

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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PROGRAMME OF CONSULTATIONS ON TRADE LIBERALIZATION

BANANAS AND BANANA PRODUCTS

Informal record prepared by the secretariat

1. The consultation on bananas and banana products was held on 11 March 1982 under the acting Chairmanship of Mr. P. Barthel-Rosa (secretariat).
2. As a basis for the consultation, the secretariat had prepared document COM.TD/W/331 and Add.1 containing information on the commercial policy situation, production, trade flows and consumption.

General comments

3. Representatives of a number of exporting countries referred to the importance of further liberalization of trade in bananas, having regard to the role of banana production and exports in terms of employment and economic development for their countries. These representatives also pointed to the existing disequilibrium between supply and demand in the banana market and the tendency for this to persist. One of these representatives stated that in the light of this situation, her country had taken steps to limit its banana production; importing countries would also be able to contribute to the solution of the problem through the adoption of appropriate measures to increase consumption.
4. Representatives of certain other producing countries members of the Lome Convention having special preferential arrangements in the EEC market

referred to the importance of such markets to their production and marketing of bananas, and stressed the need to maintain present conditions of access to these markets. Some of these representatives also referred to the efforts being made by their countries to increase the production of bananas and to improve the quality and packaging of bananas. Some others referred to difficulties encountered by the high-cost island suppliers which were heavily dependent on banana production for their export earnings and employment; they noted the difficulty they would have in diversifying their export production and export markets. They stated that any disturbance to their traditional trade flows could dislocate their economies.

Identification of trade problems; clarification
and additional information

5. Representatives of a number of exporting countries expressed their appreciation for the concessions and other trade liberalization measures adopted by a number of developed countries in the Tokyo Round. They noted, however, that there was still scope for the further reduction or elimination of barriers in a number of markets. In this respect, they referred to certain tariff and non-tariff measures, including internal taxes and quantitative restrictions, which in the view of these countries, had a negative effect on the possibilities for further increases in consumption. They stressed that an increase in consumption could lead to greater benefits in the trade of bananas for all developing country producers, irrespective of whether such producers enjoyed special preferences.

6. Some of these representatives referred to certain specific measures affecting their exports of fresh bananas. Particular concern was expressed with regard to the duties of the EEC, Japan, Finland and Switzerland. They

stated that the EEC's common external tariff on fresh bananas had been fixed at 20 per cent in an arbitrary manner and that the accession of Denmark, Ireland and the United Kingdom to the Community had resulted in duty increases by these countries. It was noted, however, that the duty of Greece was being reduced to the level of the common external tariff as a result of the Greek accession to the Community.

7. With regard to the selective internal taxes applied by Italy on banana and banana products, these representatives expressed concern that having regard to the statement made in the Tokyo Round relating to this matter (cf. COM.TD/W/331, Annex 3), these taxes had been increased beyond their then existing levels. Concern was also expressed with regard to quantitative restrictions maintained on banana imports by Finland, France, Italy and the United Kingdom. Noting that banana consumption in Italy and the United Kingdom was lower than for most other developed countries, representatives of some exporting countries stated that it would be useful to find ways of increasing banana consumption in these countries without prejudice to the traditional exports of preferential suppliers.

8. Representatives of some exporting countries stated that although fresh bananas accounted for the bulk of international trade in bananas, exports of processed forms of bananas were also important for their countries. One of these representatives expressed concern about the 'competitive need' exclusion of his country from the application of United States GSP rates on banana flour and other prepared or preserved bananas.

9. The representative of the EEC stated that the EEC's tariff binding at 20 per cent on fresh bananas provided a security of tariff treatment. Although imports into the Federal Republic of Germany were free of duty within a tariff quota, the Community should be looked at as one entity.

The bound duty was maintained to protect the higher cost banana production in the French overseas departments of Guadeloupe and Martinique - integral parts of the Community - and that in certain ACP countries which were highly dependent on banana exports for their export earnings. He stated that the overall incidence of EEC duties on fresh bananas was low, a major part of EEC imports (64 per cent in 1978 and 59 per cent in 1979) entering free of duty.

10. The representative of France stated that banana production costs of the overseas departments of Guadeloupe and Martinique were high due to low productivity and the French social security system. In his view, the quantitative restrictions of France on bananas had not prevented trade flows; French banana consumption was at a high level.

11. The EEC representative stated on behalf of Italy that although the rates of Italian taxes on bananas (specific rates in terms of lire) had been increased as indicated in COM.TD/W/331, their incidences had remained broadly at similar levels because of the devaluation of the lire. Italy's quantitative restrictions were maintained because of the need to protect the production of Italian fruit, which was available throughout the year.

12. The representative of the United Kingdom stated that quantitative restrictions of his country applied to fresh bananas were designed to guarantee that bananas produced by high-cost Caribbean suppliers had access to the UK market. In controlling imports from other sources, the availability of bananas from the ACP countries and the level of domestic banana requirements was taken into account. In his view, quantitative restrictions had not depressed banana consumption in his country as imports of bananas into the United Kingdom had continued to increase.

13. The representative of Japan stated that tariffs on bananas were maintained to protect the domestic production of "Unshu" mandarins, the main fruit produced in Japan and one of the most import sources of farmers' income. Given the surplus of this fruit on the domestic market, the Government of Japan had taken steps to reduce production. In spite of this domestic problem, the Government of Japan had decided to reduce the GSP rates on imports of fresh bananas in the months of October-March and of April-September from 35 per cent to 25 per cent and from 45 per cent to 40 per cent respectively. These GSP rates would be put into force on 1 April 1982 subject to parliamentary approval. He emphasized that this decision was the result of his Government's serious consideration of the trade interests of banana exporting countries.

14. Representatives of banana exporting countries expressed their appreciation for the tariff reduction by Japan.

15. In response to an enquiry made on the tariff treatment of cartons imported into Japan containing bananas, the representative of Japan stated that his delegation would provide relevant details in bilateral consultations with the exporting countries concerned when they were available.

16. The representative of Finland stated that his country had granted fresh banana imports in the months of January-May duty-free treatment under the GSP as a result of the tropical products negotiations in the Tokyo Round, and that banana imports into Finland had continued to increase. Tariffs and quantitative restrictions on imports of fresh bananas in the months of June-December were maintained to protect domestic fruit production. He said that although domestically produced fruit was available on the market towards the end of July, the licensing period

started at the beginning of June to take into account the time lag between the importation of bananas and the appearance of ripened bananas at retail shops. He also provided information on the tariff rates being applied as of 1982 to fresh bananas imported in June-December (46.2 per cent if in cartons and 24.4 per cent if in bunches).

17. The representative of Switzerland stated that, in his view, the m.f.n. duty of SwF 0.20/kg. on fresh bananas did not constitute an obstacle to trade in bananas. The experimental tariff reduction to SwF 0.15/kg. under the GSP implemented in 1977-1979 for three years had not shown any positive effects on Swiss banana consumption, which was already at a high level. He stated that price differentials and marketing were among the main factors influencing the import of fresh bananas into his country. Some 80-90 per cent of Swiss imports had originated in Central America in recent years.

18. Representatives of some exporting countries suggested that efforts should be made to establish an appropriate informal mechanism for further cooperation between certain importing countries and all exporting countries through consultations and coordination of trade policies, with a view to maximizing benefits for all concerned. This mechanism might provide a basis for examining the possibility of informal understandings on the liberalization of trade in bananas. To supplement it, a joint consultative group composed of the EEC and its member States and suppliers to the EEC market including ACP country suppliers might be set up with a mandate to examine the situation of the EEC market and to hold consultations with a view to finding adequate solutions to any problems which might arise.

19. With reference to requests made for an increase in import quotas by France, Italy and the United Kingdom, the EEC representative stated that these quotas had been constantly increased. For example, imports from

non-traditional sources had increased in the case of France, from 12,500 tonnes in 1978 to 61,000 tonnes in 1979 and to 161,000 tonnes in 1980, in the case of Italy from 205,000 tonnes in 1976 to 269,000 tonnes in 1979, and in the case of the United Kingdom, from 76,000 tonnes in 1976 to 94,000 tonnes in 1979 and to 163,000 tonnes in 1980. With regard to the value-added taxes of EEC member States, he said that the same tax rates were applied to all or a wide range of products in the EEC member countries and that it would not be possible for them to contemplate the reduction of such taxes.

20. The representative of the EEC stated that he was in favour of establishing an appropriate arrangement on bananas provided it was global in nature. However, he would not be able to support a bilateral arrangement or an arrangement between the EEC and suppliers to the EEC market because it would not be possible to solve problems through such a mechanism. He recalled that major banana exporting and importing countries had already made attempts to find solutions to certain difficulties in the banana sector and to prepare the elements to be included in a possible international agreement on bananas within the framework of the FAO Intergovernmental Group on Bananas. However, the work had been delayed because exporting countries had found it difficult to agree among themselves on possible approaches to their problems. He hoped that efforts to conclude an international agreement on bananas would continue with a view to finding solutions to problems facing exporting and importing countries including ACP countries.

21. Representatives of some exporting countries stated that in view of the difficulty to negotiate an international agreement on bananas, efforts might be made to negotiate informal understandings in GATT or elsewhere.

22. In response to a suggestion that measures might be considered with a view to increasing consumption of bananas, the representative of Czechoslovakia stated that bananas had been granted duty-free treatment under the GSP scheme of his country and were not subject to import restrictions or any other non-tariff measures. He added that imports by companies were guided by commercial considerations and that imports had been steady in recent years. Ecuador and Colombia were among the main suppliers to his country.

23. The representative of Hungary stated that there was no foreign trade plan in her country and that imports depended on consumer requirements. It would be contrary to her country's economic management to enter into import commitments. Bananas had been granted duty-free treatment under the GSP (m.f.n. rate: 20 per cent) and were not subject to import restrictions or any other restrictive measures. She added that per capita banana consumption was relatively low in her country because Hungarians generally preferred apples to bananas. In 1980 Colombia and Sri Lanka were among the main suppliers to her country.

Possibilities for further progress in trade liberalization

18. Representatives of a number of exporting countries stated that there remained considerable scope for further liberalization of trade in bananas and banana products. Importing countries were requested by certain exporting countries to examine a number of specific suggestions for possible liberalization of trade including the following:

- EEC and member countries: Fresh bananas
 - Reduction of m.f.n. duty from 20 per cent to 15 per cent
 - Extension of duty-free tariff quotas to certain EEC countries, e.g. Benelux, Denmark and Ireland
 - Increases in import quotas (France, Italy and the United Kingdom)
 - Accelerated alignment of the duty of Greece with the EEC common external duty
- Bananas and banana products
 - Elimination or reduction of selective internal taxes (Italy) and reduction of value-added taxes (EEC members)
- Finland: Fresh bananas imported in the months of June-December
 - Advance implementation of Tokyo Round concession and further tariff reduction; elimination of quantitative restrictions
- Japan: Banana flour other than for feeding purposes
 - Duty-free treatment under the GSP
- Switzerland: Fresh bananas
 - Duty-free treatment or tariff reduction to SwF 15/100 kg. under the GSP
- United States: Banana flour
 - M.f.n. concession at zero per cent
- Czechoslovakia, Hungary and Poland: Fresh bananas
 - To develop measures designed to increase imports and consumption in their countries