

# The European Union's Single Market and Latin America's Banana Exporting Countries

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## ABSTRACT

In 1993 the European Union (EU) implemented a single market for bananas, as it had done with numerous other products. Doing so necessitated several policy changes governing the importation of bananas. This paper reviews the new regulations and their impacts on those Latin American states that export bananas to the EU. The review suggests that these changes illustrate how, even in the primary sector, globalization processes increasingly link diverse world regions. They also demonstrate the difficulty of making Community-wide decisions that avoid undesirable external effects.

## INTRODUCTION

By design, the new EU policy favors member states with banana production of their own or whose banana-producing former colonies are tied to the Community through the Lomé Convention. This latter group includes 12 African and Caribbean countries. Latin America, with several of the world's major banana exporters, is the third developing region involved in trading the fruit with the EU.

The intricate formulas for importing bananas into the EU are already causing changes in the geography of the banana industry. The paper focuses on these changes, their international dimensions, and domestic outcomes in the regions affected. This study concludes that the greatest impact is felt by major Latin American exporters, where local effects are especially significant. The coastal regions of those countries are characterized by the high level of employment generated either directly or indirectly by banana cultivation.

The complex integration taking place among members of the EU is generating impacts beyond the borders of the countries directly participating in the process. Implementation of the "single market," as stipulated in the Treaty of Maastricht, mandates uniform treatment of each product by Community members in their trading practices. This rule applies to all goods imported into the Community, necessitating negotiations on the specific means of handling each product. The outcomes of such deliberations affect much of the world, to varying degrees, including Latin America, many of whose exports enter EU markets.

The banana is just one of the several thousand articles involved in this process but provides an excellent example of the difficulty of achieving the single market without producing undesired external effects. The fruit also illustrates the increased impacts of such a policy within the context of increasing economic globalization as well as the conflicting nature of several European Union goals. The unique historical economic geography of the banana --the dominance of Latin American producers and, in turn, their domination by North American multinational corporations-- only adds to the controversy generated by the new policy. EU markets, however, are very important to the industry, representing nearly 38% of the world's total in 1990, surpassing even the North American market (Soto 1992).

The paper first examines the effect of the new European Union importation policy on Latin America and other developing-region banana export [end p. 31] ers. By design, the new EU policy favors member states with banana production of their own or whose banana-producing former colonies are tied to the Community through the Lomé Convention. This latter African-Caribbean-Pacific (ACP) group includes twelve African and Caribbean countries that export bananas to the EC. Latin America is the third developing region directly addressed by the policy and has been the major exporter of bananas to the Community.

The paper then considers the spatial impacts of the new policy. The formulas governing the import of bananas into the EU are already causing changes in the geography of the banana industry. The paper focuses on these changes, their international dimensions, and domestic results in the states affected, with an emphasis on the Latin American exporters. Banana production zones are often peripheral subnational regions, which, this research suggests, aggravates the deleterious outcomes of the EU's banana policy by concentrating them in already disadvantaged areas of the global periphery.

Finally, the paper considers the benefits made possible by the policy in view of the problems it creates. Called into question is the basic motive behind a policy which, after all, was developed by an organization that spends billions of dollars in foreign aid to combat poverty in Latin America.

### **ANTECEDENTS OF THE NEW EUROPEAN UNION BANANA IMPORTATION POLICY**

The EU's banana consumption patterns provide an essential key to understanding the new import policy. Prior to the July 1, 1993 implementation of this policy, the twelve member countries constituted a fragmented banana market, each with its own rules and policies regarding import of the fruit, though within a general Community framework governing agricultural production and imports.<sup>1</sup> This fragmentation, and the various priorities that the members sought to preserve, lie at the heart of the current controversy, especially with respect to Latin America.

EU consumers receive their bananas from three types of sources. The first includes community producers, which are either integral territories of member states or overseas departments. The most important of these are Spain's Canary Islands; French Martinique and Guadeloupe; Portugal's Algarve, Madeira, and the Azores; and the Greek island of Crete (European Commission 1993). The second type includes the 12 (of 68) ACP members that export bananas to the ED. Among these are five small Caribbean island states (Jamaica, Dominica, St. Vincent and the Grenadines, Grenada, and St. Lucia), two mainland American states (Belize and Suriname), and five African countries (Cote d'Ivoire, Somalia, Cameroon, Cape Verde, and Madagascar) (European Commission 1991). Finally, a group designated as "third country" producers provide the largest quantity. In most years, Latin American exporters, primarily Ecuador, Costa Rica, Colombia, Honduras, Panama, and Guatemala, account for 98-99% of the third-country bananas imported into the EU (CORBANA 1993). Much of the documentation generated by the EU on the banana issue refers to these sources as "dollar zone" bananas, in reference to the dominance of North American multinational corporations in the production and marketing of those countries' fruit.

These sources differ in substantive ways. Their bananas are not subject to equivalent entry conditions. They do not produce the fruit at similar costs. EU members have established individual patterns of purchasing bananas from the three types of sources. Each of these differences has had an impact on the development of the new policy, indicating various EU priorities and commitments. The pre-1993 EU market for bananas was compartmentalized into four categories. Spain protected its market for Canary Islands producers by employing a strict quota system for imports. She imported only when demand was not satisfied by internal production.

A second category included Italy, Portugal, Greece, Britain, and France, who applied a system of preferential access, each giving priority to internal production (as with Martinique, Guadeloupe, Madeira, and Crete) or to imports from ACP states with whom a special relationship existed, as in the case of Somalia (Italy); Cameroon, Cote d'Ivoire, and Madagascar (France); Cape Verde (Portugal); and Jamaica, Belize, Dominica, St. Vincent, St. Lucia, and Grenada (Britain). They opened their markets to third country bananas only when domestic demand was not met from the above sources, assessing a 20% tariff in keeping with the EC's Common Agricultural Policy (CAP) (European Commission 1991). **[end p. 32]**

The third market category involved the Netherlands, Belgium, Luxembourg, Denmark, and Ireland, which mostly imported third-country bananas, but applied the 20% CAP tariff. Germany, a leading per capita consumer of bananas, comprised the fourth category. This nation imported third-country bananas with no tariff or quota, a privileged position with regard to bananas having roots in the Treaty of Rome that established the

Community in 1957 (European Commission 1991). Overall, six members pursued preferential access policies, while the remaining six allowed undifferentiated access in which market forces determined the sources of banana imports.

: This situation is incompatible with the single market concept and is complicated further by differing levels of production efficiency among the three types of producing countries. Latin American bananas arrive in European ports at substantially lower prices than Community or ACP bananas (Budhram and Rock 1991). In an unregulated single market, cheaper Latin bananas could move freely among member countries and would likely displace EU and ACP production within a short period of time. This outcome is considered undesirable in Brussels in view of the Community's complex web of internal priorities and international commitments.

These internal priorities involve efforts to stimulate the development of the EU's peripheral territories, including its banana-producing regions. Towards this end, banana production in those territories is heavily subsidized, like other agricultural sectors under the CAP, to overcome a lack of competitiveness. Thus, protection of a market share for EU bananas is a priority within the new policy (European Commission 1993a).

Internationally, through the special Banana Protocol of the Lomé Convention, the EU is committed to avoiding any policies that harm its ACP trading partners. The ACP banana producers also are not competitive with Latin American growers. Therefore, the EU response is to preserve a market share for them as well, which an unrestricted single market would not allow.

**TABLE 1: EUROPEAN COMMUNITY BANANA CONSUMPTION BY SOURCE**

SOURCE	1991 AND 1989-91 AVERAGES (IN METRIC TONS)	
	1991	1989-91 AVERAGE
<b>COMMUNITY SOURCES</b>	636,643	637,826
CANARY ISLANDS	339,450	344,132
GUADELOUPE	116,124	94,047
MARTINIQUE	181,069	199,648
<b>A.C.P. PRODUCERS</b>	657,735	604,608
BELIZE	19,616	23,412
CAMEROON	115,841	83,447
CAPE VERDE	3,011	2,820
DOMINICA	54,961	52,897
GRENADA	8,168	6,548
IVORY COAST	116,425	83,447
JAMAICA	70,116	57,505
ST. LUCIA	102,651	115,387
ST. VINCENT	63,063	70,732
SOMALIA	8,177	41,783
SURINAM	27,744	28,491
<b>THIRD COUNTRIES</b>	2,394,199	2,061,031
COLOMBIA	512,347	441,787
COSTA RICA	569,373	522,340
DOMINICAN REP.	10,298	4,709
ECUADOR	600,766	408,975
GUATEMALA	13,186	28,128
HONDURAS	138,396	136,907
NICARAGUA	65,218	47,285
PANAMA	484,574	470,886
VENEZUELA	41	14
<b>TOTAL</b>	<b>3,694,619</b>	<b>3,316,559</b>

SOURCE: CORBANA 1993, CUADRO No. 2

[end p. 33]

Table 1 indicates EU banana consumption by source as the Union was about to embark upon the single market path. Latin American exports rose substantially during the period prior to the adoption of the Maastricht Treaty. This increase itself has been the subject of controversy as it was fueled by a sizeable expansion of cultivation in anticipation of liberalization of the restricted portions of the EU banana market. This growth occurred with public sector support and has been criticized within Latin America for its environmental costs (Asociación Ecologista Costarricense 1992; MCN 1992; and Soto 1992. The subsequent failure of the EU to open up its markets called such practices and policies into question while increasing the impact of the EU restrictions.

#### **THE EU'S NEW "COMMON ORGANIZATION OF THE MARKET IN BANANAS"**

On February 13, 1993 the Council of the European Communities approved Council Regulation (EEC) No. 404/93. Along with more detailed subsequent regulations (European Commission 1993b), this provided the framework for the single market for bananas. Its publication ended more than a year of speculation about the

policy and generated a variety of reactions within and outside the Union.

Among Regulation No. 404/93's provisions is the establishment, in Article 12, of an annual limit of 854,000 metric tons on internal banana production eligible for subsidization. This figure exceeds by 34% the 1989-91 average level of Community production (Table 1), meaning that the CAP would need to compensate growers for this additional production if it is achieved.

In Article 15, the regulation protects an annual production of "traditional ACP bananas," allowing duty-free entry of 857,000 metric tons from the 12 countries noted above. This quantity, divided into individual country allocations, exceeds export levels for 1989-91. The excess permits an increase in banana cultivation in those among the 12 with available land, as nearly all of their export production already goes to the EU. Any fruit above the protected total is classified as "non-traditional."

Article 18 of the regulation creates an annual "tariff-quota" of two million tons of bananas to be imported from third-countries or under the nonditional ACP category. The former are subject to a tariff per ton of 100 ECUs (1 ECU = US\$1.20) while non-traditional ACP bananas within the tariff-quota enter duty-free. Bananas may be imported above the tariff-quota where demand remains unsatisfied but face an 850 ECUs per ton tariff if from third-countries or a 750 ECUs per ton tariff when coming from the ACP states. The two million ton limit represents a decrease of 16% for Latin American exporters alone from the 1991 total (Table 1) and 16.7% from the 2,398,677 tons imported in 1992 (CORBANA 1993). These losses lie at the heart of the problem, as viewed from Latin America, as they are accompanied by unfulfilled market shares allocated to Community and ACP producers.

Finally, Article 17 establishes a system of licenses for importing third-country bananas. Article 19 refines the license requirement by defining the percentage of the two million ton tariff-quota that can be imported by each of three categories of license holders (Table 2). These categories have also provoked controversy. Category A license holders are mostly subsidiaries of multinationals based in the dollar zone who had previously handled the bulk of the 2 million-plus tons entering the Community from Latin America. These companies now face a decrease in what they are permitted to export.

**TABLE 2: CATEGORIES OF IMPORT LICENSE HOLDERS**

CATEGORY	%	TONS	TYPE OF OPERATOR
CATEGORY A	66.5	1.33 MILLION	THOSE WHO HISTORICALLY MARKETED THIRD COUNTRY AND NON-TRADITIONAL ACP BANANAS IN THE EU
CATEGORY B	30.0	0.60 MILLION	THOSE WHO HISTORICALLY MARKETED COMMUNITY AND TRADITIONAL ACP BANANAS IN THE EU
CATEGORY C	3.5	0.07 MILLION	THOSE WHO BEGAN MARKETING THIRD COUNTRY AND NON-TRADITIONAL ACP BANANAS IN 1992 OR AFTERWARD

SOURCE: COUNCIL REGULATION (EEC) 404/93

On the other hand, the Category B operators, mostly EU-based multinationals with limited activity in Latin America, reap the benefit, as they gain the right to export 600,000 tons of bananas yearly that were previously supplied by companies in Category A. Category B includes such companies as Fyffes, Ltd. and Geest, Ltd.,

which have already begun operations in Costa Rica (Zúñiga 1994).

Responses to the new regulations were quite mixed. Community producers and members with special ACP ties supported the measure (Reuters 1993b), as did importers gaining licenses allowing them to handle 600,000 tons of bananas previously supplied by others. Germany objected to the measure and, supported by Belgium, the Netherlands, and Denmark, took the Council to court (Reuters 1993e, 1993f), filing a complaint with the European Court of Justice, where it lost in June, 1993 (European Report 1993, Reuters 1993c).

Not surprisingly, given the two million ton limit, the loudest objections came from Latin America, where governments of the third country producers strenuously opposed the regulation. Costa Rica and Colombia filed a complaint against the new regulations with the General Agreement on Tariffs and Trade (GATT) (Reuters 1993d). They also raised the **[end p. 34]** issue with the Union of Banana Exporting Countries and have negotiated sporadically with the EU since 1993.

While world attention focused on the continuing trade talks in the Uruguay Round of GATT, the EU initiated its new policy on July 1, 1993. This policy favored various changes reflecting the complex series of relationships centered on the banana trade. A brief analysis of the spatial dimensions of these outcomes follows, focusing on relations among, within, and between various Latin American countries and the other regions involved.

### **IMPACTS OF THE ED'S SINGLE MARKET FOR BANANAS**

The effects of the new policy will be felt at several levels in many parts of the world and will likely alter the geography of banana production and trade. The changes wrought by Regulation 404/93 will influence the actions of import companies in Europe, multinational firms and small-scale producers in Latin America, producers in ACP states, and governments of many nations. At the same time, these changes will reinforce structural aspects of the world economy that work to the disadvantage of developing regions. Many of these changes are still latent, although several are already observable.

The wording of Regulation 404/93 is responsible for some of the changes. Though the media focused on the aspect of "quota" in reference to the two million ton tariff-quota for third-country and non-national ACP production, an important dimension of the quota was ignored. The two million tons, as initially presented, were not divided into country quotas for individual Latin American states. Rather, this quantification involved the allocation by category of import company within Europe (Table 2). This system gives great power to companies able to secure import licenses while providing little security for individual countries. Thus, the "space" of banana production within the third country category is unprotected (CORBANA 1993).

The new import policy creates greater direct competition within Latin America, as the tariff-quota places additional pressure upon each major exporting state to secure as large a share as possible of the two million tons. Without country quotas to secure a share of the two million tons, states must compete through their appeal (i.e. costs) to multinational producers and import companies. This competition undermines Latin American unity on the banana issue even as the GATT challenge to the EU continues. The efforts of individual countries, notably Ecuador, to gain advantage within the quota by striking alliances with import companies holding the coveted licenses exemplifies this competition, and there have been numerous reports of the region's failure to mount a unified effort to confront the new regulations.<sup>2</sup>

Three policy responses reflect this new level of competition. One is the lowering of the FOB price per box of bananas for export despite the fact that the region's bananas are already very economically competitive.<sup>3</sup> In some instances, their prices only narrowly exceed production costs, reducing profits of both multinational and domestic producers while **[end p. 35]** also limiting foreign exchange earnings in countries such as Costa Rica and Ecuador (Umana 1994).

A second policy response concerns public sector finances in the Latin American exporting countries due to a

significant reduction in the per-box tax assessed to banana exports. Since 1974, this tax has represented the primary benefit realized by the region's governments from this important industry. The lower tax is applied to all bananas exported, not just those bound for the EU, which adds to the revenue lost from decreased exports. In Costa Rica alone, through Decreto No. 22335-H-MAG, the decline is expected to amount to nearly \$25 million annually (Wiley 1994). Finally, public sector revenues will be diminished further by decreases in tariffs applied to imports used in the banana industry. These amount to more than \$1 per 18.14 kilogram box of bananas (Zúñiga 1994). Although intended to soften the blow of the lower FOB sale price, this measure also reduces government income.

The greater export competition among Latin American states extends to their relationships with ACP producers. As a result of Council Regulation 404/93, two blocks of countries on the periphery of the world economy are now adversaries over their trading links with the EU.<sup>4</sup> In an industry long characterized by its neocolonial structure, the new regulations reinforce that structure by ensuring that control of trade remains with the developed countries (Europe) at the core of the world economy while fostering divisions among developing areas that could challenge the system. This renders any such effort less effective.

Latin America considers the continuation of ACP market preferences as a violation of the free trade principles that the EU otherwise espouses and sees itself as the policy's primary victim due to its smaller market share. ACP states fear the competitive advantages (scale, soils, labor costs) of Latin American producers, as well as the ultimate demise of the Lomé system, which is incompatible with the latest GATT agreement. These fears are particularly strong among the Caribbean producers, while other, larger ACP states may try to commandeer a share of the "non-traditional" ACP potential in the tariff-quota, thus cutting further into the Latin American portion of EU sales.

Even among ACP states, the policy has generated a climate of mistrust and may lead to future competition. Both European and North American multinationals will be attracted to those ACP countries having land available for plantation expansion, primarily the African members and Belize. Those corporations seeking to improve their access to the EU market may find it feasible to transfer some of their production from the restricted "dollar zone" to ACP states with excess capacity. This scenario does not augur well for Latin American exporters nor for small Caribbean exporters with little unused land or ability to generate economies of scale.

Europe's new import policy is changing the behavior of the multinational corporations involved in the banana industry. The "dollar zone" terminology utilized in EU documents may become irrelevant as European transnationals launch production and trade activities in Latin American exporting states and change the nature of their competition with the North American firms that created the industry around the turn of the century. The latter had developed a system of vertical integration and a web of worldwide subsidiary operations that served as a model for other tradeable commodities (Soto 1992) but now confront competition from non-subsidiary companies that hold import licenses and have bases within the EU. North American firms, not sitting idly by as these changes occur, lobbied the US government to intervene on their behalf in the GATT, which it began to do in late 1994. As that process progresses, however, they are also actively pursuing import licenses, either through corporate buyouts of European import firms or by annually buying licenses from those categories of European license-holders that are eligible to sell them (Jiménez Pont 1994).<sup>5</sup>

Within each of the Latin American exporting countries, an additional level of competition exists. This involves the so-called "independent" producers, nationals who cultivate bananas and sell their fruit to the multinationals that control the transport and marketing phases of the industry. In reality, the national sector has never been independent because it lacks the capacity to transport and market its exports. This sector was originally fostered by the multinationals as a means of reducing their own risk, reflecting the fact that the greatest risks and fewest profits are realized in the production phase of the industry (Ellis 1983). As the national sector must sell its produce to the multinationals, their relation **[end p. 36]** ship is affected by changes associated with the new EU policy. Normally, the multinationals' contracts with the independents allow them to reject fruit based on quality considerations, often a subjective decision. Since the North American firms face reduced access to EU

consumers, they have decreased purchases from national producers, using quality criteria, and concentrated on selling their own fruit (Umana 1994).

The growth of the independent sector in several countries during the past few decades exacerbates the difficulties they now face. The combination of lower sales and reduced FOB price threatens to push many to the brink of failure, creating greater unemployment while once again furthering foreign domination of the industry throughout the region (Zúñiga 1994). These smaller-scale producers have less margin for error within the short term than do the transnationals as they command fewer resources to outlast the current downturn while waiting for market conditions to improve. The credit issue, always a critical factor, compounds this problem, as exemplified by the Costa Rican situation. There, the expansion of cultivation by national growers anticipating larger European markets was financed primarily through debt accumulation. The failure of those markets to materialize, together with lower FOB prices, places the most heavily indebted producers, not necessarily the least efficient, at greatest risk (Umana 1994).

Ultimately, the people most affected by Council Regulation 404/93 will be those with the fewest alternatives available - the workers who cultivate bananas. The loss of jobs resulting from the new EU policy is occurring in geographic areas that offer few employment options. Banana zones historically were peripheries within the global periphery. Their remoteness relative to the core areas of the states involved facilitated development of foreign-owned plantation enclaves with their own transportation systems. These regions are often culturally different from the core areas and, until recent decades, saw less effective penetration by state mechanisms.<sup>6</sup> Also, bananas offer a greater percentage of year-round jobs than do most other crops, pay higher average agricultural wages, and include better benefits, such as housing (Zúñiga 1994; Umana 1994). These advantages make the displacement of banana workers a greater potential long-term burden than would otherwise be the case. This situation is exacerbated in Costa Rica's case by the lack of economic diversity in its nine banana-exporting cantons and the relatively low socio-economic indicators those cantons already demonstrate (Ramírez 1991; Ramírez and Barahona 1991).

Estimates of probable job losses vary widely. The high side is offered by Ecuador, the leading exporter, where a loss of 75,000 jobs in the industry is expected, one per hectare taken out of production as a result of Council Regulation 404/93. In addition, the loss of indirect employment generated by the banana industry could eliminate another 375,000 jobs.<sup>7</sup>

Costa Rican estimates were much lower, despite its status as the second leading exporter. In its worse case scenario, using the same figure of one job per hectare but a more modest estimate of likely reductions in the area cultivated, Costa Rica projects a direct job loss of 6,822 posts (CORBANA 1993). Nevertheless, assuming five persons per family, nearly 35,000 people (more than 1% of the national population) will be displaced by the policy, nearly all of them in the country's least developed districts. The dearth of alternatives there will likely swell rural-to-urban migration to the country's only metropolitan district, San José.

A medium estimate is provided by Union of Banana Exporting Countries, which suggests a region-wide job loss of 174,000, affecting an additional 600,000 people dependent on those workers. This estimate includes worker displacement from all eight Latin American countries that export bananas to the EU (UPEB 1993).

In summary, the impact of Europe's single market in bananas is felt at various scales, particularly among Latin American exporting countries. These nations now find themselves at a disadvantage in world markets for one of the few major products for which they historically enjoyed a natural comparative advantage. This situation perhaps marks the beginning of a new stage in the industry's development, one that will alter the balance among transnational corporations, creating greater space for European-based companies to function within the dollar zone.<sup>8</sup> But it simultaneously weakens domestic producers and reinforces the pre-eminence of international capital in the industry. The geographic flexibility prompted by the spaceless nature of the license system will further diminish the already weak **[end p. 37]** bargaining positions of national producers, Latin American

governments, and eventually, the ACP states involved in the industry.

The complexity of the international banana trade has grown as a result of the EU's move to a single market. Clearly, the new policy was not intended to damage EU relations with Latin American banana exporters or create friction among ACP and Latin American states, although these results have already materialized. Bananas demonstrate the difficulty of achieving conflicting goals in today's more integrated world economy. It appears that the Union is unable to protect its members' peripheral zones and satisfy its Lomé commitments without harming dollar-zone exporting countries.

Given this array of outcomes, one must consider possible interpretations of just what the EU was trying to accomplish beyond extending its single market for bananas. The effects of Council Regulation 404/93 within the EU are dramatically different from those elsewhere, but even in Europe results are mixed. Additional income is gained through the sale of import licenses, through the levy of the tariff on all third country bananas (Germany's imports had earlier been exempted), and through taxes on increased earnings from the banana trade now generated by EU-based multinationals. The licenses alone could yield \$550 million in annual revenues.<sup>9</sup> An additional \$133.2 million will be raised when the 100 ECU per ton tariff is applied to German banana imports.<sup>10</sup> These sums will be funded by ED consumers, most notably Germans, but also Belgians, Danes, Dutch, and Irish who now buy bananas at prices that include the cost of import licenses. This outcome directly contradicts EU published materials and public accounts that invariably list consumer protection as a major goal.

There is considerable sentiment within Latin America that revenue generation is the underlying principle of the new policy, although the Commission's public documents do not reflect this, noting instead the desire to protect the Union's peripheral zones and fulfill its Lomé Convention obligations. The CAP has long been the ED's most expensive program, with its support for agricultural products, including bananas. The monies raised by the restricted single market in bananas can fund purposes to which the EU is already committed, such as subsidies for its own banana producers, or aid to ACP states, which totals 12 billion ECUs for 1990-1995 (Directorate-General for Development 1992).

The revenues could also finance the EU aid program proposed for Latin American banana exporters negatively affected by the new import policy (European Commission 1992). Latin American governments, though, prefer "trade, not aid," and have rejected new offers of assistance. After a decade of structural adjustment programs oriented toward improving trade competitiveness, there is little support in the region for a program, and a policy, that heralds a return to an earlier period of aid dependency.

If generation of finances for the above purposes is the real goal, the new banana import regime is an impractical means of assisting disadvantaged regions and countries. Protecting less efficient Community and ACP banana production increases prices for many EU consumers, displaces efficient Latin American producers, creates international tensions, and necessitates potentially larger internal subsidies. Borrell argues that it would be less divisive, more efficient, and less expensive to provide direct aid to areas negatively affected by a truly free single market in bananas rather than pursue indirect assistance through "banana aid" (Borrell 1994). Within the Community, the development of alternative industries could become the focus of such an aid program, with the anticipation that the effort would eventually yield self-sufficiency, something banana aid is unlikely to accomplish. In ACP states, the aid could be channeled to help banana producers become more efficient and competitive in their methods or diversify into other products, thus preparing them for the foreseeable demise of their Lomé privileges that the new GATT rules will almost surely mandate. Latin America would then regain its natural market share within the EU, thus offsetting the negative forces now in motion.

This subject is beset with many uncertainties. Changes are possible, even probable, within the policy's framework that may soften the blow of several of the outcomes noted above. What is clear, however, is that this fruit, the most traded by volume, continues to demonstrate the links between developing and developed regions. The impact of Council Regulation 404/93 on Latin America and other regions will not be static, necessitating further

study of this important issue. [end p. 38]

## NOTES

1. Pohl and Sorsa (1992) describe this framework, the Common Agricultural Policy (CAP), whose objectives appear in Article 39 of the 1957 Treaty of Rome that established the European Community.
2. Examples include *La Nación*, January 21, 1994; and *La República*, January 27 and 28, 1994.
3. In Costa Rica, this was accomplished through Decreto No. 22334 MAG-MEIC of July 16, 1993.
4. Documentation of this rivalry appears in a 1993 report of the Corporación Bananera Nacional, *The Financial Times* 1993, *The Courier* 1993, and Reuters 1993a.
5. According to Article 13 of Commission Regulation No. 1442/ 93, North American companies among operators in Category A can obtain rights from operators in Category B, the categories as defined in Table 2.
6. An intriguing account of the creation of Central America's banana zones appears in Kepner and Soothill 1935.
7. Figures obtained from "The Social and Economic Impacts of EC Banana Importation Regulations," a presentation of the Fulbright Commission's "South America Today" seminar, Guayaquil, Ecuador, June 30, 1993.
8. See Wiley, 1994a, for a discussion of this new stage in the evolution of the banana industry.
9. This figure is calculated using an average of \$5 per box, a figure of 55.13 boxes (18.14 kilograms each) per metric ton, and the two million ton tariff-quota.
10. This figure is obtained by multiplying the number of tons of bananas Germany imports annually (1,110,000) by the value of the ECU (US\$1.20).

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## **RESUMEN**

En julio de 1993, la Unión Europea introdujo su nueva política para la importación del banano como parte de su más amplio programa de crear un "mercado singular." Esta política protege la exportación del banano de los países ACP - ex-colonias - bajo del Convenio de Lomé pero, a la vez, disminuye la cantidad de esa fruta que puede entrar de América Latina. Estas investigaciones detallan las nuevas reglas y consideran sus impactos a varias escalas en los países latinoamericanos que exportan bananos a la Unión Europea. **[end p. 40]**