais state were negatively impacted in various ways. Small-scale farmers become economically dependent on global coffee prices which are determined by entities out of their control. Small-scale farmers thus become vulnerable to price drops and fluctuations, causing them to be in a state of constant economic uncertainty and to accept diminishing incomes. Due to these unstable conditions farmers are pressured to intensify production which ultimately exhausts the available soils, and contributes to declining returns. Small-scale farmers are encouraged to continue to produce coffee despite these unfavorable conditions, and this is supported by access to government loans and agricultural extension services. These factors all contribute to the negative impacts

small-scale coffee farmers of Rosario da Limeira face due to structural adjustment under neoliberal economic reform.

Case Study 2: *Non-traditional Export Agriculture in Central Guatemala Highlands*

Guatemala is recognized for its long-standing political violence led by corrupt and dictatorial governments, targeted primarily towards indigenous communities. The country has been in political turmoil since a US-sponsored military coup d'etat overthrew the reformist government of Jacobo Arbenz in 1954. The result has been severe instability in its economy, political structure, well-being of the population, and agricultural sector. Notwithstanding severe political violence, like many of the other developing nations of Latin America the economy of Guatemala appeared to be propitious beginning in the 1960s, and leading up to the economic crisis in the early 1980s. There was steady economic growth up until 1982, until the annual growth rate dropped into negative territory at -3.53% (*Macrotrends* 1960-2022). Governmental corruption and the army's bloody counter-insurgency campaign did not improve the Guatemalan economy either; in fact, it contributed to an already-declining economy catalyzed by the diminishing economic state of Central American developing nations (Millett 1985:111).

Following the near total collapse of the Central American Common Market in the late 1970s, the price of Guatemalan agricultural exports fell dramatically (Millett 1985:111). As a result the GDP began to decline annually, decreasing 3.5% in 1982, followed by another 2% decrease in the following year (Millett 1985:111). In order to offset the balance of payments deficit Guatemala received a US$120 million loan from the International Monetary Fund in 1983 (Millett 1985:111). The economic conditions of Guatemala were not improving in any manner, leading the IMF to apply pressure to the Guatemalan government. It would soon employ tax reforms and reduced government spending in order to stay within IMF loan agreement guidelines

(Millett 1985:111). Between the years 1980 and 1983, Guatemalan exports fell by 30%, a devastating figure in a rapidly minimizing economy (Millett 1985:112).

Kaqchikel Region of Guatemala

These effects on the Guatemalan economy were once again felt the deepest by the rural indigenous producers who had already been subjected to years of political violence. These indigenous people more specifically were small-scale Maya agriculturalists residing in the Central Guatemala Highlands in the rural Kaqchikel region. The Maya in this region have produced fruits and vegetables, among other non-traditional agricultural export (NTAX) products since the 1970s due to neoliberal influence from international development agencies, for the purpose of reducing poverty rates (Hamilton, Fischer 2005:33). In doing so, Kaqchikel Maya were ushered into small-scale production of export commodities such as snow peas, cauliflower, and broccoli (Hamilton, Fischer 2005:33). Export commodity production seemed viable, "partly because it was felt that farmers with very little land could exploit the one comparative advantage they held–abundant household labor–to produce labor intensive, high value crops." (Hamilton. Fischer 2005:33).

The effects of neoliberal reform through market liberalization present themselves a bit differently in indigenous Maya communities by way of infiltrating the communities' sense of cohesion and identity. This is due to the class differences that emerge as a result of market liberalization, which ultimately diminishes community solidarity, particularly in close-knit indigenous Maya communities (Hamilton, Fischer 2005:34). Not only is community identity impacted, but so are the profits and returns of Maya small-scale NTAX farmers. Due to the economic vulnerability woven into participation in global markets, Kaqchikel Maya farmers are

left completely open to risk (Hamilton, Fischer 2005:34). Despite their lack of capital and the state of inequitable land distribution which is ethnically biased, indigenous Maya farmers remain the predominant NTAX producers, specifically for snow peas. Over 90% of the snow peas exported out of Guatemala are produced by indigenous Maya who operate on less than 1 hectare of land (Hamilton, Fischer 2005:35). These indigenous Maya people are able to compete in the export market specifically with snow peas, due to their participation in cooperatives which benefit contract farmers in the long run. Similar to Mexican dairy farmers, indigenous Maya snow pea farmers can remain a strong competitor in the global market because they are supported by contract farmers who actually have the adequate resources.

"In highland Guatemala, both small-scale producers and exporters have strong economic incentives to engage in contract production, but small-scale producers bear the brunt of the risks." (Hamilton, Fischer 2005:37). This relationship between small-scale farmers and export agriculture is present in every case study mentioned within this literature review, essentially due to the commonality of lack of capital. There are disproportionately more benefits to male farmers within this community as well, leaving female farmers to accept no income for their agricultural labor due to the community's gender standards. This gender division is worsened by engaging in contract farming, which favors male participation particularly in farming cooperatives (Hamilton, Fischer 2005:37). Another wide-scale implication on Kaqkichel Maya small-scale farmers is entering wage work among declining returns. Non-traditional export agriculture does provide income and employment for many families within the region, however 57% out of 252 individuals were receiving wages (Hamilton, Fischer 2005:39). For indigenous Maya, this shift to wage labor and away from agricultural labor contributes to the dismantling of local communities and turn toward more independence.

Case Study 3: *Mexican Dairy Production*

Similar to Brazil, the Mexican government up until the peak of the debt crisis in 1982 employed import-substitution-industrialization (ISI) economic policies with the hopes of gaining self-sufficiency by prioritizing domestic production for internal markets (Pastor/Wise 1997:421). Latin American developing nations as a whole under the ISI model experienced relative economic growth and stability within their agricultural sectors, specifically during the decades leading up to the 1982 economic crisis. Miguel de la Madrid was the Mexican president during the initial phases of neoliberal economic reform prompted by the debt crisis and held office from 1982-1988. However, it wasn't until the Carlos Salinas presidency beginning in 1988 that Mexico saw *aggressive* implementation of neoliberal reforms through structural adjustment and the eventual ratification of the North American Free Trade Agreement (NAFTA) (McDonald 2001:248). De la Madrid's primary task in the early stages of structural adjustment was to improve macroeconomic conditions by prioritizing external debt repayment, particularly through decreased government expenditure and devaluing the national currency (Pastor, Wise 1997:421). However, these initial moves made by de la Madrid had recessionary implications which as a result gave the basis for Salinas' energized approach in years to come (Pastor, Wise 1997:421).

Salinas was faced with a severe economic crisis in which rigid reforms were put in place that focused on privatization on a wide scale, and more importantly macroeconomic stability (Pastor, Wise 1997:422). Salinas aimed to stabilize the Mexican economy through improving incomes by implementing guidelines surrounding wages, engaging in financial restriction in order to combat inflation, and prioritizing the stabilization of the Mexican peso (Pastor, Wise 1997:422). During his presidency the Mexican economy grew an average of 2.6%, while

inflation rates dropped from 159% in 1987 to 7.1% by 1994 (Pastor, Wise 1997:422). Surely, these seem to be macroeconomic indicators of success, however the advantages of Salinas' policies were not distributed equitably among the Mexican population. Figure 4 offers as an example of inequitable income distribution among Mexican households under Salinas' structural adjustment policies, with I representing the poorest and X the wealthiest (Pastor, Wise 1997:426). It is evident that in the years prior to Salinas taking office there

Annual rate of growth of real monetary income for household deciles, 1984–9 and 1989–92

Household deciles	1984–9	1989–92
Total	2.3	1.7
I	1.4	−2.6
II	0.9	−1.2
III	0.4	0.1
IV	0.4	0.4
V	0.6	−0.1
VI	1.1	−0.4
VII	0.9	0.2
VIII	0.6	1.2
IX	1.0	2.1
X	5.0	3.3

Figure 4. *Annual growth of household income.*

was minimal annual growth for all households. However, four years into his presidency the annual growth rate dropped in total for all households, the rich got richer, and the poorest experienced *negative* growth (Pastor, Wise 1997:426). Salinas' inability to support his struggling population was also evident through the massive increase of poor and impoverished Mexicans; by 1990, "41 million Mexicans were unable to satisfy their basic needs - i.e. were poor - and 17 million lived in extreme poverty." (Latapi, Gonzalez de la Rocha 1995:61). These devastating figures would ultimately worsen as NAFTA became officially implemented in the years to come. It was in 1994, the last year of Salinas' presidency,that NAFTA went into full effect in Mexico (McDonald 2001:248).

NAFTA came into force officially on January 1st, 1994, which created the largest trilateral trade bloc in the world through the agreements of the United States, Mexico, and Canada (McDonald 1997:322). The primary objective of NAFTA was essentially to reduce all barriers of trade between the US, Mexico, and Canada. However the agreement proposed to

tackle various other issues as well such as unemployment and low productivity levels within agriculture (Lustig 1995:50). A major point of contention within the discussion of NAFTA's viability involves the potential of US imports to overwhelm Mexican markets at a lower or more competitive price, thus worsening poverty rates primarily through the displacement of rural Mexican farmers. This specific concern was proven true by countless instances, such as the influx of cheap US corn increasing 18-fold between the years 1993 and 2000 (Cavanaugh, Anderson, Serra, Espinosa 2002:58). During the influx, instead of NAFTA improving the well-being of rural Mexicans, it in fact worsened rural poverty rates, which rose from 79% in 1994 to 82% by 1998 (Cavanaugh et. al. 2002:58).

The changing economic conditions of Mexico under Salinas were felt across the nation. However, the dairy industry particularly was impacted in ways it never had been before. During the 1970s the Mexican government had tried to improve the nutrition of its people, specifically the rural and poor, by bolstering the dairy industry, which had become imperative to the diets of these populations (McDonald 1997:324). The Mexican government had achieved some success in improving national nutrition levels by dictating wholesale and retail prices for dairy products (McDonald 1997:324). However, with the unstable economy leading into the 1980s and prevailing for the next decade or so, the dairy industry became critically threatened. Dairy farming is "one of the most conservative of agricultural activities, its profit is based on long-term production of volume–profit by inches. Under the best circumstances, then, profits are modest" (McDonald 1997:324). After the 1982 debt crisis these circumstances certainly became unfavorable for small-scale farmers, as they lacked the flexibility to pursue other agricultural endeavors. Rising inflation rates, decreasing milk prices, a reduction of agricultural subsidies, and increasing privatization during this time greatly affected the Mexican dairy industry, which

NAFTA would soon worsen (McDonald 1997:324). Due to these adverse economic conditions dairy farmers were confronted with the following issues: a diminishing market caused by a reduction in consumer spending due to the 1994 peso devaluation, price gluts and unexpected fluctuations, and increasing foreign competition due to NAFTA (McDonald 1997:324-325). For the purpose of this case study I will be focusing on the specific impacts on small-scale dairy farmers in the Mexican state of Guanajuato, caused by the integration of NAFTA free trade policies to the Mexican dairy industry.

Dairy Industry of Guanajuato

Guanajuato is among Mexico's top milk producing states and its *municipios* that contain large scale farmers provide the majority of Guanajuato milk products (McDonald 1997:322). The state contains dairy farms of varying scales, ranging from small non-mechanized farms to large scale commercial farms (McDonald 1997:322). For the purpose of this case study I will be focusing on small-scale dairy farmers, which make up 76% of the dairy farmers in Guanajuato state (McDonald 1997:322). To understand the structure of the Guanajuato dairy industry you can associate the quality of cattle and level of mechanization with the size of the farm. The larger the farm, the more modern mechanization, and the more productive cattle. The opposite is true for small farms, who have little to no mechanization, and less cattle which are of poorer productive quality. Furthermore, the dairy industry can be divided into three interrelated segments; direct producers, middlemen, and dairy processing plants (McDonald 1997:322). The process begins with direct producers who sell their fresh milk to middlemen, who purchase it at any price and often negotiate with direct producers in order to purchase their milk cheaply (McDonald 1997:322). After purchasing, middlemen will refrigerate the fresh milk and

eventually sell it in bulk to dairy processing plants within Guanajuato with only one thing in mind, profit (McDonald 1997:322). From here the refrigerated milk is processed into various milk products such as yogurt or ice cream (McDonald 1997:322).

At each level of production the price of the milk product increases, subjecting direct producers to low prices. For instance, in 1994 direct producers sold their fresh milk to middlemen for US$.25/liter. These middlemen then sold the refrigerated milk to dairy processing plants for US$.32/liter, in which processing plants would then sell their finished product for US$.52. From direct producer to its finished product, the price of a liter of milk was more than doubled, and those profits were exclusive to the processing plants. Small-scale dairy producers complained that the market price was simply too low, and the price gouging tactics employed by middlemen worsened their ability to make profit (McDonald 1997:322). In order to offset these challenges, dairy producers would begin selling a couple of animals a month in order to simply meet their production costs (McDonald 1997:322). Despite these conditions, small-scale dairy farmers had no other choice but to keep farming as they lacked the financial capital to improve their production process. One farmer interviewed in Guanajuato put it simply, "Before, a cow was money. Now it's an expense. They're like the pet dogs you gringos like so much." (McDonald 1997:322). Credit is available to dairy farmers in Guanajuato, but at a steep interest rate of 30-40% which many small-scale farmers just cannot sustain long-term (McDonald 1997:322).

After NAFTA was implemented in 1994, and the state of rural producers began to change, changing market conditions continued to put pressure on small-scale farmers to adapt despite discouraging returns. The new adaptive strategies of dairy farmers in Guanajuato resulted from NAFTA catalyzing rural change, leading farmers to adjust in three ways. First, those who

have the financial capital to invest in marketing cooperatives would benefit greatly, as the middlemen was cut out, while those who lacked the resources to invest attempted to form their own cooperatives in order to lower transaction costs (McDonald 1997:323). Second, dairy farmers would continue their operations as normal, remain an independent farm, and would begin a slow process of mechanization. Lastly, those who are able to, would engage in contract farming for export commodities, specifically for cash crops (McDonald 1997:323). Dairy farmers of Guanajuato would adapt to new market conditions caused by NAFTA through adopting one of these strategies, or by incorporating parts of each into their production process (McDonald 1997:323).

The changes in the Mexican dairy industry are nearly impossible to predict, let alone adjust to properly, when small-scale farmers are uneducated on the policies involved in NAFTA guidelines. This lack of information regarding free trade economic policy immediately puts small-scale farmers of all types at a huge disadvantage, as many lack the necessary technology and resources to learn themselves. One farmer of Guanajuato stated in an interview that, "NAFTA is great…great if you're a gringo. We can't win. It's just a matter of time." (McDonald 1997:326). As mentioned previously, a rising concern among all Mexican small-scale farmers is the competition, particularly with the United States, and the dairymen of Guanajuato openly expressed these concerns as well. Don Antonio, a Guanajuato dairy farmer professed, "When will we ever be able to compare ourselves with the United States, eh? We behind them some 50 years. And the technology they have. And it always works! What machinery, better animals…right now I sell three or four cows a month just to pay my bills."(McDonald 1997:326). Another dairy farmer, Don Simon claims, "I believe that it (NAFTA) is affecting us because we aren't sufficiently prepared to produce and we don't have the resources to compete

with this kind of (global) commerce…" (McDonald 1997:326). The United States remains as a major threat within the Guanajuato dairy industry, specifically through increasing importation of US powdered milk. The US dairy industry is heavily subsidized which provides dairy farmers with ample resources, leading to their products being cheaper and consumed more by people outside of the US. Due to heavy US influence within IMF decisions, the US is able to serve its trade interests by insisting on competitor countries to decrease or remove tariffs and subsidies entirely, which ultimately eliminates any competition and ensures cheap US product is consumed the most. This concern is rising within Guanajuato dairy farmers who believe they will be drowned out by the US powdered milk alternative, as it is cheaper and has a longer stability on shelves and in transportation. It becomes evident that despite the lack of knowledge regarding the intricacies of NAFTA policies, Guanajuato dairymen are certainly aware of how their production is being constrained and how they are no longer operating at profitable levels. Because of these conditions, dairymen seek out strategies to maintain their livelihoods as mentioned above, whether it be joining cooperatives or remaining independent. However, there are other strategies that small-scale dairy farmers employ within their limited contexts, such as participating in export commodity agriculture through contract farming with large American companies such as Bird's Eye or Green Giant, while other farmers end up leaving the dairy business entirely and enter wage labor (McDonald 1997:327).

Surely it becomes clear that the effects of NAFTA on small-scale dairy farmers leave them in a state of uncertainty and limited action, while some strategies to adjust to new market conditions hurt domestic markets and often end up in favor of US interests as well. Farmers of Guanajuato end up serving US interests in two ways as a result of NAFTA; by engaging in contract agriculture of cash crops with either of the major American companies listed previously,

or by remaining a dairymen and joining cooperatives which agree to contracts with foreign processing plants such as Dannon and Nestle. Joining a cooperative can be beneficial because it cuts out the middleman who would typically purchase fresh milk from small-scale farmers very cheaply. The struggles felt from NAFTA encouraged farmers of Guanajuato to form new cooperatives, in which participants would have access to new resources such as refrigeration units, trucks, and a storage facility, which would allow them to sell refrigerated milk in bulk (McDonald 1997:327). Selling their product in bulk, overall, gave farmers a net profit of US$.04 per liter (McDonald 1997:327). With access to new resources and by agreeing to a contract with large American processors, dairymen would finally be able to produce at significantly lower costs, avoid the trouble of negotiating with greedy middlemen, and have their product purchased at a higher wholesale price due to overall better quality (McDonald 1997:327). Small-scale dairy farmers of Guanajuato can earn more through participating in cooperatives by receiving a 'bonus' of US$.02 per liter from meeting quality standards set by American processing plants (McDonald 1997:327). By combining the net profits received from selling refrigerated product in bulk to American processors and meeting quality standards, farmers can earn a net profit of US$600 per shipment of 10,000 liters, with no middleman needed (McDonald 1997:327).

The small-scale dairymen of Guanajuato state face a myriad of challenges since the introduction of SAPs and the implementation of NAFTA trade policies. These challenges include but are not limited to, worsening rural poverty rates, depreciating annual incomes, reduction in availability of agricultural subsidies, high interest rates for credit, decreased consumer demand, diminishing returns, herd loss, price gluts, and low purchasing prices. These implications are direct consequences of neoliberal economic reform policies which initially began with Miguel de la Madrid's presidency at the start of the debt crisis in 1982. Under president Salinas, the state of

agricultural production, specifically for small-scale dairy farmers in Guanajuato state, was negatively affected, forcing small-scale farmers to adjust to new unfavorable market conditions or abandon their traditional ways of dairy production completely. The effects of structural adjustment and free trade policies are felt in the country of Mexico today and have contributed to its struggle to regain economic self-sufficiency.

Case Study 4: *Coffee production in Costa Rica*

Costa Rica is among the smaller nations within Latin America with a population of nearly 5 million as of 2018, and its relationship with coffee production reaches as far back as the colonial period. Costa Rica's economy is liberalized and is heavily reliant on export agriculture of certain commodities such as coffee, sugar, bananas, and beef (Wilson 1994:152). The decades before the 1982 debt crisis, starting in 1960, appeared promising within Costa Rica's economy and society. Gross-domestic-product (GDP) steadily increased by 6% annually, unemployment rates were consistently low, incomes doubled, life expectancy increased, infant mortality decreased, and illiteracy rates among the adult population were reduced to only 10% (Wilson 1994:153). Costa Rica during this time was thus characterized by economic growth and increasing well being. However, the economic stability of Costa Rica began to decline in the later years following its agreement to the Central American Common Market (CAMC) in 1962.

The CAMC is an economic association involving the nations of Costa Rica, El Salvador, Honduras, Nicaragua, and Guatemala, in hopes of promoting growth and stability through economic unity of their markets.

Following political turmoil in El Salvador and Nicaragua in the late 1970s, the CAMC nearly collapsed entirely, which ultimately led to a steep 60% decline in Costa Rican exports between the years 1980 and 1986 (Wilson 1994:153). Coffee, of course, was not excluded during these years as it is Costa Rica's principal export, in which the price collapsed as a result in 1983 causing a nation-wide crisis (Wilson 1994:153). This devastation to the Costa Rican export market coupled with the great jump in the price of oil as a result of the debt crisis, resulted in Costa Rica's terms of trade, the price of exports relative to its imports, to fall from 114 in 1978 to 69 by 1983 (Wilson 1994:153). The response by Costa Rica to the various impacts to its export economy was to begin borrowing heavily from international lending institutions, which resulted in the accrual of US$4 billion in debt by 1983 (Wilson 1994:153). Costa Rica had the highest international debt per capita in the world, due to its meager population of only 2.3 million people during this time. In the years between 1977 and 1982, the cost of debt service rose US$450 million, meanwhile real income dropped 40% due to high inflation rates, and unemployment rates more than doubled (Wilson 1994:153). Economists during this time claimed that the severity of the Costa Rican economic crisis cost it the equivalent of ten years of economic growth (Wilson 1994:153).

Luis Alberto Monge was the Costa Rican president from 1982 to 1986, and began neoliberal reform through employing 'austerity measures' (Wilson 1994:153). These measures included halting government expenditures which cut subsidy availability, increasing taxes, and devaluing the Costa Rican national currency (Wilson 1994:153). These attempts at stabilizing the

economy resembled Mexico's president Miguel de la Madrid's short term austerity measures, in that it would be a temporary fix for a long-term problem. After relative economic stabilization was achieved, Monge began implementing the demands under structural adjustment conditions, supplied by international lending institutions, through privatization, reducing tariffs, and most importantly allowing the market to determine prices and wages (Wilson 1994:154). "Under the auspices of neoliberal reforms, the most important decisions concerning the welfare of citizens have been moved…into the hands of international financial organizations, such as the WTO, IMF, and the World Bank, whose short-sighted policies have had devastating effects on the world's poor." (Fridell 2007:89).

The implementation of neoliberal economic policies under structural adjustment was not the only neoliberal policy mechanism operating on the Costa Rican coffee economy during this time. The International Coffee Agreement (ICA) also played a major part in determining prices for small-scale coffee farmers. Initially developed as a response to crashing coffee market conditions during the 1950s, the ICA was originally created to stabilize prices for the world's largest and fastest-growing commodity, coffee (Bilder 1963:889). The creation of the ICA was critical to various LDCs of the world because many of these coffee producing nations "are relatively poor and underdeveloped, and are typically heavily dependent on coffee exports for foreign exchange to maintain and improve their economies." (Bilder 1963:889). Due to booms and busts in the global coffee market during the 1950s, the ICA set out to determine export quotas on coffee to maintain *high* prices for all coffee producers of all scales in 1962, including Costa Rica (Bilder 1963:889). This agreement was crucial to the various Latin American economies who participated. For example, the following coffee producing countries of Costa Rica, Brazil, Guatemala, El Salvador, and Colombia relied on coffee exports to provide more

than 50% of their foreign exchange (Bilder 1963:889). Because of this dependence, severe fluctuations in global coffee prices resulted in detrimental effects on producing nations' economies and more importantly on small-scale coffee farmers who could not anticipate or mitigate these effects. The ICA was structured at its origin in a way that would ensure the global coffee market would not become swamped by oversupply and that certain quotas must be met to limit supplies based on global demand (Bilder 1963:890).

The ICA is reviewed and agreed upon every five years or so, adapting to new market conditions along the way. In the context of Costa Rica in the latter half of the 1980s, its economy had already gone under neoliberal economic reform. However, the collapse of the ICA in 1989 would prove to show how other neoliberal policy initiatives contributed to the demise of small-scale coffee production. The new agreement was officially suspended in 1989, and just four years later the United States formally withdrew from the agreement as well (Fridell 2007:144). "The result of the suspension of the ICA was an almost immediate drop in prices and a speculative boom in futures contracts." (Fridell 2007:144). As farmers attempted to mitigate the effects of global price decreases, they planted more coffee, modernized their production processes, and competed with new farmers, all of which contributed to oversupply and again, lower prices. "This historical cycle…have compelled Southern countries to expand commodity exports to earn much-needed foreign exchange and service their debt payments." (Fridell 2007:145). The results of these declining prices have created a coffee crisis, which ultimately creates high unemployment, decreasing incomes, economic instability, migration, and hunger among small-scale farmers. (Fridell 2007:145).

"The neoliberal policy prescriptions of international financial institutions have played a key role in the collapse of the ICA, which has led to an extreme downward spiral in coffee

prices. This situation has been made worse by the debt crisis and the neoliberal policies of the World Bank and IMF, who have used their leverage over indebted poor countries to promote the expansions of commodity exports." (Fridell 2007:89). For the purpose of this case study, I will be focusing on the adaptive strategies employed by small-scale farming households in Costa Rica during the latter half of the 1980's leading into the early 1990's, which were a result of neoliberal reform and a globalized coffee market.

Perez Zeledon, Costa Rica

Perez Zeledon canton is located within the San Jose province of Costa Rica, and is located 130 kilometers south of the capital city San Jose (Sick 1997:258). It is one of the many coffee-producing regions of the country, and is among the fastest growing cantons within the Brunca region (Sick 1997:258). Between 1940 and 1960, the Costa Rican government incentivized the population to migrate to Perez Zeledon and to engage in coffee production by improving infrastructure, constructing a coffee processing plant, and by offering land access within the canton (Sick 1997:258). The production of coffee in Costa Rica is largely dependent upon small and medium-scale farmers who have little to no mechanization, meanwhile coffee processing plants are owned by either Costa Rican elites or transnational corporations (Sick 1997:258). Small-scale farming within the region is dominated by family farms with a household containing 4.8 people on average (Sick 1997:258). Anthropologist Deborah Sick observes that "With few resources to cushion them in times of crisis, most live on the margin of disaster and must carefully consider their responses to changing economic conditions." (Sick 1997:259).

Market liberalization under neoliberal reform beginning in 1982 has subjected small-scale coffee farmers in Costa Rica to dependence on global coffee market conditions, specifically world coffee prices determined by the International Coffee Organization (ICO) (Sick 1997:259).

In 1989, the world coffee market became overwhelmed with surpluses from coffee producing countries due to the ICO failing to agree on quota distribution, which lowered global coffee prices (Sick 1997:259). As a result, world coffee prices fell by nearly 20% by 1990 (Sick 1997:259). Within the same year the IMF ordered Costa Rica to reduce its import duties and to devalue its national currency (Sick 1997:260). The currency devaluation brought Costa Rican coffee farmers higher coffee prices, however the decrease in import duties immediately caused price increases of imported agrochemicals, specifically a 17% increase within just the month of May 1990. (Sick 1997:260). Agrochemicals are critical to the production process of Costa Rican coffee as they aid in providing high yields, which leads farmers to have no other choice but to import their fertilizers, herbicides, and pesticides if they want more income (Sick 1997:260). As a result of the price increase, small-scale farmers of Perez Zeledon had no option but to cut back on using agrochemicals, which ultimately resulted in declining incomes (Sick 1997:260).

CONCLUSION

The main conclusion derived from the careful examination of the case studies within Brazil, Guatemala, Mexico, and Costa Rica is that the implementation of neoliberal economic policies under Structural Adjustment Programs (SAPs) and free trade are inherently harmful to small-scale farmers and agricultural production in Latin American developing countries. The guidelines involved under SAPs are detrimental to the livelihoods of small-scale farmers who have no choice but to be punished accordingly, through the reduction of available agricultural subsidies or credit, and the devaluation of national currencies, thus their incomes. Because of the requirements imposed by the IMF and World Bank through SAPs, small-scale farmers are forced to make immediate decisions based on their limited resources, whether that be land degradation, wage work on processing plants or larger commercial farms, accept low purchasing prices, and tolerate rural agricultural stagnation. The introduction of free trade policies, primarily through the dismantling of the International Coffee Agreement (ICA) and implementation of the North

American Free Trade Agreement (NAFTA), prove to also be harmful to small-scale producers in agriculture among Latin American developing nations, who become increasingly vulnerable to the global economy. Due to a lack of adequate capital, small-scale farmers are unable to mitigate the damaging effects that involvement in global trade can produce, therefore keeping them in a cycle of dependence to make income. Price gluts and global price fluctuations maintain that farmers are kept in an insecure state with no other options available, unless that is shifting to non-traditional export agriculture (NTAX), migration, agricultural abandonment, or through seeking wage work. It is an unfortunate reality that neoliberal economic policies, specifically SAPs, despite appearing beneficial on paper to the export economies who participate, actually play out to be unfavorable in the realities of the small-scale, soon to be displaced and further impoverished farmer. The research conducted to complete this paper is significant, as it employs a holistic, anthropological perspective which contributes to a wide body of literature that examines the particular impacts of developing nations becoming involved in global economics and trade. Through an anthropological perspective, a careful analysis of various global and domestic mechanisms which act on small-scale producers in developing countries is ethically done, all while advocating for the economic self-sufficiency of these nations within Latin America.

REFERENCES

Anonymous.

1984 “International Debt Crisis: BORROWERS, BANKS & THE IMF.” *Great Decisions*, 46–56.

Bilder, Richard B.

1963 The International Coffee Agreement, 1962. *The American Journal of International Law* 57(4): 888–92.

Cavanagh, John, Sarah Anderson, Jaime Serra, and J. Enrique Espinosa.

2002 Debate: Happily Ever NAFTA? *Foreign Policy* (132):58–65.

Centeno, Miguel A., and Joseph N. Cohen.

2012 The Arc of Neoliberalism. *Annual Review of Sociology* 38:317–40.

Chirot, Daniel, and Thomas D. Hall.

1986 World-System Theory. *Annual Review of Sociology* 8:81–106.

Deardorff, Alan V.

1998 Benefits and costs of following comparative advantage. *SSRN Electronic Journal*.

Del Negro, Marco, Domenico Giannone, Marc P. Giannoni, and Andrea Tambalotti

2019 Global trends in interest rates. *Journal of international economics* 118:248–262.

Fridell, Gavin.

2007 *Fair Trade Coffee: The Prospects and Pitfalls of Market-Driven Social Justice.* University of Toronto Press, Toronto.

Green, Duncan.

1996 Latin America: Neoliberal Failure and the Search for Alternatives. *Third World Quarterly* 17(1):109–22.

Hamilton, Sarah, and Edward F. Fischer.

2003 Non-Traditional Agricultural Exports in Highland Guatemala: Understandings of Risk and Perceptions of Change. *Latin American Research Review* 38(3): 82–110.

Helfand, Steven M.

1999 The Political Economy of Agricultural Policy in Brazil: Decision Making and Influence from 1964 to 1992. *Latin American Research Review* 34(2): 3–41.

IPS Admin.

1998 Structural Adjustment Programs. *Institute for Policy Studies*.

Latapí, Agustín Escobar, and Mercedes González de la Rocha

1995 Crisis, restructuring and urban poverty in Mexico. *Environment and urbanization* 7(1):57–76.

Lustig, Nora.

1995 The 1982 Debt Crisis, Chiapas, NAFTA, and Mexico's Poor. *Challenge* 38(2): 45–50.

Martin, Phillip.

2020 Mexico-US agricultural trade. *Wilson Center*.

McDONALD, JAMES H.

1997 Privatizing the Private Family Farmer: NAFTA and the Transformation of the Mexican Dairy Sector. *Human Organization* 56(3): 321–32.

McDonald, James H.

2001 Reconfiguring the Countryside: Power, Control, and the (Re)Organization of Farmers in West Mexico. *Human Organization* 60(3): 247–58.

Millett, Richard.

1985 Guatemala: Progress and Paralysis. *Current History* 84(500): 109–36.

Moberg, Mark A.

2008 *Slipping Away: Banana Politics and Fair Trade in the Eastern Caribbean.* Berghahn Books.

Negro, Marco del, Domenico Giannone, Marc P Gianonni, and Andrea Tambalotti

2018 Global trends in interest rates - *Federal Reserve Bank of New York.* (866):1-67.

Pastor, Manuel, and Carol Wise.

1997 State Policy, Distribution and Neoliberal Reform in Mexico. *Journal of Latin American Studies* 29(2): 419–56.

Perz, Stephen G.

2000 The Rural Exodus in the Context of Economic Crisis, Globalization and Reform in Brazil. *The International Migration Review* 34(3): 842–81.

Sick, Deborah.

1997 Coping with Crisis: Costa Rican Households and the International Coffee Market. *Ethnology* 36, no. 3 (1997): 255–75.

Valença, Márcio Moraes.

1998 The Lost Decade and the Brazilian Government's Response in the 1990s. *The Journal of Developing Areas* 33(1): 1–52.

Wallerstein, Immanuel.

2004 World-systems analysis: An introduction. Duke University Press.

Watson, Kelly, and Moira Laura Achinelli.

2008 Context and Contingency: The Coffee Crisis for Conventional Small-Scale Coffee Farmers in Brazil. *The Geographical Journal* 174(3): 223–34.

Wiest, Raymond E.

2000 *Practicing Anthropology* 22(2): 43–44.

Wilson, Bruce M.

1994 When Social Democrats Choose Neoliberal Economic Policies: The Case of Costa Rica. *Comparative Politics* 26(2):149–68.

World Bank

2022 Brazil Data. *World Bank Group.*

World Bank

2022 Guatemala economic growth 1960-2022. *MacroTrends*.