

of the CSS is to meet all needs for statistics in the EU in an integrated and harmonized manner' (see point 2.2 of the Commission document). The Committee therefore feels that it is very important to improve and develop

the CSS, including national statistical institutes, and work out new working methods so as to make available at the right time the statistics necessary for the major policy decisions of the EU.

Brussels, 27 May 1998.

The President
of the Economic and Social Committee
Tom JENKINS

Opinion of the Economic and Social Committee on the 'Proposal for a Council Regulation (EC) amending Regulation (EEC) No 404/93 on the common organization of the market in bananas'⁽¹⁾

(98/C 235/15)

On 27 January 1998 the Council decided to consult the Economic and Social Committee, under Articles 43 and 198 of the Treaty establishing the European Economic Community, on the above-mentioned proposal.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 12 May 1998. The rapporteur was Mr Espuny Moyano.

At its 355th plenary session (meeting of 27 May 1998) the Economic and Social Committee adopted the following opinion by 82 votes to 16 with 19 abstentions.

1. Introduction

1.1. In its proposal the Commission amends those aspects of the CMO which have been condemned in the reports of the World Trade Organization's Panel and Appellate Body so as to bring Community arrangements for the import of bananas into line with WTO rules.

1.2. The Commission document is based on the following points:

1.2.1. A tariff quota of 2,2 million tonnes for imports of third country bananas (at a duty rate of ECU 75/t) and non-traditional ACP bananas (nil duty).

1.2.2. An additional tariff quota of 353 000 tonnes at a duty rate of ECU 300/t for third country bananas and ECU 100/t for non-traditional ACP bananas.

1.2.3. The present system of import licences (B licences and allocation by activity) is scrapped.

1.2.4. A system of import licences is proposed based on traditional trade flows (traditional/newcomers method). The arrangements for the practical management of the system will be laid down in the Commission's implementing rules which will be adopted by the management committee procedure.

1.2.5. Should there be no reasonable possibility of securing agreement of all WTO contracting parties with a substantial interest (Costa Rica, Colombia, Ecuador and Panama), the Commission will be authorized to allocate a specific quota to each of these four countries.

1.2.6. The traditional ACP quantities will not be allocated between countries; a maximum quantity of 857 700 tonnes is set.

1.2.7. The proposed additional autonomous tariff quota may be increased if demand in the Community rises as indicated by a balance sheet of production, consumption, imports and exports. The elements of the balance sheet, its adoption and the increase in the additional quota are determined under the management committee procedure.

⁽¹⁾ OJ C 75, 11.3.1998, p. 6.

1.2.8. Should supply of the Community market be affected by special circumstances affecting production or importation, the Commission will adopt the specific measures necessary in accordance with the management committee procedure. In such cases the additional tariff quota may be adjusted and specific measures may be adopted. These measures must not discriminate between supply origins.

1.2.9. The new arrangements enter into force on 1 January 1999.

1.3. The proposal for an amendment of the CMO in bananas is accompanied by a recommendation for a Council decision authorizing the Commission to negotiate with third countries having a substantial interest: Costa Rica, Colombia, Ecuador and Panama.

2. General comments

2.1. The Committee acknowledges the efforts made by the Commission to bring certain provisions of Regulation (EEC) No 404/93 into line with the Community's international commitments vis-à-vis the WTO and the IVth Lomé Convention and in particular its Protocol No 5 on bananas.

2.2. The Committee notes that, as a result of the verdict of the WTO Panel and Appellate Body, it is necessary to amend one of the pillars of the common market organization (CMO) in bananas, namely the system for allocating import licences.

2.3. The Committee notes that in its proposal the Commission is unable to compensate EU and ACP producers for the abolition of import B licences, which were found to have broken GATT rules; the Commission proposal does not provide for any kind of measure to compensate these producers in this respect. The changes in the way of allocating import licences may deprive Community and ACP producers of guaranteed access to the Community market at prices which are reasonable for both producers and consumers, a condition which is a sine qua non for maintaining the income of producers.

2.3.1. The Committee therefore fears that the proposed changes may exacerbate the present employment situation in banana producing regions which already suffer from high unemployment.

2.3.2. Consequently the Committee thinks that the Commission should provide for a 20 % increase in the flat-rate reference income for the calculation of the compensatory aid granted to Community producers so

that they are compensated for the changes in the import system. A legal basis for this necessary reassessment can be found in Article 299 of the new Amsterdam Treaty which allows Community policies to be applied flexibly in very remote regions.

2.3.3. The Committee also considers that the Commission should propose establishing a mechanism which continues to encourage operators to market traditional Community and ACP bananas. This incentive is necessary because the specific conditions under which these bananas are produced, in particular the lack of any economies of scale and the higher social costs, mean that the profit margin on their sale is far smaller than that for Latin American bananas.

2.4. The Committee considers that the sustainable production and marketing of bananas produced under fair social conditions and appropriate environmental conditions should be strengthened. It regrets that no substantial measure is proposed to this end.

2.4.1. The Committee would therefore welcome the proposal by the Commission of a series of support measures for the marketing and promotion of these bananas, including alerting European public opinion to the problems of third world banana producers. Such measures are especially needed because these bananas are grown by small producers who have to contend with much higher production costs than the large multinationals which frequently run an integrated operation from production to import, including transport.

2.4.2. Consumers would also benefit from such measures since, according to information from the survey carried out by the European Commission, bananas produced under proper social and environmental conditions are widely accepted by EU citizens, who are also very concerned at the abusive use of pesticides and other chemical inputs in some parts of Latin America.

2.4.3. An effective control system should be established so that only bananas produced under proper social and environmental conditions can be regarded as such. An international banana charter, codes of conduct and labels could usefully serve this end.

2.4.4. At the same time it will be essential that producers' returns are maintained through appropriate market mechanisms or by direct support to growers. For EU growers this should take the form of enhanced compensatory payments. For ACP producers this should

be through aid in a form which is compatible with WTO, in addition to the structural aid measures for improving the competitiveness of the industry.

2.5. The Committee considers that consumers should be guaranteed a reliable and varied supply of bananas from different geographical sources and different production and marketing methods. For this, the new system will have to ensure that Community, ACP and Latin American bananas co-exist on the market.

2.6. In view of the growth of the Community banana market since the CMO was established and the prospect of future EU enlargements, the Committee thinks that provision should be made for an increase in the quantity of Community bananas entitled to compensatory aid, thus enabling these products to share in the growth of domestic consumption. Otherwise the growth in the Community market will be claimed entirely by third country bananas.

2.7. The Committee considers that the Commission's proposal to allocate a maximum quantity for the traditional ACP countries could unbalance supplies from these countries and that means will have to be found to ensure that no traditional ACP supplier is denied access for its traditional quantities.

2.7.1. Consequently the Committee urges the Commission to find the most suitable formula for ensuring that no one ACP country is penalized in relation to the others.

2.7.2. The Committee notes that the Commission proposal makes no provision for helping resolve the particular issue of Somalia, previously raised by the Committee in its opinion of 30 May 1996 (CES 704/96, points 1.3 and 1.3.1).

The Committee believes that assigning a large specific quota to Somalia, on an exceptional, one-off basis, is the only possible way of contributing to the economic and social recovery of the country, which is continuing to suffer an acute crisis as a result of the civil war and the disastrous floods of 1996, which destroyed almost half the area under cultivation.

3. Specific comments

3.1. The Committee considers that the quantity of 353 000 tonnes proposed for the additional autonomous quota is excessive and should be limited to 100 000 tonnes. In fact, the sum total of the quotas, the traditional ACP quantities and the Community reference quantity is such that supply (4,26 million tonnes) will outstrip demand (3,9 million tonnes).

3.1.1. The oversupply of the EU market in recent years justifies capping the additional quota. This quota could be adjusted up or down annually in line with the real needs of the market.

3.2. In the Committee's view, the new mechanism for allocating import licences must ensure proper competition between all commercial operators so as not to upset the Union's balance of supply between all production sources, without exception. For this reason it is essential that these new arrangements provide an effective guarantee for the marketing of Community and ACP bananas and provide viable returns to growers. In particular, the competitiveness of European banana producers should be further improved. The Commission is urged to report in detail on the means deployed and the progress made, and also on any opposition.

3.3. The Committee considers that the reference period for the allocation of import rights should be the last year for which market data are available. This will ensure that the figures are more in line with the actual situation on the market. If the calculation of the reference quantities is to be simpler, more reliable and fairer, it is necessary to take into account only those quantities actually imported into the Member States as shown on import licenses which have been checked (or certified by the customs).

3.4. To smooth over the transition from the present import arrangements to the new arrangements introduced in the Commission proposal, the Committee considers that a number of transitional measures should be laid down so as to reduce to a minimum the disruption caused by the major changes to the present system. During this transitional period, operators would have a chance to make the changes to their industrial and commercial infrastructure required to adapt to the new import system.

3.5. The Committee considers it essential that the arrangements for allocating import licences in the event of exceptional circumstances be maintained.

3.5.1. The Committee thinks that such exceptional circumstances should cover the situation of those countries which have traditionally supplied the Community market but are going through a period of governmental anarchy which prevents them from keeping up with their historic export quota.

4. Conclusions

4.1. The Committee is aware of the need to bring the banana import arrangements established in Regulation

(EEC) No 404/93 into line with the decision of the WTO Dispute Settlement Body, but argues that this should not compromise the efficiency of the CMO in bananas in achieving its fundamental objectives, especially in maintaining the market access guarantee for Community and ACP bananas, ensuring a decent income for both EU and ACP producers, and providing consumers with access to a varied range of bananas of different origins at reasonable prices which are uniform throughout the Community. The new arrangements should also encourage the marketing of bananas produced under proper social and environmental conditions so that third country producers and workers can obtain a better return from the sale of their bananas without risk to their health and the ecological balance of the growing regions.

4.1.1. The Committee therefore hopes that due account will be taken of its arguments with regard to the present amendment of the CMO in bananas. Under no circumstances can the Committee accept that Community preference, a fundamental pillar of the CAP, be dismantled because of the loss of guaranteed market access for Community producers. The Committee also considers it essential to preserve preferential access to the Community market and traditional benefits guaranteed to ACP producers under the Lomé agreements, which are a cornerstone of the Community's external and development policies.

4.2. The Committee would like to be informed as soon as possible and consulted by the Commission on any draft regulations applying the new CMO in bananas.

Brussels, 27 May 1998.

*The President
of the Economic and Social Committee*

Tom JENKINS

APPENDIX

to the opinion of the Economic and Social Committee

The following amendments, having received at least one quarter of the votes cast, were rejected during the deliberations.

1. Point 2.3.2

Point 2.3.2 to read as follows:

'Consequently the section thinks that the Commission should step up the use of all appropriate means for bringing about structural improvements in the areas concerned. A careful analysis of the impact of structural aid to date should first be carried out.

In this context consideration could also be given to reassessing the flat-rate reference income for the calculation of the compensatory aid granted to Community producers.

Once the Treaty of Amsterdam has been ratified, Article 299 of this Treaty could provide the legal basis for this reassessment; under this Article suitable conditions may be attached to the application of EU policies in very remote regions.'

Reason

The necessary structural support in the relevant regions should in no way be limited to a possible increase in the compensatory aid. Such aid should only be granted as part of an overall package.

Result of the vote

For: 36, against: 48, abstentions: 13.

2. Point 2.6

Point 2.6 to read as follows:

‘The Committee notes that, as a result of the aid, banana production in the EU has increased since the CMO was established. Nevertheless, current production (680 000-700 000 t) is still substantially below the maximum quantity eligible for aid established in 1993 (854 000 t).

If the EU production targets for quantity and quality were met, a decision could be taken on whether — contrary to the general trend in the CAP — the quantity eligible for aid should be increased, bearing in mind especially the prospect of future enlargement of the EU.’

Reason

Self-explanatory.

Result of the vote

For: 39, against: 52, abstentions: 15.

3. Points 3.1 and 3.1.1

Delete.

Reason

The 353 000 t additional quota corresponds to the non-EU imports of the three most recent Member States prior to accession. Since then their consumption has increased slightly (with changes in the breakdown of origins).

The figure of 4,26 million t given for supply was not actually reached because it was not possible, for a variety of reasons in the growing regions, to use up the EU and ACP quotas eligible for aid. Even the quotas for third country imports are below their target, mainly for administrative reasons (including license trading).

Result of the vote

For: 34, against: 49, abstentions: 24.

4. Point 3.3

First sentence:

For ‘last year’ read ‘the last three years’.

Reason

Taking a single year for allocation of import licence allocation would operate most unfairly on countries which for climatic and other reasons had unduly low production in that year.

Because of the dependence of weather conditions an average of years usually forms the basis of allocation entitlement.

Result of the vote

For: 35, against: 38, abstentions: 26.

5. Point 3.3

Insert after the first sentence:

'However, the market-distorting effect of the old system, declared contrary to GATT, should be discounted.'

Reason

Self-explanatory.

Result of the vote

For: 32, against: 49, abstentions: 25.

6. Point 3.4

Delete.

Reason

Under WTO rules the new system must be fully operative by 1 January 1999.

Result of the vote

For: 35, against: 53, abstentions: 18.
