

EU asks for WTO arbitration in Latam banana dispute

Reuters, Tue Sep 27, 2005 8:42 AM GMT

BRUSSELS - The European Union, struggling to find a new banana import tariff for its top suppliers, mainly Latin America, asked the World Trade Organization on Monday to rule whether its latest idea would be acceptable or not.

The EU, which lost the bitter 1990s "banana wars" to Latin America, has pledged to replace its tariff-and-quota import system from January 2006 with a single-tariff regime. The problem throughout this year has been to agree a tariff level.

Its latest proposal, floated earlier this month, was for a duty of 187 euros a tonne: a figure that the EU had to lower after an earlier WTO arbitration panel ruled that its previous 230-euro idea discriminated against Latin America.

"Despite our efforts, we were not able to come to an agreement with our partners. Nor did they present an alternative proposal of their own," EU Agriculture Commissioner Mariann Fischer Boel said in a statement.

"Time is now running out for the introduction of the tariff only regime by the beginning of next year," she said. "I still hope we can find a solution to this long-running dispute which will be acceptable to everyone."

The same WTO arbitrator will now be asked to determine, within 30 days of the EU's request, whether the bloc has "rectified the matter", in WTO jargon. A second WTO ruling will be binding on both parties -- the EU, and also the group of nine Latin countries that requested the first arbitration panel.

At present, Latin America's banana suppliers -- led by the world's top exporter Ecuador -- pay 75 euros, within set quotas, to get their fruit into Europe. Anything above quota is hit with a hefty duty of 680 euros a tonne.

Ecuador Trade Minister Jorge Illingworth told Reuters he expected the WTO would reject the EU's latest proposal. He also said he did not agree with suggestions made by other Latin American producers that there should be an extension of the current tariff system until a new one was agreed to.

"Our position is that the current system must end on December 31. We have to negotiate the lowest possible single tariff to begin January 1," Illingworth said.

Pitted against the Latin Americans are a group of former European colonies in the African, Caribbean and Pacific (ACP) group that enjoy an exclusive EU duty-free quota.

While Latin America wants a duty of no more than 75 euros, the less competitive ACP states want 275 euros for their rivals to stop cheaper Latin fruit from flooding lucrative EU markets.