

## **EU Ends 16-Year Banana Trade Battle - Agreement to Cut Tariffs Will Benefit U.S. Fruit Companies**

WSJ - Dec. 16, 2009 12:01 a.m. ET, 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 ratify 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 such as 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. The last WTO ruling, again upholding the complaint, 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 for comment.

Ecuador, the world's largest banana exporter, hailed the deal as a victory "for all Latin American nations." The head of the Ecuadorean Banana Exporters' Association, Eduardo Ledesma, said "this is a great victory for both producers and consumers."

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."

Banana imports from the 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.

Ed 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 the bananas it sells in Europe from Latin America.

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," he added.

This trade dispute 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."

## Food Fight

The settlement between the EU and Latin American countries over banana tariffs puts an end to one of the world's oldest trade disputes.



Workers wash bananas at a farm in Ecuador last month.

Reuters



### HISTORY OF THE CONFLICT

**1993:** The EU offers special low banana tariffs to its most recent colonies. Colombia, Costa Rica, Guatemala, Nicaragua and Venezuela file a complaint at the World Trade Organization.

**1994:** WTO rules against the EU.

**1997:** WTO rules the EU was failing to comply.

**1999:** WTO authorizes U.S. trade sanctions against the EU.

**2007:** In a new complaint, WTO again rules the EU must stop its subsidies.

**2008:** Trade ministers at a global summit in Geneva fail to find a compromise.

**2009:** After 400 hours of meetings, all parties agree to a new tariff regime.

Sources: Global Trade Information Service (exports); World Trade Organization

