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Barbara Khol

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Update On Latin American Banana Producer Nations' Response To Potential E.e.c. Quotas & Tariffs

by Barbara Khol

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May 20: In Brussels, European Community spokespersons said banana exports by African, Caribbean and Pacific (ACP) to Community member-nations will be maintained. The quota and tariff system recommended by the EC Commission for Latin American banana imports has not yet been quantified. [See Chronicle 05/19/92 for previous coverage of EEC concerns and Latin American and Caribbean banana exporter-nation preferences.] Sixty percent of bananas consumed in Europe derive from Latin America. The ACP supplies 19% of the European market, and domestic producers (mainly Canary Islands), 21%. May 21: In San Jose (Costa Rica), European Parliament president Fernando Suarez said the impact on Central American banana exports to Europe under the proposed quota system will not be negative. He added that there is "no reason" for "great alarm" about the quotas. Suarez, a Spanish national, headed a 26-member European Parliament delegation touring Central America and Mexico to collect data on EC-supported social and economic development programs. During the past week, Costa Rican President Rafael Angel Calderon, Panamanian President Guillermo Endara and Honduran President Rafael Callejas met with French President Francois Mitterand, and the prime ministers of Britain, John Major, and of Belgium, Jean-Luc Dehaene. According to local and foreign media sources, the presidents failed to persuade European leaders to drop the Community-wide 20% tariff on Central American and Latin American banana imports, effective Jan. 1, 1993. Panama supplies 10.6% of the 12-nation European market; Costa Rica, 9.3%; and, Honduras, 8.1%. Central American government officials say that once EC quotas are imposed next year, regional banana exports will decline by 30%. At a press conference in Brussels, Callejas said, "The EC is not capable of sustaining the principle of the free market." The EC Commission decision in April to exclude bananas from General Agreement on Tariffs and Trade (GATT) rules allows the Commission to maintain existing tariff and quotas on banana imports. The decision was adopted to ensure that ACP suppliers would continue to receive benefits specified in the Lome IV agreement. EC officials said current prices on banana imports vary significantly. The Latin American product costs US\$450 per metric ton, compared an average US\$650 for Caribbean imports, and US\$900 on bananas from the Canary Islands. May 23: Costa Rican and Colombian officials asserted that if diplomatic measures fail, both governments plan to submit a legal challenge before the GATT against the EC. EC spokespersons said proposed quotas and tariffs on banana imports are not in violation of GATT principles, since they are temporary and "negotiable." The objective is to regulate the global banana trade aimed at market liberalization within five to 10 years. May 25: In response to the EC's "intransigence," the Union of Banana Exporting Countries (UPEB) recommended that Latin American heads of state boycott the second Ibero-American summit scheduled for late June-early July in Madrid. According to the UPEB, Spain in particular, and France, Italy and Greece to a lesser extent, are pushing the EC to restrict market access. Next, the UPEB called for direct negotiations between consumer and producer nations on setting quotas. Costa Rican President Calderon rejected the idea of boycotting the Ibero-American summit. On the contrary, he said, "we must go to the meeting to seek support from the Spanish government." Honduran President Callejas has also dismissed the idea of a summit boycott. May

26: In Quito, Manuel Vicanco, director of the Ecuadoran Exporters Federation (FEE), told reporters that the federation plans to launch a publicity campaign in Europe to pressure the EC into dropping quotas and tariffs. Ecuador, the world's largest banana producer, exported 2.5 million MT of the fruit in 1991. According to Vicanco, Ecuador's major banana exporters would accept a 20% tariff, given that tariffs are already applied in several European countries. A quota system, he said, is expected to cause a 30% decline in export sales, and is therefore, unacceptable. Colombian Foreign Trade Minister Juan Manuel Santos told reporters that he would submit criticisms of the banana import quota system during a meeting of Rio Group and EC foreign ministers scheduled to begin May 27 in Santiago, Chile. According to Santos, the EC Commission recommendation not only contradicts "all they have been promoting for years," but would also constitute a setback for the GATT Uruguay Round. Washington Herrera, Ecuadoran Ambassador to Chile, told reporters in Santiago that the trade restrictions proposed by the EC will impose high social costs on banana producer nations. Herrera was participating in preliminary technical sessions of the Rio Group-EC foreign minister meetings. According to Herrera, the 20% tariff proposed by the EC is expected to cut revenue obtained by producers by the same proportion, since producers will end up paying the tariff, not importers. He added that a quota system would further aggravate economic and social costs in Latin American banana producer nations. May 27: Ecuadoran Agriculture Minister Alfredo Saltos said that if the EC restrictions are implemented, Ecuadoran banana exports will decline by 700,000 MT per year. Revenue from banana sales accounts for about a quarter of the nation's export income. In 1991, Ecuador exported 2.6 million MT of bananas, earning US\$716 million. May 28: Ecuadoran Foreign Minister Diego Cordovez said his government will promote a Latin American diplomatic offensive aimed at finding a mutually satisfactory solution ensuring free access by regional banana producers to the EC market. Industry and Trade Minister Juan Falconi went further, alluding to trade reprisals against EC products if the quotas are applied. Ecuadoran exporters say the EC plans to establish a 1.4 million MT quota on Latin American banana imports next year. EC diplomatic sources in Andean nation capitals say that under Community regulations, the annual quota could be increased by another 800,000 MT. At present, EC member-nations import a total 2.2 million MT of bananas from Latin America per year. In Santiago, Ecuadoran Foreign Minister Cordovez requested a "new formula" to protect banana producer nations. After asserting that Ecuador has no intention of competing with Caribbean and African producers, he said, "We want a free market." May 29: In Quito, during a meeting at the presidential palace, Ecuadoran banana producers asked that President Rodrigo Borja intervene immediately to seek a "political solution" to the threat of banana import quotas and tariffs imposed in January 1993. (Basic data from Inter Press Service, 05/21/92; and numerous reports by Agencia Centroamericana de Noticias-Spanish news service EFE, 05/21/92, 05/25/92; Chinese news service Xinhua, 05/26/92, 05/27/92; Agence France-Presse, 05/23/92, 05/25/92, 05/26-28/92; Spanish news service EFE, 05/20/92, 05/24-26/92, 05/28/92, 05/29/92)

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