

Banana war threatens jobs and heralds wider trade conflicts

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Thousands of jobs are threatened by the escalating trade war between the US and Europe, as the US government moves to impose sanctions that would double the price of a range of European Union (EU) produced luxury items.

The dispute's immediate origins lie in attempts by the giant US-owned food company Chiquita to break into the European banana market--the world's largest. Last year the US pressured the World Trade Organisation (WTO) to force the EU to dismantle favoured trading terms given by the EU to banana producers in former European colonies. Chiquita are in addition claiming \$5 billion in lost revenues from the EU.

On January 1 this year, the EU relaxed its rules, but not enough to satisfy the US government. The US warned that from March 3 and possibly sooner, a range of luxury goods imported by the US from Europe would be taxed at 100 percent, as opposed to the present 6 percent rate.

The US government has drawn up a list of predominantly French and British produced items. French and British companies are the main EU banana producers. Cashmere wool products, pecorino cheese, sweet biscuits, bath salts, candles, non-adhesive plates, sheets and films, handbags, felt paper, boxes and cartons, greeting cards, bed linen, batteries, coffee and tea makers and light fixtures will all be targeted. The Netherlands and Denmark will be excluded from the tariffs because they did not support the EU's banana rulings. The total value of the exports affected is estimated at around £500 million, or 700 million euros.

Companies producing, importing and exporting these and related products on both sides of the Atlantic have complained that trade war measures damage them. The American Association of Exporters and Importers warned that, initially, American-based importers would

be hit, but any EU retaliation would damage a potentially wide range of American-based capitalists.

Potential damage to smaller US based concerns has not prevented Chiquita, with a global work force of 46,000 and a \$14 billion turnover, from pressing on. Company CEO Carl Lindner is a leading confidante of President Bill Clinton, and channels millions of dollars to both the Democratic and Republican parties.

The most immediate impact would be in Europe, where long established but small industries face devastation. The British Department of Trade and Industry estimate that around 2,700 jobs are threatened in total in the UK. A similar impact can be expected in France.

The cashmere wool industry, for example, 50 percent of which is centred in the Scottish borders area, faces the loss of much of its US trade. Twenty Scottish companies stand to lose £20 million in sales, as part of an estimated £82 million in lost trade from the UK. This is out of a total of £21 billion trade with the US from the UK.

Scottish cashmere producer, Clan Douglas, says it will be a big victim and may be forced to cut 700 jobs in the borders region if it loses its £1.25 million US exports. The area has already suffered in the past few months from the ongoing collapse of much of its traditional textile industry and the closure of the Viasystems semiconductor plants.

The British Greeting Cards Association warned that thousands of jobs were threatened. Ray Cousins, chairman of the association, said, "We are merely a pawn in a much bigger game. Greetings cards has been picked at random--it could have been anyone." Two of the biggest UK-based greeting card manufacturers are in fact US owned--Hallmark and Carlton.

The dispute over bananas is one episode in the

continually deepening trade tensions between the US and Europe, that have been heightened as global recessionary pressures make themselves felt. On January 12 the World Trade Organisation reconvened its disputes panel in an attempt to resolve the banana disagreements. The panel called for the reopening of the "bananas panel" which set terms for EU compliance with WTO guidelines, a call welcomed by the EU and the UK.

British Trade and Industry Minister Brian Wilson commented, "As we now wait for the panel to pronounce on the new EU regime, it would be highly inappropriate if the US decided to go ahead with retaliatory action against the EU. Such action would hit UK business hard, and in all cases, would hit businesses that have nothing to do with a dispute over trade in bananas.

"It is quite wrong for one member of the WTO to decide unilaterally that another member has not complied with a WTO ruling. This dispute needs to be resolved within the framework of the WTO."

Faced with US refusal to delay trade sanctions until after the banana panel meets, British Government Minister Stephen Byers warned of growing protectionism. "The US threat to increase tariffs on certain European goods is entirely unjustified, and is already hitting innocent parties. We must be able to find a peaceful, reasonable and legitimate way to settle our differences.

"A shared commitment to open trade and orderly progress among the G7 countries and in the EU has been a driving force for growth. But as the economic weather turns, there are easy but dangerous shelters--a return to protectionism, the breakdown of co-operation, the rise of beggar thy neighbour policies. This can only lead to further deterioration, not renewed growth."

The magazine *European Voice* commented that behind the US moves were not only Chiquita's influence with the embattled Clinton, but an attempt to test the strength of the WTO mechanisms. A range of key trade disputes are looming this year--over genetically modified foods, beef hormones and biotechnology--all of which are key areas for American companies seeking to open new European markets.

Despite the tendency towards trade blocs, trade between the US and Europe is increasing, partially as a result of the collapse in Asian markets. Eurostat report

that in the six months between January and September 1998, exports from the EU to the US rose by 15 percent over the same period in 1997, to 119 billion euros. Imports rose by 13 percent to 114 billion euros. In the same period, trade with Japan was down 14 percent, and Hungary, still outside the 15 EU member states, replaced Taiwan on the top 10 list of trading partners.



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