

## **Trade: Developing Countries Prepare for 'Banana Battle'**

**Inter Press Service**

October 28, 2004

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Developing countries have hit back at proposed changes to the European Union's banana regime.

The European Union (EU) announced Wednesday (Oct. 27) that it plans to impose a duty of 230 euros (290 dollars) per ton of bananas when a new regime enters into force in 2006.

Speaking after an ACP-EU ministerial trade committee meeting in Brussels, outgoing trade commissioner Pascal Lamy said that after "complex calculations" the EU had come to final figure for the duty which would keep market shares steady and maintain market access to the EU.

"We want to negotiate within the WTO framework and so we have come up with a tariff which is equal and will maintain market access to the EU for banana producing countries," he told media representatives Wednesday.

Lamy acknowledged that the level could anger some developing countries, but advised them to increase volumes of exports to maintain the same level of income.

"I know that some ACP (Africa, Caribbean and Pacific) countries will think that this amount is too low, while the Latin American countries will think it's too high. I am not surprised by this -- this is the way negotiations go," he said.

Lamy added however, that the figure was not set in stone.

"I wanted to announce this figure today given the deadlines that are looming, however this figure was just put on the table as a basis for negotiations and these negotiations will continue," he added.

The EU says the new level aims to prevent banana producers in ACP countries from losing business to larger growers in Latin America.

According to the EU, ACP countries currently have a 20 percent share of the EU banana market, EU producers -- mainly Spain -- also have 20 percent, while Latin American producers dominate it with 60 percent.

The EU has been forced to overhaul its banana regime after the World Trade Organisation (WTO) ruled in 1997 that the bloc's preferential banana import rules were discriminatory.

Under the old rules, the African, Caribbean and Pacific group of 79 countries had almost exclusive access to the European market for their bananas. However this angered Latin American banana producers and top banana companies based in the U.S. who said that such preferences were unfair.

In a case initiated by the U.S. on behalf of U.S. companies operating in Central and South America, the WTO ruled that key elements of its import regime, in particular the method of allocation of licences, and the national allocation of ACP quotas, were discriminatory.

A WTO ruling two years later allowed the U.S. to impose 191.4 million dollars in trade sanctions against EU goods which led to the so-called banana war. However a cease-fire was reached in 2001 when the EU agreed to change its import system and negotiate a unified tariff for all exporters.

To help alleviate the shift to a more competitive import system for the ACP countries, the EU has provided millions of dollars worth aid to diversify from banana production into other agricultural crops.

However, the shock announcement has angered already both sides in the banana trade who say neither will benefit from such a tariff.

Latin American countries have been lobbying for low tariffs of 75 euros (95 dollars) a ton so they can maintain a high share of the EU market; while ACP countries are demanding a higher tariff of 275 euros (346 dollars) a ton to preserve a competitive advantage.

Speaking shortly after the announcement, Jean-Robert Goulongana, secretary-general of the ACP group in Brussels, said that although many ACP members remained surprised by the announcement, initial reactions were not positive.

"We were not able to react to the news because it was just announced and we were not ready for it, but I could tell from the body language in the room that people are not happy with it. It's too low," he told media representatives.

Ishmael Ashitey, chairman of the ACP ministerial trade committee reaffirmed these initial thoughts saying that the predicted duty would "seriously affect" many members of the ACP group.

"This announcement will be extremely worrying for some of our members, but others will want it to stay as it is," he said.

Latin American countries have also reacted negatively to the announcement saying that such high tariffs could hurt their banana producers.

Mentor Villagomez, the Ecuadorian ambassador in Brussels said that his country would challenge the new regime.

"We think that this level of tariff is too high and way over what the EU needs to do to comply with its obligations under the WTO," he told IPS.

"We will wait for the official announcement and will then open negotiations immediately to reach a good understanding that would benefit everyone," he said.

However, Villagomez is not optimistic about bringing tariffs down to the desired level.

"The current level is just too high a starting point to come down to what we want, but we are prepared to use the WTO arbitration mechanism if necessary to get what we want," he said.

Latin American banana producing countries have been lobbying the EU for a long time over the tariffs.

Following a coordination meeting in Panama in September they said an increase in the tariff "would bring about disastrous economic and social consequences for our countries, eroding national incomes and destroying jobs throughout the region, where the banana industry is a substantial source of income and employment".

Competition between 'ACP bananas' (principally African) and the 'dollar bananas' from Latin America has always been fierce.

In 2000, some four million tonnes of bananas were imported into the EU. Of these about 2.5 million tonnes (62.1 percent) came from Latin America. About 782,000 tonnes (19.2 percent) came from France, Spain, Portugal and Greece, and the rest came from the ACP group of countries.