The Impact of the EU & Globalization on CARICOM Banana & Sugar Industry

GROUP MEMBERS

• KAREEM HENRY
• COSBERT WOODS

CONTENTS

• CARICOM: Origin
• CARICOM: Community’s Role
• CARICOM: Member States
• CARICOM: Characteristics
• CARICOM: Relations with EU
• CARICOM: Banana and Sugar Industry
• CARICOM Banana Industry
• CARICOM Sugar Industry
• WTO Effect On CARICOM
• Banana Wars
• Free Trade Area of the Americas (FTAA)
• Conclusion

CARICOM: Origin

• The Caribbean Community (CARICOM) is one of the oldest integration movements in the Western Hemisphere. It has come at the end of a long historical process. Factors of history, geography and culture propelled the Caribbean people and their Leaders towards this end. The main steps along the way may be briefly recounted.

• There have been several attempts to bring the region to some form of unity. But in the early period of the history of the Region it had the hallmark of an imposition. This was the principal reason why the Federation which was started in 1958 collapsed in 1962. The journey however continued. A number of meetings were organized under the rubric of the Meetings of the Heads of Government of the Commonwealth Caribbean. The lead political personality in this situation was the scholarly Prime Minister of Trinidad and Tobago, Dr. Eric Williams. His desire to restart the integration process gave courage to other leaders of the Region such as Forbes Burnham of British Guiana, Vere Bird of Antigua and Errol Barrow of Barbados. These three met at Dickenson Bay, Antigua in 1965 and out of their deliberations came the Dickenson Bay Agreement, which was the launching pad for CARIFTA and subsequently the Caribbean Community.

CARICOM: Community’s Role

Mission Statement

• "To provide dynamic leadership and service, in partnership with Community institutions and Groups, toward the attainment of a viable, internationally competitive and sustainable Community, with improved quality of life for all."
CARICOM: Community’s Role

Objectives
(a) improved standards of living and work;
(b) full employment of labour and other factors of production;
(c) accelerated, coordinated and sustained economic development;
(d) expansion of trade and economic relations with third States;
(e) enhanced levels of international competitiveness;
(f) organisation for increased production and productivity;
(g) the achievement of a greater measure of economic leverage and effectiveness of Member States in dealing with third States, groups of States and entities of any description;
(h) enhanced co-ordination of Member States’ foreign and economic policies; and
(i) enhanced functional co-operation, including more efficient operation of common services and activities for the benefit of its peoples;
(ii) accelerated promotion of greater understanding among its peoples and the advancement of their social, cultural and technological development;
(iii) intensified activities in areas such as health, education, transportation, telecommunications.

CARICOM: Community’s Role

• CARICOM's main aim is economic integration, with the creation of a single Caribbean market. Other activities include cooperation in health projects, education programs, and foreign policy.

In 1994, representatives of more than 35 nations signed a charter to establish the Association of Caribbean States (ACS). The ACS is a CARICOM-sponsored trading group that includes the Caribbean islands, Central America, Mexico, and Venezuela.

CARICOM: Community’s Role

Principal Organs
(a) The Conference of Heads of Government commonly called "The Conference"
(b) The Community Council of Ministers commonly called "The Council"

(a) The Conference

• The Conference is the Supreme Organ of the Community. It consists of the Heads of Government of the member states and is the final authority of the Community. The primary responsibility of the Conference is to determine and to provide the policy direction for the Community.
• It is the final authority for the conclusion of Treaties on behalf of the Community and for entering into relationships between the Community and International Organisations and States.
• Decisions of the Conference are generally taken unanimously.
• Conference meets twice a year.

(a) The Conference

• Bureau of the Conference

• The decision to create the Bureau of the Conference was taken at the Special Meeting of Heads of Government in October 1992. The responsibility of the Bureau is to:
  - initiate proposals
  - update consensus
  - mobilize and secure implementation of CARICOM decisions in an expeditious and informed manner
• The Bureau came into operation in December 1992. The Bureau consists of the Chairman of the Conference, as Chairman, as well as the incoming and outgoing Chairmen of the Conference and the Secretary-General in the capacity of the Chief Executive Officer.
CARICOM: Community’s Role
(b) The Council
• The Council is the second highest Organ. It consists of Ministers responsible for Community Affairs and any other Minister designated by Member States in their absolute discretion. It is responsible for the development of Community strategic planning and coordination in the areas of economic integration, functional cooperation and external relations.

CARICOM: Member States
- Antigua & Barbuda
- The Bahamas
- Barbados
- Belize
- Dominica
- Grenada
- Guyana
- Haiti
- Jamaica
- Montserrat
- St. Lucia
- St. Kitts & Nevis
- St. Vincent & the Grenadines
- Suriname
- Trinidad & Tobago

CARICOM: Characteristics
• In terms of their economic potential, CARICOM members share a number of common characteristics, all of which are closely inter-related:

  Small Economies
  - The average population of countries belonging to the common market is around 500,000; half the group’s members have fewer than 200,000 inhabitants. Seven CARICOM countries moreover have a land area of less than 5,000 km², and all except Guyana and Suriname cover areas smaller than 30,000 km². Annual output for the members of the common market averages US$12 billion, with more than half of the countries recording GDP figures of less than US$500 million per year. Even the combined strength of CARICOM countries is very limited. The total population of the common market (6 million) barely exceeds that of Honduras; its total territory (420,000 km²) is similar to Paraguay’s and its total GDP (US$15 billion) is slightly lower than that of Ecuador (see table 1 of the statistical annex).

Open Economies
- Because they are small, CARICOM economies lack a diversified range of domestic resources. They thus depend heavily on imports to support local production and satisfy consumer demands. Given the absence of a sizable domestic market, they also depend on export revenues to sustain economic growth. Hence, like most small economies, those of CARICOM display a high degree of openness: their external transactions are large relative to their total economic output. For CARICOM as a whole, the trade/GDP ratio is 116 percent; Trinidad and Tobago’s ratio of 96 percent is the lowest in CARICOM. The trade/GDP ratio is much lower (62 percent) for the Central American Common Market (CACM), whose member countries are also relatively small. Openness renders CARICOM economies extremely vulnerable to external shocks such as fluctuations in international commodity prices or policy changes abroad.
CARICOM: CHARACTERISTICS

Narrow export base
- Vulnerability is compounded by the fact that most CARICOM members depend for their export earnings on a small number of natural resource products, or tourism. Merchandise exports consist mainly of primary products such as agricultural commodities (sugar, bananas and rum) or minerals and fuels. In extreme cases, one commodity accounts for over a third or even half of a country’s total merchandise exports (such is the case for bananas in Dominica and St. Lucia, and sugar in St. Kitts and Nevis). Some countries have successfully diversified into services exports, mainly tourism - but this sector, too, is very vulnerable to fluctuations in foreign demand.
- Adverse climatic conditions in the Caribbean, such as hurricanes or seismic disturbances, present an additional threat to export earnings.

Favorable yet challenging location
- CARICOM members enjoy the advantage of close proximity to one of the largest and most open economies in the world, the United States. Their strategic location on the main trading routes in the Western Hemisphere and between the Americas and Europe represents another advantage. The region’s mild weather conditions and extended beaches provide a near-perfect scenario for the development of tourism services - despite the limitations imposed by the hurricane season. Meanwhile, CARICOM members also suffer some disadvantages in terms of their geographic location: being mostly small island economies, they face high per-unit transportation costs, which affect export earnings and the price of imports, while at the same time hampering the development of closer intra-regional links. Infrastructure costs are also relatively high given the small size of the economies.

CARICOM: Relations with EU

European Union (EU)
- The EU is a family of democratic European countries, committed to working together for peace and prosperity. It is not a State intended to replace existing states, but it is more than any other international organisation. The EU is, in fact, unique. Its Member States have set up common institutions to which they delegate some of their sovereignty so that decisions on specific matters of joint interest can be made democratically at European level.
- In the early years, much of the co-operation between EU countries was about trade and the economy, but now the EU also deals with many other subjects of direct importance for our everyday life, such as citizens’ rights; ensuring freedom, security and justice; job creation; regional development; environmental protection; making globalization work for everyone.

LOMÉ CONVENTION
- The African, Caribbean, Pacific (ACP) countries are the beneficiaries of the Lomé Convention which is an agreement between the ACP and the EU. The Lomé Convention first signed in 1975, gives special prices and privileges to agricultural imports from the Caribbean and the rest of the ACP countries. The provision benefits CARICOM in particular since their main agricultural produce of sugar, bananas, rum and rice enjoys these prices. The agreement is important in terms of earning foreign exchange, and maintaining employment and socioeconomic development.

Sugar trade between CARICOM and the European Union is regulated by two trade agreements:
- The ACP/EU Sugar Protocol
- The Agreement on Special Preferential Sugar (SPS).

ACP/EU Sugar Protocol
- The fundamental principles enshrined in the Sugar Protocol are the following:
  - Agreed Quantities
  - Guaranteed Prices
  - Indefinite duration
- The Sugar Protocol is an agreement between governments whereby the EU Member States guarantee to buy and import agreed quantities of sugar which the ACP Signatory States undertake to sell.

Guaranteed prices for ACP white or raw sugar apply to bulk sugar cost insurance and freight (CIF) paid to European ports delivered under the Sugar Protocol. ACP guaranteed prices are negotiated annually between the EU and the ACP states signatory to the Sugar Protocol, within the price range obtaining in the European Community, taking into account all relevant economic factors. In practice, the ACP states receive the same price as EC sugar producers. This is because EC has always linked the guaranteed price for ACP raw cane sugar to the intervention price for EU produced raw sugar, and the guaranteed price of white sugar to the derived intervention price in the UK. The level of the guaranteed price is that at which, the EC undertakes to purchase, within the agreed quantities, preferential sugar which cannot be marketed in the EC at a price equivalent to or in excess of the guaranteed price.
CARICOM: Relations with EU

• The term “indefinite duration” was included in the Protocol to give a precise legal guarantee to ACP sugar supplying states, reflecting the guarantees which had preceded the Protocol in the Commonwealth Sugar Agreement, and the obligations of the European Community in the Treaties.
• The legal aspects of the Sugar Protocol were contained in the various clauses of the Protocol itself.
• Article (1) of the Protocol states that the Community’s undertaking to purchase, and the ACP undertaking to sell, specific quantities of sugar at guaranteed prices is for an indefinite period.

CARICOM: Relations with EU

Special Preferential Sugar (SPS)

• At the time of the accession of Portugal and Spain to the EU in 1986, the ACP formulated a request to supply the raw sugar deficit of the Portuguese sugar refineries, and in August 1992, the Commission’s services drafted a proposal for a regulation on supplies to the Portuguese sugar refineries in what became known as the “non-paper.”
• The non-paper first brought to light the idea of maximum supply needs, for the Community’s refineries. It also introduced the idea of a “hierarchy of preferences” from domestic suppliers to ACP under the Protocol, third country suppliers, for example Cuba and Brazil, and finally additional ACP quantities.
• The SPS agreement with ACP states was reached on 1 June 1995, and, like the ACP/EU Sugar Protocol, it is a government-to-government agreement, but unlike the Protocol, it is of a fixed duration and the ACP states are jointly and severally liable to supply the quantities of sugar covered by the SPS agreement. The SPS agreement is for an initial period of six years, matching the duration of the new sugar régime and the refiners rights to refine raw sugar.

CARICOM: Relations with EU

• The main elements of the banana trade with CARICOM and the rest of the ACP were, duty-free quotas for each traditional supplying state, based on its best performance in recent years. This, the EU hoped, would enable the economies of such developing countries to grow independently, without depending on overseas aid.
• The effect of this deal has been to protect banana farmers in the Caribbean from competition from Latin America, whose bananas are cheaper because they are grown on large-scale.

CARICOM: Relations with EU

Benefits to the European Union

• The Sugar Protocol and SPS enable EU port refineries to be supplied reliably and predictably, and therefore the maintenance of an EU cane sugar refining industry which is a valuable complement to the beet industry. The importance of cane sugar refining to the EU was recognized in Council Regulation (EC) No 1101/95 as follows:
  “Whereas refining is an important activity both in the sugar sector in general in the Community, and in particular in relation to the conversion of raw sugar into white sugar; whereas, from a technical point of view, refining produces high-quality products from sugar cane that can meet market requirements; whereas, moreover, these refineries are located in areas of high consumption; whereas the port-related refining industry is accordingly, for the Community, a valuable complement to the beet processing industry, in particular in Finland, mainland Portugal, the United Kingdom and southern and western France;”
• In any trade agreement, one would expect there to be mutual benefits. The ACP/EU trade in sugar under the Sugar Protocol and SPS is no exception here, for example, the 250,000 directly sugar related jobs in CARICOM sugar supplying states and those employed at EU port refineries in the UK, France, Portugal and Finland.

CARICOM: Relations with EU

Benefits to the European Union

• However, CARICOM sugar is more than simply a matter of trade; because the agreements encompass mutual political and economic rights and obligations which extend well beyond the confines of sugar refining, for example, CARICOM sugar is an integral part of the EU sugar régime: in the jargon, CARICOM sugar is one of the “pillars” of the régime. CARICOM therefore feel that it is “their” régime, just as it belongs to other stakeholders, for example, European beet growers (135,000 directly related jobs), European beet processors (52,000 directly related jobs) and 100,000 indirect jobs in beet transport) and European consumers.
CARICOM: Relations with EU

Benefits to CARICOM Member States

- Just as the Protocol is important to sugar interests in the European Union, the sugar sector is of great strategic importance to the economies of CARICOM and the rest of the ACP states signatory to the Sugar Protocol. Sugar represents a high proportion of total agricultural production and is a primary agricultural export. The EU is a major outlet for CARICOM sugar production.

- In industrialized countries, even those selling sugar to the world market, many social benefits are made available by the state, whereas in CARICOM countries, housing, health care, education, recreation, and other such benefits are more often than not provided by sugar producers. Moreover, this tends not to be the case in other sugar-producing developing countries.

CARICOM: Relations with EU

TRADE WITH EUROPEAN UNION

- Unlike CARICOM exports to the United States, sales to the EU are much more evenly distributed among the members of CARICOM. This is because many of the smaller economies depend on the export of one or two basic agricultural commodities, and rely on their preferential access to the European market for survival of that activity. As mentioned before, Lomé IV provides unrestricted access to the European market for all manufactured products (including textiles and apparel) and all agricultural products subject to tariffs (although some restrictions apply to products covered by the EU’s common agricultural policy). Special protocols apply to rum, bananas, sugar and beef, and it is these protocols that govern most of CARICOM's trade with Europe.

CARICOM: Relations with EU

Benefits to CARICOM Member States

- As with EU sugar-producing industries, CARICOM industries continue to place very considerable emphasis on the need to modernize sugar industries, to make efficient use of all factors of production, to strive for greater environmental protection, and to ensure wider participation and ownership, for example by small cane growers. The socio-economic development and modernization of CARICOM and EU sugar industries clearly demonstrates the multifunctional role of sugar.

CARICOM Banana Industry

- The most immediate threat of globalization is to the banana industry in the Windward Islands, Belize and Jamaica. Banana export data for 1998 shows a decline with worrying implications for dead freight payments (for unused cargo space) and for the future of the industry. There was some concern falling prices in July 1999, prompted by increased supply from Central America and a slight weakening of sterling against US$, to which the ECS is pegged. As a result of improved quality and direct sales to supermarkets, the free-on-board price was £50/tomme in May 1999, 6.1% above year earlier levels. The price advantage of Windward fruit over “dollar banana” reached 27.2%.
CARICOM Banana Industry

- Caribbean banana productions faced steadily increasing cost of production during the past 10 years. Physical sizes of banana producing countries limit expansion of banana cultivation, further endangering the industry. Banana exports from the Caribbean countries decreased steadily during 1995-99 due to natural disasters, low market demand and low prices offered.

### Banana Producers – volume of exports and earnings *

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Jamaica</td>
<td>85,000</td>
<td>89,000</td>
<td>80,000</td>
<td>49,000</td>
<td>39,000</td>
</tr>
<tr>
<td>St. Vincent</td>
<td>47</td>
<td>45</td>
<td>46</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>12,000</td>
<td>13,000</td>
<td>34,000</td>
<td>28,000</td>
<td>27,000</td>
</tr>
<tr>
<td>St. Kitts</td>
<td>10,000</td>
<td>11,000</td>
<td>11,000</td>
<td>13,000</td>
<td>14,000</td>
</tr>
<tr>
<td>Volta Gold</td>
<td>74,000</td>
<td>77,000</td>
<td>77,000</td>
<td>74,000</td>
<td>68,000</td>
</tr>
<tr>
<td>Earnings (US$m)</td>
<td>32.0</td>
<td>34.0</td>
<td>34.0</td>
<td>34.0</td>
<td>32.0</td>
</tr>
<tr>
<td>Dominica</td>
<td>9,000</td>
<td>14,000</td>
<td>17,000</td>
<td>18,000</td>
<td>16,000</td>
</tr>
<tr>
<td>Jamaica</td>
<td>32.0</td>
<td>34.0</td>
<td>34.0</td>
<td>34.0</td>
<td>32.0</td>
</tr>
<tr>
<td>Earnings (US$m)</td>
<td>24.0</td>
<td>28.0</td>
<td>34.0</td>
<td>34.0</td>
<td>22.0</td>
</tr>
</tbody>
</table>

* The Economist Intelligence Unit, Country Profile 2000

CARICOM Banana Industry

- Presently the cost of producing Bananas in the Caribbean is approximately 3 times higher than the world market.

**Reasons:**

- Lack of increased production and productivity
- Absence of Economies of Scale
- CARICOM islands are not large enough to compete with mass producing countries in Central and South America
- Low levels of technology in production systems
- Inadequate research and development support

### Bananas

- **Who’s producing...**
- **Exports, volume of tons**

- **Who’s eating...**
- **Imports, volume of tons**

http://www.guardian.co.uk/banana/Story/0,2763,208549,00.html

CARICOM Sugar Industry

- The sugar industry is important due to the precious foreign exchange it earns and the employment it provides for unskilled and semi-skilled people. The industry is currently under pressure from inside and outside the EU. In 1998/99, the Caribbean exported 669,630 tonnes of sugar earning US$338.0 million. The industry employs approx. 150,000 workers in the sector.

- Cost of sugar production in the Caribbean is generally high compared to the world price as well as the other efficient producers. This is due to the deregulated foreign exchange market resulting in increased prices of imported inputs including fertilizer, pesticides, and irrigation equipment.

http://www.guardian.co.uk/banana/Story/0,2763,208549,00.html
CARICOM Sugar Industry

The effect of trade liberalization has been felt in every sugar producing country in the Caribbean. In St. Kitts-Nevis, the 2000 crop season produced 17,639 tonnes of sugar down from 31,374 tonnes in 1997. The industry is plagued by lack of economies of scale, damage from monkeys, cane flies, hurricanes and cane fires and difficulty with migrant labour from the Dominican Republic and Guyana.

CARICOM Sugar Industry

The Jamaican sugar industry is also under pressure due to globalization. The government repurchased the Sugar Company of Jamaica in 1998 to avoid the company’s collapse. The high inflation of 1994-1997, coupled with the revaluation of the Jamaican dollar in 1996 put the company in a loss of making position. Some 40,000 workers are employed in the sugar industry, thus making it important from a societal as well as an economic standpoint. The industry is shored up largely by the preferential market in the EU for base 126,000 tonnes annually. Production costs in the sugar industry average 30 US cents per pound for the commodity, while the world market price is between 9 and 11 cents. In the 1960s, output reached half-a-million tonnes but in the decade of the 1990s, it has struggled to reach 200,000 tonnes. In February 1998, the Tropicana Sugar Factory and its estates with debts totaling some J$400 million (US$11.2m) were placed in receivership by Workers’ Bank. In August 1999, the Jamaican sugar industry received a government injection of J$3.6 billion to keep the industry afloat and save thousands of jobs.

CARICOM Sugar Industry

In Barbados, the cost of sugar production in 1997 was 20.6% lower than that in 1991, but these gains were offset by reduced sugar price under the Lome IV Convention and the depreciation of the ECU against the dollar. The sugar industry suffers from insufficient economies of scale, and a further cost increase will result from a 2-yr-wage agreement. The government has been urged either to close one of the three sugar factories or replace them all with a single new plant which will require massive initial capital industry. Belize also privatized the Sugar Company of Belize in 1995 due to the continued heavy losses it incurred.

World Sugar Prices *

<table>
<thead>
<tr>
<th>Year</th>
<th>Caribbean</th>
<th>World Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>90-91</td>
<td>439.4</td>
<td>199.3</td>
</tr>
<tr>
<td>91-92</td>
<td>439.4</td>
<td>200.4</td>
</tr>
<tr>
<td>92-93</td>
<td>439.4</td>
<td>221.12</td>
</tr>
<tr>
<td>93-94</td>
<td>433.7</td>
<td>267.2</td>
</tr>
<tr>
<td>94-95</td>
<td>433.7</td>
<td>296.08 **</td>
</tr>
<tr>
<td>95-96</td>
<td>523.7</td>
<td>273.37</td>
</tr>
<tr>
<td>96-97</td>
<td>523.7</td>
<td>255.29</td>
</tr>
<tr>
<td>97-98</td>
<td>523.7</td>
<td>222.76</td>
</tr>
<tr>
<td>98-99</td>
<td>523.7</td>
<td>143.65</td>
</tr>
</tbody>
</table>

CARICOM Sugar Producers *

<table>
<thead>
<tr>
<th>Item</th>
<th>Barbados</th>
<th>Belize</th>
<th>Guyana</th>
<th>Jamaica</th>
<th>St. Kitts</th>
<th>Trinidad</th>
</tr>
</thead>
<tbody>
<tr>
<td>% GDP</td>
<td>1.5</td>
<td>7.0</td>
<td>16.2</td>
<td>31.1</td>
<td>8.1</td>
<td>1.0</td>
</tr>
<tr>
<td>% of Agr GDP</td>
<td>31.0</td>
<td>30.0</td>
<td>30.0</td>
<td>22.0</td>
<td>40.0</td>
<td>45.0</td>
</tr>
<tr>
<td>% of domestic export</td>
<td>17.0</td>
<td>29.0</td>
<td>24.0</td>
<td>6.0</td>
<td>15.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Direct and Indirect employment</td>
<td>8,500</td>
<td>10,000</td>
<td>31,500</td>
<td>83,000</td>
<td>2,700</td>
<td>30,000</td>
</tr>
</tbody>
</table>

* Sugar Association of the Caribbean 1999

WTO EFFECT ON CARICOM

In 1994 the signing of the General Agreement of Tariffs and Trade (GATT) resulted in the formation of the World Trading Organization (WTO). The WTO is the only international body which deals with the rules of trade between countries, promoting free trade. It has the power to legislate on disputes and co-ordinate new rounds of negotiations aimed at dismantling barriers to trade throughout the world.

- Agriculture became globalized resulting in shifts in agricultural production to more competitive sites of the world.
- This shift presented severe challenges to the developing world, including the Caribbean.
WTO EFFECT ON CARICOM

• As the NAFTA experience demonstrates, CARICOM’s trade preferences are being eroded even without the direct removal of existing preferential regimes.
• Although globalization has created a wealth of new opportunities for businesses worldwide, such opportunities also entail greater risks and inevitable adjustments. In a world of ever-increasing competitiveness, countries that are unable to improve their trade performance or attract adequate amounts of private investment run the risk of being marginalized.

Banana Wars

US and WTO Intervention

• In the aftermath of the creation of the World Trade Organisation (WTO), these privileges are currently under threat of complete extinction. In 1996, the US in conjunction with Mexico, Guatemala, Costa Rica and Ecuador filed a complaint to the WTO trading body. They charged that the Lome Convention’s Banana Protocol unfairly acts against the Central and Latin America banana producers, hence the protocol should be discontinued.
• In its ruling in September 1997, the WTO’s Disputes Settlement Body accepted that the Lome tariff exemption enjoyed a waiver from WTO rules, but upheld quotas and licenses aspects of the US complainant. The EU amended its banana regime with CARICOM and the rest of the ACP countries on January 1, 1999, to conform to the WTO ruling.
• The US objected to this new regime, protested to the WTO and threatened to impose trade sanctions amounting to US$520 million on EU exports. The EU referred this threat by the US to the WTO for arbitration.

Banana Wars

US and WTO Intervention

• Only seven per cent of Europe’s bananas come from the Caribbean. US multinationals which control the Latin American banana crop hold three-quarters of the EU market and the US itself does not export bananas to Europe.
• Despite this, the US filed a complaint against the EU with the World Trade Organisation (WTO).

US involvement political

• CEO of Chiquita International Brands, Inc., and affiliated companies and executives are among the largest contributors to the Democratic and Republican parties in the 1993-94 election cycle.
• This revelation raised questions as to the true motives of the Administration in pursuing the ‘Chiquita Case’
• Chiquita facilities allegedly injured by the EU banana policy are located outside the US and have a largely non-US workforce.

Banana Wars

US and WTO Intervention

• In April 1999, the WTO Dispute Panel ruled that the EU banana import regime remained in breach of its rules. It called for the removal of tariff barriers and licensing regimes, which discriminate against bananas from ACP states, which would decline, as prices of bananas from Latin America are more competitive. The competitiveness is due to factors including higher yield per acre; lower unit labour cost; availability of much fertile land; a production structure characterized by large farms and lower shipping costs due to fewer port calls.
• The US Trade Representative announced a list of nine EU products that would be subject to a 100 percent rate of duty, resulting the amount of $191 million:
  – bath preparations, handbags, wallets and similar articles, felt paper and paperboard, paper or paperboard boxes, lithographs, bed linen, batteries, and coffee makers.
Banana Wars

CARICOM Reaction
• The initial reaction of the Organisation of Eastern Caribbean States (OECS) was that Caribbean producers would have to increase their exports to improve efficiency and quality, while seeking niche markets in Europe.

Banana Wars

US and WTO Intervention
• The World Trade Organization (WTO) had previously found in favor of the United States in the dispute, and authorized the imposition of 100 percent duties on EU products.

Banana Wars

Cotonou Agreement
• On June 23, 2000 the 77-member ACP group and the EU signed a partnership accord in Cotonou, Benin, which replaced the Lomé Treaty. The sugar and banana protocols were extended and the Lomé trade preferences have been rolled over until 2008. The EU has then decided to implement its Everything But Arms (EBA) initiative form. This agreement opens up its market to imports from the world’s 48 poorest nations. This will in effect result in de facto undermining of the Cotonou Agreement and the phasing out of preferences before the end of this agreement. The EBA initiative also preempted the commitment contained in the Cotonou partnership Agreement, i.e. to negotiate the protocols.

Banana Wars

Cotonou Agreement
• The new partnership Agreement, provides for trade and economic development. It is also aimed at gradual and full integration of the ACP States into the world economy by enhancing their production, supply and trading capacity, as well as their capacity to attract investment. The objectives are underlined by certain principles and objectives such as WTO conformity; building on regional integration initiatives; and progressive removal of trade barriers between the EU and ACP.

Banana Wars

Cotonou Agreement
• The Report observed that together the provisions of the new agreement pave the way for fundamental changes in the ACP, and by extension CARICOM’s, relationship with the EU. The reciprocity and WTO conformity principles are expected to significantly alter the way of doing business with the EU after the preparatory period. The preparatory period will expire on December 31, 2007, by which time reciprocal arrangements will have been negotiated. However, according to the evaluation of the Report, the transitional period of non-reciprocity will prevail and the commodity protocol arrangements as amended will continue.
• The financial envelope of the new agreement is set at EURO 15.2 billion for the period up to February 2005. An additional amount of EURO nine billion of un-disbursed resources from previous European Development Funds (EDFs) will be added to extend the financing period to cover 2000-2007.

Banana Wars

Resolution
• On April 11, 2001, Ambassador Zoellick, Secretary of Commerce Evans, and EU officials announced an understanding in this longstanding dispute. The understanding provides for phased implementation steps. By July 1, 2001, the EU is to adopt a new system of banana licenses based on historic reference periods.
• The US in return lifted retaliatory duties on $191 million worth of European Union (EU) products because of the steps taken by the EU to increase market access for U.S. banana distributors.
Free Trade Area of the Americas (FTAA)

- FTAA = new NAFTA
- The Free Trade Area of the Americas (FTAA) is the expansion of the North American Free Trade Agreement (NAFTA) to every country in Central America, South America and the Caribbean, except Cuba. Negotiations began right after the completion of NAFTA in 1994 and are to be completed by 2005.
- The Free Trade Area of the Americas will bring 34 democratic countries of 800 million people into a single US$9 trillion trade block in the Western Hemisphere.

Advantages
- Under the proposed Free Trade Area of the Americas (FTAA), the region’s economies will have still greater market access in the United States, and will find new opportunities in major regional economies such as Brazil, Canada and Mexico.
- FTAA could enable CARICOM countries to attract greater amounts of foreign investment targeted towards serving the North and South American markets from a Caribbean production base.
- Foreign investment would bring upgraded technology and greater internal competition to CARICOM.

Disadvantages
- FTAA will devastate the small islands’ economies and small farms, which cannot compete with large Central American and Ecuadorian banana plantations.
- Several participants, however, have requested more time to bring their laws and tariffs in line with the FTAA proposal.

Conclusion
- Like globalization of economy, globalization of the banana and sugar industry is a reality in the Caribbean. The region will have to face this challenge through developing proper policies and their implementation. By 2008, it is most likely that the preferential arrangement under the Cotonou Agreement will end. Hence the region will have to make post-Lome Convention arrangements for marketing their sugar and banana worldwide. Increasing efficiency and productivity in sugar and banana sectors should be undertaken with a sense of importance and urgency. This will have to be implemented along with diversification into non-traditional crops and the value-added product development.

Bibliography and Site References
- http://europa.eu.int/comm/development/body/cotonou/overview_en.htm
- http://www.acpsugar.org/protocols.htm
- http://www.caricom.org/
- http://www.guardian.co.uk/banana/Story/0,2763,208549,00.html
Questions?

• Back to members
  - participating

Jamaica

Economy - overview: Jamaica’s economy has achieved sustained economic growth in 2001-02, based on expansions in the agricultural and mining sectors, a more favorable atmosphere for business activities, a more resilient exchange rate, lower tax evasion, and the continued support of international organizations. Chronic problems include a shortage of skilled labor and a deficient infrastructure. The government is juggling a sizable external debt against the urgent need for expanded public investment. The favorable mining sector performance and agriculture - participating overview: agriculture - participating export growth will likely continue in 2003 unless a political agreement is reached on economic policy. Suspended aid and loan disbursements totaled more than $500 million at the start of 2003.

Agriculture - products:
- sugarcane, bananas, coffee, citrus, potatoes, vegetables; poultry, goats, milk

Exports:
- $3.1 billion f.o.b. (2002 est.)
  - Canada 21.1%, US 19.6%, France 12.2%, UK 10.4%, Jamaica 9.2%
  - Shipment 4.6% (2002)

Imports:
- $1.14 billion c.i.f. (2002)
  - US 83.9%, Dominican Republic 6.6%, Canada 2.4% (2002)

Guyana

Economy - overview: Guyana’s role as a transit point for international trade has been diminished by the 11 September 2001 terrorist attacks, which cut off the main sources of foreign exchange, especially in the construction sector, which accounts for slightly more than one-third of tourist arrivals. Weak performance in construction and manufacturing, together with the development of an offshore financial industry, have also contributed to reduced growth. Continued support of international organizations and an estimated 0.9% in 2002. The contraction will likely intensify in 2003 unless a political agreement is reached on economic policy. Suspended aid and loan disbursements totaled more than $500 million at the start of 2003.

Agriculture - products:
- bananas, rice, wheat, vegetable oil, beef, poultry, dairy products, fish (milling

Exports:
- $901 million c.i.f. (2002)

Imports:
- $500 million (2002)

Haiti

Economy - overview: Haiti is the poorest nation in the Americas, with about 80% of the population living in abject poverty. Nearly 70% of all Haitians depend on subsistence farming, whichctrladulation subsistence farming that employs about two-thirds of the economically active work force. Following legislation passed in May 2002, young urban rape, international tourism - accounting for slightly more than one-third of tourist arrivals. Weak performance in construction and manufacturing, together with the development of an offshore financial industry, have also contributed to reduced growth. Continued support of international organizations and an estimated 0.9% in 2002. The contraction will likely intensify in 2003 unless a political agreement is reached on economic policy. Suspended aid and loan disbursements totaled more than $500 million at the start of 2003.

Agriculture - products:
- coffee, sugarcane, rice, sorghum, wood

Exports:

Imports:
- $1.14 billion c.i.f. (2002)

Antigua & Barbuda

Economy - overview: Antigua & Barbuda continues to diversify the economy, accounting for more than half of GDP. Weak external demand has slowed growth since early 2002 and reduced the government into a tight fiscal corner. The dual-island nation’s agricultural production is focused on the domestic market and constrained by a limited water supply and a labor shortage stemming from the lure of higher wages in tourism and construction. Manufacturing consists exclusively of assembly for export with major products being clothing, clothing accessories, furniture, and electronics. Prospects for economic growth in the medium term will continue to depend on income growth in the industrialized world, especially in the US, which accounts for slightly more than one-third of tourist arrivals.

Agriculture - products:
- cocoa, tobacco, vegetables, bananas, cucumbers, sugar, wood

Exports:
- $50 million

Imports:
- $237 million (2002)
The Bahamas

Economy overview:
The Bahamas is a stable, developing nation with an economy heavily dependent on tourism and offshore banking. Tourism dominates output, accounting for more than 80% of GDP and directly or indirectly employs half of the labor force. A boom in construction of new hotels, resorts, and residences had led to solid GDP growth in recent years, but the slowdown in the US economy and the attacks of 11 September 2001 held back growth in 2002. Manufacturing and agriculture together contribute approximately a tenth of GDP and show little growth, despite government incentives aimed at these sectors. Overall growth prospects in the short run remain buoyant so the fortunes of the tourism sector, which depends on growth in the US, the source of most of the visitors.

Agriculture - products:
- citrus, vegetables, poultry

Exports:
- $236.7 million (2002 est.)

Imports:
- $248 million (2002 est.)

Barbados

Economy overview:
Historically, the Barbadian economy had been dependent on sugarcane, rum production, and related activities, but production in recent years has declined, and the island economy is highly vulnerable to climatic conditions and international prices. The government continues its efforts to diversify the island's production base.

Agriculture - products:
- bananas, citrus, vegetables, cotton

Exports:
- $135 million f.o.b. (2002 est.)

Imports:
- $227 million (2002 est.)

Belize

Economy overview:
In the small, essentially private enterprise economy the banana industry is the chief source of foreign exchange, followed by tourism, offshore financial services, and marine products, bananas, and garments. The government's privatization efforts aimed at state-owned enterprises include the privatization of electricity distribution and a shareholders agreement with the Bank of America.

Agriculture - products:
- bananas, coconuts, vegetables, cotton

Exports:
- $319.4 million (2000 est.)

Imports:
- $68 million (2000 est.)

St. Kitts & Nevis

Economy overview:
Agricultural products are the traditional staple of the St. Kitts and Nevis economy and are highly vulnerable to climatic conditions. Although the crop mix has diversified, the agricultural sector, activities such as tourism, export-oriented manufacturing, and offshore banking have assumed larger roles in the economy. An expansionary monetary and fiscal policy, initiated in September 1998, led to GDP growth of 3.7% in 1999, 3.6% in 2000, 6.3% in 2001, and 5.7% in 2002. Major concerns continue to be the sizable trade deficit and increased foreign debt. A key short-term objective remains the reduction of poverty with the help of international donors.

Agriculture - products:
- bananas, coffee, sugar, bananas, orange, grape

Exports:
- $430 million c.i.f. (2002 est.)

Imports:
- $290 million f.o.b. (2002 est.)

St. Lucia

Economy overview:
The recent changes in the EU import preference regime and the expansion of competition from Latin American producers have made economic development strategies important to Saint Lucia. The banana sector has been able to attract foreign business and investment, especially in its offshore banking and tourism industries. The manufacturing sector is the most diverse in the Eastern Caribbean area, and the government is trying to encourage the expansion of the information services industry. Economic fundamentals remain solid, with the help of international donors.

Agriculture - products:
- bananas, coconuts, vegetables, citrus, rum, copra, rum

Exports:
- $135.4 million (2000 est.)

Imports:
- $118.6 million (2000 est.)
St. Vincent & the Grenadines

Economy - overview: St. Vincent and the Grenadines are the smallest of the Eastern Caribbean islands with an estimated population of 110,000. The island has a long history of volcanic activity, with historic eruptions in 1902, 1948, and 1979. St. Vincent has experienced severe volcanic activity since 1995, which has had a significant impact on the economy. The 1997 eruption forced the evacuation of over 10,000 residents and resulted in widespread destruction. Tourism, which had been the mainstay of the economy, was severely affected due to the disruption caused by the volcanic activity. The eruption caused delays and cancellations of flights to and from the island, leading to a decline in tourist arrivals.

Agriculture - products: The economy is heavily reliant on agriculture, with bananas and other agricultural products being the mainstay. Other agricultural products include coconuts, oranges, sweet potatoes, and spices. The tourism sector, which had been growing in recent years, has been negatively impacted by the volcanic activity. The government has been working on rebuilding tourism infrastructure and has been focusing on upgrading hotel facilities in order to attract tourists back to the island.

Economy - products: GDP - real growth rate: 3.2% (2002 est.). Population (2006 est.): 110,000. The GDP per capita is estimated to be $18,500. The unemployment rate is 12.0%. The country has a high level of debt, and the government is working on a debt restructuring plan.

Montserrat

Economy - overview: Montserrat is a small volcanic island with a population of just over 11,000. The economy is heavily dependent on the tourism sector, which has been negatively affected by the volcanic activity. The island has been closed to tourism since the 1997 eruption, which has had a significant impact on the economy. The government has been working on rebuilding the tourism infrastructure and has been focusing on upgrading hotel facilities in order to attract tourists back to the island.

Agriculture - products: The economy is heavily reliant on agriculture, with bananas and other agricultural products being the mainstay. Other agricultural products include coconuts, oranges, sweet potatoes, and spices. The tourism sector, which had been growing in recent years, has been negatively impacted by the volcanic activity. The government has been working on rebuilding tourism infrastructure and has been focusing on upgrading hotel facilities in order to attract tourists back to the island.

Economy - products: GDP - real growth rate: 3.2% (2002 est.). Population (2006 est.): 110,000. The GDP per capita is estimated to be $18,500. The unemployment rate is 12.0%. The country has a high level of debt, and the government is working on a debt restructuring plan.

Suriname

Economy - overview: Suriname is a small, developing nation in northern South America. The economy is heavily dependent on the bauxite industry, which accounts for more than 90% of export earnings. Suriname has a growing middle class, and the government is working on implementing economic reforms to promote growth and reduce poverty. The country has a high level of debt, and the government is working on a debt restructuring plan.

Agriculture - products: The economy is heavily reliant on agriculture, with bananas and other agricultural products being the mainstay. Other agricultural products include coconuts, oranges, sweet potatoes, and spices. The tourism sector, which had been growing in recent years, has been negatively impacted by the volcanic activity. The government has been working on rebuilding tourism infrastructure and has been focusing on upgrading hotel facilities in order to attract tourists back to the island.

Economy - products: GDP - real growth rate: 3.2% (2002 est.). Population (2006 est.): 110,000. The GDP per capita is estimated to be $18,500. The unemployment rate is 12.0%. The country has a high level of debt, and the government is working on a debt restructuring plan.

Trinidad & Tobago

Economy - overview: Trinidad & Tobago is a leading performer in the region. The economy is heavily reliant on the oil and gas industry, which accounts for more than 90% of export earnings. The country has a growing middle class, and the government is working on implementing economic reforms to promote growth and reduce poverty. The country has a high level of debt, and the government is working on a debt restructuring plan.

Agriculture - products: The economy is heavily reliant on agriculture, with bananas and other agricultural products being the mainstay. Other agricultural products include coconuts, oranges, sweet potatoes, and spices. The tourism sector, which had been growing in recent years, has been negatively impacted by the volcanic activity. The government has been working on rebuilding tourism infrastructure and has been focusing on upgrading hotel facilities in order to attract tourists back to the island.

Economy - products: GDP - real growth rate: 3.2% (2002 est.). Population (2006 est.): 110,000. The GDP per capita is estimated to be $18,500. The unemployment rate is 12.0%. The country has a high level of debt, and the government is working on a debt restructuring plan.