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Bolstered by favorable rulings from the World Trade Organization (WTO), the region's banana producers met in Panama Nov. 15 to press the European Union (EU) to reduce tariffs designed to favor African, Caribbean, and Pacific producers in the European market. Ministers from Brazil, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, and Nicaragua came together with the aim of gaining "total access" to the market.

Panamanian Trade Minister Alejandro Ferrer said, "We are going to analyze scenarios and come up with a common position to meet a new offer the European Union should make." The first of the two WTO rulings struck down a European proposal to impose a tariff of 230 euros (1 euro = US$.86) per ton of Latin American bananas (see NotiCen, 2005-08-11). The EU came back on Sept. 26 with a new proposal of 187 euros, to begin Jan. 1, 2006, and the WTO spurned that one too.

Led by Ecuador, Latin America's leading banana exporter, the countries have settled on an acceptable tariff. "We have clearly said that we want the lowest possible tariff, which should not be more than 75 euros. That position has not changed," said Costa Rican Foreign Trade Minister Manuel Gonzalez Saenz. Costa Rica is the second-largest banana exporter. The problem for the Latin Americans is not just the amount of the tariff. The European offer also included a duty-free quota for bananas from the Africa-Caribbean-Pacific (ACP) countries that would have allowed those countries free access to the market for 775,000 metric tons of bananas.

Under the previous regime, which the EU is attempting to replace with a single tariff, the Latin Americans paid US$91.50 a metric ton and the ACP countries paid nothing. In its latest ruling, a WTO arbitration body found that the offer failed to comply with global trade rules, just as the earlier offer had. The report said the new tariff "would not result in at least maintaining total market access" for the Latin Americans. Panama's WTO Ambassador Norman Harris welcomed the finding saying, "Today's condemnation, like the first one, is unambiguous. The arbitrator once again found that the EU's huge tariff increase is squarely in violation of its commitment" to assure market access.

EU agriculture commissioner Mariann Fischer Boel responded to the ruling, saying, "We believe that the system we proposed would have maintained fair access to our markets. We calculated the proposed tariff in a neutral and transparent manner, based on a comprehensive legal and economic analysis." But the calculation was found wanting, and now the EU must address the tariff program through negotiations with the Latin American countries, otherwise its preferential treatment of its traditional ACP suppliers could be ruled illegal by the WTO.

Outrage and despair in the ACP

Despite the EU commitment to ACP producers, many of those producers were against Europe's taking the issue to the WTO in the first place. The Caribbean Community (CARICOM) would have

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preferred negotiations among the parties from the outset, said St. Vincent and the Grenadines Prime Minister Ralph Gonsalves, who has responsibility for the banana trade in CARICOM. "However, the route of litigation rather than negotiation was pursued despite repeated pleas from various suppliers in the African, Caribbean and Pacific states, including the Windward Islands (Dominica, Grenada, St. Lucia and St. Vincent), Latin America, and among trade unions and the NGO community."

"There is a feeling of outrage in the region," said Richard Bernal, director general of the Caribbean Regional Negotiating Machinery (RGM), which coordinates the region's position. That feeling was evident in a statement from the Caribbean Banana Exporters Association (CBEA), which called the ruling a "monumental disaster for the ACP banana-supplying countries." The ACP countries now want to postpone the single tariff pending some compromise. These countries have said they cannot continue to produce in the new trade environment.

"Unless a solution is found within the coming weeks, the consequences for the Windward Islands would be particularly serious since they rely on preferences for the successful exportation and sale of their bananas," said Gonsalves.

Disappointment, if not despair, is now widespread among the producers, and officials are reported to be doing what they can to keep them producing in the hope of working something out. Their need for preferential treatment derives from being very small producers who cannot compete with the economies of scale of the Latin Americans, which are for the most part multinational corporations with plenty of staying power.

"Preferences are vitally important to the ability of small and vulnerable countries like St. Lucia to export bananas, yet this issue has received a hostile reception in the WTO. These preferences harm no one. The Caribbean has no desire or ability to damage the trading interests of Latin American or any other importers," said St. Lucia's Foreign Affairs Minister Petrus Compton.

The basis for the preferences is the Cotonou Partnership Agreement, signed in June 2000 in Cotonou, Benin, by 77 ACP countries and 15 EU member states. It supplants the 1975 Lome Convention and aims to alleviate poverty and promote sustainable development and the integration of the ACP countries into the world economy. It is a 20-year agreement with provisions for revision every five years.

The Latin Americans are unmoved by the plight of their Caribbean neighbors and the others. On Nov. 15 they said unequivocally they would not budge in their stand against the EU proposal or any further attempt by Europe to set a tariff unilaterally. Europe is stuck with a deep and longstanding commitment to the economic survival of its former colonies and dependencies while simultaneously responding to WTO rules and Latin American demands, as this timeline illustrates: 1989 Protocol 5 of the Fourth ACP-European Community (EC) Convention, signed at Lome, safeguards the advantages of traditional banana suppliers, guaranteeing a favorable position for ACP producers.

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1993 July EC regulation 404/93 adopted, enshrining a Common Market Organization (COM) for bananas eliminating internal barriers to trade, unifying external trade standards, and assigning quotas to ACP suppliers and others at 2.2 million MT.

1993 Dispute-settlement panel established to assess COM compatibility with GATT.

1994 Banana Framework agreement (BFA) concluded giving quota shares to Costa Rica (23.4%), Colombia (21%), Nicaragua (3%), and Venezuela (2%). This was in response to a complaint from these countries, which was dropped.

1995 January With the accession of Austria, Finland, and Sweden to the EU, the quota for Latin American bananas (dollar bananas, or Most Favored Nation (MFN) bananas, and nontraditional ACP bananas increased to 2.553 million MT. A duty of 75 euros per MT was set.

1996 WTO panel expels ACP legal advisors. Saint Lucia permanent representative protests and walks out.

1997 Panel rules against COM and requires that it be brought into conformity with WTO rules. This ruling was appealed.

1999 US imposes US$200 million in sanctions on imports from Europe for failure to implement panel ruling.

2001 April US trade representative (USTR) and commission reach agreement; a single tariff will come into effect Jan. 1, 2006. In a separate agreement, Ecuador was included.

2001 November WTO decision to grant waiver for Cotonou Agreement until 2008 covering duty-free treatment for ACP and reservation of 750,000-MT quota for ACP.

2002 January Reform of regime. Transfer of 100,000 MT from ACP quota to other quotas, bringing those quotas to 2.653 million MT. ACP reserved quota remains at 750,000 MT.

2004 May Ten new member states join EU, MFN quotas increased by 350,000 MT.

2004 November EU starts negotiations (GATT Article 28) with "principal suppliers of bananas."

2005 January Talks break down. EU announces intention to set single tariff at 230 euros/MT from January 2006.

A brutal market no matter what the outcome

The current situation pitting the Latin Americans against the ACP countries is not the whole banana story. If the outcome favors the ACP countries, it will not ensure the survival of Caribbean

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producers. If the Latin Americans come out on top, it will not improve the lot of banana workers nor will it guarantee the survival of producers other than the multinationals.

In Panama, for instance, the multinational Chiquita Brands sold its unprofitable plantation to its workers, who had no economic alternative but to buy it (see NotiCen, 2003-02-13). They organized as the Cooperativa de Servicios Multiples de Puerto Armuelles (COOSEMUPAR) and took control of the operation with government help and under the onerous condition that they could only sell their bananas to Chiquita. Under the contract, Chiquita is only obligated to buy in the second half of the year the same amount they bought in the first half. When COOSEMUPAR attempted to sell its excess elsewhere, Chiquita prevented the sale, leading to crippling losses for the co-op. The excess amounted to 40,000 boxes weekly from late September until the end of the year. The co-op has 2,800 member-workers.

Co-op board president Sixto Gutierrez said, "This additional loss will quickly break the cooperative. The only thing that could intervene for Chiquita Brands to suspend the 50-50 clause is the government." The government in the person of vice minister of trade Manuel Jose Paredes said there was little it could do, blaming the problem on faulty production schedules on the part of the co-op.

The government had, the month previous, gotten Chiquita to temporarily suspend payment of the co-op's debt, but the co-op would not agree to conditions, preventing a refinancing plan from being completed. The co-op was left barely able to make interest payments on its loan from Banco Nacional de Panama. That was in September.

By mid-November, the government had brokered a reduction in interest with Banco Nacional from 7% to 5%, but the co-op remained on the brink of collapse. Workers now earn barely half the salary they got when Chiquita owned the operation. Labor Minister Reynoldo Rivera cautioned the co-op members to become more efficient. The government still maintains it can do little about the contract between the parties, Rivera only venturing, "It is necessary that the involved parties in the banana industry, like COOSEMUPAR and Chiquita, come to an understanding so that the industry can persist and so that the anguish that seems to come up every two weeks can be eliminated."

On the ACP side, the situation for many will remain dire with or without a favorable WTO finding. In Britain, the major buyer of ACP conventionally traded bananas, meaning all but the 20% of the bananas produced in the Windwards that is fair traded, have been the subject of a bitter price war. The five biggest British supermarkets have slashed prices at the expense of these producers. Latin American banana workers are also losers in this war to the extent that their bananas are involved, and the multinationals cut wages to compete. In the supermarket, a banana is a banana.

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