

# Reform of CMO Banana

## Who benefits from the EU/USA agreement?

The agreement signed between the European Commission and the United States (with Phase 1 to come into force on 1 July 2001) ignores eight years of management of the single market for banana.

Presented as a compromise marking the end of an eight-year trade dispute, the agreement signed by the European Commission and the United States on the night of 10 to 11 April this year has not in fact solved anything (cf. *Fruitrop* 79 page 6).

Scrutiny of the text shows that at best it should be revised and at the worst is unacceptable for a number of member-states and iniquitous for many trade operators. The opposition that is becoming organised little by little is focusing on the notion of traditional operator, as this category will now have 83 percent of the rights to import bananas from third countries and ACP countries. The definition of traditional operator proposed (Article 4.1 of regulation 896/2001) restricts access to the dollar and ACP banana quotas to operators that imported bananas from these regions during 1994, 1995 and 1996, solely on the basis of their membership of the A operator category, activity (a). Although it is difficult to understand for a non-specialised public, the latter clause has extremely serious consequences for most European trade operators.

It is necessary to go back a few years. In July 1993, the EU set up the first single market for banana. The European Commission had set a number of objectives for the new common market organisation (CMO) of banana. One of them consisted of the respect of traditional flows and commercial

channels while leaving scope for evolution to the system. As commercial operators tended to go to the most competitive sources of supply, respect of the balance between origins and stabilisation of the flows from each producer region required the adoption by the EU of a system establishing solidarity between all the origins. This system was based on the following principle: the more an operator imported ACP bananas ('traditional' at that time) and/or community bananas, the more rights he obtained to import dollar bananas. This twinning of origins worked very well. Proof was given in the stability of the market shares of the different production zones supplying the EU.

In detail, the EU system required that 30 percent of dollar banana import rights should be awarded to the operators traditionally working with ACP and community origins; these operators imported bananas by virtue of their B category status. This allocation of 30 percent of the third-party quota enabled these European companies to enter the dollar circuits from which they had been excluded until 1993 for reasons of the regulations of each member-state. The system also had the advantage of encouraging operators that had long been specialised in dollar origins to become interested in ACP and community production if they wished to conserve or increase their dollar banana share (by gaining B category references).

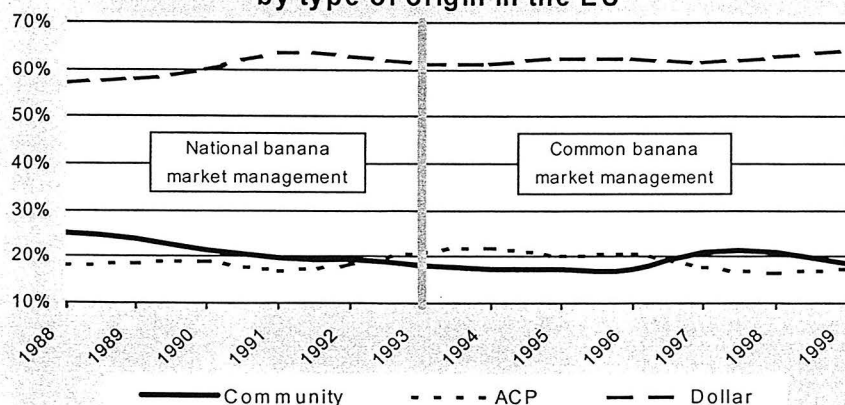
European and transnational firms adopted different strategies in this new situation. Dole, Fyffes and Pomona, to mention just a few, developed imports from zones from which they had not imported fruits or established links with or purchased companies established in these zones. The aim was to gain new supply references or records. Dole is the best known example. Principally an A operator (importing from dollar zones), it gained a solid B category past through a series of purchases. One of the other ways of gaining B references was the purchase of import rights (allowed for in the European regulations) held by companies in this category that did not wish to develop or could not develop trade with third countries.

### Back to Square 1

This explanation is necessary in order to understand the radical changes brought by the agreement between the European Commission and the United States. This plans to make available 83 percent of the volume of dollar bananas to A operators, leaving 17 percent of the volume to other banana operators. In addition, it calculates rights once and for all using a very old import period (1994 to 1996), which had been calculated on the basis of import history (described as unreliable in 1993) before the CMO banana was set up! The CMO banana system is purely and simply erased. The reaction of Chiquita, set to profit greatly from the agreement, is revealing. Even if Chiquita is continuing to demand reparation from the EU for having imposed 'discriminatory' management of the European banana market for eight years, it welcomes the agreement that will enable it to recover its pre-CMO banana market shares.

The shock is violent, not only for European companies. After contributing to the construction of a true single market by making the best use of the regulation facilities at their disposal, they are now forced after eight years to go back, with the only explanation being the Commission's desire to settle the trade disputes between the USA and Europe. Are the strong arguments put forward and repeated again and again

Market share stability  
by type of origin in the EU



Source: Eurostat - Info Banane

by the European Commission in 1992 and 1993 during the preparation of the voting of the regulation instituting the CMO banana just empty words eight years later? Is the idea that one should not demolish market structure and trade channels during the transition from national market management to joint management by 12 and then by 15 states a concept that is now out of date?

## Far from majority approval

In such a context, it is difficult to convince observers, national administrations and most importers. The results of the vote by the member-states, called upon to express an opinion during the examination of the proposal at the Management Committee meeting at the beginning of May, clearly shows the malaise. The proposal earned only 29 votes for, that is to say one vote in three!

Detailed examination of voting is very interesting. The opponents or sceptics do not necessarily respect the traditional dividing line frequently observed on the subject of bananas. Germany abstained and the United Kingdom voted for. More curious still was the abstention of Spain, which did not support the group of opponents formed by France, Italy, Greece, Sweden, Luxembourg and Austria. The lack of enthusiasm or rather the frank opposition to the text apparently surprised the European Commission, which believed that it had found THE solution to the dispute and naturally considered that this excellent formula would be approved by all the member-states.

A counter-attack is being organised. It will doubtless come from the operators themselves, who are considering requesting the European Court to

pronounce a ruling concerning the validity of the community procedure (a Commissioner mandated to negotiate and not to sign, etc.). In France, the *Conseil supérieur des importateurs de bananes* (CSIB), which sometimes finds it difficult to define a common approach, has taken a strong position on the subject this time. It is requesting 'the French authorities to refuse this diktat and to lodge a request for a stay of execution with the European Court of Justice'. The music is similar in the USA where Dole, in a press release, expressed its disappointment and its opposition to the agreement. Others point out that some of the new provisions have been criticised by the WTO.

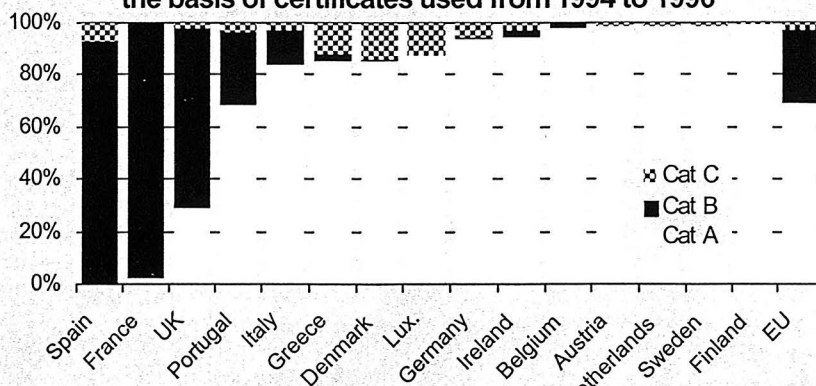
The text is worrying for many importers, who see themselves as being plundered, and is also a threat for the ACP group of countries. In the short term, on 1 July (the starts of the transitional phase), the 850 000-tonne C quota will not be reserved for ACP fruits alone. This will be the case only when the second phase of the reform is implemented on 1 January 2002 (cf.

*Fruitrop* 79 page 6). However, this phase involves submission to the Council of Ministers and examination by the European Parliament. Given the weak enthusiasm of the member-states and the determination of numerous operators to block the reform, the transitional phase could last for longer than the six months planned, leaving the ACP quota open to everybody.

Another measure is disturbing for growers and importers of African ACP bananas. Calculation of the import allocations for ACP bananas will be performed, as for the other origins, on the basis of imports from 1994 to 1996. Caribbean ACP bananas achieved good scores at that time and have since dwindled steadily. Meanwhile, Cameroon and Côte d'Ivoire have been gaining ground. As a result, importers of Caribbean bananas, and especially Fyffes, will be able to import a quantity of ACP bananas that is substantially greater than the Caribbean export potential. These surplus quantities will be needed by importers of African ACP bananas who will have to negotiate the purchase of these import rights.

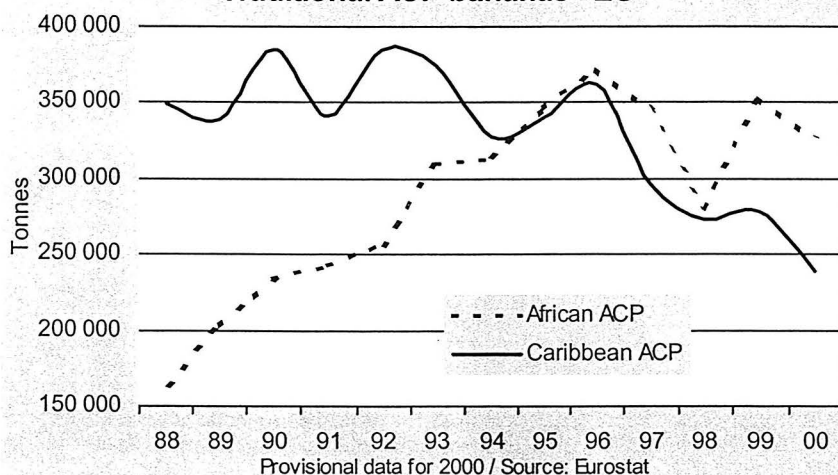
Thus, the regulation that is to come into force on 1 July this year—unless there is a last-minute surprise—for an indeterminate period of time has very strong repercussions on the structure of the market. How can one believe, as was stated by Commissioner Lamy on 11 April, that 'the situation of community producers is not affected by this agreement'? How can one believe that the eviction of historical operators in the community banana sector from the dollar banana market will have no effect on their capacity to obtain supplies under good economic conditions from European productions zones? ■

**A, B and C operator categories by member state on the basis of certificates used from 1994 to 1996**



Source: Odeadom statistical yearbooks

**Traditional ACP bananas - EU**



Provisional data for 2000 / Source: Eurostat

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