

US-EU banana dispute intensifies world trade tensions

Steve James
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The unresolved dispute between America and the European Union over bananas is assuming the character of an international line-up--for or against the US. The combatants are also increasingly challenging the mechanisms of the World Trade Organisation (WTO) in pursuit of their competing goals.

The immediate source of conflict centres on US attempts to open up European markets to its Central American and Caribbean-grown bananas, produced by US food giant Chiquita. Last year the US won a ruling from the WTO demanding that the EU dismantle favourable trading terms for European companies producing bananas in former African and Caribbean colonies. The EU duly altered its rules, but not enough to satisfy the US, which, in November last year, threatened to impose trade tariffs on a range of EU goods from March 3, 1999 or sooner.

Last week, Japan, backed by India, Indonesia, South Korea and six central European states, lined up to support the EU. Japan faces US restrictions over steel imports, which have dramatically expanded as a consequence of the Asian financial collapse and recession. Japan and most WTO members insist that trade sanctions can only be imposed through the WTO, and not unilaterally as America is attempting to do.

In response, Renato Ruggiero, WTO director general, proposed both sides should reach a compromise, aware that the dispute was deepening alarmingly. Ruggiero suggested that US sanctions should be delayed until after a WTO disputes panel sits in April, and that the same panel should set the scope of any sanctions.

Negotiating officials on both sides cited "hawks" in Washington and Brussels as an obstacle. The US Congress is insisting that the unilateral US imposition of sanctions go ahead. US trade officials rejected Ruggiero's efforts and tried to win approval for

immediate sanctions from the WTO's 133-member ruling council. This was blocked by a challenge to the agenda of the WTO meeting raised by St. Lucia and Dominica, acting as proxies for the EU, and themselves among the principal banana growing regions for the EU.

By Wednesday, January 27, despite another blocked WTO meeting, the aggressive American tactics appeared to be working. Concerned over its share of the \$520 million in proposed sanctions, and the impact for future trade, Italy broke ranks with the rest of the EU and called for an early end to the dispute. Italian Foreign Minister Lamberto Dini described the EU banana regime as a "very strong distortion of trade," and said that "to enter a confrontation with the US and see Italian and European products discriminated against, and hit by new import duties, would be counterproductive."

The sanctions' biggest impact would be on the UK, which exports £120 million of targeted goods compared to Italy with £113 million, France £96 million, and Germany £71 million. Also affected are Belgium, Spain, Portugal, Greece, Austria, Sweden, Ireland, Finland and Luxembourg. Eight-two million pounds worth of plastic trade, £71 million of biscuits, £49 million of cashmere wool along with handbags, lead-acid batteries, greeting cards, bed linen and other, mainly luxury, goods are threatened.

Also on Wednesday, the US re-imposed the notorious Super 301 list of US trade rivals who are supposedly engaged in practices prejudicial to US interests. Charlene Barshefsky, the US trade representative, announced that Super 301, which lapsed in 1997, would be used to allow the US to enforce trade agreements and "promote US interests around the world". Super 301 demands a mandatory investigation

of a country's trading and tariff system, and major exporters to the US have previously gone to great lengths to avoid being named on the US list. Now, however, in conditions of growing world recession and ballooning US trade deficits, Super 301 is likely to be employed in an even more aggressive manner to force open markets to US companies.

Japanese government spokesman Hiromu Nonaka said, "As countries are trying to recover amid very severe global economic conditions, I have to say we are very concerned that the US, the world leader, has introduced the possibility of taking unilateral action." Prime Minister Keizo Obuchi said, "I would be very concerned if the US took action unilaterally."

The US insists that Super 301 will be employed within the framework of the WTO. But the divisions inside that body, established only in 1994 after the seven-year-long Uruguay round of trade talks, and the turn towards unilateral action, foretell an expanding range of trade conflicts.

In addition to the EU banana regime, and Japanese steel, the WTO's own dispute list outlines the range of countries with which the US is at variance over trade. They include Canada over magazines and India over pharmaceutical and agricultural chemical patents. The US also wants greater access to the EU for its beef hormones, Argentina for food and textiles, Korea for alcohol, and Japan for photographic materials and agricultural products. The US is challenging various EU countries' tax subsidies to indigenous manufacturers, has copyright and intellectual property disputes with other EU members and with Brazil over auto production.



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