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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE
EUROPEAN PARLIAMENT**

**Banana Accompanying Measures: Supporting the Sustainable Adjustment of the Main
ACP Banana-Exporting Countries to New Trade Realities**

Bananas¹ are crucial to the livelihoods of millions of people and a major source of export revenue for many developing countries.² For some of these states, banana production for export to the European Union (EU) is an important economic activity, with multiplier effects in the rest of the economy.

African, Caribbean and Pacific (ACP) banana-exporting countries have traditionally had preferential access to the EU market. The preferences enjoyed by ACP countries have been challenged by other members of the World Trade Organisation (WTO) and the WTO's Appellate Body has repeatedly ruled against the European Union's Common Market Organisation (CMO). Most recently, in December 2008, the Body established that the EU was obliged to rebind its banana tariff rate.

In December 2009, the EU initialled an agreement on bananas with Latin American banana-exporting countries laying down a schedule for the reduction of the EU's Most Favoured Nation (MFN) tariff on bananas. MFN tariffs will be reduced from the current €176 per tonne to €14 over a period of seven to nine years.

ACP banana-exporting countries will continue to have duty-free, quota-free (DFQF) access to the EU market. However, due to changing trade arrangements, notably MFN liberalisation within the WTO, the reduction of the preferential margin for ACP banana-exporting countries will be faster than initially anticipated. This is a challenge that will need to be appropriately addressed.

The European Commission is committed to helping ACP countries adapt to the effects of changes in the EU's import regime. The integration of all developing countries into the multilateral trading system and the global economy is a key EU development objective. The European Commission therefore proposes to support the main ACP banana-exporting countries to address the challenges they will face by establishing Banana Accompanying Measures (BAM). The measures would last for a proposed maximum of four years (2010-2013) and have a budget of €190 million. The Commission will examine, together with the budgetary authority, the possibility of topping up this amount by €10 million if the corresponding credits become available in the annual budget procedures.

1. BACKGROUND

1.1. EU Trade regime

ACP banana-exporting countries have traditionally enjoyed preferential access to the EU market. This situation has been challenged by other countries in the General Agreement on Tariffs and Trade (GATT) and through the WTO's Dispute Settlement Mechanism since the creation of the bananas CMO in 1993.

¹ In this Communication, 'bananas' refers to internationally-traded bananas under WTO reference code CN 08030019. Different varieties of banana, including plantains, form a staple commodity, often contributing significantly to household food security. The dessert banana commonly consumed in the European market, the Cavendish variety, is the most widely traded fruit internationally.

² In 2004, the Communication 'Agricultural Commodity Chains, Dependence and Poverty – A Proposal for an EU Action Plan' (COM(2004)89 of February 2004) laid the foundation for the EU's renewed engagement in agricultural commodities in developing countries and set out the strategic orientations for cooperation.

Following several WTO disputes and subsequent reforms of its banana trade regime, the EC introduced a tariff-only regime on 1 January 2006 with an applied duty of €176 per tonne, combined with a duty-free tariff quota of 775,000 tonnes for ACP-origin bananas. However, this situation was not deemed satisfactory by MFN countries, and the WTO's Appellate Body ruled against the EC's CMO, most recently in December 2008.

Thus, international trade negotiations and outstanding litigation at the WTO required the EU to rebind its MFN tariff below the current level of €176 per tonne of imported bananas. In December 2009, following long and complex negotiations, the EU initialled an agreement on bananas with Latin American banana-exporting countries, laying down a schedule for the reduction of the EU's MFN tariff on bananas.

This agreement settles all pending disputes at the WTO and establishes that the MFN tariff will fall from the current €176 per tonne to €14 over a period of seven to nine years. ACP countries will continue to enjoy duty-free, quota-free access to the EU market, offered as part of Economic Partnership Agreements (EPAs) between ACP regions and the EU since January 2008.

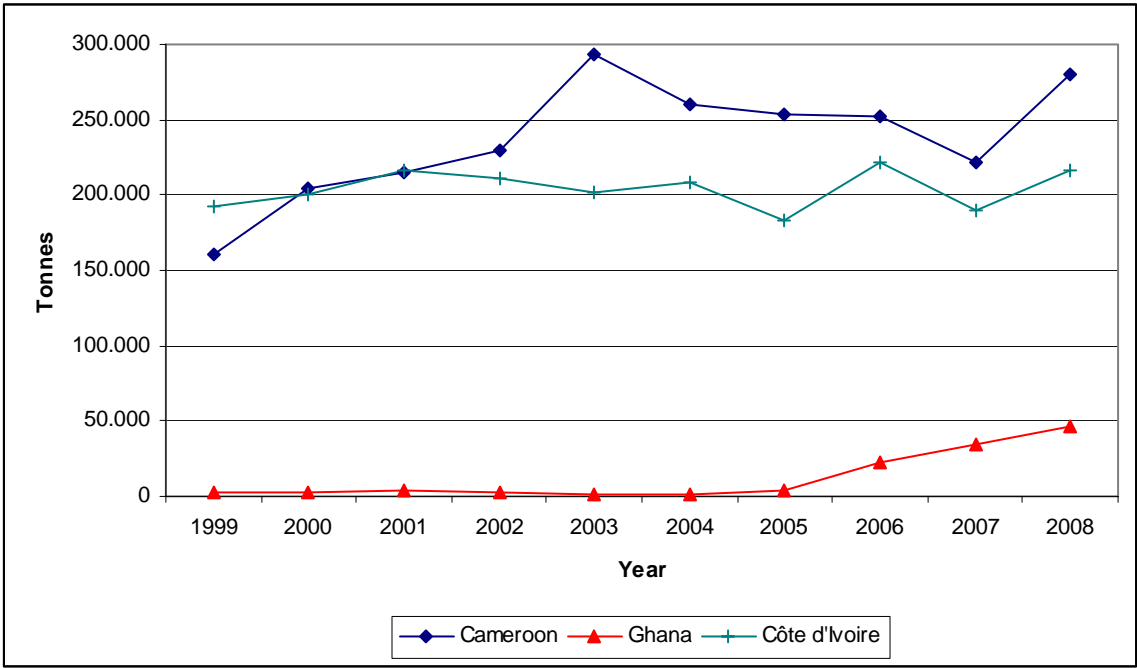
The change in the EU's tariff regime implies a reduction of the ACP preference margin. To assist ACP banana-supplying countries in their adjustment processes, the European Commission proposes to establish country-specific accompanying measures for the main ACP banana-exporting countries. The measures will build on the adaptation processes set in motion with the Special System of Assistance (SSA) and the Special Framework of Assistance (SFA) for traditional ACP suppliers of bananas (see section 1.3 below).

1.2. ACP banana trade with the EU

In the decade since 1999, ten main ACP banana-exporting countries have emerged, each supplying on average more than 10,000 tonnes of bananas annually to the EU (Annex 1). In Africa, the countries are: Cameroon, Côte d'Ivoire and Ghana. In the Caribbean, the countries are: Belize, Dominica, Dominican Republic, Jamaica, St. Lucia, St. Vincent and the Grenadines, and Suriname. Graphs 1 and 2 show EC imports from these countries between 1999 and 2008.

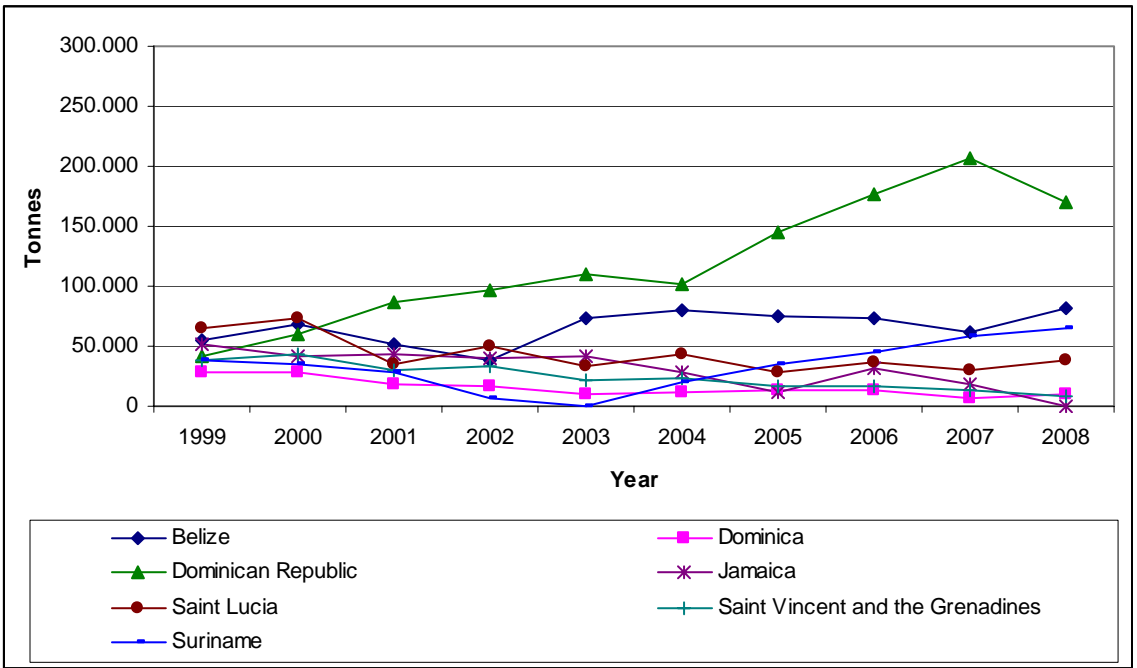
Over the past ten years, twenty other ACP countries have supplied bananas to the EU at some point. However, volumes have been marginal, with an annual average below 40 tonnes per country.

Graph 1: EU imports from main African banana-supplying countries, 1999-2008



Source: Comext, Eurostat, 2009

Graph 2: EU imports from main Caribbean banana-supplying countries, 1999-2008



Source: Comext, Eurostat, 2009

1.3. Past support programmes

In the past, the EU extended support to ACP banana sectors by funding:

- the Special System of Assistance (SSA)³ from 1994 to 1999, and
- the Special Framework of Assistance (SFA)⁴ from 1999 to 2008.

Both programmes supported the adaptation of traditional ACP banana-exporting countries⁵ to changes in the EC's banana market regime and to likely changes in tariff schedules. Specifically, they helped beneficiary countries to:

- produce bananas more competitively; and/or
- diversify their economies into other sectors to reduce their dependence on bananas.

The results were generally positive, although certain challenges remain, particularly in countries where diversification was a priority⁶. Four countries - Cape Verde, Grenada, Madagascar and Somalia - gradually reduced and finally ended their exports to the EU. Two non-traditional ACP banana-supplying countries - the Dominican Republic and Ghana - have drawn on their preferential access to the EU market to establish themselves as banana-exporting countries in recent years, and so did not benefit from the SSA or the SFA.

2. THE NEW BANANA ACCOMPANYING MEASURES

2.1. Objectives, beneficiaries and intervention areas

Through the Banana Accompanying Measures (BAM), the European Commission proposes to support adjustment to the new MFN tariffs of the ten ACP countries that have supplied more than 10,000 tonnes of bananas to the EU on average over the last ten years: Belize, Cameroon, Côte d'Ivoire, Dominica, Dominican Republic, Ghana, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, and Suriname.

The BAM will help to fulfil the goals of EU cooperation with ACP countries: reducing poverty, fostering sustainable growth and ensuring the countries' smooth integration into the world economy. The measures will support the adjustment process in ACP banana-exporting countries taking into consideration the countries' own policies and adaptation strategies. They will focus primarily on three goals:

- (a) *Boosting the sector's competitiveness.* Supporting banana exporters to become more competitive in countries where producers stand a good chance of adapting to developments in international trade in the long term.
- (b) *Promoting economic diversification.* Helping areas which currently depend on banana exports to generate income in other ways can help reduce their vulnerability, whether this new income complements or replaces income from banana exports.

³ Council Regulation (EC) No 2686/94 of 31 October 1994

⁴ Council Regulation (EC) No 856/1999 of 22 April 1999 and Commission Regulation (EC) No 1609/1999

⁵ Belize, Cameroon, Cape Verde, Côte d'Ivoire, Dominica, Jamaica, Madagascar, Saint Lucia, Saint Vincent and the Grenadines, Somalia and Suriname.

⁶ See 'Biennial Report on the Special Framework of Assistance for Traditional ACP suppliers of Bananas'; COM(2010)xxxx).

- (c) *Addressing the broader impact of adaptation on employment, education and healthcare, land use and the environment.* Tariff reductions are likely to have social, environmental and economic effects on ACP countries, in particular if the banana industry downsizes. Adaptation strategies could address these effects, and EU assistance should be able to support them.

Beneficiary countries' adjustment needs will vary considerably, depending on the importance of the banana sector in their economy, their volume of exports to the EU, and their ability to adapt. With additional effort, some countries may remain competitive in a less protected market, whilst others may have to opt for other solutions. The measures should therefore be country-specific and integrated within each country's wider agriculture and development strategies.

2.2. Implementing modalities

Country-specific strategies will help countries adapt to new market conditions and guide the delivery of EU assistance, ensuring that the BAM are relevant and effective. Each country should draw up or, where it already exists, update its specific banana-sector National Adaptation Strategy together with its stakeholders, in line with its wider agricultural, environmental and employment policies and development strategies. The strategies should incorporate the experience and results of past banana support programmes if applicable, and be based on further assessments of prospects under the new trade arrangements.. On the basis of these National Adaptation Strategies, an EU Multi-Annual Support Strategy will be adopted, which will be coherent with the EU's Country Support Programmes (CSPs). The strategies will be further screened to decide whether Strategic Environmental Assessments (SEAs) are required.

ANNEX 1: EU IMPORTS FROM MAIN AND TRADITIONAL ACP BANANA-SUPPLYING COUNTRIES, IN TONNES, 1999-2008

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Average 1999-2008
Belize	55,650	68,558	51,609	38,178	73,806	80,292	74,189	73,207	62,357	82,146	65,999
Cameroon	160,638	204,978	215,455	229,913	293,091	260,056	252,912	252,702	221,821	279,530	237,110
Cape Verde	10	2	0	0	0	0	0	0	0	0	1
Côte d'Ivoire	192,522	200,163	216,699	210,788	202,034	208,948	183,752	221,791	189,438	216,583	204,272
Dominica	27,583	27,713	17,516	17,467	10,472	12,167	12,814	13,298	7,291	10,281	15,660
Dominican Republic	42,217	59,807	85,886	97,331	109,434	101,337	144,683	176,757	206,362	170,464	119,428
Ghana	2,526	2,972	3,345	3,201	928	1,788	4,207	22,404	34,134	45,951	12,146
Grenada	621	784	591	557	448	406	0	0	0	0	341
Jamaica	51,635	40,941	42,958	40,600	41,775	28,660	11,654	31,863	18,371	40	30,850
Kenya	19	10	1	3	1	0	0	0	0	1	4
Madagascar	0	0	0	0	0	0	0	0	0	0	0
Saint Lucia	65,532	72,566	34,727	49,313	32,520	42,872	28,243	36,726	30,456	38,512	43,147
Saint Vincent and the Grenadines	37,910	42,923	30,829	32,520	20,911	23,962	15,893	17,239	13,792	8,975	24,495
Suriname	39,029	34,234	28,720	6,548	0	19,387	35,258	45,119	58,788	65,812	33,290
Tanzania	0	0	0	0	0	0	0	0	0	0	0

Source: Comext, Eurostat, 2009