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EU, Latin American countries end banana dispute

By BRADLEY S. KLAPPER
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GENEVA -- European and Latin American countries on Tuesday ended a 13-year dispute over banana tariffs in a deal that will significantly open EU markets to more imports from countries such as Ecuador.

U.S. companies such as Chiquita Brands International Inc. could also benefit.

The agreement signed by trade negotiators in Geneva would immediately lower the European Union's tariff on bananas from Latin America to euro148 (US$215) from the current level euro176 per ton. It must still be formally approved by each government.

The EU's import charge would drop under the deal to just euro114 a ton by 2017, meaning millions of dollars in new opportunities for growers in Brazil, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Peru and Venezuela.

Some of these nations - supported by American fruit distributors such as Del Monte and Dole - have bitterly battled the 27-nation EU for over a decade over the bloc's system of preferential conditions for producers from African and Caribbean countries, mainly former British and French colonies.

Chiquita sources most of its bananas from Central American countries covered in the deal. It has traditionally had a strong presence distributing in Europe.

The case was brought to the World Trade Organization in 1996, and the United States and Ecuador both won the right to impose trade sanctions on European goods after the WTO found the EU's rules to be illegal. Brussels has repeatedly tinkered with the import requirements in recent years, but none of the changes has withstood challenges at the WTO.

"This has been one of the most technically complex, politically sensitive and commercially meaningful legal disputes ever brought to the WTO," said Pascal Lamy, a former EU trade chief now heading the

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global trade body. "I welcome the news that a comprehensive agreement on bananas has now been reached."

The tariff cuts will be phased in over several years to allow poorer African and Caribbean countries to adjust to steeper competition from Latin America. With the banana rules on a more even footing, the EU will compensate the former French and British colonies with nearly euro200 million in aid.

Ecuador, the world's largest banana producer, could be the big winner. Its industry supports more than 1 million Ecuadoreans and the South American nation claims that the EU's latest tariff rules from 2006 was costing it about $100 million a year in lost revenues.

Latin American bananas have around 60 percent of the current EU banana market, while African and Caribbean producers have 20 percent, according to EU officials. Bananas grown in the EU - mostly on Spanish and French islands - account for another 20 percent.

Giovanni Anania, a professor at Italy's University of Calabria, predicts that the agreement will cause EU imports to move further away from its traditional suppliers, with Latin American countries capturing most of a 17-percent surge in new exports.