

The Crisis in and Future of the Windward Islands Banana Industry

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The banana industry's economic significance in the Windward Islands can hardly be exaggerated¹. Even after a considerable downturn experienced during the 1990s, almost one-third of the arable land in these four countries is under bananas. The industry is responsible for 43% of exports and 21% of the gross domestic product of these islands (International Labor Organization 1999, 5). Detailed labor force data are available only for Dominica and St. Vincent and the Grenadines. But the data for these two are remarkable. In Dominica, the ILO reports that the banana industry provides direct employment for 10,255 people, constituting 42.9% percent of total employment in the country. In St. Vincent the banana industry's importance in job creation is even greater. It provides work for 23,653 people, constituting a 70.7 percent of total employment (International Labor Organization, 1999A). As The Economist correctly puts it, the Windward Islands are the "true banana republics" (The Economist 1997-98, 2).

Bananas in the Windward Islands are produced by peasants. Over 80 percent of the banana producing units are under five acres (Orchard et al 1997, 25) and, as Table 1 indicates, in three of the four of these islands the mean farm size is less than two acres. This peasant structure gives shape to these

Table 1

Banana Acreage and Number of Active Banana Growers, Windward Islands, 1992

¹ Dominica, Grenada, St. Lucia and St. Vincent and the Grenadines.

Country	Number of Active Growers	Banana Acreage	Acreage per Active Grower
Dominica	6555	12000	1.83
Grenada	600	1200	2.00
St. Lucia	9500	16500	1.74
St. Vincent and the Grenadines	8000	12000	1.50
Total Windwards	24655	41700	1.69

Source: Grossman 1998, 54

societies. The Economist writes that peasant banana cultivation "...is thought to bring with it a certain self-esteem" (The Economist 1997-98, 2). Michael Joseph agrees, noting that with the small owner-regime in bananas, "the descendants of slaves, once relegated to menial roles, have gradually acquired the spirit of free enterprise." Joseph goes on, because the "investment risks inherent in banana cultivation, given its susceptibility to natural disasters, is (sic) onerous...the peoples of the sub-region have learned to be resilient and strong..." (Joseph 1997, 4). As James Wiley has put it, had Grant Wood produced a Dominican equivalent of his "American Gothic" he would surely have selected one of the country's many banana farmers as his subject, for it is the family farm that lies at the heart of the island's economy, just as it does in neighboring St. Lucia and St. Vincent" (Wiley 1998, 160).

Though cultivated by peasants, the Caribbean banana industry is integrated in the global economy as an export industry. Notwithstanding its importance in the Windward Islands and its socially attractive features, however, the industry is not able, on its own, to compete successfully on the world banana markets. Because it is a high cost producer compared to Central and South America, it requires a high level of protection to be profitable. Table 2, which reproduces production cost estimates prepared by

Table 2
Costs per Ton of Banana Production
\$US

Country	Cost
Dominica	515
Grenada	503
Ivory Coast	469
St. Lucia	463
St. Vincent	461
Cameroon	440
Jamaica	391
Colombia	200
Costa Rica	179
Ecuador	162

Source: Orchard et al, 1997, 25

Hallam and Peston reveals the magnitude of the problem. While the cost of producing a ton of bananas in each of the Windward Islands exceeds \$460, in Latin America those costs are \$200 or less. Furthermore the region's industry suffers competitively as well because of its difficulty in maintaining high standards of fruit quality. (Orchard et al 1997, 25). Indeed Grossman writes that "quality problems had been so severe that several major supermarket chains in the United Kingdom threatened to terminate purchases of Windwards fruit; to keep such customers the Windward Islands have had to buy higher quality bananas from Latin American for those customers..." (Grossman 1998, 57). In short, without tariffs and quotas providing the Caribbean industry with markets, its ability to export would all but disappear.

It is conventional wisdom in the Windward Islands to attribute these adverse cost differentials to exploitative labor conditions and resulting low wages of workers on banana plantations in Latin America.² But there is more at work here than just that. Other determinants, in addition to a labor cost differential, place the region's industry at a competitive disadvantage. Its soil is relatively inferior, especially since

² Thus, Lawrence S. Grossman maintains that the region's disadvantage compared to Latin American producers is caused by the fact that the West Indies did not experience the "notorious and predatory past" that enabled banana producers in South and Central America "to gain control ruthlessly over extensive areas of land and to exploit poor workers." (Grossman 1999, 1). The Reverend Edgerton R. Clarke, the President of the Antilles Episcopal Conference makes the same point more positively. He acknowledges that costs of production are relatively high in the Windwards, but points to the fact that the structure of the industry there results in "many advantages and benefits to the individual and

much of the banana crop in the Windwards is grown on hilly or mountainous terrain. Furthermore production is often disrupted - sometimes a season's entire crop destroyed - by hurricanes. Most importantly the small size of the farm units impedes the use of modern production methods. On farms of two acres or less mechanization is ruled out, the ability efficiently to use irrigation and drainage infrastructure greatly limited, and of course economies of scale are impossible to capture.

Beyond these issues which relate to costs, the industry, as we have seen, also suffers from problems concerning fruit quality. In short, aside from the labor conditions which prevail in Latin America where what are called "dollar bananas" are produced, the internal structure of the Windwards' industry relegates it to a non-competitive status. The International Labor Organization (ILO) cites a study jointly undertaken by the French Mission for Technical Cooperation and the Inter-American Institute for Cooperation on Agriculture which found that "over the last three decades, the full economic potential of banana export production has been severely constrained by a general lack of productivity growth" (ILO 1999, 3-4). In this regard Orchard et al add that "...lack of entrepreneurial and management skills have been suggested as contributing to the present malaise in the Windward Island industry. Producers are not sufficiently aware of the increasingly competitive nature of the industry and the

the family in the Caribbean that are not obtained in the Central American situation" (Caribbean Daylight 1999, 10).

changing nature of fruit and vegetable production and marketing" (Orchard et al 1997, 26).

The small farm sector is deeply rooted in Caribbean history. After developing very slowly in the first two or three decades after Emancipation in 1838, peasant agriculture gained ground in the last quarter of the nineteenth century as cane sugar went into a long irreversible decline. Thomas notes that the small farm sector "exhibited a greater willingness than the estate sector to try new products and to seek out new markets." Nevertheless Thomas also acknowledges that "best-practice technology and exposure to scientific agricultural practices was far more developed in the estate sector than in the small farming one." Land settlement programs in the years after World War II increased the number of small farmers, but did little to overcome the problem of low levels of productivity. Indeed much of the land which was distributed in land settlement schemes was in units of four acres or less, which Thomas describes as "uneconomic" (Thomas 1996, 247, 249).

Though recognizing that the peasant sector served a valuable role in providing refuge from plantation dominance, a major thrust in academic work concerning the region's agriculture has emphasized that such small units of production cannot be a successful vehicle for the economic modernization of the West Indies. This work takes its lead from Alister McIntyre who argued for the need to create "a new generation of farms on economic units, businessmen, not peasants" (quoted in Mandle 1996, 110).

In this regard, L.G. Campbell notes that it is necessary to create agricultural units which "can avoid the disadvantages of both the large plantation as well as the very small farm operations." According to Campbell the size of such units will vary according to soil and climate conditions. But they should be large enough, he writes, to "allow successful operation essentially by the efforts of the owners alone and perhaps some family help at peak work loads, using high technology inputs and which is capable of yielding to the owner or operator an income no less than that earned by skilled workers in urban occupations or other business operations" (quoted in Mandle 1996, 110).

During the years since Independence, however, the governments of the West Indies nations have failed to bring such a sector into existence. Where land reform has been undertaken at all, instead of commercial farms, governments have either created large state-owned units of production or have undertaken land settlement schemes on very small lots. Neither achieved high levels of productive efficiency. Grenada during the rule of the People's Revolutionary Government (1979-83) is an illustration of the first approach (Mandle 1996, 109-111). Similar developments were experienced in the larger territories of Guyana and Trinidad and Tobago. Elsewhere, as in Dominica, St. Lucia and St. Vincent and the Grenadines, the small farm sector was welcomed on social grounds as a source of stability. Where land settlement schemes were implemented, as in Guyana, land frequently was allocated as part of a political quid pro quo with considerations of

efficiency and competence not accorded priority. According to Thomas, land distribution was often "a means of passing out patronage to particular constituencies of voters" (Thomas 1996, 257).

II

In the past, Geest Industries Ltd. was the sole buyer of the region's bananas. As a monopsonist this firm was able to profit from its market power as well as the various down-stream activities it engaged in before the fruit arrived in retail outlets in Great Britain. It was only in 1995 that this arrangement changed, with Geest's Caribbean operations purchased by a consortium composed of Fyffes plc, an Irish firm, and the Windward Islands Banana Development Corporation (WIBDECO) an umbrella organization owned by the governments of the four Windward Island nations and the four BGAs. With the change in ownership, it was anticipated that the region would benefit by capturing the profits to be earned in the shipping, ripening and distributing activities formerly handled by Geest.

Unfortunately for the Windward Islands, just at the time that Geest was bought out, the Windwards banana industry was faced with a marketing crisis. The unification of European product markets, referred to as the Single European Market (SEM), put at risk the region's protected access its sole outlet, Great Britain's market. The industry's very existence was thus threatened. If the assistance the industry received in the

British market had been removed, the industry's viability would have been placed in serious doubt.

Before 1993 the market for bananas in Europe was fragmented. The United Kingdom, France, Spain, Greece, and Portugal were supplied either from domestic sources (including France's Overseas Departments in the Caribbean) or from third world countries with which they retained a close relationship. Examples of the latter were Great Britain's relationship with its former colonies in the Caribbean: Jamaica, and the four Windward Islands. Bananas from these countries were protected by quotas and tariffs on imports from other sources. Elsewhere in Europe, however a much less restricted market prevailed. Germany, the Netherlands, Belgium, Denmark, Luxembourg and Ireland were largely provided with bananas from low-cost producers in Central and South America (Ceara-Hatton 1999, 1-2).

This fragmentation represented a formidable obstacle to Europe's achieving the single market to which the architects of the Common Market had committed themselves. Difficulties in reaching that goal were intensified since the negotiations to achieve a uniform banana market occurred at the same time as the talks which resulted ultimately in the creation of the World Trade Organization (WTO). The problem was that the Uruguay Round of talks was designed to free international trade, while the European Community's (EC) negotiations concerning bananas were intended to manage trade. The members of the EC not only had to come to an internal agreement which satisfied the members'

preferences with respect to the sources of their banana imports, but that agreement somehow had to be reconciled with the principles of non-discrimination in trade which were the basis of the on-going global trade negotiations. At once therefore, as Stephen J.H. Dearden has put it, bananas became "one of the last remaining threats to the successful conclusion of the GATT Uruguay Round" (Dearden 1996, 1) and at the same time, as Lawrence S. Grossman writes, "one of the most contentious of the thousands of issues involved in creating the [European] Union" (Grossman 1998, 52).

The banana importing policy which the members of the European Union finally agreed to was passed by the European Council in 1993. Though subsequent legislative, regulatory, and administrative changes were implemented, it remained composed of essentially two elements. Each favored Caribbean interests, though not nearly as much so as the protected market Great Britain had earlier provided. The first element offered tariff and quota protection. The second regulated the distribution of import licenses to firms.

The new marketing regime became fully operational in 1995. In that year the EU anticipated importing about 3,500,700 tons of bananas. In one way or another virtually all of this market was allocated to the exports of specific countries in the form of quotas. Imports above these quotas were effectively barred by a prohibitively high tariff of ECU (European Currency Units) 793 per ton. About 27 per cent of the imports, 947,700 tons, were to

enter the market duty-free. All but 90,000 tons of these duty-free imports were described as "traditional ACP [African, Caribbean, Pacific] bananas." These 857,700 tons of "traditional ACP" bananas were to be imported from 12 countries, each of which was assigned a specific quota. The largest quotas were assigned to Cameroon and the Ivory Coast at 155,000 tons each, accounting for 36 per cent of "traditional ACP" imports between them. The Windward Islands in combination were assigned slightly over one-third of this category: St. Lucia was assigned a quota of 127,000 tons, St. Vincent and the Grenadines 82,000 tons, Dominica 71,000 tons and Grenada 14,000, The remainder of the "traditional" allocation was distributed among Belize, Cape Verde, Madagascar, Somalia and Suriname (World Trade Organization 1997, 18).

In addition to "traditional ACP" bananas, two other categories of imports were established: "non traditional ACP" and "third country" bananas. The former came from ACP countries, but were either in excess of the usual quota assigned to such nations or came from ACP countries which in the past had not supplied the European market. In combination, 90,000 tons of "non traditional ACP" bananas were permitted. The Dominican Republic was assigned the largest share of this category, with smaller allotments given to Belize, Cameroon and the Ivory Coast, allowing these countries to increase their volume of exports and to Ghana and Kenya who for the first time were granted access to the market (World Trade Organization 1997, 18).

What remained after the allocations of "traditional ACP" and "non traditional ACP" was described as "third country bananas." This segment of the market - constituting somewhat in excess of 70 percent of the total - was also allotted by country. For countries given "third country" quotas the tariff applied to imports was a relatively low ECU 75. The largest such assignments were given to Costa Rica (23.4%) and Colombia 21.0% (World Trade Organization 1997, 19).

The second important element of the banana marketing regime specified how licenses were to be distributed to importing firms. Those involved in importing "traditional" ACP bananas (the 857,700 tons which came from primarily from Cameroon, the Ivory Coast and the Caribbean) were faced with a straight-forward and easy task. In applying for their import licenses they were required simply to state the quantity and origin of the bananas they were handling and to provide an ACP certificate, testifying that these were "traditional ACP" bananas (World Trade Organization 1997, 20).

Licenses for the remainder of the market ("non-traditional ACP" and "third country" bananas) were issued to firms on the basis of two criteria: the source of the bananas a firm had historically imported ("traditional ACP", "non-traditional ACP" or "third country") and the kind of business in which the firm was engaged. The system of allocating licenses favored firms which had historically imported "traditional ACP" bananas. "Traditional" importers, were granted 30 percent of the "non-

traditional" ACP and "third country" market, in addition to their supplying the "traditional" market itself. That is, these suppliers were guaranteed all of the 857,700 tons of traditional bananas and 660,000 tons in the non-traditional third country market. Another way of saying the same thing is that the firms which historically had supplied "non-traditional" and "third country" bananas as well as new firms seeking to enter the market were denied access to the "traditional" segment altogether and were confined to 70 percent of the remainder (World Trade Organization 1997, 21).

The second criteria employed in the issuing of licenses concerned the function performed by the firms. Distinctions were drawn between a "primary importer," a "secondary importer" and a "ripeners." In each market a reference quantity - that is the volume of bananas each firm was permitted to import - was determined by multiplying the average quantity of bananas marketed by each operator in the last three years by a weighting coefficient assigned to each of the three functions. Those coefficients were .57 for primary importers, .15 for secondary importers and .28 for ripeners (World Trade Organization 1997, 21). What this meant was that firms designated as primary importers, that is those which made direct purchases from supplying regions, were placed in an advantageous position compared to other importers. The coefficient by which the historical level of imports handled by these firms was multiplied in order to obtain the volume they were permitted to import was

greater than if they had been designated either as a secondary importer or a ripener.

In combination, the two criteria provided market advantages to firms long established as direct importers from Cameroon, the Ivory Coast and the Caribbean. Firms such as these, like Geest, were assigned a large segment of the total market, because they were "traditional ACP" importers, a position which was strengthened to the extent that they either made purchases directly from producers or were themselves producers, in which case they were considered to be "primary importers." As Jeroen Douglas, wrote at the time "Regulation 404/93 [the new banana marketing system] favours (mainly European-based) companies which traditionally supply ACP and EU bananas. Their traditional interests are highly protected by a guaranteed high volume of duty-free imports from their traditional sources within the Community and in ACP countries." Indeed, as Douglas concludes, it was this "unprecedented way in which the traditional (mainly US-based) dollar banana trading companies were discriminated against... [that] has led to an ongoing dispute between the EU and the US administration and some Latin American countries..." (Douglas 1998, 4).

Whatever the intentions of its designers, the Windward Islands banana industry did not prosper under the new banana marketing regime. Tables 3 and 4 provide information on banana production and the value of banana exports from these countries

between 1980 and 1998.³ What both tables suggest is that the 1980s was a period of growth in the industry, but that a damaging reversal was experienced in the years during which the banana

Table 3
Production of Banana in the Windward Islands, 1980-1997
(mt)

	Dominica	Grenada	Saint Lucia	Saint Vincent	Total
1980	15120	16308	46211	29096	106735
1981	35250	14670	58222	33221	141363
1982	35423	13971	58772	31750	139916
1983	38013	13817	68980	34921	155731
1984	41177	13835	85094	33620	173726
1985	42656	12500	106095	41922	203173
1986	62741	12500	141080	39936	256257
1987	67725	12800	113950	37472	231947
1988	76870	14000	168060	64888	323818
1989	58259	12800	145000	66752	282811
1990	66706	12000	160000	82725	321431
1991	66679	11200	128000	64779	270658
1992	61449	10000	158000	83900	313349
1993	64149	9000	160000	67652	300801
1994	52000	8700	115000	38200	213900
1995	40500	8300	119111	54000	221911
1996	47397	6100	112313	55000	220810
1997	41700	4400	76497	55000	177597
1998	30000	4400	76772	55000	166172

Source: Food and Agricultural Organization, FAOSTAT, <http://apps.fao.org>, accessed 5/12/99

³ Unlike the others, exports from Grenada were all but eliminated in these years. In addition to the marketing problems encountered elsewhere, the Grenada banana industry was badly damaged by pest-related production problems.

Table 4

Value of Banana Exports (1000\$)					
	Dominica	Grenada	Saint Lucia	Saint Vincent	Total
1980	3030	4110	10536	6525	24201
1981	9235	3724	14711	10045	37715
1982	9956	3390	15645	9135	38126
1983	11224	3277	18562	11011	44074
1984	11114	2928	23756	11824	49622
1985	13307	3561	30234	16880	63982
1986	24870	3853	55449	19376	103548
1987	31980	4299	45124	19649	101052
1988	38352	5803	68708	31858	144721
1989	25103	4482	60329	33275	123189
1990	30748	4250	73871	44505	153374
1991	31516	4010	59918	36875	132319
1992	30504	2869	71210	41540	146123
1993	25309	1805	57984	25696	110794
1994	20973	2107	46771	16704	86555
1995	16827	1820	55936	24463	99046
1996	16476	602	46542	20490	84110
1997	15343	50	27583	14000	56976
1998	NA	NA	NA	NA	NA

Source: See Table 3.

marketing system was implemented, from 1994 onward. Production in the region peaked in 1988, but ten years later output was only about ½ the level achieved in that year. The decline in export earnings was even more severe. The value of banana exports in 1997 (the last year for which data are available) was only 37.2 per cent of the level of earnings achieved in 1990. As Grossman puts it "since the implementation of the S[ingle] E[uropean] M[arket] the fortunes of the Windward Islands banana industry have plummeted" (Grossman 1998, 56).

Because the new banana marketing system represented a compromise between countries where bananas had been inexpensive since there were no protective tariffs (for example, Germany), and those like Great Britain where tariffs and quotas resulted in a relatively high price for the fruit, its effect was to raise the price in the first group of nations, and to reduce it in the second. Unfavorable weather and fruit quality problems also played a role in the declining fortunes of the industry in these years. Primarily, however, it was the decrease in the price paid in the British banana market that resulted in Windward Island growers becoming, as Grossman puts it, "demoralized" (Grossman 1998, 57). Given their high costs of production, reduced market prices resulted in their being able to supply fewer bananas profitably to the market. Things became so bad that in St. Lucia in October 1993 banana farmers went on strike and two growers were killed by the police while protesting the prices they were offered for their crop. During this incident rumors, never

completely verified, were spread that agents for the American firm, Chiquita Brands International Inc., were active in the country offering to buy at prices higher than were offered at the time by Geest.

III

Most accounts of why the United States initiated a complaint against the European banana marketing system at the World Trade Organization (WTO) cite pressure generated against the Clinton Administration by Chiquita. It is alleged that the United States' position was adopted as a payoff for campaign donations to the Democratic Party made by the company's chairman, Carl Linder. This charge has been denied by Ralph Ives, the U.S. government's main negotiator on the bananas dispute. Rather than a response to special interests, according to Ives, "our line for the last four years has been we just want the EU to adopt a system that is consistent with the International rules of trade" (McWhirter and Gallagher 1998, 5). Indeed, Thomas Hirsch, the coordinator of the Banana Campaign in Germany, an organization which is supportive of the Caribbean banana industry, seems to agree when he says "it would be wrong...to regard the US-sponsored WTO complaint as being merely an instrument to protect the interests of multinationals...the US has long opposed the privileged position of the ACP states in the trade relations of the EC" (Hirsch n.d., 2).

Notwithstanding this disagreement about the motives of the Clinton Administration, Chiquita did actively lobby the United States government to move on the issue. The Cincinnati Enquirer series "Chiquita Secrets Revealed", a series since renounced by the paper because the information used in it was stolen from the company, reported that at the beginning of the decade Chiquita hoped to expand its sale of bananas in Europe. Its strategy was to take advantage of the fact that "the EU was consolidating its trade policies and Eastern Europe was opening its markets after the fall of Communism." According to the original Enquirer story, "as the leading banana exporter to a continent with almost twice as many consumers the United States, Chiquita was brimming with optimism." Corporate profits had increased ever since Linder had taken over its control in 1984, an increase, the Enquirer reports "in great part due to growth of sales in Europe." As the paper puts it "Wall Street expected expanded operations there would swell Chiquita's profits"(McWhiter and Gallagher, 1998, 2).

As it turned out these expectations were to be disappointed. The market for bananas in Eastern Europe did not expand as the company had anticipated, and the provisions of the new banana regime in the EU resulted in adverse results for the company. According to the Enquirer the protections contained in the July 1993 banana accord, "blocked Chiquita from importing as many bananas as its wants into Europe from Central America. The EU also has placed tariffs on the bananas that Chiquita does bring in." According to the Enquirer "the company claims to have

lost more than \$355 million since 1992, most of it as a direct result of the banana protections...." In response, the Enquirer continued "... Chiquita was the only major banana producer to fight against the EU banana restrictions." It did so "fiercely, marshaling top lobbyists in Brussels, Washington DC. and elsewhere"(McWhirter and Gallagher 1998, 2).

Precisely the opposite experience was encountered by the Irish-based firm, Fyffes. According to The Wall Street Journal, "After the EU raised its barricade of quotas and licenses in 1993, Fyffes rose to become the Continent's first banana multinational." As Chiquita's market share in Europe declined, Fyffes, writes The Wall Street Journal, "was racking up successes, including record 1998 sales, a run of healthy profits and a tall pile of cash, which it has used for acquisitions and share buybacks." Included among these was the 1996 joint venture with the Windward Island Banana Development Company (WIBDECO) resulting in the purchase of the banana operations in the Caribbean of Geest. As a result of this purchase, Fyffes came to possess formal supply agreements with WIBDECO, additional banana ripening facilities as well additional ships in which it could ship bananas (Irish Company News 1998, 1).

At the time that purchase seemed to observers to be a risky one. But The Wall Street Journal cites a securities analyst as subsequently saying that it was "an incredibly opportunistic move"(Murray 1999, 3). Building on an already strong base, the purchase of Geest positioned Fyffes to take maximum advantage of

the salient features of the marketing regime in Europe. It had access to a guaranteed market for Caribbean bananas and possession of the licenses formerly granted to Geest as a "traditional" importer. Not surprisingly, Fyffes liked the banana system in Europe. A spokesperson for the company was quoted as saying "Fyffes is supportive of the EU regime," arguing that "it provides a market for growers in ACP countries who could not survive without it"(Cottrill 1996, 1).

Indeed, as we have seen, the European licensing system seems explicitly designed to benefit a firm like Fyffes, one with a long history of doing business with "traditional" banana suppliers. As Jeroen Douglas has put it, in that system "market operators 'earned' their licenses for prospective operations according to their historical market share" and not through a competitive market process. What was decisive in the allocation of import licenses was not reduced costs or marketing innovations, but rather historical market share. The system in effect transferred "market shares from dollar banana companies to EU and ACP banana trading companies"(Douglas 1998, 3, 4).

Furthermore because the marketing system meant that banana prices in Europe were higher than the free market price, firms were eager to gain access to those licenses. The upshot was that a market for the licenses themselves developed, a market that positioned favorably the companies which disproportionately were granted the licenses in the first place. Such firms could choose between using the licenses to import bananas or to sell them to

firms which wanted to do so. Which they chose was the alternative they thought most profitable. While making such a decision was unremarkable from a firm's point of view, creating a market for import licenses when such licenses were allocated on past performance and not subject to a process of competitive bidding, represented dubious public policy at best. For what it did was provide a means for selected firms to sell their licenses to the highest bidder without having to do anything of benefit for either banana consumers or producers. This opportunity to earn what he calls 'easy money' rather than concern for a region like West Indies, reports Douglas, "explains the firm resistance of those traders to any modification of the Regulation" (Douglas 1998, 3).

IV

Soon after the EC implemented its new banana marketing system in 1993, Colombia, Costa Rica, Guatemala, Nicaragua and Venezuela (but not the United States) filed a complaint against it under the dispute settlement procedures of the General Agreement on Tariffs and Trade (GATT). That complaint challenged the EC system of country-specific quotas for banana imports, the licensing procedure by which those quotas were implemented, and its restrictions on imports from non-ACP countries. The argument

was that because they were discriminatory, they were in violation of GATT rules.

The GATT was an agreement among nations concerning the rules governing international trade. According to Anne O. Krueger, "the key principle to which the GATT contracting parties subscribed was an open and nondiscriminatory trade, thus giving rise to the term 'open multilateral system'" (Krueger 1998, 4). In this, the signatories agreed to the principle that each should treat the others equally in the application of import tariffs. The idea was that all potential exporters should have equal access to overseas markets. Success or failure in those markets was to be determined by economic performance alone. Each member nation of GATT, in short, was to be granted "most favored nation" status. The GATT was not a free trade agreement, though it was anticipated that over time tariffs would be reduced through a process of negotiation. Furthermore, it contained provisions by which specific waivers to the principle of equality could be granted. Nevertheless Krueger affirms that a "great liberalization of tariffs and trade in the post-war period was achieved under the auspices of the GATT..." (Krueger 1998, 3).

Under GATT's dispute settlement procedure a quasi juridical panel was established, composed of experts who acted as individuals, not as representatives of their governments. As such as John H. Jackson puts it, they "had an obligation to be impartial and to apply careful reasoning to the cases brought before them" (Jackson 1998, 166). Standard procedure was for a

panel to issue a report and recommendations on the cases brought before it and submit them to the GATT Council, composed of representatives of all member governments. If the Council approved of the panel's report the ruling became binding.

The problem was that approval by the Council required "consensus." What was needed was unanimity. But that unanimity was often absent because the parties to the conflict sat on the Council and those whose interests were not supported by the panel could be expected not to consent to the decision. In effect a country which was found in violation of GATT trade laws could veto a panel's report. As Jackson puts it, "the losing party to the dispute had a technique of avoiding the consequences of its loss" (Jackson 1998, 167).

In fact just such a veto was exercised in the case brought by the Latin American countries against the 1993 European banana marketing regime. The dispute panel which heard the case agreed that indeed the European marketing system was in violation of GATT rules. But its report was not adopted because the EC and ACP countries did not agree with and vetoed its ruling. Nevertheless though the 1993 report was not adopted, and in fact had no legal standing, its conclusions nevertheless provided what was described as "useful guidance" to subsequent panels examining the same set of issues (World Trade Organization 1997, 346).

In the aftermath of the 1993 GATT panel findings that the banana regime was discriminatory and the subsequent veto of its

report, the EC did make two adjustments to its system of banana imports. They were apparently taken in the hope that those changes would allow it successfully to withstand challenges to it in the future. First, the EC and the seventy countries in the ACP grouping in October 1994 sought and secured a formal waiver from GATT's non discriminatory rules with regard to imports by the EC from those nations. This waiver concerned the Fourth Lomé Convention, signed on December 15, 1989 which accorded preferential treatment to ACP imports to the EC and contained a specific protocol concerning bananas. Under the Lomé waiver, the EC was permitted to waive GATT's "most favored nation" principles until 29 February 2000, "to the extent necessary to permit the European Communities to provide preferential treatment for products originating in ACP States...without being required to extend the same preferential treatment to like products of any other contracting party" (World Trade Organization 1997, 323). The second response was to include additional countries in the marketing scheme. Specifically a Framework Agreement on Bananas (referred to as the BFA) was negotiated with four of the five countries that had filed the original complaint in 1993 against the EC marketing system. New allocations were provided to Costa Rica, Colombia, Nicaragua, and Venezuela. In exchange for these quotas these four countries agreed not to pursue their complaint further (World Trade Organization 1997, 24).

With the establishment of the WTO on January 1, 1995 however, a major change occurred with regard to the resolution of

trade disputes. The opinions of dispute resolution panels became binding, no longer subject to a veto by one of the parties. Now these panel decisions were to be automatically adopted unless the losing party was able to achieve unanimity among WTO members to the contrary. Added to the procedure was a new appeal process, but the days when one of the disputants could simply ignore the decisions of a conflict resolution panel were over. As Jackson puts it, once a panel has issued its ruling, and depending upon the outcome of any appeals that might be undertaken, "it will be virtually automatic that the parties are by treaty law obligated to carry out the recommendations"(Jackson 1998, 167).

It was in this new institutional context that the system of quotas on the imports of bananas, as adjusted by the BFA, and in light of the Lomé waiver, was challenged again, this time by the United States, Ecuador, Guatemala, Honduras and Mexico in a complaint brought before the WTO Dispute Settlement Body in February 1996. After an initial round of unsuccessful consultations failed to resolve the banana dispute, the WTO established a Special Working Group in May 1996 to deal with the issue. That Panel ruled in May 1997 that the EU's banana marketing regime in fact did violate GATT/WTO rules. The EU's appeal to this opinion was rejected and that judgment ratified by the WTO in September of that year (Caribbean Banana Exporters Association 1999, 2).

From the Panel's viewpoint the issues at stake did not center on whether preferences existed. Lomé permitted them. The

issue at hand was whether the preferences in the banana accord went beyond what Lomé called for. The banana protocol in the Lomé agreement contained the following language: "in respect of banana exports to the Community markets, no ACP State shall be placed, as regards access to its traditional markets and its advantages on those markets, in a less favorable situation than in the past or at present"(World Trade Organization 1997, 324). The Panel's interpretation of this clause was that while the Lomé Waiver permitted some preferences with respect to EC imports of bananas, it did not permit all such preferences. The panel's position was that under Lomé violations of the principle of non-discriminatory should be minimized and employed only to the extent necessary to permit the Lomé Waiver to be functional. The Panel insisted that "the Lomé waiver should not be interpreted to permit breaches of the WTO rules that are not clearly required to satisfy the provisions of the Lomé Convention"(World Trade Organization 1997, 355). In this regard, the Panel cited the language of the waiver itself which stipulates that"...the preferential treatment...required by the Convention is designed...not to raise undue barriers or to create undue difficulties for the trade of other contracting parties" (World Trade Organization 1997, 353).

In its decision, the Panel found that two mechanisms employed by the EC violated WTO rules and did so in ways which the Lomé Waiver did not cover. The first ruling was that excluding some third country bananas from quotas while including others, as the marketing plan did, violated WTO rules even as

modified by Lomé. It condemned as illegally discriminatory the fact that in allocating shares of the "non-traditional ACP" market to some WTO member countries it omitted others, specifically citing the case of Guatemala (World Trade Organization 1997, 320). Once having assigned quotas to certain non-traditional suppliers, these assignments could not legitimately be "invoked to justify a permanent allocation of tariff quota share." The EC's responsibility was to negotiate and come to an agreement with countries newly expressing an interest in exporting to its market (World Trade Organization 1997, 321). This it had failed to do. The Panel explicitly agreed that quotas assigned to ACP countries were acceptable under the Lomé Waiver (325). But what it found unacceptable was that quotas were granted only to selected non ACP countries.

In addition it found that the EC's licensing system imposed an improper disadvantage on companies which did not possess a history of importing "traditional ACP" bananas. It found that in allocating 30 percent of the import licenses for non traditional bananas to importers who had marketed EC or traditional ACP bananas, the scheme was unfairly discriminatory against firms other than those long-established in the industry (World Trade Organization 1997, 404-405). What it objected to was the fact that there were "two different origin-based sets of import licensing procedures. These sets of licensing procedures differ significantly from one another, depending on whether imports of bananas are from traditional ACP sources or from third countries

and non-traditional ACP sources...."(World Trade Organization 1997, 357). Such differences it found unacceptable. What was necessary to be in compliance with WTO rules was that licensing regulations be applied "in a substantially uniform manner." The fact that with the EC system there were "two different origin-based sets of import licensing procedures" was sufficient for the licensing system to be considered inconsistent with GATT rules, even as modified by Lomé.

V

In light of the May 1997 decision ruling against the banana marketing system, the EU, under WTO rules, was obligated to respond by modifying its banana marketing regime. An Arbitrator appointed by the WTO ruled that the EU would have until January 1, 1999 to do so (World Trade Organization 1998, 7). New regulations were in fact adopted by the Council of the European Union on July 20, 1998, to be implemented by the deadline. In August, however, Ecuador, Guatemala, Honduras, Mexico and the United States renewed the dispute by requesting consultations again, this time concerning the new rules. When these talks failed to resolve the new disagreements, Ecuador requested the Dispute Settlement Body to rule on the question of whether the new banana regime conformed to WTO/GATT rules. At the same time, the United States separately requested that it be authorized to impose \$520 million dollars of sanctions on European imports to compensate for the losses it claimed it had incurred already

because of discriminatory practices in the European banana market (Cooper 1999 1-2).

The changes the EU has implemented in the banana regime clearly were designed to give the impression at least that the new plan was less discriminatory than the old one. Country allocations were not specified among the 12 "traditional" ACP countries. The quota of "non-traditional ACP" bananas was increased from 90,000 to 240,748 tons and as well no country-specific allocation were made (World Trade Organization 1999, 2-4). The banana market also was widened to include additional countries. In the new system, Ecuador and Panama were added to the list of countries supplying "third country bananas" and were provided with specific market shares, 26.17 for the former and 15.76 percent of the market for the latter. Under the old approach neither country has been assigned a quota. Slight increases were also granted to Colombia and Costa Rica, while Nicaragua and Venezuela's relatively small previous assignments were eliminated altogether (World Trade Organization 1999, 3).

The system of corporate licensing for imports was also changed, again with the obvious intent of making the system appear to be more WTO-consistent. Instead of three categories of importers which were themselves further sub-divided into three groupings, there were to be only two kinds of importers under the new approach. Those considered to be "traditional operators" were to be granted licenses for 92 percent of the banana imports and "newcomers" were to be provided for licenses for the remaining 8

percent. In this plan "traditional operators" were those who had imported at least 100 tons of bananas into the European market between 1994 and 1996. "Newcomers" were those firms who, though they did not import the requisite volume of bananas, nevertheless were importers of at least ECU 400,000 worth of fruits and vegetables during at least one year between 1994 and 1996 (World Trade Organization 1999, 4-7).

Despite all of these changes, both Ecuador and the United States won their cases. In the case brought by Ecuador the arbitrators ruled that the European banana regime still was not in conformity with WTO principles. The arbitrators also ruled that the United States was entitled to impose sanctions on EU imports, though in this case the amount was scaled down from the \$520 million the United States had requested to \$191.4 million (World Trade Organization 1999A, 43).

The WTO Panel's ruling against the EU was described by The Guardian as "devastating" and about which The Times commented that "it is not difficult to sympathise with the [Panel's] logic that led them to conclude that the present banana system is indefensible" (The Guardian 1999; The Times 1999). The Panel continued to believe that the system's discrimination went beyond what the Lomé waiver permitted. Concerning quotas, the Panel found that the new system violated the principle that when quantitative restrictions or prohibitions on trade are employed those constraints be applied so as to alter trade patterns as little as possible in comparison to what would prevail under free

market conditions. To do so the Panel argued, quotas should be based upon the experience which occurred "during a previous representative period" (World Trade Organization 1999, 63). What the Panel found to violate WTO rules was the new provisions that set the ACP country quotas at their pre-1991 best-ever level of exports, while the quotas for other importers corresponded to the level of exports achieved in the 1994-96 period. The consequence of this inconsistency was that the ACP countries were allocated larger quotas than would have been the case if both groups of countries were assigned their market share based on exports in the same period (World Trade Organization 1999, 68, 69).

The Panel also ruled that not assessing specific quotas to the ACP countries violated GATT/WTO rules. Failing to do so raised the possibility that some ACP countries would benefit unfairly compared to non ACP countries. This might occur if "traditional" suppliers were unable to provide their normal output to the market. Under the new system only another ACP country would be entitled to fill that gap. But if this occurred these "more competitive traditional ACP suppliers" would exceed their individual pre-1991 best-ever import quantities. But in turn what this would mean is that those efficient ACP suppliers would be provided with "a preferential tariff of zero for volumes beyond those required" by the Lomé Convention (World Trade Organization 1999, 77). As a result, the Panel declared that the collective allocation to traditional suppliers, without specific quotas, violated the principle of equal treatment.

At the same time, the EU's licensing system was judged still to be in violation trade rules, in this case Article II of the General Agreement on Trade in Services (GATT).⁴ According to that article "...each Member shall accord immediately and unconditionally to services and service suppliers of any other Member treatment no less favourable than that it accords to like services and service suppliers of any other country" (World Trade Organization 1999, 82). Again the problem was that the 1994-96 period was employed in determining which firms would be considered "traditional" importers and thereby gain access to 92 per cent of the market. The Panel ruled that since the system of licensing in place between 1994 and 1996 unfairly favored traditional suppliers, firms such as Ecuador's NOBOA were "faced with a competitive disadvantage that is not equally inflicted on service suppliers of EC/ACP origin" (World Trade Organization 1999, 90).

Even the admissions procedures to the "newcomer" category came in for critical evaluation. To be permitted access to the banana market in this grouping a firm had to prove that it had imported ECU 400,000 of fresh fruits and vegetables during one of the preceding three years. According to the Panel, requiring a firm to have experience importing into the European market was unfair. It declared that if experience is a criterion to be

⁴ The General Agreement on Trade in Services (GATS) was one of four agreements negotiated in the Marrakech Accord which established the World Trade Organization. The others are the Multilateral Agreement on Trade in Goods, The Agreement on Trade-Related Aspects of Intellectual

invoked, doing business elsewhere, not just in Europe, "should equally be deemed sufficient to ensure a requisite level of expertise"(World Trade Organization 1999, 95).

Near the end of its Report, the Panel offered suggestions concerning the structure of a banana import regime which it would consider acceptable. With regard to the issuing of import licenses, the Panel suggested a first-come, first-served system, or secondly, a system in which licenses are auctioned to firms, or finally, an allocation system on the basis of past trade performances during a representative period (World Trade Organization 1999, 95). With regard to the bananas themselves the Panel again offered three possible alternatives: the first, eliminating quotas while maintaining a tariff preference for ACP bananas, the second, using a tariff only system, but with a WTO waiver allowing a quota for ACP bananas, and the third, eliminating market shares altogether or having the third country suppliers agree to a collective share of the market, with the remainder of the market reserved for ACP bananas (World Trade Organization 1999, 97).

As of this writing (mid June 1999) it is not clear what the EU will do to bring its banana market structure into compliance with the WTO rules. The European Council, however, prepared and made public a paper dated May 26, 1999 which outlined the options which were open to it to do so. Categorically ruled out was what

was described as the United States' preference: a flat, low tariff on all banana imports, with no quotas. The United States conceded that throwing the market open to all potential suppliers in this way would make some ACP suppliers like those in the Caribbean uncompetitive. For those countries, the United States view was that aid should be provided, the bulk of which was to come from the EU, though it was willing to make a contribution. Objecting to the costs which would be involved, the Commission's response was this system "would leave the ACP dependent on EC financial support, which is not an appropriate long-term solution" (European Union 1999, 6-7).

Two other options were articulated which, the Commission reported, seemed to be acceptable to both the United States and the EU. They were a tariff only regime, giving tariff preferences to ACP producers, but eliminating quotas altogether, or alternatively continuing a quota system, but with a major modification. In the first, described as "a high flat tariff approach," quotas would be eliminated and so too would the need for a licensing system. ACP bananas would be imported duty-free. The tariff applied to non-ACP bananas would be sufficiently high so that their entry would be at the level of the previous quota assigned to them. As described in the paper the objective would be to "fix the tariff to a level which approximates the price effects of the tariff quota." This approach obviously would protect the interests of the ACP countries, though the elimination of the licensing system would deprive an organization

like Fyffes/WIBDECO of the benefits they received as a result of the market which developed for the licenses themselves. The Commission reported that the United States was worried that the tariff might be set too high, preventing an increase in the importing of "dollar bananas." But the Commission reported that the United States seemed to be willing to negotiate the tariff level. The Commission's calculations suggest that its objective of maintaining the current structure of the market could be achieved if a tariff of ECU 275 per ton were set on non-ACP bananas, while it estimated that if the tariff were as low as ECU 75 per ton, the Caribbean would be excluded from the market altogether (European Union 1999, 4, 9-10). This would seem to set the range of negotiations if the two sides were to agree that a tariff only system should to be adopted.

The second approach would not eliminate quotas, but would establish a new quota category. This quota would be for imports in excess of current ACP sales. Both ACP and non ACP countries would be permitted access to this category, with the ACP countries paying no tariff while the non ACP suppliers would pay an as yet unspecified tariff. As in the option where there were no quotas, setting the appropriate tariff level - one which would not prevent an increase in non-ACP bananas, but would not be so low as to severely injure the ACP suppliers - is the key to the this approach. As such this plan, like the first option, seems also to raise the possibility of negotiations on tariff rate. The Commission reported that "the US didn't reject this possibility

but under condition of a low tariff...and an adequate volume of tons"(European Union 1999, 5-6, 10). Because quotas in this scheme would be retained, it would require a licensing system. Here the Commission was straight-forward in recommending that the old system of assigning licenses be scrapped and in its place a system for auctioning them instituted (European Union 1999, 7-8). In this way the privileged position of long-standing firms would be eliminated.

It was this second approach which seemed to be the one referred to in a CANA report dated May 29, 1999 which indicated that the Prime Ministers of Barbados and Grenada had "emerged from meetings with senior U.S. officials ...confident about prospects for a special tariff-based quota system as a possible compromise to settle the banana dispute"(Caribbean News Agency 1999, 1).

Thus at least at this point in time it appears that what will emerge from the dispute is a new banana marketing regime in which non traditional suppliers will gain greater access to the European banana market than prevailed in the past. It is possible that this will take the form of a non quota market in which ACP bananas pay no tariff and non ACP suppliers pay a moderate tariff. It appears more likely however that negotiators will keep much of the current quota system intact, except that by creating a new quota category more non ACP bananas will be admitted to the market. Almost certainly the old system of licensing will give way to an auctioning method, providing the United States with an

unambiguous victory. On the other hand precisely how many non ACP bananas will be accommodated in the European market, and thereby how much damage will be done to Caribbean banana interests, will be determined by the level of the tariff that is negotiated. The closer it is to ECU 75 per ton the more pain that will be inflicted to the Caribbean and the closer it is to ECU 275 the more the region will be able to escape unscathed. At the moment, it appears that the United States, is in a strong bargaining position. As the Commission has put it, if the EU implemented a resolution to which the United States objected, the possibility of yet another panel "would certainly lead to serious problems in terms of compatibility and public perception"(European Union 1999, 6). As a consequence the likelihood is that the new tariff will be closer to ECU 75 than the higher figure.

VI

Anxiety concerning the future of bananas in the West Indies is very high. According to an article in The New York Times by Mireya Navarro, regional officials believe that the elimination of the banana regime "would deal an economic catastrophe to countries that have little capacity to grow anything else...." Navarro adds that "some government and business leaders say the United States risks undermining its anti-drug efforts in the region if banana growers turn to drugs - not just marijuana, but also trafficking in Colombian heroin and cocaine as alternatives"(Navarro 1999, 1) A delegation of "eminent persons" from the United States visiting the English-speaking Caribbean

reflected this anxiety. In their report they indicated that in their discussions among the people of the Windward Islands they found no disagreement "on one issue - the vital importance of the European banana regime to the survival of their societies...."(Gassama n.d., 1)

The threat facing the Windward Islands banana industry from the anticipated changes in the market for the crop is real. The situation is summarized by the ILO:

"Governments, producer associations, unions and employers alike, as well as international development organizations have already voiced serious concerns about the likely impact of the increased competition and loss of preferences, which is reflected in the ruling of the World Trade Organization (WTO) against the banana regime of the European Union (EU). It is assumed that these changes will result in growing difficulties for the Caribbean banana industry. Fears exist that the demise of this crucial export sector will impact negatively, not only on the many individual banana producers and their families, but equally affect other vital economic sectors and provoke a general downturn of economic Prospects for the region at large."
(International Labor Organization 1999, 1).

But while this threat is imminent, there is a yet another change which also threatens to put the region at risk. The Lomé Accord waiver expires in the year 2000, and with its end the EU's obligation to provide ACP countries with preferential access to its market will also cease. Writing for Oxfam with regard to this turning point, Claire Godfrey writes, "The European commission is not proposing to EU governments that it should claim a further WTO waiver for EU-ACP trade arrangements past 2005"(Godfrey 1998, 4). Instead what the EU is calling for is that ACP trade in the future be based on regional free trade agreements or as part of

the Generalized System of Preferences⁵. There of course is great uncertainty about what this would look like. What does seem all but certain is that the level of support the industry will receive in the future will be considerably less than what has prevailed in the past or even in the soon to be discarded European banana system. There seems no reasonable grounds to doubt therefore that increasingly the Windward Islands are going to have to survive with reduced preferential access to markets for their bananas.

No one doubts that if the banana industry crashes, a social crisis will ensue. Oxfam is not wrong to worry that "the loss of the banana trade with the EU would lead to mass poverty, and high levels of unemployment and instability in the region" (Godfrey 1998, 7). But while there is urgency to avoid such a catastrophe, it is important not to romanticize the past in seeking a strategy to avoid a calamity in the future. As we have seen, throughout the period during which the European banana marketing regime was in place, and Caribbean bananas and firms were provided with privileged access to the market, banana production fell. The region's industry suffered in the British market when increased supplies of Latin American "dollar bananas" became available after 1993. Falling prices meant declining output in the Caribbean because Windward Island bananas cost too

⁵ The Generalized System of Preferences offers developing countries lower tariffs in the European Union than would otherwise be the case. however the system of preferences for agricultural goods is less extensive than for industrial goods since its purpose is to foster

much to produce and are of uneven quality. As the EU moves to reform the marketing system, in the Caribbean these fundamental problems of low productivity and inadequate quality control persist, remaining to be solved. The fact is that the threat to the Windwards banana industry is as much caused by the region's failure to modernize production as it is the result of efforts to destroy "the main activity of small, vulnerable economies ostensibly to uphold rigid doctrines of free trade," as the CBEA would have it (Caribbean Banana Exporters Association 1999A, 2). The region's problem is precisely that the industry is in decline even though trade in bananas is not now and even in the future will not be free.

Low levels of productivity and fruit quality were tolerated in the past because neither resulted in much of a penalty for the farmers or the shippers. If high costs and inferior fruit had sufficiently threatened income and profits, both the banana producers and Geest would have had a strong incentive to improve productivity and fruit quality. But in fact the pressure to modernize was not strong. The industry's two salient features - the protection bananas received in the British market and the monoposony enjoyed by Geest - mitigated the costs of inaction in correcting these weaknesses. Protection and a guaranteed market damped the need for the growers to modernize. At the same time the single buyer status enjoyed by Geest gave that firm power

industrialization rather than encourage exports of primary products. See The European Union 1999A.

over the prices it paid for bananas enabling it to earn "rents" thereby reducing its incentive to be innovative. In this regard Renwick Rose, the Coordinator of the Windward Islands Farmers' Association (WINFA) regrets that rather than undertaking innovative marketing strategies "historically banana officialdom in the islands has pinned its fortunes on the traditional marketing strategies of the marketers (Rose 1999, 1).

James Wiley captures, perhaps inadvertently, the contradictory nature of the situation in his discussion of the protection the Lomé Agreement generally provided to ACP nations. Wiley writes that "though Lomé is neocolonial in nature, maintaining dependency relationships between EU members and their former colonies, the convention is crucial to many ACP states, particularly smaller ones"(Wiley 1998, 159). In this, Wiley's position is similar to many who support the aspirations of the Caribbean people for a better way of life and who subscribe to the view that such protection is necessary to do so. The protection that the developed world provides in product markets, it is argued, prevents the worst from happening. Its own negative impact tends not to be discussed. The Guyanese commentator Ian McDonald offers a good example of the hostility which can be aroused when such support is threatened. Writing about the banana conflict, McDonald writes "please remember what the banana dispute is about. If the US succeeds then scores of thousands of workers and their families in some little islands of the West Indies will be consigned to increased misery and great hardship

by the stroke of a new imperial presence on the world scene" (McDonald 1999, 7).

This view almost certainly embodies an unjustified pessimism concerning the capability of the people of societies like those in the Caribbean. While it is easy enough to bemoan the loss of market protection, the fact remains that non discrimination in markets creates opportunities to which there is every reason to think the people of the West Indies are capable of availing themselves. Optimism in this regard appears all the more justified to the extent that such non discrimination in market access is adhered to by all countries, large and rich, as well as small and relatively poor. Instead of the WTO rules-based trade regime representing an obstacle to the economic aspirations of the people of the Windward Islands, it might be possible to use those rules to gain opportunities which would not be present otherwise. The chance to modernize economically more likely will be present in a global economy in which all participants are obligated to adhere to explicit rules than would be the case where the powerful are unconstrained in their ability to pursue what they perceive to be their self-interest.

In policy debates on issues like these, The Economist represents the voice of neo-liberalism and so it is not surprising to read in its pages that the protection provided by the banana regime has impeded the region's efforts to raise agricultural productivity. According to that journal, the impact of the EU's marketing system was to "discourage the Caribbean

countries from either modernizing their farms or diversifying away from them. Because the industry has been so rigorously protected, it has failed to become competitive. It has not needed to try" (The Economist 1997-98, 4). But if the views of The Economist may be suspect because of its ideological commitments, its position takes on enhanced credibility when articulated by a respected West Indian economist with experience working for the governments of the region. The argument that market protection served the region poorly is the view taken by Frank Rampersad when he writes that "throughout their history, CARICOM states have been living in an artificial world protected by preferences. This has been beneficial; but it has also been an important obstacle to their adopting their economic structures to meet the changing market place"(Rampersad 1997, 49).

In fact, what seems to have happened is that the reduction in market protection experienced since 1993 has triggered efforts at modernization. WIBDECO, owned jointly the governments of the Windwards and the BGAs of each island, initiated an industry restructuring program in 1994. It involves, according to Natural Resources Institute (NRI) study, "strengthening of the fruit quality and control systems; eliminating institutional, management and financial deficiencies; and getting growers to adopt more rigorous cultivation and post harvest discipline as part of a certified farmer program"(Orchard et al 1997, 25-6). The Economist adds, the government in St. Lucia, in response to the marketing crisis, "is showing a Blairite enthusiasm" for

banana industry modernization. It reports "farmers are being instructed to dig proper drainage ditches, to weed their plots, to bag up their bunches against scarring and to mark them with different-colored ribbons to determine the time of ripening." The extent to which these efforts ultimately will succeed in allowing the region to market its bananas competitively on world markets remains, however, uncertain. Even The Economist is cautious in this regard reporting only that after some years, "St. Lucia may get close to Latin America in productivity and quality" (The Economist 1997-98, 4). Indeed, spokespersons for the shipping and marketing segment of the industry are very skeptical that these efforts will ever be sufficiently successful to allow the industry to survive without protection (Caribbean Banana Exporters Association 1999B, 1). Nevertheless, the NRI reports that already substantial savings have been achieved in administrative, production, handling and shipping costs (Orchard 1997, 26).

In addition to becoming more cost competitive, quite a bit of thinking and talking is underway concerning the possibility of finding a niche for the industry by marketing its bananas as "ethical" or "fair trade" bananas. Renwick Rose, Coordinator of the Windward Islands Farmers' Association (WINFA) writes that since the establishment of the SEM organizations like his "have advocated alternative strategies based on promotion of Caribbean bananas as special products, more environmentally-friendly production methods, developing Fair Trade arrangements and strong

links with European consumers" (Rose 1999). Perhaps following this lead, Clare Short, Great Britain's Minister for International Development, in the Fall of 1997 called upon British consumers to buy "ethical" bananas from the Caribbean and in October the Minister of State for International Development, Guy Foulkes issued a statement which did the same. Foulkes was quoted as saying that "we need to emphasize that Commonwealth Caribbean bananas are produced on small holdings by small farmers in good conditions, while the Central American bananas are grown on large plantations where the workers are badly paid and endure poor working conditions" (The Weekly Journal 1997). Though no fair trade bananas are marketed in Great Britain, they are available, in relatively small market segments, in The Netherlands, Switzerland and Germany. In these markets the administration and licensing of the fair trade label is handled by three non-governmental organizations (NGOs). One of these, the Fairtrade Foundation, has expressed an interest in and optimism about its ability to develop a market for fair trade bananas from the Windward Islands in Great Britain (Orchard 1997, 28).

Serious problems will have to be solved, however, before "fair trade" bananas can be marketed successfully from the Windwards. Most fundamentally is the question of whether the bananas from this region qualify for the designation. The NGOs use six criteria in designating fair trade producers entitled to use that label. Permission is granted only if growers pass an annual inspection concerning worker representation, employment

conditions and child labor, welfare, purchase conditions, health and safety and the environment. The problem is these indicators of fair trade were primarily developed to monitor conditions on large producing units. They are not easily applicable to the small farm context of the Caribbean. According to Orchard et al, "there is much work to be done to develop criteria that are suited to smallholders who make up the majority of producers in the Windward Islands" (Orchard 1997, 37). Related to this problem is the fact that producers are required to pay for the right to use the fair trade designation, and though this fee is assessed on a sliding scale based on volume, its applicability in the Caribbean context presents an obvious difficulty. Unless paid collectively through an organization such as WIBDECO it is doubtful that individual growers will be able to afford the right to use this designation.

Even more fundamentally, the NRI study of the subject found that in the industry, "current practices ...fall some way short at present from meeting fair trade criteria." While some of these deficiencies are already being addressed in farmer education programs, in others such as the avoidance of herbicide use, soil conservation and pollution control there is a need for "more detailed technical study to provide viable options suited to the Windward Islands' production environment...." In general the NRI report indicated that attaining fair trade status will take time. Given the structure of the industry and the slow pace by which technical changed is diffused in it - "often measured in years

rather than months"- it cautions that the "introduction of any fair trade production practices requiring farmer training and adaptation of production practices must be planned within a realistic time-frame" (Orchard et al 1997, 33).

The NRI study furthermore reports that there is already "tension" between the Fairtrade Foundation and the Banana Growers' Associations on the islands. WIBDECO is half owned by the BGAs. When therefore it is reported that that the ongoing WIBDECO restructuring effort implies that "the more high cost, inefficient producers (primarily smaller producers) will have to exit the industry," the implication is that this is the position of the BGAs as well. But the small, poor farmers are the ones that the Fairtrade Foundation targets as potential fair trade producers (Orchard 1997, 31, 14). What the Foundation wants to see happen is that "farmers who have left the industry will return as the fair trade market grows." Clearly the BGA and Foundation agendas are not identical. According to the report the foundation's "approach is not easy for the BGAs to accept [while] the Foundation's challenge is to set up a system that benefits poor farmers while being acceptable to the BGAs"(Orchard 1997, 14).

The suggestion is sometimes made as well that Fyffes, the partner with WIBDECO in the marketing of the Windwards crop, is dragging its feet on the fairtrade initiative. This foot dragging is attributed to the fact that Fyffes would not be the firm designated to bring fairtrade bananas to the market. Fyffes might

indeed be holding up the development of fair trade bananas, but if so it more likely is due to organizational inertia than profit-maximizing rationality. For if such a new market segment does develop a firm like Fyffes stands to benefit. If for example, a licensing system were to continue in the new marketing scheme, the fairtrade distributors would have to buy such licenses from license-holders. In this way Fyffes, like its counter-part Geest before it, finds itself very strongly positioned. It stands to profit if a strong fairtrade niche develops and the price of import licenses is bid up.

In light of all of this there is no surprise to read in the report's "summary" that moving to fair trade marketing will not occur either quickly or easily. The authors write "it is suggested that current fair trade and organic markets are very unlikely to present a complete panacea to the problems of competitiveness of the Caribbean banana industry"(Orchard et al, 38). Indeed though not made explicit, the report suggests that a great deal of talk and discussion between the representatives of the banana industry and the foundation controlling the fair trade licenses will be required before any action at all can occur on this front. That such talk and discussion at least has a chance to be successful is suggested by the fact that a meeting the NRI convened in June 1999 of those interested in fair trade bananas, was "quite upbeat"(Smith 1999).

In the near term the British market in all likelihood will remain open to Windward Island bananas, albeit on terms less

favorable than those that prevailed in the immediate past. The task therefore which confronts the industry is to use the period of continuing protected access to transform itself. Its future will be determined by the extent to which it achieves efficiencies in production and secures for itself a profitable market niche. To achieve either objective however, the Windward Islands will have to do something which none of the nations of the West Indies has achieved to date. They will have to reorganize their agricultural sectors in the name of productivity and profitability. Peasant holdings will have to become bigger family farms; financing for investment will have to be readily available; improved infrastructure, such as water control facilities and feeder roads will have to be constructed; and farmers will have to be schooled in the latest advances in farming techniques. In this regard "ethical" bananas are no different than the traditional ones. They will yield a satisfactory income to the Windwards only if they are efficiently produced and of sufficiently high quality that they can be marketed successfully.

VII

Ever since Europeans came to the Caribbean the region has been integrated into the global economy. But slavery, and subsequently colonialism, created a constrained and distorted integration. Both meant that the people of the region were limited in the pursuit of their own interests. The pattern of regional development that resulted therefore was biased away from

the path which local decision-making and self-interest would have resulted in. The economy which emerged was an imposition. Caribbean people were not free to choose the products they would put up for sale on global markets. The structure of output reflected what the colonial power permitted. The region's excessively long specialization in the cultivation of sugar cane was the result.

A similar pattern has been repeated with bananas. Formal colonialism ended in the 1960s and 1970s. But economic thralldom prevailed, this time in the seemingly benign environment created by protectionism. With it, and notwithstanding its probable benevolent intensions, the pattern of production which emerged still was dependent on what policy-makers in the metropolitan countries deemed appropriate for a region like the West Indies to produce. Windward Island bananas were throughout this period a response to British and European policy.

All of that is now changing. The new globalization of the late 20th century is both technological in nature and policy-driven. Both place nations increasingly in parity with each other. Technologically, advances in information processing, long-distance communication and control, and transportation have drastically widened locational possibilities for private, profit-seeking, businesses. At least partially in response to this widening of geographical options, policy limitations on trade and investment are under attack. Each encourages the other. The geographic spread of economic activity which modern technology

permits encourages market openings and the latter encourages the diffusion of economic activity. This is the environment which created the banana crisis in the Eastern Caribbean. The integration of the European market required market liberalization on the continent. Where there used to be a patch work of policies associated with national borders, the decline in importance of those borders demanded that common market access policies be instituted. To appeal to the common interests of the participating nations, freeing trade was the policy of choice.

The old regime of guaranteeing bananas a market though the region was a high cost producer of relatively low quality fruit contributed to the fact that the banana industry experienced only minimal modernization. The British firm chosen to transport Windward Island bananas to the market had been provided with a sinecure. Because this was the case the growers themselves were under very little pressure to rationalize production in larger units and thereby position themselves to increase productivity. A relatively low income industry was thereby permitted to survive (Borrell 1994, 22-23).

The shift to market liberalism is therefore traumatic in the West Indies. The trauma is much worse for the banana cultivators themselves than for the multinational shipper. Geest sold its operations at once. In the new arrangement, Fyffes shares industry risks with the local governments. But the growers are faced with the necessity drastically to change how they do their business. Unless they become much more technologically

sophisticated and productive, reduced prices will bankrupt them. Unless the quality of their fruit improves, discriminating consumers will shun them. Unless they find a way to distinguish their product from others, they will be ignored as buyers search out the least-cost fruit. The legacy of the past will mean that many farmers will be unable to make this transition. The poorest and least skilled will be hurt the most. These are the people the metropolitan countries should support, leaving the financing of productivity advances to the firms and banks which stand to benefit from such achievements.

It remains an open question whether Windwards bananas will be able to retain a position in a liberalized global market. Aside from the necessity of reducing costs and the possibility of creating a fair trade niche, establishing new market outlets is a possible life-line for industry survival. There has been talk of selling Caribbean bananas to the People's Republic of China, with St. Lucia's Foreign Minister saying "if we could do China at the right price, we might be able to relieve the traditional markets of the trouble of dealing with us" (The Economist 1997-98, 5). But these possibilities do not alter the fact that it is certain that locally the banana industry is going to enter a period of major change in which the number of banana cultivators will decline substantially. At best, small and inefficient farmers are going to lose their holdings, either in bankruptcy or by sale to others who are eager to expand the scale of their operations. At

worst, the entire industry will go under, and widespread hardship will be the result.

The United States, the leading advocate of market liberalization, has argued that a reduction in tariff protection should be accompanied by a program of economic assistance. There is a very strong logic to this position. At a time of structural transition such as this one the innocent victims of the process - in this case the banana growers forced to sell out - should be assisted in their transition to new economic activities. The problem is however that the Americans are eager for the Europeans to provide this assistance, denying their own responsibility, and the Europeans have, as we have seen, evidenced a great reluctance to take on this responsibility. The Caribbean has a strong moral claim. Both the Europeans and the United States can afford to be and should be generous to aid this transition. Unfortunately, it is difficult to be optimistic that they will do so.

In order to cope, Dominica, Grenada, St. Lucia and St. Vincent and the Grenadines will have to embrace globalization. In the necessity of finding work for former banana farmers, it will be imperative that they attract capital from abroad and that they have access to markets as extensively as possible. The example of China may be far-fetched, but the point is well-taken. For small societies, neither local capital sources nor domestic markets are large enough to sustain economic modernization. Access to overseas funding and the need for exports must drive economic policy-making. If the region is sufficiently integrated into the

new global economy, there is the hope that both might be available internationally.

Colonialism and the neo-colonialism of protection have not served the region well. These small countries are ill-prepared to deal effectively with the dynamism which globalization and market liberalization produces. But now that they have arrived at a point where continuity with the past is no longer possible, their future well-being will hinge on adopting autonomous policies which permit them to take advantage of what the global economy has to offer.

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