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EU strikes banana trade deal with Latin America

Agreement on banana tariffs has been struck between the EU and Latin American countries, allowing the two sides to map out the end of a bitter and long-standing trade dispute.

The EU reached agreement with Latin countries on Monday and initialled the pact on Tuesday evening in Geneva.

Full signature of the accord will take place at a later date, once the Council and the Parliament - under the terms of the newly approved Lisbon Treaty - approve the deal.

Commission president José Manuel Barroso said: "I am delighted that we have finally found a way to solve the bananas dispute with a compromise that works for all sides".

Farm Commissioner Mariann Fischer Boel added that the agreement would help to kick-start the currently stalled Doha Round of world trade talks.

The deal is a stand-alone pact on banana tariffs, but it also includes ambitious blueprints on tropical products and other areas linking into the Doha package.

Under the terms of the agreement, the EU is to reduce the tariffs it applies to banana imports from Latin American countries, who have contested the EU's application of punitive tariffs while allowing ACP bananas duty-free quota-free access to European markets.

There will be an immediate reduction of the Latin tariffs from \$176/tonne to \$148/t, once the deal is officially signed by all parties. This will be followed by successive annual cuts until a final tariff level of \$114/t is reached, at the earliest by 2017 (see table on page EP/2).

Signature of the deal will also bring an end to years of legal challenges at the WTO, where the EU regime has repeatedly been found to discriminate against Latin American countries.

According to the European Commission, by signing the agreement the Latin countries have agreed not to demand any further tariff reductions, and to drop all challenges against the EU.

The deal will be followed by a subsequent agreement with the US, who will also agree not to challenge the EU regime.

America is a key stakeholder in the talks, due to the large presence of US multinationals in the Latin American banana exporting industries. **(Continued on page EP/2)**

Immediate tariff cuts

€200m pay-off for ACP

A compensation fee for ACP countries who are set to lose EU market share will also be factored into the text.

As the likelihood of a deal has grown, focus has shifted to compensatory development aid for the ACP countries – with the group’s latest statement calling for some €250m for the 2010-2013 period as the “minimum” sum needed to facilitate adaptation to the new regime.

However, a figure of €200m - all additional to existing aid packages - was agreed in the end-game of talks.

The Commission said that the deal factors in enough time for the ACP countries to adapt, while offering “predictability” in the form of a pledge not to make any further changes in the remit of the Doha round.

Mixed reactions

Reactions to the deal have been mixed.

UK Conservative MEP Robert Sturdy MEP, international trade spokesman of the European Conservatives and Reformists group in the European Parliament, said that it was a welcome step towards

EU import tariff schedule on non-preferential bananas	
	€ per tonne
Current tariff	176
2010	148
2011	143
2012	136
2013	132
2014	127*
2015	122*
2016	117*
2017	114*
Note: * Implementation to be delayed for up to 2 years in the absence of a Doha deal.	

driving consumer prices down in the EU.

“Whatever the justification, it was wrong for the EU to give preferential treatment to one set of producers over another. Ending a bitter and long-running dispute with Latin America and the USA is significant because it shows that with a little bit of good will, we can move past protectionism,” he said.

Meanwhile, in a study timed to coincide with agreement in Geneva, the International Centre for Trade and Sustainable Development (ICTSD) has projected an increase in EU banana imports by six percent under the terms of the deal.

“ACP exports to the EU will decrease by 14 percent, and there will be a 17 percent increase in exports from other countries, largely Latin American”, according to the study.

Outcome if no Doha deal

ACP countries would incur the smallest losses in export earnings if a banana deal and a Doha Round agreement were concluded together, the ICTSD said.

“Latin American and ACP countries, together, could stand to lose US\$381 million in export revenues after the cuts if a banana deal occurs without a Doha agreement in place,” it was explained.

The compromise agreed on this week was put loosely in place in the remit of last year’s Doha Round talks in Geneva, but was shifted towards a stand-alone deal as Doha negotiations struggled to move forward this year.

Upon signature of the deal, the Commission said that major progress had been made on tropical products and preference erosion – two issues currently outstanding in the Doha texts - alongside the banana negotiations.

“The EU, ACP and Latin American countries have agreed on an approach on the so-called ‘tropical’ and ‘preference erosion’ products, which they will jointly promote in the context of the on-going DDA negotiations.

“‘Tropical products’ will be subject to deeper tariff cuts, while tariff cuts for ‘preference erosion’ products of interest to ACP countries will be conducted over a relatively longer period,” it was declared on Tuesday.

Lamy calls for Doha stock-take in March

WTO members have been urged to devote a full week in March to Doha Round ‘stock-taking’ in Geneva, in what represents a potential forum for reopening the stalled talks at ministerial level.

Director General Pascal Lamy called for the last week of March to be penciled in for a serious review of the Doha process and an attempt to analyse whether the aim of a final agreement by the end of 2010 remained feasible.

Reporting back on recent activities in Geneva this week, Lamy said the recent fully-fledged Ministerial Conference had given ministers a valuable chance to “catch up”, both officially and in multiple bilateral meetings, he said.

The meeting was focused on discussing WTO reform - but was also used by delegations to re-establish political support for concluding the Doha Round (see [AE2390, 04.12.2009, EP/1](#)).

Two-pronged approach

Subsequently, work has continued in line with the two-pronged approach outlined earlier in the year by new Agriculture negotiations chief David Walker.

The first strand involves work to develop ‘templates’, taking the