US imposes tariff sanctions on European luxury goods

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Trade tensions across the Atlantic are escalating with the Clinton administration imposing duties on a list of luxury imports from Europe and the US Congress moving to bar landings by the supersonic Concorde airliner.

The United States has unilaterally imposed 100 percent duties on $520 million in luxury imports from the European Union (EU). The action stems from a long-simmering dispute over European quotas on banana imports from Latin America, the bailiwick of US-based fruit conglomerates Chiquita and Dole. The unilateral move by the US threatens the functioning of the World Trade Organization (WTO), which was established to regulate trade conflicts. The WTO had requested that the US hold off from taking any action until a meeting of the WTO disputes panel in April.

The Clinton administration claims the duties are legal, since their collection is being held up until formally approved by the WTO. However, the US action will have the immediate effect of halting imports of the targeted goods because importers are being required to post bonds to cover the cost of anticipated duties.

Britain immediately denounced the trade sanctions, delivering a formal protest to the US ambassador. In a statement to Parliament, British Trade Secretary Stephen Byers called the American action "irrational and unacceptable". He accused the United States of violating WTO rules by imposing the sanctions in advance of official approval.

The list of items hit by US duties include cashmere sweaters from Britain, cheese from Italy and handbags from France. The total amount, $520 million, is what the Clinton administration says the European quotas are costing US-based banana companies. The impact of the sanctions may be quickly felt in wool-producing regions of Scotland, where cashmere producer Clan Douglas earlier warned that loss of its US market could lead to 700 layoffs.

In another action aimed at Europe, the US House of Representatives approved a bill on March 3 that would ban the Concorde from the United States. The measure is a retaliation against legislation passed by the European Parliament prohibiting older American airplanes from landing because of concerns over noise pollution. The Americans have accused the European Parliament of using environmental concerns as a cover for an attack on US aerospace interests. Supporters of the ban on the Concorde said the European plan would cost US businesses $1 billion in sales of spare parts and engines.

The sanctions against the EU follows a move by the US against Japanese and Brazilian steel imports. On February 12 the Clinton administration imposed preliminary duties of between 25 and 71 percent on hot rolled steel from the two countries. As in the case with the duties against EU goods, the US said it would demand importers post bonds, but hold off collection pending formal approval by the WTO.

While accounting for a tiny fraction of US imports, the selective sanctions against Europe have symbolic importance, serving as a warning shot aimed at America's economic rivals. US Trade Negotiator Peter Scher said the US decided to act out of fear that others involved in trade disputes would use delaying tactics similar to those allegedly being employed by the Europeans.

The White House is under pressure from Congress to act on the US trade deficit, which set a record last year. The Asian and global economic turmoil has led to a withering of most world markets, leaving the United States as the importer of last resort for nations hard pressed to pull out of recession.

In his recent trip to meet French President Jacques Chirac, Bill Clinton made the banana fight part of the agenda. Clinton said it was crucial for the world trading system that countries abide by the decisions of the WTO.

The dispute between the United States and EU over bananas has been going on since 1992, when the Europeans established a quota system limiting imports from Latin America. The policy was designed to provide access to the European market for bananas grown in former European colonies in Africa and the Caribbean.

Even with quotas, Latin American banana producers have 60 percent of the European market while Caribbean producers have just 8 percent. The banana-producing regions of both Latin America and the Caribbean are deeply impoverished. However unlike the Caribbean, where individual farmers produce most bananas, Latin American production takes place for the most part on giant corporate plantations under conditions of brutal exploitation. Workers live in shacks without basic amenities. Average pay for banana workers in Honduras and Nicaragua is US$170 per month.

Chiquita has vigorously opposed unionization efforts on its plantations in Central America and was cited for human rights violations in a report published in the *Cincinnati Inquirer*, though the story was later retracted under pressure from Chiquita.

Governments of banana-producing countries have lined up with Europe or America in the dispute based on economic spheres of influence. Honduras, Guatemala, Ecuador, Panama and Mexico are all backing the US. Meanwhile Caribbean countries such as the Grenadines and St. Vincent are siding with the EU.

Last year the United States won a ruling from the WTO ordering the EU to dismantle rules favoring Caribbean and African banana producers. The Europeans altered their rules, but not to the satisfaction of the Clinton administration, which in November threatened to impose sanctions.