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Mexico Seizes 27 Sugar Mills

By **TIM WEINER**

Mexico's government took over nearly half the nation's sugar mills today in an attempt to save a dying industry subsidized for decades by the old government.

Officials said they would expropriate 27 of Mexico's 60 privately operated and deeply indebted sugar mills, spending at least \$110 million to acquire them. The government will then either shutter them or sell them. Almost all the seized mills are at the brink of bankruptcy or beyond. Some have not paid farmers for their crops in two years.

The Institutional Revolutionary Party, which ran Mexico from 1929 until President Vicente Fox defeated it last year, made the sugar industry part of its political apparatus. It subsidized growers, cutters, refiners, unions and bosses, spending billions.

Until last year, the subsidies won political loyalty from the sugar mills and cane fields, which employ roughly two million Mexicans, mostly peasant farmers. They also built a system whose antiquated mills produce far more sugar than its most important customer -- the United States -- will buy.

A disputed footnote in the North American Free Trade Agreement has left the sugar industry in Mexico suffocating under hundreds of thousands of tons of surplus. Mexico says Nafta allows it to ship 500,000 tons of sugar to the United States. The United States says a "side letter," added to Nafta to protect the American sugar industry, limits Mexico's exports to 116,000 tons.

Today an industry that in part supports a now-deposed political machine is collapsing. Mr. Fox vowed last month to end "corruption, paternalism, political favoritism and bureaucracy" in the government's farm policies. The seizure of the mills seems to be part of that promise.