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US Announces Preliminary Decision to Scrap Tomato Agreement with Mexico

by Carlos Navarro

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The US Commerce Department has reignited the tomato war with Mexico by announcing preliminary plans to scrap a bilateral trade agreement that has been in place since 1996 ([SourceMex, Oct. 16, 1996](#)). The timing of the announcement left US President Barack Obama's administration vulnerable to charges of election-year politics, since the decision was a response to a request from tomato growers in Florida. Obama faces a tight race in Florida in the Nov. 6 US presidential election, and appeasing a powerful group such as the Florida Tomato Exchange is seen as essential to the president's chances of winning Florida, a swing state in this year's election.

The decision, announced Sept. 27, means that US growers will be allowed to file formal complaints accusing the Mexicans of unfair trade practices once the decision goes into effect. Such complaints were filed repeatedly before the agreement was adopted in October 1996 ([SourceMex, March 29, 1995, March 20, 1996, and July 10, 1996](#)).

Still, the Obama administration's decision does not take effect immediately, with the Commerce Department announcing that it would make a final decision "as soon as practicable" and in no longer than 270 days. Florida producers had asked for an immediate repeal of the agreement, but the Obama government opted to abide by international trade norms. Under rules established by the World Trade Organization (WTO), the US must prove that it has the support of at least 85% of the tomato producers in the country. "We don't believe that they have even 45% support," Mexico's Economy Secretary Bruno Ferrari told reporters.

Political undertones

Florida producers were pleased with the decision, even though the agreement would not be repealed immediately. "[This is] welcome news to domestic growers and the workers who have suffered under an outdated and failed agreement," Reggie Brown, executive director of the Florida Tomato Exchange, a growers' group, said in a statement. "The domestic industry has jumped through every hoop put in our path by our opponents who simply want to protect the sweetheart deal that they've enjoyed for far too long."

But others see electoral motivations in the US decision. "This is fundamentally an electoral issue," economist José Yuste, a business columnist for the Mexico City daily newspaper *Excélsior*, said in an interview with *Radio Fórmula*. "It would be a lie to say that elections cannot affect a particular sector."

"This tomato war was not a fight that we were seeking or promoting. Rather, it has come to us as collateral damage from the electoral campaigns in the US," columnist Manuel Jáuregui wrote in the Mexico City daily newspaper *Reforma*. "The thought is that the US Commerce Department made this decision...to appease US farmers (especially producers of oranges and tomatoes in Florida), with the view of improving the re-election chances for President Barack Obama."

There were other reasons to question the abrupt manner in which the decision was handed down.

"The Commerce decision seemed particularly harsh given the timing: Mexican tomato producers were scheduled to meet with officials at the Commerce Department on Friday to discuss ways to resolve the dispute. The growers have said they are willing to accept a higher floor price for their tomatoes," said Kezia McKeague, a contributing blogger to Americas Quarterly Online.

Mexican tomato growers contend that that they are being punished for their success—for growing a superior product and for honoring the pact over 16 years.

"Producers in Florida are concerned about the marketing possibilities for Mexican tomatoes, since the US imports about 74% of the tomatoes consumed in the country from Mexico," columnist Marielena Vega wrote in *Excélsior*.

Mexican tomato growers would take big hit

And the US decision would have a devastating impact on Mexico's tomato industry, which exports roughly half its annual production of 2.3 million tons of tomatoes to the US and Canada. In 2011, Mexico exported about 1.2 million tons of tomatoes to the US at a value of US\$1.9 billion.

The restrictions would have the most devastating impact on Sinaloa, which is Mexico's largest tomato-producing state. But there would be economic repercussions in other states that grow tomatoes commercially, including Baja California, Sonora, San Luis Potosí, Michoacán, Jalisco, Tamaulipas, Zacatecas, Querétaro, and Nuevo León.

The Mexican government is taking the threat to one of its leading export sectors very seriously, since more than 350,000 jobs are at risk. "Mexico will use all our legal means to defend our producers," said Ferrari, who noted that the tomato dispute could have a negative impact on talks related to other bilateral disputes.

Álvaro Ley, owner of the Sinaloa-based tomato operation Del Campo Supreme, expressed appreciation for the efforts of the Secretaría de Economía (SE) and the Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación (SAGARPA) to defend the interests of the Mexican producers. "We feel like our government is supporting us strongly," Ley said in a recent interview with Radio Fórmula.

Ley accused tomato producers in Florida of exaggerating data presented to the US government regarding the impact of imports on their production. But he also expressed optimism that Mexican and US authorities could reach an understanding that would prevent the application of tariffs. "This is the best-case scenario," said Ley. "The worst-case scenario is that we do not reach an agreement and a tariff of 20%, 25%, or 30% is imposed, which would take us out of the market."

US consumers would feel impact

A major concern in the US is that imposing tariffs and reducing imports of Mexican tomatoes would hurt US consumers. Several retailers and retail organizations—including Walmart, the US Chamber of Commerce, the US National Restaurant Association—wrote a letter to acting Commerce Secretary Rebecca Blank urging the Obama administration to avoid imposing tariffs and continue the existing agreement with Mexico.

"A potential trade disruption with Mexico could have a devastating impact on US farmers, manufacturers, and service providers and their employees who collectively export hundreds

of billions of dollars in goods and services annually to Mexico," the US Chamber of Commerce warned.

Patrick Kilbride, the chamber's senior director for the Americas, said the relationship with Mexico is very important for the US. "We do not want to see the start of a new trade war," said Kilbride.

Former Rep. Jim Kolbe (R-AZ) made the same argument in an opinion piece published in The Wall Street Journal. "If the Obama administration goes along and kills the 16-year-old agreement, the president may win a few votes in a key swing state. But it would come at the cost of far higher prices for American consumers, the loss of US jobs, and possibly a trade war with Mexico," said Kolbe, who addressed US-Mexico trade issues during his tenure in the House of Representatives.

Jáuregui said a pending tomato trade war would be a sign of misplaced priorities. "Instead of fighting about tomatoes, Mexico and the US should cooperate more intensely to win the war against drug traffickers and to eliminate the threats to peace that are clearly tearing apart our common border," said the Reforma columnist.

But Jáuregui said the US was largely responsible for the situation. "Instead of halting the importation of Mexican tomatoes, the [Obama administration] should halt the flow of arms to Mexico and assume a greater responsibility for reducing demand for drugs within its borders, which is a major cause of the drug violence," said the columnist.

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