THE SUGAR INDUSTRY IN POSTREVOLUTIONARY MEXICO:
State Intervention and Private Capital

Peter Singelmann
University of Missouri–Kansas City

The development of the Mexican sugar industry during the twentieth century has reflected both the general problems of industrialization in the hemisphere and the distinct historical conditions that were shaped by the Revolution of 1910. The broader problems can be assessed in terms of the implications of peripheral capitalist development for the internal dynamics of social class relations and for the corresponding political factors that set the boundaries for government policy options.

Peripheral capitalist development is generally defined in terms of a society's disadvantageous position in the modern world economy and its corresponding patterns of dependence and unequal exchange.[1] But the point has also been emphasized that the internal social dynamics in peripheral societies must be assessed as a subject in its own right (for examples, see Petras 1978; Portes and Walton 1981; Chilcote and Johnson 1983). This approach directs attention to contradictions entailed in the internal "disarticulation" of commodity production and distribution[2] and its implications: the cycle is marked by the import of costly capital goods, limited purchasing power of domestic consumers, and the competitive disadvantage of national industries, which need to sell their goods at higher prices to ensure adequate returns; accelerated social polarization produced by pressure on industry and the service sector to minimize labor costs; and limited opportunities for the dynamic expansion of a middle class amidst development in which potential "trickle-down" effects of industrialization on economic growth are constrained by liquid capital outflows, imported technology and machinery, and the corresponding obstacles to developing new employment opportunities for labor displaced by agricultural and industrial capitalization (for examples, see Fur-

1. On the debates over unequal exchange, see Emmanuel (1972), Amin (1974a, sec. 2), and De Janvry (1981, 50–55). The issue of dependency was first taken up by Quijano (1968), Frank (1969), dos Santos (1969), and Cardoso and Falleto (1969).

2. On *disarticulation* as the absence of objective relations between labor productivity and remuneration under peripheral capitalist development, see Amin (1974a, 76–83; 1974b, 53–60).

https://doi.org/10.1017/S002387910003510X Published online by Cambridge University Press

tado 1970; Müller 1975; Fröbel, Heinrichs, and Kreye 1977; and Portes and Walton 1981). This context provides the social functionality and the personal rationality of continuing engagement by significant population segments in traditional (noncapitalist) patterns of production, distribution, and service (Quijano 1968, 1979; Roberts 1978; Portes and Walton 1981, chap. 3; De Janvry 1981). By the same token, this context constitutes a significant obstacle to breaking out of the cycle.

In general terms, the limited articulation between producing and distributing goods in peripheral societies is one of the main obstacles to promoting economically necessary conditions for capital investment and accumulation and to ensuring simultaneously the necessary resources for politically adequate measures of redistribution through wages and social insurance programs. These limits, combined with the more heterogeneous nature of social structures that continue to incorporate peasants and other "traditional" groups, constitute crucial obstacles to political integration and institutional legitimation of the social order.[3] In Latin America, such conditions have been perceived as key factors contributing to high degrees of state intervention and the ascent of authoritarian regimes.[4] These same conditions, however, have also defined the limits of governmental development programs and the legitimacy sought by political regimes. Entailing contradictory demands that could not all be minimally met, they have tended to accentuate cyclical shifts in state enterprises, governmental policies, and political regimes.[5]

Explaining these cyclical shifts—between authoritarian regimes and democratization, government regulations and free markets, state capital and private enterprises—requires an analysis of intervening factors. Thus the intersection between social class relations and politics in peripheral capitalist societies defines the general stage that sets the parameters for political action. But explaining such action in a specific case can only be done in reference to its particular historical context of changing economic resources and power relations.

The purpose of this article is to address these questions by examining the Mexican sugar industry and its development in the twentieth century. In modern society, sugar and sweet foods have changed from being luxury goods and status symbols to becoming a basic staple of pop-

3. On the issue of heterogeneity and political fragmentation, see particularly Taylor (1979) and Evers (1981); see also Petras (1978, 68, 85).

4. For the debates over the role of the state under peripheral capitalist development, see Pérez Sáinz (1980), Evers (1981), and Canak (1984). On the issue of authoritarianism, see O'Donnell (1973, 1979), Malloy (1977), Collier (1979), Reyna and Weinert (1977), Cardoso (1975), and O'Donnell and Schmitter (1986).

5. On the cyclical shifts in governmental policies and political regimes, see particularly the work of Evers (1981) and the debates over the redemocratization of authoritarian regimes in such works as Cardoso (1975), O'Donnell (1979), and O'Donnell and Schmitter (1986).

ular consumption.[6] The social and political significance of sweets varies, however. While taken for granted in popular consumption habits of wealthier nations, the carbohydrates of sweet foods and soft drinks represent a significant source of energy and refreshment in populations suffering from malnutrition and lack of clean water. In postrevolutionary Mexico and elsewhere on the subcontinent,[7] the political implications of these factors for state subsidies and price controls have set the stage for shifting government policies and institutional relations between the sugar industry and the state, under economic constraints corresponding to those outlined above. The intersections among these structural conditions, the historical context, and political decisions will be examined in this article to assess the shifting relations between private capital and state intervention in the Mexican sugar industry.[8]

THE CONTEXT OF THE MEXICAN REVOLUTION

The historical context in which Mexico's sugar industry had to establish its place during the twentieth century was shaped by the Revolution of 1910 and the parameters it set for subsequent developments. Their major components were the agrarian reform and the institutionalization of a corporate political regime that mediated conflicts and coalitions between different social classes.

The land reform reflected the populist component of the Revolution in dismantling traditional haciendas and distributing their lands among newly formed *ejido* communities. The ejido entailed communally owned lands and their use either by government-sponsored cooperatives or by families whose heads received lifetime rights to use the land.[9] This

6. On the emergence of sugar as a popular consumer good and its social significance, see Mintz (1986, 176–77, 186).

7. For an examination of such issues in the case of Brazil, see Nunberg (1986).

8. The data cited in this article are based on a variety of sources. In addition to government statistics and reviews of the literature covering contemporary and historical components, the primary information is based on interviews with government officials and representatives of various sectors of the sugar industry, news clippings, and fieldwork conducted primarily in the state of Morelos. The work was initiated in 1975 and continued throughout different visits until May 1991.

9. The traditional ejido system, which was reestablished in Article 27 of the Constitution of 1917, entails communally held lands that are subdivided and assigned separately to individual heads of families, generally for one lifetime. The family does not hold formal property over the lands, and after the death of the holders, the land is reassigned. Typically but not necessarily, the lands are reassigned to the oldest son of the family. The final decision is made by the administrators of the ejido community and may be affected by political conflicts and alliances. A crucial feature of the system is that the lands assigned to a family cannot legally be sold, rented, or held as a collateral for loans. It thus depends on the governmental banks that control the selection of crops and retain the right to buy these crops at fixed prices as collateral. *Ejidatarios* engaged in capital-intensive cultivation of commercial crops on irrigated lands are thus constrained to produce crops that may not be very profitable. The cane growing ejidatarios are one example of dependent land cultivators.

reform defined the context for industrialization and the capitalization of agriculture. At the institutional level, the populist consequences of the Revolution were reflected in the corporate fusion of government and ruling party, which reached some closure with the reformation of the Partido Revolucionario Institucional (PRI) in 1946. The inclusion of peasant organizations, labor unions, and elements of the middle class (the "popular sector") in the PRI created the institutional setting for providing these groups with resources to promote their interests under the patronage of the government.

Such inclusion also provided opportunities for upward mobility for leaders who played by the new political rules.[10] This populist component within the corporate political structure of the PRI has integrated the lower and middle classes into an expanded system of political spoils and patronage. But it precluded direct access by these groups to the inner circle of the "revolutionary family," whose members had survived the political turmoil between 1910 and 1934 and transformed their military power into political office to acquire the economic privileges of a new bourgeoisie. In connection with the continued salience of private capital not linked to the revolutionary family, this development provided the context for relations between industry, labor, petty bourgeoisie, and peasants that were mediated by the government and the PRI.[11] But the interests of these groups were not identical.

Here the peripheral capitalist components of Mexican development become relevant. In a cycle dominated by the high cost of imported capital goods and a limited consumer market, the dependence of industrial profits on cheap labor and raw materials became an obstacle to improved living standards in an expanding domestic market. Because the interests of land cultivators, industrialists, laborers, and popular consumers could not all be adequately met, resolution of their competing economic demands has been bound to political decisions that have favored some groups over others during given periods. Within this context, the Mexican government has assumed a central position both to ensure industrial profits through subsidies or protection and to maintain political stability though price regulation of basic consumer goods and services (see Carmona et al. 1970; Semo 1973; Cockcroft 1983; Hellman 1983; González Casanova and Aguilar Camín 1985; Hamilton and Harding 1986). But attempts to compensate for inadequate conditions for capital accumulation via government subsidies or takeovers of industries and services in the name of the

10. On the populist component of political development in postrevolutionary Mexico, see Córdova (1974), Ianni (1977), Hamilton (1982), and Cockcroft (1983).

11. For an overview of the outcomes initiated by the Mexican Revolution and the links among the revolutionary generals, the government, and the new entrepreneurs who sprang from these groups, see Córdova (1972), Ianni (1977), Hamilton (1982), and Cockcroft (1983). On the patronage system, see also Grindle (1977).

https://doi.org/10.1017/S002387910003510X Published online by Cambridge University Press

national interest have merely passed the economic costs of political concessions on to the state, without paving the way for recovering the losses. Moreover, the nature and amount of public subsidies have inevitably reflected political victories or compromises between different groups without necessarily meeting the minimal needs of industries to ensure adequate maintenance and modernization.

The sugar policy of the Mexican government during the twentieth century illustrates such dilemmas well. Policymakers have had to weigh the relative feasibility of three alternatives: exposing national industries to international competition versus protectionist policies; choosing between "sink or swim" policies or state subsidies to the industry; and favoring free domestic-market prices or state regulation. The resulting choices have reflected various political conjunctures as much as economic necessities.

THE HERITAGE OF THE SUGAR INDUSTRY

Between 1880 and 1910, the weak competitive position of the Mexican sugar haciendas in the international market made their dramatic expansion dependent on growing domestic demand and protectionist government policies. Exports of surplus sugar served primarily to reduce domestic supply and to maintain the price of sugar. Increased production was founded primarily on expanding hacienda lands under cane cultivation and constructing new refineries. The industry's precarious position required agreements over production quotas, distribution, and the pricing of sugar. Failures to assess accurately elasticity of demand and nonconformity to production quotas led to various cycles of overproduction and crisis (see Espinoza 1985). This tenuous position was inherited by the sugar industry in postrevolutionary Mexico, although with different economic and political equations.

The 1910 peasant uprising against the sugar haciendas in the state of Morelos was a key factor leading to the subsequent reestablishment of peasant ejidos in Mexico. In 1940 this outcome also entailed the legal breakup of the sugar haciendas between cane growers and mill owners, but a 1943 presidential decree stipulated that land cultivators within the *zonas de abastecimiento* (cane supply areas) of sugar mills were obliged to grow the cane required by the mills' production capacity (Murrieta 1960, 21–24).[12] Cane cultivation and sugar production thus became the domain

12. The unity of the sugar haciendas was not radically broken up except in the destruction of the sugar mills in Morelos during the Revolution and the distribution of their lands among newly formed ejido communities in the 1920s. The first laws regulating distribution of ejido lands explicitly excluded areas required to supply cane to sugar mills. The revised Agrarian Code of 1940 promulgated breaking up the sugar haciendas and distributing their fields to ejidos. Subsequent decrees, however, stipulated that the new land holders within given zonas de abastecimiento of sugar mills had to supply them with cane. A 1943 decree also estab-

of different social classes, according to control over mill capital or cane fields.[13] This new political constellation also changed the context in which Mexican mill owners had to deal with workers, cane growers, rural field hands, seasonal migrants working as cane cutters, industrial users of the raw materials produced by the mills, and individual consumers. The heterogeneity of this complex has provided different opportunities for political coalitions or confrontations among these groups. In the emerging corporate order, the positions of these various sectors came to be determined by shifts in their relationships to the government and by their changing political weight within the PRI. Conflicting interests among these groups shaped the development of the sugar industry after the 1930s. At the core of these relations were the direct ties between the revolutionary family and the sugar industry, the inclusion of sugar in the official basket of basic staples, and new types of links among the state apparatus, the cane-sugar complex, and other social forces.

Revolutionary generals began investing in the sugar industry in the early 1920s. This group was dominated by the families and *compadres* of Aarón Sáenz and Manuel Avila Camacho, who used their political offices to obtain large amounts of land, invest in refineries,[14] and promote increasing government intervention designed to protect and subsidize the industry. Within this context, Sáenz cofounded and directed the Unión Nacional de Productores de Azúcar, S.A. (UNPASA) as a joint venture between the industry and the government in 1938. The purpose of the UNPASA was to organize the distribution of credit and to regulate the supply and pricing of sugar. This development reached a high point when Manuel Avila Camacho assumed the Mexican presidency in 1940 (Murrieta 1960, 25–33; Maturana and Restrepo 1970, 38–39, 47–48; Machado Castillo 1983, 11).

But the incentives for capitalization in the sugar industry were counterbalanced by the populist component of the new regime and by sugar being placed in the category of basic staples whose "social significance" required governmental regulation. Accordingly, the upper limits of the price of sugar were determined by government regulations as much as by market demands. Such regulations had to take into account both economic calculations of mill profits and the emergence of the lower classes

lished the semipublic Financiera Nacional Azucarera (FINASA) as the bank to finance cane cultivation and mill operations.

13. Due to unequal distribution of land and capital, the cane growers themselves became differentiated into distinct political factions along class lines and according to the nature of their holdings (communal ejido lands versus personal property incorporated into mill supply zones).

14. On developments in the sugar industry during the 1930s and 1940s, see Ronfeldt (1973, 23, 30, 171), Maturana and Restrepo (1970, 93), and Hefley (1970, 67–86, 93–94). On the particular role of Aarón Sáenz, see Hamilton (1982, 87–90, 297–98).

as a political factor under the populist umbrella of the new ruling party. Pressure for low prices for cane derivatives was also exerted by food-processing and other industries that were purchasing raw materials from the sugar mills.[15] This combination of factors placed the government in an ambiguous position. While it controlled the sugar supply and protected the industry through import regulation, the effect of these measures on the domestic-market price was counteracted by the political criteria guiding the pricing policies.

It thus became essential for the government to balance the domestic demands for low-priced sugar and molasses with profits or reduced losses from exports,[16] governmental subsidies, and low cane prices. But both the economic and the political premises of this balance were inherently problematic and promoted accelerating government control, which became a key factor in determining the returns of various groups tied directly or indirectly to the sugar industry. Over time, the government increasingly intervened as a political mediator and eventually assumed a central role in planning, financing, producing, and distributing cane and its derivatives.

STATE INTERVENTION

Since the early 1930s, state regulation and subsidies for the sugar industry had increased because of the mill owners' inability to agree on production quotas, the industry's competitive disadvantage in the international market, and the breakdown of international sugar prices in 1929 (Maturana and Restrepo 1970, 38). After several mills went bankrupt in subsequent years, the government actively intervened by founding the Banco Azucarero in 1932 as a joint venture with the mill owners (Machado Castillo 1983, 8–9). About the same time, mill owners founded a new association under government sponsorship that evolved between 1931 and 1938 into the UNPASA. Its main purpose was to provide credit and to centralize the distribution of sugar in order to balance sugar imports with domestic demands and to promote production of other cane by-products

15. The glucose and sucrose derived from sugarcane constitute raw materials for producing alcoholic beverages, soft drinks, sweet baked goods, and candies. The bagasse (the material left over after cane juice has been extracted) constitutes a source of fuel, heat, electricity, and various industrial raw materials for making compressed fiberboard, paper, and plastics. Molasses (sugar syrup) is used to produce ethyl, potable and industrial alcohol, yeast, stock feed, alcoholic beverages, and soft drinks.

16. Sugar exports provided profits when prices were high during World War II. During this period, the low domestic price controlled by the Mexican government led to illegal exports and inexplicably large sales of "bee honey," which moved inversely with an officially noted decline in sugar production. This relation between the export of honey and low sugar production was reversed when international sugar prices normalized after the war (see Maturana and Restrepo 1970, 39–40).

(Maturana and Restrepo 1970, chap. 2). Although at this time the UNPASA was functioning as a government-sponsored organization promoting the interests of sugar mill owners, the increasing involvement of the state apparatus in administering the industry also opened the door to other interests whose political power had to be taken into account by the government. In addition to food-processing industries and consumers, these groups now included confederations of mill workers and cane growers in the PRI, which further narrowed the industry's negotiating range. The government thus assumed the prerogative of determining the extent to which different combinations of pricing policies and state subsidies would guarantee mill profits, high incomes for mill workers, adequate returns for the cane growers, or cheap basic staples and raw materials for other industries.

Industrial Decline

Until the mid-1950s, the mill owners were in a relatively favorable position under the leadership of Aarón Sáenz. Their close ties with the government and the PRI enabled the industry to take advantage of high demands for sugar in the international market during World War II, despite government-imposed export restrictions. The industry also benefited subsequently from the regulation of production quotas and subsidies, which counterbalanced the negative impact of overproduction and losses from exporting surpluses (Maturana and Restrepo 1970, 40). Yet the industry's position remained precarious. Price increases set by the government to raise productivity in cane cultivation and milling between 1945 and 1958 were not enough to stimulate intensive capitalization in industry and agriculture, resulting primarily in extending the cane fields (Maturana and Restrepo 1970, 40–42; Villar 1975, 529). In this context, Sáenz's resignation as head of the UNPASA in 1956 marked a significant shift in the balance of power between the private sector of the industry and the government.[17] As a result of this change, the "social factors" assumed greater political weight in determining the price of sugar and forced the government to balance the costs of state subsidies for the private sector against those of capital flight, mill closures, and state takeovers of bankrupt mills.

Between 1958 and 1968, industrial, wholesale, and retail prices for sugar remained virtually unchanged, despite stimulation for investments in new mills following the Cuban Revolution in 1959 and a related increase in the import quota assigned to Mexico by the U.S. government. A more noticeable price increase did not occur until 1970 (see table 1).

17. Interview with a representative of the industry in the private sector, Mexico City, 1986; see also the polemical argument of Pablo Machado in an interview with *El Financiero,* 28 July 1989.

TABLE 1 Official Prices for Sugar in Mexico on Selected Dates, 1958–1991: Wholesale, Retail, and Industrial (in pesos per kilogram)

	Type of	*Commercial*			
Date	*Sugar*	*Wholesale*	*Retail*		*Industrial*
24 Feb. 1958	refined	1.42	1.53		
	standard	1.35	1.45		—
17 Dec. 1970	refined	2.15	2.19		
	standard	2.00	2.15		—
22 Feb. 1976	refined	5.60	6.00		
	standard	2.00	2.15		—
3 June 1980	refined	12.60	13.50		13.50
	standard	11.60	12.50		12.50
8 Dec. 1982	refined	28.00	30.00		30.00
	standard	26.00	28.00		28.00
11 Feb. 1983	refined	40.00	43.00		43.00
	standard	35.00	38.00		38.00
3 July 1984	refined	68.00	73.00		73.00
	standard	60.00	61.00		65.00
2 Dec. 1985	refined	95.00	102.00		102.00
	standard	85.00	91.00		91.00
23 Sept. 1986	refined	204.00	215.00		218.00
	standard	141.00	160.00		160.00
10 Jan. 1989	refined	823.00	947.00	1,016.00[a]	823.002[b]
	standard	640.00	640.00	724.00	640.00
11 Nov. 1990	refined	1,470.00	1,730.00[c] 1,760.00[d]		[e]
	brown	1,190.00	1,410.00[c] 1,440.00[d]		[e]
1 May 1991	refined	1,554.05	1,804.83		[e]
	brown	1,220.31	1.476.67		[e]

Sources: Azúcar, S.A., *Estadísticas Azucareras 1984*, 118–19; *Estadísticas Azucareras 1986*, 120; *Estadísticas Azucareras 1989*, 66; Cámara Nacional de las Industrias Azucarera y Alcoholera (CNIAA), in-house documents dated 1990 and 1991.

[a]For soft drinks and bottled water only.
[b]For all other products.
[c]In all states, except for Baja California, Baja California Sur, Coahuila, Chihuahua, Durango, and Sonora.
[d]In the states Baja California, Baja California Sur, Coahuila, Chihuahua, Durango, and Sonora.
[e]Industrial price no longer subject to government control.

The increasingly unfavorable pricing policy of the Mexican government, the industry's inability to adjust prices for inflation, and its incapacity to recover investments made after the Cuban Revolution again accentuated the industry's precarious position. It was manifested in accelerated capital flight from the industry, outdated and deteriorating machinery, declining productivity, and outputs far below the theoretical production capacity of the mills. In 1969 the national average of the "lost time" when the mills could not operate constituted 31 percent of the total *zafra* (harvest period) (see Azúcar, S.A. 1984, 120; CNIA 1973, 104).[18] By the end of the 1960s, the sugar industry as a whole was saddled with a debt to the government. Begun in the 1940s, the debt was exacerbated by new investments following the Cuban Revolution and then reinforced by a decade of unchanged sugar prices (Maturana and Restrepo 1970, 40–46). By the late 1960s, only one-fifth of the mills were generating moderate profits while approximately half of them had gone bankrupt and were either closed or had been taken over by various governmental banks and agencies.[19]

Accelerated State Intervention

The Mexican government responded to these problems by increasing state regulation and centrally administering the various phases entailed in planning, producing, and distributing cane, sugar, and other cane derivatives. This process began with the industry's restructuring under the Comisión Nacional de la Industria Azucarera (CNIA) in 1970. Its dual objectives were to eliminate state subsidies through price adjustments to market demands and to streamline the coordination between the government and the various sectors of the cane-sugar complex. Administrative centralization increased through the incorporation of the UNPASA into the CNIA, which then assumed control over decisions previously subject to conflicts between the private and the public sector within the UNPASA. The CNIA also took over the Financiera Nacional Azucarera (FINASA), the governmental institution in charge of financing all cane cultivation and milling in Mexico. The CNIA further incorporated the newly formed Operadora Nacional de Ingenios, S.A. (ONISA), which administered the mills owned or controlled by the government. But the goal of eliminating state subsidies continued to be unobtainable under the pricing policies of the government; a modest increase in the wholesale

18. For an analysis of the relationship between restrictions on sugar prices and the decline in the industry during the 1950s and 1960s, see Villar (1975, 528–32) and Maturana and Restrepo (1970, 42–47).

19. On the nature of the crisis in the sugar industry emerging in the 1960s, see Villar (1975, 528–36), Maturana and Restrepo (1970, 41–42), Pérez Arze (1979, 27–31), and CNIAA (1978).

price of standard sugar from 1.35 to 2.00 pesos in 1970 was not followed by further price increases until 1976.[20]

Nor did the growing involvement of the state in mill management resolve the problems. The industry's significance as a major provider of employment in rural communities constituted a political obstacle to mill closures. But the restrictions imposed by state regulation of the price of sugar also limited the possibilities and the rationality of renewed mill capitalization in both state and private sectors. At best, the different ways in which the state had absorbed the mills served indirectly to redistribute the costs of operating unprofitable enterprises among taxpayers. At its worst, this trend accelerated losses in various ways: via the short-term rotation of administrators whose qualifications were primarily political; accelerated overemployment at all levels in exchange for political loyalty; fraud and mismanagement; diversion of administrative resources and funds for local branches of loyal peasant leagues or mill workers unions or for PRI electoral campaigns; and continuing deterioration of machinery in the fields and factories.[21]

In economic terms, the industry's difficulties were also marked by high production costs and low productivity, reflected in the falling sucrose content of the cane and a decline in sugar production to an average of 60 percent of the mills' theoretical capacity. Another factor was the increasing costs of a labor force whose strong union succeeded in accelerating labor costs and maintaining a highly underemployed mill labor force.[22] The formal collapse of the industry, however, was delayed between 1968 and 1975 by price increases and by exporting the surplus, primarily to the United States, at prices determined by U.S. sugar production costs, which significantly exceeded both the Mexican regulated price and the free world-market price (see table 2).[23] By the end of the 1960s, sugar exports were

20. On the formation and functions of the CNIA in 1970, see Villar (1975, 536–45) and Pérez Arze (1979, 31–33).

21. Interviews with anonymous industry representatives in Mexico City and with mill administrators, employees, and workers in the states of Morelos and Michoacán, 1976 to 1991.

22. Interviews with representatives of the private sector at different times since 1975 and with representatives of Azúcar, S.A. since 1984. Between 1970 and 1975, the relative share of labor in the industrial costs of sugar production increased from 40.7 to 51.4 percent (see Villar 1975, 559, 555–62). In the private sector, the mill workers' union has often maintained some 30 percent excess mill employment, and the figures for the public sector are even more dramatic. In one extreme case, the Emiliano Zapata mill cooperative in Morelos exceeded its needed employment by some 400 percent in the mid-1970s (see Singelmann 1979; and Singelmann and Tapia 1979). Correspondingly, public-sector mill losses per kilogram of sugar produced in 1976 (in the amount of 9.75 pesos) were nearly double the national average of 5 pesos. See *Excelsior,* 5 May 1976.

23. Interview with the manager of a mill belonging to a cane growers' cooperative in Louisiana, Aug. 1989. In most countries, domestic distribution of sugar is subject to national import quotas, export quotas, direct price regulation, or some combination of the three. On the comparatively unfavorable national price received by the Mexican sugar industry in 1971,

TABLE 2 *Sugar Production, Consumption, and Trade, 1970–1991 (in thousands of metric tons, raw value)*

Season	Beginning Stock	Sugar Production	Imports	Total Supply	Exports	Domestic Consumption
1970–71	800	2,475	0	3,275	556	2,021
1971–72	698	2,520	0	3,218	552	2,073
1972–73	613	2,769	0	3,382	561	2,200
1973–74	621	2,805	0	3,426	623	2,285
1974–75	619	2,696	0	3,315	232	2,400
1975–76	683	2,698	0	3,381	432	2,650
1976–77	299	2,696	0	2,995	0	2,660
1977–78	335	3,029	0	3,364	0	2,900
1978–79	464	3,058	0	3,522	103	3,080
1979–80	339	2,763	778	3,880	0	3,125
1980–81	755	2,518	607	3,880	0	3,150
1981–82	730	2,842	470	4,042	0	3,455
1982–83	587	3,078	862	4,527	40	3,300
1983–84	1,187	3,242	270	4,699	0	3,260
1984–85	1,439	3,436	0	4,875	11	3,470
1985–86	1,394	3,928	0	5,322	192	3,518
1986–87	1,620	3,970	0	5,590	505	3,600
1987–88	1,485	3,806	0	5,291	967	3,747
1988–89	577	3,678	600	4,855	410	3,840
1989–90	605	3,100	1,100	4,805	17	4,038
1990–91[a]	750	3,200	900	4,850	10	

Source: Peter Buzzanell, "Mexico's Sugar Industry in Transition: Implications for Sweetener Trade with the United States," U.S. Department of Agriculture in-house document, Mar. 1991, p. 24.

[a]Forecast as of spring 1991.

providing a significant means of acquiring foreign currency, had become the second most important factor in balancing current accounts in international commerce, and had offset the governmental subsidies required to maintain production for the domestic market.[24] The positive dimensions of these factors were accentuated between 1974 and 1975, when a significant increase in world demand led to dramatic increases in the international price of sugar, from 30 to 65 (U.S.) cents per kilogram.

see CNIA (1973, 110–11). Of the twenty-one nations belonging to the GEPLACEA (Grupo de los Países Latinoamericanos y del Caribe Exportadores de Azúcar) in 1989, Mexico had the lowest industrial price (35 cents per kilogram, as compared with 86 cents in the United States). Data provided by the CNIAA in Mexico City in 1989.

24. In 1969 Mexico's net export was 676,321 metric tons (CNIA 1973, 107).

At this point, the political euphoria orchestrated by the Mexican government could distract attention only temporarily from the rapidly accelerating collapse of the industry. The increase in the price of sugar in the international market between 1970 and 1975 offered short-lived relief for an ailing industry operating with outdated and deteriorating machinery. Even the high international price for sugar became increasingly marginal to the Mexican economy, as rapid population increase combined with the dramatic rise in the per capita consumption of sugar[25] (exceeding even that in the United States) reduced the amounts available for export. Between 1968 and 1976, Mexico's sugar exports fell from their all-time high of 660,000 metric tons to zero, with the most dramatic decline occurring between 1973 and 1975 (CNIA 1973, 112; Azúcar, S.A. 1984, 148; see also table 2). Meanwhile, the sugar boom in the international market suddenly collapsed with the price decline from 65 to 14 cents per kilogram between 1975 and 1976, a price that could not cover production costs in Mexico.

The Breakdown, 1975–1981

As the delicate balance among domestic price regulations, state subsidies, and import profits collapsed, the sugar industry entered an acute crisis. The increasing severity of Mexican government subsidies was reflected in the discrepancy between the industrial price for standard sugar of 3.65 pesos per kilogram in the 1975–76 zafra and its official wholesale price of 2.00 pesos during the same period (CNIA 1979, 114, 115). The average loss of the mills in 1976 was estimated to be 5.00 pesos per kilogram (Azúcar, S.A. 1984, 119, 120). Under these conditions, the public as well as the private sector of the sugar industry went bankrupt, but with different implications for each group. As the private sector lost most of its mills to government foreclosures after 1976, the state was increasingly burdened with the additional costs required to maintain, operate, and modernize the inefficient factories it had taken over. Thus the state was forced to face, under more dramatic conditions, the same dilemmas that had limited profitability of the industry in the first place. Yet closing the bankrupt mills indiscriminately was politically unfeasible.

The government responded by accentuating its control over the industry via reorganizing the CNIA further to increase productivity. A 1975 presidential decree declared the planting, cultivation, harvesting, and industrialization of cane to be in the domain of the "public interest" and stipulated state-controlled centralization, coordination, and rational-

25. Between 1961 and 1975, the annual consumption of domestic and industrial sugar in Mexico rose from 29.5 to 43.6 kilograms per capita (UNPASA 1971, 95; CNIA 1982, 105). This level has been maintained through the 1980s (see Azúcar, S.A. 1989, 64).

ization of all phases in producing and distributing cane and its derivatives. The decree streamlined the organization of cane and sugar production by formally subordinating all other organizations under the control of the all-encompassing CNIA. The new forms of governmental control also entailed changing the traditional zonas de abastecimiento under the control of the local mill administrators into *"zonas de influencia,"* now to be supervised centrally and financed by the CNIA. This change reduced the direct links between the mills and the cane growers.

The decree also promoted productivity in cane cultivation by increasing the cane price and by changing its formula to one based on the sucrose content of the crop.[26] But the decree did not stipulate how the industry could compensate for the increased price of cane, and it also left open possibilities for varying emphases on increased sugar prices and public subsidies. The decree was also vague about the level to which cane and sugar prices would be raised in order to ensure the mills' economic viability at the expense of food-processing industries and individual consumers. Furthermore, the political force of the food-processing industries—those engaged in large-scale production as well as family enterprises—was linked significantly to their production of soft drinks, sweet baked goods, and other products aimed at the popular market.

The decree's emphasis on the link between the sugar industry and the public interest further reinforced the government's authority to address the social problems manifested in the sugar sector and to regulate the distribution of cane derivatives. Thus the particular decisions about the relative weight of the inherently incompatible "social" and "economic" factors in governmental determination of the price of sugar continued to hinge on the conjunction of the political forces at a given moment. By 1975 the surviving private sector was barely hanging in, pleading for more favorable policies, hoping for a more benign political constellation, and trying to convince the government that its policies were counterproductive to its own interests and those of Mexican society.[27] The industrial price of sugar was raised dramatically from 2.15 to 5.60 pesos per kilogram the following year, but the potential benefits for the industry were wiped out by the devaluation of the national currency vis-à-vis the U.S. dollar by some 50 percent and by the corresponding inflationary spiral that crippled the industry's ability to import modern machinery.

Indeed, reorganization of the CNIA and the 1976 increase in the price of sugar did not stem the tide of bankruptcies in the industry. Between 1974 and 1978, the overall debt of the sugar industry to FINASA

26. *Diario Oficial,* 27 and 28 Oct. 1978. For an analysis of the CNIA's changing function and organization after 1975, see Villar (1975, 563–81), Pérez Arce (1979, 33–36), and Paré (1987b).

27. Interviews with representatives of the private sector, Mexico City, June 1976 and July 1977.

tripled into twenty-four million pesos. During the same period, the average net loss increased from 3.38 to 9.90 pesos per kilogram. Between 1971 and 1978, the share of debts owed to foreign capital increased by 50 percent. And in a sample of sixty out of sixty-four mills operating during the 1977–78 zafra, fifty-one mills reported a total loss of 2.63 billion pesos.[28]

Reduced productivity in the industry, exceptionally high consumption of sugar per capita, and dramatic population growth all combined to produce increasingly acute shortages of sugar in the Mexican market. This shortage led to hoarding, speculation, and a black market where food-processing industries paid prices that significantly exceeded governmental regulations. During this period, smaller stores frequently refused to sell sugar at prices that did not provide profits.[29] At this point, sugar began to be imported at higher costs, exacerbating the already strained government budget. During the 1979–80 zafra, Mexico imported 778,000 metric tons of sugar (see table 2).

This combination of factors accelerated the rate of mill bankruptcies and by mid-1981 had reduced the private sector of the sugar industry to sixteen refineries. As the state took over the industry virtually by default, it had to assume the full costs of government policies, and the affordability of this financial burden had to be reassessed. A shift in government policy was initiated by the administration of José López Portillo (1976–1982), which increased the industrial price of standard sugar from 5.10 to 7.80 pesos per kilogram in 1980 and to 11.00 pesos in the following year (Azúcar, S.A. 1984, 120). More important, these price increases were paralleled by a change in the government's stance, when it reaffirmed the feasibility of saving the remaining privately owned mills via annual adjustments in the industrial price of sugar. These were to be set by a combination of wholesale prices and government subsidies, according to a formula that would ensure the maintenance of the private sector via a modest average profit rate of 6 percent. But this holding policy neither relieved the outstanding debts nor promoted profit rates sufficient to permit new capitalization of the industry. And the policy left open the question of whether it would continue into the following presidential term.[30]

When Miguel de la Madrid assumed the presidency in 1982, at a time when the Mexican economy as a whole was in turmoil, government policies made a programmatic shift under the growing dominance of the *tecnócratos* in the government over the *políticos* of the PRI. This political shift, rather than the economic crisis as such, was the key factor in promoting rapid reprivatization of the Mexican sugar industry.

28. See the reports in *Excelsior* and other newspapers on 23 June 1977; also CNIAA (1978, 13–14, 19).

29. On the sugar smuggling, hoarding, and black markets during this period, see *Excelsior*, 19 and 28 May 1975, 23 and 24 April 1977.

30. Interviews with representatives of the private sector, Mexico City, July 1981.

POLITICAL SHIFT AND *CONCERTACION*

The new set of economic and political factors included the collapse of the international price for oil in 1982 and Mexico's corresponding inability to pay its international loans. This development broke up an ambitious economic program launched by the López Portillo administration and left its successors with little room to maneuver vis-à-vis the moneylenders. Renegotiation of foreign debt and the search for new loans from the International Monetary Fund (IMF) were accompanied by accentuating domestic and international pressures to close or reprivatize unprofitable state enterprises, liberalize economic policies, and open new spaces in the economy for the Mexican private sector and foreign capital (Cornelius 1985). Reprivatizing the sugar industry was a specific condition of the new loan negotiated with the IMF in 1986. The corresponding pressures on the public sector were reflected in President de la Madrid's call for greater efficiency, leaner budgets, and the large-scale retirement or firing of state employees. In addition, his thematic call for "*renovación moral*" touched on the institutional traditions of clientelism and corruption in which economic efficiency had to be weighed against political spoils. These approaches historically had promoted political loyalty and a peculiar variant of social security for a broader segment of the Mexican population. The economic and political urgency of de la Madrid's call differed qualitatively from the general political "housecleaning" and token accusations that had usually marked transitions between presidential *sexenios*.[31] Central to this issue was the need to free future buyers of state enterprises from obligations to underemployed labor. The excessive employment practices in the sugar industry represented a case in point.[32]

Indirectly, private capital's reentrance into the sugar industry was promoted by further administrative centralization when Azúcar, S.A. was founded in 1983. It absorbed the functions of the UNPASA, the ONISA, and the CNIA while decentralizing the administration of state-controlled mills. Simultaneously, the Mexican government announced its intention to close its least productive mills, promote the expansion of the private sector, dissolve the two existing mill cooperatives, and lay off at least four thousand mill workers in the public sector of the industry (Machado Cas-

31. In this turbulent period, conviction of a former CNIA general secretary of "personally using" one million pesos of government money was a relatively minor case. Some of the more dramatic cases of political housecleaning included the imprisonment of a former director of Petróleos Mexicanos (PEMEX), his powerful counterpart in the petroleum workers union, and the notorious police chief of Mexico City under the López Portillo administration. Even the former president himself, whose excessive splurge of public resources for personal privileges became politically untenable after the economic collapse of 1982, was subjected to embarrassing revelations after his term expired in 1982.

32. Estimates in 1991 suggested excessive mill employment by as much as 40 percent (Buzzanell 1991, 25).

TABLE 3 Productivity and Employment in the Mexican Sugar Industry: Private Sector, Public Sector, and the Emiliano Zapata Cooperative, 1988–1989

Sector	(1) Sugar Produced (metric tons)	(2) Workers in work force	Productivity (1) : (2)
National	3,471,763	38,825	89.4
Public sector	1,296,322	19,685	65.8
Private sector	1,998,851	16,562	120.7
Emiliano Zapata Cooperative[a]	116,945	2,578	45.4

Source: Azúcar, S.A., *Estadísticas Azucareras 1989,* 51–54.

[a]Data on the other cooperative, El Mante, were not available.

tillo 1983, 122–25).[33] Azúcar, S.A. was set up to function ultimately as the rear guard of state supervision in an industry that was to be reprivatized and placed in a less regulated market economy.

When the government moved to close some of its least productive mills, lay off a significant part of the mill labor force, and sell the remaining mills to private industry, it had to confront the active resistance of the mill workers' union,[34] whose members had benefited from the higher ratio of employment to productivity in the public sector (see table 3). The conflict seemed unresolvable through programmatic compromises because attracting private capital hinged on leaner employment levels and consequently on firing or retiring tenured mill workers and employees. This conflict paralleled the dilemma of traditional sugar-pricing policies that could not simultaneously ensure both cheap basic staples and adequate mill profits. Both these problems had arisen from conflicting pressures for private capital accumulation and for the goal of tying the lower classes into the political order.

In part, the government approached this problem through traditional patterns of divide and rule. The leadership of the national mill workers' union grudgingly recognized the new political constellation, in which the labor sector of the PRI had lost much of its traditional clout. Over time, the union conceded the need to accommodate despite widespread resistance among the local rank and file.[35] Although Mexican law prohibits

33. See also *Proceso,* 11 July 1983.

34. Mill workers' resistance was pronounced in the state of Veracruz, where it was announced that the gigantic San Cristobal mill would lay off fifteen hundred workers, and also in Morelos, Chiapas, Puebla, and Michoacán. See *Excelsior,* 7 Aug. 1989 and 17 Jan. 1988. In the state of Morelos, workers at the Emiliano Zapata mill blocked the entrance to their union building to protest their leaders' accommodation to governmental plans for layoffs.

35. According to informants in the private and public sectors interviewed in May 1991, the mill workers union's resistance to modernizing remained significant and thus far had prevented significant reduction in mill employment due to the high severance costs. In interviews made during this period, union representatives of the Emiliano Zapata mill in Morelos

dismissing labor on the basis of inherited underemployment, it provides much leeway for employers who can justify personnel cuts in connection with capitalization.

The union's position was also undermined by the cane growers' changing role in this political drama. Having been traditionally the least powerful and the least successful group linked to the sugar industry (leaving aside cane cutters and field hands), the cane growers usually had little incentive to ally themselves politically with the mill workers. They have tended to view mill workers' excessive employment, high wages, fringe benefits, and greater access to political spoils with some resentment.[36] But while cane growers in the past had to confront an alliance of government, industry, and accommodated mill workers, their position has changed significantly since the mid-1970s due to the growing strength of their national organization in the peasant confederation of the PRI.

After Carlos Salinas de Gortari assumed the Mexican presidency in 1988, the reshaping of the political triangle consisting of mill owners, laborers, and cane growers became more defined with the sale of ten sugar mills to the cane growers' associations affiliated with the PRI.[37] The government thus added a new and specifically political dimension to its general call for *concertación,* for new patterns of vertical alliances within agro-industrial complexes that cut across social class lines. In contrast to the two older cooperative mills in the states of Tamaulipas and Morelos, the cane growers have now become the owners or major stockholders of the mills without having to contend with direct governmental control, bailouts, or patronage. The division of labor between the cane growers and the sugar industry, established after the Mexican Revolution, has once again become blurred, and their common interests under government support now outweigh the traditional demands of mill workers.[38]

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expressed their resistance to "the mentality of the new sectors that want to sanitize" the industry by cutting employment and eliminating social services, accident insurance, and protective mechanisms in cases of absenteeism and alcoholism.

36. Based on interviews with cane growers in Morelos and representatives of the national cane growers associations at different times between 1976 and 1991.

37. By May 1991, the cane-growing ejidatarios affiliated with the Confederación Nacional Campesina (CNC) had purchased six mills. The landowning cane growers affiliated with the Confederación Nacional de Pequeños Proprietarios (CNPP) were purchasing four mills. The mill workers' union voiced similar interests publicly but was ignored by the government. On the mobilizations and the changing political position of the cane growers after the mid-1970s, see Paré (1987a) and Paré and Morett (1987).

38. For the sugar mills, cane growers' cooperation and productivity have always been crucial, but cane growers' commitment historically has been limited by low cane prices and pricing mechanisms that did not encourage maximum productivity. Interviews with cane growers in Morelos and officials of the confederation of cane growing landowners in Mexico City in May 1991 suggested that they perceive their primary problems as the low price for cane set by the government (assessments shared by representatives of the sugar industry), not their relations with the mills. In some regions, new forms of association between mills and cane growers were started to provide fertilization, expand the areas under cane cultiva-

This convergence of interests has provided part of the political backbone for reprivatizing the sugar mills rapidly after 1986. But it does not explain the economic rationale for the sudden flow of private capital into a bankrupt industry. Between the end of 1985 and August 1989, thirty-two of the fifty-one state-controlled mills had been sold off. By May 1991, sixty-two sugar mills had been sold or were being privatized, and two mills had not yet found buyers. Only the future status of the two cooperative refineries remained subject to political speculation.[39]

REASSERTION OF THE PRIVATE SECTOR

In part, private capital's reentrance into the sugar industry since the mid-1980s responded to plans to raise the industrial price of sugar to a level that would ensure the inflow of new capital and reduce or eliminate the need for governmental subsidies. In November 1989, the sugar retail price was raised by 36 percent and was scheduled for subsequent monthly increases of 1.1 percent starting in February 1990.[40] Yet the relevance of the price of sugar continued to be defined in relation to the governmental subsidies received by the industry and in terms of the corresponding overall potential for adequate profit rates. Under the new policies, price increases have accelerated (see table 1), while public subsidies have been reduced. But the industry continued to require state subsidies because political factors remained salient in determining the price of sugar. In August 1989, Azúcar, S.A. was therefore obliged to announce publicly that in order to "strengthen . . . the purchasing power of Mexican families," it would lower the retail price of refined sugar "for domestic use and popular consumption" by 10 percent under its Pacto de Solidaridad Económica with industry and labor unions.[41]

From the perspective of the sugar industry, these measures were counterbalanced by several factors. On the one hand, the price reductions were temporary and were compensated by a corresponding increase in

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tion, increase productivity of the fields, and other locally negotiated goals. The cane growers' incentives for cooperating included replacement of traditional state subsidies by a new cane-pricing policy (tested in three pilot projects during the 1991–92 zafra), which eliminates the guarantee of a minimum cane price and links cane growers' returns to productivity. The problem of the return and relative share of the groups involved remained subject to political debate as of May 1991.

39. *El Financiero*, 3 Aug. 1989; and CNIAA in-house document dated May 1991. See also Buzzanell (1991, 25–26).

40. *Mexico Journal*, 27 Nov. 1989. Six months earlier, the demand for "realistic" sugar prices by the traditional private sector emphasized Mexico's exceptionally low price for sugar in comparison with state regulations in other countries. This sector proposed a price increase of some 80 percent in order to promote new capitalization and eliminate state subsidies. Interviews with a representative of the private sector, Mexico City, Aug. 1989.

41. *Excelsior*, 1 Aug. 1989.

government subsidies of 125 pesos per kilogram.[42] On the other hand, key changes had already established new possibilities for the private sector to bypass trade restrictions and government regulation of sugar prices altogether. Initially, these measures were directed less toward improving the position of traditional mill owners than toward freeing investors in other industries that used raw materials produced by the sugar mills from government price regulations and from the purchasing monopoly of Azúcar, S.A. In this context, it was precisely the potential lowering of the industrial price of sugar that attracted new investors seeking cheap and reliable supplies of raw materials.

This development was initiated by a presidential decree in 1989, which formally broke the monopoly of Azúcar, S.A. over the industrial and wholesale market by abolishing the 50 percent tax that had made market alternatives unfeasible. In addition to freeing secondary industries from sales taxes if they held stocks in mills purchased from the government and if they used cane derivatives as raw materials, the decree stipulated the right of these industries to use directly the raw materials produced by their own mills. It was this component of the accord that attracted new investments from industries that depended on sugarcane as a source of raw materials—a group whose interests overlapped, but were not identical with, those of the traditional sugar mills.[43] In this context, a low industrial price for sugar became both economically rational for the larger corporations that bought into the sugar industry and politically feasible for the government with an interest in the affordability of sweet baked goods, soft drinks, and other consumer goods destined for the popular market.

This policy was directed toward attracting private capital for purchasing government-owned mills, but it did not help the owners of the sixteen mills that had survived the collapse of the industry in the 1980s. The 1989 decree was directed only toward the mills purchased from the state since 1988, and in any case, the traditional mills were not tied to the corresponding food-processing industries. In this sector, the transition has been more problematic. Here the central interests have been the overall elevation of the industrial price for sugar and the right to sell its products without restraints.[44]

42. Interview with representatives of the private sector, August 1989. The value of the Mexican peso was then just under 3000 per U.S. dollar.

43. The new owners of the sugar mills were private investment groups and the two PRI peasant confederations that acquired mostly packages of several mills. According to an untitled 1991 CNIAA in-house document, the groups included the major national companies licensed to produce and distribute soft drinks as well as Nestlé, Pan Bimbo, and other food industries. For a critical assessment of six investment groups' growing monopoly of the sugar industry, see *El Financiero,* 7 May 1991 and 17 May 1991.

44. Interviews with representatives of the traditional private sector, Mexico City, July and Aug. 1989. See also *El Financiero,* 28 July 1989.

In November 1990, the traditional sector of the sugar industry was accorded the same standing as the new investors by the Acuerdo de Concertación.[45] Its preamble summarized the need to intervene and restructure the industry for several reasons: its importance in the national economy; its need for economic security; the 26 percent increase in the current price for cane; and insufficient supply in the domestic market. The accord provided for an increase in the price of sugar, but its most important stipulations were threefold: opening the market by breaking the monopoly of Azúcar, S.A. over the wholesale distribution for the products of all mills; establishing variable tariff regulations to prevent import prices from falling below the government-set reference prices (Buzzanell 1991, 30);[46] and scheduling monthly adjustments in the wholesale and retail prices of sugar according to the value of the Mexican peso vis-à-vis the U.S. dollar.

With this decree, the privatization of the Mexican sugar industry had reached some degree of closure. The role of the government had been reduced primarily to domestic-market regulation in setting import tariffs and the maximum price for sugar. At the same time, Azúcar, S.A. lost most of its functions and much of its staff.[47]

CONCLUSIONS

The development of the sugar industry in postrevolutionary Mexico has been analyzed here within the broader social context of the political dilemmas faced by governments in peripheral capitalist societies. For the Mexican government, the problem has been its inability to simultaneously promote accumulation of capital by the sugar refineries, meet cane growers' demands for higher crop prices, offer sweeteners to domestic consumers at politically acceptable prices, and subsidize costs of raw materials in secondary industries. Programmatic shifts in public policies have always hinged on weighing economic necessity against political feasibility within given power relations. Such relations have been a key factor in their own right and could not have been deduced on purely theoretical grounds from the structural conditions of the political economy. Apart from the corresponding need for complementary theoretical perspectives to deal with social interaction and power relations (themes not taken up in this essay), the distinct historical context of the Mexican case

45. "Acuerdo de Concertación para Fijar los Nuevos Precios de Venta del Azúcar . . . ," 12 Nov. 1990.

46. The new formula reduces tariffs to zero when the international price of sugar equals or exceeds the government-set reference price.

47. By May 1991, Azúcar, S.A. had reduced its staff drastically by three-fourths. The prospect of its ultimate dissolution had demoralized the staff, and interviews with administrators revealed a great deal of resentment of what were perceived as giveaways of mills at prices far below their value to the private sector.

https://doi.org/10.1017/S002387910003510X Published online by Cambridge University Press

must also be examined to assess the intervening variables that make theoretical abstractions practically useful.

The sugar industry of postrevolutionary Mexico has been subject to cyclical shifts in government policies that initially promoted capitalization but soon balanced this drive with redistributive policies within a contradictory set of social class relations and political forces. As broader considerations of political feasibility increasingly outweighed the economic factors in government policies after the mid-1950s, capital flight and declining productivity contributed to the industry's eventual collapse in the 1970s. During this period, state takeovers and control reached their peak but also forced the government to carry the full economic burden of its decisions.

This burden increased dramatically with the breakdown of the national economy after 1982, which left the government in no position to bail out inefficient industries or pay the cost of overstaffed state enterprises. The conjuncture created by this crisis provided the political space for the incoming de la Madrid administration to initiate an unprecedented turn away from state intervention in the economy and from party patronage in public institutions. The new hegemony of the technocrats in the de la Madrid and Salinas administrations has strengthened the political weight of the "economic factors" also in relation to the sugar industry, in both substantive policies and the shifting relations among private capital, the state, and the ruling party. But these developments have not changed the problematic relationships between sugar mills and cane growers; they have overridden but not resolved confrontations with mill workers and have created new risks for mill owners, who are now much more heterogeneous in their interests and exposed to a competitive domestic market with fluctuating demands.

In part, the new problems may reflect trial and error in adjusting to an economy that is more market-oriented. For example, in the spring of 1991, the combined effects of underestimated national production, excessive imports, and a glut in the international market resulted in an oversupply of sugar. Increased import tariffs in March 1991 were imposed too late to prevent this oversupply and to resolve the problem of the Mexican industry, which was exposed for the first time to domestic-market prices significantly lower than those set by the government.[48]

48. The problems began with surplus production and the low international price for sugar during the 1987–88 zafra. In response, less sugar was produced during the following cycle (see table 2), and six mills were closed by the government. The corresponding production decline by some thirty-two hundred tons, the delay of the 1990–91 zafra by cane growers demanding a more adequate crop price, and the loss of some two hundred thousand tons of cane in the state of Tamaulipas due to freezing in late 1990 led to speculative imports and oversupply. This information was provided by a representative of the private sugar industry. See also *El Financiero,* 25 Apr. 1991; and *Excelsior,* 29 Apr. 1991.

These problems have also exposed the built-in conflict that has pitted food-processing industries and public consumers against the sugar industry. This conflict was manifested in new demands by other industries to lower import tariffs as soon as the price of sugar in the domestic market fell below the official maximum.[49] The incompatibility was also evident within the sugar industry itself, now that most of the refineries were owned by industries that sought to use them as sources of cheaper raw materials. In part, this situation established a common denominator between the interests of traditional mill owners and mill-owning cane growers versus the new sector. But the low price of sugar also set the limits of these common interests because it challenged the ability of the traditional mills to pay a price for cane that remained controlled by the government and that now wielded greater political weight over the price of sugar.[50] The national leadership of the mill-owning cane growers associations faced an even starker dilemma: they had to contend with inadequate market prices for their industrial products as well as with political pressure from their regional rank and file for higher cane prices.

A related issue is the dual nature of the cane growers' confederations as political organizations and investors in industrial corporations. Mere ownership of mills does not provide enough incentive for their leaders to bypass corresponding opportunities to reap the political dividends of patronage or corruption. The question remains, what lessons have the Mexican government and the cane growers affiliated with the two PRI peasant confederations learned from the marked degree of inefficiency (table 3) and corruption of the government-owned refineries and the two traditional mill cooperatives? Will replacing state control with party control merely allow new groups to follow these patterns, and will the government bail them out if necessary? To what extent will the government allow economic criteria to override political convenience beyond the Salinas de Gortari sexenio?

A related problem raised by this outcome is the potential conflict over displacing labor through modernizing mill production. This issue has created strong resistance among local mill workers unbound by the compromises conceded by their union's national leadership. In part, this

49. See, for example, the statements of Alfredo Boy Viesca, representative of the Cámara Nacional de la Industria de Transformación (and previous delegate of Azúcar, S.A. in Morelos), one month after the government increased sugar import duties by 50 percent. *Excelsior,* 10 Apr. 1991.

50. Until the 1970s, the cane growers suffered from retaining only a small share of the overall value of their products. Their political mobilization, which began in 1973 in the state of Veracruz, led in 1975 to a nationally organized work stoppage during the cane-cutting season. This development initiated a shift in the political power of their organizations within the peasant confederations of the PRI and gradually promoted their receiving a larger share of the value of their crop. See Iguartúa and Mestries (1987), Paré (1987a), and Paré and Morett (1987).

challenge reflects the historical links between the PRI organization, political spoils, and government patronage in postrevolutionary Mexico. But its contemporary source can also be found in the limited employment alternatives of those displaced by streamlining and in the corresponding political considerations weighed by the government in monitoring these changes. If the Mexican government were to push its policies of rationalization to their limits, it would completely rupture its traditional fusion with the PRI. By the same token, the basis on which the remarkable stability of the postrevolutionary regime was founded would be destroyed with no substitute in sight. These factors may have been considered in minimizing mill closures and including unprofitable mills in the packages of refineries sold to the new investors.[51] But the same factors also constitute an inherited burden that the industry carries in its new start.

Finally, the possible elevation of the industrial price of sugar to levels that in themselves will ensure mill profits raises new political questions that transcend the development of the sugar industry. These questions concern the degree to which it is possible to stress and expand current policies (which apply to all governmental institutions and programs for subsidizing public utilities, services, and basic staples) without provoking political turmoil. In terms of political organization, the shift toward technocratic domination has reduced and changed, but not eliminated, traditional patronage patterns. In substantive terms, government policies and legislation since the 1980s have dramatically redefined the relationships among the state, private capital, and public consumers—but without eliminating the dilemma of having to give more than is available to ensure both economic progress and political legitimation. The sugar industry remains a case in point of this dilemma. Its recent attraction of private capital has so far had less to do with its profitability than with its promise as a tax write-off and as a secure supplier of raw materials for more profitable industries. Little actual capital has been invested thus far to increase mill productivity.[52]

51. For a list of the new groups of mill owners, see untitled CNIAA in-house document dated May 1991. Interviews with representatives of Azúcar, S.A. and the traditional private sector of the sugar industry suggest that the least productive mills were sold to the two cane growers' confederations. See also *El Financiero,* 10 May 1991.

52. On the current obsolescence of industrial capital in the Mexican sugar industry (as of 1991), see *El Financiero,* 9 May 1991 and 21 May 1991. This situation may change if the constitutional bill submitted by President Salinas on 7 Nov. 1991 is approved. This bill would permit infusing corporate capital into individually owned lands and ejido holdings whose communal status would be practically dissolved. The stated aims of this radical bill include eliminating costly party politics from land cultivation and lifting restrictions imposed by the traditional ejido system on productivity and on the free flow of capital in agriculture. See *Situación Latinoamericana* 2, no. 8:131–33. In the case of the sugar industry, this bill would further encourage the reentry of private mill capital into cane cultivation and the possible reestablishment of land and mill ownership within a single unit. As of June 1992, the prospects for such development are limited by low sugar prices in the international market and

https://doi.org/10.1017/S002387910003510X Published online by Cambridge University Press

Whether this trend represents a move toward a new dead end or a transitional phase toward a genuine resurgence of the Mexican sugar industry as a source of capital accumulation in its own right cannot be assessed merely by referring to the structural parameters of peripheral capitalist development and its Mexican variant. The specifics of development remain ultimately subject to the distinct historical role and continued salience of populism in Mexican politics[53] as much as they depend on the particular decisions in which political actors take into account the interests and power of others. The outcomes of these processes call to mind the probabilities involved in rolling a dice: we know at least some of the possible outcomes without being able to predict which one it will be. But we can observe how the different political actors use and bend the rules to increase their chance of success—the stuff worthy of further research because it offers us a perspective on the future and also provides some of the materials needed by those who later wish to explain why things happened the way they did.

by the critical situation faced by one-third of the Mexican mills, which cannot pay for the social benefits of their labor force while under the threat of bankruptcy.

53. For a recent assessment of continued populism in Mexican politics that focuses on the "constitutive agenda" of land distribution to peasant communities, see Foley (1991).

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