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Coffee, Mexico's Other Bean: An Examination of the Globalization of the Coffee Industry, Its Impact on Mexican Villages, and the Possibility of Surviving the Grind

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COFFEE, MEXICO'S OTHER BEAN: AN EXAMINATION OF THE GLOBALIZATION OF THE COFFEE INDUSTRY, ITS IMPACT ON MEXICAN VILLAGES, AND THE POSSIBILITY OF SURVIVING THE GRIND

I. INTRODUCTION¹

From an early morning boost to international conglomerates² featuring \$3.25 lattes on nearly every city corner, symbols of the coffee industry surround people worldwide in their everyday lives. The origin of coffee beans, the soul of the beverage, however, is not easily ascertained from its pretty packaging, whether in a smell-the-aroma can, a vacuum-sealed pouch, or a sturdy, heat sensitive, spill-resistant cup. Yet while the price of gourmet blends and specialized beverages increases,³ the price of beans around the world has decreased steadily for many years and has reached an all-time low.⁴

1. The purpose of this Note is to explore the effect that globalization has on the coffee industry in Mexico and the impact of certain international agreements on the industry. This Note will also explore current developments in fair trade and Mexican internal policies that affect the industry. This Note does not discuss the environmental or global implications of these agreements or trends, or the quality of coffee beans sold on the open market today. This Note does not assess the effect of international coffee companies on the industry.

2. Starbucks Coffee Company is the leading retailer, roaster, and brand of specialty coffee in the world, boasting over 2,000 retail locations and whole-bean coffee sales through specialty sales groups, direct-response business, supermarkets, and online sales. Business Editors, *Starbucks and Conservation International Partner to Support Shade Coffee in Mexico* (Feb. 24, 1999), <http://www.businesswire.com/webbox/bw> (on file with author). Starbucks is "the world's fifth-largest buyer of coffee—behind . . . Nestle and Procter & Gamble." Stanley Homes & Geri Smith, *For Coffee Growers, Not Even a Whiff of Profits*, BUS. WK., Sept. 9, 2002, at 110.

3. Specialty coffee sales, which accounted for over ten-percent of all coffee sales in 1989, tripled between 1983 and 1989, rising to a projected level of \$675 million in retail sales in 1989 alone. Mark Robichaux, *Boom in Fancy Coffee Pits Big Marketers, Little Firms*, WALL ST. J., Nov. 6, 1989, at B1.

4. While the retail price of a cup of coffee begins around \$1.25 and the price of a pound of coffee may cost \$12.00 or more, the price paid to the producers of coffee is relatively little, as low as \$0.30 per pound. Most of the costs associated with coffee production (and reflected in the price paid by consumers) are incurred subsequent to primary production, in the processing, packaging, transporting, and retailing of the coffee. Janet Jarman, *Coffee Crisis: The Hard Realities That Fill Your Cup*, MSNBC News (2003), <http://www.msnbc.com/modules/ps/020716coffee/launch.asp?b=hi> (last visited Apr. 14, 2004). Production of coffee in Mexico ordinarily occurs on small farms in rural areas that rarely have the benefit of paved paths, modern machinery, or donkeys. *Id.* It is not unusual for coffee producers to first haul 150 pound sacks of coffee down steep mountainous terrain before transporting it by mule for miles over harsh terrain and on dirt paths, where they are preyed upon by bandits. *Id.* After discarding inferior beans, producers then remove the beans from their pulpy covering

Coffee is highly important in the global community as the second most internationally traded commodity.⁵ As the fifth largest coffee producer in the world, Mexico⁶ is reliant on the crop as a source of income for many of its citizens.⁷ The price of coffee, however, is notoriously unstable,⁸ and it has currently reached a 100-year low.⁹ In 2002, Mexico's coffee producers faced a grave reality—they were forced to take a loss on each pound of coffee sold.¹⁰ In fact, while coffee straight from producers is priced at most at approximately fifty cents (\$0.50) per pound, the cost of production is at least eighty cents (\$0.80) per pound.¹¹ The depressed price of coffee results both from an extreme excess of coffee beans in storage¹² and an inelastic demand for coffee.¹³

and then dry them in preparation for packaging. *Id.* The coffee is then traded with middlemen, known as “coyotes,” who are said to pay the farmers the bare minimum in order to exploit the producers’ lack of credit options and because they have no one else to whom they can sell. *Id.* The coyotes then sell the coffee to make their profit. *Id.* The coffee may change hands among the coyotes as many as fifteen times before ultimately reaching the consumer. Robert Collier, *Mourning Coffee: World’s Leading Java Companies are Raking in High Profits But Growers Worldwide Face Ruin as Prices Sink to Historic Low*, S.F. CHRON., May 20, 2001, at A1. A report released on Sept. 18, 2002 stated that farmers are paid roughly \$0.24 per pound for their beans, which may represent the lowest price since 1902. Tim Weiner, *Low Prices Threaten Coffee Farmers’ Livelihood, Report Says*, N.Y. TIMES, Sept. 19, 2002, at A7.

5. BART S. FISHER, *THE INTERNATIONAL COFFEE AGREEMENT: A STUDY IN COFFEE DIPLOMACY* 3 (1972). “From 1982 through 1984, the annual average value of trade in coffee was \$9 billion.” Alexander C. O’Neill, *Emigrant Remittances: Policies to Increase Inflows and Maximize Benefits*, 9 IND. J. GLOBAL LEGAL STUD. 345, 350 (2001). See also Grace H. Brown, Note, *Making Coffee Good to the Last Drop: Laying the Foundation for Sustainability in the International Coffee Trade*, 16 GEO. INT’L ENVTL. L. REV. 247 (2004).

6. Note, however, that Vietnam, the world’s second-largest producer, sells more coffee than all of Central America, including Mexico, combined. Coffee nonetheless remains a primary export for these Central American countries. *Small, Vulnerable—and Disunited*, ECONOMIST, Aug. 9, 2001, at <http://www.economist.com/world/la/displayStory.cfm> (last visited Jan. 30, 2004).

7. Claire Black, *Mexico Farmers Abandon Coffee for Forests*, REUTERS, May 24, 2002, <http://www.globalexchange.org/campaigns/fairtrade/coffee/163.html> (last visited Apr. 14, 2004).

8. “A one-cent decline in coffee prices means a foreign-exchange loss to Latin America of about forty-five million dollars a year.” RICHARD B. BILDER, *THE INTERNATIONAL COFFEE AGREEMENT: A CASE HISTORY IN NEGOTIATION* 333 (1963). For example, the coffee exports of Veracruz, one of Mexico’s main growing states, dropped from \$307 million in the first five months of the 2000–2001 crop year, to \$105 million in the first five months of the 2001/2002 crop year. Black, *supra* note 7.

9. See JARMAN, *supra* note 4.

10. Homes & Smith, *supra* note 2. While some may assume that falling global coffee prices may give consumers the ability to purchase higher-quality beans at lower prices, the International Coffee Organization (ICO) has stated that “coffee makers are increasingly substituting low-quality beans in their ground coffee.” McLaughlin, *supra* note 6. This trend has led the ICO to issue new rules requiring coffee-exporting countries to improve their product by removing low-quality beans. The new ICO standards are higher than the current U.S. Food and Drug Administration rules, which permit sundry materials to constitute as much as thirty percent of each cup of “pure” coffee. *Id.*

11. *Id.*

12. According to the Oxfam report, approximately 660 million pounds of very low-quality coffee

Mexico faces the challenge of balancing its national economic necessities with its interest in becoming a dominant player in the world market.¹⁴ As such, Mexico has adopted a neo-liberal philosophy.¹⁵ Yet the small, local producers face increased difficulties under the new regime, such as the inability to market their products in a global economy without using a middleman,¹⁶ poor transportation systems, and the impracticability of making a direct connection with coffee retailers.¹⁷

This Note will discuss and analyze the various international agreements that have resulted in the globalization¹⁸ of the coffee industry, such as the Puebla-Panama Plan,¹⁹ and other movements, such as Fair Trade, which have been posed as solutions to the epidemic. Finally, this Note proposes that a combination of efforts, including the destruction of surplus and sub-standard beans, a restructuring of international coffee agreements, and internal organization among coffee growers are necessary to resuscitate the Mexican coffee industry and to improve the life and future of people living in the south southeastern portion of Mexico.

are currently sitting in warehouses belonging to forty major coffee companies. While destroying these surpluses would result in an estimated loss of \$100 million, it is anticipated that it would "raise prices paid to coffee-producing nations by roughly \$750 million." See Weiner, *supra* note 4.

13. The elasticity of the coffee supply results from the afore-mentioned surplus of beans combined with the ever-increasing amount of beans produced each year. The inelasticity of demand for coffee is largely a result of taste: many people will pay a higher price for their early morning cup of coffee as opposed to selecting a cheaper alternative. At the same time, however, cheaper coffee does not seem to attract new coffee drinkers. Jill Draeger, *Perking Up the Coffee Industry Through Fair Trade*, 11 MINN. J. GLOBAL TRADE 337, 340 (2002).

14. Jeanine E. Dames, Note, *An Examination of Mexico and the Unreasonable Goals of the United Nations Conference on Environment and Development (UNCED)*, 10 FORDHAM ENVTL. L.J. 71 (1998).

15. Maria Eugenia Padua, *Mexico's Part in the Neoliberal Project*, 8 U.C. DAVIS J. INT'L L. & POL'Y 1, 28 (2002).

16. Oxfam, a British charity, reported on Sept. 18, 2002 that, "[a]sking some of the poorest and most powerless people in the world to negotiate in an open market with some of the richest and most powerful results, unsurprisingly, in the rich getting richer and the poor getting poorer." Oxfam International, *Mugged: Poverty in your Coffee* 7-9 (2002), available at <http://www.oxfarmamerica.org/campaigncoffee/art3395.html> (last visited Apr. 14, 2004). See also Peter Costantini, *Coffee: Oaxaca's Life Blood*, at <http://www.msnbc.com/news/168688.asp?cpl=1> (last visited Apr. 14, 2004).

17. Laborers can be "paid per 'lata,' or bucket, of ripe cherries. One lata brought less than \$2 [in 2001], nearly half what it costs to grow the coffee. In a recent survey, the World Bank estimates that 600,000 Central American laborers have lost their jobs due to the crisis." See Jarman, *supra* note 4.

18. See Dinah Shelton, *Protecting Human Rights In a Globalized World*, 19 B.C. INT'L. & COMP. L. REV. 273, 275-76 (2002).

19. The Plan Puebla-Panama (PPP) is a Mexican program created to revitalize not only the economy of the southeastern portion of Mexico, but also the Mexican economy as well as the economies of many Central American states.

II. HISTORY OF MEXICO AND INTERNATIONAL AGREEMENTS AFFECTING THE COFFEE INDUSTRY

A. *The History of Coffee in Mexico*

1. *Political and Economic History*

The political history of Mexico over the past few decades sheds light on the ongoing political and economic controversies, which significantly affect coffee producers and their families. Throughout the 1970s and 1980s, partially due to the inflated market price of coffee,²⁰ the Mexican government promoted coffee production to indigenous farmers,²¹ particularly in the southern area of the country, where the climate is more conducive to coffee growth.²² Subsequently, President Carlos Salinas de Gortari, who took office in 1988, succeeded in shifting Mexico to a free-market economy.²³ Subsequently, President Ernesto Zedillo furthered the globalization and international trade philosophy inspired by Salinas.²⁴ In

20. The Oxfam report provides a clear statement of the world-wide coffee crisis, stating: The coffee market is failing. It is failing producers on small family farms for whom coffee used to make money. It is failing local exporters and entrepreneurs who are going to the wall in the face of fierce international competition. And it is failing governments that had encouraged coffee production to increase export earnings.

Weiner, *supra* note 4.

21. Dr. Ranee Khooshie Lal Panjabi described the phenomenon in the 1970s:

The lack of diversity of many developing economies—part of the imperial heritage which geared these economies to the particular needs of the colonial power—meant that often these nations, short of foreign exchange, tended to overproduce their major agricultural commodity to earn ready cash. This led to gluts and other problems as Northern nations, anxious to protect their own farming sector, protected themselves against commodity imports.

Dr. Ranee Khooshie Lal Panjabi, *From Stockholm to Rio: A Comparison of the Declaratory Principles of International Environmental Law*, 21 DENV. J. INT'L L. & POL'Y 215, 241 (1993).

22. June Nash, *The Challenge of Trade Liberalization to Cultural Survival on the Southern Frontier of Mexico*, 1 IND. J. GLOBAL LEGAL STUD. 367, 391 (1994).

23. Michael W. Goldman, Michael C. McClintock, James J. Tallaksen, & Richard J. Wolkowitz, *An Introduction to Direct Foreign Investment in Mexico*, 5 IND. INT'L & COMP. L. REV. 101 (1994).

The privatization schemes of the Salinas government dismantled a large part of Mexico's economy and concentrated wealth and power in what the president considered to be big, competitive conglomerates for [Mexico's] entry into the world scene. The losers were small and medium-size businesses, lacking credit, and Mexican society as a whole, lacking the public investments that had once had repercussions across the whole economic board, stimulating further payments, employment, production, and a healthier balance of payments.

CARLOS FUENTES, A NEW TIME FOR MEXICO 78–79 (1996). Could not the PPP, as an extension of NAFTA and an internal plan for the development of the southern area of Mexico, simply be considered a modern version of the Salinas government's vision of a corporate-driven Mexico on the world scene?

24. Kimberly Olson, Note, *Will Fox Change Chiapas? Not Unless Trade Partners Understand the Real Issues*, 10 MINN. J. GLOBAL TRADE 459, 475 (2001). Zedillo is credited with leaving office

2000, Vicente Fox was elected the president of Mexico.²⁵ A member of the conservative National Action Party, Fox's presidency ended the Institutional Revolutionary party's seventy-year control.²⁶

Mexico initially employed a closed market strategy of using import-substituting industrialization (ISI), which forced domestic consumers to pay high tariffs on imported goods or to purchase items produced in Mexico regardless of their price or quality.²⁷ This system created inefficient industries, and as a result, deprived Mexican consumers of the ability to purchase higher quality products.²⁸ Internal industry, on the other hand, was protected.²⁹ As a result of this economic philosophy, Mexico's economy faltered. The economic situation in Mexico reached epidemic levels in 1994 when the value of the peso plummeted by more than sixty percent.³⁰

2. *Land Rights and Article 27 of the Mexican Constitution*

The tumultuous history of land rights in Mexico has also contributed to the poor condition of Mexico's small coffee farmers, many of whom are indigenous people.³¹ Land records in Mexico are notoriously disorganized and sparsely maintained, resulting in multiple claims to the same plots of land.³² The Constitution of 1917 created the Land Reform Act, which granted communal lands to Indian communities. This grant provided a collective base for Indians to immediately cultivate small plots of land.³³ Article 27 of the 1917 Constitution also solidified Mexican land tenure

after his six-year mandatory single term as Mexico was experiencing a "fifteen percent economic growth rate and a fifteen-year low in unemployment." *Id.*

25. *Mexican General Says President Is Hiding Rights Violations*, GLOBAL EXCHANGE, Nov. 11, 2001, at <http://www.globalexchange.org/campaigns/mexico/news/efe111101> (last visited Apr. 14, 2004).

26. *Id.*

27. Jonathan B. Wight, *Does Free Trade Cause Hunger? Hidden Implications of the FTAA*, 2 RICH. J. GLOBAL L. & BUS. 167, 169 (2001).

28. *Id.*

29. *Id.*

30. Jeanine E. Dames, Note, *An Examination of Mexico and the Unreasonable Goals of the United Nations Conference on Environment and Development (UNCED)*, 10 FORDHAM ENVTL. L.J. 71, 77 (1998).

31. In May 2001, the World Bank provided a set of recommendations to the new Mexican administration. David Bacon, *The Fruits of NAFTA*, Feb. 2002, <http://www.zmag.org/Zmag/articles/february02bacon.htm> (last visited Apr. 14, 2004). An additional recommendation was to remove Article 27 from the Mexican Constitution entirely. *Id.* President Vicente Fox stated that the World Bank's recommendations were "very much in line with what we have contemplated" and necessary to "really enter into a process of sustainable development." *Id.*

32. *Id.*

33. Nash, *supra* note 22, at 371.

law by granting all land, water, and mineral rights to the Mexican People.³⁴ On November 7, 1991, President Carlos Salinas proposed that “Article 27’s guarantees of land for landless rural communities, as well as its prohibitions on the ownership of rural land by corporations be deleted.”³⁵ The legislature approved this proposal, and as a result, corporations and other businesses are now able to purchase land, air, and water rights, while small-scale farmers are forced to fight for the right to farm on small plots of land that were formally held by indigenous people.³⁶ Critics have suggested that the government amended article 27 as a preparatory step for the ratification of the North Atlantic Free Trade Agreement (NAFTA), because erasing the land rights of *ejidos*³⁷ creates an opportunity for privatization and allows corporations to gain property rights in some of the most resource-rich areas of Mexico, including the biologically diverse area in the south.³⁸

3. *The Turmoil in Chiapas*

The Zapatista revolt took place as a result of the enactment of NAFTA; this revolt could be seen as a symbolic opposition to Mexico’s greatest turn towards globalization.³⁹ In opposition to the extension of free trade to the United States and Canada, rebels torched the town hall and other

34. James J. Kelly, Jr., Note, *Article 27 and Mexican Land Reform: The Legacy of Zapata’s Dream*, 25 COLUM. HUM. RTS. L. REV. 541, 542 (1994).

35. *Id.* at 544.

36. *Id.* The new legislation also enabled agrarian communities to sell or rent their individual plots of land. *Id.* See also Raidza Torres Wick, *Commentaries on Raidza Torres, The Rights of Indigenous Populations: The Emerging International Norm*, 25 YALE J. INT’L L. 291 (2000) (“Most of the challenges faced by indigenous populations, such as loss of land and self-rule, result mainly from their collective and unique history of colonization or invasion and their struggle to preserve their identity and culture as a separate and distinct people.”).

37. The *ejido* are Mexican peasants who, under article 27 of the 1917 Constitution, were able to live communally in private property expropriated by the Mexican government. Enrique R. Carrasco, *Law, Hierarchy, and Vulnerable Groups in Latin America: Towards a Communal Model of Development in a Neoliberal World*, 30 STAN. J. INT’L L. 221, 252–55 (1994).

38. Olson, *supra* note 24, at 463.

39. Paul Rich, *NAFTA and Chiapas*, 550 ANNALS AM. ACAD. POL. & SOC. SCI. 72, 73 (1997). The revolt occurred and NAFTA was enacted on January 1, 1994. Subcommandante Marcos, leader of the Zapatistas, describes how the extreme disparity of wealth contributed to the rebellion:

It is precisely in regions with high percentages of indigenous peoples that can be found a systematic political, juridical, economic violence that has led, in some cases, to the outbreak of violent, armed conflicts. The EZLN, in Chiapas, was born amongst indigenous peoples who, most of all, demand dignified living conditions. They prefer, as they say, risking their life in a dignified manner, rather than dying little by little from the diseases of poverty.

Id. at 78.

important state buildings, which they considered symbols of oppression.⁴⁰ The Mexican military invaded the area to suppress the insurgency.⁴¹ Subcommandante Marcos, the head of the revolutionary army, waged an e-mail and Internet campaign against the government of Mexico in order to alert the world to the plight of the indigenous people and to the Mexican government's attempts at suppression.⁴² Despite guerilla tactics and constant military occupation,⁴³ the Zapatista revolutionaries retained control of the Chiapas region of Mexico.⁴⁴ While President Vicente Fox made regaining control of Chiapas within the first month of his presidency a priority during his campaign, he has not yet succeeded in establishing an agreement with the revolutionaries or in ousting them from this resource-rich region.⁴⁵

B. World Trade Agreement on Agriculture

The members of the World Trade Organization reasserted their belief in the importance of free trade in economic development and the elimination of poverty on November 14, 2001.⁴⁶ The nations asserted their pledge to extend to all people "the increased opportunities and welfare gains that the multilateral trading system generates."⁴⁷ The WTO is essentially the foundation on which NAFTA rests.⁴⁸ However, the rules governing agricultural trade (and embodied in the WTO Agreement on Agriculture) allow the United States and the European Union to subsidize agricultural production and dump surpluses on world

40. Jorge A. Vargas, *NAFTA, The Chiapas Rebellion, and the Emergence of Mexican Ethnic Law*, 25 CAL. W. INT'L L. J. 1, 1-2 (1994).

41. *Id.* at 3.

42. *Id.*

43. Jeffrey Gesell, Note, *Customary Indigenous Law in the Mexican Judicial System*, 26 GA. J. INT'L & COMP. L. 643, 648 (1997). As a first step to recognizing the rights of indigenous people and remedying the situation in Chiapas, President Carlos Salinas de Gortari amended article 4 of the Mexican Constitution in 1992 in order to provide additional protection for indigenous peoples. *Id.* at 648-49.

This recognition of indigenous rights within the legal system helped coffee farmers to assert their land rights within the judicial system of Mexico. Additionally, a Peace Accord was signed in February 1996 that addressed some of the concerns of the Zapatistan rebels. *Id.* at 649.

44. Vargas, *supra* note 40. See also Rich, *supra* note 39.

45. Olson, *supra* note 24, at 478. See also Patrick Cuninghame, Carolina Ballesteros Corona, *A Rainbow at Midnight: Zapatistas and Autonomy*, CAPITAL & CLASS, 1998.

46. Carmen G. Gonzalez, *Institutionalizing Inequality: The WTO Agreement on Agriculture, Food, Security, and Developing Countries*, 27 COLUM. J. ENVTL. L. 433, 435 (2002).

47. *Id.*

48. Marie-Claire Cordonier Segger, Maria Lechner, Nicola Borregaard, & Ana Karina Gonzalez, *A New Mechanism for Hemispheric Cooperation on Environmental Sustainability and Trade?*, 27 COLUM. J. ENVTL. L. 613, 616 (2002).

markets at artificially depressed prices while requiring developing countries to open up their markets to ruinous and unfair competition from industrialized international producers.⁴⁹

*C. The North American Free Trade Agreement*⁵⁰

More than twenty years ago, Mexico⁵¹ hoped to advance into the developed world by committing itself to free market reforms through NAFTA.⁵² NAFTA essentially created a hemispheric zone in which tariffs are greatly reduced between state parties.⁵³

Mexico's commitment to NAFTA met with broad skepticism and revolt.⁵⁴ Critics argued that the small Mexican producers and farmers would be unable to compete with subsidized American and Canadian producers.⁵⁵ Small-scale farmers recognized their inability to transport their goods to areas in which the products might be able to enter the global

49. See generally Gonzalez, *supra* note 46.

50. North American Free Trade Agreement, Dec. 17, 1992, U.S.-Can.-Mex., 32 I.L.M. 296 and 32 I.L.M. 605 (1993). Article 2203 mandated that the treaty was to go into effect on January 1, 1994. *Id.*

51. Twenty-five years ago, Mexico was protectionist and shielded by a dictatorship and closed economy. Recently, Mexico has created commercial agreements with over thirty countries worldwide and become a leading global free trade leader, to the benefit of its large corporations. Citizen Action in the Americas, No. 1, *Making Fair Trade Work in Mexico*, July 2002, AMERICA'S POLICY, <http://www.americaspolicy.org/citizen-action/series/body-mexicos-fair-trade-movement.html> (last visited Jan. 24, 2004). This transition to a free trade economy has inexorably harmed small-scale farmers and could disrupt not only the livelihood of the majority of the Mexican population, but destroy the villages and culture of southeastern Mexico. *Id.*

52. Ginger Thompson, *Free-Market Upheaval Grinds Mexico's Middle Class*, N.Y. TIMES, Sept. 4, 2002. NAFTA, considered the centerpiece of the new Mexican philosophy, has generated a quarter of a trillion dollars in cross-border trading with the United States.

53. Goldman et al., *supra* note 23, at 121. Goldman asserts that "Mexico, a nation whose workers have endured chronic unemployment, should benefit from increases in the availability or increases in the number of jobs, which should foster economic growth, discourage immigration into the United States, and create wealth, thereby enabling Mexican nationals to enjoy a higher standard of living." *Id.*

54. Vargas, *supra* note 40. The Zapatista Liberation Army took over the Chiapas region of Mexico as part of its rebellion against the Mexican government. The Zapatistas wanted a long-range plan focusing on business instead of agriculture and to bring investments into Mexico instead of reviving the economic structure already in place. *Id.* This led to a month of guerilla warfare as the Mexican government tried to regain control of the area, which is rich in natural resources, particularly petroleum. *Id.* Two of the Zapatistas' demands were "to revise the text of NAFTA to incorporate the interests and needs of the indigenous peoples" and "to amend Article 27 of Mexico's Constitution, so lands will be given to indigenous peoples and not to 'large landholders.'" *Id.* at 5.

55. Critic Jonathan B. Wight stated: "[f]ree trade may exacerbate hunger problems among families in poor agricultural areas of Latin America where labor markets are uncompetitive, land rights questionable, or land distribution highly uneven." Wight, *supra* note 27, at 167. In the portion of southern Mexico covered by the PPP "Labor markets are uncompetitive, land rights questionable, or land distribution highly uneven." *Id.*

market.⁵⁶ Additionally, they feared that well-funded, well-educated workers in the United States and Canada would take their jobs.⁵⁷

The Mexican government's policies, realized through its commitment to NAFTA and the favorable treatment accorded to business and corporations instead of small businesses, resulted in greater rates of unemployment and dislocation and increased poverty among laborers.⁵⁸ However, as a scholar stated, "[a] culture of fairness must exist because political and economic stability are a prerequisite to trade growth."⁵⁹ The Mexican governmental structure is not established in a way that cultivates trade growth by focusing on the working class.⁶⁰

D. International Coffee Agreements

The coffee-producing and coffee-consuming nations of the world realized the necessity of creating firm agreements directed specifically at the coffee industry. The first International Coffee Agreement (ICA)⁶¹ was signed by thirty-seven nations in 1962.⁶² As the first step toward the

56. *Id.*

57. Padua, *supra* note 15, at 16–17. *See also* Wight, *supra* note 27, at 172.

58. *See* Lola Clayton Rainey, *Monopolistic Land Tenure and Free Trade in Mexico: Resurrecting the Ghost of Porfirian Economics*, 23 AM. INDIAN L. REV. 217, 219 (1999).

59. *Id.* at 218.

60. *Id.* A perfect example of the Mexican government's focus on business at the expense of the worker is the election of Vicente Fox as Mexico's president and the adoption of the Puebla-Panama Plan. *See infra* Part II.

61. International Coffee Agreement 1983, opened for signature Jan. 1, 1983, T.I.A.S. No. 11,095, 1333 U.N.T.S. 1983.

62. Thomas C. Mann, a U.S. State Department official, described the International Coffee Agreements before a U.S. congressional subcommittee, stating:

The freely competitive interplay of economic forces in the United States is one of the basic elements of our past and present national strength. A free market economy in coffee should perhaps be an ultimate goal. But the reality is that many of the developing countries of the world which depend so much on coffee cannot now cope with the severe economic dislocations which are caused by wide swings in the price of their principal revenue and foreign exchange earner . . . The coffee agreement . . . serves our foreign policy objectives of building strength and freedom in developing areas of the world while protecting the American consumer . . . [T]he key question is whether it is in the U.S. interest to allow these countries, a large number of them, to go through the wringer, as it were, at a time when populations are doubling every 18 to 20 years and take a chance that they would stay on our side of the curtain which divides the free and the Communist world.

Barbara Koremenos, *Can Cooperation Survive Changes in Bargaining Power? The Case of Coffee*, 31 J. LEGAL STUD. 259, 271–72 (2002) (quoting the Executive Hearings on S. 701 before the House Comm. on Ways and Means, 89th Cong., 1st Sess. 5, 9 (1965)). Additionally, the National Coffee Association advised the U.S. that "the interests of the United States Coffee consumer and industry are best accommodated by free and unrestricted trade in coffee." Matthew J. Foli, Note, *International Coffee Agreements and the Elusive Goal of Price Stability*, 4 MINN. J. GLOBAL TRADE 79, 80 n.11 (1995) (quoting the National Coffee Ass'n of U.S.A., NCA SPECIAL BULLETIN, No. 259 (1992)).

globalization of the coffee industry, the ICA of 1962 established export quotas aimed at maintaining that year's prices.⁶³ The goal of the plan was undermined, however, as anxious exporters quickly learned new methods⁶⁴ to subvert the Agreement for financial gain.⁶⁵

The ICA of 1968, in addition to resetting export quotas, established a Diversification Fund to support alternative industries and the production of a greater variation of crops in nations that produce coffee.⁶⁶ In addition, the ICA of 1968 included measures for determining an "indicator price," which helped to alleviate any conflicts between nations with large or small coffee production. The indicator price extends or reduces quotas depending on the market price for coffee.⁶⁷

The ICA of 1976⁶⁸ established a partially variable quota system. This system provided incentive to countries with historically smaller levels of production to increase their coffee production. The ICA of 1976 deleted the Diversification Fund.⁶⁹

In 1983, due to the variable quotas, the coffee producing countries faced a new challenge with a surplus of coffee already in the market.⁷⁰ Therefore, the ICA of 1983 was drafted to establish a two-tier pricing system in which surplus stock was sold at an extreme discount.⁷¹ The additional demand for gourmet coffee beans also altered the quota structure when the ICA nations agreed to specify types of beans for the quotas.⁷²

The International Coffee Agreements, however, proved to be ineffective.⁷³ One reason for the Agreements' inability to adequately

63. Foli, *supra* note 62, at 86. The two leading coffee-producing states, Brazil and Colombia, led the International Coffee Organization, which has been suggested to have restrained competition in its pursuit of a higher market price for coffee. Eyal Benvenisti, *Exit and Voice in the Age of Globalization*, 98 MICH. L. REV. 167, 182 (1999). Benvenisti suggests that the United States, the world's largest coffee importer, perpetuated a scheme by which it surreptitiously shifted funds to Latin America in its support of the ICAs. *Id.*

64. Foli, *supra* note 62, at 87. Countries found ways to evade the ICA by admitting coffee imports without the required documentation, by using invalid documentation, and by shipping coffee to low-consumption countries and then re-directing the coffee to other high-consumption countries. *Id.* at 87.

65. *Id.*

66. *Id.* at 88-89. Examples of alternative industries and crop development include establishing alternative methods of growing coffee or producing different varieties and flavors of beans. *Id.*

67. *Id.* at 89.

68. *Id.* at 91.

69. *Id.*

70. *Id.* at 91-92.

71. *Id.* at 92.

72. *Id.*

73. *Id.*

control the coffee market was that the ICAs did not include an enforcement mechanism. Additionally, countries consistently discovered varying ways of circumventing their requirements and duties under the Agreements. Thus, the ICAs were allowed to expire in 1989.⁷⁴ At that time, having stored surplus beans during the quota period, countries such as Brazil, Colombia, and Mexico inundated the market with coffee.⁷⁵ As a result, greater amounts of coffee accumulated and the price of coffee quickly fell.⁷⁶

The Association of Coffee Producing Countries, a producer cartel, implemented the Coffee Retention Plan on October 1, 1993.⁷⁷ The goal of the Plan was to reduce the number of global exports by requiring all countries producing coffee to store a certain percentage of beans.⁷⁸ Unlike previous International Coffee Agreements, this Plan contained severe penalties for cheaters.⁷⁹ Mexico did not sign this Plan.⁸⁰ Although over ten years have passed since the creation of the Coffee Retention Plan, “it is too early to determine whether the improvements upon previous International Coffee Agreements in the 1993 Plan will finally achieve the elusive goal of long-term price stability.”⁸¹

E. Plan Puebla-Panama (PPP)

Instituted by President Vicente Fox in 2001, the Plan Puebla-Panama⁸² is an effort by the new Mexican regime to build infrastructure, industry, development, and natural resource management.⁸³ The official position of the Mexican government⁸⁴ is as follows: “The main target of the Puebla-

74. *Id.*

75. *Id.* at 93.

76. *Id.*

77. *Id.* at 95.

78. *Id.*

79. *Id.* at 97.

80. *Id.*

81. *Id.*

82. Press Release, Mexico, Fifth Tuxtla Dialogue and Agreement Mechanism Summit and Puebla-Panama Plan Expo Investment 2002, Release (June 25, 2002), <http://www.presidencia.gob.mx/Art=3721&Orden=Leer> (last visited Apr. 15, 2004). See also Lucy Grinnell, *Plan Puebla Panama and Chiapas*, Znet, July 31, 2002, at http://www.zmag.org/content/showarticle.cfm?Section_ID=8&ItemID2172 (last visited Mar. 12, 2004). The PPP affects Mexico's nine southern-most states—Puebla, Guerrero, Oaxaca, Chiapas, Veracruz, Tabasco, Yucatan, Campeche, and Quintana Roo. *Id.*

83. Segger, *supra* note 48, at 621.

84. The PPP is supported by U.S. President George W. Bush, the Inter-American Development Bank, the World Bank, and the Central American Development Bank. Grinnell, *supra* note 82. See also Padua, *supra* note 15.

Panama Plan is to improve the standard of living of the population⁸⁵ within the territorial area of the south and south-eastern region of Mexico and Central American countries.”⁸⁶ Much of the area of southeastern Mexico, including the Veracruz, Guerrero, Oaxaca, and Chiapas regions, are traditionally coffee-producing states.⁸⁷ The PPP’s goals are divided into eight main objectives,⁸⁸ five of the most significant are: (1) raising the level of human and social development of the population; (2) reaching a higher level of participation of civil society in development; (3) achieving structural changes in the dynamics of the economy; (4) promoting productive investments that increase the offer for well-paying jobs; and (5) modernizing and fortifying the capabilities of institutions in the region.⁸⁹ One of the primary goals of the PPP is to extend the maquiladora⁹⁰ region from the northern part of Mexico to the south. This expansion would

85. Although many statistics exist regarding the standard of living in the areas affected by the PPP, perhaps the most telling is that of the sixty-five million people who live in the nine PPP states, where seventy-five percent subsist on less than \$2 (U.S.) per day. *The Plan Puebla Panama In a Nutshell: A PPP Primer of 17 Questions and Answers*, Chiapas Today Bulletin No. 312, CIEPAC, Sept. 27, 2002, <http://www.clepac.org/bullentins/ingles/ing312.htm> (last visited Jan. 30, 2004). In fact, in 1997, the following was reported with regard to San Cristobal de las Casas, a town in the Chiapas state:

Unemployment exceeds sixty percent; Mexican government census bureau statistics report that seventy-eight percent of the population live in overcrowded shacks with dirt floors, sixty-six percent of which lack electricity, forty percent which lack sewers and water. More than forty-percent of the people are illiterate and sixty-two percent never completed the sixth grade.

Gesell, *supra* note 43, at 649.

86. Padua, *supra* note 15. While the goal of the PPP is to improve the standard of living of those living within the affected area, which has been notorious for being the poorest region of Mexico, the Plan has met with some resistance. Nearly 15,000 Tzeltal, Tzotzil, and Tojolabal Mayans protested the development plan in San Cristobal de las Casas on August 16, 2002. Led by Roman Catholic Bishop Felipe Arizmendi, the protestors carried signs, chanted, and sang in the streets of Chiapas’ largest city in order to draw attention to their concerns regarding Mexico’s new plan. Alejandro Ruiz, *Thousands of Indians Protest Fox Backed Development Plan*, THE NEWS MEXICO, Aug. 17, 2002, <http://www.globalexchange.org/countries/mexico/ppp/284.html> (last visited Apr. 15, 2004).

87. See Black, *supra* note 7.

88. Roberto Garduno, *Romper Con La Transmision Generacional de la Pobreza, Objetivo Del Plan Puebla-Panama: Fox*, La Jornada (Mexico), June 14, 2001 at 6.

89. Padua, *supra* note 15, at 28. Other objectives include taking full advantage of the different abilities and comparative advantages of each economy, reaching sustainable management of natural resources and the environment, and promoting agreements and joint development strategies between the south and south-east region of Mexico and its neighboring Central American countries. *Id.*

90. A maquiladora is a low-wage Mexican assembly plant where American goods are assembled before being shipped to the United States or Asia. Francisco Rojas, *Foro Por la Vida, Guatemala, Plan Puebla Panama and Indigenous Survival*, INDYMEDIA CHIAPAS, Mar. 17, 2002, <http://www.globalexchange.org/countries/mexico/ppp/indymedia031702.html> (last visited Apr. 15, 2004).

provide enormous savings to U.S. and European multinational corporations through more efficient shipping.⁹¹

III. ANALYSIS

A. *Problems in the Villages*

The previous efforts at regulating the coffee industry and the coffee-producing areas of Mexico have been unsuccessful.⁹² The continuing depression of the industry has resulted in the destitution of villages⁹³ traditionally reliant on the coffee industry for their livelihoods.⁹⁴ In order to provide for their families, many Mexican coffee farmers have been forced to burn or log their land to make the land useful for the production of other, more profitable crops.⁹⁵ Other coffee farmers have been forced to abandon their land rights claims⁹⁶ and have traveled to America in search of jobs that could provide income for their families.⁹⁷ Additionally, many

91. *Id.* Extending the maquiladora region to the southern portion of Mexico may also help to assuage Mexico's fears that large multinational corporations will increasingly follow the trend of building such factories in Asia, where labor is so cheap that it overrides the higher cost of transport. A 1992 *Newsweek* article revealed a U.S. government study, which stated that "four of five American companies operating plants across the border in Mexico admitted they were there to take advantage of weak environmental laws." Dr. Ranee Khooshie Lal Panjabi, *supra* note 21, at 235.

92. *See supra* note 29.

93. Often only women, children and the elderly remain in the village due to massive migration of men in search of jobs. "Men's migration has obligated indigenous women to occupy positions in community assemblies and other local political environments," stated Centolia Maldonado, a Mixteca activist for the Binational Indigenous Oaxacan Front. Eduardo Stanley, *The Awakening of Mixteca Women*, NEW CALIFORNIA MEDIA, Oct. 31, 2002, at http://www.news.ncmonline.com/news/view_article.html?article_id=dc50a847C0a3dd0F06da1169bb5b236 (last visited Apr. 15, 2004). *See also* Joseph Nevins, *Time to End a Fatal Way of Life Along the U.S.-Mexico Boundary*, CommonDreams News Center, June 18, 2002, at <http://www.commondreams.org/views02/0618-03.htm> (last visited Apr. 14, 2004).

94. *Id.*

95. According to a senior farm official at a meeting of the International Coffee Organization, "coffee farmers . . . driven to desperation by rock-bottom prices, are abandoning the crop to plant forests instead or even emigrating." Black, *supra* note 7.

Additionally, "the rapid loss of forests corresponds to a simultaneous increase in farming and grazing lands cleared by the 10 to 15 million poor farmers who have no other means of making a living." Lisa J. Adams, *Mexico In Danger of Losing Forests*, ASSOCIATED PRESS, Dec. 5, 2001.

96. In the Mexican village of El Equimite in Veracruz state, Ranulfo Barreda mourns the loss of his son and grandson, who were among fourteen immigrants who died in the desert in May 2001 near Yuma, Arizona. Six of the dead were coffee farmers whose relatives may lose their land, as they used it as collateral to secure loans of nearly \$3,000 to pay smugglers. *See Jarman, supra* note 4.

97. According to Governor Pablo Salazar, 500 coffee farmers from the Chiapas state are being uprooted each month. On a bus trip to the northern border, a reporter from the *Reforma* daily national newspaper reported that fifteen percent of the passengers had sold their coffee patches to pay for the price of the bus ticket. Besides being a luxury that many uprooted farmers cannot afford, the dusty conditions and frequent governmental and police stops at which the passengers are extorted, have led

teenagers have been forced by the economic situations of their families to move to the cities in search of work at a very young age.⁹⁸ This phenomenon has left many villages composed entirely of women and children, who are forced to take part-time and dangerous jobs to sustain their life and shelter.⁹⁹ As a result, villages have not sustained their traditional customs, such as dances or festivals.¹⁰⁰

Increased violence is another unfortunate result of the depression of the coffee industry.¹⁰¹ Some of the increased violence is a reaction against the government and army members, while other violence occurs within villages as a result of the extreme poverty that causes anger, frustration, and crime.¹⁰² Furthermore, greater numbers of former coffee farmers have turned to producing drugs, which are easier to produce than coffee, are in higher demand in the market, and are more profitable.¹⁰³ This increase in drug production is also a potential source of violence.¹⁰⁴

Another problem that faced villages following NAFTA's implementation, was that Mexican unemployment skyrocketed. Many small and medium-sized businesses closed because they were unable to compete with U.S. and Canadian corporations.¹⁰⁵

A country's success under the NAFTA regime requires constant educational and technological advancements.¹⁰⁶ The literacy rate in Mexico is staggeringly low, with a higher number of illiterate citizens concentrated in rural areas, such as coffee farming areas.¹⁰⁷ Further, many

many to attempt to hitch a free ride on a daily freight train. This dangerous alternative often results in the death or maiming of migrants, and limbs are often uncovered along the tracks. Upon reaching the border, many farmers have attempted the scorching trek across the Arizona desert by foot. Hundreds of Mexican citizens have died attempting this journey. See Elizabeth Neuffer, *The Shadows of Globalization: The Coffee Connection: Thousands of Miles from Boston's Breakfast Tables and Fast-Food Restaurants, at the End of a Global Trade Network, Guatemala's Farmers are Barely Scraping By*, BOSTON GLOBE, July 19, 2001. An estimated 130,000 Mexican coffee farmers have abandoned their farms in search of alternate work or to look for such opportunities in the United States. *Id.*

98. Jarman, *supra* note 4.

99. *Id.*

100. *Id.*

101. *Id.*

102. See generally Miguel Jauregui Rojas, *Review of Legal Developments in Mexico: 2000–2001*, 10 U.S. MEX. L.J. 3 (2002).

103. See Jarman, *supra* note 4.

104. Jarman, *supra* note 4.

105. See Cuninghame, *supra* note 45, at 10. Women were forced into less secure industries, such as the sex industry and “other branches of the ‘informal’ economy” in order to support themselves and their children. *Id.* at 44.

106. Rich, *supra* note 39, at 78.

107. See Gesell, *supra* note 43. See also Jarman, *supra* note 4.

of these little villages, which rely on coffee farming for sustenance, exist without running water or electricity.¹⁰⁸

B. Fair Trade

Fair trade¹⁰⁹ has been touted as the solution to the continual depression of the coffee industry.¹¹⁰ Fair trade attempts to correct the problems in a free trade market, in which corporations are favored over small-scale business owners.¹¹¹ The effect of free trade markets is that smaller producers are disadvantaged because they lack the capital, access to credit, technical and marketing assistance, and delivery assistance of larger companies.¹¹² While fair trade systems have proven effective,¹¹³ fair trade

108. See Gesell, *supra* note 43. Ironically, the Chiapas region holds most of Mexico's oil and produces the largest amount of hydroelectric electricity, yet the citizens of this region have the lowest percentage of homes with electricity and running water. *Id.*

109. The principles of fair trade are:

Local and regional producers and service providers should be in control so benefits remain in their communities;

Laborers should earn a fair wage and work in a healthy, safe environment;

Intermediary organizations that soak up and expatriate profits should be removed from the equation, allowing producers to keep a larger share of sales revenues without passing on excessive costs to consumers;

Goods and services should be environmentally friendly and socially responsible;

Community development needs, as well as environmental and social criteria, should be taken into account in business decisions;

Product and producer diversity should be supported, and increased opportunities for women should be a priority;

When possible, intermediaries that buy products directly from producers should provide financial assistance, such as direct loans, prepayments, or linking producers with sources of financing;

The finances, management policies, and business practices of fair trade enterprises should be open to public scrutiny;

Consumers who are educated regarding the importance of purchasing products and services that support living wages, healthy working conditions, and environmental protection will be willing to pay slightly higher prices.

Talli Nauman, *Making Fair Trade Work in Mexico*, CITIZEN ACTION IN THE AMERICAS, No. 1, July 2002, http://www.americaspolicy.org/citizen-action/series/body_mexicos-fair-trade-movement.html (last visited Apr. 15, 2004).

110. See also Draeger, *supra* note 13; Alicia Morris Groos, Comment, *International Trade and Development: Exploring the Impact of Fair Trade Organizations in the Global Economy and the Law*, 34 TEX. INT'L L. J. 379 (1999).

111. See generally Nauman, *supra* note 109.

112. *Id.* Fair trade attempts to correct these faults of the free market economy by establishing support networks that help to provide access to start-up capital, product development, marketing assistance, and foreign distribution outlets. Nauman, *supra* note 109.

113. In 1999, Central American farmers selling their coffee to intermediary buyers through ordinary channels were paid an average of \$0.38 per pound, while coffee growers engaged in sales with the international fair trade organization TransFair earned at least \$1.26 per pound. Nauman, *supra*

alone is an impractical solution for the failing coffee industry in Mexico. In fact, one journalist identified several challenges to the establishment of a complete fair trade system in Mexico, including the “instability of international commodity prices . . . nonprofit technical support for small businesses [not] keeping pace with the growth of new fair trade start-ups . . . and the certification and fair trade labeling regimes are expensive and inappropriate for Mexican entrepreneurs.”¹¹⁴

An additional factor to consider is the rate of farm burning or abandonment. At the current rate, Mexican coffee farmers will be unable to maintain their farms or feed their families by the time that a completely fair market system is established. The establishment of such a system goes directly to the heart of the problems within the coffee industry: a lack of funding, poor transportation systems, and the small-scale Mexican farmer’s inability to make a connection with retailers directly. Traditionally, many coffee producers are indigenous workers and “often speak traditional languages and dialects and are illiterate.”¹¹⁵ The price of coffee in the international market is dropping at record rates.¹¹⁶ Short of burning the almost two billion pounds of surplus beans and starting anew, the grassroots advocacy strategy of the Fair Trade Organization will not impact the lives of the farmers quickly enough to feed their families or save their villages.¹¹⁷ Additionally, although fair trade is considered by some to be the savior of the small-scale farming operations in developing countries, fair trade organizations do not have the resources to bring the requisite aid to Mexican coffee farmers.¹¹⁸

C. Problems with the PPP

The PPP is a plan for businessmen, by businessmen, about business.¹¹⁹ Because the plan has only existed for two years, it may be too early to determine its effectiveness.¹²⁰ The basic structure of the PPP, however,

note 109.

114. *Id.*

115. *See* Wight, *supra* note 27, at 173.

116. *See supra* Part I.

117. *See* Draeger, *supra* note 13.

118. *See* Draeger, *supra* note 13. *See also* Groos, *supra* note 109, at 402. There are definite legal issues involved in fair trade, because “Fair trade is relevant to many issues affecting developing countries that are of global concern, such as trade, economics, human rights, intellectual property, and cultural preservation.” *Id.* Fair trade organizations also perform the functions of lobbying corporations, state parties and non-governmental or multi-governmental organizations to adopt fair trade policies and legislation. *Id.* at 388.

119. *See* Padua, *supra* note 15.

120. *See* Ross, *supra* note 83.

does not lend itself to the resuscitation of current industries, strips current farmers of their land claims,¹²¹ and imposes questionably functional industry into the southern portion of Mexico.¹²² Under the PPP, the coffee farmers may be forced to work in one of the maquiladoras that President Fox seeks to bring to south south eastern Mexico.¹²³

The PPP, in its current form, seems to simply be an extension of NAFTA. While only Mexico, Canada, and the United States are parties to NAFTA, the PPP could be considered a method of “roping in” other Central American countries into NAFTA’s web without actually enacting additional treaties.¹²⁴

IV. PROPOSAL

Fair trade is not the answer. The PPP is not the answer. In order to survive the current, ever-deepening economic crisis and resuscitate the floundering coffee industry, Mexico must take steps both independently and with the world community to correct the internal injustices

121. Previous Mexican governments gave and subsequently withdrew land rights to family plots in order to draw support for elections. Uprisings and rebellions, such as the Zapatista rebellions, arose in an effort to protect land rights claims. Gretchen Peters, *No Quick Solution to Deforestation in Lush Chiapas*, CHRISTIAN SCIENCE MONITOR, Jan. 14, 2002.

122. One positive aspect of the PPP plan is its role in the creation of infrastructure throughout this region. For example, an improved system of transportation would benefit current coffee farmers by replacing the small paths which remain the small-scale farmers’ only means of transporting coffee beans to middlemen. The creation of navigable roads would do much to facilitate the expedited and efficient transportation of the coffee beans.

123. A recent study by SEDEPAC found that the average maquiladora worker earns between 320 and 350 pesos per week, while approximately 1,500 pesos are required to provide food, shelter and transportation to a family of four. Bacon, *supra* note 31. Further, a study by the Interfaith Center for Corporate Responsibility found that it took a maquiladora worker in Juarez almost one hour and a worker in Tijuana an hour and a half to earn enough money to purchase one kilo of rice. By comparison, a dockworker in the San Pedro harbor could buy the same amount of rice after three minutes of work, while an undocumented immigrant working for the minimum wage in Los Angeles would only have to work for twelve minutes. *Id.* An example of wage deflation as compared to price inflation is that “in 1996 in Mexico the minimum day’s wage [would] buy 6 quarts of milk or 2.2 pounds of beans, whereas in 1976 it would buy 21 quarts of milk or 5.0 pounds of beans.” *See* Rich, *supra* note 39, at 79.

124. The PPP may be seen as a manner of channeling Mexican national funds into the least developed areas of Mexico in an effort to pave the way for greater corporate investment. It may also be seen as an internal step towards a Free Trade Area of the Americas (FTAA). *See The Plan Puebla Panama In a Nutshell: A PPP Primer of 17 Questions and Answers*, *supra* note 85. The FTAA is a proposed trade agreement that would extend NAFTA’s trade regulations throughout the Western Hemisphere. *Id.* The PPP may constitute the first step in integrating the southeastern area of Mexico with the other Central American states in preparation for the FTAA or a similar agreement. *Id.* The article suggests that the World Bank and the Inter-American Development Bank for Mexico and Central America, which will use the infrastructure to entice large multi-national corporations to invest in and move to the area affected, are the primary proponents of the PPP. *Id.*

experienced by small coffee farmers and to destroy the surpluses that keep the international coffee prices depressed. Additionally, Mexico should create, regulate, and maintain an updated agricultural system to provide continued living wages to coffee producers.

Mexican farmers should also learn from the fair trade groups' focus on communal production and form their own trade organizations. In this way, small-scale Mexican coffee farmers could pool their resources and establish a trade organization that could market its beans in the global economy and compete with international producers. In this way, small-scale farmers would have the resources and the support needed to enter their products in the global market without restricting their products to the certain types of beans and methods of farming required to obtain fair trade certification.

To do so, however, requires funding, something that small Mexican farmers are sorely lacking.¹²⁵ The traditional source of such loans or subsidies is the Mexican government.¹²⁶ Although some small coffee farmers tried to look to the Mexican government for help and support in the midst of this crisis, the result has been disappointing. Mexico should create an administrative body and plan to provide subsidies to the farmers in order to enable coffee production to continue, to maintain the lands and agriculture in the area, and to halt the migration throughout the country.¹²⁷ Additionally, this administrative body could facilitate the location of private loans for small-scale farmers.

The PPP appears to apply the "bag it" approach to the existing industry in the southeastern parts of Mexico.¹²⁸ The Plan attempts to impose new

125. While farmers have fought to retain control of their coffee farms without any aid from the Mexican government, in June, 2002, President Fox announced a \$4 billion U.S. credit line for PPP infrastructure projects, subsidized by the Inter-American Development Bank. Edgar Hernandez, *NGOs Say Mexico's Panama Plan Economic Arm of Military Strategy*, Aug. 9, 2002, <http://www.globalexchange.org/countries/mexico/ppp/285.html.pf> (last visited Apr. 15, 2004).

126. *Id.*

127. The number of internally displaced people in Mexico is increasing, according to the U.S. Committee for Refugees (USCR). Jim Lobe, *Internally Displaced People Now Outnumber Refugees Two to One*, OneWorld.net, Sept. 23, 2002, at <http://www.commondreams.org/headlines02/0923-02.htm> (last visited Apr. 14, 2004).

128. The United States and Canada may have employed a similar philosophy regarding certain agricultural crops in their respective histories. Unlike Mexico, the United States and Canada have provided subsidies and stipends to their farmers to prevent them from producing too much of a certain product. Beau Hertig, Note, *The 2002 Farm Bill: One Small Step for Family Farmers, One Giant Leap Towards Corporate Production in Iowa*, 29 J. CORP. L. 199, 201-06 (2003). If the market is flooded with excess goods the product price will be driven down and the need for excessive long-term storage of the product will arise. See also Larry Lee, Essay, *Reading the Seattle Manifesto: In Search of a Theory*, 78 N.Y.U. L. REV. 2305, 2327 (2003).

infrastructure and industry on this area in complete disregard¹²⁹ of the existing industry and the traditional livelihoods of the residents. While noble and ambitious, the PPP is completely impractical due to its disregard for the Mexican citizens and indigenous people inhabiting the relevant area. If the Mexican government would extend the Plan to include small-scale farmers who produce crops such as coffee, or if a portion of the foreign investment could be used to create trade groups that would support the existing industries, then the coffee farmers could bind together in small trade organizations and survive.

If the PPP were to be expanded to include respect for the traditional uses of the land and the indigenous inhabitants, the resulting coffee organizations might benefit from the additional objectives of the PPP, such as increased infrastructure. Although the infrastructure might not necessarily alleviate the difficulty arising from scaling down steep, unpaved, and at times, unmarked slopes carrying hundreds of pounds of coffee beans, it would help the farmers to reach ports where they could individually market their beans. The additional goal of building dams and canals through Central America may allow coffee farmers to find avenues to ship coffee to purchasers overseas more easily. The PPP's goal of linking electrical power plants to the area would also benefit struggling villages, many of which are currently without electricity. Thus, while the PPP in its current state turns a blind eye to the plight of the coffee farmer, it can be adapted to consider the poor and indigenous people currently inhabiting the affected area. This change, in combination with the Plan's other goals, would promote economic growth in southern Mexico.

Although, the possible solutions discussed in this Note may be effective within Mexico, the coffee crisis has global implications. Without a remedy on an international scale, improvements in Mexico alone will do little to correct the fledgling market price of coffee in international trade. First, the major coffee producing countries should meet to discuss the plight that has befallen the industry and to determine methods to restore confidence in coffee production. More specifically, countries should seek methods of destroying excess coffee beans and imposing a strict system of market entry for marketing beans and regulating the quantity of beans in the market. This system should reflect the tastes of current consumers, the

129. The government has not directly informed the small-scale farmers in Mexico, one of the groups most affected by the PPP, of its intended effect on their area and land. See Wendy Call, *Farms vs. Factories: Planning the Future for the "Under-Exploited" of Mexico and Central America—Plan Puebla Panama*, TEXAS OBSERVER, available at <http://www.s-j-c.net/PPP.html> (last visited Apr. 14, 2004).

importance of environmentally-friendly shade-grown beans, and the increased demand for gourmet and blended coffees within the retail market. In this proposed agreement, the countries may also recognize the importance of ensuring that coffee producers are paid adequate and fair wages. Coffee-importing states, such as the United States and many European nations, should have the opportunity to be a signatory to such an agreement, with the requirement that they put pressure on coffee-producing states to assure that the coffee producers are paid fair wages. The agreement should also include an enforcement mechanism and strict penalties for circumventing the plan. The lack of such an enforcement mechanism was the main pitfall of the original ICAs.¹³⁰

An additional faction that must consider taking a stand in the global coffee crisis is the international coffee conglomerate. While many of these companies have not formally recognized or taken action to aid the coffee producers, the profits from each pound of ground coffee sold to individual consumers may be enough to triple the current daily living allotment of a Mexican coffee farmer's family.¹³¹ A fixture in the daily lives of people throughout the world, these coffee companies hold an extreme amount of clout among business owners and individuals, and with that, can profoundly impact consumers. If several of these companies would take the initiative to start a campaign to aid coffee farmers, others would likely follow in the spirit of competition and public relations. A campaign as simple as a public leaflet and a decrease in the amount of money spent printing cups or beverage sleeves (with a percentage saved dedicated to helping coffee farmers self-organize), could be the economic impetus that many farmers require to survive. The coffee conglomerates should also endorse a plan to burn the coffee surpluses, which might constitute a facially poor business decision, but would raise the market price of coffee in the long-term.

V. CONCLUSION

While people around the world leisurely enjoy a hot cappuccino or a frozen machiatto, few give thought to the producers of the coffee beans. Although complaints are often heard when the corner coffee shop charges an extra fifty cents for a second shot of espresso or raises the rates on premium coffee beverages, many fail to realize the profound impact an extra fifty cents would have on the family of a Mexican coffee producer.

130. See *supra* notes 77–81.

131. Fair Trade, Starbucks pamphlet.

In November 2002 the U.S. House of Representatives introduced and adopted a resolution aimed to “adopt a global strategy to respond to the coffee crisis.”¹³² The legislature intends to address the quality standards for the coffee industry and the depressed market price, “creating a humanitarian crisis among the world’s subsistence coffee farmers.”¹³³ While this resolution is a first step in bringing the necessary attention to the plight of the coffee farmer, action must be taken both by coffee producing countries and by coffee consuming countries to reform the system. If the proper resources were given to the farmers and other necessary resources, such as land, were not taken from the farmers, then the world would be amazed at the quality of beverages produced and the strength of these resilient people.

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132. See McLaughlin, *supra* note 6.

133. *Id.*

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