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WORLD TRADE

EU banana tariff is ruled illegal

Latin America, the Caribbean, Europe and the World Trade Organization square off on banana tariffs

BY SAM CAGE

Associated Press

GENEVA - The World Trade Organization ruled Monday that a European Union tariff on imported bananas is illegal, siding with nine Latin American countries who said Brussels' proposal would seriously limit their ability to export the fruit.

A WTO arbitration body backed a claim by the Latin American countries -- including Brazil, Colombia and Venezuela -- who said the proposed EU tariff of 230 euros or \$279 per metric ton next year would have a "devastating effect" on the development of their economies. It would have replaced the existing quota-based import system tariff of 75 euros or \$91 a ton.

Some Caribbean officials, however, criticized the WTO ruling, saying it will hurt their vital banana exports by squeezing Caribbean producers out of the crucial European market.

"The European market will be flooded with cheap bananas against which we will not be able to compete," said Julius Timothy, a former finance minister in the tiny island of Dominica.

The report questioned the EU's methodology for arriving at the tariff figure.

Latin American producers had hoped the EU would set a tariff of 75 euros per ton, while Caribbean producers had pushed for 275 euros or \$333 per ton.

The EU has 10 days in which to enter into consultations with the Latin American group, which also includes Costa Rica, Ecuador, Guatemala, Honduras, Nicaragua and Panama, the arbitrators' report said.

"We will start consultations with interested parties without delay," said EU Trade Commissioner Peter Mandelson. "I hope that everyone will cooperate in finding a mutually acceptable solution within the strict deadline set by the WTO."

If they are unable to agree on a new tariff in that time, both parties can then request another arbitration procedure. The process must be completed before the new tariff is due to take effect Jan. 1, the report said.

"We are currently evaluating the options available for putting into place the new import regime for bananas," Agriculture Commissioner Mariann Fischer Boel added.

Latin American officials in Geneva were not immediately available to comment Monday, a national holiday in Switzerland.

Earlier this year, the European Union formally proposed an overhaul of its banana import program at the WTO after its previous system of tariffs and quotas had been ruled illegal, saying the 230 euros tariff would strike a balance between the demands of large-scale growers in Latin America and interests of traditional suppliers in Africa and the Caribbean.

Guyana Foreign Trade Minister Clement Rohee, who represents the 15-member Caribbean Community on WTO matters, called the ruling "a terrible blow" to regional countries already facing deep cuts in EU

subsidies for sugar producers.

The proposed duties would apply to Latin American nations.

Under the current quota system, Latin American countries can export up to 2.7 million tons of bananas a year at a tariff rate of 75 euros. Any more than that is subject to a 680 euros or \$825 per ton tariff.

Latin American producers and banana companies based in the United States have long complained that EU rules favor Caribbean and African producers.

But the smaller producers have argued they risk getting squeezed out of the market.

The nine countries said the tariff failed to comply with the EU's multilateral commitments to guarantee access to the European market.

HOW THE EU BANANA MARKET IS SLICED

- The 25-nation European Union buys 3.8 million tons of bananas a year.
- Latin American bananas currently have around 60 percent of the market.
- African and Caribbean producers have 20 percent.
- Bananas grown in the EU -- mostly on Spanish and French islands -- account for another 20 percent.

SOURCE: Associated Press, Bloomberg