

MBA 678
International Business
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1. Was the establishment of a minimum floor price for tomatoes consistent with the free trade principles enshrined in the NAFTA agreement?

IT is vital to consider both parts to be able to make an excellent international exchange. According to the fairness of NAFTA for foreign investors, its role is to ensure that U.S. investors in Canada and Mexico have to be treated the same as domestic firms. It provides fundamental rights that facilitate business, such as:

- Right to repatriate profits and capital;
- Right to fair compensation in the event of expropriation; and
- Right to international arbitration in disputes between investors and governments that involve monetary damages.

When the NAFTA went into effect in December 1992 and tariffs on imported tomatoes were dropped. Tomato producers in Florida were living the fear that they would lose business to lower-cost producers in Mexico. As an arbitrator, NAFTA should, of course, act. Put the parties together and find common ground to always provide for exchanges in good agreement between the countries of North America.

2. Why, despite the establishment of a minimum floor price, have imported from Mexico increased over the years?

Several factors play against the production of tomatoes by Florida farmers. Page 618 of the book *The International Business* 12e edition describes the differences between Mexican and American farmers. In the story, CEO Bryant Ambelang said his business couldn't survive without NAFTA. According to him, tomatoes grown in Mexico were more competitive due to lower labor costs, good weather, and more than a decade of investment in greenhouse technology.

two elements were noted:

- the quality of Mexican tomatoes which is better than those produced locally due to the quality of the soil and the favorable climate of Mexico
- but also the cost of production and Mexican labor is lower than that of the USA. The realities of work and price are different, which does not help relationships with Florida farmers.

Tomato production in Florida has dropped 41% since the entry into force of NAFTA. Florida producers have complained that they cannot compete with low wages and lax environmental monitoring in Mexico. They also alleged that the Mexican producers dumped tomatoes on the American market at a price below the cost of production, to suspend their activities.

3. Who benefits from the importation of tomatoes grown in Mexico? Who suffers?

The potential of American importers, American producers with interests in Mexico, local investors in Mexico benefit from the import of tomatoes grown in Mexico.

In 2011, Mexico exported 2.8 billion pounds of tomatoes, 3.5 times more. The value of Mexican tomato exports almost tripled over the same period, to \$ 2 billion. In contrast, tomato production in Florida has dropped 41% since the entry into force of NAFTA. This clearly shows us that farmers in Florida are suffering from this competition, which is unfair because the costs of production and maintenance are not equal in the two countries, which has halved lengthen Mexico against Florida.

4. Do you think that Mexican producers were dumping tomatoes in the United States?

No, because there are many challenges, such as production costs and labor. Mexico is a developing country; wages are not very high, which makes it easier for farmers for their employees; the climate is an element that favored the production of tomatoes Mexico. The tomato flower industry cannot compete with Mexico's benefits and has not been able to reduce production costs like Mexico.

5. Was the Commerce Department right to establish a new minimum floor price rather than scrap the agreement and file an anti-dumping suit? Who would have benefited from an anti-dumping lawsuit against Mexican tomato producers? Who would have suffered?

Commerce did not have reason to set a new minimum floor price. Why:

In 2012, producers in Florida asked the United States Department of Commerce to cancel the 1996 minimum price agreement, freeing them from taking anti-dumping measures against Mexican producers.

The new minimum price of 31 cents per pound, compared to 21.69 cents per pound, gives American tomato producers additional protection, which is not correct following the objective of NAFTA, consumers as they subsidize the U.S. tomato growers for their lack of competitive strength and also unfair to Mexican tomato farmers as they would lose market share to U.S. tomato growers.

These high prices will play an essential role in the American market, which means that Mexican tomatoes will be brought back to the market at a higher price and will push investors to turn to Florida farmers.

6. What do you think will be the impact of the new higher floor price? Who benefits from the higher floor price? Who suffers?

The people who benefit from this price increase are Florida farmers, in the sense that they will have more protection in the market.

Mexican farmers risk losing the U.S. market due to high prices. When you say a higher rate, you risk losing potential investors. The new price limit will also impact investors or farmers interested in the production of tomatoes grown in Mexico. Without forgetting that, at a time when the United States depends on certain people to make Mexican tomatoes, even consumers will suffer because, as we all know, plants are one of the favorite ingredients of Americans.

7. What do you think is the optimal government policy response here? Explain your answer.

The government's position, on the contrary, must remove all the obstacles that prevent easy trade. Be that as it may, the United States government also benefits from its business when you consider the fact that there are investors and importers interested in the tomato market in Mexico.

Advantageous competition, as farmers in Florida have said, is not only because tomato prices are lower compared to those produced in Florida. Tomatoes grown in Mexico are more competitive due to the favorable

weather, low labor costs, and investment in greenhouse technology. Florida tomatoes are widely picked green and treated with gas to change their color. Florida farmers should improve the way they cultivate the ointment and offer healthy products to the people.

Based on NAFTA obligations, if the government begins to mix too much, NAFTA will be forced to act as an arbitrator.

Referenes

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