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Doha non-agreement & the banana dispute

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Doha non-agreement and the banana dispute

Deus ex machina?

The impossible agreement on the Doha Round negotiations of July 1998 blocks the scheduled lowering of the customs tariffs applied to dollar bananas imported to the EU. This suits ACP and community producers. But the Geneva talks led to a compromise between Europeans and Latin Americans. It remains to be known whether the EU will wish to set up a partial agreement in order to get rid of the whole business or wait for a hypothetical resumption of multilateral negotiations.

The WTO discussions that started in Geneva on 21 July broke down on 29 July. The tenacity—sometimes bordering on stubbornness—of Pascal Lamy, Director of the WTO, did not vanquish the misgivings in very many countries with regard to opening

their economies a little more. For this fear was the reason for the multilateral agreement running aground. Technicians explain that it is a blockage on a secondary theme, that of SSM (special safeguard mechanisms) that allow development countries to raise customs tariffs temporarily to handle an increase in imports or a fall in prices. The official line is reassuring and minimises the difficulties that remain before the Doha Round is finally completed. This grain of sand in the machinery can also be seen as a way for a majority of members to slow or even halt the process. Negotiators showed their relief when India and the United States finally came head to head and took the blame for a failure that everybody hoped for but that nobody wished to endorse. Wrongly or rightly, the globalisation of economies seems to be the sacrificial victim for the difficulties of small peoples to develop at best or even, for some, to succeed in feeding themselves. Phew! The EU will not take the blame and neither will France, very upset with the European Commissioner Peter Mandelson and with Pascal Lamy. And blame will not be laid on bananas

which had been presented quite rightly as the subject of the most delicate negotiation.

Doubts with regard to the partial agreement on banana

The question of the scheduled lowering of customs dues on European banana imports from third countries (excluding ACP countries) would thus seem to be a file that closed provisionally. The satisfaction shown by the ACP countries and EU producers is measured however as the defence of the customs tariff of EUR176 per tonne is still topical for them. Indeed, real progress was made on the subject during the nine days of discussions at the WTO and during pre-Geneva negotiations. Thus, on 30 July, as soon as the ministerial meeting was over, the Latin American countries profited from the WTO Trade Negotiations Committee to deplore the overall breakdown but above all to congratulate themselves on the agreement with the EU to settle 16 years of disagreement on banana. However, the European Commission dampened the enthusiasm of dollar producers by stating that the banana dispute is an integral part of the Doha Agreement and cannot be removed and signed separately. The risk for the EU is to have to further lower the customs tariff on the occasion of a possible completion of the Doha Round or the bloc by bloc (CACM, Andean Community or Mercosur) conclusion of bilateral agreements.

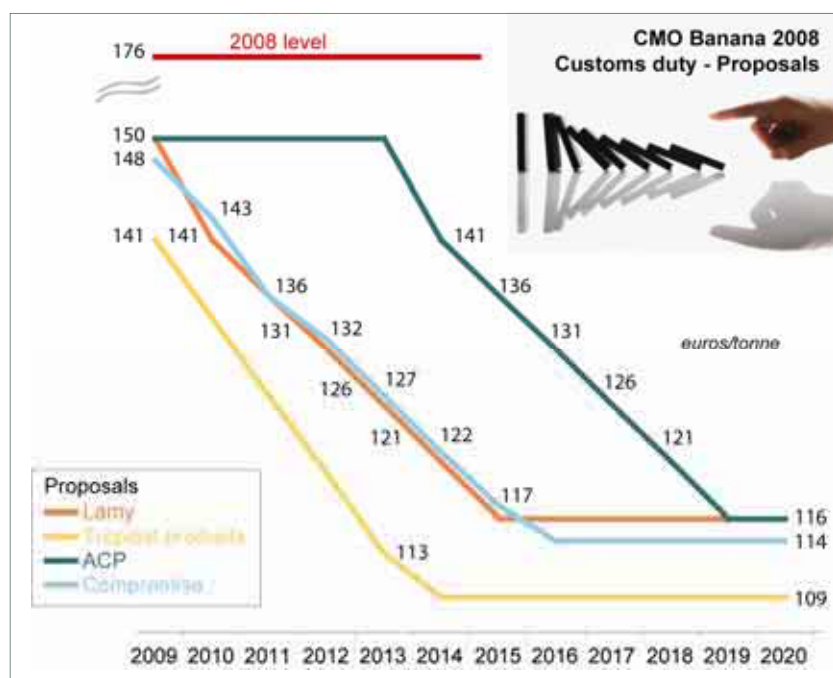
However, the dossier did not lead to forecasting a possible compromise. The preparatory discussions for the meeting in

Geneva in July had led to mediation by Pascal Lamy and the proposing of EUR150 per tonne on 1 January 2009 and EUR116 in 2016. In July, the Latin American countries in the Tropical Products Group made a counter-proposal: EUR141 in 2009 and EUR109 in 2014. The ACP countries then replied by setting the starting point at EUR150 in 2009 and a decrease to EUR116 in 2019. Finally, the bargaining finished with a compromise between the Latin American countries and the EU on the basis of EUR148 in 2009 following a decrease ending at EUR114 in 2016.

The few ACP countries most concerned by this agreement fear that this compromise may serve as a basis for all future discussion of the banana question, quite apart from the future of the Doha Agreement. The Latin American countries have played very well. They divided carefully in order to rule better, drastically reducing the number of ACP states that feel concerned by the



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problem (Cameroon, Côte d'Ivoire and Surinam), with the others considering the discipline of the group and the erosion of the preferences awarded to sugar, rum or cocoa. The ACP countries concerned have very little margin for negotiation. It is possible to use the absolute weapon, that is to say not ratifying the Economic Partnership Agreement (EPA) signed with the EU (*Fruitrop* 151, December 2007, pages 7 to 9). But this seems fairly unlikely. The most probable option is that of obtaining financial aid, as had been decided when the common market organisation of bananas was set up in 1994 by the adoption of the special support actions (SSA) system, with funding of EUR78 million, subsequently broadened in 1999 by the special framework of assistance (SFA) with an allocation of some EUR367 million and that is to cease at the end of 2009.

The Yaoundé appeal...

European producers look askance at a decrease in the customs tariff too. They know that the level contributes to the good behaviour of the European market and hence their incomes. It will be remembered that they shared the point of view

of the ACP states and their growers at a high-level meeting with Michel Barnier, the French minister of agriculture, in Paris on 30 April 2008. They joined a few ACP states in Yaoundé (Cameroon) at the end of August to state once again their solidarity as regards the defence of the customs tariff. They also encouraged the Commission not to give up and to appeal against the conclusions of the panels formed at the request of Ecuador and the United States. Indeed, at the end of 2007 the EU had been condemned to ensure the conformity of its market with international law. The European Commission had until the end of August to lodge appeals against the two decisions with the Dispute Settlement Body (DSB).

... and the Commission's appeal

The suspense lasted until 28 August, when the Commission decided to appeal to the DSB. The Commission kept to the regulation and legal aspects of the ruling, setting aside the strictly economic arguments such as the increase in European banana imports and the favourable trend in the market share of the most-favoured nation (MFN) group. The process has been set in motion and the calendar is a tight one. The Commission delivered its written argument to the DSB on 4 September and the other parties have until 22 September to deliver theirs. The hearing is scheduled in Geneva on 16 and 17 October. The final decision should be made by the end of November or a few weeks later. Indeed, the DSB secretariat's agenda seems particularly full.

As always on the subject of banana, it is very difficult to make even short-term predictions. Will a partial agreement come into force to please Latin American suppliers, most member-states and the Commission—all of whom are exhausted by the question? Will there be a categorical refusal of the partial agreement so as not to jeopardise the future? Will the Doha Round negotiations be resumed? Will there be final conclusions as regards the US and Ecuadorean panels? Uncertainty concerning the near future of the sector still remains 16 years after the setting up of the common market organisation of banana ■

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Banana — European Union — Evaluation of banana supplies — Tonnes						
Year	Banana type or origin			Sub-total	Exports	Supplies
	Community	ACP	Others (\$)			
2003	754 216	786 798	2 578 827	4 119 841	6 020	4 113 821
2004	750 910	782 598	3 073 764	4 607 272	11 029	4 596 243
2005	648 395	764 357	2 959 464	4 372 216	4 970	4 367 246
2006	641 559	905 692	3 290 022	4 837 273	8 392	4 828 881
2007	551 798	837 050	3 841 908	5 230 756	9 270	5 221 486

Source: Eurostat, European Commission / Processing: Cirad Market News Service