THE EVOLUTION OF U.S.-MEXICAN AGRICULTURAL RELATIONS: THE CHANGING ROLES OF THE MEXICAN STATE AND MEXICAN AGRICULTURAL PRODUCERS

by

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by

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INTRODUCTION

Most of the recent work on Mexican agriculture and U.S.-Mexican agricultural relations emphasizes the integration of Mexican agriculture with the U.S. economy. In this model Mexican agriculture, because it is capitalist-oriented, responds to the stimulus provided by the U.S. market and consequently ignores the needs of the Mexican domestic market. This response is embodied in an export-orientation of capitalist agriculture in Mexico, an orientation which is expressed directly, as in the case of vegetable production for export and indirectly, as in the case of sorghum production to feed animals which are then exported to the U.S.

It is undeniable that an important element in Mexican agricultural growth has been production for export, especially in the irrigated oasis of the northwest. For a surprising number of researchers, however, investigation of Mexican agriculture starts and ends by demonstrating that production for export or for trans-national agribusiness (TNCs) within Mexico has expanded at the same time basic foodstuff production has stagnated. Evolutions which have taken place in the Mexican participation (both by the State and Mexican producers) in this international division of labor are thus ignored or underplayed. Two of the reasons for this appear to be the misconception that the internationalization of capital is a process which only favors developed country TNCs (par-
ticularly U.S. TNCs) and a conception of States in the developing world as either impotent to redirect agricultural growth to internal needs or willing accomplices of the use of their agriculture for the benefit of developed countries.

There are many problems with this simple conception of an international division of labor as the chief determinant of agricultural production in Mexico. In the rest of this introduction I will highlight some of the major issues which must be integrated into the discussion and will then move on to case studies of cotton and tomato production to explore those points.

The first problem is one of fact. Although it is still very popular to postulate that an increase in production for export is responsible for a decrease in production of staples leading to a crisis in basic foodstuffs, the evidence does not support this formulation. While the staples of beans, corn, rice, and wheat experienced a steady fall in the share of area harvested from 1940 to 1978 (79.4 percent to 60.7 percent), export crops also witnessed a decline in the period from a high of 15.3 percent in 1950 to 7.5 percent in 1978 (see TABLE 1).

The state of Sinaloa, by far the most favored by federal irrigation investment, has been a favorite whipping boy of those who utilize a simple international division of labor model, chiefly due to its position as the state with the highest value of agricultural exports. But even here the argument that staples are sacrificed for export production does not hold. First, in the state's irrigated districts, the area harvested in the major export crops of cotton, tomato and chickpeas
### TABLE 1: AREA HARVESTED OF VARIOUS CROPS, 1940-1978 (thousands of hectares)

<table>
<thead>
<tr>
<th></th>
<th>1940 (Has.) (%)</th>
<th>1950 (Has.) (%)</th>
<th>1960 (Has.) (%)</th>
<th>1970 (Has.) (%)</th>
<th>1978 (Has.) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total harvested</strong></td>
<td>5,900 100.0</td>
<td>8,551 100.0</td>
<td>11,868 100.0</td>
<td>14,857 100.0</td>
<td>15,948 100.0</td>
</tr>
<tr>
<td><strong>Basic food crops</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Justice</td>
<td>4,262 78.4</td>
<td>6,047 70.7</td>
<td>8,612 72.6</td>
<td>10,014 67.4</td>
<td>9,681 60.7</td>
</tr>
<tr>
<td>Rice</td>
<td>62 1.1</td>
<td>106 1.2</td>
<td>122 1.0</td>
<td>150 1.0</td>
<td>121 0.8</td>
</tr>
<tr>
<td>Beans</td>
<td>635 10.8</td>
<td>969 11.4</td>
<td>1,400 11.8</td>
<td>1,722 11.6</td>
<td>1,580 9.9</td>
</tr>
<tr>
<td>Corn</td>
<td>3,342 56.6</td>
<td>4,328 50.6</td>
<td>6,250 52.7</td>
<td>7,419 49.9</td>
<td>7,184 45.0</td>
</tr>
<tr>
<td>Wheat</td>
<td>587 9.9</td>
<td>644 7.5</td>
<td>840 7.1</td>
<td>723 4.9</td>
<td>796 5.0</td>
</tr>
<tr>
<td>Sisal</td>
<td>151 2.6</td>
<td>260 3.1</td>
<td>291 2.5</td>
<td>291 2.0</td>
<td>354 2.2</td>
</tr>
<tr>
<td><strong>Export crops</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cotton</td>
<td>635 10.8</td>
<td>1,307 15.3</td>
<td>1,657 13.9</td>
<td>1,373 9.2</td>
<td>1,185 7.5</td>
</tr>
<tr>
<td>Coffee</td>
<td>254 4.3</td>
<td>761 8.9</td>
<td>890 7.5</td>
<td>445 3.0</td>
<td>347 2.2</td>
</tr>
<tr>
<td>Strawberries</td>
<td>116 2.0</td>
<td>165 1.9</td>
<td>290 2.4</td>
<td>355 2.4</td>
<td>360 2.3</td>
</tr>
<tr>
<td>Sisal</td>
<td>109 1.8</td>
<td>140 1.6</td>
<td>169 1.5</td>
<td>185 1.2</td>
<td>150 0.9</td>
</tr>
<tr>
<td>Tomatoes</td>
<td>21 0.4</td>
<td>56 0.7</td>
<td>63 0.5</td>
<td>62 0.4</td>
<td>59 0.4</td>
</tr>
<tr>
<td>Tobacco</td>
<td>21 0.4</td>
<td>35 0.4</td>
<td>53 0.4</td>
<td>43 0.3</td>
<td>40 0.3</td>
</tr>
<tr>
<td>Chickpeas</td>
<td>100 1.7</td>
<td>120 1.4</td>
<td>140 1.2</td>
<td>197 1.3</td>
<td>143 0.9</td>
</tr>
<tr>
<td>Cocoa beans</td>
<td>14 0.2</td>
<td>30 0.4</td>
<td>47 0.4</td>
<td>77 0.5</td>
<td>81 0.5</td>
</tr>
<tr>
<td><strong>Related to Cattle Prod.</strong></td>
<td>75 1.3</td>
<td>134 1.6</td>
<td>311 2.6</td>
<td>1,183 8.0</td>
<td>1,805 11.4</td>
</tr>
<tr>
<td>Sorghum</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>116 1.0</td>
<td>971 6.5</td>
</tr>
<tr>
<td>Industrial raw materials</td>
<td>192 3.3</td>
<td>381 4.5</td>
<td>600 4.0</td>
<td>1,246 7.4</td>
<td>1,401 8.8</td>
</tr>
<tr>
<td>Oleaginious</td>
<td>76 1.3</td>
<td>171 2.0</td>
<td>245 2.0</td>
<td>575 3.9</td>
<td>766 4.8</td>
</tr>
<tr>
<td>Sesame seed</td>
<td>76 1.3</td>
<td>171 2.0</td>
<td>215 1.8</td>
<td>285 1.9</td>
<td>121 0.8</td>
</tr>
<tr>
<td>Safflower</td>
<td>-</td>
<td>-</td>
<td>26 0.2</td>
<td>178 1.2</td>
<td>429 2.7</td>
</tr>
<tr>
<td>Soy</td>
<td>-</td>
<td>-</td>
<td>4 -</td>
<td>112 0.8</td>
<td>216 1.3</td>
</tr>
</tbody>
</table>

fell steadily from 21 percent in 1963 to under 9.2 percent in 1977.¹

Even the addition of the acreage devoted to some of the other fruits
and vegetables for export would not change these figures significantly.
In fact, tomato hectarage for export in Sinaloa's constantly expanding
irrigation districts decreased from 18,916 in 1963 to 17,300 in 1979,
and 8.5 percent decrease.² Corn hectarage, in contrast, increased
110 percent from 10,000 to 21,000 and hectares devoted to beans in-
creased 129 percent from 21,000 to 48,000.³ Thus it should be clear
that production of agricultural products for export plays a steadily
decaying role in Mexican agriculture.

Secondly, many of the products traditionally grouped under the
rubric of export crops are increasingly sold in the domestic market.
In 1980, USDA reported that 50 percent of Sinaloa vegetable production
now goes to the Mexican domestic market.⁴ Thus it is becoming increasingly
difficult to argue that Sinaloa vegetables are produced for export and
not domestic consumption. In addition, the 17,300 has. in which tomatoes
for export were grown would only produce 43,600 tons of corn at the
Culiacán average yield in irrigated districts of 2 tons per hectare.⁵

¹ Balemar Rubio, "Algunas conclusiones sobre la evolución del patrón

² U.S. Department of Agriculture (USDA), Foreign Agricultural Service,
Preview of Mexico's Vegetable Production for Export, 1980, Table 9, p. 43.
Rubio, op. cit., utilizes figures for all tomato production rather than just
for export, so his figures are misleading for comparison. Nevertheless,
even his figures demonstrate that all tomato hectarage grew 19% less than
corn and 38% less than beans. In 1963 Sinaloa producers were just beginning
to switch to cultivation of more intensive staked tomatoes.

³ Rubio, op. cit., p. 7.


⁵ Secretaría de Agricultura y Recursos Hidráulicos, "Producción y
valor de los cultivos del ciclo agrícola 1977-1978," Distrito de Riego No. 10,
Culiacán, Sinaloa. Yield is rounded.
This production would hardly make a dent in the nation's grain needs and would replace a crop valued at almost 200 million dollars.

Finally, Sinaloa's vegetable production employs about 200,000 seasonal workers who, despite poor working conditions in the fields, would be hard pressed to find replacement jobs in an economy in which 55 percent of the population is un- or under-employed. The employment factor is one element which is usually absent in discussions about export crops, except with respect to labor exploitation. TABLE 2 presents figures on employment for a variety of staple and export crops. These figures actually understate the workforce per hectare for the export producers because they are the basis for an agreement between Sinaloa private farmers and the Instituto Mexicano de Seguro Social (IMSS) for the farmers' contribution to IMSS; IMSS has complained that the export producers actually employ many more people. These employment requirements for a variety of representative crops range from a low of 6 to a high of 14 workers per hectare among staples and a low

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6 In 1979 Mexico imported 744,000 tons of corn; 34,600 tons represents less than 5% of this total. Comercio Exterior 30:3, marzo de 1980, p. 300.

7 USDA, op. cit., p. 42.

8 Ibid., p. 13.


10 Interview with a confidential source at the Asociación de Agricultores del Río Culiacán.
TABLE 2: EMPLOYMENT REQUIREMENTS OF STAPLE AND EXPORT CROPS IN IRRIGATED DISTRICTS

<table>
<thead>
<tr>
<th>Crop</th>
<th>Number of Workers per hectare</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staples</strong></td>
<td></td>
</tr>
<tr>
<td>Corn</td>
<td>14</td>
</tr>
<tr>
<td>Beans</td>
<td>12</td>
</tr>
<tr>
<td>Rice</td>
<td>9</td>
</tr>
<tr>
<td>Wheat</td>
<td>6</td>
</tr>
<tr>
<td><strong>Exports</strong></td>
<td></td>
</tr>
<tr>
<td>Cotton</td>
<td>47</td>
</tr>
<tr>
<td>Chickpeas</td>
<td>15</td>
</tr>
<tr>
<td>Staked tomatoes</td>
<td>143</td>
</tr>
<tr>
<td>Ground tomatoes</td>
<td>66</td>
</tr>
<tr>
<td>Cucumbers</td>
<td>66</td>
</tr>
<tr>
<td>Other vegetables</td>
<td>56</td>
</tr>
</tbody>
</table>

For the Culiacán, Guasave, Los Mochis, Guamuchil, and El Rosario zones.

Source: Files of the Asociación de Agricultores del Río Culiacán.

of 15 to a high of 143 among export crops, clearly demonstrating the employment advantages of export over staple production.

Now that we have exonerated export crops as the principal force underlying the agricultural crisis in Mexico, we turn our attention to those crops which did not increase their share of Mexican acreage from 1940 to 1978 (TABLE 1). The two major types of crops are industrial crops, primarily safflower, soybean and sugarcane, which increased their share from 3.3 percent to 8.8 percent, and crops destined for animal
feed, mainly sorghum, which increased dramatically from 1.3 percent to 11.4 percent of area harvested. Before proceeding further, we must tackle a definitional issue. Obviously, though sugarcane is an industrial crop, it is also an important part of the Mexican diet; therefore few would suggest replacing it with production of beans, corn, rice, and wheat. But safflower, soybean, and sorghum are often singled out for criticism by those arguing for production of only those crops necessary for lower income domestic consumption. 11 Nevertheless, vegetable oils have become a basic component of the Mexican diet and have at times been responsible for major imports into the country. It seems somewhat unrealistic to argue for a cutback in production of these healthier oils 12 when lower internal production has already been demonstrated to trigger increased imports.

As for sorghum, there is no denying that this product for animal feed has been highly favored in Mexican agriculture. Consequently, critics have heaped blame on sorghum production for the lag of Mexican staple production behind population growth. To some extent (and work needs to be done to establish just how much) this production goes to the U.S. market via exports of meat and livestock and in this sense the influence of the U.S. market can be said to exert an influence on Mexican production which is detrimental to its ability to provide the staples for the country's diet.


12 After the oils are squeezed out of soybeans, the shells become a byproduct which is used in animal feed. It would be an important contribution to the discussion to separate out the contributions of the oils and shells to the controversy over Mexican agriculture.
Nevertheless, not even in this sector do we have a clear-cut case of an international division of labor relegating Mexican agriculture to produce for export and import its basic needs. In the first place, some of the animal feed goes to chickens and dairy cattle and thus become important inputs in the production of eggs, milk, and cheese, all of which play important roles in the majority of Mexicans' diet. We may lament the protein-intensiveness of this feed, but it is geared to the internal market and any other forage crop would also be measured against acreage for staples. In fact, one may argue that what is needed is more feed crops in order to halt the current diversion to animal feed of 25 percent of the corn crop.¹³ In addition, the growth of the Mexican middle class, perhaps even the progress of the working class, has stimulated the consumption of beef in Mexico.¹⁴ Thus the expansion of a demand for dairy products and meat has played a key role in the expansion of area cultivated for feed crops.

In summary, it is true that historically Mexican agricultural production has reacted to the stimulus of the U.S. market. Nevertheless, it is also true that as the Mexican economy grew and consumption


¹⁴ This is not only a characteristic of the development of capitalism in Mexico. The Soviet leaders have promised the Soviet citizens a constant increase in meat consumption. Thus during the height of the early seventies world grain shortage, while the U.S. cut back on its grain fed to livestock by 28%, from 1972-1973 to 1974-1975 the Soviets imported massive amounts of grains and increased their use of grain as animal feed by 9%. By 1974-1975 the Soviets temporarily surpassed the U.S. in the amount of grain fed to livestock. Robert L. Paarlberg, "Shifting and Sharing Adjustment Burdens: The Role of the Industrial Food Importing Nations," *International Organization* 32:3 Summer 1978, p. 659.
changed, the stimulus to produce crops which are more remunerative than staples and which in some cases are themselves basic to the diet began to emanate from the internal market. One important question thus becomes whether the petroleum wealth of the country will dramatically accelerate domestic demand for crops other than staples. Obviously in all of this the marked inequality in the distribution of wealth in the country means that a great many people are left to subsist on those staples whose production stagnated in the 1970s.

One major research question that arises from this sketch of the international stimulants to Mexican agricultural production is thus whether international influence is on the wane. In addition, whether or not there has been a decline in this aspect, the evolution of Mexico's participation in an agricultural international division of labor in response to demands from its economy and key political actors must also be considered. Both points are in opposition to a simple international division of labor theory of Mexican agriculture. In the next part of this paper we turn to a discussion of cotton and winter vegetables to explore some ideas of how the Mexican State and Mexican vegetable producers have responded to and shaped their participation in the international market.
THE CASE OF COTTON

Cotton production and exports have been important to Mexico for various reasons. From 1949 to 1973 cotton headed the list of total exports, averaging 29 percent of export value at its peak in the 1950s. Cotton is also a major employer in an economy characterized by high rates of under- and unemployment. Only vegetable and certain fruits employ more workers per acre (TABLE 2). The by-products of cotton are also important. Cotton seed oil once accounted for over 40 percent of total Mexican production of vegetable oils. Mexico also exported cotton paste and flour for animal feed preparations. Finally, the cotton textile industry has been supplied domestically without recourse to imports.

In the first decade of the postwar period, cotton acreage in Mexico tripled and production quintupled. Various factors were responsible for this drastic change; most important were a strong world demand at favorable prices and increased irrigated acreage. The expansion of U.S. transnationals into Mexican cotton production brought credit, technical information, and marketing channels which further stimulated production. In this initial ten year period, cotton yields doubled and U.S. TNCs, chief among them Anderson Clayton & Company, were responsible for 85-90 percent of Mexico's cotton exports. 15

From the mid-fifties to the mid-sixties, Mexican cotton production and exports reached their apex. Acreage averaged over 2 million, with

15 Until the 1960s most Mexican cotton exports were transshipped through the U.S. This resulted in further loss of foreign exchange.
the 1957 mark of 2.7 million representing the historical maximum. In
1965 Mexico exported over 2 million bales for only the second time.
After 1965 cotton production in Mexico began to fall off, reaching
900,000 bales in 1975-1976.16

Various factors have historically influenced Mexican cotton pro-
duction. Drought has at times constituted a serious problem for cotton
grown in non-irrigated areas, but has ceased to be as important a
factor as more and more cotton acreage is located in irrigation dis-
tricts (from 70 percent in the 1950s to 90 percent in 1979-1980).
Salinity has also been a factor at times, especially in the Mexicali
region where U.S. water projects drastically increased the salinity
of Mexican water supply. As the Mexican government turned its at-
tention at various times since the 1950s to the production of staples,
cotton production has also fluctuated.

Mexican cotton producers have also been very responsive to
price changes for three basic reasons. Cotton is an annual crop and
thus, to a large degree, each season a producer may evaluate his success
with the crop and decide whether to continue producing it. But in order
to switch production, he must have alternative crops to which to turn.
The wheat boom of the mid-fifties gave West Coast producers an alterna-
tive, as did the sixties boom in soybeans, safflower and sorghum. Per-
haps key to all this, however, is the fact, that the Mexican government
has no cotton price support policies. Thus the producer faces the mar-

16 International Cotton Advisory Committee, World Cotton Statistics,
various issues.
ket alone and must act in accord with the market price.  

Two prices are key in influencing producer decisions. One is the Mexican government price support for competing crops. These price supports may increase the profitability of alternative crops and thus attract cotton producers. In addition, the international price of cotton affects the profitability of cotton and thus the "cotton or alternative crop" calculation.

The U.S. has been the major cotton exporter in the postwar period. At the beginning of the 1950s, the U.S. share of world cotton exports was in the 40 percent range, it fell to the 20 percent range in the 1960s but is presently back up to 40 percent. Thus because of the dominant U.S. market share, U.S. cotton policy, both domestic and international, has been a key determinant of international price. Other cotton exporting countries, Mexico included, therefore experienced substantial external influence over their cotton policies.

U.S. cotton policy since the depression, as is the case of most of U.S. farm policy, has been designed to guarantee farmer income. Thus price supports, stockpiling, and payments for acreage diversion have all been tools of U.S. cotton policy. Because cotton policy is made in the Congress, it has traditionally ignored the international implications of its domestic policy and generally been successful in paying little attention to the Executive attempts to rationalize the programs.  

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17 This market, nevertheless, is far from a free market. The most important influence on this market is U.S. cotton policy; more on this below.

In the early 1950s, U.S. cotton policy sought to protect farmer incomes through high internal prices. Among the repercussions of this policy were increased U.S. production as farmers responded to the high prices and a declining share of the export market as the U.S. domestic price continued well above world market prices. The resultant increase in U.S. stocks allowed world prices to remain stable despite increased production throughout the world. Nevertheless, as world production continued to increase, the international market began to take note of U.S. stocks. In 1954 these stocks reached such high levels that acreage diversion programs were instituted. U.S. cotton production, however, still exceeded demand at its high price and U.S. stocks continued to grow. By 1955 the world price began to drop precipitously as traders began to expect the U.S. to unload its stocks through export subsidies. In that year the market price fell dramatically (see Figure 1).

In 1956, the U.S. instituted an export subsidy to price U.S. cotton exports at the world price of August, 1956. The policy stabilized the world market price, but at a much lower level. Three years later another adjustment in the subsidy level was made to keep U.S. cotton competitive. From 1959 to 1965 the U.S. set a minimum price for export with a resultant stabilization of price at a relatively low level as world price tended to follow the U.S. minimum. In 1966, however, as U.S. stocks reached their maximum in the post-war period, U.S. cotton policy reinstated acreage diversion programs and began to draw down its stocks. With the 1968-1969 season, the U.S. once again expanded their acreage and production, but continued to draw down its stocks, (reaching in 1979-1980 their lowest level in 27 years) thus increasing its market
Figure 1: COTTON PRICES ON THE WORLD MARKET, 1955-1958.

share.

Mexican-U.S. cotton relations have been framed by the much larger picture of supply and demand in the world cotton market. Generally speaking, that market was characterized by surplus from the early 1950s to about 1970. Since 1970 the market has been characterized by tight supply and unstable prices. The conflicts between the two countries thus express themselves differently in periods of surplus or scarcity.

Mexican and U.S. cotton are competitors in the world market because they produce cotton of the same general variety, Upland. There are other bases for competition also. Japan has historically been Mexico's chief cotton client and the U.S. has been Japan's major supplier. In addition, Mexico's interest in acquiring dollars to finance its import substitution industrialization meant that in the periods of dollar shortages in the 1950s, the U.S. and Mexico competed for scarce dollars with their cotton exports. Finally, U.S. government programs to accept local currencies and plow them back into the local economy, while perhaps beneficial to these countries, adversely affected Mexican exports.

Let us look at these sales for local currencies. The Mutual Security Act of 1951 (MSA) stipulated that local currencies received in payment for U.S. goods were to be made available as grants and loans to those countries. The Agricultural Trade, Development and Assistance Act of 1954 (PL 480) also provided the local currencies received until Title 1 could be made available as loans for economic development and/or for

19 Mexico also traded an undetermined amount of cotton in barter agreements to save foreign exchange. Another type of contract was the linking of cotton purchases to trade agreements in other crops.
U.S. expenditures in the local economy, including market development projects (which obviously would emphasize the U.S. brand). In the first five years of this program, over half of the local currencies were made available as loans and nearly one-third were reserved for U.S. uses. The ability to buy cotton with local currency rather than scarce dollars and the fact that much of the money actually remained in the local economy were obviously attractions for cotton-importing countries.

The extent of these two U.S. programs and other U.S. programs to finance U.S. exports and their relationship to Mexican exports can be seen in TABLE 3. These U.S. government programs subsidized the export of over 40 percent of total U.S. cotton exports in the 8 year period 1955-1962. PL 480 and MSA cotton exports alone were over 90 percent of total Mexican exports and total U.S. government program exports were substantially more than total Mexican exports.

Another U.S. government program which adversely affected Mexican cotton exports was the U.S. domestic price support cotton policies and the resultant export subsidies introduced during the 1956-1957 season. In the shadow of record U.S. stocks, prices in the 1955-1956 season fell dramatically to a price they would not again see in real terms until 1973-1974. The response in Mexico was decrease in cotton acreage and a 35 percent drop in exports; only in 1965-1966 would Mexican exports regain the level of 1955-1956 exports. The 1966 decision by


21 The lack of alternative profitable crops lagged the response by Mexican cotton producers (USDA, Foreign Agricultural Service). With the wheat boom in the Mexican west coast, however, producers could, and did, shift crops.
### TABLE 3: COTTON EXPORTS (thousands of bales)

| Year ending June 30 | A  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PL 480 Title 1</td>
</tr>
<tr>
<td></td>
<td>MSA</td>
</tr>
<tr>
<td></td>
<td>A + B</td>
</tr>
<tr>
<td></td>
<td>Barter</td>
</tr>
<tr>
<td></td>
<td>A + B + U.S. total programs as Mexican exports percent of exports</td>
</tr>
<tr>
<td></td>
<td>Government exports</td>
</tr>
<tr>
<td></td>
<td>Mexican exports</td>
</tr>
<tr>
<td>1955</td>
<td>58</td>
</tr>
<tr>
<td>1956</td>
<td>469</td>
</tr>
<tr>
<td>1957</td>
<td>1,380</td>
</tr>
<tr>
<td>1958</td>
<td>862</td>
</tr>
<tr>
<td>1959</td>
<td>639</td>
</tr>
<tr>
<td>1960</td>
<td>704</td>
</tr>
<tr>
<td>1961</td>
<td>1,283</td>
</tr>
<tr>
<td>1962</td>
<td>1,097&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Total</td>
<td>6,492</td>
</tr>
<tr>
<td>Average</td>
<td>812</td>
</tr>
</tbody>
</table>

<sup>a</sup>In 1962 Title IV of PL 480 was responsible for an additional 53,000 bales which have been included in "A".

the U.S. to divert acreage from cotton and draw down its stocks \(^{22}\) also contributed to a decline in Mexican production and exports thereafter.

Finally during the 1970s, in conditions of a tight market, world prices fluctuated greatly. Cotton prices reached all time highs in 1973-1974, 1976-1977, and 1979-1980. But high prices followed by low prices may be much more damaging to cotton producers than relatively lower stable prices. When 1973-1974 prices rose 44 percent, Mexican producers became reluctant to honor contracts signed at lower prices and demanded renegotiations of contracts. The domestic textile industry, however, was reluctant to pay the international price and successfully lobbied for the establishment of export permits. The Mexican government thus abandoned its historical policy of no direct intervention in the cotton market. The domestic textile industry was guaranteed a supply and farmers were denied the full benefits of the international price boom. The following season when prices fell 30 percent, the government was again forced to step in, this time to support the price for cotton producers. The state-owned Algodonera Comercial Mexicana, S.A., bought 45 percent of the 1974-1975 harvest, \(^{23}\) rather than their usual 15 percent.

After these two hectic seasons, the Ministry of Agriculture announced that cotton production should be programmed in accord with domestic needs and not subject to the vaguaries of the international market.


What can we learn about the effect of the U.S. on Mexican cotton production? First, cotton production for export was given an early crucial stimulus by U.S. cotton policy in the early 1950s which overpriced U.S. cotton on the world market and thus allowed foreign producers to dramatically expand cotton production. U.S. cotton policy also adversely affected Mexican production through its dampening effect on world prices and its special programs for non-dollar exports. The Mexican government protested U.S. cotton policy at the presidential level in the 1950s\textsuperscript{24} and at the creation of the \textit{Federación Interamericana del Algodón} in 1960,\textsuperscript{25} but to no avail.

Most recently, Mexico has opposed U.S. cotton policy in the UNCTAD negotiations on the Integrated Program for Commodities which supports the establishment of an international agreement on cotton to stabilize prices. Once again, however, Mexican cotton policy conflicts with U.S. cotton policy. The U.S. position in the UNCTAD cotton negotiations has been one of categorical opposition to the establishment of an agreement to regulate the market. Given that U.S. share of world cotton exports is presently 40 percent, its opposition effectively blocks any


such agreement. 26

But U.S. policy was not the only influence on Mexican cotton production. The Mexican State played perhaps the key role in the history of Mexican cotton production. Through its manipulation of the crop insurance it provides, the State can also change the location of production; the cancellation of that insurance to cotton in the Altamira area in the late sixties ended its cotton production. 27 The government's concern over the food crisis in Mexico has also led it to vary price supports for important crops for domestic consumption, which therefore enticed producers from non-supported cotton production. TABLE 4 presents data on returns for selected crops in southern Sonora, where there was a heavy shift from cotton to wheat, soybeans, safflower, and flax in 1975. 28

In addition changes in the Mexican economy have helped the State undertake changes to protect its cotton producers from a world market

26 The Soviet Union, with 16% of the market the world's second largest exporter, opposes the idea of international stocks, preferring national stocks financed by individual countries. Nevertheless, the Mexican delegation opposes the Soviet position also as it implies a degree of Mexican government intervention and consequent use of resources which the Mexican government has decided it cannot allocate to support cotton production. The Mexican delegation has denounced the policies of the U.S and the U.S.S.R. which, through domestic cotton support programs, have taken advantage of the violent price fluctuations to increase their production to the detriment of the developing country exporters: U.S. 5-year average production between 1967-1968 through 1971-1972 and 1972-1973 through 1976-1977 rose 16.4%, in the same period Soviet production rose 19%, but that of other cotton exporting countries rose only 2%.


<table>
<thead>
<tr>
<th>Crop</th>
<th>Cubic meters of water per hectare</th>
<th>Yield per hectare</th>
<th>Price received per ton</th>
<th>Gross return per hectare</th>
<th>Cost per hectare</th>
<th>Profit per hectare</th>
<th>Profit per acre</th>
<th>Gross return per thousand cubic feet of water</th>
<th>Net profit per thousand cubic feet of water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton</td>
<td>11.83</td>
<td>2,900</td>
<td>4,400</td>
<td>12,760</td>
<td>9,756</td>
<td>3,004</td>
<td>97</td>
<td>1,078.60</td>
<td>253.93</td>
</tr>
<tr>
<td>Wheat</td>
<td>7.92</td>
<td>4,325</td>
<td>1,750</td>
<td>7,568</td>
<td>3,725</td>
<td>3,843</td>
<td>124</td>
<td>955.55</td>
<td>485.22</td>
</tr>
<tr>
<td>Soybeans</td>
<td>12.20</td>
<td>2,331</td>
<td>3,500</td>
<td>8,159</td>
<td>3,853</td>
<td>4,306</td>
<td>139</td>
<td>668.75</td>
<td>352.95</td>
</tr>
<tr>
<td>Safflower</td>
<td>5.73</td>
<td>1,975</td>
<td>3,500</td>
<td>6,913</td>
<td>2,630</td>
<td>4,283</td>
<td>139</td>
<td>1,206.45</td>
<td>747.45</td>
</tr>
<tr>
<td>Corn</td>
<td>8.50</td>
<td>3,800</td>
<td>1,500</td>
<td>5,700</td>
<td>3,906</td>
<td>1,794</td>
<td>58</td>
<td>670.60</td>
<td>211.05</td>
</tr>
<tr>
<td>Sorghum</td>
<td>11.00</td>
<td>4,563</td>
<td>1,600</td>
<td>7,300</td>
<td>4,653</td>
<td>2,647</td>
<td>86</td>
<td>663.65</td>
<td>240.65</td>
</tr>
<tr>
<td>Flax</td>
<td>7.16</td>
<td>1,971</td>
<td>5,000</td>
<td>9,855</td>
<td>3,667</td>
<td>6,188</td>
<td>200</td>
<td>1,376.40</td>
<td>864.25</td>
</tr>
<tr>
<td>Chickpeas</td>
<td>5.80</td>
<td>1,600</td>
<td>4,100</td>
<td>6,560</td>
<td>4,214</td>
<td>2,346</td>
<td>76</td>
<td>1,131.05</td>
<td>404.50</td>
</tr>
</tbody>
</table>

*Based on conversion rate of 12.50 per dollar.

which is heavily influenced by the U.S. Petroleum exports have made the need for the foreign exchange generated by cotton exports less pressing. In addition, the expected expansion of the Mexican textile industry in response to a booming economy, plus its already increasing exports of both yarn and textiles, allows the Mexican State to increasingly guide cotton production by domestic needs. Thus, the State's intervention in Mexican cotton production in the future may allow it to have more control over the factors affecting the cotton production, to therefore minimize fluctuations in cotton employment, and to earn more foreign exchange through the export of processed cotton and textiles than the export of raw cotton provides.

VEGETABLES

In contrast to the situation in the cotton trade, vegetable trade takes place in a context in which the U.S. government has at times found itself in a contradictory position vis-à-vis the import of Mexican fresh vegetables. These tensions within the U.S. arise from the fact that Mexican vegetables are at once complementary and competitive with U.S. production.

Vegetable production in northwest Mexico began in 1906 when U.S. farmers went to the Culiacán Valley in Sinaloa state specifically to produce for export to the U.S.; the first exports left Culiacán in 1908.29

29 Asociación de Agricultores del Río Culiacán, Boletín Informativo.
In the late 1920s, the tomato trade boomed in northern Sinaloa, but contracted quickly as the two U.S. companies which fought to corner the market overextended themselves and collapsed when prices fell. Temporary resurgences of the trade in fresh vegetables came about during World War II and again in the 1950s when freezes in Florida, the main U.S. producer of winter-early spring vegetables, damaged those crops. Since 1962, Mexican vegetables have boomed as a result of production problems in Florida throughout the 1960s, the U.S. embargo on Cuba (Mexico's chief competitor for the U.S. market) and the shift to more profitable crops in Texas and California.

Imports of Mexican vegetables are thus complementary to U.S. production because Florida producers, facing rising costs due to periodic freezes, land value, fertilizer, and labor cannot produce enough to supply the entire U.S. market. Nevertheless, Mexican imports are competitive with U.S. production because Mexican producers can easily produce enough to supply the entire market and, during the 1960s, rapidly expanded their market share as their sales spread from the western U.S. to the midwest. Another aspect of the competition arises from the characteristics of the tomatoes produced by Florida and Mexico. Florida, conserving labor expenses, harvests its tomatoes by machine while still green, then gasses them to turn them red. In contrast, Mexican tomatoes are harvested by hand which allows them to reach a sufficient stage of ripeness to impart more tomato flavor. Thus


31 In order to keep market prices up, Mexican producers restrict their exports via a point system which is usually far more stringent than USDA regulations.
tomato connoisseurs such as Congressman Reuss prefer Mexican "vine-ripe" tomatoes over Florida "mature-green" tomatoes.

Consequently, one of the chief characteristics of the U.S.-Mexican fresh vegetable trade in the last 12 years has been a profusion of protectionist maneuvers by U.S. producers. The chief actors in the various forays have been Florida producers, Mexican producers, the U.S. business partners of the Mexican producers, various agencies of the Mexican government (including Agricultura, Relaciones Exteriores, and the Ambassador to the U.S.), various agencies of the U.S. government (including Agriculture, Treasury, Commerce, and the Office of the Special Trade Representative), and the U.S. judicial system. The U.S. Congress has been noticeably absent as a key actor, mainly because the pro and con forces have effectively cancelled each other.

Through an analysis of the history of the conflicts in the past decade, we can appreciate the positions of these actors in U.S.-Mexican relations. Three factors stand out in the vegetable conflict. First, the Mexican producers have forged a stable and successful transnational alliance with their U.S. business partners to defend Mexican imports. Second, the position of the U.S. Department of Agriculture

32See the Congressman's comments in "The Case for the Mexican Tomato," New York Times

33The core of the alliance has been Mexican producers and Arizona distributors (50% of whom are now subsidiaries of Mexican producers; information from an interview with an Official of the Union Nacional de Productores de Hortalizas). At times the alliance has included U.S. consumer organizations and U.S. retailer organizations.
changed from one of staunch defense of Florida vegetable producers to one of opposition to protectionist measures. Finally, the Mexican Ministry of Agriculture consistently responded to U.S. pressure by unilaterally restricting Mexican exports to the U.S.

The 1969-1975 Tomato War

In January of 1969 the Florida tomato growers utilized the 1937 Marketing Agreement Act (as amended) to raise non-tariff barriers on imports of Mexican tomatoes during the winter-early spring season. This legislation stipulated that when a group of U.S. producers subjects its products to certain restrictions, imports of those products must also conform to regulations. This "Golden Rule" legislation, as it was called in Congress, nevertheless became a tool to discriminate against imports. Florida farmers produced 90 percent of their tomatoes on the ground and harvested them green by machine. 90 percent of Mexican tomatoes, in contrast, were produced to take advantage of the country's comparative advantage in labor; thus they were staked and hand-picked when vine-ripe. The restrictions, therefore, which the Florida Tomato Committee recommended and the U.S. Department of Agriculture passed required vine-ripened tomatoes to be larger than green tomatoes.

The "Tomato War," the most serious confrontation until 1978, lasted six years. The resolution favored the Mexican position that regulations be based upon quality and not size. In another paper we analyze in detail that conflict; here we will only highlight the posi-

tion of the Mexican government and producers in the "Tomato War" in order to compare it with that in the 1978-1980 horticultural conflict.

In March of 1969 the Washington lobbyists of the Arizona distributors of Mexican tomatoes complained to the Mexican National Union of Horticultural Producers (UNPH) that the Mexican embassy in the U.S. was not energetic enough in defense of Mexican tomatoes. In April, the UNPH and the state Confederation of Agricultural Associations (CAADES) in Sinaloa, the major producing area, in a memorandum to the Minister of Agriculture criticized the Mexican government for its weak efforts against the U.S. protectionist measures. The memorandum also suggested a strategy for the Mexican delegation which included categorical opposition to the idea of quotas on Mexican exports.

Nevertheless, from the very beginning Minister of Agriculture Juan Gil Preciado leaned toward a unilateral restriction on Mexican exports to avoid stiffer U.S. trade barriers. Mexican Ambassador to the U.S., Hugo Margaín, however, sided with the Mexican producers on this point. In a letter to Minister of Foreign Affairs Antonio Carrillo

35 Mike M. Masaoka, Masaoka-Ishikawa to Sr. Alfredo Careaga Cebreros, Presidente, Unión Nacional de Productores de Hortalizas, Marzo 3, 1969

36 "Memorandum que presentan La Unión Nacional de Productores de Hortalizas, La Confederación de Asociaciones Agrícolas del Estado de Sinaloa y La Asociación de Agricultores del Río Culiacán al C. Profesor Juan Gil Preciado, Secretario de Agricultura y Ganadería, en relación a las restricciones impuestas a las importaciones de tomate por el Departamento de Agricultura de los Estados Unidos de Norteamérica," 15 abril de 1969. AARC Tomato File.

37 Secretaría de Agricultura y Ganadería (SAG) to Agente General en Sinaloa, SAG, 12 junio de 1969.
Flores, Ambassador Margáin argued that such unilateral restrictions would be more discriminatory than the present U.S. measures. But Minister Carrillo Flores apparently did not wish to expend bargaining capital on the tomato issue; when negotiations began the Minister asked the U.S. delegation to view the conflict from the perspective of Mexico being the U.S.'s best client.

Mexican producers have been applying different methods of regulation to keep export supply in line with demand since the mid-sixties with varying degrees of success. During the 1968-1969 season Mexican producers continued to regulate their export supply by invoking both quality and grade restrictions when oversupply warranted action. This was perhaps the most vivid example provided by the Mexicans that they were not against regulations per se, but rather the discriminatory nature of FTC-USDA measures. Given Florida's lack of cooperation on limiting supply in accordance with demand, Mexican producers decided to take responsibility for keeping prices up in the short run while fighting the legislation which placed that burden on them. Thus in the spring of 1969 Ambassador Margáin met with State Department representatives and noted that the self-restrictions imposed by the Mexican producers had been demonstrated to decrease exports.

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38 Embajador Lic. Hugo B. Margáin to Antonio Carrillo Flores, Secretaría de Relaciones Exteriores (SRE), 30 junio de 1969.


40 "En las oficinas de la Unión Nacional de Productores de Hortalizas se recibió la siguiente información, de parte del señor Secretario de Agricultura y Ganadería, proporcionada por vía telefónica el día de ayer." Culiacán, Sinaloa, 9 abril de 1969.
Oversupply was a chronic problem during the 1968-1969 season and it was obvious that this problem could only fuel U.S. protectionist sentiment. Thus Mexican producers took the tactical decision to limit their exports in order to quiet down the controversy. During the 1969-1970 season, therefore, tensions relaxed at first, but grew over the course of the season as Florida production fell off anyway.

Resurgence of the conflict led the Ministry of Agriculture to decide to take matters into its own hands. In July 1970, the Ministry's representatives met with the UNPH, CAADES, and AARC leaders in Culiacán. The Agriculture officials informed the producers that henceforth the Ministry would regulate export volume. The official justification for the measure lay in the fear that if Mexican participation in the U.S. market continued at its present 50 percent level, the U.S. government could "legitimately" restrict imports as a means to avoid saturation of the market.

The Ministry originally programmed a 31 percent reduction in tomato exports for the 1970-1971 season below the 1969-1970 season. Florida production, however, lost another battle to its old foe, freezing weather, and Mexico actually exported only 7 percent less than the year before. The Ministry of Agriculture modified its program of restrictions the following year in light of its irrelevance for the season just past. Florida producers and their congressmen thus protested that Mexican controls had become non-existent. With the Florida growers rejecting the Mexican government's efforts at export controls, bilateral negotiations ceased to be of importance in resolving the conflict.

The U.S. judicial system then moved centerstage. From the very
beginning the Arizona distributors had filed suit against USDA's use of dual restrictions, but lost all its cases in the first two years. In 1971 the distributors won a short-lived victory as a U.S. District Court of Appeals ruled that the importers had the right to a hearing before USDA on the issue. Nevertheless, after a year of hearings, the USDA reaffirmed its ability to continue the dual size restrictions. Shortly thereafter, four consumer groups and various importers brought suit against the decision. Although after 1971 no dual restrictions were ever again used because market conditions did not warrant them, it was not until 1975 that the legal basis for utilizing that type of restriction was effectively undermined.

After their failure in 1975 the Florida producers turned to other tactics in their endeavor to stem the flow of imports. In 1976 and 1977 hearings were held in Congress on a measure to alter packaging


42 The Federal Register, 37:65, Part I, April 5, 1972, pp. 6857-6867. United States District Court for the District of Columbia (No. 2142-72) CONSUMERS UNION OF UNITED STATES, INC., CONSUMER FEDERATION OF CALIFORNIA, CONSUMER FEDERATION OF ILLINOIS, and CONSUMER ASSOCIATION OF THE DISTRICT OF COLUMBIA v. the HONORABLE EARL L. BUTZ, Secretary of the United States Department of Agriculture, RICHARD E. LYNG, ERVIN L. PETERSON, and FLOYD HEDLUN. In the same court (No. 2154-72) COAST MARKETING CO., WILLIAM S. WRIGHT, INC., WEST MEXICO VEGETABLE DISTRIBUTORS ASSOCIATION v. same defendants.

43 United States District Court for the District of Columbia STIPULATION AND ORDER OF DISMISSAL WITHOUT PREJUDICE 18, September 1975.
requirements for imports; USDA recommended against the bill and it passed the Senate, but not the House. In 1977 the bill, proposed once again, passed both chambers but was dropped in conference. In February of 1978 Florida growers requested Secretary of Agriculture Robert Bergland use his authority to seek an agreement with Mexico limiting its tomato exports to the U.S.; the Secretary established an informal working group to discuss tomato problems with Mexico rather than initiating formal negotiations.

The "Dumping" Case

Their inability to erect non-tariff barriers through the official channels of Congress and USDA did not discourage the Florida growers. On September 12, 1978 the U.S. producers decided to act unilaterally and filed an anti-dumping petition with the U.S. Treasury Department, alleging Mexican producers dumped tomatoes, pickles, bell pepper, eggplant, and squash during the 1977-1978 season (these products constituted 61 percent of Mexican horticultural exports that season). The anti-dumping statutes thus provided the Florida growers with a mechanism they could utilize to place their interest on the bilateral agenda -- despite lack of USDA or congressional support for those interests.

Nevertheless, the Florida growers initially lost their anti-dumping suit as both the Treasury and Commerce Departments gave verdicts of no dumping. In the decisions by Treasury and Commerce, various fac-

44On April 4, 1980 the Florida growers filed suit in U.S. Customs Court against the Department of Commerce challenging its verdict. The case still has not been decided.
tors made their influence felt: the U.S.'s interest in Mexico's subscribing to the GATT; the negotiations on a gas agreement between Mexico and the U.S.; the U.S.'s desire that Mexico play a role in U.S. petroleum needs (at first as an everyday supplier, later as an emergency supplier); U.S. inflation; and the defense efforts by the alliance of Mexican producers and their U.S. business partners.

In another paper we attempt to sift out the relative influence of each in the decision in the dumping case. 45 Here we will address only the role played by the Mexican Secretary of Agriculture and the transnational alliance. Once the dumping suit was filed, the USDA played no role in the case, as the anti-dumping statutes delegated the investigatory role to another agency.

In 1979 Mexican producers believed that their production targets already took into consideration the relationship between supply and demand and therefore decided not to restrict their planting programs in the face of the anti-dumping accusations. The Mexican Secretary of Agriculture and Hydraulic Resources, however, viewed the production decisions not from the perspective of supply and demand, but rather that of political pressures and conflicts from the U.S. government and growers. Consequently, invoking the legislation set up in 1970 requiring SAG (now SARH) approval of export quotas (which was a direct response to the 1969 controversy over the Marketing Agreement), SARH authorized less than the amount requested by producers for both the 1978-1979 and 1979-1980 seasons. 46


Mexican producers and their distributor associates were directly involved in the analysis of prices carried out by the Treasury. In the fall of 1979 the growers assisted U.S. Customs officials in Sinaloa gathering the evidence; they also made clear their opposition to the application of antidumping laws to perishable produce.\(^47\) In conjunction with the Arizona distributors' association, the Arnold and Porter legal firm in Washington was retained to represent the Mexican industry in the proceedings. This firm had previously represented the distributors during the court cases related to the 1969 Marketing Agreement Controversy.

The legal battle was fought on two grounds by the Mexican growers. The applicability of the antidumping statutes to perishable commodities was questioned and the methodology of the investigation was protested. The former tactic yielded nothing. In their investigations Treasury analysts attacked the problem in the same fashion as they had in other dumping cases. Thus individual grower's sales were to be examined on a day by day schedule to determine if any were made below production costs. The Mexican growers and their allies argued, however, that in the case of perishable produce, prices fluctuated rapidly and the goal of a producer was to make a profit over the season, not on every sale.

The methodology initially utilized by Treasury virtually guaranteed that dumping would be found to have occurred; Treasury had early on stressed the need for negotiation precisely because of this expected outcome.\(^48\) When the Tentative Determination was to be announced in July, the Wall Street Journal reported the Department leaning toward a

\(^{47}\) UNPH, "Informe de labores ... 1979" p, 15.

positive finding, as did The New York Times just before the Tentative Determination was actually given in October. 49 Even the Mexican producers were pessimistic about their chances if Treasury did decide to apply the statutes: in a memo to President López Portillo the UNPH president noted that the chances of a determination of no dumping were "very remote." 50

Through Arnold and Porter the Mexican growers and distributors attempted to convince Treasury to recognize that up to 50 percent of below cost sales were normal in the fresh produce business, to look at costs over the season, 51 and to compare U.S. market prices with Canadian prices 52 rather than constructing a price composed of cost plus 8 percent profit. 53 These three aspects were incorporated in statistical studies submitted to the Treasury in July and again in October by Professor Richard L. Simmons, a consultant to USDA on the fresh fruit and vegetable market who was contracted by the Mexican defense to analyse the dumping charges. Employing regression analysis, a methodology never before used in a dumping case, the Simmon work demonstrated the lack of statistical support for the allegation of dumping. 54


51 West Mexico submitted a brief on this point to the Treasury in early June.

52 Florida and Mexico supply this market also.

53 Ibid., p. 16.

October Alfred Kahn, Chairman of the Council on Wage and Price Stability, submitted a memorandum to Treasury endorsing the Simmons methodology.\footnote{Sentinel Star, December 2, 1979, p. 20-C and Fort Lauderdale News and Sun-Sentinel, November 3, 1979, pp. 1B, 4B.}

There seems to have been no prior indication that Treasury would actually adopt the Simmons methodology; witness the aforementioned newspaper reports just before the Tentative Determination dates. On October 30, 1979, however, the Treasury Department finally issued its Tentative Determination and utilizing the Simmons methodology, found no evidence of dumping.\footnote{Wall Street Journal, October 31, 1979, p. 39.}

The 1979 Trade Agreements Act transferred authority on dumping cases to the Commerce Department; thus it fell to this agency to issue the final ruling on the dumping case. Commerce analysts began by taking a position parallel to that of the Florida growers and questioned the legitimacy of the Simmons methodology in this case.\footnote{"Brief of Respondents ..." op. cit., p. 11.} Two basic issues thus arose in the Mexican defense. Arnold and Porter immediately filed a memorandum disputing the Commerce Department's jurisdiction on the grounds that the Trade Agreements Act stipulated that cases where a preliminary negative determination had been reached were not to be transferred to Commerce.\footnote{Ibid. cites their "Memorandum Concerning the Commerce Department's Lack of Jurisdiction to Continue This Investigation" February 29, 1979.} This step failed to produce results for the Mexican side, so they concentrated on the methodology issue.

Commerce analysts notified the parties involved that three new approaches to the data were being considered, all of which differed sig-
nificantly from the Treasury's approach. 59 Arnold and Porter thus sought to support the Simmons studies before the Commerce group. In this tactic technical arguments were marshalled: Simmons submitted an updated study; Professors Hendrick S. Houthakker of Harvard, William D. Nordhaus of Yale and Richard A. King of North Carolina State 60 all submitted affidavits supporting the statistical methodology employed by Simmons; 61 another USDA consultant, Professor Robert S. Firch of Arizona, submitted a study of the California lettuce industry demonstrating that 50 percent of sales under cost was an economic fact of life in the industry. 62 In addition, Professor Houthakker's affidavit testified that the statistical methodology employed by the Florida study submitted to Commerce was "no longer considered valid in the current theory and practice in the fields of econometrics and statistics. 63

On March 24, 1980, the Commerce Department issued a final determination in which it found no sales had been made at less than fair market value. For this purpose of this discussion three factors stand out in the history of the tomato conflict from 1969 to 1980. These concern the actions taken by the Mexican governmental agency most directly linked to production, SAG-SARH, the evolution of the USDA's position with respect to the attempts by Florida producers to establish further non-tariff

59 Ibid., p. 11.

60 Professors Houthakker and Nordhaus were former advisors on agricultural economics to the U.S. President in their capacities as members of the Presidential Council of Advisors; Professor King was President of the American Agricultural Economics Association.


barriers to the imports of Mexican vegetables, and the establishment of a transnational alliance between the Mexican producers and their Arizona business partners.

Mexican tomato and other vegetable export policy has generally been set by the producers themselves. The Mexican government gave the National Union of Horticultural Producers the right to perform the governmental function of regulating exports when it was created in 1961. However, when the government, through the Ministry of Agriculture, perceived that producers short-run perspectives threatened the national interest in long-run exports of horticultural products, the State created the necessary legislation returning regulation of tomato exports to itself. This power was used by the State against the wishes of the producers in 1970-1971 and again in 1971-1972.

When the market situation in the U.S. made it unnecessary to control exports to the U.S. the Ministry returned effective regulating power to the producers by rubberstamping the UNPH export recommendations. When horticultural exports were again threatened by the dumping accusations and the Mexican producers would not respond by decreasing acreage in order to relieve pressure from the U.S., the State once again utilized its power to restrict, against producer wishes, exports for the 1978-1979, 1979-1980 and 1980-1981 seasons.

These actions on the part of the Ministry impress upon us the desire and ability of the State to regulate its agricultural production (or at least its horticultural production) in accordance with what it defines as the national interest. At times this definition can coincide with producers short-run interests, as in the case where vegetable pro-
duction for export was increased during a drought year even though its water consumption was far greater than that of the basic food-stuffs which were restricted; here the State argued the need for foreign exchange. Nevertheless, as we have seen in this discussion, at other times the State may define the national interest as requiring the security of long-run exports and thus may act against the short-run desires of the producers.

If we accept this proposition about the State's control over agricultural production at certain times then our perception of the process of the internationalization of Mexican agricultural production must account for the State's ability to modify its manifestations. Thus the integration of Mexican tomato production into the U.S. economy may be undergoing important modifications at present. First, the Mexican economy is booming and a portion of the population is increasingly able to pay prices for tomatoes which could give Sinaloan producers a price competitive with the price they receive exporting their produce to the U.S. At present Sinaloa's vegetable production is split 50-50 between the export and domestic market; twenty years ago almost all of it went for export. In addition, the Mexican government has taken actions which attempt to supply the domestic market with sufficient domestic production to both control inflation and decrease imports. Taking both the expansion of the domestic market for horticultural products and government policy in support of the general domestic market it does not seem so far fetched to give credence to those who saw the

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government restrictions on tomato exports in 1978-1980 as measures not so much to protect the export market as to protect the internal market. 65

The position of the USDA vis-à-vis the attempts by Florida producers to erect further non-tariff barriers to imports of Mexican vegetables changed dramatically in the 1969-1973 and 1973-1980 periods. This evolution can only be understood in the context of the global economic crisis which is also being felt in the United States. In the 1970s the U.S. decided to use its vast agricultural resources and production to relieve some of the pressure on its balance of payments; thus, there was a push to produce more and stockpile less thereby increasing exports (a pattern clearly visible in the cotton situation). In the U.S. push for increased exports it became necessary to renew the battle against trade barriers to the import of U.S. agricultural products, a battle which took on importance in the Kennedy Round of GATT negotiations but which foundered quickly. In preparation for the Tokyo Round negotiations in 1973 the agricultural discussion took on a new force.

Of course, the desire to decrease world trade barriers alone does not explain the abandonment of the Florida tomato producer by the USDA. The lack of economic and political clout of these producers in the economic and political system as a whole is also an important factor to consider. Thus the cost to the U.S.'s attempts to lower world trade barriers in agriculture of defending these Florida producers did not

65 Interview with an official of the Instituto Mexicano de Comercio Exterior and a discussion with Adolfo Aguilar Zinser.
merit such actions on the part of USDA.

The transnational alliance between Mexican horticultural producers and U.S. distributors is the final factor of the tomato case which is relevant here. Although the cultivation and expansion of these products in northwest Mexico initially depended overwhelmingly upon capital from U.S. distributors, there had been an important change in the 1970s. From the time horticultural producers began to organize themselves to meet the fluctuating demands of the market there was a concern with eliminating the middleman, including the Arizona distributors who marketed their produce in the U.S. and Canada. As the major producers began to reap the incredible profits of producing for export they began to expand their influence into other lucrative areas, particularly real estate and banking. It is also rumored in Sinaloa that some of these producers were involved in the very profitable drug trade which flourished for many years in Durango-Sinaloa (Culiacán was recognized as the drug capital of Mexico). Thus financial resources have become increasingly available to at least those large producers.

In 1980 the USDA reported that 10 large farms of between 300 and 1500 hectares each produced roughly half of Sinaloa's vegetable exports. Roughly 1,000 other producers thus provide the other 50 percent, but even in this group one can expect varying degrees of concentration of control. Thus the UNPH report that half (25) of the Arizona distributorships in 1979 were actually subsidiaries of Mexican producers may not be too far off the mark. In the horticultural industry, therefore, we are witnessing the expansion of Mexican transnational corpora-
tions into their export market. 66

Of course, the Mexicanization of U.S. distributorships still leaves at least 50 percent of these as legitimately U.S. companies. Nevertheless, all distributors have been staunch defenders of the import of Mexican winter vegetables. Their position, however, should not be surprising given that their livelihood depends upon the importation of this produce. Thus in the 1969-1975 conflict the West Mexico Vegetable Distributors Association (of Nogales, Arizona) coordinated defense efforts in the U.S. with the Mexican producer associations. The alliance was not always without conflict, but it got the job done. In this first conflict the WMVDA contracted the prestigious Washington law firm of Arnold and Porter, while in the dumping controversy the firm was contracted jointly by WMVDA and UNPH. In addition the distributors and producers lobbied jointly in 1978-1979 for the support of the Food Marketing Institute, which represents 1,000 retailers and wholesalers in the U.S. and the National-American Wholesale Grocers

66 In the UNPH and IMCE interviews the point was made that these Mexican subsidiaries had U.S. citizens as their Presidents, thus masking the true identity of their owners. The UNPH official reported this was due to a U.S. law (which he could not identify) which required the distributorships to be owned by a U.S. citizen. The IMCE interviewee also corroborated this point and similarly could not identify the U.S. law. Perhaps they are referring to U.S. Customs "clearance procedures" which require foreign produce to be consigned to a distributor at the border (USDA, op. cit., 1980, p. 23). The IMCE official also pointed out another possible reason, avoidance of Mexican taxes; thus the Mexican vegetable TNCs may be engaging in that general TNC practice of establishing transfer prices to maximize profits for the overall enterprise rather than one part of it. Information on Mexican distributorships can be found in Mares, op. cit., 1980; Ray A. Goldberg, Agribusiness Management for Developing Countries - Latin America (Cambridge, Mass: Ballinger, 1974) and Ruth Rama y Fernando Rello, "La internacionalización de la agricultura mexicana" in Lustig, op. cit.
Association, whose members represent one-half of the total U.S. supermarket business. Finally, in the Marketing Agreement controversy W&MDA filed suits jointly with various U.S. consumer organizations against USDA use of those restrictions.

Thus the transnational alliance has had at its core the Mexican producer-distributors and the U.S. distributors. It has expanded at times to include other groups in the U.S. which have had an economic interest in Mexican imports, such as consumers and retailers. Whatever the extent of its membership, its suits in 1969-1975 and the methodology developed by its consultants in 1978-1980 were key in the favorable resolution of these controversies for the Mexican horticultural industry.

Consequently, discussion of the continued integration of the Mexican horticultural industry into the U.S. economy must also take into account the fact that Mexicans, and not only North Americans, play an increasingly crucial role in how that integration is carried out. Perhaps, therefore, we should not be discussing the international division of labor so much as the internationalization of capital, regardless of its superficial nationality.
CONCLUSION

It is quite evident that U.S. agricultural policy and the U.S. market have affected Mexican production, both stimulating and dampening the production of particular crops in Mexico. It would be impossible to understand Mexican agricultural growth without acknowledging the influence of extra-national factors on that sector. Nevertheless, the U.S.-Mexico agricultural relationship is not a static phenomenon and thus its evolution over time requires the attention of scholars.

The first research question which arises, therefore, is to what degree and with respect to which products is that international stimulant on the wane? In the case of fresh vegetables I have demonstrated that both the influence of U.S. distributors and of the U.S. market on fresh vegetable production has declined quite dramatically in the last decade or so. As a whole, acreage in Mexico devoted to export crops has suffered a relative decline. It is quite possible, however, that certain crops are undergoing expansion, such as avocados and mangoes. Nevertheless, critical perspective which differentiates developments across the spectrum of agricultural relations is necessary.

A second research question is to what degree have the Mexican State and Mexican producers been able to respond to and shape their participation in international agricultural markets? The actions of the Ministry of Agriculture with respect to production and the export of cotton and winter vegetables clearly demonstrate that the State has not behaved solely in a manner which increases the integration of Mexican agriculture into a U.S.-dominated international market. On the con-
trary, the State has intervened to modify that relationship when it has perceived a national interest at stake, even when such action was in direct opposition to the articulated interests of an export-oriented rural bourgeoisie.

If the tomato case is any guide, the Mexican export-oriented rural bourgeoisie may also be becoming an important element in its own right in any international trade scheme which involves Mexican agriculture. Analyses of U.S.-Mexican agricultural relations must recognize that Mexican producers may not only be employees of American food transnationals. Those neo-latifundistas whose large modern operations dominate many sectors of Mexican agriculture are capitalists and as such will seek the forward integration of their enterprises. What the rise in Mexican transnationals means for U.S.-Mexican relations is a fascinating topic for research.

Thus, to focus only upon the international stimulant to Mexican agriculture in a static manner is inadequate. We must proceed with that as an important part of our analyses, but in a dynamic way which considers how the Mexican State, economy, and social classes (including producers) have reacted to and influenced the links between the U.S. and Mexico on agricultural issues.
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