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TRADE

EU plans bigger cutback in banana tariff dispute

The European Union plans a bigger cut in banana duties to end a long running trade battle with the U.S. and Latin American nations.

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Bloomberg News

The European Union, seeking to end a nine-year dispute with the U.S. and Latin American nations over the level of banana import tariffs, scaled back its proposed duty by 4.3 percent, two people who have seen the proposal said.

The EU, the world's biggest importer of bananas, wants to impose a levy of 179 euros (\$209) a metric ton on as much as \$1.45 billion of Latin American banana imports, said the people, who declined to be identified because the proposal hasn't yet been published by the European Commission, the EU's executive.

The EU promised the U.S. in 2001 that it would scrap quotas on banana imports by Jan. 1, 2006. In return, the U.S. ended \$191 million of sanctions on EU goods that it imposed after Westlake Village, California-based Dole Food Co. and Cincinnati-based Chiquita Brands International complained the EU's system inhibited their exports.

"They can't come up with a tariff that satisfies all the countries involved," said Renwick Rose, coordinator of the Windward Islands Farmers Association, which represents a grouping of Caribbean Islands enjoying preferential treatment under the current EU system. "We've got to sit down and work out a negotiated solution."

WTO RULINGS

The World Trade Organization has twice ruled that the 25-nation bloc was unfairly penalizing Latin American producers by proposing tariffs that are too high. The EU originally suggested a duty of 230 euros a ton in January.

The WTO last month rejected the revised 187-euro proposal. About 3.4 million tons of the EU's 4 million-ton total come from Latin American nations such as Ecuador, Panama, Colombia and Costa Rica. These countries have urged the EU to continue with the existing system of quotas and the 75 euro-per-ton tariff.

The EU's 25 governments must now approve the proposal, which Agriculture Commissioner Mariann Fischer Boel will put to them early next week, according to her spokesman Michael Mann.

"We need to have our new system up and running by the first of January," Mann said by telephone. He declined to confirm the planned tariff.

Bananas are the world's fourth most-valuable food crop, after wheat, rice and corn, according to the United Nations's Food and Agriculture Organization. Latin American countries, led by Ecuador, Costa Rica and Colombia, account for six of the world's seven biggest producers.

Former European colonies in Africa, the Caribbean and Pacific, such as Cameroon, Jamaica and the Ivory Coast are currently allowed to export 775,000 tons of bananas to the EU without paying duty.

TRADE DOMINATION

World trade in bananas is dominated by five companies: Dole, Chiquita and Fresh Del Monte Produce Inc. of the U.S., Ecuador's Noboa and Ireland's Fyffes Plc, which deliver more than three-quarters of the world's bananas.

The EU import system grants licenses according to the historical role companies have played in the market, angering newer operators who are excluded.

"The most important thing is that we hope they will open the market," said Luca Aragone, sales director of Genoa, Italy-based Adriafruit Italia Srl, which imports about 100 million euros of bananas from Ecuador to North Africa and the Black Sea area.