The EU-Latin America Bananas Agreement  Questions and Answers

What have the EU and Latin American (LA) countries agreed?

The EU will:

• cut its MFN import tariff on bananas in eight stages, from the current rate of €176/tonne to €114/tonne in 2017 at the earliest; and
• make the biggest cut first, by €28/tonne to €148/per tonne, once all parties sign the deal.

In return, Latin American countries will:

• not demand further cuts in the framework of the Doha Round of talks on global trade once it resumes;
• settle several legal disputes pending against the EU at the WTO, some dating back as far as 1993.

1. EU tariff cuts

When all parties sign the agreement, the EU will make the first cut to its banana tariff, to €148 per tonne. This will apply retroactively from the date when all parties initialled the agreement.

The tariff will then fall again at the start of each year for seven years, in annual instalments (€143, €136, €132, €127, €122, €117, €114), starting on 1 January, 2011. The EU will freeze its cuts for up to two years if WTO members do not conclude talks on agriculture in the Doha Round by the end of 2013. For more details, see below.

2. Latin American dispute settlement

Once the WTO certifies the EU's new tariff schedule, Latin American banana-supplying countries will drop:

• all their disputes on bananas with the EU at the WTO; and
• any claims they made against the EU after new member countries joined the Union, or when the EU changed its bananas tariff in 2006.

Why is this deal so important?

The disputes on bananas have lasted for more than 20 years. They have destabilised the climate for production and trade in the countries concerned. This agreement is a stable solution in the interest of all parties. Furthermore, the agreement will help pave the way for a successful Doha Round.
What was the origin of the disputes at the heart of the deal?

The EU has traditionally provided special tariff preferences for bananas from African, Caribbean and Pacific (ACP) states. Some WTO members have repeatedly contested the compatibility of this preferential treatment with WTO rules. They have successfully appealed to the WTO’s Dispute Settlement Mechanism, demanding a change to the present regime.

Can the EU put its tariffs back up in future if it wishes?

No. The EU is making a firm commitment not to raise its tariffs above a certain level. It is setting what are known as ‘bound’ tariffs.

Once WTO members certify the EU’s new bananas tariff, the EU ‘binds’ its tariff. As a WTO member, it makes a binding commitment to other members not to raise its tariff on their exports (the MFN tariff) above that level.

Is the agreement still linked to progress in the Doha Round?

Yes. The agreement initialled today is the EU's final commitment on the tariffs it will apply to banana imports following the Doha Round negotiations.

The agreement is also part of an agreed package of programmed cuts on a number of products, which countries will make when they conclude the Doha Round (see below for more details).

What happens if WTO countries don't conclude the Doha Round of talks on global trade? Will the deal still hold?

Yes.

If WTO members don't establish in the Doha Round so-called 'agricultural modalities' - new terms for global trade in agriculture - by the end of 2013, then the EU will act as follows:

- once the EU cuts its tariff to €132 per tonne, it will make no further cuts for up to two years, until the end of 2015 at the latest;
- then from 2016 at the latest, the EU will continue cutting its tariff each year, as agreed - whatever happens in the Doha Round - until the tariff reaches €114 per tonne on 1 January 2019 at the latest.

Why is this deal good news for global trade more generally?

For two reasons. First, it means there’s one less major issue which negotiators have to resolve in order to conclude the current Doha Round of talks on global trade.

Second, the EU and ACP and Latin American countries have agreed on an approach on so-called 'tropical' and 'preference erosion' products. They will jointly promote this approach in the ongoing DDA negotiations:

- ‘Tropical’ products will be subject to deeper tariff cuts.
- Tariff cuts on 'preference erosion' products of interest to ACP countries will be conducted over a relatively longer period.
What are "Tropical" Products and "Preference Erosion" Products? Why are they part of the deal?

These are groups of products which countries will treat differently in the Doha Round from other agricultural products.


For certain products, Latin American countries want WTO countries to open up global trade faster than for other agricultural products. Negotiators refer to these as "tropical products".


For another group of products, ACP countries want WTO members to open up global trade more slowly in the Doha Round. These are mostly products where ACP producers currently enjoy important preferential margins for their exports to the EU's market.

The EU has worked hard to help both groups reconcile their conflicting but equally legitimate concerns. And now all three parties have agreed which tariffs will apply to each of those products.

For "preference erosion" (PE) products, ACP countries consider they have substantial interests which they must defend; so:

- once WTO members conclude the Doha Round, the standard cut which they apply to 'normal' products will also apply to PE products;
- but countries will be able to apply this cut over a longer time than for 'normal' products, and with a grace period in some cases;

Cuts in the tariffs on PE products won't take place now. Instead:

- the EU, the ACPs and countries pushing for faster opening of trade in Tropical Products will present plans for these cuts to the WTO;
- the Doha Round negotiations will include them; and then
- only once WTO members conclude the Doha Round will they implement the cuts.

Has the EU also settled its dispute with the US?

Yes. The EU has concluded an agreement with the US in parallel. In it, the US:

- acknowledges the EU's commitments to Latin American suppliers, and
- agrees to settle its dispute definitively with the EU over bananas.

Will ACP countries still be able to export to the EU's bananas market?

Yes, for three reasons.

1. ACP suppliers will still be able to export to the EU duty- and quota-free; but the EU will still apply a substantial duty on LA bananas.

Bananas from ACP countries have entered the EU duty- and quota-free since 2008, thanks to Economic Partnership Agreements (EPAs) - a new generation of trade and development partnerships between groups of ACP countries and the EU. This will continue.
By contrast, the EU will continue to apply a substantial duty on bananas from Latin America. This so-called MFN duty will fall, from the current €176 per tonne to €114. But only gradually – over at least eight years. So with this deal ACP bananas will continue to enjoy a competitive advantage.

2. The deal provides predictability, which is important for investment.

It ends legal disputes at the WTO pitting the US and Latin American countries against the EU. It also allows the EU to set a tariff on bananas to which all other WTO members have agreed. So it will make the global market in bananas more predictable and stable, and thereby encourage investment and growth, and hopefully increased attention to wider production condition issues in the banana supply chains.

3. In addition to regular EU aid, the main ACP banana-exporting countries will receive up to €200m in extra support to help them adjust to the new tariff.

How will the EU help ACP countries to adjust?

In brief, the European Commission will propose mobilising €200 million from the EU budget to support the main ACP banana-exporting countries to adapt - in addition to the EU's existing support.

Since 1994, the EU has provided more than €450m to ACP banana-exporting countries to help them adapt to changes. This money has helped them to produce bananas more competitively, or to diversify their economies into other areas.

With this new deal, the EU accepts that the main ACP banana exporters may face further challenges in adjusting. So the ACP Group and the European Commission have agreed a response. The Commission has committed to proposing a new support programme - so-called "Banana Accompanying Measures" (BAM) - to the Council and Parliament, the EU's budgetary authorities.

This programme would be country-specific, build on past support, and help tackle the deal's broader consequences.

Will banana producers in the EU's outermost regions still be able to compete?

Yes.

Banana producers within the EU have expressed concerns that they will become less competitive compared to Latin American exporters.

But the EU's important domestic support programme for these regions addresses their concerns (the Programme d'options spécifiques à l'éloignement et l'insularité, or POSEI).

In fact, in 2006, the EU increased annual funding for bananas within this programme to €279 million. And a Commission impact assessment found that by keeping tariff cuts within certain thresholds, and providing financial aid of this kind, the EU would limit the impact of tariff cuts on its domestic producers.

What happens next with the agreement?

The WTO General Council (GC) will review the deal at its next meeting on 17 December. Following this, EU Member States should authorise its signature. Finally the European Parliament must consent to the deal.

From the date the parties sign the agreement, they will implement it provisionally. The EU will then amend its duty on an "applied" basis. Once the European Parliament gives its consent to the deal, the EU will bind its new tariff schedule – meaning it commits not to raise tariffs above the new rates.

Annex 3 sets out in detail all the stages in approving the deal.
How big is the EU’s banana market? Where do the bananas come from?

In 2008, EU consumers bought more than 5.4 million tonnes of bananas. The EU imported almost 90% of the bananas it consumed - around 4.8 million tonnes, worth €2.9 billion. Annex 1 gives more details.

Five EU countries supplied the remaining 11%:

- Cyprus;
- France – the overseas departments of Guadeloupe and Martinique;
- Greece;
- Portugal – Madeira and the mainland; and
- Spain – the Canary Islands.
Annex 1: The EU's bananas market in 2008

Where bananas consumed in the EU come from -
% share of total market by origin, 2008

- Latin America, 72.5%
- ACP, 17.0%
- EU (outermost regions), 10.5%

EU banana imports from Latin America and Asia, 2008 (tonnes)

Total: 3,930,663

- Ecuador, 1,328,033
- Colombia, 1,278,133
- Costa Rica, 893,395
- Panama, 294,588
- Asian countries, 13

* Other Latin American banana-exporting countries:
  Brazil
  Guatemala
  Honduras
  Mexico
  Nicaragua
  Peru
  Venezuela
EU banana imports from ACP countries, 2008 (tonnes)

Total: 918,226

- Cameroon, 279,530
- Côte d’Ivoire, 216,583
- Dominican Republic, 170,396
- Belize, 82,146
- Other ACP countries, 169,571

* Other ACP banana-exporting countries:
  - Dominica
  - Ghana
  - Jamaica
  - Suriname
  - St Lucia
  - St Vincent & the Grenadines
### Annex 2: The EU-Latin America Bananas Deal – terms explained

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<thead>
<tr>
<th>Term</th>
<th>Acronym</th>
<th>Definition</th>
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<tr>
<td><strong>African, Caribbean and Pacific Group</strong></td>
<td>ACPs</td>
<td>Group of 77 African, Caribbean and Pacific countries; privileged partners of the EU; some export bananas to the EU.</td>
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<tr>
<td><strong>Agricultural modalities</strong></td>
<td>-</td>
<td>A document setting out the goals of DDA negotiations on trade in agricultural products; on the basis of this document, WTO members will commit to cutting tariffs and subsidies.</td>
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<td><strong>Applied tariff</strong></td>
<td>-</td>
<td>A tariff which a WTO member applies to imports from the other WTO members, at a lower level than the bound tariff. The member can choose to raise this tariff up to the level of the bound tariff.</td>
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<tr>
<td><strong>Banana Accompanying Measures</strong></td>
<td>BAM</td>
<td>A package of EU aid to ACP banana exporters to help them adjust to cuts in the EU's tariff on bananas imported from Latin America.</td>
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<td><strong>Bound tariff</strong></td>
<td>-</td>
<td>The maximum tariff which a WTO member can apply to imports from other WTO countries; taken together, bound tariffs form the member's &quot;commitments schedule&quot;.</td>
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<td><strong>Commitments schedule</strong></td>
<td>-</td>
<td>A list of legally binding tariffs which a WTO member applies to imports from other WTO countries.</td>
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<td><strong>Doha Development Agenda</strong></td>
<td>DDA</td>
<td>The current round of talks on global trade between WTO members; launched in Doha, and intended to help spur growth in developing countries.</td>
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<td><strong>Doha Round</strong></td>
<td>-</td>
<td>See Doha Development Agenda.</td>
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<tr>
<td><strong>Economic Partnership Agreements</strong></td>
<td>EPAs</td>
<td>A new generation of trade and development deals between groups of ACP countries and the EU.</td>
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<td><strong>Most Favoured Nation tariff</strong></td>
<td>MFN</td>
<td>An import tariff which one WTO member applies to all other WTO members for a particular product.</td>
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<td><strong>MFN suppliers</strong></td>
<td>-</td>
<td>See Latin American suppliers.</td>
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<tr>
<td><strong>Latin American suppliers</strong></td>
<td>LAs</td>
<td>Countries in Central and South America which produce bananas and export them to the EU.</td>
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<td><strong>Preference erosion</strong></td>
<td>-</td>
<td>The relative reduction or loss of a tariff preference margin.</td>
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<td><strong>Preference erosion products list</strong></td>
<td>PE</td>
<td>See answer to Q7 above.</td>
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<td>Term</td>
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<tr>
<td>Tariff liberalisation</td>
<td>Cuts in tariffs on imports from third countries.</td>
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<td>Tariff line</td>
<td>A product or group of products on which the same import tariff is applied.</td>
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<td>Tariff preference</td>
<td>The advantage which Country X enjoys when Country Y applies a lower tariff to imports from Country X than from Country Z.</td>
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<td>Tropical products list</td>
<td>TP  See answer to Q7 above.</td>
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<tr>
<td>World Trade Organisation</td>
<td>WTO  The global body which governs world trade, based in Geneva.</td>
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<td>WTO General Council</td>
<td>WTO GC The WTO's highest decision-making body; includes over 150 member countries.</td>
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## Annex 3: The EU-Latin America Bananas Deal - eight key stages

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<th>What they do</th>
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<td>The EU and Latin American (LA) countries</td>
<td>The EU and the US initial their bananas agreement</td>
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<td>The EU and the US initial their settlement agreement</td>
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<td>2 Taking note</td>
<td>The WTO's General Council</td>
<td>The EU and the US takes note of the EU-LA bananas deal</td>
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<td>3 Authorisation</td>
<td>The EU Council</td>
<td>The EU and LA countries authorize the EU's signature and provisional application of both agreements</td>
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<td>4 Signature</td>
<td>The EU and LA countries</td>
<td>The EU and LA countries and the US apply certain commitments provisionally until they conclude their agreement</td>
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<td></td>
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<td>The EU starts cutting its tariffs as agreed</td>
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<td>5 Consent</td>
<td>The European Parliament</td>
<td>The EU starts cutting its tariffs as agreed</td>
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<td>6 Conclusion</td>
<td>The EU Council</td>
<td>The European Parliament gives its consent to the deal</td>
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<td>The EU Council concludes the deals on the EU's behalf</td>
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<td>The EU incorporates the agreements in its legal order</td>
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<td>7 Notification and certification</td>
<td>The European Commission</td>
<td>The European Commission officially informs the WTO's Director-General of the EU's new WTO tariff schedule for bananas</td>
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<td>The WTO's Director-General circulates the EU's new WTO tariff schedule to other WTO members</td>
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<td>WTO members review the EU's new tariff schedule</td>
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<td>certify the EU's new tariff schedule, unless objections are maintained; the EU is &quot;bound&quot; by the EU's bananas tariff commitments in the WTO – it commits not to raise its bananas tariff any higher than the level in the agreement.</td>
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<tr>
<td>8 Settlement disputes</td>
<td>LA countries and the US</td>
<td>The EU and LA countries and the US end pending legal cases on bananas which they've brought against the EU at the WTO</td>
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