

WTO Rejects EU Banana Proposal, Backs Latin Growers

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The World Trade Organization found for the second time this year that the European Union's planned overhaul of its banana-import rules would deprive Latin American producers of market share, prolonging a nine-year dispute.

The 25-nation EU, the world's biggest market for the fruit, returned to the WTO last month looking for approval to ramp up import duties on as much as \$1.45 billion of Latin American banana imports to 187 euros (\$227) a metric ton from 75 euros and eliminate import ceilings. The WTO on Aug. 1 rejected the EU's initial proposal because it would cut market access from countries such as Nicaragua, Costa Rica and Ecuador.

“The proposal has been declared illegal for the second time in three months,” Dacio Castillo, Honduran ambassador to the Geneva-based WTO, said in a telephone interview today. “The arbitrator once again found that the EU's huge tariff increase is squarely in violation of its commitments.”

The EU is the world's biggest importer of bananas, with 3.4 million tons of the bloc's 4 million-ton total coming from Latin America. The EU promised the U.S. in 2001 that it would scrap quotas on banana imports by Jan. 1 next year. In return, the U.S. ended \$191 million of sanctions on EU goods that it imposed after Dole Food Co. and Chiquita Brands International complained the EU's system inhibited their exports.

EU ‘Disappointed’

“We're surprised and disappointed that the arbitrators didn't back our proposal,” Michael Mann, the EU's agriculture spokesman, said by telephone from Brussels. “We thought the system we proposed was fair, and had calculated the tariff in a neutral and transparent manner based on a detailed legal and economic analysis.”

WTO judges found that the EU “failed to rectify the matter” and that the overhaul “would not result in at least maintaining total market access,” as stipulated under the 2001 deal. That accord didn't specify that arbitrators should impose a tariff.

The EU plan had proposed keeping an unchanged quota of 775,000 tons on bananas from former European colonies in Africa, the Caribbean and Pacific, known as ACP countries, such as Cameroon, Jamaica and the Ivory Coast. Those bananas benefit from a preferential zero tariff.

“The legal consequences are clear” from today's decision, Norman Harris, Panama's WTO ambassador, said by phone. “The EU loses its legal authority to provide preferences for ACP bananas. This means any new EU banana regime with preferences will be illegal.”

Banana producers from Ecuador, Panama, Colombia and Costa Rica have suggested that the EU to continue with the existing system of quotas and the 75 euro-per-ton tariff.

“The current regime could be extended for some time,” said Eduardo Castillo Pereira, an official at Nicaragua's mission to the WTO.

“Whatever tariff they come out with would have to apply to both ACP and Latin American bananas,” Honduras's Castillo said.

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