



GUILLERMO GRANJA/REUTERS

Workers washing bananas in Ecuador, a country that could be a major beneficiary of a trade deal with Europe.

## Pact Ends Long Trade Fight Over Bananas

### Europe Agrees to Cut Tariffs on Imports From Latin America

By **STEPHEN CASTLE**

BRUSSELS — The European Union initialed a deal on Tuesday to resolve a dispute over banana imports dating back more than 15 years, ending the longest trade battle in its history as a bloc and potentially opening the way for progress in other areas.

After losing several cases at the World Trade Organization, the European Union agreed to cut the tariff applied to Latin American bananas, thereby reducing the preferential treatment given to growers in former colonies in the Caribbean and Africa.

The move could open opportunities for producers in Ecuador and other Latin American nations to increase exports to the European Union, the world's biggest trading bloc.

The deal Tuesday was initialed by the European Union, the United States and Latin American, African and Caribbean nations. As part of the agreement, Washington said it would settle its W.T.O. dispute with the Europeans over bananas.

Tension over European rules on banana imports date back to the late 1950s, when the forerunner of the European Union was created. But it was not until the 1990s that the dispute heated up, after the creation of

common European rules on banana imports on July 1, 1993.

The rules were challenged by five Latin American countries. On Feb. 11, 1994, a panel at GATT — the General Agreement on Tariffs and Trade, the predecessor body to the W.T.O. — ruled against the new banana import regime, which was then challenged in 1996 at the W.T.O.

Latin American nations and American corporations complained bitterly about preferential treatment of Europe's former colonies in the Caribbean and Africa. Those countries argued that they could not compete with the vast, mechanized plantations used by corporations in Central America, and that their economies would collapse without protection.

Under the deal initialed Tuesday, the European Union will cut the tariff paid on bananas from Latin American countries in eight stages, reducing it to \$114 a ton in 2017, from \$176 a ton currently.

An initial cut to \$148 a ton will apply once the deal has been signed. That is likely to take several months, but exporters will be able claim the benefit of this first cut from the date of initialed.

The European Commission president, José Manuel Barroso, described the agreement as "a compromise that works for all

sides." He added that it was "an important boost for the multilateral system."

That statement underlined Europe's desire to solve the dispute, which had undermined its ability to take other trade partners to task for breach of W.T.O. rules.

In 1999 and 2000, the United States and Ecuador won the right to impose trade sanctions on European goods after the W.T.O. ruled that the banana tariffs were illegal.

Europe subsequently changed its import requirements more than once, but not enough to withstand challenge by Latin American nations.

So sensitive was the issue that the negotiation over bananas formed part of the talks during the Doha global trade round before they collapsed in July 2008.

A report for the International Center for Trade and Sustainable Development, by Prof. Giovanni Anania of the University of Calabria in Italy, projects that, after the tariff cuts, European imports of bananas will increase 6 percent.

On Tuesday, the European Union said it would propose giving African, Caribbean and Pacific countries an extra 200 million euros, or \$293 million, in aid to add to the 450 million euros they have received since 1994 to help them to adapt.