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Latin American banana producers advanced their cause on Aug. 1 when the World Trade Organization (WTO) ruled in their favor against a European Union (EU) proposal to raise import tariffs on the region's bananas (see NotiCen, 2004-11-04). The proposal would have affected only Latin America's bananas, while those from African, Caribbean, and Pacific (ACP) countries would enter at preferential rates. The WTO found the scheme illegal.

After that finding, the EU was given ten days to start negotiations with Guatemala, Honduras, Nicaragua, Costa Rica, Panama, Ecuador, Brazil, Colombia, and Venezuela. EU trade director Peter Mandelson said he would set talks without delay to find a mutually acceptable solution. The EU started experimenting with ways to favor its former colonies over the large corporate producers of Latin America around the beginning of 2005. The APC countries typically produce bananas on family-owned small farms, whereas the Latin American product comes mostly from large plantations owned by multinational corporations, under conditions that have for many years been criticized for labor abuses and environmental practices.

In Mandelson's opinion, "The tariff proposed by the EU is designed for a neutral and just conversion that maintains the present access to the market for all the banana providers." The big winners in this WTO decision are Dole, Chiquita, and Del Monte. The workers just get to keep their jobs. The APC losers are Belize, Cameroon, Cape Verde, Dominica, Grenada, the Ivory Coast, Jamaica, Madagascar, Saint Lucia, Saint Vincent, Somalia, and Suriname. The WTO decision marks the second loss for the EU in the banana wars.

In the 1990s, the EU was pushed to scrap a complex quota system in favor of a tariff regime that was to begin January 2006. This latest decision stems from that order.

Armed to the teeth

The Latin American countries came to the table with formidable ammunition. They could, if provoked, use the issue to block the Doha round of trade talks scheduled for December in Hong Kong. An EU diplomat contacted but not named by Reuters said, "It's a very good negotiating chip. It's a nuclear option...but there have been rumblings that bananas could be an issue for Hong Kong. A lot will depend on where the rest of the negotiations have got to. If they [Latin Americans] felt that bananas were going badly, they may want to be difficult there."

Mindful of the importance of the Hong Kong meeting, Mandelson said, "We want to avoid letting this issue poison the discussions of Doha." The objective of the December meeting is the provisional closure of the process begun in 2001 in Doha, Qatar, from where the Doha Round got its name. The principal issue that continues to divide the rich and poor countries is agriculture. Mandelson said

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the EU countries really want to get this behind them. The decision was well-received in Central America.

Costa Rica's President Abel Pacheco said, "It takes us out from under the worry. It would be atrocious if the EU had taken us out of the market by their protectionist intentions." It took the WTO arbitrators 28 pages to report that the Europeans would have to revise their plans. Costa Rican Trade Minister Manuel Gonzalez said he was glad the arbitrators saw through the EU's protectionist posture on the matter and stopped the union from passing the bill on to Latin America.

Gonzalez said the next step, the negotiations, would take place in Geneva, Switzerland. If those negotiations do not result in an outcome satisfactory to the Latin Americans, another consultation would be set within 30 days. It is their right to decide whether they can live with the EU offer. The arbitrators have already said that the tariff offer on the table, 230 euros (1 euro = US$1.24) per ton, is too high and would drive the Latin American producers from the market. That is not to say, however, that the Latin Americans are entirely in the driver's seat.

Ecuador's Ambassador to the EU Mentor Villagomez said the going might still be difficult. "The referees recognize that it is difficult to deal with real numbers and that gives the EU a certain amount of wiggle room. So they say that less than 75 euros does not reflect the value of the quota." He said the referees are "disposed to accept a number larger than we want." Latin American producers currently pay 75 euros a ton. They have not formally declared how high they are willing to go, but Ecuador, the largest American exporter, is thought to be considering a ceiling in that neighborhood.

If the arbitrators accept a higher number at the end of the two possible negotiating sessions, the Americans will have no further legal recourse under WTO rules. Guatemala has said it would like to see the tariff at about 33 euros, close to Honduras, which has mentioned a figure of 40 euros.

Region still faces major market-access problems

Getting beyond bananas is only the beginning for Central America. Like other poor countries, the region has a number of agricultural issues to take on in Hong Kong. Guatemala's WTO Ambassador in Geneva Eduardo Sperison has been forging alliances with his counterparts from the G33, G20, and Cairns Group countries to carve out spaces for their products in the world's markets by eliminating the subsidies that the rich countries pay to dominate commerce. Once they have secured markets for their tropical agricultural products, the developing countries must still find niches for their services and industrial and manufactured goods.

These trade negotiations pit poor countries against rich ones as a matter of structural fact. But, with bananas, there is more complexity to the choosing of sides. On a rich-against-poor basis, the rich are the transnationals operating in Latin America versus the ACP family farmers. Seen from a different angle, it is also poor versus poor. The lot of the banana worker in Central America is not an enviable one.

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In Panama, the typical worker earns US$7.20 a day, adding up to a biweekly salary of US$86.40. From that, US$6.26 is deducted for social security. The worker pays around US$11 from that pay envelope for electricity and water, after which come expenses for transportation, education, clothing, and food, leaving, according to figures from the Sindicato de Trabajadores de la Industria del Banano y Afines (SITRAIBANA), an average daily net of US$4.90. If this wage were to support a family of five, this comes to US$.98 per person per day.

When things go badly for the transnationals, they pick up and leave, as they have done in Panama, Guatemala, and elsewhere, or they sell their facilities to workers who must eat the losses but must still sell their bananas to the transnationals, which, relieved of the burdens of ownership, can then manage to eke out a profit. Because the workers rarely have alternatives to taking over the plantations, the government must then assume the risk by providing loans, guarantees, and technical assistance to effect the transaction (see NotiCen, 2003-02-13).

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