



Introduction of new EU Commissioner for Trade, **Baroness Catherine Ashton**,
to the ACP Committee of Ambassadors on 4 December 2008



Statement on Bananas
Delivered by **H.E. Mr Gerhard Otmar Hiwat**, Ambassador of Suriname,
Chairman of the ACP Banana Working Group

1. Let me first of all join the Chairman of the ACP CoA in welcoming the newly assigned EC Trade Commissioner, Lady Ashton. Excellency, I wish you luck with the fulfilment of your duties and the ACP Banana Working Group is looking forward to a fruitful cooperation with you.
2. New personnel – especially to such a high and distinguished office - offers the opportunity to review perspective and increased understanding of the significance of bananas to the economic development of ACP countries.
3. Commissioner, I will not spend time alluding to why the banana industry is important to the ACP countries involved; I trust that you know that already. Instead I will go straight to the core of my message.
4. Commissioner, In spite of the considerable developmental importance of its banana export industry, the ACP has displayed full understanding of recent trade policy trends, and therefore sympathised with the EC's challenge of facing the heavy demands of the MFN suppliers that seek improved access to the EU market. One expression of the ACP's flexibility is the Group's recognition of recent efforts aimed at resolving the treatment of bananas within the multilateral trading system by conjoining the dispute settlement process with the DDA search for AGRI modalities.
5. The ACP also recognizes the efforts within the confines of the WTO Ministerial in July 2008 that resulted in the drafting of a Geneva Agreement on Bananas. This was a process to which the ACP was never a party, in spite of the enormous economic impact any such agreement would heap on our economies. We are told that a WTO Ministerial is imminent. Such a development offers the opportunity to cooperate in a manner infused with a sense of partnership – after all our cooperation is framed by the Cotonou Partnership Agreement – that recognizes each other's interest and preserves the value of our longstanding trade and economic cooperation arrangement.
6. In that context, the ACP would like to submit a few remarks and table a number of concrete proposals. First, the ACP States will not be in a position to lend their support to modalities that would entail tariff treatment on bananas that are lower than those enshrined in the draft Geneva Agreement on Bananas. Second, the ACP prioritizes modulating the initial reduction in the current MFN tariff of EUR 176 per metric tonne. It is for that reason why we proposed a reduction to EUR 150 per metric tonne with that tariff rate being maintained for some period before arriving at a landing zone of EUR 116 in 2019. Third, any reduction in the current MFN rate (down-payment) entails a reduction in the ACP preferential margin and resultantly of the potential viability of ACP banana exports. In light of this economic imperative, the ACP seeks a binding commitment on an EC-funded package of development assistance that would allow ACP banana industries to adjust to the new EC trade regime.
7. The ACP attaches great importance to this comprehensive package of reduced trade preferences and an EC-funded adjustment programme. Such an approach can be justified by the following four claims.

- a. The ACP is seeking similar treatment to that conferred to EU domestic banana producers that are immune from the deleterious impact of increased competition in the EU market;
 - b. One of the primary motivations for ACP countries completing EPA negotiations was to preserve their access to the EU market. The value of such a trade agreement is being eroded even before a number of EPAs have been provisionally applied;
 - c. The ACP preferential margin on bananas will be further eroded severely when the EC–Central American FTA comes into effect. Indeed, the recent EC preferential offer to the Central Americans that is more favourable than the MFN tariffs envisaged in the Geneva Agreement;
 - d. The demand for development support is consistent with Para. 141 of the draft AGRI modalities (July 10, 2008 version) that commits long-standing preference granting Members (such as the EC) to support efforts aimed at mitigating the impact of preference erosion in developing countries.
8. The ACP seeks an extension of the Special Framework of Assistance (SFA) (which expires in 2009), albeit redesigned and extended over a five-year period 2009-2013. This period also coincides with the budget cycle of the 10th EDF. The extended SFA should seek to address two primary objectives, namely:
- a. Support to the enhancement of competitiveness within ACP banana industries in instances where such an intervention is deemed viable; and
 - b. Support the adjustment of ACP banana exporting countries where objectively the industry will be unable to survive the marked reduction in the value of EC preferences.
9. The re-designed SFA would also be based on the following core operational principle, namely;
- a. Funding of competitiveness and or adjustment in all 14 ACP banana-exporting countries;
 - b. Allowing ACP States and banana exporters to develop action plans, the preparation of which should be financed also through the SFA;
 - c. Establishment of a simple disbursement mechanism that facilitates the rapid release of EC funding on January 1 of each program year.
10. This ACP submission displays the Group's capacity to compromise, particularly with its longstanding trade and development partner. In the spirit of asymmetry and solidarity that marks our longstanding cooperation, the ACP awaits a **firm** expression of EC understanding and support, particularly as the more economically developed partner. Such a display of EC understanding and accommodation of our interests is even more pertinent and welcomed as we are approaching a WTO Ministerial that could advance DDA negotiations.

Commissioner, I thank you for your attention and I look forward to hearing from you very soon.

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