The future of Europe's 'outermost regions'

With or without bananas?

This year's *Rencontres EURODOM* were very well attended. In addition to sector subjects such as banana and sugar, a large proportion of the discussions concerned the new EU policy of support for its seven 'outermost regions' (ORs).

The Treaty of Amsterdam is shortly to come into force. This treaty, and especially article 299(2), puts the relations between the EU and its seven outermost regions (the Canaries, the Azores, Madeira, Guadeloupe, French Guiana, Martinique and Réunion) on a firmer legal footing. The treaty leads to the establishment of a specific regime allowing for all the constraints weighing on these regions because of their remoteness but without prejudicing the coherence of community law and the community market. This is a promise of a tailor-made response to the problems of the ORs in contrast with the application of common European rules with no adaptation.

For over a decade, the programme of options specific to the remote and insular nature of the regions concerned (POSEI) formed the basis of the support policy for these regions. In addition, the structural funds paid out by the EU to all the regions in 1994-1999 total more than Euro4.8 thousand million. This is a substantial financial allocation. For 2000-2006, Euro3.5 thousand million has been planned in the EU budget for the French overseas departments alone (Martinique, Guadeloupe, Réunion and French Guiana). Aid from the French government will be over and above this.

In a very direct speech well-received by the audience, Michel Barnier, member of the European Commission in charge of regional policy, stressed the fact that the EU will pursue its efforts concerning integration, will continue to award structural funding, will support the production sector and will ensure that the framework of community regulations is applied in an adapted manner. More specifically, he mentioned five subjects that the Commission would like to be covered by future requests for financial support:

1. Pursuit of competitiveness.
2. Access to the information society. Access to technological facilities.
3. Sustainable agricultural and rural development.
4. Conservation of the environment.
5. Employment and training policy for young people.

Finally, Michel Barnier encouraged the ORs to develop regional co-operation and become integrated in their regional geographical ensemble.

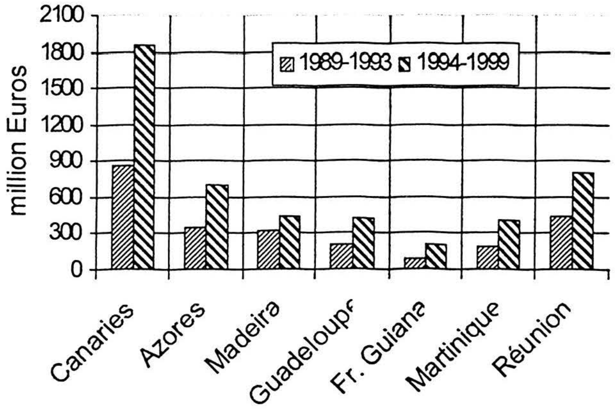
The audience appeared to be satisfied as a whole with the comprehensive attitude of the EU with regard to these regions, even though there are still difficulties in the implementation or in the objectives of support programmes (access to allowances is often difficult, aid requires pre-funding, etc.).

This satisfaction was soon tempered when sectorial dossiers were addressed. On banana, producers frequently expressed their fears of seeing their fruits forced out of the European market—their 'natural' market and sole outlet.

The legal and economic imbroglio of bananas

The review of progress in the reform of the common market organisation of bananas presented by David Roberts, assistant director-general of Agriculture (European Commission), in no way reassured French producers. They feel completely trapped by the constraints of the international environment and have the impression that the future of their economic

Allocation of European structural funds to the 'outermost regions'



Source: European commission

activity is being decided elsewhere—in Brussels, Luxemburg, Geneva or Washington.

At the present stage of the rendering conform of CMO banana III (the version that came into force on 1 January 1999), the Commission has been instructed by European ministers to hold discussions with all the parties concerned, and especially the complainants, to propose a solution to end the dispute in the respect of international rules (conclusions of the successive WTO panels).

Negotiations are currently in progress in priority with the United States on the basis of a proposal of organisation made by the Commission in November 1999 (see box on following page). The demands made by the USA are unacceptable for the moment. Although they are compatible with WTO rules, some appear to be incompatible with European law (with a risk of adverse ruling by the European Court of Justice).

The United States is not the only country to have a say. The positions of Latin American suppliers and that of their number 1, Ecuador, must be taken into account rapidly. Indeed, Ecuador has just won a substantial victory by obtaining—after the USA in March 1999—the right to impose commercial retaliation on the EU to a level of $US201.7 million per year. To make discussions even more complicated, it is difficult to reconcile the Ecuadorian and American positions concerning the settling of the question with the EU. In addition, the European Parliament has been consulted by the Commission and will, in the coming weeks, provide it with a considerably amended proposal that will probably be unacceptable for the other parties. The final constraint is that whatever the organisation set up, it must allow for the increased budgetary constraints that have weighed on the common agricultural policy since the Berlin summit.

The Caribbean ACP countries in Uncle Sam's bosom

Under these conditions, it is easy to understand European producers' distress and the Commission's limited room for manoeuvre, especially as there is little European or foreign support. The Caribbean ACP producers are now failing European producers, whereas they previously provided more or less support. The position that they have taken with the backing of the USA (some people talk in terms of pressure) is a strong symbol of their approval for US views. Analysts are wondering about the long-term advantages for ACP producers of such an alliance with the Americans.

In this extremely difficult context, European producers know that if a compromise cannot be reached, the Commission will propose the implementation of a tariff solution on the basis of reduced customs dues (see box on the next page) plus, at best, a transitory period. In this extreme case, the greater proportion of European production and most of its trade operators would be elbowed out for want of being able to sell competitive products on a deregulated market.

There is nevertheless a faint hope. The financial difficulties of the American transnational corporations—one of them is reported to be for sale—and the very small margins on the markets that have already been liberalised, such as those in eastern Europe and the US, make the European market seem like an eldorado that it would be unwise to want to shake up too much.

Another hope is that of seeing the French and Spanish governments take very firm political positions, as is the case when every other issue is closed. Such firmness could be the occasion to reaffirm certain basic European principles such as that of community preference in zones already suffering from considerable economic difficulties. This would mean that the EU would have to put up with retaliation decided by the WTO.

The outermost regions lobby in Brussels

The system set up progressively since 1989 at the initiative of stakeholders in overseas departments currently consists of three distinct but interdependent structures:

- EURODOM: groups the economic forces of the four French overseas departments (Martinique, Guadeloupe, Réunion and French Guiana),
- UPEC (*Union des entreprises des régions ultrapériphériques de la Communauté*): groups the various economic sectors of the seven outermost regions,
- APEB (*Association des producteurs européens de banane*): assembles groups of banana growers in Guadeloupe, Martinique, the Canaries and Madeira.

The enterprises in the Canaries set up EUROCAN in 1999, on the pattern of EURODOM.

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Whatever the regulations laid down as a solution, a new positioning of European banana products should be examined with the aim of improving their competitiveness. Spanish growers have shown the way by differentiating their fruits from 'conventional' dollar supplies. New varieties, new modes of production, labels, registration and a great number of operations should be started.

French and European members of parliament have extensively and clumsily addressed the theme of the moralisation of trade as a possible solution for the rebalancing of the levels of competitiveness between suppliers in developed countries and those in developing countries. However, it is to be feared that the effects of the current awareness might lead to adopting minimum international social rules that will have an effect long after the total disappearance of European production!

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Common market organisation of banana: proposal for reform in two phases

The European Commission made public a proposal for the reform of the common market organisation of banana (CMOB) in November 1999. The document is currently being examined by the European Parliament, which must give its opinion in the coming weeks. This proposal is used as the basis for achieving the conformity of the CMOB, especially with the USA and soon with Ecuador. Two phases are proposed:

1. A transitional period is planned until the tariff system comes into force. The measures proposed are summarised in the table below.

2. A purely tariff system will be applied following this transitory period that can continue until 1 January 2006. There are no longer any quantity restrictions in such a framework. Customs dues must be paid when the fruits enter European territory. The rate could differ according to origins. As the duty is bound against increase at the WTO at Euro75 per tonne, it would be difficult to raise this figure.

<table>
<tr><th colspan="5">Proposal for the reform of the CMOB — Transitory period</th></tr>
<tr><th colspan="2"></th><th colspan="3">Tariff quotas</th></tr>
<tr><th colspan="2"></th><th>A</th><th>B</th><th>C</th></tr>
<tr><td colspan="2">Quantity (tonnes)</td><td>2 200 000</td><td>353 000</td><td>850 000</td></tr>
<tr><td colspan="2">Open to...</td><td colspan="2">Third countries including ACP <u>with</u> the possibility of sharing between suppliers with a substantial interest.</td><td>Third countries including ACP <u>without</u> the possibility of sharing between suppliers with a substantial interest.</td></tr>
<tr><td colspan="2">Customs duty (Euro/t)</td><td colspan="2">75 for third countries except ACP
0 for ACP</td><td>Customs duty: striking price method (price fixed after bids have been received in a tender offer). Abatement of 275 Euros/ tonne for ACP suppliers.</td></tr>
<tr><td colspan="2">Change</td><td>Fixed</td><td>The quota can be increased in two cases:
• increased consumption,
• Supply affected by exceptional circumstances.</td><td>Fixed</td></tr>
<tr><td rowspan="2">Quota management system</td><td>Proposed</td><td colspan="2">'traditional operators / newcomers': historical reference system. Reference period being discussed.</td><td>Bidding</td></tr>
<tr><td>Options</td><td colspan="2">• 'First come first served',
• simultaneous examination of import applications,
• auction system.</td><td>-</td></tr>
<tr><td colspan="5">Note: Proposal by the European Commission in November 1999</td></tr>
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