EU, Latin American Accord Ends Banana-Import Dispute (Update1)

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By Jennifer M. Freedman

Dec. 15 (Bloomberg) -- The European Union and Latin American countries including Ecuador and Guatemala reached an agreement over the EU's banana-import policies, settling the longest-running dispute at the World Trade Organization.

Under the deal secured today, which also has U.S. backing, the EU will cut duties on bananas from Latin America to 114 euros ($166) a metric ton from 176 euros over seven years, the European Commission said in a statement from Brussels. The change means banana prices in the EU will drop 11 percent while Latin American producers will see exports climb, said Giovanni Anania, a professor at the University of Calabria in Italy.

"The clear winner will be the Latin American countries, because they will expand their exports to the EU by roughly 17 percent," he said in a telephone interview. "Total exports of bananas from Latin America to all markets will increase by 3.2 percent" while producers in African and Caribbean countries will see shipments of the fruit to the EU decline 14 percent.

Companies and consumers in the U.S. will also be affected, Anania said. Exports from companies such as **Dole Food Co.** and **Chiquita Brands International Inc.** that grow and ship bananas from Latin America will increase while the supply of the fruit in the U.S. will drop, "driving up prices minimally," he said.

The **dispute**, triggered by changes the EU made to its banana-import regime in July 1993, has led to WTO judgments saying Europe unfairly favors producers in former colonies over those from Latin America. The EU policy costs Ecuador, the world's top banana exporter, 209 million euros a year, the Association of Ecuadorian Banana Exporters has said.

Key Commodity

Bananas accounted for 10 percent of export revenue in Ecuador, Costa Rica and Panama in 2006 and about 7.5 percent in Guatemala and Honduras, according to Anania. "The share was much higher for some of the smaller banana-exporting countries, such as Dominica and St. Vincent and the Grenadines, where it was 21 percent and 29 percent, respectively," he said.

WTO Director-General **Pascal Lamy** said "this has been one of the most technically complex, politically sensitive and commercially meaningful legal disputes ever brought to the WTO." Lamy, in a statement sent by e-mail, said he hopes "that the same spirit of pragmatism, creativity and diplomacy will re- invigorate the Doha Round" of world trade talks.

Today's agreement calls for an initial tariff cut of 28 euros a ton, requires that bananas be given "standalone" treatment and excludes the fruit from the so-called tropical products list, which itemizes goods that will receive the "fullest liberalization." Duties on some tropical products that the EU imports will be lowered, another blow to African, Caribbean and Pacific countries that are now exempt from such levies.

The deal also settles all pending trade disputes with Latin American exporters and provides a "credit clause" to mark the lowered duty as the EU's final market access pledge in the WTO's **Doha Round** of negotiations. The WTO's efforts to seal an agreement that frees up global commerce have at times been held hostage to the clash over bananas.

Development Aid

In a bid to pacify ACP countries, the 27-nation EU will provide as much as 200 million euros in aid beyond support offered through the **European Development Fund**.

The EU is the world's largest buyer of foreign bananas, with more than 75 percent of the fruit imported by the bloc coming from Latin America. The fruit is the world's fourth most- valuable food crop, after wheat, rice and corn, according to the United Nations, with world banana exports valued at $5.8 billion in 2006, the UN's Food and Agriculture Organization says.

The Geneva-based WTO first ruled against the EU in September 1997, backing claims brought by Ecuador, the U.S., Guatemala, Honduras and Mexico almost two years earlier. The EU promised to switch from quotas to a tariff-only regime for bananas no later than Jan. 1, 2006, in return for the U.S. ending $191 million of sanctions on European goods in 2001.

In April 2008, judges agreed with Ecuador that the EU hadn't honored interim agreements or complied with past **WTO** rulings. A judgment the following month supporting a U.S. complaint against the EU's policy drew a similar conclusion.

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