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In early October, the US Commerce Department and the Mexican government reached an agreement on a longstanding and contentious dispute over Mexican tomato exports to the US. According to news reports, Mexican producers basically agreed to sell their tomatoes at prices comparable to those sold by producers in Florida, which is about US$5.17 per 25- pound box, or about US$0.21 cents per pound. In exchange for this concession, the US International Trade Commission (ITC) agreed to discontinue its investigation of complaints filed by tomato producers in Florida.

The complaint alleged that Mexican growers were selling their produce in the US at less-than-fair market value. The Florida growers argued that their counterparts in western Mexico were able to sell their product in the US at reduced prices because of lower production costs, including cheap labor. On the other hand, producers in Sinaloa and other western states have consistently argued that the high quality of their tomatoes, and not necessarily price, attracted strong demand from US consumers for their product.

Indeed, a warmer climate allows Mexican tomatoes to remain ripe even after picking, resulting in a tastier product. In stark contrast, Florida producers generally harvest their tomatoes before they are fully ripe. The green and hard tomatoes are then treated with a dose of ethylene gas to enhance their red color. In fact, the ITC rulings on Mexican tomatoes appear riddled with inconsistencies. For example, in a preliminary ruling issued in mid-May the ITC said there was sufficient evidence to conduct an investigation on imports of Mexican tomatoes (see SourceMex, 06/05/96). The ITC ruling was based on statistics regarding US production, consumption, and imports of tomatoes for 1995.

Ironically, the ITC in July handed down a totally separate decision that suggested there was no evidence to show that imports of Mexican tomatoes were causing irreparable damage to the US industry (see SourceMex, 07/10/96). The ITC had been scheduled to hand down a final decision on Oct. 7, as a follow-up on the May ruling. However, this decision was postponed until the end of the month. According to Commerce Department sources, the postponement allowed the US and Mexican governments to negotiate a face-saving compromise that would settle the issue and be agreeable to all parties.

The agreement between the Commerce Department and the Mexican government was announced on Oct. 10, a few days after the ITC postponed its ruling on the complaint filed by the Florida producers. "The agreement will provide strong relief to the tomato growers in Florida and other states, and help preserve jobs in the industry," Commerce Secretary Mickey Kantor told reporters. "Mexican growers will have continued access to the US market, but only on fair terms." The move by US President Bill Clinton to seek a compromise was widely seen as a political maneuver during an election year. Before the compromise was announced, political observers expected the

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administration to side with the Florida tomato producers, since that state is considered key for Clinton's re-election in November. "The math was pretty simple," an administration official told The New York Times. "Florida has 25 electoral votes, Mexico doesn't." On the other hand, the compromise is said to be even more advantageous for Clinton's re-election chances than a ruling favoring the US tomato producers.

In the case of a ruling against Mexico, the Commerce Department would have been forced to impose quotas or tariffs on Mexican tomato imports, which would run counter to the Clinton administration's commitment to promote free trade. According to the daily business newspaper El Economista, the bottom line for the Clinton administration was that the maximum countervailing duty on imports of Mexican tomatoes would have been at most between 7% and 8%. "This percentage would have been too small to stop the Mexican imports, and could have potentially created greater political problems for Bill Clinton's government," the newspaper said.

In addition, the administration was also facing strong pressure from consumer groups and grocery-store associations, which were concerned about the possibility that any restrictions would severely limit the supply of Mexican tomatoes in the US. In fact, after the compromise with Mexico was announced, the US consumer organization Public Voice issued a press statement praising the move. "We're pleased if this (agreement) means that Mexican tomatoes will come into the United States without restrictions," said John Schnittker, an agricultural economist with Public Voice. "Consumers have shown a preference for this product."

Nevertheless, economists have suggested that the deal is not as good for consumers, who will still have to pay high tomato prices during the winter months. Similarly, other agricultural interests expressed concern that Mexico would retaliate against the US tomato restrictions by restricting access for other agricultural products to the Mexican market. Mexico had already drafted a list of high-value, high-volume US agricultural imports that would be affected if the administration proceeded with restrictions on Mexican tomato imports.

According to some estimates, US exports of grain and other commodities to Mexico were expected to reach several billion dollars this year alone. According to The New York Times, the compromise on the tomato dispute was less advantageous for the Mexican government, which had the choice of negotiating with the Clinton administration or facing restrictions that could severely damage the tomato industry in Sinaloa. In a press statement, Mexican Agriculture Secretary Francisco Labastida said the agreement was acceptable to the Zedillo administration, since the compromise "prevented greater social and political damage."

The administration agreed to the compromise after consulting with a large producer organization in Sinaloa (Confederacion de Asociaciones de Agricultores del Estado de Sinaloa, CAADES), which had expressed strong concerns that a negative ITC decision would shut off access for its products to the US market. On the other hand, a statement issued by the Trade Secretariat (SECOFI) expressed concern over the manner in which the US government conducted the anti-dumping investigation. "We reserve the right to continue using the legal instruments available to us under World Trade Organization and NAFTA to defend the interests of our exporters," the SECOFI statement said.

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According to The New York Times, the Mexican government may have felt obligated to negotiate a compromise with the US government to return a favor to the Clinton administration, which helped negotiate the US$50 billion bailout to help Mexico deal with the financial crisis that followed the devaluation of the peso in late 1994 (see SourceMex, 02/01/95). "This was Mexico's moment to pay back for the bailout," a senior Clinton administration official bluntly told The New York Times.

For their part, Florida tomato producers acknowledged that the compromise failed to remove the competition from Mexican tomatoes in the US market, which could end up hurting some growers. "This is a deal that's going to challenge some of our producers who are less efficient," said Ray Gilmer, spokesman for the Florida Fruit & Vegetable Association. "But everybody concerned feels this agreement is better than the alternative."

On a related matter, the US Commerce Department is expected to lift restrictions on imports of Mexican avocadoes on a limited basis. According to Ricardo Salgado, director of the avocado exporters association (Asociacion de Exportadores de Aguacate Mexicano), the US will allow Mexico to export avocadoes to 19 US states, mostly in the northeastern areas of the country. Salgado said these imports will be allowed for a limited period between November and February. The two sides concluded negotiations on a compromise in October 1995, but failed to reach a definitive agreement until late this year. "We had actually expected a decision on the avocado question in February of this year," said Salgado. "The decision was delayed because this is an election year in the US, and growers in California are pushing for measures to ensure they do not lose their market share."

The US has maintained the embargo on Mexican avocados since 1914, arguing that the restrictions are necessary to ensure that harmful pests are not introduced to California and other avocado-growing states. For their part, the Mexican avocado industry argues that these harmful pests have been eradicated, and that the US restrictions run counter to global rules of fair trade. "We have exported avocadoes around the world over the past 10 years, and we have not received any complaints," said Enrique Bautista Villegas, president of the avocado industry commission (Comision del Aguacate) in Michoacan state. Bautista Villegas said US producers are worried that competition from Mexican imports could devastate the US industry. "US producers need to receive US$1 per kg in order to remain profitable," he said. "On the other hand, if we get more than US$0.50 cents per kg, we would be doing marvelous business." (Sources: El Economista, 10/07/96, 10/15/96; Reuter, 10/02/96, 10/08/96; El Universal, 10/09/96; Excelsior, 10/09/96, 10/12/96, 10/15/96; The News, 10/10/96; Associated Press, 10/11/96; New York Times, 10/12/96

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