

CMO Banana

Ecuador, fixed bayonets

Ecuador is on the war-path. Unexpectedly, the world's leading exporter lodged a complaint with the WTO at the end of February concerning the banana import regime set up by the EU in 2006. The complaint concerns:

- the exclusive duty-free quota of 750 000 tonnes for ACP suppliers;
- the customs tariff of EUR 176 per tonne levied on all imports except for those forming part of the ACP quota.

Ecador reproaches the European Union for the preference awarded to ACP producers (750 000-tonne duty-free quota), and hence the absence of the extension of this preference to the other suppliers, and for the customs tariff of EUR176 per tonne levied on all imports

except for the ACP duty-free quota. In short, Ecuador accuses the European Union of having organised its market and taken decisions without the approval of the members of the WTO as it had undertaken at the Doha ministerial conference in November 2001. The European Union has in fact asked for its new regime to be judged in practice after two refusals by dollar suppliers of the EU tariff proposals. A monitoring period for the banana market was set up at the Hong Kong conference in early 2006. This year of surveillance has assembled proofs of the normal functioning of the European banana market after the application of the new regime. In WTO jargon, respect of the following dogma has been verified: the tariff-only regime has the effect of 'at least maintaining total market access for MFN banana suppliers' (MFN: most-favoured nation).

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Total access verified

The 'total market access' concept is fairly easy to

understand for once, even in a WTO context in which each world has been the subject of very detailed and above all very expensive semantic study by firms of lawyers. We are not talking here about a particular market share per country, a minimum customs value or an import price below which the European market would be declared 'WTO incompatible'. No! This is merely a question of monitoring the quantities of bananas imported since the 2006 reform and comparing the results with those of preceding years.

It is true that a small doubt remains with regard to the reference period for which the comparisons have the greatest validity. No problem—the European statistical services (Eurostat) can provide comparisons for any year. Indeed, FruiTrop has published this type of comparison for 2003 to 2006 for months now. There is no doubt concerning the results.

Even if the figures are still partial for December 2006, MFN suppliers increased their exports to EU-25 by 7 to 10%, depending on whether 2006 is compared with the 2003-2004-2005 average or with 2005 alone.

Of the seven main MFN provenances supplying the EU, only Ecuador shows a score with a decrease of a few percent. This is the only argument that seems to underlie this new dispute. But it does not hold water as the agreement concerned the MFN group with no distinction of origin. Furthermore, it collapses in the light of US import statistics. Indeed, Ecuador exported larger quantities to the US in 2006, with the increase being nearly three times what it lost on the EU market. It was up to Ecuador to ship fruits to Europe rather than to the US market.

Costa Rica did its sums and decided not to follow Ecuador's lead. It is true that with exports to the EU up by nearly 200 000 tonnes in 2006, Costa Rica has fully benefited from the reform of the European market. The decisions of other suppliers are awaited and especially that of Colombia, which also did better than in 2005 but in a less marked manner. As for the United States, we have no doubt that it will back the Ecuadorian procedure, as usual.

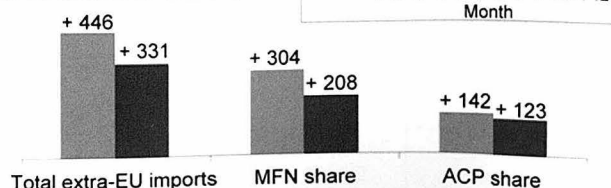
Beyond the statistical impasse of the Ecuadorian

Banana - Comparative analysis of the growth of EU-25 imports 000 tonnes

Comparison

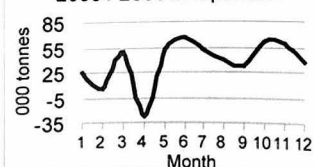
■ 2006 / 2005

■ 2006 / Average 2003-04-05



Source: Eurostat, Cirad

2006 / 2005 comparison



negotiators, a few odd features appear in the complaint. Reference is made to both Article 21.5 of the Understanding on Rules and Procedures Governing the Settlement of Disputes, which is in a way the monitoring of application of the original panel, and also to Article 4 of the Understanding that triggers the establishment of a new panel. The legal experts will be left to sort it out.

The slenderness of the complaints is also surprising. The 2006 figures show unambiguously that market access was total and even improved. The constant-boundary EU imported nearly half a million tonnes more bananas. All this is aimed at the ACP countries of course. But it would be difficult to hide the fact that non-ACP countries did twice as well as the ACP countries as far as this half million tonnes is concerned. And then why accept monitoring in Hong Kong

if there is an intention to be more defiant once total access to the EU market has been verified? As for the European Commission, it is easy to show that the customs tariff of EUR 176 per tonne and the ACP quota have improved market access for everybody and hence that the system has been consolidated.

The target: tariff lowered in 2007?

It is also quite difficult to understand the interest of undertaking a procedure that could lead to a verdict in more than a year's time, that is to say well after the fate of ACP bananas has been sealed by the coming EU-ACP economic partnership agreements (EPAs). The latter should come into force on 1 January 2008 and it is practically certain that they will put banana suppliers in a less

favourable position. In short, it might be thought that the issue for Ecuador is a lowering of the customs tariff in 2007. For example, this could counterbalance the last two EU enlargements that have still not been the subject of compensation. Some people also mention domestic politics as the new president of Ecuador does not want to miss an occasion to cross swords with the European Union, even at the cost of having the US tutelary enemy as an ally. It is thus difficult to understand what is driving Ecuador and especially difficult to understand its arguments. Except that the results of a WTO procedure are always uncertain, whatever the subject, and there is also a risk of decisions being taken that run counter to the obvious ■

Denis Loeillet, Cirad
denis.loeillet@cirad.fr

Banane — EU-25 — Imports									
	January to December (provisional) - Tonnes					2006 variation in comparison with			
						Tonnes		%	
	2003 *	2004 *	2005 *	2006 *	Moy. 03-05	2005	03-05 aver.	2005	03-05 aver.
Total, incl.	3 944 480	3 859 644	3 728 566	4 174 902	3 844 230	446 335	+ 330 671	+ 12	+ 9
MFN, incl.	3 144 135	3 075 006	2 964 594	3 268 994	3 061 245	304 400	+ 207 749	+ 10	+ 7
Ecuador	1 081 787	990 180	1 062 732	1 023 638	1 044 900	-39 094	- 21 262	- 4	- 2
Colombia	795 307	760 662	878 662	937 648	811 543	58 986	+ 126 105	+ 7	+ 16
Costa Rica	794 552	842 651	623 666	818 581	753 623	194 914	+ 64 958	+ 31	+ 9
Panama	379 210	368 246	281 564	310 220	343 007	28 656	- 32 787	+ 10	- 10
Brazil	49 962	51 986	63 336	95 069	55 095	31 733	+ 39 974	+ 50	+ 73
Guatemala	2 087	2 153	3 010	27 418	2 416	24 408	+ 25 002	+ 811	> 1 000
Peru	5 706	9 590	11 490	22 372	8 929	10 882	+ 13 443	+ 95	+ 151
Honduras	18 653	18 407	19 436	18 390	18 832	-1 046	- 442	- 5	- 2
Venezuela	11 808	22 381	17 092	14 575	17 094	-2 518	- 2 519	- 15	- 15
Mexico	1 037	6 890	2 724	1 024	3 550	-1 700	- 2 526	- 62	- 71
Chile	1 188	645	0	21	611	21	- 590		- 97
United States	259	17	3	20	93	17	- 74	+ 550	- 79
Bolivia	0	0	0	17	0	17	+ 17		
Thailand	2	0	0	2	1	2	+ 1	+ 800	+ 135
ACP, incl.	800 345	784 638	763 972	905 907	782 985	141 935	+ 122 922	+ 19	+ 16
ACP, Africa	507 017	473 860	441 244	511 672	474 040	70 428	+ 37 631	+ 16	+ 8
ACP, others	293 328	310 778	322 729	394 235	308 945	71 507	+ 85 291	+ 22	+ 28
Cameroon	298 492	261 232	252 893	259 457	270 872	6 565	- 11 415	+ 3	- 4
Côte d'Ivoire	207 420	210 760	183 792	227 885	200 657	44 093	+ 27 228	+ 24	+ 14
Dominican Rep.	111 948	101 337	144 683	176 711	119 323	32 029	+ 57 389	+ 22	+ 48
Belize	73 806	80 292	74 189	73 207	76 095	-981	- 2 888	- 1	- 4
Surinam	0	19 447	35 249	45 146	18 232	9 897	+ 26 914	+ 28	+ 148
St Lucia	32 520	42 872	28 243	36 726	34 545	8 484	+ 2 181	+ 30	+ 6
Jamaica	41 775	28 660	11 654	31 863	27 363	20 210	+ 4 500	+ 173	+ 16
Ghana	946	1 788	4 189	24 190	2 308	20 001	+ 21 883	+ 477	+ 948
St Vincent	20 911	23 962	15 893	17 239	20 255	1 346	- 3 017	+ 8	- 15
Dominica	10 494	12 167	12 814	13 298	11 825	484	+ 1 473	+ 4	+ 12
Rwanda	40	38	54	57	44	3	+ 13	+ 6	+ 30
Nigeria	0	0	0	54	0	54	+ 54		

Source: Eurostat / Note: MFN, Most Favoured Nation - December 2006: partial data / 2003 & 2004 for NMS: Customs code HS4: 0803 - Bananas, including plantains, fresh or dried / 2003 & 2004 for EU-15: Customs code 08030019 / 2005 & 2006 for EU-25: Customs code 08030019