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Multinational Companies in Global Banana Trade Policies

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Abstract

This paper presents the structures of the global banana trade management and the role of the multinational companies in shaping the global banana market policies. The paper presents the concentration of production and consumption of the bananas worldwide and analyses the various import policies of the major EU member countries prior to the entry in force in 1993 of the Common Market Organization for Bananas (CMOB). It introduces the subsequent agreements reached between by the EU, US and Latin American countries that led to the implementation of the Tariff-only Policy of the EU banana import regime. The paper assesses the recent policy development, the changing role of the multinational companies in global banana trade, and concludes with the industry outlook and the new role of the retail supermarket chains in international banana trade.

Keywords: Bananas; European union; International trade; WTO

Introduction

The multinational companies (MNCs) that are engaged in global market for bananas have been the main driving forces behind the shape and structures of the global banana trade management. They are responsible for the emergence of the international banana trade and known to have devised production techniques (plantation farming) and marketing strategy that have brought bananas to the North Americans, Europeans, and made them part of the daily diet of millions of consumers worldwide. The history of the international banana trade is directly linked to the history of companies such as Chiquita, Dole, Del Monte and Naboa. Though the major importing markets for bananas such as the United States, the European Union and Japan are the main policy makers on how bananas are traded globally, the bananas MNCs are the primary factors that have molded how the market is structured and what policies are enacted in order to balance their interests against the interests of the consumers and the importing countries. This in effect is what led to the so-called banana wars that pitted the EU, US, and Latin American banana producing and exporting countries in the ′90s. Therefore, understanding the weight and role of MNCs in global banana trade policies and the structures of the international banana trade is what this paper is set to analyze.

The history of banana and its relative the plantain is rooted in South East Asia. The Spanish and Portuguese are credited for having introduced bananas to the Americas in the 16th century, and in the Canary Islands (Spain) and the Island of Hispaniola (the Dominican Republic and Haiti) in the 15th century. Moreover, it is also believed that bananas were introduced to Africa during the prehistoric times, and the Americas sometime around 200 B.C [1]. Bananas are a perishable and nutritious fruit that is grown mostly in tropical and subtropical regions of the world. They are high in potassium, fiber, magnesium, and vitamin C and B6. Further, it is claimed that eating bananas can help fight depression and also lower the risks of diseases such as kidney cancer, diabetes.[1] According to nutritiondata.self.com, the nutrition facts of eating bananas served in one cup of 225 grams are briefly described in the following table below (Table 1).

Over the last century or so, the trade of bananas at the global stage has steadily and rapidly increased. A decade and a half-ago, banana was ranked only second to citrus in terms of value in international fruits market [2]. Bananas are produced and consumed in the regions where they are grown, as well as in the countries where they are imported. The bulk of the trade in bananas takes place between the highly concentrated producing and exporting countries and three main regions of the world (US, EU & Japan). On the one hand, banana producing and exporting countries are mainly located in Africa, the Caribbean, Central and South America, and Asia. On the other hand, the three main banana importing regions are the US, EU and Japan. They alone account for almost two thirds of the world banana import markets, and the remaining one third of the traded bananas is destined for the rest of the world. In addition, it should be noted that the shares of banana imports in other parts of the world have notably augmented in the last decade or so. Russia and China for instance, have respectively

Nutrition Facts Serving size 225 g		
Calories 200 (Calories from fat 6)	**Amount per serving In Gms**	**% daily value**
Total Fat	1g	1%
Saturated Fat	0g	1%
Trans Fat		
Cholesterol	0g	0%
Sodium		
Total Carbohydrate	51g	0%
Dietary Fiber	6g	17%
Sugars	28g	23%
Protein		
Vitamin A		3%
Calcium		1%
Vitamin C		33%
Iron		3%

NutritionData.com

*Percent Daily Values are based on a 2,000 calorie diet. Your daily values may be higher or lower depending on your calorie needs.
Source: http://nutritiondata.self.com/facts/fruits-and-fruit-juices/1846/2

Table 1: Nutrition Values of Bananas.

[1] See Jessie Szalay in Banana: Health Benefits, Risks & Nutrition Facts (April 22, 2014) at http://www.livescience.com/45005-banana-nutrition-facts.html

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increased their imports of bananas during the nineties. However, the severe economic crises that hit the Russian Federation in the late ´90s adversely affected the importation of bananas among many other imports. For example, the shares of banana imports from the Russian Federation fell considerably during that period of time from 1 million tonnes in 1997 to 580 000 in 1998. However, by the early 2002, the economy has recovered and the banana imports have moderately returned to an acceptable level of 730,000 tonnes [3]. With regard to China, its shares of the banana imports have also markedly declined from the mid-nineties all the way to the beginning of last decade. This downward trend has not unfortunately changed course. From the years 2000 to 2005 for example, the fall in imports of bananas from China has even gone further. The fall of the banana imports in China is partly attributed to the fact that the domestic demand being satisfied by the domestic production.

Structure of the Global Market for Bananas

The international banana trade is highly concentrated between the exporting and importing regions of the world. The market is regionally segmented among the African, Caribbean and Pacific (ACP) countries[2], Latin American and Asian suppliers. As an example, the ACP banana suppliers mainly export their products to the EU member countries. Whereas, Latin American banana exporters also supply the EU as well as the US and Canadian markets. In addition, in the `90s, Ecuador, Colombia and Costa Rica began to ship bananas to the Middle Eastern as well as Asian countries. In contrast, the Philippines, for example, ship its bananas exclusively to Japan, South Korea, China and other Middle Eastern nations [4]. The three main banana importing regions have different banana import policies. First, the EU has a tariff-rate quota policy administered under the Common Market Organization for Bananas (CMOB) whereby it regulates its banana imports while providing the ACP suppliers as well as its own domestic producers with a preferential trade treatment. The rationale behind the granting of the preferential banana trade preferences to the ACP countries (in the case of bananas) is rooted into the Bananas Protocol of the Lomé IV.[3] Article 1 of said protocol states that:

¨In respect of its 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 favourable situation than in the past or at present. ¨

Likewise, article 36 of the Cotonou Agreement (*Annex V-Banana Protocol*) stipulates that the Community shall maintain the preferential banana trading arrangement with the ACP countries, and guarantee that they will not lose out their EU banana market shares. Article 36 of said protocol maintains that:

"The parties recognize the overwhelming importance to the ACP banana suppliers of their exports to the community market. The Community agrees to examine and where necessary take measures aimed at ensuring the continued viability of their banana export industries and the continuing outlet for their bananas on the Community market."

In essence, the aforementioned-articles are the legal bases under which the EU sustains the preferential trading arrangements that it grants to the ACP banana exporting countries. Consequently, these legal responsibilities that the EU has had with the ACP banana exporting countries have also been the sources of many of the conflicts that the EU Banana import Policy has created since its inception in 1993. Second, the US and Canada in contrast, have open and liberal banana import regimes respectively. Both countries apply neither tariff nor quotas for banana imports, and besides, do not provide any preferential trade treatment whatsoever to a region, group of countries, or an individual banana exporter. Finally, Japan has also an unrestrictive banana import policy, although it imposes an *ad-valorem* tariff on banana imports during a certain period of the year. Japan is the world third largest market for bananas. Ecuador and the Philippines are the two principal banana providers for the Japanese market. These two countries account for almost two thirds of the Japanese banana imports. The balance is mainly supplied by China and Indonesia [5]. The structure of the Japanese seasonal banana import tariff goes as follows: from October to March, Japan imposes a fifty percent tariff on imported bananas, and from April to September, the tariff is lowered to forty percent. As a result of the Uruguay Round Agreement on Agriculture (URAA), Japan agreed to gradually lower its banana Most-favored Nations (MFN) tariffs to 25% during the period of October to March and 20% from April to September. In actuality, Japan's MFN tariff is 33% from October to March and 26% from April to September. However, it is worth noting that all banana imports to Japan are subject to a preferential tariff rate of 20% from the period of October to March and 10% from the month of April to September [4]. This arrangement is mostly geared towards the developing countries of Africa, Latin America and Caribbean. In addition, Japan grants the Least Developed Countries (LDCs) a duty-free-access to its banana market even though banana trade between those countries and Japan is minuscule or better said non-existent.

The international banana trade has gone through a series of changes due to the implementation of the 1993 EU Banana Regime *(Council Regulation 404/93)* and the subsequent Commission and Council Regulations of the years 2001 and 2002 that set the foundation of the new EU Banana Import Regime. The new EU Banana Import Policy entered into effect on July 1st 2001 and is laid-down in *Commission Regulation (EC) nº 896/2001of May 7th 2001*, *Council Regulation (EC) nº 2587/2001 of December 19th 2001 and Commission Regulation (EC) nº 349/2002 of February 25th 2002*. Prior to the creation of the CMOB, the importation of bananas into different EU markets was governed by the commercial traditions of each importing country [6]. Germany for instance, had a liberal non-restrictive banana import regime, whereas, France, Spain, Greece and the UK were all known to have restricted and protectionist banana import policies. In addition, the rest of the EU members such as Ireland, Denmark, Sweden, Finland, Portugal and the Benelux applied a 20 percent Common External Tariff (CET) on bananas that originated in countries that were not members of the ACP group. Ever since the implementation of the said policy (CMOB), it has been consistently challenged before the World Trade Organization (WTO) by the parties that have felt injured by it.[4] After an initial adverse ruling by the WTO against the CMOB, the EU committed itself to modify its original banana import regime. In 1994, it came up with an arrangement known as the Banana Framework Agreement (BFA).

[2] ACP stands for African, Caribbean and Pacific group of countries. Many ACP countries were former colonies of the major European powers such as France and the UK, although it is important to remember that not all ACP countries were colonies. This is a group of countries that benefits from a preferential trade arrangement governed by the successive Lomé Conventions which are embodied into the current Cotonou Agreement.

[3] Lomé IV was the fourth Lomé Convention signed in December 1989 in Lomé by 70 ACP countries and 12 European Economic Community nations. The convention was signed for a ten year period and entered into force in 1990.

[4] Costa Rica, Colombia and Guatemala were the first parties to request a panel under the GATT to examine the new EU banana policy. Subsequently, Ecuador, Venezuela, Panama, Mexico, Nicaragua and Chiquita Brands International all requested panels under the WTO to examine and review the subsequent arrangement (Banana Framework Agreement) reached between the EU and the early complainants.

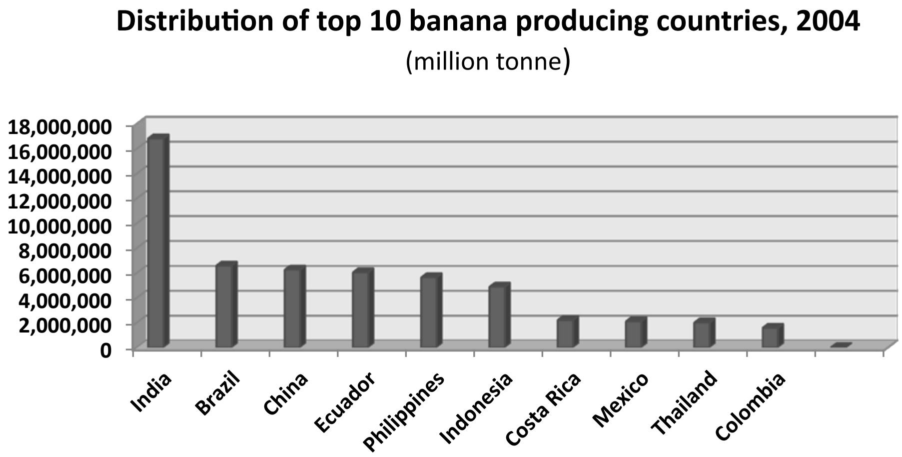
The aim of that agreement was to allow the complainant countries, namely Costa Rica, Colombia, Venezuela and Nicaragua to export their bananas to the EU market under a specific export share with a fixed tariff and a higher out-of-quota tariff as well. However, Ecuador and the US banana MNCs were not pleased with the BFA, and thus, did not see it as a solution to what they considered inconsistencies of the EU banana import policy vis-à-vis WTO rules. The reason being, Ecuador and major US banana firms such as Chiquita felt left out of the new arrangement. That is, on the one hand, the banana BFA allowed minor banana exporting countries such as Venezuela and Nicaragua to issue banana export certificates (government of those countries) for up to 70 percent of their quotas to their European Banana importers [7]. The idea was that the EU banana operators that wanted to import bananas from those countries could not do so if they were not holders of the said export certificates. As a consequence of that, this new arrangement (export shares) created a market for import licenses and export certificates that adversely affected the price of bananas. This situation, on the other hand, led major US banana firms to engage in entering in alliances with European banana firms, and in some instances, acquiring them in order to own the coveted EU banana import licenses. By doing so, those US banana firms would then be able to acquire the export certificates from the above-mentioned Latin American banana exporting-countries, and therefore, continue their banana trading activities within the EU market. In contrast, banana MNCs that could not gather enough import licenses saw their EU banana market shares erode, and thus, challenged the economic logic and fairness of the new arrangement [8]. As a consequence, they lodged another complaint before the WTO questioning the legality of the EU banana regime. The EU was again urged by the WTO to overhaul its banana policy because of the additional legal complaints levied against it by Ecuador, US-based banana MNCs, and other Latin American countries such as Mexico. However, despite all the legal wrangling that pitted the EU against the opponents of its banana policy, in 2001, the European Commission reached an agreement with the US and entered into an understanding with Ecuador in order to settle its longstanding banana disputes. Hence, it committed itself to convert its banana trade regime to a tariff-only policy, effective January 2006. In doing so, the EU hoped it would make its CMOB General Agreement on Tariff and Trade (GATT)-legal and WTO-compliant.

World Banana Production

The production and marketing of bananas internationally is managed by a handful of MNCs (Chiquita, Dole Company, Fresh Del Monte, Fyffes and Noboa). In addition, a few national banana companies in Latin America (Uniban and Banacol; Caribana and Difusa) and some banana associations and cooperatives in the Caribbean are also actively engaged in the production and policy management of the global banana trade. In the Windward Islands for example, bananas that are destined for export markets are purchased from the farmers by cooperatives such as the Windward Islands Banana Development Company (WIBDECO) and then marketed to a banana trading company like Fyffes which in return ships them to the export destinations and market them to the end-consumers. In some Latin American countries, the purchasing and marketing of bananas directed at the export markets depend on the type of arrangements that exist between national banana companies and their international trading counterparts. In some instances, the national banana companies team-up with the MNCs and market their products to the world markets. In others, the bananas MNCs are involved in every stage of the banana production ranging from harvesting all the way to the retail sales of their products. In such a case, the given banana firm is the sole owner of the plantation, and, therefore, manages the production, transportation and distribution of its banana yields in accordance to its commercial and economic interests.

The production of bananas for the world markets is divided into two different systems. On the one hand, there is the so-called plantation production that is mainly used for the export markets. In general, the plantation cultivation is owned by the banana MNCs and thus, requires a heavy investment which in return yields a high output. On the other hand, there is a family farming system which is not primarily geared to export markets because of its low output and traditional management techniques. For instance, in the Windward Islands, the dominant banana production is of smallholdings, whereas in Costa Rica, Honduras and Mexico, the plantation system is of prevalence. In essence, these two different systems define the type of the cost structures and marketing strategies that go into cultivating, distributing, and marketing bananas throughout the world. The vast majority of the banana production is geared towards local consumption and regional trading, and in fact, only one fourth of it is destined for the foreign markets.[5] For example, in 2004, three of the top-ten banana- producing countries in the world, that is, Brazil, China and India (Figure 1), hardly take part into the global banana trade. Mainly, those three countries produce their bananas to satisfy their domestic consumption rather than serve the demand of the export markets. In contrast, countries such as Colombia, Costa Rica, and the Windward Islands export on average 80 to 85 percent of their banana production; whereas, Ecuador, on average exports less its banana productions than the aforementioned countries. The economic and financial revenues that the banana trade generates for those countries are of utmost importance to their national economies. Therefore, any banana policy from the EU that is perceived to be unfavorable is vehemently challenged. For, the implications of any EU banana import regime deemed discriminatory or market-restrictive in nature, is seen by those countries as a direct threat to the welfare of the local families and households that are directly or indirectly involved in their banana productions. In effect, this is primarily the reason why the leading Latin American and Caribbean banana producing countries have a higher voice in the policy debates of the EU banana regime and in the shaping of the global banana trade management. According to FAO figures, cultivated bananas from the early nineties to the beginning of the new millennium increased from about 50 million in 1993 to today's 73 million tonnes [9]. India, Brazil, China and Ecuador alone account for 50.4% of the total banana output in the year 2004. Ecuador, Brazil and China for instance, have doubled and tripled their production in the last decade alone. However, Nicaragua, Panama, Honduras and the Windward Islands have either maintained their decade-long production, or in some instances, have seen them considerably decreased. Meanwhile, the banana cultivation of the Asian countries such as Indonesia, the Philippines, and Thailand has dramatically increased in the last decade. Finally, as for the main African banana-producing and exporting countries (Cameroon and Côte d´Ivoire), they have continuously maintained their production levels, and in recent years have actually slightly improved them due to the implementation of modern production techniques introduced by Del Monte and Dole companies. Nonetheless, it is important though, to notice that the investment made by Dole and Del Monte in the African Banana production had a lot to do with the European banana policy. That is, given that the EU had clearly shown preferences for ACP production of bananas compared with dollar-banana exporters, this in essence, attracted investment from the banana MNCs in ACP

[5] The vast majority of the world banana production goes to local consumption. In the year 2004 for example, only one fourth of it entered world trade.



Source: Faostat 2006 [3]

Figure 1: Top 10 Banana Producing Countries, 2004.

rather than Latin American countries. Production increases from the Latin American banana exporting countries were mainly due to the expectations that were created after the opening of the Eastern European markets at the beginning of the last decade. In addition, the new EU banana regime of 1993 was also a catalyst for propelling the major banana trading companies and the main Latin American banana exporting countries to expand production in order to meet the additional market demand. They did so in using strategies that were different from one another. Some companies such as Dole and Del Monte increased their market shares, while Chiquita apparently lost ground in the decade since the creation of the new EU banana import policy. Furthermore, the expectation that was created with the opening of the Eastern European economies was never fully materialized.

Export Market for Bananas

The overwhelming majority of the bananas produced in the world are not at all traded into the international market. This is mainly because bananas are a staple commodity in many of the countries where they are grown. Largest banana producers such as Brazil, Indonesia, China and India for instance, hardly take part in the world banana business. The international banana trade is organized in such a way that the physical landscapes of the dominant producing and exporting countries, the local banana marketing boards and cooperatives, the marketing strategies of a handful banana MNCs, and the banana import of policies of the EU, US and Japan respectively shape the international banana trade. Banana fruit is perishable, and the banana plant itself is prone to diseases such as Panama disease and Black and Yellow Sigatoka that can devastate the banana crops and greatly affect the export production of smallholder farmers. In addition, adverse climate conditions such as the Hurricane Mitch or El Niño of 1998 can also have a significant effect on the production and exportation of bananas as well. Thus, companies that are engaged in the international banana market see the need of developing an effective marketing strategy that can counter the risks that producing and exporting bananas worldwide entail. However, to do so requires a great deal of capital, modern production technology and logistical capacity that only a few firms can afford.[6] Consequently, this reality has contributed to the prominence and complete domination of a small number of companies within the international banana trade, namely, Chiquita Brands International, Dole Food Company, Fresh del Monte, Fyffes and Noboa.

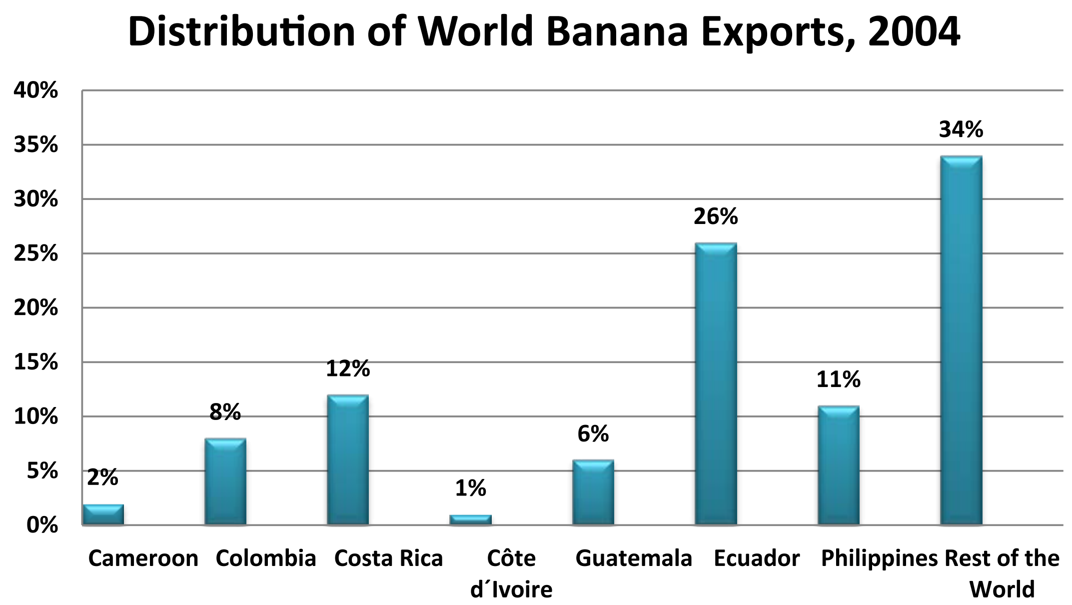
Bananas that are produced for export markets differ in taste from the ones that are locally consumed in the producing countries. Traditionally, the banana trading companies and exporting countries used to export the variety of bananas called Gros Michel, developed in Jamaica in the mid-19th century. However, nowadays, the variety of bananas called the Cavendish Banana is mostly what is favored for the world markets. Both of those varieties of bananas belong to the two groups called *Musa sapientum* and *Musa cavendishii* [10]. In recent years, there has also been a trend in producing and exporting organic and fair trade bananas for specific European, Japanese, and US import markets. For example, countries such as the Dominican Republic, Ecuador, Peru, Mexico, Colombia, Guatemala and the Canary Islands have all become exporters of such products. Equally so, the Dominican Republic, the Windward Islands, Ecuador, Colombia, Peru, Costa Rica and Ghana are now exporters of the fair trade bananas. The banana export market is somewhat a product of complex political, economic and historical relations between the major banana-exporting countries and their main trading partners. The export market for bananas per se is highly concentrated because of the different import policies that the US, EU and Japan apply to their imported bananas. In 2004 for instance, over 23% of the world banana production entered the world markets, out of which 56% are directly provided by the top-4 banana-exporting countries (Ecuador, Costa Rica, Colombia and the Philippines). However, this concentration of banana production and exportation is being gradually shifted to the main Asian banana producing and exporting countries. As an example, the Philippines, as of the year 2004, has ranked third in export markets for bananas while countries such as Thailand and Indonesia are also gradually increasing their annual banana outputs. This is despite the fact that the top Latin American producers (Ecuador, Costa Rica & Colombia) are still the main banana exporters. Furthermore, non-traditional ACP banana-producing countries such as the Dominican Republic and Ghana and some non-export performing Latin American banana-producing countries such as Brazil and Peru are also becoming important banana exporters (organic bananas). That said, it is worth mentioning that

[6] The major banana transnationals are Chiquita Brands International, Dole Food Company, Fresh del Monte, Fyffes and Noboa. Those MNCs can afford to invest in modern production technology and management techniques that in return make them very competitive, whereas small banana-producing and- exporting countries and national banana companies do not have the financial resources to do so.

although Mexico has always been a substantial exporter, it is as of late becoming an important organic bananas exporter as well. As a result, these new developments are contributing to the creation and expansion of export trade for bananas in countries such as Brazil, Mexico and Peru (Figure 2).

Recent Policy Developments in Global Banana Market

The 16 year banana wars (1993-2009) between the EU and the US and Latin American banana producing and exporting countries came to an end with the Geneva Agreement on Trade in Bananas. The Agreement was initialed on December 15, 2009, in Geneva, by the European Commission (representing the Union´s member States) with the Latin American banana suppliers to the EU´s markets. In addition, the US also settled its longstanding banana dispute with the EU by coming to terms with a separate agreement. According to the Agreement initialed with the Latin American banana suppliers, the EU will reduce the MFN tariffs on imported bananas in eight steps (Table 2). Effective December 15, 2009 until December 31, 2010, the EU will first cut the import tariff to € 148 per tonne. And subsequently, the tariff reduction will go as follows: a) from January 1, 2011 to December 31, 2011, the MFN import tariff on bananas will be down to €143 per tonne; b) from January 1, 2012 to December 31, 2012, the import tariff on bananas will be cut to €136 per tonne; c) from January 1, 2013, to December 31, 2013, the import tariff on bananas will be reduced to €132 per tonne; d) from January 1, 2014, to December 31, 2014, the import tariff on bananas will be cut to €127 per tonne; e) from January 1, 2015, to December 31, 2015, the import tariff on bananas will be reduced to €122 per tonne; f) from January 1, 2016, to December 31, 2016, the import tariff on bananas will be cut to €117 per tonne; and g) from January 1, 2017, to December 31, 2017, the import tariff on bananas will be cut to €114 per tonne. In return for the above-cited MFN reductions, the Latin American banana suppliers and the US agreed to drop all legal disputes against the EU at the WTO and refrain from demanding any additional import tariff cuts for bananas in the Doha Round negotiations on agriculture. In addition, as a result of the Association Agreements that Colombia, Peru and Central American countries signed with the EU, import duties on bananas originating in those countries have significantly also been reduced [11]. That is to say, with effect as from August 1, 2013, the free trade provisions of the Agreements are applied to imports from Colombia, Honduras, Nicaragua and Panama while the EU preferential trading arrangements with Peru have also entered into force since March 2013. Thus, under the agreed-arrangements between the EU and the aforementioned-countries, the preferential tariff for them was set at 124 euros per tonne in 2013 and will progressively be reduced to 75 euros per tonne by the



Source: Faostat 2006 [3]

Figure 2: Distribution of World Banana Exports, 2004.

Year/Implementation	Tariff Rate €/Tonne
15 December 2009-31 December 2010	148 €/tonne
1 January 2011	143 €/tonne
1 January 2012	136 €/tonne
1 January 2013	132 €/tonne
1 January 2014	127€/tonne
1 January 2015	122 €/tonne
1 January 2016	117€/tonne
1 January 2017	114€/tonne

Source: FAO, Banana Market Review and Banana Statistics 2012-2013 [11].

Table 2: EU´s MFN Tariff Reduction Schedule under the Geneva Banana Agreement.

year 2020. Costa Rica, Guatemala and El Salvador are also beneficiaries of the said-preferential trading arrangements [12-15].

As regards to the ACP group of nations, the Geneva Agreement on Trade in Bananas as explained-above was perceived by them as threatening their economic and commercial interests. They were concerned that their preferential trading arrangements with the EU would be eroded as the result of the Geneva Agreement. Consequently, in order to support the banana sector in ACP countries adjust to the new trade realities, the EU provided them with financial support through the Banana Accompanying Measures (BAM) (Table 3). In addition, since January 1, 2008, ACP banana suppliers that have initialed an Economic Partnership Agreement (EPA) benefit from duty and quota free access to the EU market. The ACP countries that have concluded negotiations on either a full or interim EPA, including all ACP banana suppliers are Belize, Cameroon, Ivory Coast, Dominica, Dominican Republic, Ghana, Grenada, Jamaica, St. Lucia, St. Vincent and the Grenadine, and Suriname. The remaining ACP countries that have not concluded either a full or interim EPA with the EU will benefit from the Generalized System of Preferences (GSP) arrangement under which the ACP and non-ACP least-developed countries would benefit from the “Everything but Arms scheme” [16,17].

The Changing Role of Multinational Companies in the Global Banana Trade

The MNCs in the banana market have historically been the prominent actors in the production, exportation and distribution of bananas in the major banana consumer markets; i.e., the US, EU and Japan. Consequently, they have been the main instigators of the banana wars that lasted for more than a decade between the EU and the US and Latin American countries. Though the legal complainants before the WTO against the EU banana import regime and CMOB were the respective governments of the US, Ecuador and involved Latin American countries, it was clear to any knowledgeable observer of the international banana trade that the MNCs trading in that commodity were the main litigants. This legal and economic weight and market power of the US and European-based banana MNCs, i.e., Chiquita, Delmonte, Dole, Fyffes and Naboa (the Ecuadorian international banana company), have to a large extent, shaped the international banana trade since the early ´90s. Thus, the top five banana MNCs of the past decade, as cited-above, were all vertically integrated. That is to say, in many instances, their control spanned from purchasing bananas from small and independent growers and owning a large number of plantations for production in Latin America, the Caribbean Islands, and other banana-producing regions. This is in addition to owning specialized reefers for exporting their bananas and controlling market channels all the way to the end consumers. In short, they exercised some sort of monopoly/oligopoly in the international banana market. However, this nature of engagement of the MNCs in the banana market has drastically changed since the mid-nineties. This disengagement from the alluded vertical strategy was caused by mounting lawsuits by Labor Union of banana growers and economic problems that the bananas MNCs were facing. In addition, the shift in market power along the banana value chain in important markets such as the US and EU also contributed to the disengagement from production of the banana MNCs. That is, important supermarket chains in the UK, US and EU have become important players in the global banana trade. They now dominate the retail market in their respective countries, and have also become direct buyers of bananas themselves from small wholesalers and independent growers. As a consequence of this change in market power, the major banana MNCs have shifted their strategy by focusing mainly on marketing and distribution networks and investing in logistics rather than production. They prioritize efficiency of distribution and sales and plan on achieving their operational savings and profits through this new business strategy. As a case in point, on March 10, 2014, Chiquita, which mainly supplies the North American market, and Fyffes which is one of the main suppliers of the European market, announced a merger by creating a new company called ChiquitaFyffes. Together the new companies will control almost a fifth of the banana global exports. Though this number looks impressive for any industry, it nevertheless reflects the progressive decline of the market shares of the banana MNCs when compared to their market dominance of the 1980s.

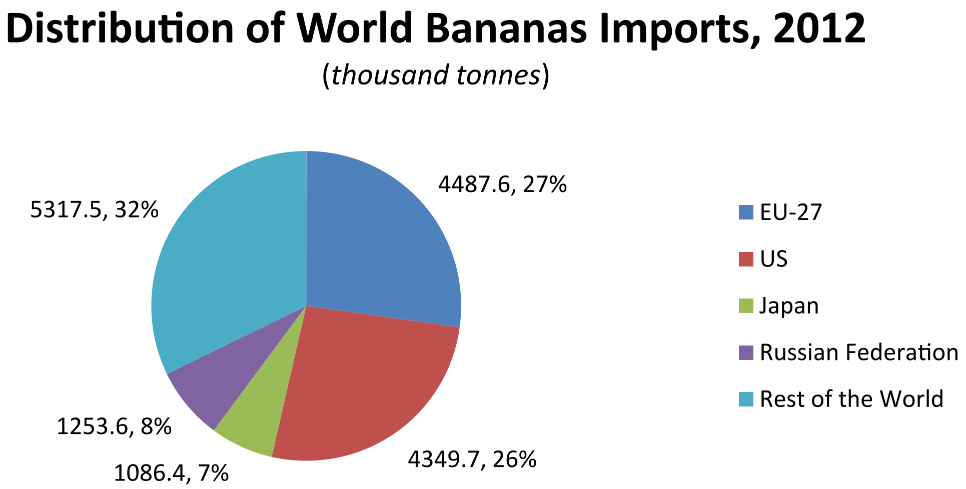
Global Banana Market and Current Industry Outlook

The current situation of the global banana market can be summarized in two ways. On the one hand, the market looks promising given that the global banana production is on the rise again, and two of the largest banana exporters to the world markets, that is, the Philippines and Ecuador, are gradually increasing their banana exports after a few years of lower production [11]. On the other hand, the Geneva Banana Agreements and subsequent preferential trade agreements between the EU and Central and South America may further erode the prospects of Ecuador in regaining its status as the premier banana exporter. This is so because the EU´s preferential trade agreements with Columbia, Peru and Costa Rica will make them more competitive against countries such as Ecuador that are still under the MFN tariff arrangements. The same argument could be made about the ACP countries. In this case, though the banana exports of Ivory Coast (the largest ACP banana exporter to the EU market) and Cameroon have significantly increased in recent years, and they benefit from the EPAs arrangements and the BAMs, they nonetheless fear further erosion for their trade preferences because of their lack of economies of scale and market powers vis-à-vis countries such as Ecuador, Colombia, Costa Rica and the newest competitors like Peru and Mexico. The US, EU, and Japan remain the largest regions in banana imports even though China and the Russian Federation have shown strong demands in recent years. Nevertheless, their imports for bananas are still not significant when compared with the three above-mentioned markets (Figure 3). As regards to the export markets, Latin America (South and Central America), Africa, and the Caribbean remain the leading exporting regions of bananas even though Asia (mainly the Philippines) is also becoming an important factor in the international banana trade (Figure 4). Last but not least, the recent merger between Chiquita and Fyffes will undoubtedly set the new parameters against which the global banana trade will be weighed in the years to come. However, it is worth noting that it is still too early to make any assessments on what impacts, whether negative or

	Min	Max
Belize	20.5	23
Cameroon	44	49
Cote d´Ivoire	40	45
Dominica	14	15.5
Dominican Republic	15	16.5
Ghana	6.5	7.5
Jamaica	4.5	5
St Lucia	9.5	10.5
St Vincent & the Grenadine	9	10
Suriname	8.5	9.5

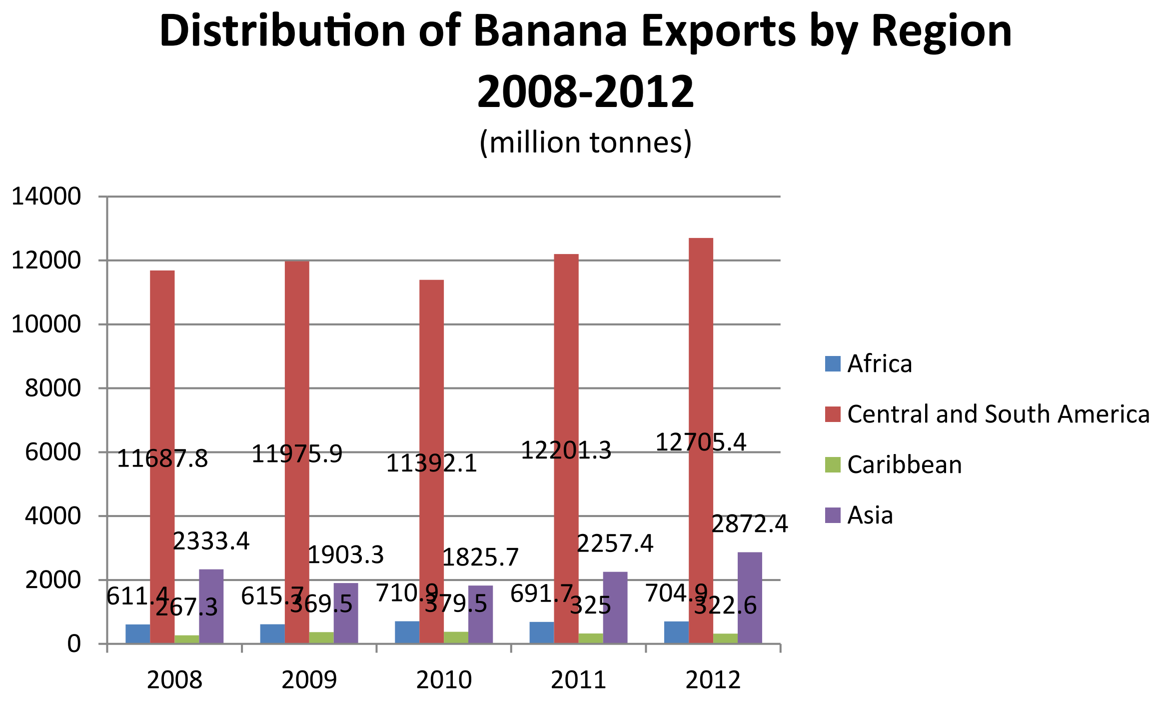
Source: Programming Guidelines, Banana Accompanying Measures (BAM), 2012-2013, January 2012

Table 3: Banana Accompanying Measures (BAM) Allocation by Country, € Million.



Source: Banana Market Review and Banana Statistics 2012-2013 [11].

Figure 3: Distribution of World Banana Imports, 2012.



Source: Banana Market Review and Banana Statistics 2012-2013 [11].

Figure 4: Distribution of Banana Exports by Region, 2012.

positive, this merger of the two giant banana MNCs would have on the future trend of the global banana trade.

Summary and Conclusions

The international banana trade is managed by a group of countries and companies whose economic and commercial interests are clearly competing against one another. The banana import regimes of the principal banana-importing countries shape how the banana business is globally conducted. This is particularly so when one evaluates and analyzes the impacts that the EU banana import policies have so far had onto the international banana trade. Bananas MNCs as well as the leading banana exporting countries are the major players that shape the direction of the international trade for bananas. As such, they exert a tremendous influence on lobbying and shaping the banana import policies of major banana buying countries. In taking into consideration the evolution of the global banana market structure since the advent of the EU in 1993, and the changes that the bananas MNCs have brought upon the industry, whether in terms of marketing and production strategies or the long fought banana wars (1993-2009) before the WTO, one can´t help but recognize that the bananas MNCs are truly the driving forces behind how the global banana trade is shaped. In sum, the recent developments in the global banana trade, i.e., the Geneva Agreements on Trade in Bananas, the new marketing strategy and business model espoused by the bananas MNCs, and the market power shift to the supermarket chains in the UK, EU and the US, are what are shaping the future of the global banana trade. Hence, the industry outlook again is being directed by the MNCs and retail supermarket chains even though the major bananas import markets (EU, US and Japan) are still the regulatory actors that police the markets for all the stakeholders.

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