EU Ends 16-Year Banana Trade Battle

Agreement to Cut Tariffs Will Benefit U.S. Fruit Companies

BY JOHN W. MILLER

BRUSSELS—The European Union ended one of the world’s longest-running trade battles Tuesday as it agreed to cut import tariffs on bananas from Latin America grown by U.S. corporations like Dole Food Co., Fresh Del Monte Produce Inc. and Chiquita Brands International Inc.

The settlement, which national lawmakers are expected to ratified within four months, trade officials say, means less-expensive bananas for Europeans, more profit for U.S. fruit companies and lower revenue for some former EU colonies. It ends a 16-year-old trade dispute over access to the EU’s $6.7 billion banana market, the world’s largest.

Since 1993, when it set up its tariff-free zone, the EU has offered the best import rates to 12 former colonies, places like Cameroon, Ivory Coast and Belize. The deal upset governments in countries like Colombia, Costa Rica and Guatemala, where U.S. companies run industrial fruit plantations.

Five Latin American countries, backed by the U.S., filed their first formal trade complaint at the World Trade Organization in 1993. As the dispute escalated, other countries joined the battle against the EU tariffs.

Since then, the EU has offered tariff cuts several times. Each time, the Latin American nations found them insufficient and filed another WTO complaint. In 1999, the WTO authorized the U.S. to impose $191.4 million of trade sanctions on the EU. As a new WTO ruling, agreeing the tariffs, was issued in early 2008. Trade ministers tried, and failed, to secure a deal as part of the Doha Round of trade talks.

Finally, this year, the four groups involved found common ground in a separate deal. Delegates from the EU, U.S., former EU colonies and the Latin American banana powers met in Geneva over 100 times for a total of 400 hours of talks, WTO officials say.

The deal: The EU will reduce tariffs on bananas from Latin American countries to €114 ($167) a ton in 2017 from €176 today, in return for Latin American countries dropping their WTO case.

The EU’s former colonies will continue to receive virtually-tariff-free access for its EU banana shipments, and will get a one-time cash payment of €200 million.

The Secretariat of the African, Caribbean and Pacific Group of States, which represents former colonies, didn’t respond to a request to comment.

Ecuador hailed the deal as victory “for all Latin American nations.”

WTO Director-General Pascal Lamy welcomed the end of “one of the most technically complex, politically sensitive and commercially meaningful legal disputes ever brought to the WTO.”

Ecuador hailed the deal with the European Union as a victory “for all Latin American nations.”

“Europe’s former colonies will fall 14%, costing them $40 million a year, and imports from other countries will increase 17%, according to a study by the Geneva-based International Centre for Sustainable Trade and Development. Banana prices in Europe will fall 12%, the study added.”

Jose Loyd, a Chiquita spokesman, said the agreement would save Chiquita about $12 million a year for every $10 reduction in the tariff. He said the ruling would benefit the Cincinnati company more than most of its competitors because it is the market leader in Europe and sources nearly all of its bananas it sells in Europe from Latin America.

“Were pleased that the parties have come to a solution,” he said.

Dole and Del Monte didn’t respond to requests to comment.

The EU’s old colonies “will face challenges in adjusting to the new situation,” said Karel De Gucht, the EU’s trade commissioner. “But the EU will do its best to help. With a more stable environment, all stakeholders will be able to focus more on the improvement of production conditions in the banana supply chains.”

This trade dispute over bananas became a flashpoint for development organizations who often saw it as a case of U.S. corporations trying to outmuscle struggling farmers in developing countries.

The new fight, says Alistair Smith of Banana Link, a Norwich, U.K.-based advocacy group, will be over “labor and environmental conditions at banana plantations all over the world.”

—Ilan Brait in Chicago contribute to this article.