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FEATURED Q&A

Why Are Mexico and the United States Fighting Over Tomatoes?

Q U.S. business groups such as the Chamber of Commerce recently raised concerns about a possible trade war with Mexico, Reuters reported. The alarm came after the Commerce Department announced a preliminary decision in favor of ending a 16-year-old tomato trade agreement with Mexico. What is behind the dispute over tomatoes, and why has Commerce sided with U.S. growers in this preliminary decision? What would be the ramifications of a final judgment, which is expected within the next nine months, that goes against Mexico?

superior product and for honoring the pact over 16 years. Instead of taking the opportunity to renegotiate the reference price, as Mexico has offered, the Commerce Department is risking a major trade war with one of our closest trading partners. The Mexican government has already threatened to retaliate with ramifications for other commodity producers caught in the cross-fire. Unfortunately, the victims of a final judgment against Mexico would not only be a vital Mexican industry, but also U.S. consumers and distributors. Indeed,

Continued on page 4

A Kezia McKeague, director of government relations at the Council of the Americas: "Florida tomato growers have requested that the Commerce Department end the so-called 'suspension agreement,' which sets a minimum price on tomato imports from Mexico, so that they can initiate an anti-dumping investigation. They argue that the agreement fails to protect them against the Mexican competition; their critics accuse them of a transparent attempt to use a swing state's political clout on behalf of protectionist interests. For Mexican tomato growers, termination of the agreement would allow U.S. growers to file formal complaints accusing the Mexicans of unfair trade practices, which they did repeatedly before the agreement's adoption in 1996. The Mexicans argue that they are being punished for their success—for growing a



Argentina Wins Seat on U.N. Security Council

Argentina won a rotating seat Thursday on the U.N.'s Security Council. The secret ballot for five new non-permanent members also brought Australia, Rwanda, South Korea and Luxembourg onto the Council. Colombia has rotated off. See story on page 2.

Photo: United Nations.

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NEWS BRIEFS

Honduras Supreme Court Strikes Down 'Model Cities' Plan

Honduras' Supreme Court has struck down a plan to build a series of model cities with their own independent tax and justice systems, the Associated Press reported Thursday. The justices voted 13-2 Wednesday evening that legislation permitting the creation of special development zones outside the jurisdiction of ordinary Honduran law was unconstitutional, partly because it placed Honduran territory out of government control. Proponents said the court decision was a blow to Honduran efforts to attract more international investment.

Cuba: Fidel Castro's Health Subject of Conflicting Reports

Former Cuban leader Fidel Castro has suffered a cerebral hemorrhage and his state of health is so precarious that he has trouble feeding, speaking and recognizing people, the *Miami Herald* reported Thursday, citing a Venezuelan physician. Meanwhile, Cuban news media on Thursday published the first new writing in months from Castro, a letter dated Wednesday.

Jamaica Plans New Consumer Protection Panel 'With Teeth'

The government of Jamaica is planning to establish a new consumer protection tribunal, the *Jamaica Gleaner* reported Thursday. "This tribunal has teeth and clout," Anthony Hylton, the minister of investment, industry and commerce, told the House of Representatives this week. The bill allows the tribunal to fine someone up to \$2 million and/or up to two years imprisonment for refusing to answer questions when summoned as a witness or for giving misleading testimony before the tribunal.

Political News**Chávez Should Prepare Nation for His Succession: Brazil's Lula Advises**

Venezuelan President Hugo Chávez should start preparing to hand over power, former Brazilian president and fellow leftist Luiz Inácio Lula da Silva said in a newspaper interview published on Thursday, Reuters reported. Chávez defeated opposition challenger Henrique Capriles by 11 percentage points on Oct. 7 for a third term that will put him in office for a total of 20 years by the time it is done. "There was an election in Venezuela, where two people ran, and I thought Chávez would be best for Venezuela. I also think that comrade



Lula

Photo: Reuters.

Chávez should start preparing his succession," said Lula, who handed over power at nearly the peak of his popularity after two terms in office to his hand-picked successor, Dilma Rousseff. Chávez, 58 years old and recovering from a serious scare with cancer, named Foreign Minister Nicolás Maduro as vice president shortly after he won re-election. But a clear succession plan has not been fixed, and observers have worried that Venezuela could be thrown into chaos should Chávez not complete his term. If he had to leave office within the next four years, an election would have to be held within 30 days. Like Chávez, Lula has recently suffered a bout of cancer, having undergone chemotherapy and radiation for a tumor in his larynx.

Argentina Wins Seat on U.N. Security Council, Replaces Colombia

Argentina won a rotating seat Thursday

on the U.N.'s Security Council, Reuters reported. The secret ballot for five new non-permanent members also brought Australia, Rwanda, South Korea and Luxembourg onto the Council, which has five permanent members (Britain, China, France, Russia and the United States) and 10 non-permanent members. From elsewhere in the region, Colombia, a traditional ally of the United States, is rotating off the Security Council at the end of this year. Guatemala's term on the Council expires at the end of 2013.

Economic News**Panama Considering Using the Euro Alongside U.S. Dollar**

Panama would like to introduce the euro as legal tender alongside the U.S. dollar, President Ricardo Martinelli told German Chancellor Angela Merkel during a visit to Europe this week, Reuters reported Thursday. "In Panama the currency in free circulation is the American dollar, and I told the chancellor we are looking for ways for the euro to become another currency of legal circulation and to be accepted in the Panamanian market," President Ricardo Martinelli told a joint news conference with Merkel in Berlin. [Editor's note: See [Q&A](#) on Panama's political and economic outlook in the June 11 issue of the *Advisor*.]

Argentine Wheat Output Expected to Shrink by 17 Percent This Season

Argentina's wheat harvest is expected to shrink 17 percent from last season, Reuters reported Thursday. The new Agriculture Ministry forecast suggests farmers have been skirting government export curbs on wheat by shifting to other crops. In its monthly crop report, the government found that 3.7 million hectares were sown with wheat in the current crop year, down 20 percent from the 2011/12 season. Soy, however, which will start being planted this month, could be headed for a record year, according to the new forecasts. Low global stocks have pushed benchmark Chicago wheat prices 33.4 percent higher this year, while soybeans

have jumped 28.2 percent and corn 16.6 percent, according to Reuters, good news for Argentina, a top world supplier of all three crops.

Company News

Chile's Cencosud Spends Big on Colombia Acquisition

Chilean retailer **Cencosud** said Thursday it had agreed to buy **Carrefour's** Colombian unit for a whopping \$2.6 billion, an amount one analyst told Bloomberg News was "stunning." France's Carrefour, burdened by debt, gained the most in almost two months in Paris trading on the news. James Grzanic, an analyst at **Jefferies International**, told Bloomberg News the deal was "an incred-

"The deal was remarkable and unique" and the price was "stunning," said Grzanic.

ible exit" for Carrefour from Colombia, which it had entered in 1998. "The deal was remarkable and unique" and the price was "stunning," said Grzanic. The unit had net sales excluding gasoline of nearly \$2 billion in the 12 months through June 30, but how much debt is involved in the deal is not clear at this time, according to the report. Carrefour has 72 hypermarkets, 16 convenience stores and four cash-and-carry stores in Colombia. Cencosud already has food, home improvement and department stores in the country.

ACE Limited Buying Mexican Insurer for \$865 Million

Zurich-based **ACE Limited** said Thursday it has reached a deal to acquire **ABA Seguros** in Mexico from **Ally Financial** for approximately \$865 million in cash. Established in 1958, ABA Seguros is Mexico's sixth-largest property and casualty insurer and provides auto, homeowners and small business insurance coverage. The Monterrey-based company has

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Mexico's War on Drugs and Human Rights: Challenges for the Next Administration

with

Sister Consuelo Morales
Co-founder,
Citizens in Support of Human Rights

Nik Steinberg
Researcher,
Human Rights Watch

Monday, October 29, 2012
8:30 – 9:45 a.m.
Inter-American Dialogue
1211 Connecticut Ave., NW, Suite 510
Washington, DC

RSVP to meetings@thediologue.org

Please include your name and affiliation.

over 30 sales offices in Mexico and a network of nearly 2,000 independent agents. It also uses auto dealerships and banks as sales channels. ACE expects the acquisition to be accretive to earnings in the first year, and it should meet long-term return on equity targets by the third year. The deal follows news last month that ACE was acquiring **Fianzas Monterrey**, the second-largest surety writer in Mexico.

Nitto Denko Plans First Manufacturing Plant in Brazil

Japan's **Nitto Denko Corporation** said Thursday it has decided to invest about \$18 million in the construction of a new manufacturing plant in São Paulo, Brazil. It will be the first plant built in South America by the manufacturer of auto

parts and other materials. Nitto Denko has recently established or expanded operations in India, China and Turkey, and currently has manufacturing facilities in Mexico and United States from which auto-related products were imported into Brazil in the past. New regulatory changes instituted by the Brazilian government mandating locally made products influenced the decision to build the new plant, Nitto Denko indicated in a press release. "Nitto Denko understands and appreciates the Brazilian government's preference to raise the technological content and technology investments in Brazil and welcomes the opportunity to establish local operations," the release said. Construction of the new plant will start next February and is expected to be completed in December 2013.

Featured Q&A*Continued from page 1*

produce trade with Mexico employs tens of thousands of U.S. workers in companies involved in distributing, transporting and selling tomatoes and other fresh vegetables. More broadly, the dispute threatens to distract from a pivotal bilateral relationship just as Mexico is expected to support many U.S. positions when it joins the next round of Trans-Pacific Partnership negotiations in December."

A Nicolás Mariscal, member of the Advisor board and chairman of Grupo Marhnos in Mexico City: "Unfortunately, it is possible that behind the dispute over tomatoes is the U.S. presidential race. U.S. tomato producers, mostly from the state of Florida, argue that they cannot compete against the price of Mexican tomatoes because of the free-trade agreement between the two countries. President Obama has criticized NAFTA, arguing that it has caused the loss of thousands of jobs in the United States. Nevertheless, economic conditions in the United States are attributable to other causes; among them is the irresponsibility in financial markets. And, on the contrary, NAFTA stimulates competitiveness and economic growth. If the case against Mexican tomatoes is successful, it would lead to a commercial decline that would affect the sustainability of millions of families and would reverberate in commercial activity in other segments of the market. There are two ways to make policy: use power to support sustainable development and for the common good, or use it to personally benefit just a few. When the latter is the motivation, public office is no longer being used in a legitimate manner. In this case, protectionist measures on tomatoes appear to be electoral efforts rather than efforts to improve the common good."

A James R. Jones, member of the Advisor board and co-chair of Manatt Jones Global Strategies: "The old saying, 'the squeaking wheel gets the grease,' applies here. It seems that the Florida tomato growers and their political supporters were the only ones applying pressure on the U.S. government to close the binational tomato trade agreement. Hence, the preliminary decision against the agreement. Now the other side is revving up its political muscle and making substantive arguments in favor of the trade agreement and against the preliminary decision. As importers, distributors and retailers are demonstrating, tens of thousands of American jobs are seriously jeopardized if this agreement is abandoned. If

“If not a trade war, several trade skirmishes could result.”

— James Jones

Commerce's preliminary decision becomes final, a broader concern arises. If not a trade war, several trade skirmishes could result. After observing Mexico's response to the trucking issues, it is very likely Mexico will retaliate against other U.S. agricultural products that currently have very profitable markets in Mexico. A dispute like this could impede other binational coordinating efforts that enhance cooperation in other areas. Hopefully, as counter arguments and facts are provided after the U.S. elections, a more balanced decision will be announced by the Department of Commerce."

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