

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## ROME TREATY

### CONSULTATIONS UNDER ARTICLE XXII

#### Joint Consultation with the Member States of the European Economic Community on Bananas

#### Agreed Minute submitted by the participating contracting parties

1. The consultations on bananas under Article XXII of the General Agreement with the Member States of the European Economic Community, which were held at the request of the United Kingdom and which opened in Geneva on 14 November 1958, were resumed in Geneva on 20 February and 25 February 1959. This minute relates to the February consultations only.
2. In addition to the Member States of the European Economic Community the following other contracting parties participated in the consultations: Brazil, the Dominican Republic, United Kingdom and the United States (see paragraph 4). The chair was taken alternately by a representative of participating countries other than the Six and by a representative of the Six.
3. The discussion was carried out in the light of data and discussion to be found in the Working Party Report on Bananas (Addendum 4 attached to L/805), the statistics furnished by the GATT secretariat (attached herewith as Annex II), the discussions which had taken place in the previous consultations under Article XXII and various memoranda (i.e., the memorandum submitted by the United Kingdom Government (attached herewith as Annex III) and the reply prepared by representatives of the Six (attached herewith as Annex IV)).
4. The United States representative having raised the question of United States participation, the representative of the Six made the statement which is reproduced in full and attached herewith as Annex I.
5. In reply to this statement, the representative of the United States stated that the immediate objective of the United States would be met by participation in the consultations on the basis outlined by the Community. Nevertheless, the United States would continue to maintain that they had full rights as substantial consumers to participate in the consultations.
6. In order not to burden the minutes and since the views expressed individually by the representatives of each third country were generally shared by the others, these views are recorded as the views of "representatives of participating countries other than the Six".

Common External Tariff

7. The representatives of the Six informed the other participating countries of the tariff measures they had taken since the last consultation. The situation before and after 1 January 1959 is shown by the table below. The decision taken by the Six on 3 December 1958 was also mentioned (document L/954 of 13 January 1959)

|   |               | Benelux | France | Federal Republic of Germany | Italy |
|---|---------------|---------|--------|-----------------------------|-------|
| Tariff applicable to Member States of EEC and other countries AOT's | Before 1.1.59 | 15      | 20     | 0                           | 36    |
|   | After 1.1.59  | 13.5    | 18     | 0                           | 32    |
| Tariff applicable to own associated overseas territories            | Before 1.1.59 | 15      | 20     | 0                           | 36    |
|   | After 1.1.59  | 13.5    | 18     | 0                           | 32    |
| Tariff applicable to third countries                                | Before 1.1.59 | 15      | 20     | 0                           | 36    |
|   | After 1.1.59  | 15      | 20     | 0                           | 36    |

8. It will be noted that the decision taken by the Six on 3 December 1958 to reduce their duties by 10 per cent for a certain number of countries, including the parties to GATT, which would have done away with preferences instituted by the Treaty of Rome, had no effect in the Benelux countries and France, because the common external tariff rate is equal to or higher than the duties applicable in those countries.

9. Representatives of participating countries other than the Six pointed out that these duties already created new preferences for the AOT's of 2 per cent in France, 1.5 per cent in Benelux and 3.6 per cent in Italy.

Weighted Average

10. Representatives of participating countries other than the Six pointed out that the weighted average of the legal duties enforceable before the Treaty of Rome based on the trade of third countries with the Six in 1957 was 7.7 per cent and the weighted average of the duties in force on 1 January 1957 was 3.8 per cent. These figures were much less than the 20 per cent of the common tariff and in their opinion showed that the common tariff would be creating very heavy new barriers to the trade of third countries.

11. As regards obstacles to trade, the representatives of the Six invited the third countries taking part in the consultation to refer to the statistics, which gave a true picture of the present volume of trade between those countries and Member States of the Community.

#### The Italian Monopoly

12. Representatives of participating countries other than the Six pointed out that the reduction of duty in the Italian tariff had not been applied on a non-discriminatory basis; this seemed to them to be contrary to the Decision of 3 December 1958 in that the banana trade in Italy was subject to the restrictions of a monopoly and the rate of 32.4 per cent now being applied to Associated Overseas Territories was in any case well above the level of the common external tariff of 20 per cent. The representative of participating countries other than the Six recalled that the question of the operations of the banana monopoly in Italy had been raised in the earlier discussions; there were indications in the Treaty of Rome that the monopoly would be changed but at the earlier discussions the representatives of the Six had been unable to indicate how the monopoly would operate under the provisions of the Treaty.

13. In reply the representative of Italy confirmed that the Decision of 3 December 1958 had not applied to the Italian tariff on bananas; nevertheless, due note had been taken of the statement by the representative of the participating countries other than the Six and this statement would be drawn to the attention of the Italian Government for its consideration. No precise information could yet be given about the operation of the Italian monopoly under the provisions of the Treaty of Rome since the question was still being examined governmentally, but it was hoped that information on this point could be given in the near future to the participating countries.

14. Representatives of the participating countries other than the Six drew attention to L/805/Add.4, paragraph 5, which recorded the statement of the representative of Italy that the main purpose of the monopoly was to ensure that Italian responsibilities for the Trusteeship of Somalia were carried out by providing an assured outlet in Italy for Somalia's banana crop, and asked whether Somalia would continue to enjoy the preferences provided under the Treaty of Rome when she gained independence. In reply, the representative of the Six stated that, under the terms of the Declaration of Intention in the Treaty of Rome, Somalia could become an associated member if she wished on attaining independence after 1960; it was too early to say whether Somalia would or would not become an associated member and, if so, under what conditions.

#### German Duty-Free Quota

15. Representatives of participating countries other than the Six pointed out that at the earlier consultations the representative of Germany had given an undertaking that GATT principles of non-discrimination would be applied in the administration of the duty-free quota; representatives of participating countries other than the Six requested that this assurance should be recorded.

16. Representatives of the Six recalled that when they indicated that they would observe the obligations of GATT, they made no exceptions for any article.

17. Representatives of participating countries other than the Six recalled also their request at earlier consultations, and the refusal of that request, that the German Government should consult with third countries about the administration of the duty-free quota before the quota was announced. They stressed their concern about the possible methods of administration of the quota and pointed out that, since at least 70,000 tons would be imported by Germany on payment of full duty, many of the methods that could be adopted would involve enormous administrative complexities, would result in discouragement of consumption and would tend to freeze the pattern of trade. Among the methods mentioned were global quotas with a cut-off, quotas allocated to individual importers and quotas allocated to exporting countries. One major difficulty was that an annual global quota would favour those countries shipping in the early months of the year. They stressed the importance to producers of advance information about the operation of the duty-free quota. Although they were themselves only small exporters to the Six they had an indirect interest (either as exporters or importers) because of possible adverse effects on world trade in bananas and in any case they assumed that the duty-free quota would be open to all countries on a most-favoured-nation basis. They had in any case expectations of increasing their sales to the Community in the future.

18. Representatives of the Six noted the fears expressed concerning the possible consequences for the trade of certain countries of the procedure for administering the duty-free import quota. They could not at present give any information on that particular point, because the relevant provisions of the Treaty of Rome would not come into force for three years, and the detailed study that had to be made of these provisions had not been started. When it came to examine the question, however, the Government of the Federal Republic of Germany would certainly not fail to act in accordance with the principles of the General Agreement; they pointed out that, as statistics showed, the German Government had so far pursued a liberal policy. As to the difficulties which might arise from the administration of the tariff quotas, they observed that such difficulties were well known and were independent of the Treaty of Rome. The existence of such difficulties could not overshadow the fact that the existence of a large quota, such as that under consideration, was sufficient evidence of the good will of the Six; moreover, there was no reason at all why other countries should not send the Community any comments they wished to make on that problem.

19. Representatives of participating countries other than the Six expressed their appreciation at the possibility of making observations to the Community about the administration of tariff quotas. Some of their comments already made had general applicability. They suggested that one possible method of administering the quota, which would have the least disturbing effect on trade, was to allocate a quota to each importer on the basis of import of so many tons of duty-free bananas on condition that one ton of duty-paid bananas was imported. Concern was expressed that individual Member States might decide not to use fully the tariff quotas provided for in the Treaty; representatives of participating countries other than the Six recalled that in the consultations

on coffee and the previous consultations on bananas these tariff quotas had been put forward as mitigating circumstances and it seemed as yet uncertain whether third countries would receive even degree of mitigation. They had also noted with concern that the duty-free quota would be reduced from 90 per cent to 80 per cent during the third period and further reduced to 75 per cent on the full application of the Treaty of Rome; the proportionate share of third countries in the German market would, therefore, decrease even under the quota. Nor was there any guarantee of the continuance of the quota since the Council could decide by a qualified majority to abolish it.

20. The representatives of the Six, recalling the precise wording of the Protocol concerning the tariff quota for imports of bananas annexed to the Rome Treaty, pointed out that while the percentage allowed would in fact be on a declining scale, the total import figure which was used for the determination of this percentage was not a fixed amount. In fact, paragraph 3 of the Protocol provided as follows: "The annual quotas fixed in the preceding paragraphs shall be increased by 50 per cent of the difference between the total quantities imported during each preceding year and those quantities which were imported in 1956." The representatives of the Six further observed that imports of bananas into the Federal Republic of Germany were steadily increasing, and that therefore the quota, which at this stage was already far in excess of the total exports of all the countries participating in the consultation, would further increase in the same proportion. Lastly, the representatives of the Six drew attention to the provisions of paragraph 4 of the Protocol relating to bananas under which the Council is empowered not only to decide as to the abolition of the quota, but also as to its amendment, which meant that the Council could adjust the quota either way, and not only downwards.

21. Representatives of participating countries other than the Six stressed that there had been a substantial and rapid increase of production not only in certain associated overseas territories, but also in French Departements d'Outre-Mer in the post-war period and this latter production would benefit from the preferences provided in the Treaty of Rome in the same way as the associated overseas territories. They still considered that the possibilities for further increasing production in the AOT's and DOM's were substantial and would be encouraged by the new stimuli arising from the Treaty of Rome. In that connexion they quoted the following extract from a speech by M. P. Valdant, Deputy Director of Economic Affairs, French Ministry of Overseas Territories of 22 November 1957, in speaking about banana production in the French dependent overseas territories; he said, "Finally, there is the question of price, but the outlook for the future is very encouraging as a consequence of the 20 per cent protective tariff which is to be established progressively, together with the quotas set up under the Rome Treaty, and a marked expansion of our production should result."

22. While it was scarcely possible, in the first few weeks of the year, to obtain complete statistics for the past year, and all the data would probably not be available till sometime in March, the figures given last November nevertheless remained valid, as did also the information based on those figures.

The representative of the Six recalled that last November, at the previous consultation, representatives of the Six had explained how banana production in French overseas territories, which accounted for by far the greater part of production in the associated territories, seemed to be slowing down to some extent at least in certain territories. For instance, the volume of exports from what had formerly been French West Africa and from the Cameroons, had fallen from 200,000 tons in 1955 to 176,000 tons in 1956, rising to 193,000 tons in 1957. The information at present available did not indicate a reversal of that trend.

23. Production figures for Guinea, now independent, but previously the largest producer among the countries of the former French West Africa, were significant:

|      |             |
|------|-------------|
| 1953 | 72,000 tons |
| 1954 | 87,000 tons |
| 1955 | 96,000 tons |
| 1956 | 88,000 tons |
| 1957 | 76,000 tons |

As against production, which was stagnant, consumption had shown a definite tendency to rise in recent years. The example had been given of France where the figure of 280,000 tons, at one time regarded as a ceiling for banana imports, had risen to 340,000 tons in 1956/57, and to 390,000 tons in 1957/58. The trend was the same in the Federal Republic of Germany, where consumption had been as follows,

|      |              |
|------|--------------|
| 1953 | 110,000 tons |
| 1956 | 296,000 tons |
| 1957 | 340,000 tons |
| 1958 | 420,000 tons |

The Netherlands had imported 40,000 tons of bananas in 1956, 46,000 in 1957 and 51,000 in 1958. In Belgium, the figures for the same years had been 52,000, 57,000, and 60,000 tons respectively. The 1958 figures for Italy were not known, but imports had reached 43,000 tons in 1957.

24. Representatives of the Six stated that they recognized that the banana plant could be cultivated more quickly than the cocoa or coffee plant, which required several years before becoming productive; but they pointed out that a banana plantation required considerable capital, attention, careful transport and nearby marketing facilities. Since the associated overseas territories were endeavouring no less than the countries outside the EEC to improve the living conditions of their people, production might increase in the years to come, but if the associated territories wished to satisfy the increasing demand of the EEC countries they would have to take account of a number of requirements regarding price and quality which were by no means always satisfied at present by the goods produced in the Belgian Congo and in the French overseas territories. At the present time the only French overseas territory producing the Gros Michel banana consumed in Northern Europe was the Cameroons.

25. Representatives of the Six pointed out that the Departements d'Outre-Mer were not associated with the Community, but were a part of the French Customs Territory in the same way as any Department of metropolitan France.

#### DAMAGE

##### Actual Damage

##### (a) Problem of Determination of Damage

26. Representatives of participating countries other than the Six urged the countries of the Six to consider the implications of the inevitable delays in publishing trade statistics for the method of consultation on which they were insisting in which only statistical evidence of damage was to be admitted. Their replies on the availability of banana statistics showed that it would be several months after the end of each year before they (the Six) had the trade figures on which any assessment of a diversion of trade in the past year could be based and third countries would have to wait much longer for the published statistics. Moreover, statistics for one year would hardly be accepted by the Six as conclusive proof of damage. They would no doubt insist on a series of statistics being produced which demonstrated a permanent trend in the trade figures. It would, therefore, probably be many years after the damage had started before third countries could produce the irrefutable statistical evidence of damage demanded by the Six. Serious damage would by then be done to the trade of third countries. They therefore appealed to the Six that, if they genuinely wished to avoid damage as they had said they did, they should abandon their insistence upon statistical evidence of damage and should re-examine the logical case demonstrating that damage must arise.

27. Representatives of the Six noted that even in the opinion of the other countries themselves there was no statistical evidence of damage to their interests and damage consequently could not be proved. They agreed to supply countries other than the Six with the most recent information available on the banana trade, but stressed that a combined effort would be needed to produce useful results. At the beginning of the present consultation, as at the previous one, the representatives of the other countries had merely stated that the previous discussion of the AOT Working Party provided sufficient proof of the damage caused them by the Treaty of Rome; the representatives of the Six expressed the opinion that the discussions could be more comprehensive if precise information were supplied by both sides in order to establish where and when the damage had occurred. As to the value of statistics, whatever their defects, the whole of economic life was based on their general use. The fact that the producing countries, and not only the Six, sometimes found it difficult to assemble complete data in a short time did not seem sufficient in itself to cast doubt on the usefulness of such data. The representatives of the Six added that in their opinion other forms of information could be used, apart from statistics, if they constituted evidence.

(b) Actual Damage

28. Representatives of participating countries other than the Six said that the new preferences introduced on 1 January 1959 and the prospect of a steady increase in these preferences up to the final figure of 20 per cent were already causing damage in that they were artificially stimulating production in the AOT's, discouraging it elsewhere and encouraging importers in the Community to turn their attention to AOT sources of supply.

29. The representatives of the Six requested that the following points be noted:

- (a) that no British territory was at present exporting bananas to EEC countries;
- (b) that the volume exported by the other countries participating in the consultation to EEC countries in 1956 was:

|                         | <u>thousands of tons</u> |
|-------------------------|--------------------------|
| Dominican Republic..... | 9.8                      |
| Brazil.....             | 0.1                      |

As against those figures the total imports by the EEC countries in the same year had been 700,000 tons.

- (c) hence it was not possible to prove damage, and the only form of damage which certain countries other than the Six appeared to be claiming was thus of a psychological nature. The representatives of the Six stated that they were not in a position to evaluate such damage.

Potential Damage

30. Representatives of participating countries other than the Six contended that there would be damage to the banana trade in the future arising from the diversion of trade caused by the substantial new preference which the AOT's and DOM's would enjoy in the markets of the Six. Third countries would be steadily excluded from those markets as production of the AOT's and DOM's grew. This could have serious repercussions on the world banana trade, adversely affecting those countries not selling to the Six. Third countries would also be denied full opportunities to expand their sales to the Community.

31. The representative of the United States outlined the interest of his Government in the consultations. The United States imported over 50 per cent of the bananas entering international trade; these imports were of longer stems whereas European demand was mainly for shorter stems. Any reduction in the proportion of imports at present taken by countries of the Six from Latin America would increase the number of smaller size bananas for which there would be no ready market. If these were put on the United States market (where they were at present not in significant demand) prices would decline; if these sizes and quantities were not marketed at all the United States consumer would have to pay more for the large bananas which he does purchase.

32. The representatives of the Six recognized that other countries had misgivings about their possible future exports to the countries of the Community. They hoped that the discussions had at least made it possible to establish clearly that no country could suffer any damage either at the present time or in the foreseeable future. They noted that in the opinion of the countries which had requested the consultation, the provisions of the Treaty of Rome could not fail to injure their trade, but observed that for the moment it was rather difficult to see what country would suffer damage, and that in any case it was hardly possible at present to do more than theorize as some countries had themselves been willing to admit. In that connexion, the representative of the Six invited those taking part in the consultation to refer to the statistics supplied by the GATT secretariat, in order to confirm that at the present time neither the country which had requested the consultation, namely the United Kingdom, nor the other participating countries were exporting to the countries of the Community anything other than what might be termed token consignments. He also observed that it was a peculiarity of the banana trade that a large part of the trade in Europe between metropolitan countries and the overseas territories associated with them. The United Kingdom was no exception to that rule.

33. Representatives of the Six stated that they were anxious to show their good will and they had studied the data on the banana trade with the greatest care in order that discussions might be as factual as possible. They wished particularly to recall the main points of the problem in regard to present and future tariffs. In France, the present 20 per cent duty would remain unchanged but, as a result of the gradual removal of the quantitative restrictions still in force the protection enjoyed by overseas producers would decrease. In the case of Italy, the present 36 per cent duty would be gradually reduced to 20 per cent, which would mean a considerable reduction of the present degree of protection, though the increase in consumption to be expected would depend largely on the policy followed by the import monopoly. In Benelux, the 15 per cent duty applied at present would be gradually raised to the level of 20 per cent fixed by the Treaty. That slight increase in duty could not be a factor calculated to disrupt a market which was known to depend not merely on prices, but perhaps even more than others on quality, taste, habits and trading organizations. There remained the case of the Federal Republic of Germany, where the 5 per cent duty at present in abeyance would be gradually raised to the level of the common external tariff. The Treaty of Rome allowed that country a tariff quota designed to maintain the present flow of trade and make it possible to supply the Federal Republic, under the best conditions, with the qualities favoured by customers. The Protocol on bananas provided that the quota could be increased in proportion to consumption, and it seemed difficult at present to judge how prices would be affected by the duty, which would be levied only on a relatively small part of imports. In any case, the Six thought it could hardly be claimed that trade which did not exist could be diverted to the detriment of other participating countries: the figures for 1956 and 1957 showed that exports to the EEC countries from British overseas territories had been nil, and that those from Brazil and the Dominican Republic had been insignificant.

34. Representatives of participating countries other than the Six could not accept the views put forward by the Community. They pointed out that France was obliged under the rules of the General Agreement to remove quantitative

restrictions when she ceased to be in balance-of-payments difficulties. This had nothing to do with the Treaty of Rome. Italy was a small consumer of bananas and until information was available as to how the monopoly would operate in the future it was impossible to regard that country as a larger market for third countries. Benelux was an important consumer and the rise in that country's duty must have a deleterious effect on the exports of third countries. In Germany, it seemed that at least 70,000 tons of bananas would be dutiable on entry into Germany. That amount of duty-paid bananas would have harmful effects as prices would rise and consumption would thereby be affected. There would be in any case the tendency for consumption in Europe to level off as standards of living rose beyond a certain level. If the quota were administered in a certain way prices might be 20 per cent above world prices for the whole of the year. German importers would look increasingly to duty-free banana supplies and as these came forward from the inevitable increase in production in the associated overseas territories the supplies of third countries would be forced out of the German market. Furthermore, the Haberler report had concluded that the new preferences in the Six in bananas would be predominantly trade diverting and not trade creating (paragraph 337).

35. Representatives of participating countries other than the Six said that experience in the United Kingdom showed that tastes could be quickly changed from one type of banana to another under the stimulus of small price differences so that quality differences were not important. They wanted the right of similar access to, for example, the German market as that enjoyed by all other producers so that they could try by fair competition to obtain a growing share of the market, but what they feared was the new privileges to be enjoyed by the AOT's in that market. With reference to paragraph 26(a) they underlined that the British Cameroons, a part of the Federation of Nigeria, had enjoyed a substantial export trade in bananas to Germany and the Netherlands before the war and might well wish to resume that trade in the near future.

#### CONCLUSIONS

##### (a) Views of Participating Countries other than the Six

36. Representatives of participating countries other than the Six stated that they considered the common tariff level to be unreasonably high in relation to the previous duties and considerably higher than if the tariff had been assessed on a weighted average basis. The new preferences which had come into force on 1 January 1959 would soon begin to have their effect and the process of trade diversion would be initiated. This would have serious effects on the world banana market for all exporters, not merely those countries at present exporting to the Six; it would also affect importers, especially the United States which takes half of the world banana exports. They could not accept the view that the consultations should deal only with establishing concrete damage nor were they of the opinion that these consultations could not be used as an opportunity to ask questions about the intentions of the Six. They expressed their disappointment that they must again report to their Governments that the Community had not been able to accept their case that damage would occur nor been able to offer any practical solutions.

37. Representatives of participating countries other than the Six informed the Community that their Governments would consider how best to deal with the matter in the future and assured the representatives of the Six that their Governments would pursue the question with all the means at their disposal.

(b) Views of the Six

38. In conclusion, the representative of the Six observed that international trade statistics showed that the countries which had requested the consultation did not at present export to the countries of the Community except in negligible quantities; consequently the discussion during the consultation had perforce related only to potential damage. As against those figures the total imports by the EEC countries in the same year had been 700,000 tons.

39. The representative of the Six noted that no damage could be claimed at present, and that the fears expressed related only to the dangers which the Treaty of Rome might create in the future for the exports of other countries if, as appeared to be their intention, they entered into commercial relations with the countries of the Community. Finally, the representative of the Six recalled that during the consultation, Member States of the Community had had to answer a large number of questions concerning their intentions, particularly on the matter of quotas; they were perfectly willing, for their part, to give other countries the fullest information possible but as a general rule the consultations should be devoted mainly to establishing damage in a concrete manner, and in that respect the information and particulars supplied by the other countries had not been plentiful. The representative of the Six nevertheless undertook to transmit the fears expressed during the consultation to the competent authorities.

ANNEX I

STATEMENT BY THE SPOKESMAN OF THE SIX

The representatives of the Member States and of the Commission of the European Economic Community examined the problem of the participation of the United States in the consultations on coffee, cocoa and bananas.

In the course of this examination it was recalled that the Government of the United States, in September 1958, had stated that their substantial interest in the trade of the three items in question was based on their position as an importer.

In this connexion, the representatives of the Member States and of the Commission noted that the CONTRACTING PARTIES, at their thirteenth session, had not, contrary to what had been envisaged by the Intersessional Committee of September 1958, resolved the question whether an importing country can be regarded as having a substantial commercial interest and can therefore be admitted to participate in the consultations.

In the circumstances, the Community is still unable formally to recognize the right for importing countries to participate in the consultations.

However, in a spirit of co-operation, the representatives of the Member States and of the Commission of the Community have agreed that the representatives of the United States might take part in the above-mentioned consultations provided its interventions were such as might contribute to the establishment of the facts concerning concrete cases of damage arising out of the application of the Rome Treaty.

In communicating this decision, the representatives of the six Member States of the Community wished to make it clear that the fact that they are not objecting (subject to the above-mentioned conditions) to the delegate for the United States making statements during the consultations concerned, does not constitute a precedent and does not in any way modify the position which they have adopted in principle as regards importers' participation in such consultations.

## ANNEX II

## Imports of Bananas

in 1956 and 1957

(thousand metric tons and per cent of total imports)

## ANNEXE II

## Importations de Bananes

en 1956 et 1957

(en milliers de tonnes métriques et en pourcentage des importations totales)

| Imports into<br>Destination<br>Imports from<br>Provenance        | Belgium-Luxemburg<br>Union Economique<br>Belgo-Luxembourgeoise |               | France         |                | Germany, Fed. Rep.<br>Allemagne, Rép. Féd. |                | Italy<br>Italie |               | Netherlands<br>Pays - Bas |               | Total          |                | Sweden<br>Suède |               | United Kingdom<br>Royaume - Uni |                | Canada         |                | United States<br>Etats - Unis |                  |
|--|--|---------------|----------------|----------------|--|----------------|-----------------|---------------|---------------------------|---------------|----------------|----------------|-----------------|---------------|---------------------------------|----------------|----------------|----------------|-------------------------------|------------------|
|  | 1956   | 1957          | 1956           | 1957           | 1956                                       | 1957           | 1956            | 1957          | 1956                      | 1957          | 1956           | 1957           | 1956            | 1957          | 1956                            | 1957           | 1956           | 1957           | 1956                          | 1957             |
| Total . . . . . %  | 52.6<br>100.0  | 57.1<br>100.0 | 266.1<br>100.0 | 305.6<br>100.0 | 296.3<br>100.0                             | 342.2<br>100.0 | 47.2<br>100.0   | 43.5<br>100.0 | 40.7<br>100.0             | 46.6<br>100.0 | 702.9<br>100.0 | 799.0<br>100.0 | 43.6<br>100.0   | 42.5<br>100.0 | 320.7<br>100.0                  | 318.9<br>100.0 | 139.4<br>100.0 | 144.3<br>100.0 | 1,436.4<br>100.0              | 1,481.3<br>100.0 |
| Associated Territories<br>Territoires Associés . . . %           | 12.3<br>23.4   | 11.3<br>19.8  | 131.0<br>49.2  | 147.8<br>47.7  | 6.5<br>2.2                                 | 6.1<br>1.8     | 42.4<br>89.8    | 36.2<br>83.2  | -                         | -             | 192.2<br>27.3  | 201.4<br>25.2  | -               | 1.9<br>4.5    | -                               | -              | -              | -              | -                             | -                |
| Belgian - belges . . . . . %                                     | 12.3<br>23.4   | 11.3<br>19.8  | -              | -              | 4.7<br>1.6                                 | 3.8<br>1.1     | -               | -             | -                         | -             | 17.0<br>2.4    | 15.1<br>1.9    | -               | -             | -                               | -              | -              | -              | -                             | -                |
| French - français . . . . . %                                    | -  | -             | 131.0<br>49.2  | 147.8<br>47.7  | 1.8<br>0.6                                 | 2.3<br>0.7     | 4.8<br>10.2     | 10.3<br>23.7  | -                         | -             | 137.6<br>19.6  | 160.4<br>20.1  | -               | 1.9<br>4.5    | -                               | -              | -              | -              | -                             | -                |
| Italian - italiens . . . . . %                                   | -  | -             | -              | -              | -  | -              | 37.6<br>79.7    | 25.9<br>59.5  | -                         | -             | 37.6<br>5.3    | 25.9<br>3.2    | -               | -             | -                               | -              | -              | -              | -                             | -                |
| French Overseas Departments<br>Dép. français d'outre-mer . . . % | -  | -             | 130.0<br>48.9  | 157.5<br>50.9  | -  | 0.8<br>0.2     | -               | 0.6<br>1.4    | -                         | -             | 130.0<br>18.5  | 158.9<br>19.9  | -               | -             | -                               | -              | -              | -              | -                             | -                |
| Other countries - Autres pays:                                   |  |               |                |                |  |                |                 |               |                           |               |                |                |                 |               |                                 |                |                |                |                               |                  |
| Spain (Canary Islands)<br>Espagne (Canaries) . . . . . %         | 0.3<br>0.6   | -             | -              | -              | 11.7<br>3.9                                | 10.2<br>3.0    | -               | 2.8<br>6.4    | -                         | -             | -              | 13.0<br>1.6    | 3.6<br>8.3      | 0.6<br>1.4    | 36.0<br>11.2                    | 20.5<br>6.4    | -              | -              | -                             | -                |
| United Kingdom Dependencies:<br>Terr. dép. du Royaume-Uni :      |  |               |                |                |  |                |                 |               |                           |               |                |                |                 |               |                                 |                |                |                |                               |                  |
| British West Indies<br>Indes occ. brit. . . . . %                | -  | -             | -              | -              | -  | -              | -               | -             | -                         | -             | -              | -              | -               | -             | 183.6<br>57.2                   | 196.3<br>61.6  | -              | 0.1<br>0.1     | -                             | 7.4<br>0.5       |
| Nigeria . . . . . %  | -  | -             | -              | -              | -  | -              | -               | -             | -                         | -             | -              | -              | -               | 1.2<br>2.8    | 68.2<br>21.3                    | 69.8<br>21.9   | -              | -              | -                             | -                |
| Dominican Republic<br>République Dominicaine . . . . . %         | -  | -             | -              | -              | 9.5<br>3.2                                 | 6.6<br>1.9     | -               | -             | 0.3<br>0.7                | 4.2<br>9.0    | 9.8<br>1.4     | 10.8<br>1.4    | 1.2<br>2.8      | -             | -                               | -              | -              | 1.8<br>1.2     | 31.8<br>2.2                   | 43.7<br>3.0      |
| Guatemala . . . . . %  | 0.5<br>1.0   | -             | -              | -              | 33.6<br>11.3                               | 47.6<br>13.9   | -               | -             | 0.6<br>1.5                | 3.4<br>7.3    | 34.7<br>4.9    | 51.0<br>6.4    | 4.4<br>10.1     | 13.1<br>30.8  | -                               | -              | 5.8<br>4.2     | 4.6<br>3.2     | 110.2<br>7.7                  | 86.9<br>5.9      |
| Honduras . . . . . %   | -  | -             | -              | -              | 18.5<br>6.2                                | 11.8<br>3.4    | -               | -             | -                         | 0.7<br>1.5    | 18.5<br>2.6    | 12.5<br>1.6    | 8.0<br>18.3     | 3.9<br>9.2    | -                               | -              | 42.4<br>30.4   | 28.8<br>20.0   | 337.4<br>23.5                 | 305.3<br>20.6    |
| Brazil - Brésil . . . . . %                                      | -  | -             | -              | -              | 0.1<br>-                                   | -              | -               | 0.8<br>1.8    | -                         | -             | 0.1<br>-       | 0.8<br>0.1     | -               | -             | 17.1<br>5.3                     | 10.2<br>3.2    | -              | -              | -                             | -                |
| Colombia - Colombie . . . . . %                                  | 21.7<br>41.3   | 19.8<br>34.7  | -              | -              | 103.5<br>34.9                              | 105.4<br>30.8  | -               | -             | 24.6<br>60.4              | 22.2<br>47.6  | 149.8<br>21.3  | 147.4<br>18.4  | 13.0<br>29.8    | 13.0<br>30.6  | -                               | -              | 5.6<br>4.0     | 1.9<br>1.3     | 56.8<br>4.0                   | 21.2<br>1.4      |
| Ecuador - Equateur . . . . . %                                   | 17.2<br>32.7   | 19.6<br>34.3  | -              | -              | 111.0<br>37.5                              | 152.2<br>44.5  | -               | -             | 6.4<br>15.7               | 8.9<br>19.1   | 134.6<br>19.1  | 180.7<br>22.6  | 7.9<br>18.1     | 8.4<br>19.8   | -                               | -              | 23.5<br>16.9   | 22.7<br>15.7   | 502.2<br>35.0                 | 518.1<br>35.0    |

Sources : Data supplied by the FAO supplemented by national trade statistics of the importing countries - Données fournies par la FAO, complétées par les statistiques nationales du commerce des pays importateurs.

B A N A N A S

Statistical Data

I. Exports from associated territories (in tons)

A - Overseas countries and territories

| <u>GUINEA</u>     | <u>1953</u> | <u>1954</u> | <u>1955</u> | <u>1956</u> | <u>1957</u> |
|-------------------|-------------|-------------|-------------|-------------|-------------|
| France            | 55,730      | 57,001      | 75,318      | 69,208      | 65,234      |
| Foreign countries | 4,841       | 6,488       | 6,991       | 6,446       | 3,759       |
| North Africa      | 12,174      | 13,860      | 14,016      | 13,260      | 7,845       |
| TOTAL             | 72,745      | 87,349      | 96,325      | 88,914      | 76,838      |

IVORY COAST

|                   |        |        |        |        |        |
|-------------------|--------|--------|--------|--------|--------|
| France            | 20,482 | 20,760 | 22,429 | 22,144 | 27,916 |
| Foreign countries | "      | 400    | 1,380  | 2,970  | 6,701  |
| North Africa      | "      | "      | 2,064  | 635    | 2,047  |
| TOTAL             | 20,482 | 21,160 | 25,873 | 25,749 | 36,664 |

CAMEROONS

|                   |        |        |        |        |        |
|-------------------|--------|--------|--------|--------|--------|
| France            | 51,370 | 50,100 | 57,621 | 53,056 | 70,291 |
| Foreign countries | 25,588 | 22,555 | 15,814 | 10,239 | 16,090 |
| North Africa      | "      | "      | "      | "      | "      |
| TOTAL             | 76,958 | 72,655 | 73,435 | 63,295 | 86,381 |

Total for overseas countries and territories

|                   |         |         |         |         |         |
|-------------------|---------|---------|---------|---------|---------|
| France            | 127,582 | 137,861 | 155,368 | 144,408 | 163,441 |
| Foreign countries | 30,429  | 29,440  | 24,185  | 19,655  | 26,550  |
| North Africa      | 12,174  | 13,860  | 16,080  | 13,895  | 9,892   |
| TOTAL             | 170,185 | 181,164 | 195,633 | 177,958 | 199,883 |

B - Other associated territories (1956) exports

|                                      |             |
|--------------------------------------|-------------|
| Belgian Congo                        | 38,000 tons |
| Somalia under<br>Italian trusteeship | 45,000 tons |

II. Consumption in EEC countries

| <u>Imports (in million tons)</u> | <u>1953</u> | <u>1954</u> | <u>1955</u> | <u>1956</u> | <u>1957</u> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Germany                          | 118         | 178         | 213.2       | 292.1       | 338.3       |
| BLEU                             | 43.3        | 46.3        | 49.5        | 52.3        | 56.9        |
| Netherlands                      | 24.5        | 27.7        | 33.4        | 40.7        | 45          |
| Italy                            | 35.1        | 37          | 44.7        | 47.2        | 43.5        |
| France                           | 258.2       | 285.5       | 277.3       | 273.2       | 315.2       |
| TOTAL                            | 479.1       | 574.5       | 618.1       | 705.5       | 799.-       |

ALGERIA

|                    |       |       |       |       |       |
|--------------------|-------|-------|-------|-------|-------|
| France             | 259   | 188   | 393   | 522   | 1,050 |
| French West Africa | 7,855 | 8,537 | 8,433 | 7,697 | 7,505 |
| Canaries           | 367   | 225   | 109   | 38    | 20    |
| TOTAL              | 8,480 | 8,950 | 8,940 | 8,257 | 8,575 |

Consumption per caput (in kgs. per year)

|               | <u>1953</u> | <u>1954</u> | <u>1955</u> | <u>1956</u> | <u>1957</u> |
|---------------|-------------|-------------|-------------|-------------|-------------|
| Germany       | 2.4         | 3.5         | 4           | 5.6         | 6.3         |
| BLEU          | 4.7         | 5.1         | 5.4         | 5.7         | 6.2         |
| Netherlands   | 2.3         | 2.6         | 3           | 3.8         | 4.1         |
| Italy         | 0.7         | 0.8         | 0.9         | 1           | 0.9         |
| France        | 5.8         | 6.4         | 6.2         | 6           | 7           |
| EEC countries | 2.9         | 3.4         | 3.6         | 4.2         | 4.8         |

ADDENDUM

French domestic production (DOM's) (in tons)

A - Exports to Metropolitan France

|            | <u>1953</u> | <u>1954</u> | <u>1955</u> | <u>1956</u> | <u>1957</u> |
|------------|-------------|-------------|-------------|-------------|-------------|
| Martinique | 57,796      | 65,006      | 59,084      | 89,248      | 107,896     |
| Guadeloupe | 77,754      | 82,359      | 70,698      | 69,097      | 85,646      |
| TOTAL      | 136,650     | 143,365     | 129,782     | 158,347     | 193,542     |

B - Exports to foreign countries

Exports to foreign markets remain insignificant

|      |            |
|------|------------|
| 1955 | 10 tons    |
| 1956 | 3,076 tons |
| 1957 | 1,869 tons |

ANNEX III

THE TREATY OF ROME

BANANAS

Submission by United Kingdom Delegation

This paper is submitted by the delegation of the United Kingdom (on behalf of its banana-exporting dependent territories) for the discussions on bananas with the Member States of the European Economic Community under Article XXII of the General Agreement.

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1. Bananas are of great importance to certain dependent territories of the United Kingdom. In the West Indies many of the Islands are largely dependent upon bananas for their export earnings. Bananas constitute 66 per cent of Dominica's exports by value and 38 per cent of St. Lucia's; they are also the principal export of the Southern Cameroons region of the Federation of Nigeria.
2. Representatives of the United Kingdom Government explained their fears in detail in the discussions on this commodity in the Working Party on the Association of Overseas Territories with the European Economic Community which met in the early part of 1958. These views, which were shared by the representatives of all producing countries present, other than the Six, were recorded in L/805/Add.4. The United Kingdom Government believe that the arguments presented at that Working Party conclusively proved that the damage they fear will eventuate, unless specific action is taken by the Community to prevent that damage. No attempt will be made to recapitulate the arguments used in that document which are still valid.
3. In addition to the associated overseas territories which were the subject of discussions in the Working Party there is also a very substantial production of bananas in Martinique and Guadeloupe, French Departements d'Outre-Mer (DOM's). This production will also benefit from the provisions of the Treaty of Rome in the same way as the associated overseas territories.
4. The first lowering of the tariffs in favour of the AOT's and DOM's will be made on 1 January 1959. This will be 10 per cent of present tariffs which will represent 1.5 per cent in Benelux, 2 per cent in France and 3.6 per cent in Italy. This element of discrimination will become much more serious by the end of the first period of transition and will steadily increase to 20 per cent when the provisions of the Treaty have been fully implemented.
5. The new arrangements defined by the Treaty must give a substantial price advantage to AOT and DOM producers in the markets of the Six, thus leading to an appreciable fall in the prices received by other producers. Even so, AOT bananas will be cheaper in the Community than other comparable bananas (after payment of duty) and importers will divert their purchases away from their established sources of supply to AOT sources. Although the bananas available

may not always be those to which consumers in some parts of the Community are at present accustomed, there should be little difficulty in changing their taste during the transition period. This will, moreover, be encouraged by the specific provision in the Treaty which provides that:

"The Federal Republic of Germany hereby declares its readiness to encourage any measures that may be taken by German private interests with a view to encouraging within the Federal Republic sales of bananas coming from the associated overseas countries and territories."

6. Since there is no production of bananas in metropolitan territories of the Six there can be no economies arising from the concentration of banana production in the most suitable areas. These arrangements will, therefore, be trade-diverting rather than trade-creating. The trade disturbances will be cumulative as each step to implement the Treaty's provisions is taken so that eventually a position will be reached in which third country suppliers of bananas to the Six will have access to a far smaller market within the Community than they would have had in absence of these provisions.

7. Moreover, the prospect of preferential treatment in the whole market of the Six (which is 300,000 tons larger than the present exports of the AOT's and DOM's) must tend to stimulate production of bananas within the AOT's and the DOM's to a very substantial degree. The advantages which producers of this and other commodities will reap from the Common Market have been widely commented on by officials and others in the territories concerned and should now be generally known to producers there. The introduction of discrimination in favour of their bananas on 1 January 1959, will undoubtedly be regarded by these producers as confirmation of the prospects which have been held out to them of permanent discrimination in their favour and thus justifying immediate efforts to expand production.

8. Banana producers will no doubt continue their expansion steadily during the transition period to take full advantage of the 20 per cent differential they are ultimately to enjoy. Per contra the serious threat to their present trade with Europe and the knowledge that the projected discrimination is stimulating production in the AOT's and DOM's constitutes an immediate threat to the development plans of banana farmers in other parts of the world. The introduction of discrimination on 1 January next will confirm their fears and strengthen their reluctance to push ahead with plans for expansion.

9. The duty-free tariff quota provided for imports into the Federal Republic of Germany from third countries will do little to lessen the fears of third countries. In the absence of any information on the administration of the quota there can be no certainty that it will prevent prices rising in Germany. The quota is, moreover, only based on 1956 imports, which have already been exceeded. It incorporates a proportionately regressive scale which, together with the special provision already quoted, must be intended to encourage consumption of AOT and DOM bananas in Germany at the expense of third countries. There is, moreover, no guarantee that the quota will be continued after the transition period. The full impact of the discrimination in Benelux and Italy will in any case not be affected by these arrangements for Germany.

10. The arrangements of the Six as defined in the Treaty are, therefore, causing a diversion of development plans at this moment, encouraging production in one set of under-developed banana-producing countries (the AOT's and DOM's)

at the expense of the rest. The effects of this diversion will not be measurable in trade terms for many years by which time it will be too late to take remedial action without doing serious damage to the interests of the farmers in the Six's territories who will have been led to expect a permanent continuance of their favoured position. Only immediate action can put matters right before harm is done to either one set of producers or the other.

11. There are grounds for believing that a serious imbalance of the world banana market is likely to develop in the next few years and this will be aggravated by the creation of this new preferential area and the artificially stimulated production in the AOT's and DOM's. World prices will thus be adversely affected to the serious detriment of all banana producers whether or not they sell to the Six. The position is regarded particularly seriously by those countries such as Nigeria which enjoyed a pre-war market in the Six and which now can see little opportunity of being able to re-open that market as their own production expands.

12. It is hoped that the Six will appreciate the gravity and imminence of the dangers they are provoking in their present policies on bananas, that steps will be taken to prevent the initiation of discrimination on 1 January next, and that a very early date a long-term solution will be evolved which will give banana producers all over the world a firm assurance of that free non-discriminatory access to the growing markets of the Six which they have enjoyed in the past.

13. It is assumed that any action which is taken to eliminate the adverse effects of the Common Market tariff on bananas will not be vitiated by recourse to other provisions of the Treaty which provide scope for other forms of discriminatory treatment on behalf of the Six's AOT's.

ANNEX IV

FRENCH DELEGATION TO GATT

B A N A N A S

1. The first lowering of tariffs as between the Member States of the European Economic Community will be effectively made on 1 January 1959. This will be 10 per cent of present tariffs and the preference in respect of bananas from associated territories will therefore amount to 3.6 per cent in Italy, 2 per cent in France and 1.5 per cent in the Benelux countries. In Germany, where the 5 per cent tariff is suspended the preference will be zero.
2. It appears that much more serious consequences will result from the probable establishment of an import quota in France, which is the only country in the Community where imports of bananas are still subject to licensing procedures and where the only imports effectively allowed are the small quantities from the Canaries provided for under the Franco-Spanish trade agreement. As French domestic production, which includes production from DOM's (Martinique and Guadeloupe), can reach 200,000 tons (to be regarded as a maximum) the quota should normally amount to 3 per cent of the above figure, representing roughly 6,000 tons. Under Article 33 of the Rome Treaty, this quota is to be raised gradually, to reach no less than 20 per cent of domestic production at the end of the tenth year. The establishment of this quota, which, in the first stage, will probably be reserved for bananas grown in the other associated territories but is likely to be subsequently enlarged pending the full establishment of a system of free movement within the Community, leads to the conclusion that third countries are likely to have access to a far larger market in France.
3. At the end of the first stage, i.e., in principle on 1 January 1962, the tariff lowering between the Member States will be 25 per cent; at that date each member will be called upon to reduce by 30 per cent the gap between its former national tariff, which, in the case of bananas, is 20 per cent. The preference in favour of imports from the AOT's will then be as follows: 5.75 per cent in the Federal Republic of Germany, 5.25 per cent in the Benelux countries, 5 per cent in France and 4.2 per cent in Italy.
4. This tariff preference, the scope of which is considerably reduced as a result of the German tariff quota, remains moderate and is not at all likely to result in a deflection of existing trade flows, in view of the disparity between the rate of consumption increases in the Six and the rate of production in the AOT's.
5. This consideration has been abundantly stressed in document L/805 of 11 April 1958, but the latest available statistical information brings these considerations into still better focus. In France, where it was considered that consumption would probably level off at 280,000 tons, a new advance has been achieved, and the figures of 340,000 tons for the 1956/57 season and 390,000 tons for 1957/58 have been recorded. In the Federal Republic of Germany consumption, which had already increased from 118,000 to 296,000 tons between 1953 and 1957, reached 340,000 tons in 1957. Notable advances have also been recorded in the Benelux countries and even in Italy.

6. On the other side of the ledger, production advances remain very limited. Notwithstanding the high prices obtaining during the last few years in the French market, the expansion of production in certain territories, like the Cameroons and the Ivory Coast, has been almost completely offset by a substantial decrease in Guinea, where a fungus disease (cercosporiosis) is becoming more and more devastating. Without prejudging future relations between on the one hand Guinea and Somalia - two countries which have gained or are about to gain independence and whose production of *Sinensis* accounted for more than two-thirds of AOT production - and the Economic Community on the other, it is clear that banana production will not, in all likelihood, maintain present levels, as present costs are unduly high.

7. In any case, the tariff preference in favour of AOT bananas is in no way such as to encourage the development of production in those overseas territories which until now have enjoyed more substantial advantages in metropolitan markets as a result of a system of quotas which under the Rome Treaty are to be gradually expanded.

8. It appears therefore that there is no possibility for AOT's to meet the future consumption requirements of the Six. This has in fact been so widely recognized that the Federal Republic of Germany has been accorded a very substantial tariff quota under the Rome Treaty, as mentioned in document L/805/Add.4. The magnitude of this quota, which will be maintained after the transition period, will tend to a large degree to deprive the tariff preference in favour of AOT banana production territories of any practical significance.

9. In view of the existence of this tariff quota and also of the fact that the common external tariff duty, which is 20 per cent, is the exact equivalent of the arithmetical average of existing tariffs, it appears that the application of the measures provided in the Rome Treaty will not bring about any appreciable price increase likely to result in a decline in consumption.

10. Far to the contrary, the liberalization of the quota system in France and in any case the levelling of prices in the Community countries will act as an additional incentive to consumption. In fact, third countries which have considerably increased production in the last few years, far from being reduced to a rôle of residual suppliers, as has sometimes been contended, will eventually have access to markets which will no doubt increase very considerably in the course of the next few years, notwithstanding the low tariff preference accorded to AOT banana production.