

Aid rather than Trade (preferences)? – An account of EU aid and trade policy*

5 “Though bananas are typically seen as an undifferentiated commodity, historically divergent patterns of trade regulation have defined two distinct commodity systems for this fruit: the dominant Dollar Banana¹ system centred on the US market and the smaller ACP² Banana trade between Europe and its former African, Caribbean and Pacific (ACP) colonies” (Raynolds, 2003, p.24).

10 Dollar Bananas have been regulated by ‘free market’ conditions shaped by the oligopolistic power of transnational companies, while ACP Bananas have been regulated by preferential market agreements between nations (*ibid*) (*Map 1*). ACP Banana production is uncompetitively expensive (*Chart 2 & 3*), yet low in human and environmental cost. These small developing countries have few, if any, alternatives to banana production. On the other hand, large scale, vertically integrated Latin American banana plantations often cause huge externalities in their
15 quest to minimize production cost³. US companies (Chiquita, Dole, Del Monte) own and source their bananas mainly from Latin American plantations.

The Caribbean banana industry had been encouraged by trade preferences granted by the UK since it was founded (*Clegg, 2003*). In 1975, the Lomé Convention was established; a trade and aid agreement for Europe’s ex-colonies (ACP only, excluding Latin American countries),
20 granting them preferred access to the EU market.

“Trade preferences aim at fostering economic growth [...] by making it possible for developing countries to engage in economically rewarding activities. The fundamental purpose of trade preferences, therefore, is to provide developing countries with better opportunities to achieve, by themselves, a self-sustained
25 improvement of their economic, and hence hopefully social and political, fate. For some time in the past, trade preferences have clearly been seen as a possible alternative to financial and technical assistance, as reflected in the slogan “trade rather than aid”. This slogan, and the underlying economic concept, has much intuitive appeal, and has probably helped to convince politicians in developed
30 countries that they should agree to opening markets in their countries more widely

* Written by the exam candidate (12905), drawing on several published sources. Every effort was made to present a true and fair view of the events as given in the literature.

¹ The term ‘dollar banana’, referring to Latin American bananas, has evolved due to the influence of American multinationals in the export of those fruit.

² Seventy-seven African Caribbean Pacific states, signatories of the Lomé Convention, mainly ex-colonies. The terms ACP/Caribbean/Windwards will be used interchangeably in this text since all are part of the same interest group.

³ Stoeckel and Borrell (2001) argue that in the longrun, trade and therefore GDP growth are the best way to reduce externalities because as countries get wealthier, people develop a stronger environmental conscious.

to imports from developing countries.” (Tangermann, 2002, no page numbers given)

Given that the world is slowly moving towards trade liberalization anyhow (*Chart 23*), granting trade preferences are like an ‘early harvest’ (*ibid*) for developing countries and should prepare its industries for competition in the a free market.

The creation of the Single European Market 1993, resulted in increased discrimination against Latin American banana producers to maintain a similar level of protection for ACP banana producers (*Figure 25*). Using tariff-quotas, a part of the highly priced (hence attractive (*Chart 16 & 17*)) EU market had been reserved for Caribbean producers, at a cost to more efficient Latin American producers (*Charts 19-21*). What has been deemed unfair is that both, the Latin American countries and the Caribbean countries, are equally poor (*Table 13*), yet the EU had chosen (being bound by Lomé) to support only developing countries with a colonial history. Nonetheless,

“[t]here is a general consensus that the regime [of trade preferences] generated significant quota rents for producers in the many preferred countries at the expense of EU consumers [and Latin American Producers]⁴. There is considerable disagreement as to the magnitude of these effects however.” (Borrell, 2001a, p261-262), (*Chart 19 – 21, Graph 6 & 7*).

Interest group	Interest
Caribbean/ ACP/ Windwards	Maintenance of trade preferences
EU	Support for ACP & home producer
Latin America	Access to EU market through free trade
US (Multinationals)	Free trade, driven by corporate interest

Source: adapted from Stevens (1996), quoted in Tangermann, 2003

But should it turn out that trade preferences ‘suck’⁵ (Tangermann, 2002) the production structure of a trade-preference receiving country into a pattern, which is not sustainable in the long run, then problems will arise.

“[Trade preferences make] the developing countries concerned largely dependent on the preferential exports considered. This is likely to be the case in a number of ACP countries supplying sugar and bananas to the EU under preferential conditions. Once the EU begins to liberalise its sugar and banana regimes, these countries will have [have to reduce their exports and face large adjustment costs]” (Tangermann, 2002).

This indicates that the fostered industry is not competitive on the world market, due to the distortion of the recipient’s production system. Inefficiencies can easily arise because rents from trade preferences are deemed fairly secure, and complacency sets in (*Borrell, 1999*). This danger is worsened by STABEX:

⁴ EU consumers suffered higher prices (demand went down) (*Graph 18*), Latin American countries (and US Multinationals) achieved lower income (*Table 24, Chart 19*)

⁵ Resources are drawn into the production of a preferred good.

65 a further mechanism that is part of the Lomé Convention is STABEX, an export earnings stabilization system. It is designed to guarantee a constant income for developing countries, even when prices fluctuate or other exogenous⁶ factors clearly affect a country's ability to earn sufficient income from its exports. The rationale behind this system being that export instability is assumed to hinder growth (summarised from Aiello, 1999).

70 The Caribbean has been a major recipient of this kind of aid. Until now, the Caribbean has not been able to create an efficient industry that could compete in a free market (*Chart 2 & 3 & 12*). It has also been suggested that because of their geographical nature the Caribbean are not able to achieve a level of efficiency to compete with Latin American producers (*Table 4 & 12*).

75 "It should be noted that there is increasing concern as to whether a country such as my own [St. Lucia] benefits from a truly competitive advantage in producing anything." (Kathy-Ann Brown, St Lucia's representative to the WTO, quoted in Tangermann, 2002)

Naturally, in order to maintain their standard of living the Caribbean has a high interest to use all its bargaining power with to EU to keep its preferences.

80 "When "banana is up", as the people say, the economy booms, When "banana is down", both economy and people are depressed. [The Windwards] are well accustomed to the cycle" (The Economist, "Expelled from Eden", 1998, vol.345, no.8048, p.35)

85 Their dependency on bananas is undisputed. According to Godfrey (1998) a sudden switch to free trade and vanishing trade preferences is likely to lead to social unrest and increased drug related crime in the Caribbean:

"If our banana industry collapses, it will mean poverty for many thousands of people. I've been a banana farmer all my life. I have nine children. How am I to earn enough money to feed my children without bananas?" Claudius Jan-Marie, banana farmer, Roseau Valley, St. Lucia (quoted in Godfrey, 1998)

90 After increasing pressure through a series of GATT and WTO complaints from Latin America and the USA against the EU to liberalize its banana market, the EU had to amend its import regime repeatedly but continued to maintain some Caribbean preferences until today but promised to ease out trade preferences, beginning with a tariff only regime in 2006. The US itself does not have banana growing interest, but its support for free trade is attributed to lobbying of US companies who have production facilities in Latin America (*Cadot & Webber, 2002*). In this context increased donations by these companies to US parties have also been reported (*Table 11*).

⁶ Being mostly small island state makes the Caribbean particularly vulnerable to natural disaster (hurricanes, etc.)

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Introduction

This text is describing an existing situation in which a policy (trade preferences) was seen to lead to very undesirable side effects, therefore questioning the net benefit of the entire policy.

Consequently, some policy improvements are being suggested. The paper has been kept as short as possible to comply with length requirements.

Based on the source document and after empirical research to trace the behaviour over time the causal loop diagram was constructed, which are presented on the next two pages.

Limitations

Through research it has become clear that this model is subject to various limitations:

Other factors that might influence the CLD (but were not modelled):

- Exchange rate,
- natural disaster,
- banana market prices

For the following, no time series data could be found:

- Exact dimension of Trade preferences for Caribbean and tariffs for Latin American countries
- Caribbean Crime rate
- Measures for Lobbying activities (~US MNE donations *Table 11*)
- STABEX

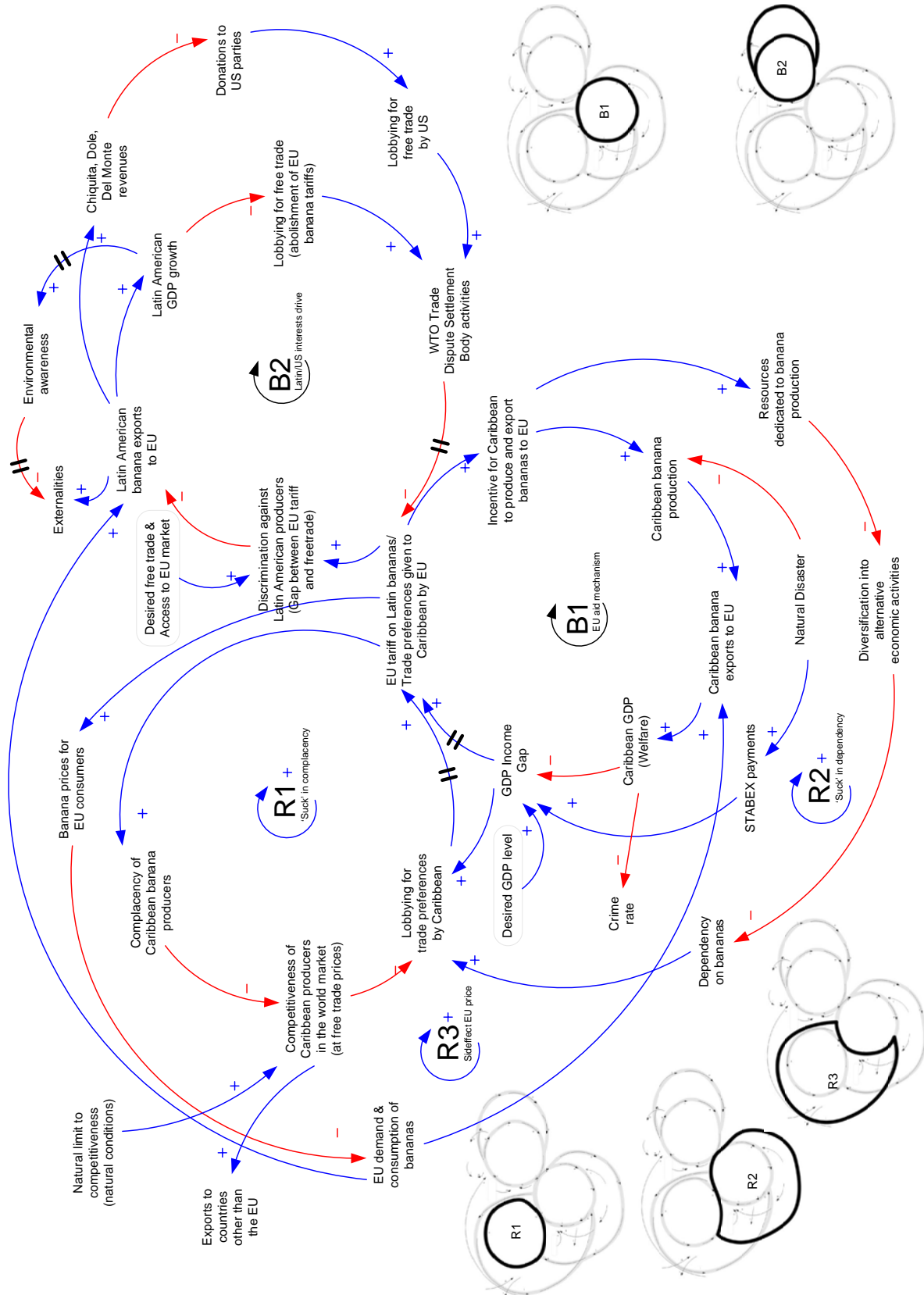
However the following calculations by Borrell (1999) were found to illustrate some of the outcomes in 1993 as pointers where no time series were found, (Also see *Table 8*):

- welfare transfer to ACP exporters annually, US\$ 150 million
- cost of trade preferences to Latin producers annually, US\$ 149 million
- cost to EU consumers through higher prices annually, US\$ 2 billion
- Chiquita market share in Europe in 1992: >30% in 1995: 19% (van de Kastele, 1998)

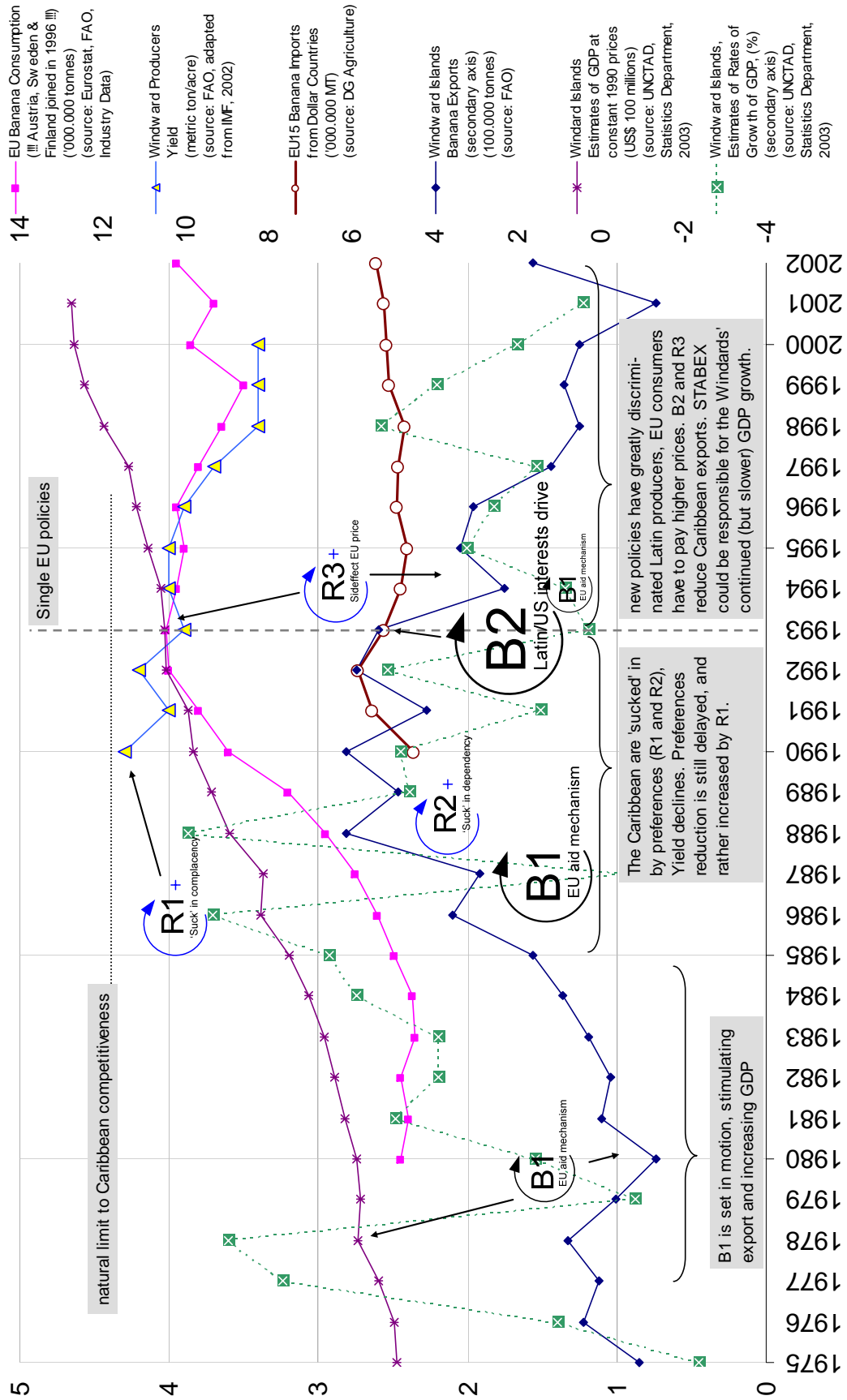
So while some behaviours were not directly observable, they might also be influenced by other factors. Therefore, sometimes causal relationships are based on scholarly theory, and the outcome indicates that this kind of behaviour must have taken place.

These implications make it very difficult to determine which loops are active or acting together with mixed weight and at what time, with certainty.

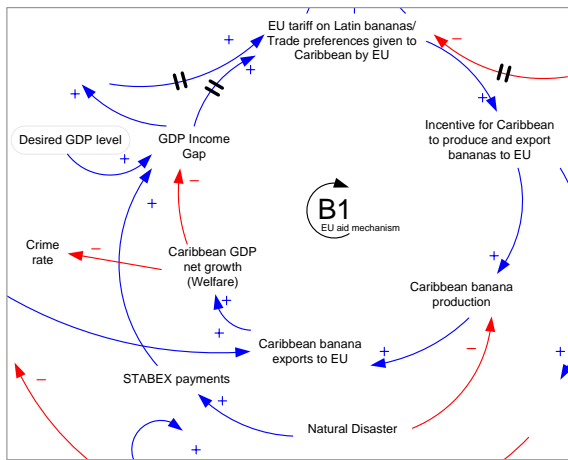
CLD1 & BOT1 (overleaf)



On CLD diagrams the +/- notation is being used since the tools used supported this notation. The activity and intensity of each loop is noted on BOT1, the data of which is shown in Table 27.



(It would have been good to index (1975=100) all values to a common level and then see the changes from a common level, but the recorded periods of the time series differed.)



Loop B1 – EU aid mechanism

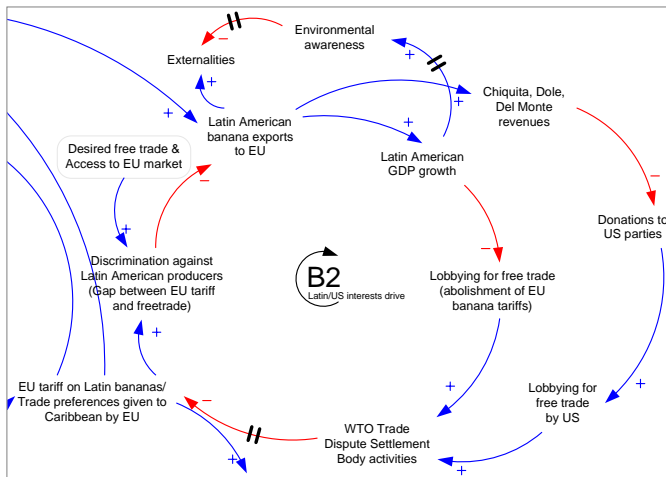
B1 describes the intended working of the trade preferences given by the EU to developing countries in the Caribbean. The assumption behind the variable “EU tariff on Latin bananas/ Trade preferences given to Caribbean by EU” is that the preferences to the Caribbean are given at the expense (increase in tariff) of Latin American banana producers. This simplifies reality, the EU could for example change its tariff only for a single Latin American banana exporter (as it has done when a country complained to the WTO) or lower tariffs/quotas at

the expense of a third group of countries.

Given that the long term aim of aid is to transfer welfare, the loop has been organised as a balancing loop which has a certain GDP/Capita target, which is assumed to be the best possible measure of welfare. This could be a level at which these countries would not be a ‘developing’ country anymore, but be ‘developed’ (i.e. ‘high income’, see Table 13). Both the EU and the Caribbean have this aim.

As a country approaches this level, it is deemed fit enough to survive without preferences, and they are slowly reduced to prepare it for competition under conditions of free trade. However in reality the reduction of trade preferences has not occurred voluntarily, but only under the pressure of the Latin/US interest group (B2), and the general move towards free trade, or through structural events such the single European market. Since many parties are involved, preferences cannot be changed easily (long-term contracts) or at ‘short notice’ when Caribbean GDP has increased - hence the delay.

Variables attached to the loop: In case of natural disaster or other exogenous effects which would reduce the natural level of banana exports, STABEX pays growers the lost income. STABEX covers for any shortfall of production.

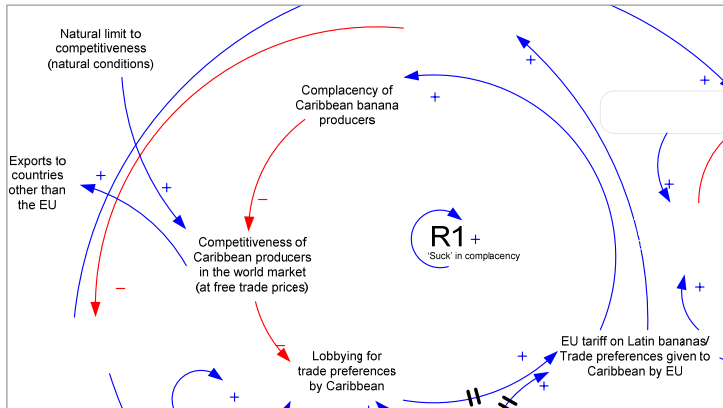


Loop B2 – Latin and US desired state

Latin America’s and the US’ free trade seeking behaviour is modelled by B2. The gap between status quo and goal is given by the level of discrimination. Tariff-quotas reduce the amount Latin America can export to the EU and with the EU being the highest priced market this means that these countries forego some of their potential income and growth. US companies which have plantations in Latin America suffer the same in revenue reduction. Hence both parties use lobbying (through complaints to the WTO) to achieve free trade. Because these processes take very (very) long the effects are usually delayed.

Side variables attached to the loop: Latin American banana production is associated with higher environmental and human cost (externalities); in the diagram this side effect has been given very simplified as an effect of exports when it should be production, but production quantity may also not correlate to the level of exports to the EU, since Latin America can export their bananas to other,

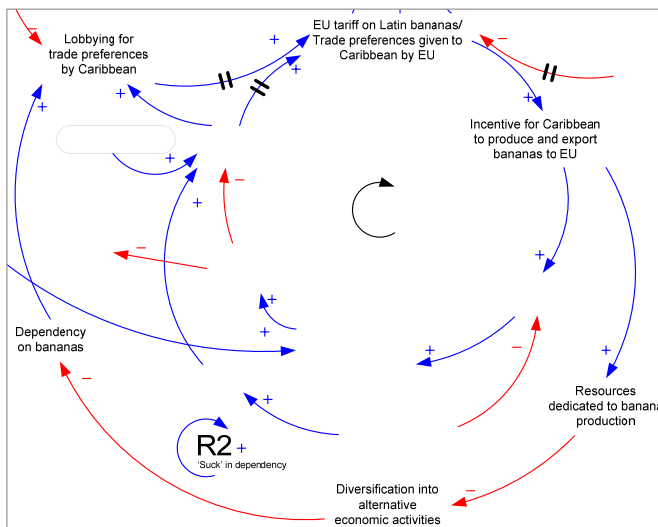
lower priced markets instead, which might be better than not producing. The variable was included to highlight its existence and to show that economic growth does reduce externalities by increasing environmental awareness.



Loop R1 – ‘Suck’ in effect #1: complacency

When rents through trade preferences seem secure there is a danger of complacency (Borrell, 1999). This has a direct effect on competitiveness (production cost). Free trade would cause these countries huge adjustment cost. The political forces in these countries are aware of this and hence eager to increase preferences to

maintain their eroding rents or *at least* maintain the trade preferences through lobbying. In turn, running the loop the opposite way and reducing trade preferences would only to some extent lead to higher competitiveness since natural limits to the Caribbean production have been identified.



Loop R2 – ‘Suck’ in effect #2: dependency

Trade preferences are likely to stimulate the production of that particular good, since it offers a secure way to make a profit. Just like industries where abnormal profits are made attract more entries, more people in the Caribbean will start to grow bananas. No diversification will take place. Being small islands states, these countries will quickly become dependent on their banana exports. Combined with the consequences of R1, Caribbean politicians will ask for trade preferences to maintain their standard for living (and please the electorate).

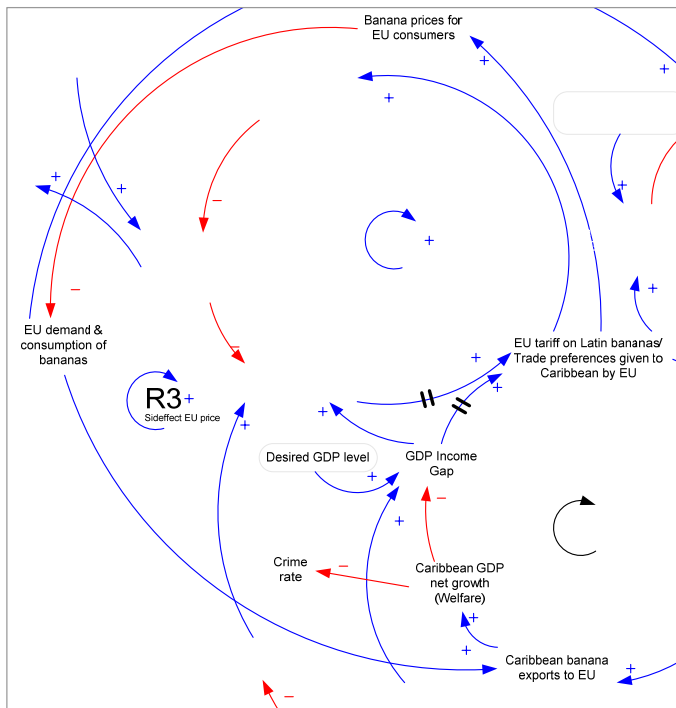
Loop R3 – Side effect EU Price

High levels of protectionism also lead to high prices when the tariffs are passed on to the consumer (*here*: US\$2 billion according to Borrell (1999) in 1992). Hence demand (and consumption) decrease, reducing the required banana imports (*see* BOT1) at a cost to those who were supposed to benefit from trade preferences – and the Latin American producers anyway.

Several causalities have been omitted:

- higher prices to consumers might reduce the EU’s willingness to give trade preferences,
- however the EU earns high income from the tariffs paid by the Latin American producers,
- but the EU also forgoes some income by giving the Caribbean free access to the market.

Meadows (1982) describes the typical policy resistance problem: “The combination of all actors trying to adjust the system to achieve all the different goals produces a system state that is often not what anybody wants. And yet everyone is putting great effort into keeping it there, because if any



single actor lets up the effort, the others will drag the system closer to their goals and farther from his/hers.” Here, this situation is worsened by the surrounding side effects.

Policy intervention

Sadly, there is not perfect solution, or rather, none could be found. But one that is hoped to be better than the status quo. Since most of the described dynamics are economic relationships there is little room for quick fixes.

Beginning with something that should have been done long ago and now is probably too late: EU policy should have had control mechanisms in place to avoid suck in effects. These could be simple monitoring measures which would reduce preferences if

- dependency becomes too large (i.e. value of banana exports may not exceed a certain % of GDP)
- competitiveness decreases (i.e. cost of production/ton). These have been drawn in BOT2 and created two new loops, B6 and B5 which slow down the reinforcing ‘Suck-in’ loops R1 and R2. Although the dangers of ‘Suck-in’ are low when competitiveness is high and dependency is low, it would be sensible to include a certain one-way-ness in the links, there is little need to increase trade preferences when competitiveness increases, B2 might balance this effect anyway.

The policy intervention with a future is to reduce trade preferences to eventually achieve free trade. *At the same time* Caribbean bananas are started to be labelled (‘branded’) as “Fair Trade” (“Organic” also possible, or even better “Organic Fair Trade”) bananas and sold at a higher price. Aid responsibility is then transferred to the EU consumer who will decide if the environmentally friendly production methods of the Caribbean and their vulnerable economic condition are worth a premium. UK supermarkets have already adopted these products, Waitrose even ran a TV campaign for Fair Trade bananas.

It might seem irrational trying to maintain an inefficient industry, but the suggested measures should only be seen as a temporary solution to ease the transition towards free trade and increasing diversification at the same time. Hopefully, Latin America will use its economic growth for more environmentally friendly production. Because this policy relies heavily on market mechanisms (acceptance to pay premium for Fair Trade), it cannot be guaranteed to work as predicted.

Even the bananas grown for Fair Trade should be obtained as efficiently as possible, production has to improve. “Efficient growing” seminars (directly influencing Competitiveness) represent an initiative to achieve this.

Banana growers whose inefficiency is beyond any hope of improvement should be given an incentive to leave the industry (“Deficiency Payments”). Which other industries are suitable for the Caribbean needs to be examined (“Consulting help finance by EU”), both measures will increase diversification and reduce dependency.

If a hurricane destroys banana plants, “STABEX” should be used to fund new projects, and not to build up the same (inefficient business) again, a redirection of STABEX funds into diversification measures would be beneficial, weakening R2 (dependency)

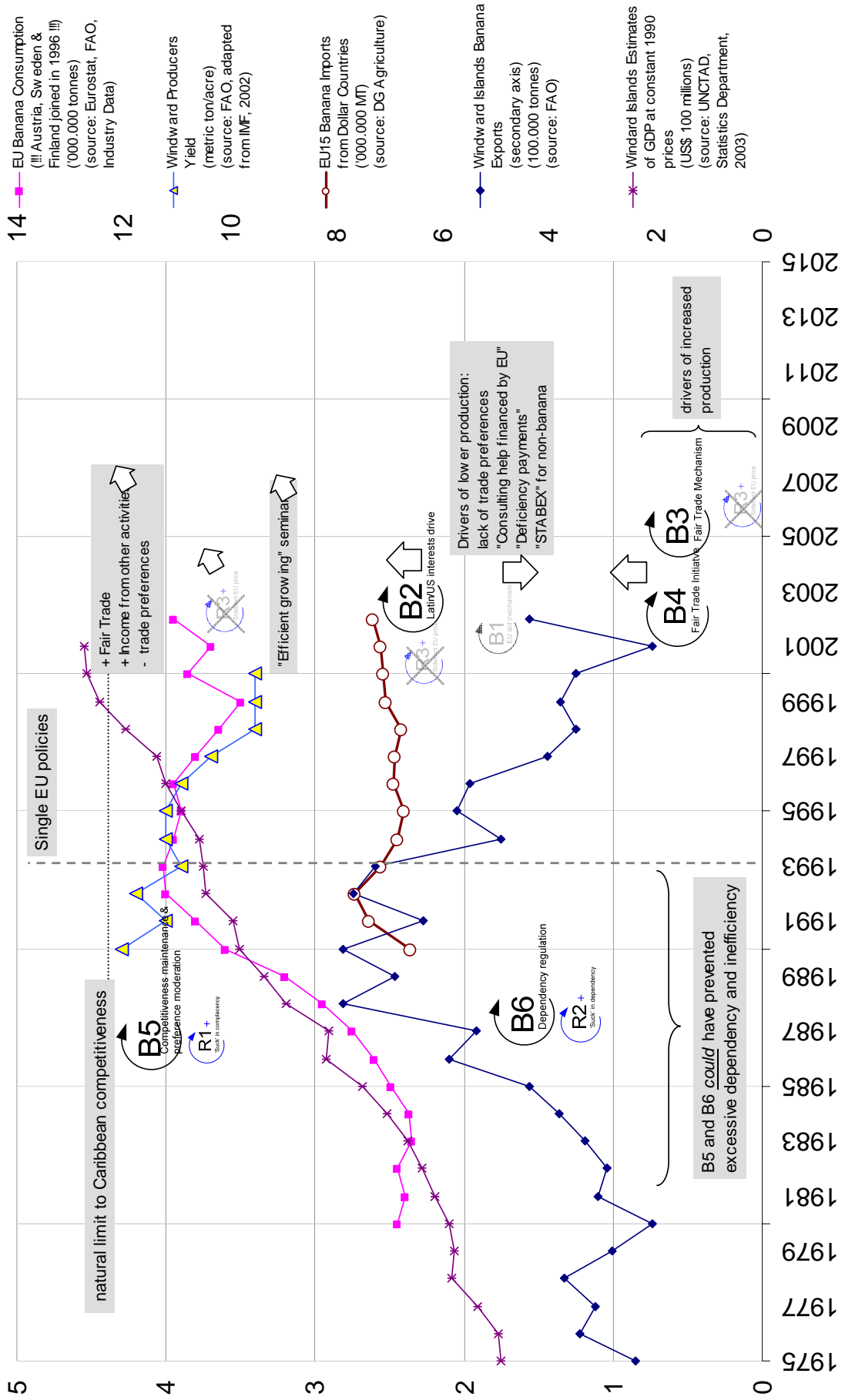
The diagram (CLD2) overleaf shows the new suggested policies (changes highlighted by thick, black lines). The list below summarises policy actions and effects:

- *Retrospective*: New link: reduced competitiveness should reduce preferences (resulting in B5)
- *Retrospective*: New link: increased dependency should reduce preferences (resulting in B6)
- Moving towards free trade ((slowly) setting EU tariffs to zero) will satisfy the goal of Latin America’s B2
- Zero tariffs will eliminate the side effects of R3 (higher EU prices)
- When trade preferences are erased, Fair Trade (B3) will replace these as an income generator and production incentive and continue to reduce the desire for trade preferences.
- Fair Trade (B4) will replace R3 and maintain high prices for Caribbean banana producers
- “Efficient growing seminars” weaken R1 (Complacency)
- “Deficiency payments” motivate (inefficient producers) to leave the industry, hence weakening R2 (dependency)
- “Consulting help” increases diversification hence weakening R2 (dependency)
- “STABEX” redirected into diversification, weakening R2 (dependency)

Systems modelling does not allow the fine tuning and case-to-case assessment of decisions that are required with the last four points, but that should be considered in reality, (i.e. “What is the level of inefficiency at which it is better to give deficiency payments?”). In these case, systems thinking can show what to do, but not how.

One might think that the proposed policies sound like spending a lot, but with annual cost to the EU consumer of the current regime being €2 billion (Borrell, 1999), which would disappear without trade preferences, there is much scope for spending. On the other hand this is money lost by the taxpayer and not the EU directly, hence this makes the suggested policies difficult to realise.

The results of drawing the behaviour over time of the new policy can only be described as imprecise. With the number of factors it is impossible to predict the behaviour, but there is a desired behaviour, achievable with the right mix of loops and weight. It would be useful to create a computer model which would calculate the outcome for different settings of the most important variables. This would also allow to either play through different scenarios or to calculate the best spending allocations for the suggested cost factors.



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Appendix to the source document and the assignment

Map 1

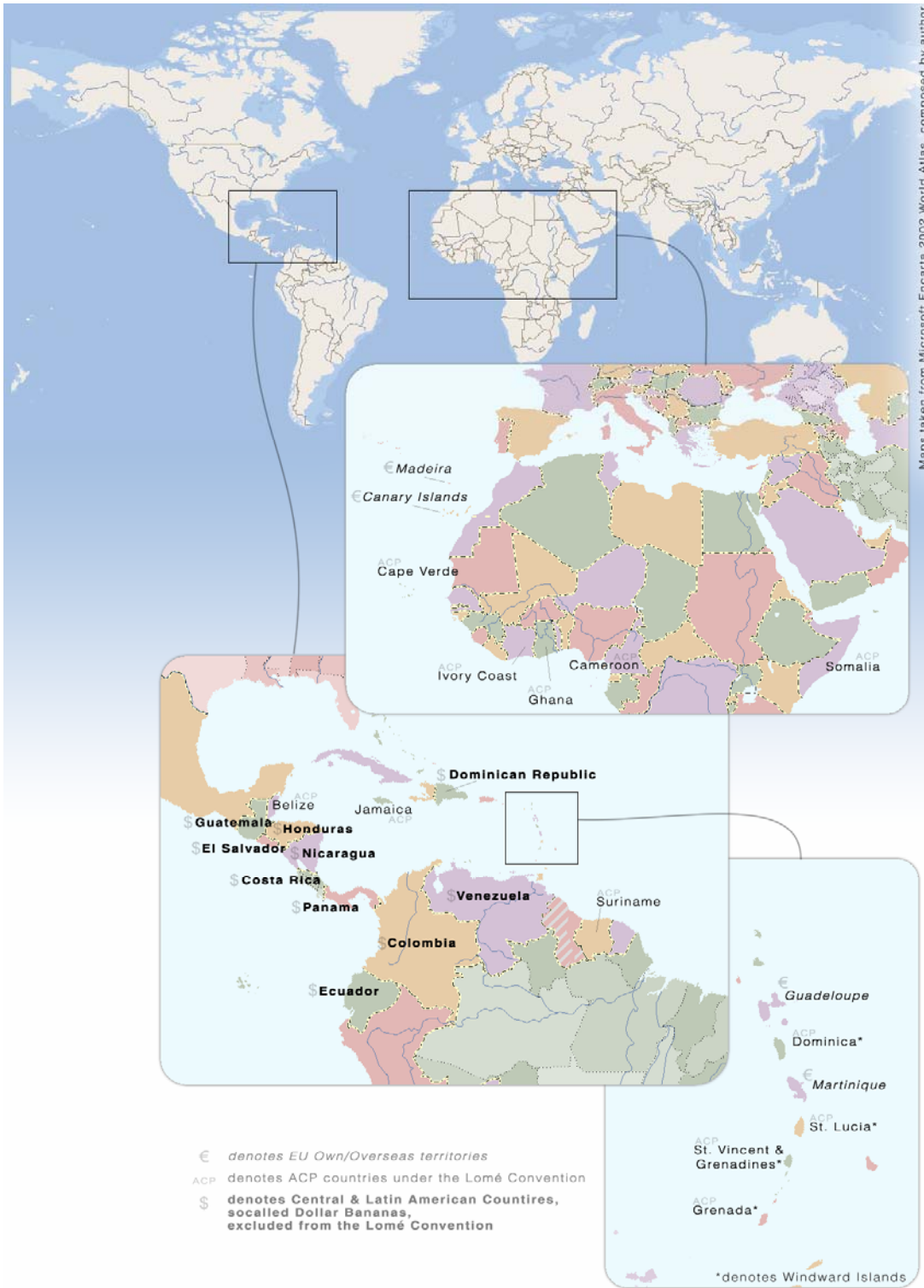
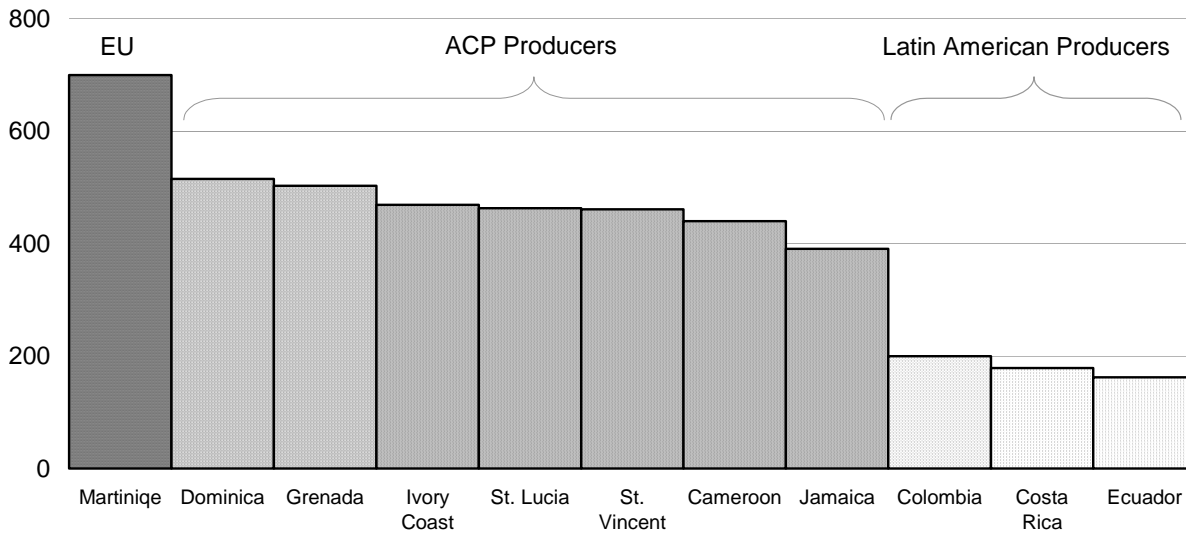
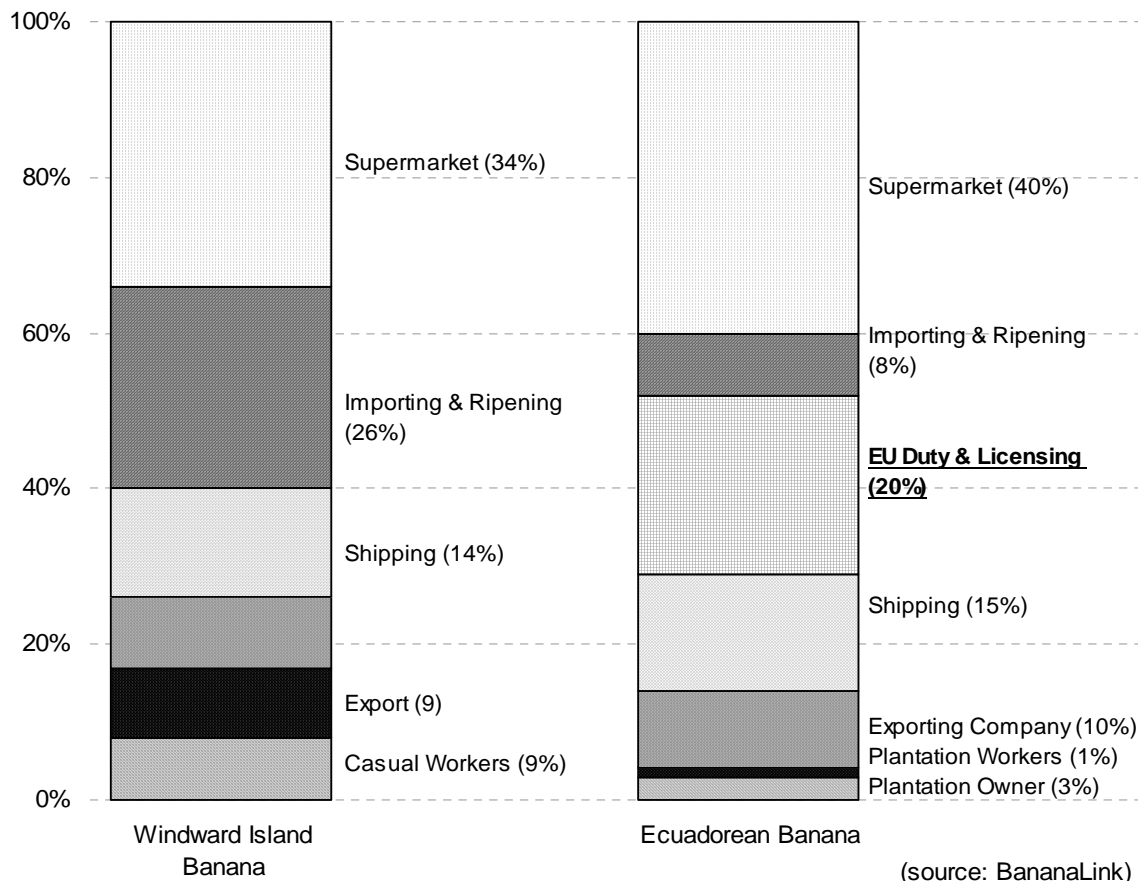


Chart 2 Cost per ton of banana production (US\$)



(source: Orchard et al., 1997)

Chart 3 Cost structure of a Windward and Ecuadorean Banana, 1999



(source: BananaLink)

Table 4 Summary of Banana Production Conditions, Caribbean & Latin America

Caribbean Countries (Smallholding)	Latin America (Plantations)
Growing areas hilly or mountainous. Limited land availability	Large flat plains. Wide land availability
Poor soil conditions and low yields (not more than 10 tonnes/acre)	Rich soil and high yields (18-24 tonnes/acre)
Majority are independent, small farmers	Largely a plantation agriculture, often owned by transnationals and vertically integrated operations
Higher wages than in Latin America	Wage rates low, social conditions of workers poor
Unit cost of inputs much higher due to smaller volumes and varying soil types	Lower unit cost of inputs due to high volume. Lower FOB price due to lower market wages, low social benefits and economies of scale
Shipping costs generally higher: smaller volumes, more port calls	Lower shipping costs due to high volumes

source: CEBA

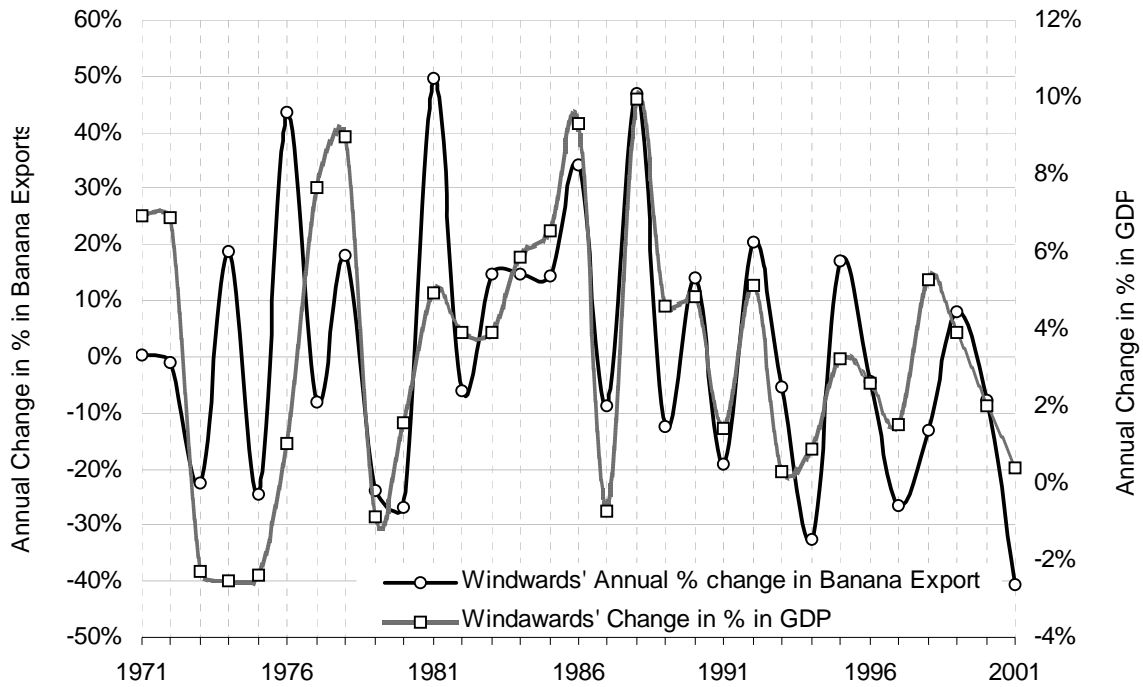
Table 5 Effects of the COMB on different EU Parties, 1993-1998, million ECU

a) Free trade countries⁷	-271.67	c) ACP supplied countries⁸	23.41
Consumers	-1,249.54	Consumers	280.28
Traders	220.57	Traders	-163.70
Government	757.54	Government	-93.17
b) Tariff imposing countries⁹	-108.75	d) Countries with own production¹⁰	289.40
Consumers	-466.22	Consumers	28.00
Traders	454.45	Traders	46.46
Government	-96.97	Government	214.93
		EU Total (a + b + c + d)	-67.59
		EU Consumers	-1,407.71
		EU Traders	557.77
		EU Governments	782.34

(source: Badinger, Breuss & Mahlberg, 2003)

⁷ Germany and since 1995: Austria, Finland and Sweden⁸ Italy & UK⁹ Belgium, Luxembourg, Netherlands, Denmark and Ireland¹⁰ France, Greece, Portugal, Spain

Graph 6 *Windward Islands: Annual Change (%) in Banana Export and GDP Growth (%)*



Graph 7 *Scatter diagram, Windward Islands, Correlation Annual Change (%) in Banana Exports against Annual change (%) in GDP, 1971-2001 Author's own calculations*

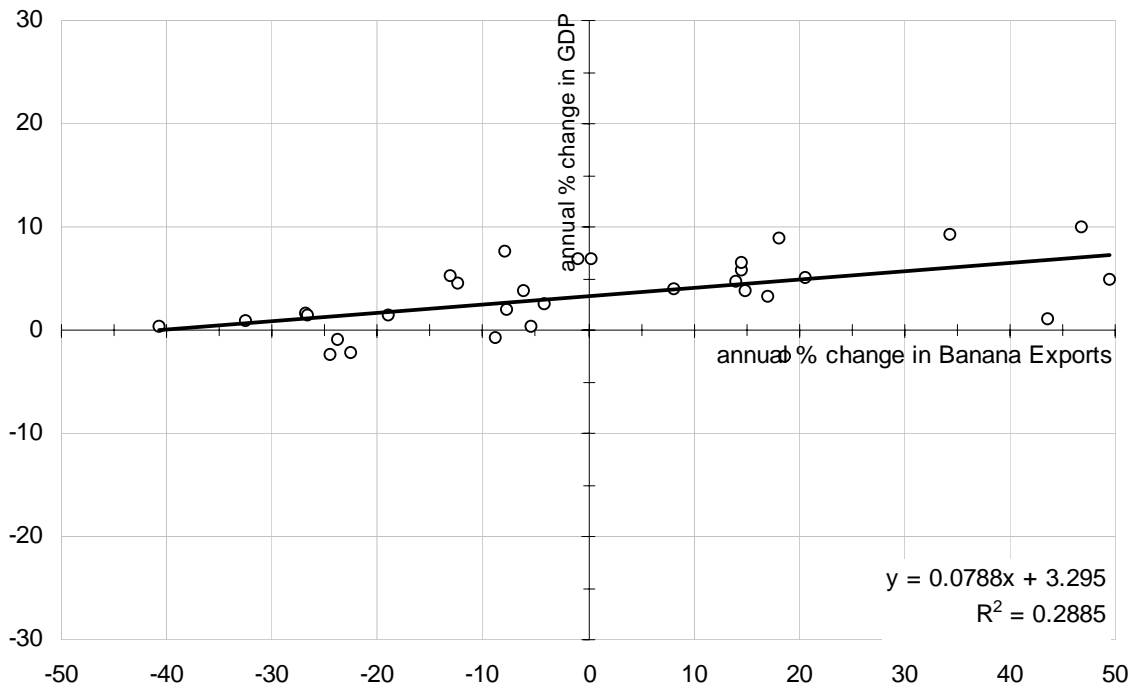


Table 8 Cost Benefit Analysis of a situation with trade preferences for the Windward Islands, granted by the EU, Post 1993

Cost	Benefits
Windward Islands	
Economic	
(-) opportunity cost of diversification (-) unsustainable growth, inefficient banana industry	(+) welfare transfer of US\$ 150 million to ACP exporters (Borrell, 1999) (+) employment; (+) economic growth; (+) multiplier effect; (+) secure income
Social	
(-) dependency on EU preferences	(+) moderate social benefits to banana workers (+) socially & environmentally sustainable production
European Union	
Economic	
(-) US\$ 2 billion cost of preferences (Borrell, 1999) (-) US\$ 191.4 million, punitive US tariffs (-) high cost of bananas for consumers, low consumption (-) high cost of financial support for Windward Islands (-) reduced trade with Latin America, due to lower buying power (-) liberal trade regime countries (a & b, Table 7)	(+) ECU 558 million: domestic banana importers (e.g. Geest, Fyffes) (Badinger, et al., 2003, value for 1993-1998) (+) ECU 782.34 million: Government/ national accounts (Badinger, et al., 2003, value for 1993-1998)
Social	
(-) less choice, lower quality bananas, cheap bananas are a symbol of prosperity in Germany	(+) altruism, good conscience (+) helping ex colonies (+) strategic advantages, Windward's vote in political debates
Dollar Banana Party	
Economic	
(-) US\$ 149 million (Borrell, 1999) (-) trade diversion, loss of exports (-) damage to US multinationals, lost sale, market share	none
Social	
(-) extremely high human and environmental cost of production	none

bold print: monetary value available

Table 9 Cost Benefit Analysis of a (hypothetical) situation of Free Trade, Post 1993

Cost	Benefits
Windward Islands	
Economic	
(-) a considerable reduction in agricultural industry, export earnings (-) slower economic growth (-) unemployment	(+) concentration on diversification, competitive advantage and sustainable growth
Social	
(-) social unrest (-) increase in crime	none
European Union	
Economic	
(-) replacing trade preferences with direct aid scheme	(+) access to cheap bananas (+) lower cost of direct aid
Social	
(-) no more support for ex colonies and developing countries (could be replaced by direct aid?)	(+) appeasing Latin American Producer and US
Dollar Banana Party	
Economic	
none	(+) trade creation, most efficient use of resources (+) higher export earnings
Social	
(-) continuing extremely high human and environmental cost of production	none

bold print: monetary value available

Figure 10 PTA Dependencie

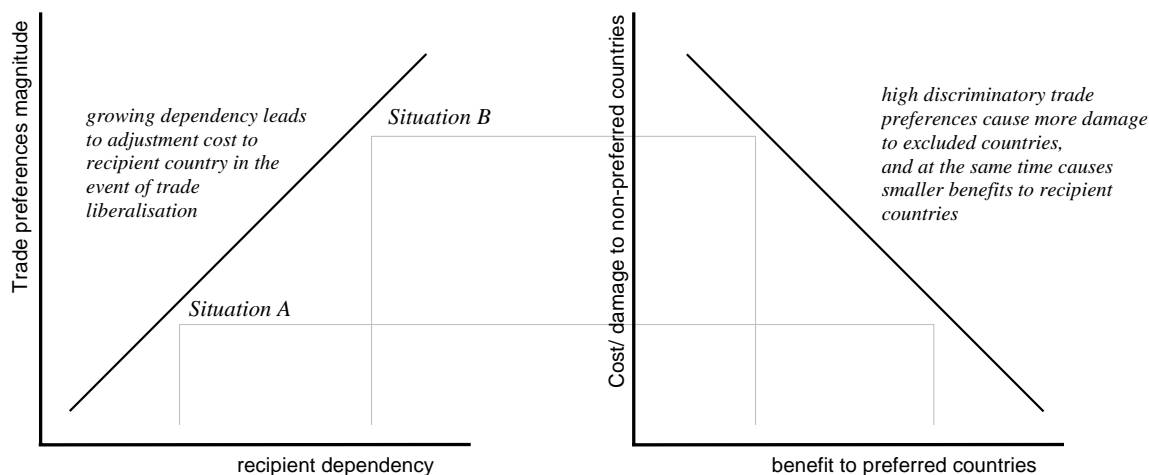


Table 11

TABLE 1. Political Donations by US Banana Trading Companies, 1992–2000 (US\$)

Firm	Year									Total
	1992	1993	1994	1995	1996	1997	1998	1999	2000	
Chiquita	583,750	465,035	390,990	588,975	563,150	318,690	1,217,895	1,142,700	661,395	5,932,580
Dole	90,100	53,400	72,945	74,035	131,401	108,035	84,500	129,250	30,535	774,201

Source: Authors' calculations from Federal Election Commission data assembled by the Center for Responsible Politics, available from <http://www.opensecrets.org>. Totals include both 'hard-money' and 'soft-money' donations and donations from company executives and associated companies as well as Chiquita and Dole.

source: Cadot & Webber, 2002

Table 12 Banana Productivity Indicators (metric ton per acre/ per year)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Windward producers	4.3	4.0	4.2	3.9	4.0	4.0	3.9	3.7	3.4	3.4	3.4
Dominica	6.3	6.3	5.7	6.2	6.0	6.1	5.5	4.8	4.0	4.0	4.0
Grenada	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
St Lucia	4.3	4.3	4.3	4.0	4.2	4.0	4.0	4.0	4.0	4.0	4.0
St Vincent	5.0	3.9	5.0	3.6	4.3	4.3	4.4	4.5	4.1	4.1	4.1
Dollar producers	14.9	15.6	15.7	13.3	13.7	13.6	15.3	15.2	13.6	14.0	14.3
Colombia	12.9	14.2	13.8	14.3	14.3	12.0	11.8	12.5	12.4	12.6	12.6
Costa Rica	22.1	20.8	20.4	15.2	15.4	17.8	19.7	20.7	17.3	17.0	17.0
Ecuador	8.6	8.5	8.7	8.8	9.3	9.6	10.3	14.4	8.9	13.4	10.5
Guatemala	9.9	10.2	9.8	9.4	12.3	13.6	13.8	14.1	14.3	11.9	11.9
Honduras	20.1	22.5	23.7	17.6	15.2	15.7	18.3	17.1	15.6	15.6	15.6
Nicaragua	16.7	21.9	22.2	14.4	14.1	15.0	22.5	16.8	18.3	17.8	22.2
Panama	20.7	18.1	18.8	18.4	20.2	18.4	17.9	17.0	14.6	16.0	17.0
Venezuela	8.5	8.4	8.5	8.4	8.7	7.0	8.3	8.7	7.4	7.8	7.8

source: FAO, adapted from IMF, 2002

Table 13 Classification of Selected Economies Involved in EU Banana Trade by Income and Region, July 2002

Income Group	Subgroup	Americas	Sub-Saharan Africa	Europe and Central Asia
<i>Low Income Countries</i>			Cote d'Ivoire Ghana Madagascar Somalia	
<i>Middle Income Countries</i>	<i>Lower</i>	Belize Colombia Dominican Republic Ecuador Guatemala Honduras Jamaica St. Vincent and the Grenadines Suriname	Cape Verde	
	<i>Upper</i>	Costa Rica Dominica Grenada Panama St. Lucia Venezuela		
<i>High Income Countries</i>		United States		Austria Belgium Denmark Finland France Germany Greece Iceland Ireland Italy Netherlands Portugal Spain Switzerland United Kingdom

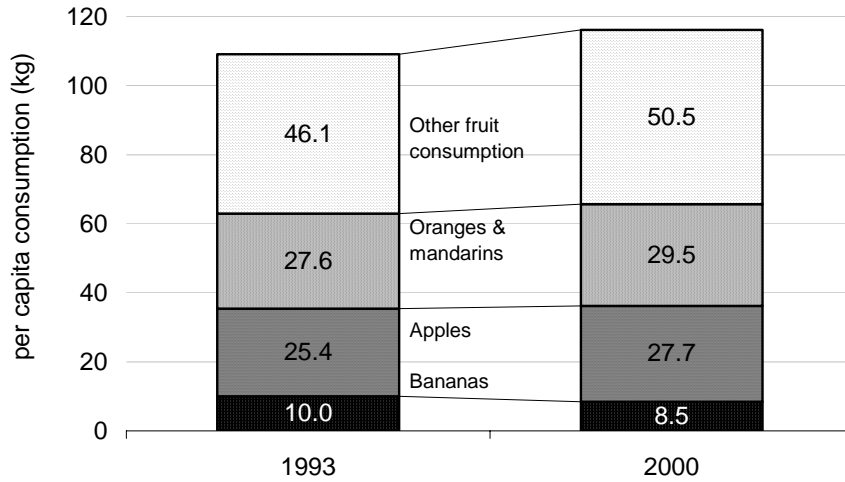
(source: World Bank Data), **bold print**: Windward Islands

Definition of Groups:

'Main criterion for classifying economies is Gross National Income (GNI) per capita. Low-income and middle-income economies are sometimes referred to as developing countries. Economies are divided among income groups according to 2001GNI per capita, calculated using the World Bank Atlas method. Classification by income by does not necessarily reflect development status. The groups are: low income: \$745 or less; lower middle income, \$746-\$2,975; upper middle income, \$2,976-\$9,205; and high income, \$9,206 or more.'

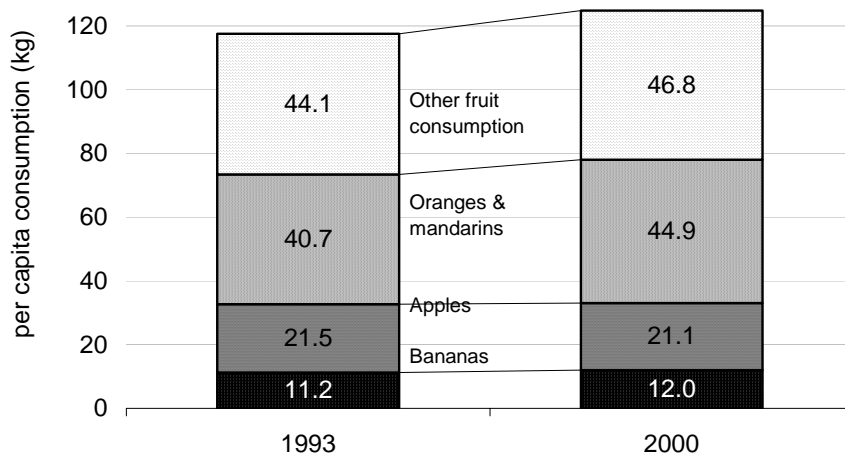
(definition source: *Global Economic Prospects 2003*, The World Bank)

Chart 14 EU per capita fruit consumption, 1993 and 2000



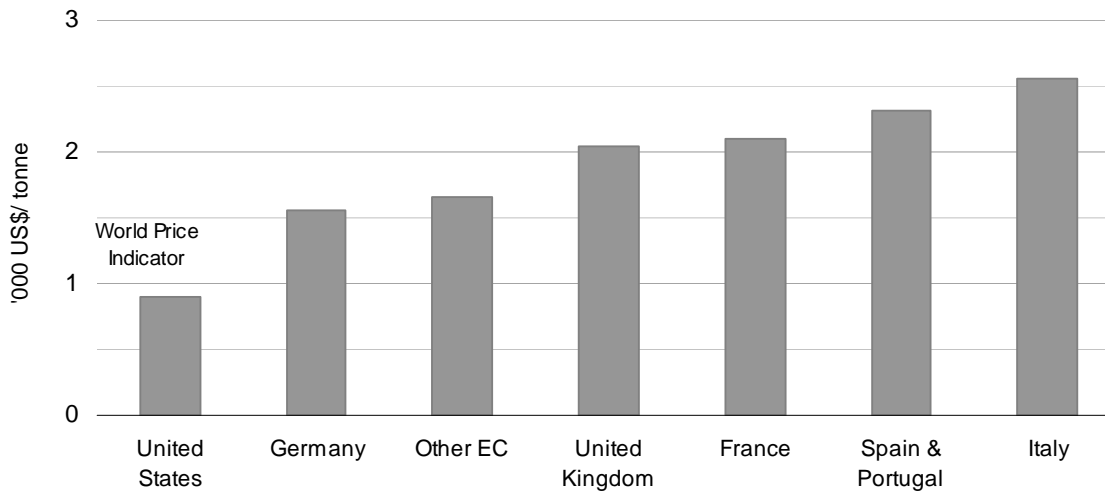
(source: FAO)

Chart 15 US per capita fruit consumption, 1993 and 2000



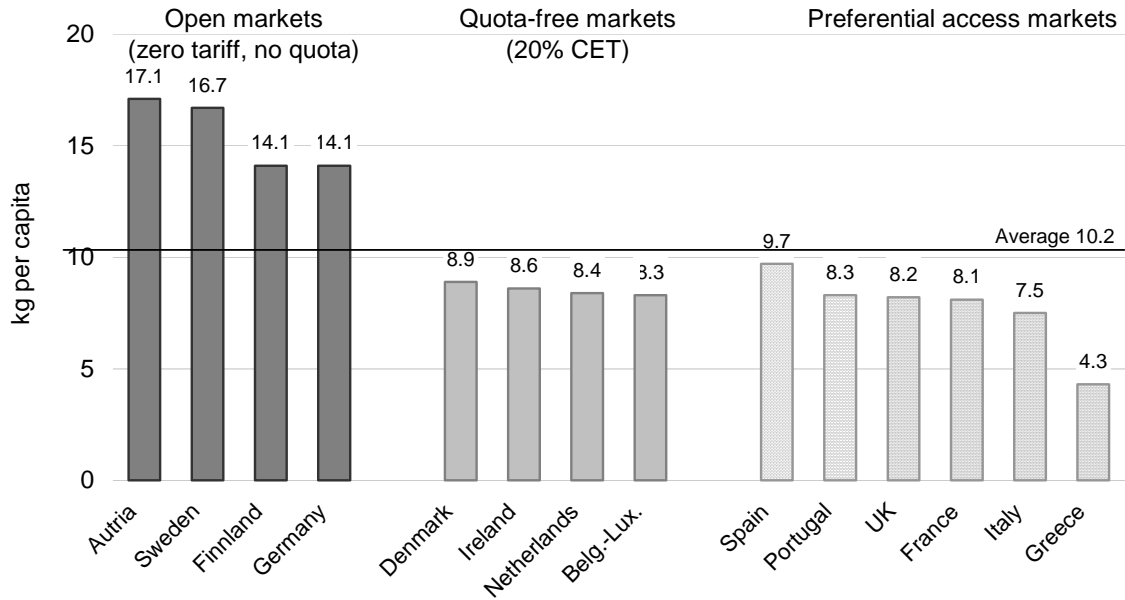
(source: FAO)

Chart 16 Average Banana retail price, 1990, different countries



source: World Bank estimates

Chart 17 Consumption (kg) of bananas in EU states, 1990



source: adapted from Verissimo, 2001

Graph 18 EU banana consumption, 1980-2003

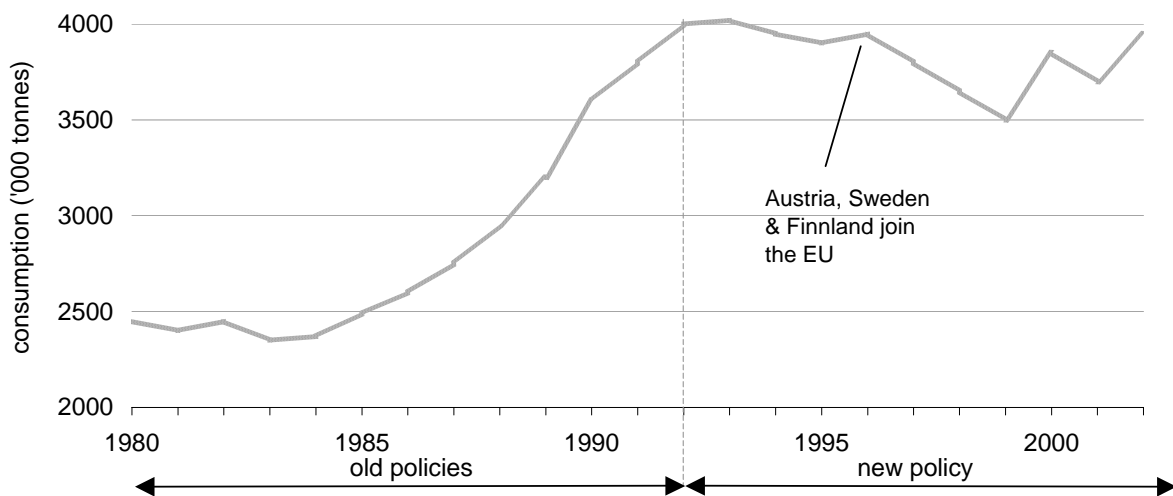


Chart 19 Borrell (1999): The net aid effect for developing countries may be zero

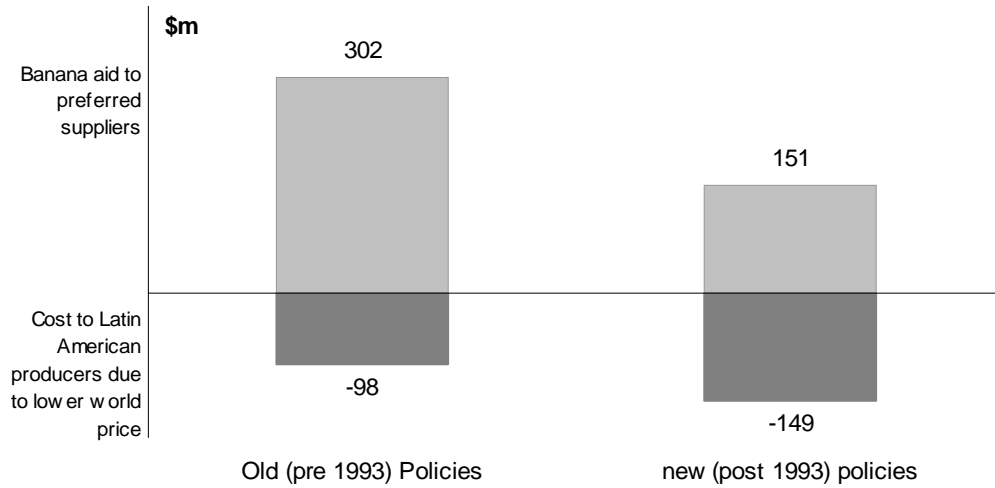


Chart 20 Borrell: There are better and cheaper options

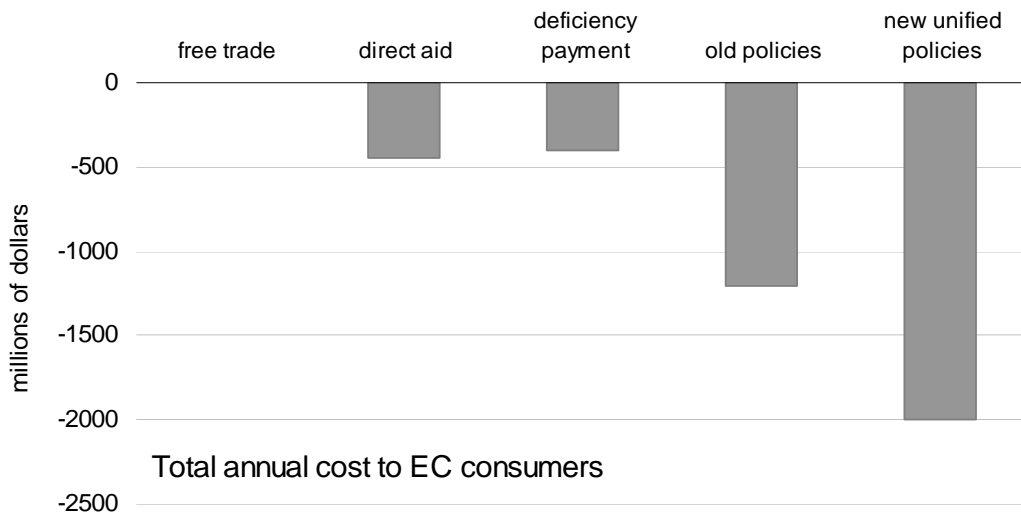


Chart 21 Borrell: Alternatives are better for banana suppliers, too

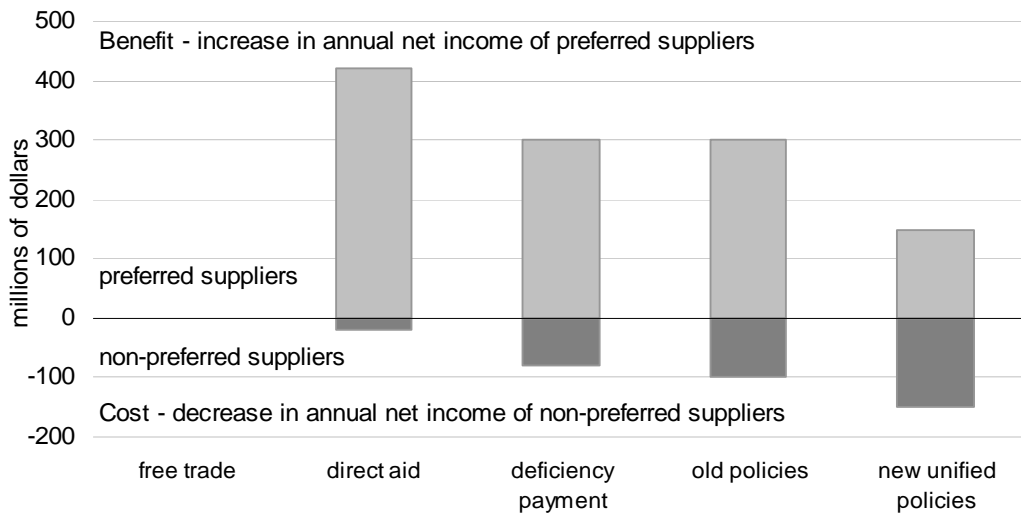
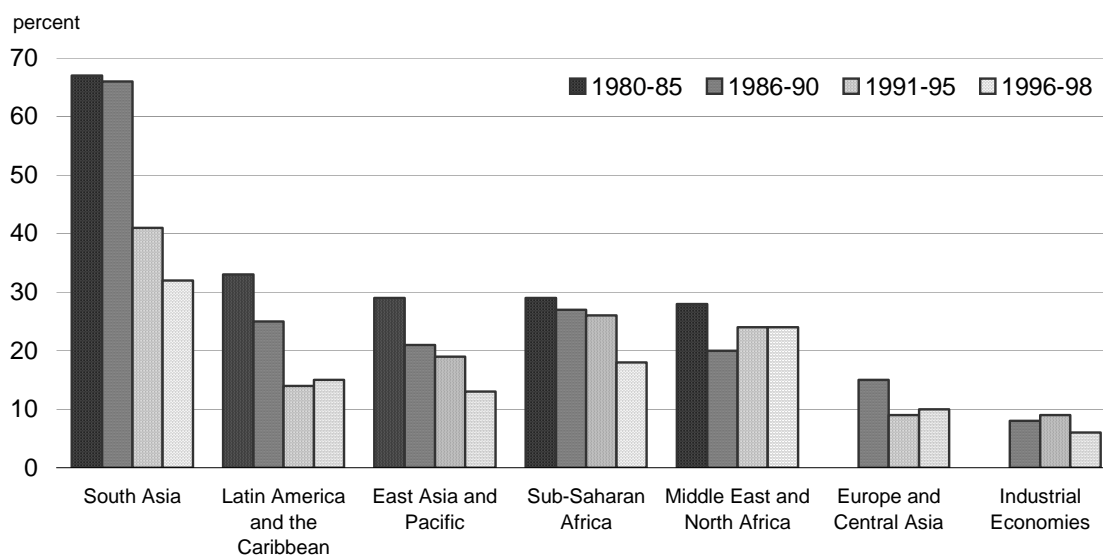


Table 22 STABEX transfers 1990-96: first 16 countries (% and per capita)

% of transfers		Transfer per Capita ECU	
Cote d'Ivoire	14.04	Dominica	500
Cameroon	12.96	St. Vincent	484
Ethiopia	9.97	St. Lucia	297
Sudan	6.82	Grenada	145
Uganda	5.91	Sao Tomé and Príncipe	22
Kenya	4.48	Western Samoa	34
Papua New Guinea	4.47	Solomon Islands	22
Tanzania	3.36	Equatorial Guinea	21
Burundi	3.28	Tonga	20
Madagascar	3.11	Vanuatu	20
St. Vincent	2.99	Papua New Guinea	19
St. Lucia	2.67	Cote d'Ivoire	18
Ghana	2.51	Cameroon	17
Rwanda	2.50	Comoros	14
Senegal	2.27	Kiribati	11
Zimbabwe	2.13	Burundi	9
Total	83.47		

*Population data refers to mid-1995

Chart 23 Average unweighted tariff rates by region

(source: World Bank, 2003, Global Economic Prospects, Washington, D.C.)

Table 24 Banana exporters' market share (%), different years, World & EU

Company	1992		1995		1997	
	World	EU	World	EU	World	EU
Chiquita Brands	34	>30	>25	19	25-26	18-19
Dole Foods	20	12	22-23	15-16	24-25	15-16
Fresh Del Monte	15	7-8	15-16	8	16	10-11
Fyffes	2-3	4-5	7-8	17-18	6-7	16-17
Geest	3-4	5-6				
Noboa			12		13	

source: van de Kastelee, 1998

Figure 25 The COMB

Basic structure of the EU banana regime established in 1993. Adapted from Verissimo (2001) quoted in Tangermann, 2003. The quota quantities and tariffs (in 'commercial' ECU) shown are those applicable in January 1998.

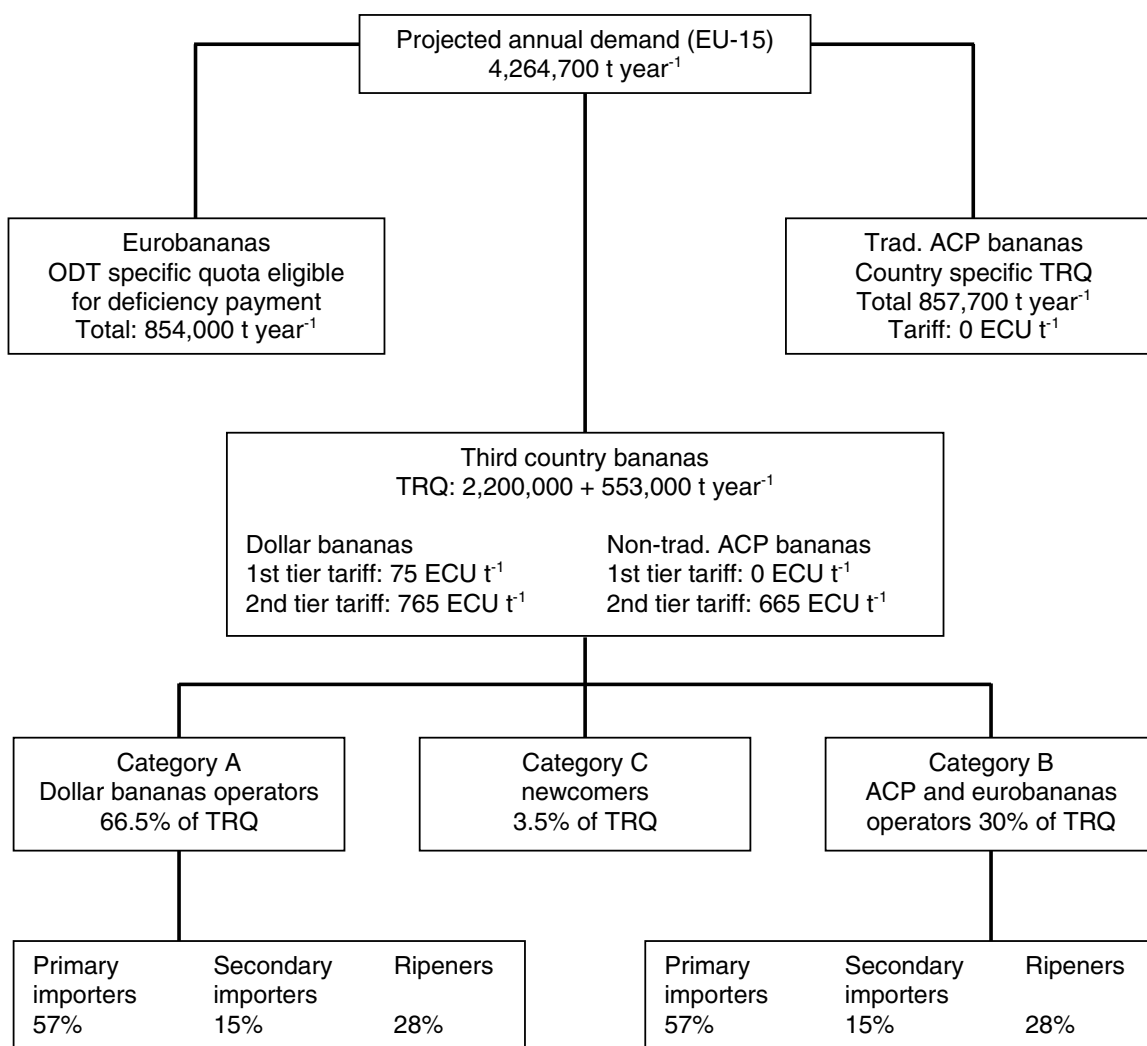
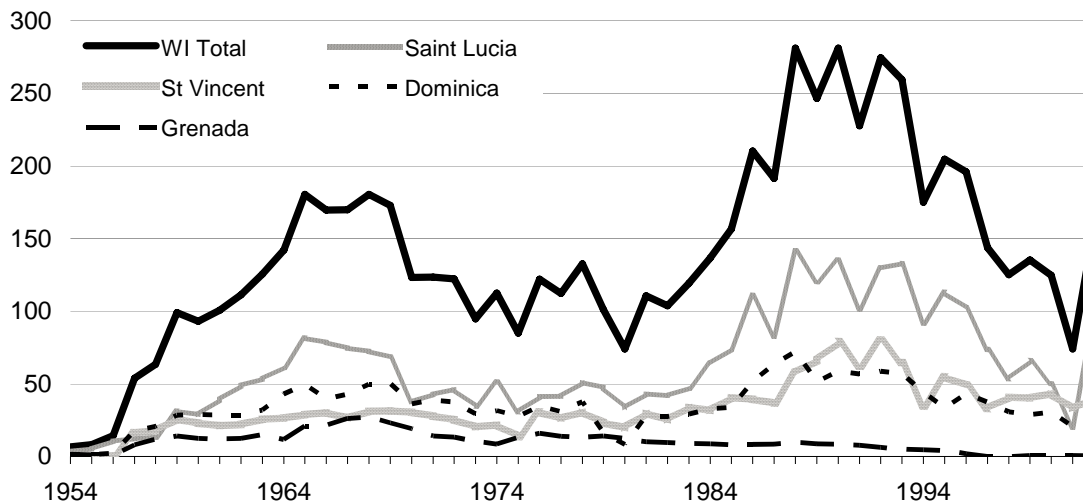


Chart 26 Banana Exports Windward Islands, 1954-2002, (tons)**Table 27 – Data used for BOT**

Windward Islands Banana Exports, 1954-2002 (tonnes)	EU Banana Consumption ('000 tonnes)	Windward Producers Yield (metric ton/acre)	Latin Producers Yield (metric ton/acre)	Windard Islands Estimates of GDP at constant 1990 prices in US\$ millions	Windward Islands, Estimates of Rates of Growth of GDP, (%)	Supplies of Bananas to the EU15 by Dollar Countries ('000 MT)	Windward Islands Bananas as a share of total exports (%)
1975	84,960			492	-2.38		
1976	121,986			497	1.02		
1977	112,293			535	7.65		
1978	132,594			583	8.97		
1979	101,106			578	-0.86		
1980	73,950	2,450		587	1.56		
1981	110,543	2,400		616	4.94		
1982	103,837	2,450		640	3.90		
1983	119,285	2,350		665	3.91		
1984	136,698	2,370		704	5.86		
1985	156,535	2,490		750	6.53		32.40
1986	210,249	2,600		820	9.33		
1987	191,514	2,750		814	-0.73		
1988	281,238	2,950		895	9.95		
1989	246,568	3,200		936	4.58		
1990	281,177	3,600	4.30	981	4.81	2,363	39.30
1991	227,746	3,800	4.00	995	1.43	2,641	33.10
1992	274,442	4,000	4.20	1,046	5.13	2,731	36.20
1993	259,392	4,020	3.90	1,049	0.29	2,560	28.70
1994	175,126	3,950	4.00	1,058	0.86	2,450	26.90
1995	204,791	3,900	4.00	1,092	3.21	2,405	26.10
1996	196,086	3,950	3.90	1,120	2.56	2,470	24.90
1997	143,857	3,800	3.70	1,137	1.52	2,462	18.70
1998	125,113	3,650	3.40	1,197	5.28	2,426	
1999	135,227	3,500	3.40	1,244	3.93	2,522	
2000	124,788	3,850	3.40	1,269	2.01	2,543	
2001	73,998	3,700		1,274	0.39	2,561	
2002	156,539	3,950				2,611	

(source: FAO)

(source: Eurostat,
FAO, Industry
Data)(source: FAO,
adapted from IMF,
2002)(source: FAO,
adapted from IMF,
2002)(source:
UNCTAD,
Statistics
Department,
2003)(source:
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adapted from
Rhys and Goate,
2003)(source: IMF,
2002)