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Guest Author

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Uncertainty and surplus have the banana industry here bracing for a possible recession next year, when changes take effect in Europe's import policy that could reduce Costa Rica's market share for the already undervalued fruit. The European Union (EU) on Oct. 9 approved reforms to its banana-import policy that eliminate the old system of pre-approved quotas from its Latin American suppliers. Included is Costa Rica's quota of 25.6% of the 2.55 million metric tons of bananas that Europeans buy from growers in Latin America and the Caribbean.

Jorge Sauma, president of the National Banana Corporation (CORBANA), told The Tico Times this week that analysts were already questioning the reform's compatibility with World Trade Organization (WTO) fairness norms. Intense discussion over the coming six weeks will determine the shape of the final reform, which will take effect in mid-2001.

As it is now, the reform establishes a first-come, first-served policy that growers here fear will result in fewer exports, exacerbating a local market already depressed by a world glut of bananas that has caused the price to dip to US$5.20 per 18-kg box only US$0.50 above Costa Rica's break-even production price.

Europe is Costa Rica's second-largest banana market after the US, buying half the country's approximately 100 million boxes of production. The surplus has already obliged Costa Rica's branch of US multinational grower Chiquita Brands to stop buying through December the production of some 14 independent growers. The local press reported that more than 200 of the 7,000 workers employed by the independent growers have already been laid off. The government pledged last week to create a subsidy that could help the sector weather its troubled times, but no concrete plans had been announced by press time.

Bananas are Costa Rica's most important agricultural export and third-largest overall export after microchips and textiles. Exports of the fruit are already about 20% lower than last year, Sauma said. The Caribbean Zone, with its massive plantations and vital port city of Limon, will be the hardest hit by reduced banana exports, said economist Carlos Alpizar of consulting firm Ecoanalysis, who denied that the crisis would hit the rest of the country's economy as hard. "The country's economy is now more diverse than it was years ago," he said. "Limon will suffer the most."

Government statistics published this week in the daily La Nacion show that banana workers account for 14% of the country's total agricultural work force, but only 3% of total workers. Nevertheless, a depressed banana industry will spark a chain reaction affecting transport, dock workers, and

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finance, as banks become more cautious about lending, interest rates rise, and devaluation of the currency increases.

Sauma said Costa Rica, Colombia, Nicaragua, and Panama will continue to lobby Europe for a modified reform. He said the proposed reform favors only Ecuador, the world's largest banana-producing nation, where wages are rock bottom and social conditions are far below Costa Rica's.

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