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The implications for bananas of the recent trade agreements between the EU and Andean and Central American countries

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the presentation



the agreements

the expected effects

***for the countries directly involved
for third countries***



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the agreements

- in March the EU concluded trade agreements with Peru and Colombia
- in June concluded a similar trade agreement with Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua and Panama
- these trade agreements are part of wider Association Agreements, which include two more 'pillars': a cooperation agreement and a political dialogue agreement
- the agreements need to be ratified



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the agreements and bananas

- EU concessions on bananas are the same in all agreements
- the EU will progressively reduce its import tariff on bananas originating in the countries involved to **75€t** by January 1, 2020
- between the entry into force of the agreement and 2020 a **'safeguard' clause** (**'stabilization' clause** in the text of the agreements) will apply



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the agreements and bananas

- if imports from a specific country in a given calendar year exceed that country-specific 'trigger import volume' (TIV), then the EU may suspend for up to three months, or up to the end of the calendar year (whichever comes first) the preferential regime, reverting to the imposition of the MFN tariff
- the fact that the preferential tariff can be suspended for no more than three months is the only thing which makes the safeguard mechanism different from a TRQ



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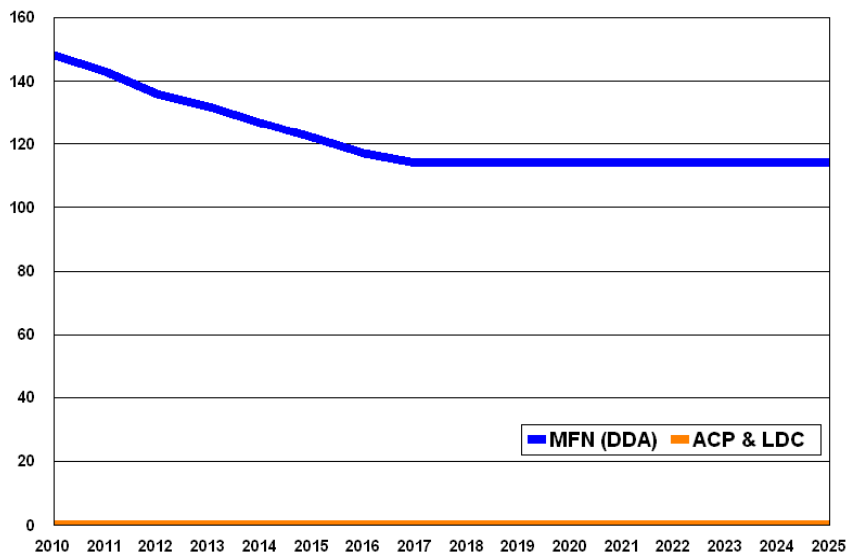


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the agreements and bananas

EU import tariffs for bananas under different import regimes (euro/t)



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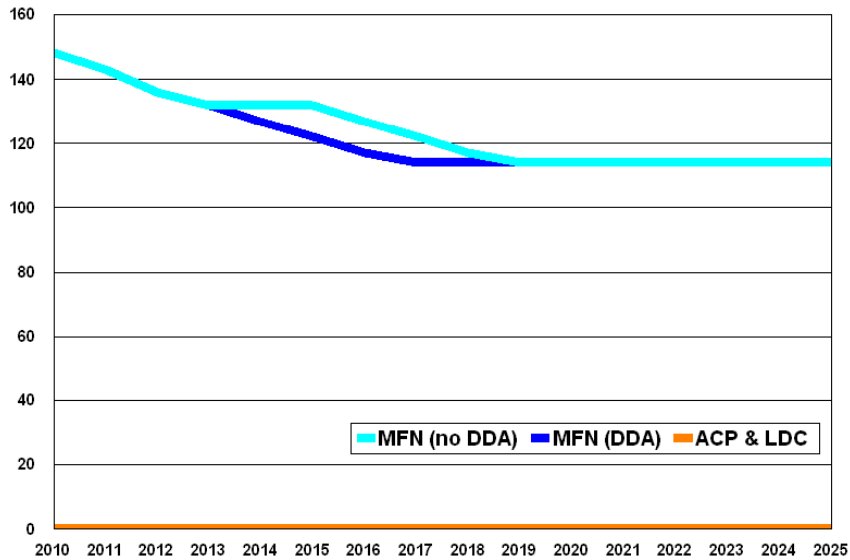


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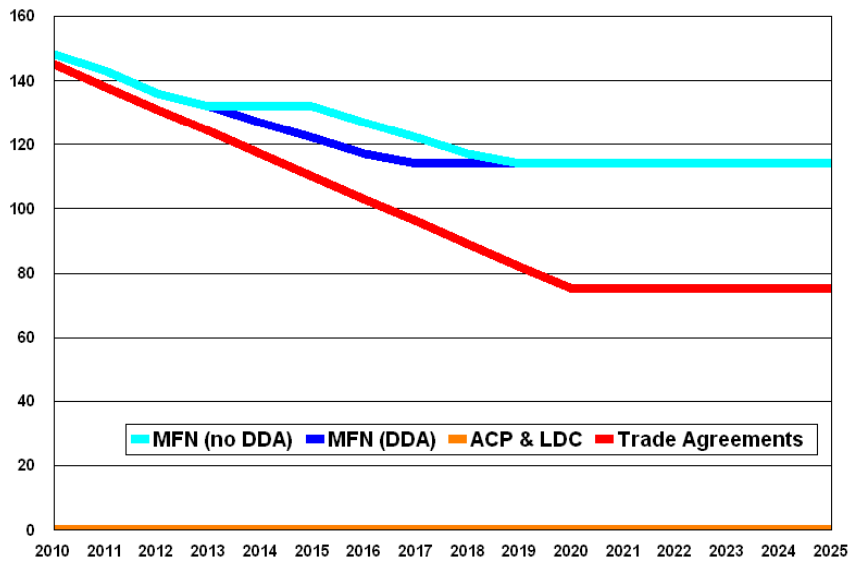


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EU import tariffs for bananas under different import regimes (euro/t)

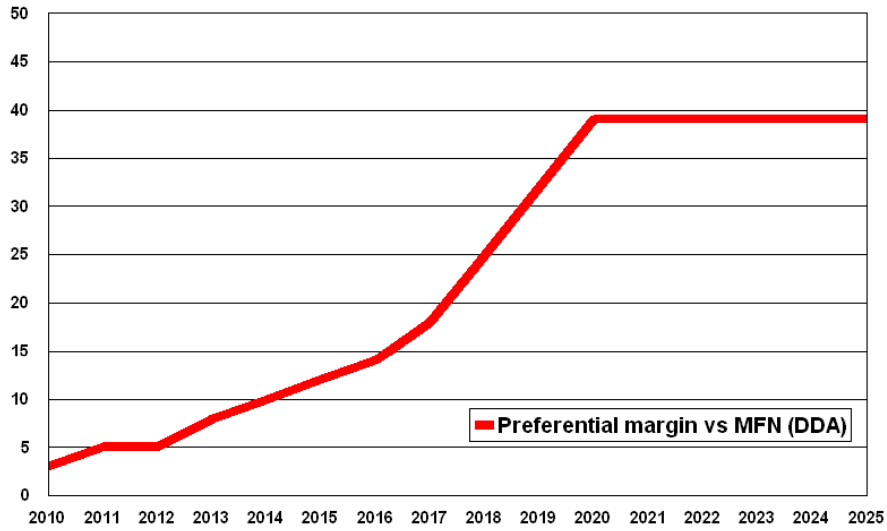


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Preferential margins under the trade agreements (euro/t)

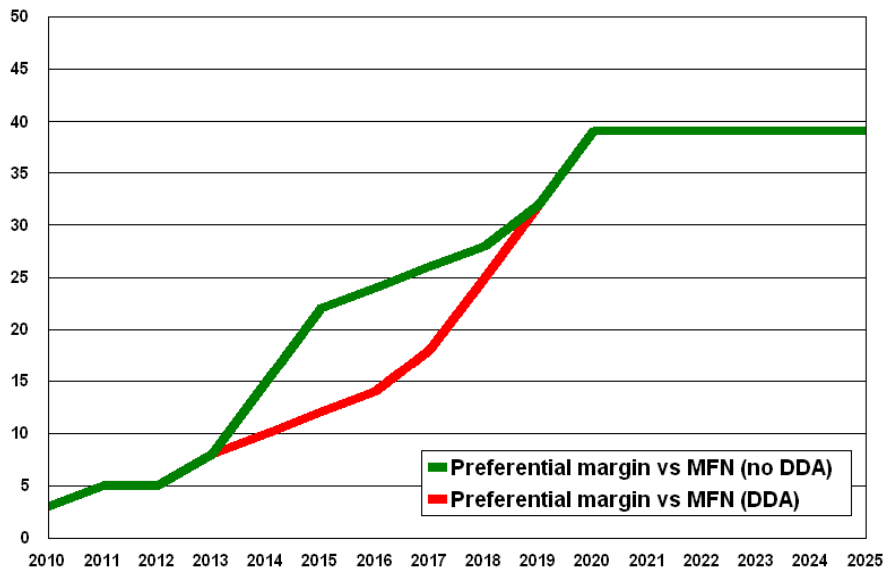


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Preferential margins under the trade agreements (euro/t)



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Table 2 EU Association Agreements with Andean and Central America countries. Bananas, 'trigger import volumes'. (t)

	Colombia	Peru	Costa Rica	Panama	Honduras	Guatemala	Nicaragua	El Salvador
2010	1.350.000	67.500	1.025.000	375.000	50.000	50.000	10.000	10.000
2011	1.417.500	71.250	1.076.250	393.750	52.500	52.500	10.500	10.500
2012	1.485.000	75.000	1.127.500	412.500	55.000	55.000	11.000	11.000
2013	1.552.500	78.750	1.178.750	431.250	57.500	57.500	11.500	11.500
2014	1.620.000	82.500	1.230.000	450.000	60.000	60.000	12.000	12.000
2015	1.687.500	86.250	1.281.250	468.750	62.500	62.500	12.500	12.500
2016	1.755.000	90.000	1.332.500	487.500	65.000	65.000	13.000	13.000
2017	1.822.500	93.750	1.383.750	506.250	67.500	67.500	13.500	13.500
2018	1.890.000	97.500	1.435.000	525.000	70.000	70.000	14.000	14.000
2019	1.957.500	101.250	1.486.250	543.750	72.500	72.500	14.500	14.500
from 1.1.2020	na	na	na	na	na	na	na	na

- TIVs are linked to each country's recent exports, but not obtained by applying the same 'rule' to all countries
- TIVs for Colombia and Peru are the **least** and the **most** generous, respectively



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the short term impact for the countries involved

- the impact of the trade agreements for the banana markets will be initially small, but will increase as the preferential margin will increase
- the impact between 2010 and 2020, because of the 'safeguard' clause, will depend on the exports which would have occurred if the agreements had not been signed
- **four cases** are possible



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the short term impact for the countries involved

- **Case 1:** *in the absence of any agreement, exports to the EU subject to the MFN tariff would be equal to, or larger than, the TIV*

*in this case exports and equilibrium prices would remain unchanged under the agreements, their only effect being an **income transfer** from the EU budget to (most likely) banana traders, in the form of '**rents**' deriving from the lower tariff applied on the country's exports up to the TIV*



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the short term impact for the countries involved

- **Case 2:** *in the absence of any agreement, exports to the EU subject to the MFN tariff would be above 0 and below the TIV*

*in this case the agreements will lead to an **increase in the country's production, exports and price received***

*in this case too, depending on the equilibrium reached, part of the reduction in EU tariff revenue may well become '**rents**' to be accrued (again, most likely) by banana traders*



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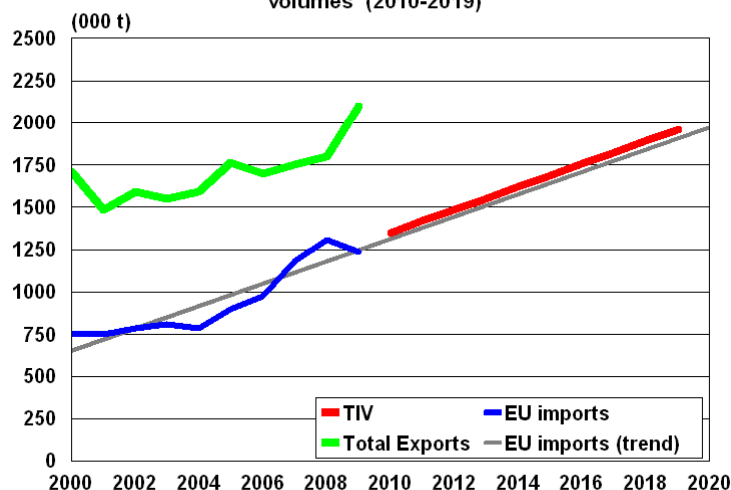
the short term impact for the countries involved

- **Case 3:** in the absence of any agreement, no exports to the EU would occur at the MFN tariff, but they become profitable under the preferential tariff
- **Case 4:** in the absence of any agreement, no exports to the EU would occur at the MFN tariff, and the preferential margin granted by the agreements is not sufficient to make them profitable



Colombia, a 'Case 1' candidate

Colombia: exports to the EU-27 and total exports (2000-2009); 'trigger import volumes' (2010-2019)

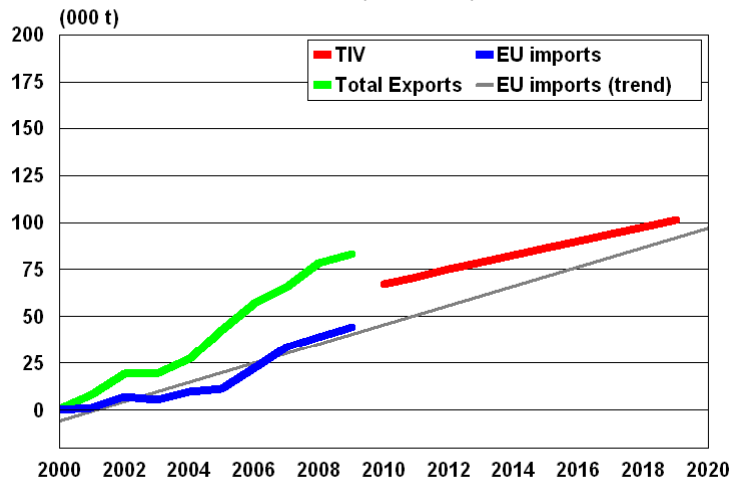


Source for trade data: Comext, Comtrade.



Peru, Costa Rica and Panama, possible 'Cases 2'

Peru: exports to the EU-27 and total exports (2000-2009); 'trigger import volumes' (2010-2019)



Source for trade data: Comext, Comtrade.



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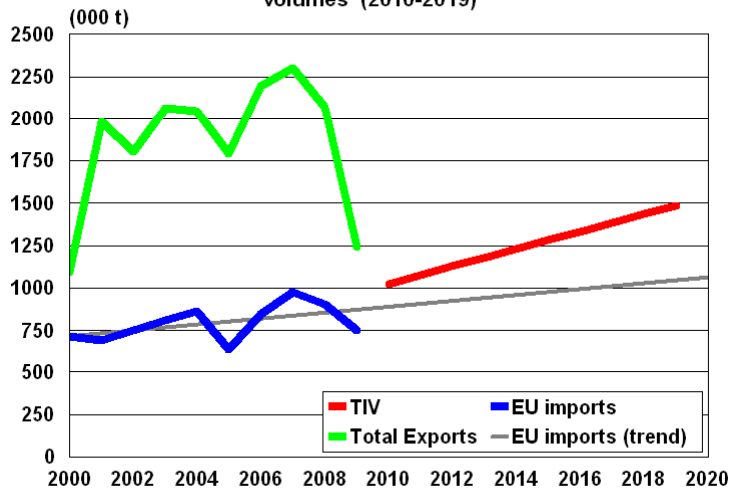


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Peru, Costa Rica and Panama, possible 'Cases 2'

Costa Rica: exports to the EU-27 and total exports (2000-2009); 'trigger import volumes' (2010-2019)



Source for trade data: Comext, Comtrade.



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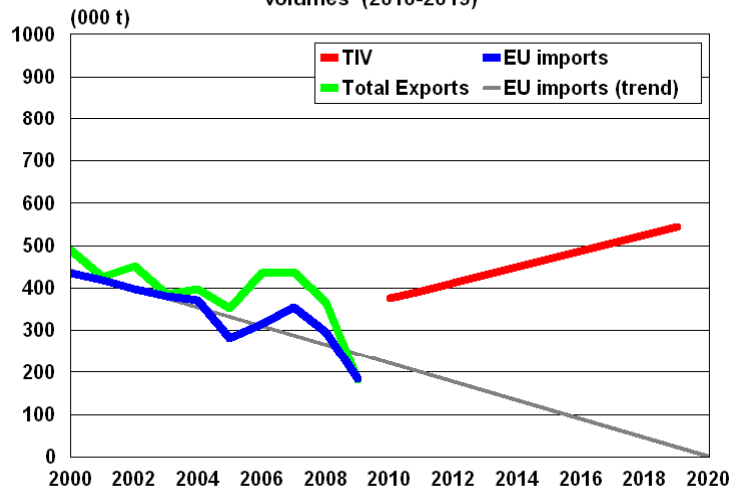


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Peru, Costa Rica and Panama, possible 'Cases 2'

Panama: exports to the EU-27 and total exports (2000-2009); 'trigger import volumes' (2010-2019)



Source for trade data: Comext, Comtrade (Faostat for total exports in 2004).



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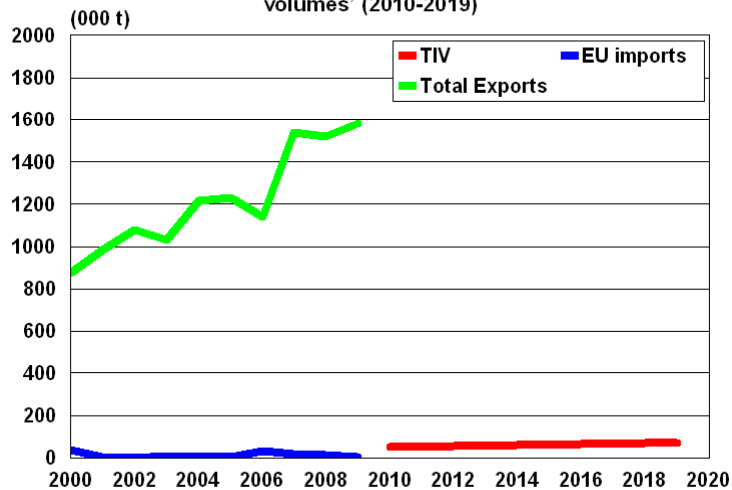


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Guatemala, Honduras and Nicaragua, possible 'Cases 3'

Guatemala: exports to the EU-27 and total exports (2000-2009); 'trigger import volumes' (2010-2019)



Source for trade data: Comext, Comtrade.



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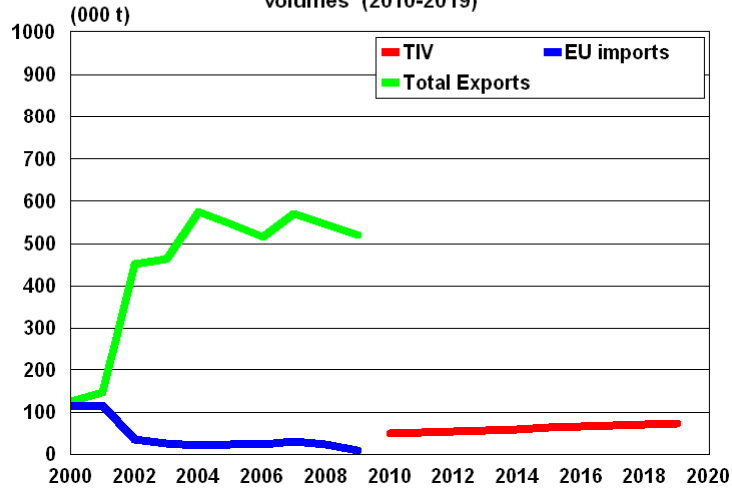


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Guatemala, Honduras and Nicaragua, possible 'Cases 3'

Honduras: exports to the EU-27 and total exports (2000-2009); 'trigger import volumes' (2010-2019)



Source for trade data: Comext, Comtrade.



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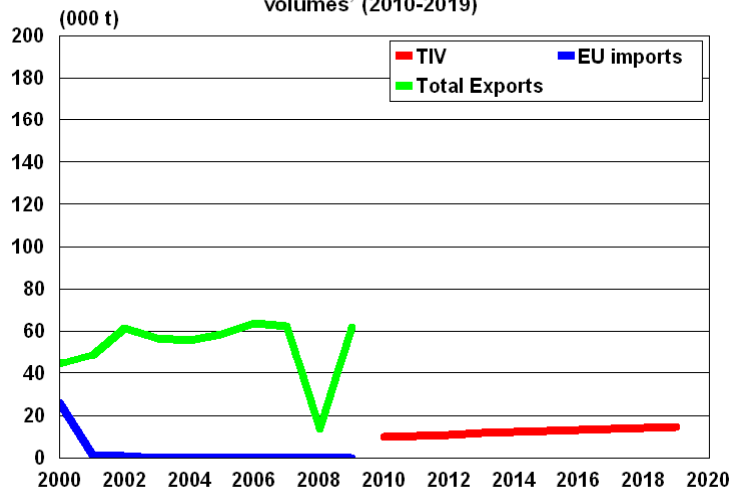


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Guatemala, Honduras and Nicaragua, possible 'Cases 3'

Nicaragua: exports to the EU-27 and total exports (2000-2009); 'trigger import volumes' (2010-2019)



Source for trade data: Comext, Comtrade.



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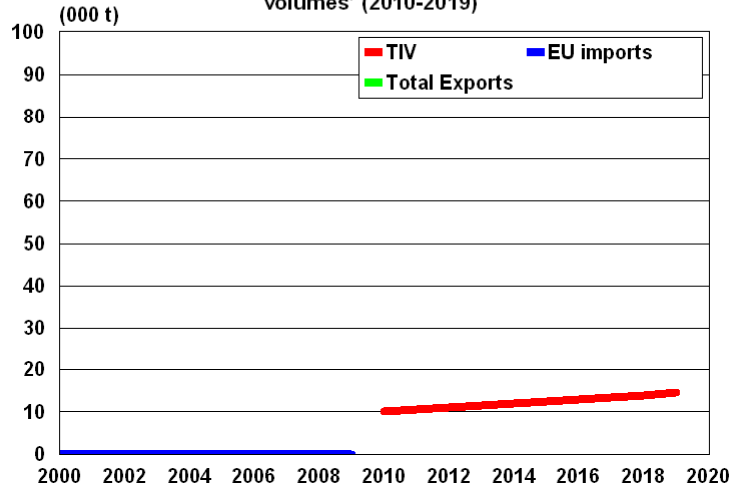


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El Salvador, either a 'Case 3' or a 'Case 4'

El Salvador: exports to the EU-27 and total exports (2000-2009); 'trigger import volumes' (2010-2019)



Source for trade data: Comext, Comtrade.



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the impact for the countries involved in the medium term

- in the medium term the benefits for those countries already exporting bananas to the EU will be conspicuous; they will see both their **exports** and the **price** they are paid for their bananas increase
- this should be the case for countries such as **Colombia, Costa Rica, Panama and Peru**



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the impact for the countries involved in the medium term

- for those countries which currently do not export bananas to the EU, or are only marginal exporters, benefits from the agreements will materialize only if the increase in their competitiveness on this market as a result of the preferential margin granted will be sufficient to overcome the negative factors which currently make their exports unprofitable

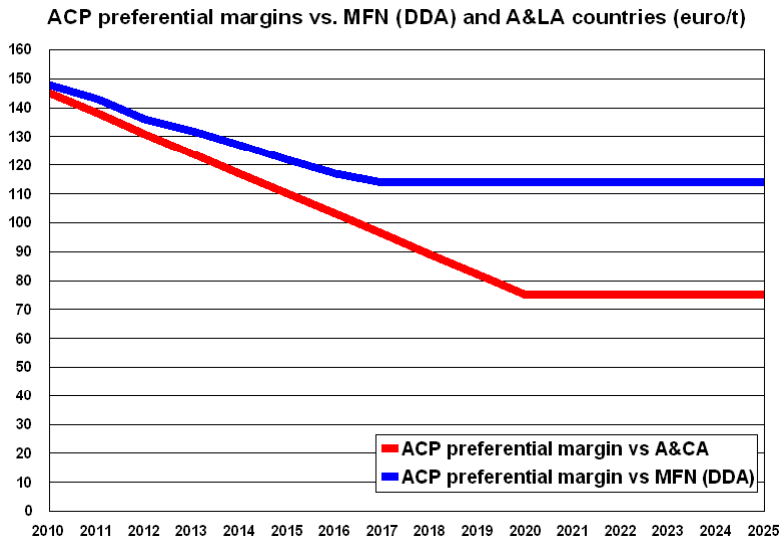


the impact for third countries

- in the medium term, other MFN exporters to the EU (the most important, by far, being **Ecuador**), ACP and LDC countries are all expected to see their relative **competitiveness** on this market **fall** with respect to the signatories of the trade agreements



the impact on ACP competitiveness on the EU market



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the impact for third countries

- in the medium term, other MFN exporters to the EU (the most important, by far, being **Ecuador**), ACP and LDC countries are all expected to see their relative **competitiveness** on this market **fall** with respect to the signatories of the trade agreements
- *ceteris paribus*, they are expected to **export less** to the EU and **receive a lower price** for their exports



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the impact for third countries

- **however, in markets different from the EU, imports will decline and prices increase (as a result of the trade diversion of some of the exports of the Andean and Central American countries)**

third countries are expected to expand their exports to these markets, but this will only partially compensate for the decline of their exports to the EU



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the impact on EU producers

- **production in the EU will not be significantly affected by the agreements because of the specific provisions of the EU domestic policy regime for bananas**
- nevertheless, EU producers will see their incomes decline because of the lower domestic price**



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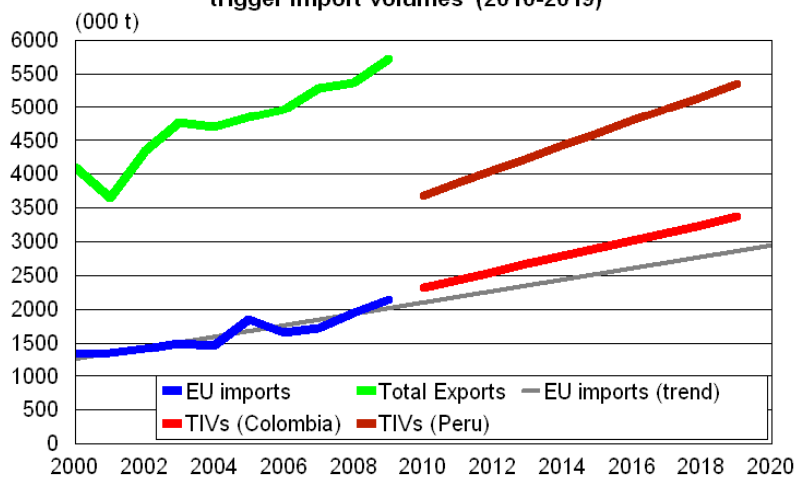


what's next?

- originally the negotiations involved all four member countries of the *Comunidad Andina de Naciones*; however, **Bolivia** pulled out from the negotiations in 2007 and **Ecuador** 'suspended' its participation in 2009
- **Ecuador** being the largest exporter of bananas to the EU, an agreement similar to that signed by Colombia and Peru would certainly bring **considerable benefits** to its banana industry

what's next?

Ecuador: exports to the EU-27 and total exports (2000-2009); likely range of 'trigger import volumes' (2010-2019)



what's next?

- not surprisingly, in fact, after **Colombia** and **Peru** had concluded the agreement, **Ecuador** declared an interest in resuming negotiations with the EU
- all other exporters to the EU would prefer an agreement with Ecuador not to materialize, as this would either reduce the preferential margin which they have just secured, or further reduce the competitiveness of their banana exports to the EU



Thanks!

