The detailed information furnished by the Six is reproduced in the table appended to this Annex. The following are the salient features as noted by the Working Party, any discussion of these matters being reported in Part Three of this Annex or in the Working Party's main report.

**Present Import Duties of the Six**

The legal import duties on fresh bananas in the Benelux, France, Federal Republic of Germany and Italy are 15 per cent, 20 per cent, 5 per cent and 40 per cent respectively. In the tariffs effectively applied on 1 January 1957 the German duty had been suspended and the Italian had been reduced to 36 per cent.

**The Establishment of the Common Tariff**

Fresh bananas appear in List F and the rate of the common external tariff of the Community is to be 20 per cent. Germany will impose a duty of 6 per cent at the end of the first stage, but a Protocol provides that an annual duty-free import quota may be maintained. The Benelux duty will be increased during the transition period and the Italian duty will be reduced, while the French duty, at 20 per cent, will remain unchanged.

**M/T/29/58**
The Elimination of Duties on Imports from the A.O.T's

The differences between the duties that will apply to imports from third countries and those, if any, to be levied on imports from the A.O.T's, at the various stages, are set out in the following table:

<table>
<thead>
<tr>
<th></th>
<th>After First stage</th>
<th>After Second stage</th>
<th>At the end of the transitional period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benelux</td>
<td>5.25%</td>
<td>10.5%</td>
<td>20%</td>
</tr>
<tr>
<td>France</td>
<td>5.0%</td>
<td>10.0%</td>
<td>20%</td>
</tr>
<tr>
<td>F.R. of Germany</td>
<td>6.0%</td>
<td>12.0%</td>
<td>20%</td>
</tr>
<tr>
<td>Italy</td>
<td>4.2%</td>
<td>8.4%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Fiscal Duties

The Working Party noted that thus far none of the Member States has indicated that it regards its customs duties on fresh bananas as being of a fiscal nature.

The Application of Quantitative Restrictions

Imports of fresh bananas have been liberalized by the Federal Republic of Germany while the Benelux countries apply a liberal import policy. France applies quantitative restrictions on imports not originating in its overseas territories. In Italy the importation and internal distribution of bananas are handled by a State monopoly which determines retail prices. The representative of Italy pointed out that the main purpose of the monopoly is to ensure that Italian responsibilities for the Trusteeship of Somalia are carried out by providing an assured outlet in Italy for Somalia's banana crop.

The Applicability of the Agricultural Provisions of the Treaty

Fresh bananas are included in Annex II and are therefore subject to the provisions of Articles 39 to 46 of the Treaty.
PART TWO

BACKGROUND INFORMATION ON TRADE AND TRADE PATTERN OF BANANAS

General

1. Bananas are the most important fresh fruit entering world trade. Total world exports in 1955 were about $300 million representing about 5 per cent of world export value of the main tropical food products\(^1\) entering international trade.

2. Bananas are of particular importance to the exports of some underdeveloped primary producing countries, as indicated by the following figures:

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\(^1\)For this purpose the following commodities were considered: coffee, cocoa, sugar, tea, tobacco, bananas, coconuts and products, and citrus fruits.
### Exports of Bananas from Selected Countries and territories in 1955 and 1956; quantity, value, and value in per cent of total exports

(Thousand tons, million dollars and per cent)

<table>
<thead>
<tr>
<th></th>
<th>1955</th>
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<th>1956</th>
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<td>per cent</td>
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</tr>
<tr>
<td>1. Associated territories</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>French West Africa</td>
<td>125</td>
<td>11</td>
<td>4</td>
<td>116</td>
</tr>
<tr>
<td>French Cameroons</td>
<td>76</td>
<td>7</td>
<td>7</td>
<td>60</td>
</tr>
<tr>
<td>Belgian Congo</td>
<td>27</td>
<td></td>
<td></td>
<td>38</td>
</tr>
<tr>
<td>2. Other GATT countries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Martinique</td>
<td>48</td>
<td>5</td>
<td>19</td>
<td>71</td>
</tr>
<tr>
<td>Guadeloupe</td>
<td>66</td>
<td>13</td>
<td>40</td>
<td>57</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>44</td>
<td>2</td>
<td>2</td>
<td>41</td>
</tr>
<tr>
<td>Brazil</td>
<td>211</td>
<td>10</td>
<td>1</td>
<td>188</td>
</tr>
<tr>
<td>British Dependencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nigeria</td>
<td>7</td>
<td>2</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>0.3</td>
<td>16</td>
<td>1</td>
<td>38</td>
</tr>
<tr>
<td>Dominica</td>
<td>1</td>
<td>59</td>
<td>2</td>
<td>66</td>
</tr>
<tr>
<td>Tonga</td>
<td>0.3</td>
<td>7</td>
<td>0.4</td>
<td>12</td>
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<tr>
<td>3. Other countries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costa Rica</td>
<td>329</td>
<td>33</td>
<td>41</td>
<td>233</td>
</tr>
<tr>
<td>Guatemala</td>
<td>129</td>
<td>10</td>
<td>10</td>
<td>144</td>
</tr>
<tr>
<td>Colombia</td>
<td>210</td>
<td>17</td>
<td>3</td>
<td>593</td>
</tr>
<tr>
<td>Ecuador</td>
<td>610</td>
<td>47</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>126</td>
<td>16</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

a) estimated

3. The economies of all these countries are, therefore, to a large extent dependent on the maintenance of adequate and stable prices for bananas which in turn depends on their obtaining expanding markets for their growing production. The countries represented in the GATT, of whom this is especially true are the British Camerons, the British West Indies, the Dominican Republic and Brazil. Bananas are also important to the following non-members of the GATT: Ecuador, Colombia, Guatemala, Honduras and Spain (in respect of the Canary Islands and Spanish West Africa).

4. The Six Member States of the Community are already a most important market for bananas. In 1956 they took over 20 per cent of world imports of bananas compared with 47 per cent by the United States and 10 per cent by the United Kingdom. The Six's imports have been rising rapidly from 260,000 tons in 1948/50 to 570,000 tons in 1954 and 700,000 tons in 1956 and they are still increasing. Of the three main world markets for bananas, namely North America, the United Kingdom and Western Europe (of which the Six form the predominant part) demand is relatively stagnant in the two former, so that it is only the last which shows any possibility of further considerable development. The increase in consumption has been most rapid in Germany (almost 300,000 tons in 1956 as compared with 120,000 tons in 1953) no doubt largely due to the lifting of balance-of-payments restrictions at about that time, but there has also been a notable rise in Benelux and France.

5. The Associated Territories of the Six exported in 1956 about 390,000 tons of bananas, an increase of 50 per cent over their exports in 1948-52. Of this total 325,000 tons went to markets in the Six (270,000 tons from the French A.O.T's and D.O.M's, almost entirely to France, 38,000 tons from the Trusteeship Territory of Somaliland to Italy and 17,000 tons from the Belgian Congo to Benelux and Germany). A large part of the remaining exports of the A.O.T's consists of exports of the French overseas territories to North Africa.
6. The general pattern of trade of the Six Member countries in 1956 was that, of their total imports of bananas of about 700,000 tons, 325,000 tons (46 per cent) came from the A.O.T's and D.O.M's (mostly, as explained above, to their metropolitan countries), 350,000 tons (50 per cent) from Latin America (Ecuador 134,000 tons) etc. and 30,000 tons (4 per cent) from other countries (including 12,000 tons from the Canary Islands to Germany). The total value of sales of bananas by third countries to the Six was of the order of $55 - 60 million in 1956.

7. Within this total France took 99 per cent of its supplies from its own A.O.T's and Italy 80 per cent (mostly from its own Trusteeship Territories (Somaliland) but including a small amount from French territories). On the other hand, Germany took 93 per cent of its supplies from the Caribbean, Central America and South America and Benelux 75 per cent, while France and Italy took no supplies at all from this source. Before the war there was also a considerable export of bananas from the British Cameroons and the British West Indies to Germany and the Netherlands.

Varieties

8. There are two main varieties of bananas, namely the Gros Michel (Johnson variety) and the Cavendish, the latter being subdivided into a number of sub-species. In general the Gros Michel is a large clear skinned banana with little aroma. It keeps for a relatively long time. This banana is the main type grown in Latin America and it is also found in the British Cameroons and in Jamaica. It is, however, susceptible to Panama Disease and is being replaced in many areas by the other types. There is little cultivation of the Gros Michel in the A.O.T's but some are grown in French West Africa. For the most part, however, the A.O.T's grow the Dwarf Cavendish (or Fig) variety of banana. This is in general smaller than the Gros Michel with a less clear and more sensitive skin. It has a stronger aroma but does not keep as well as the Gros Michel. This type, or a very similar variety, is also grown in the Canary Islands.
9. The other main type of Cavendish banana is the Lacatan or Poyo. The characteristics of this type are in many respects mid-way between the Gros Michel and the Fig banana. In size it generally approaches closer to that of the Gros Michel, but its skin is generally more marked and more susceptible to bruising in the manner of the Fig banana. The Lacatan is somewhat more scented than the Gros Michel but less so than the Fig and its keeping qualities lie again somewhere between the other two varieties. This is the banana which has steadily displaced the Gros Michel in the British West Indies and hence in the United Kingdom market. Similarly, it is understood to be replacing the Fig banana in the A.O.T's. When the ripening process has to be completed in consuming countries (which is the case for most bananas) different techniques are required for the different varieties.

10. Of these varieties the predominant type sold in North America and in Germany and Benelux is the Gros Michel and in France and Italy the Fig banana. In the United Kingdom the Gros Michel was \( \frac{1}{2} \) per cent of total consumption, but the proportions are now \( \frac{1}{2} \) per cent Lacatan, \( \frac{1}{2} \) per cent Gros Michel and \( \frac{1}{2} \) per cent other varieties. To the indiscriminating, the Gros Michel sells better than the other two types because of its better external appearance, but the two latter varieties are frequently preferred, once tasted, for their better aroma and texture. The differences are in any case not so great as to be noticed by many consumers. The introduction of a new variety needs some effort on the part of importers in that new ripening techniques have to be learnt, but experience in the United Kingdom with the introduction of the Lacatan has shown that over a period of a few years a major change in consumption patterns can be achieved.

Substitutes

11. Bananas are in close competition with other fresh fruit notably citrus fruits and apples, pears, etc. and to a lesser extent with canned fruits. A shortage or surplus of other fruits can thus
have some effect on the price of bananas as was the case in France in 1956 where banana prices were driven up by a shortage of other fresh fruit. In Italy a relatively high price is maintained for bananas through the operations of the State Monopoly and this has the effect of holding down their consumption to the advantage of other, home-grown, fruits.

**Semi-manufactured and Manufactured Products**

12. There is a small trade in dried bananas and banana flakes. In addition substantial quantities of banana powder are used for flavouring and for baby foods. The figures of the trade in this item are difficult to isolate. A number of producing countries, however, maintain plants for the manufacture of such products and their output can be expected to grow. The largest consumption of these products, as of fresh bananas, is in the United States, but consumption in Europe has been growing in recent years.

**Entrepôt Trade, etc.**

13. Since bananas are perishable there is no entrepôt trade in them. However, the dominance of a few firms over the world banana market has meant that the supply of bananas into various markets can be planned and largely controlled. For example, prices levels in the United Kingdom have been prevented from falling to very low levels by the diversion of cargoes to the continent.

**Future Prospects of World Supply and Demand in Bananas**

14. Banana prices have been fairly steady during the last few years and in general there has been a reasonable balance between supply and demand. That this has been so, however, is partly due to the effects of disease in slowing down the rate of increase in output in some producing countries. On the demand side the North American market for fresh bananas, which at about 1,600,000 tons is by far the largest in the world, seems already to be saturated and imports actually fall slightly between 1953 and 1956.
United Kingdom banana imports (320,000 tons in 1956) have increased by 20 per cent since 1953 but the rate of increase is declining and it is estimated that the United Kingdom cannot take more than 350,000 tons of fresh bananas, even at prices appreciably lower than those now ruling. Imports of the Six, however, have increased by 50 per cent since 1953, the largest part being due to a 100 per cent increase in Germany's imports. It is probable that demand in the Six will continue to rise in the coming years but it is unlikely that the rate of increase of the past few years will continue at such a level, particularly in Germany since the pent up demand there has now largely been met. Nevertheless, Western Europe is the only market where the sale of bananas can be expected to increase to any considerable extent in the next decade and Latin American producers are already turning increasingly to this market, notably to Germany and to a lesser extent Benelux, to increase their sales in the face of the stagnant or declining demand in North America. There is some prospect of the development of a market in other parts of the world, e.g. Eastern Europe, but apart from the need to construct expensive ripening facilities, etc., their balance-of-payments situations must make this a slow process.

15. On the other hand, it seems likely that the production of bananas, which is being influenced to an increasing extent by the planting of more disease resistant varieties, will in several countries begin to expand at a faster rate. Thus production in the British Dependent Overseas Territories which is now about 300,000 tons, is expected to reach as much as 500,000 tons during the course of the 1960s if markets can be found. Very large increases in production are said to be planned in producing areas.

16. It, therefore, seems likely that an over-production of bananas will begin to be manifest in the early 1960s. If the increased world supply is sold under conditions of competition prices to producers will fall materially. Prices to consumers will, however, not fall proportionately owing to ripening and transport costs.
The fall in prices to consumers will, therefore, not lead to a proportionate increase in demand for bananas and it therefore seems probable that prices to producers may have to drop sharply before any new equilibrium can be reached.
PART THREE

THE SHORT AND LONG-TERM PROBLEMS WHICH THE ASSOCIATION OF THE A.O.T's RAISED FOR THE TRADE OF OTHER CONTRACTING PARTIES TO THE GENERAL AGREEMENT

I. The New Tariff Régime

A. Effects within the Community and the A.O.T's

1. The Working Party recognized that the Association of the Overseas Territories to the Common Market would involve a certain element of discrimination. In the case of bananas, imports into the Community would be subject to a 20 per cent duty when imported from third countries, but would be admitted duty-free from the A.O.T's. This compared with the previous position in 1957 of a preference of 15 per cent in Benelux for their overseas territories and 20 per cent in France for the associated overseas territories and the overseas departments. In Italy, in addition to the preference of 36 per cent for the Trusteeship Territory of Somaliland, there was a State Monopoly for the import of bananas. There was then no preference for any of the A.O.T's of the Community in the Federal Republic of Germany, nor any duty at all on bananas imported from any source.

(i) Effects on price levels in the Community and the A.O.T's

2. It was considered by representatives of most non-Six producers that the introduction of the Common Market would tend to equalize the different price levels of bananas in the various Member States. Prices would probably not change much in France as a result of the new arrangements. Whether prices in Italy would tend to fall on account of the reduction of duties on imports from other than the Italian Overseas Territories would depend on the import policy of the Italian State marketing monopoly which, in the interests
of Italian fruit growers, has endeavoured in the past to keep down consumption of bananas. In general, prices in the Benelux would be likely to rise above world prices by the full extent of the increase in duty in these countries (for the reasons outlined in the General Report).

3. The representatives of most non-Six producers noted that the duty-free tariff quotas provided for imports into the Federal Republic of Germany from third countries on a proportionately regressive scale, were based on the 1956 level of imports from third countries, and might, in any case, by the terms of the Protocol, be ended at any time after the end of the transitional period by decision of the Council of the Community. They concluded that the effects of these quotas on internal prices in Germany and therefore on overall consumption in that country were not clear. In the absence however of any details as to the system which would be adopted to apply these tariff quotas it was difficult to decide to what extent the quotas would prevent the duty forcing up prices.

4. The representatives of the Six did not concur with these views; they pointed out that experience in the past had shown that the amount by which an import duty was increased was not always automatically or fully reflected in the price to the consumer; moreover, account should be taken of the fact that the provisions of the Treaty were to be implemented very gradually. In the Benelux the price effects consequent to the relatively small tariff increase would be slight while the maintenance of a duty-free quota for a large proportion of banana imports into the Federal Republic of Germany would, to a large extent, counteract any tendency for prices to increase in that market. As for the operation of the Italian State marketing monopoly attention was drawn to Article 37 of the Treaty which set forth provisions for the progressive adjustment of State monopolies in order to eliminate discrimination between the Member States in regard to the conditions of supply or marketing of goods. Accordingly it could be expected that consumer prices in
Italy would in fact be reduced and this effect, together with possible price reductions in France would offset any tendency towards an increase in prices in the other Member States. It was agreed that there would be a propensity towards the equalization of prices in the Member States, but this was essentially a long-term concept in view of the stage by stage procedure to be followed for the full implementation of the Treaty provisions.

5. The representatives of the Six expressed their belief that there would be no discrimination in the administration of the duty-free quotas to be maintained by the Federal Republic of Germany. Moreover, it did not seem that any particular technical difficulties were likely to arise in the banana trade within the Community as a result of the application of the quotas; in this connexion attention was drawn to Articles 27 and 115 of the Treaty which provided for such circumstances.

(ii) Effects on Consumption in the Community

6. The representatives of most non-Six producers stated that the anticipated increase in price levels in the Benelux and the Federal Republic of Germany which they had referred to would cause some decline in consumption or prevent increases which might otherwise have occurred. Further they pointed out that if any government sought to impose additional non-discriminatory fiscal taxes to make good any loss of revenue collection, this decline in consumption would be accentuated. It was important to note that bananas were competitive with other fruits, many of which are produced in the Member States so that any price increase due to the duty might shift consumption to these other fruits.

7. In accordance with their arguments in paragraph 6 of the General Report, the representatives of most non-Six producers concluded that the preference to be accorded would cause demand in the Six to switch to production of the A.O.T's and this switch would progressively increase as production rose in the A.O.T's. Although
this production was not, for the most part, of the Gros Michel variety to which the Federal Republic of Germany, for instance, has so far been accustomed, experience in the United Kingdom had shown that public taste in bananas could be quickly changed from Gros Michel to the varieties produced in the A.O.T's. Moreover, they considered that the duty-free quotas in the Federal Republic, as long as they were maintained, were not sufficient to prevent a very large switch of this nature.

8. The representatives of most non-Six producers pointed out, furthermore, that the quotas were only permissive and were not an obligation to import, while to counteract them there was the special provision of the Protocol to the Treaty of Rome concerning the tariff quota for imports of bananas which specifically provided 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.

"For this purpose, negotiations shall be initiated as early as possible between business circles in the various countries interested in the supply and sale of bananas."

Such a public Government declaration in a Treaty must have a substantial influence upon the future attitudes of the German banana importing industry and could only lead in time to the industry reducing its purchases from third countries, even to the extent of not making full use of the duty-free quotas. It appeared to them, therefore, that this constituted a direct governmental invitation to private interests to indulge in restrictive business practices which would discriminate against the products of third countries in the interests of the products of the A.O.T's. This Protocol, moreover, must be considered a clear indication that it was the objective of the Six to direct trade to the A.O.T's and to move towards a general managed economy in tropical, as well as in non-tropical, products.
9. The representatives of the Six failed to see what reasons could give rise to the fear that non-discriminatory fiscal taxes might be increased. They again drew attention to the factors described in paragraph 4, and to their general arguments set forth in the Main Report, which did not indicate any likelihood that the implementation of the Treaty would result in an increase in prices. On the contrary, it should result in a marked reduction in prices on the Italian market. Moreover consumption in the Member States had increased sharply in recent years and now stood in the vicinity of 700,000 tons. Additional increases could of course be expected as levels of income rose. Furthermore they disagreed with the view expressed that demand in the Six might be switched to supplies from the A.O.T's and pointed out that the taste pattern of the German consumer in particular was a conservative one and there was no reason whatsoever to envisage any switch in demand to other varieties of bananas.

10. The representatives of the Six stated that the interpretation that had been given concerning the special provision of the Protocol for the Federal Republic of Germany was completely incorrect. There was no question of "negotiations" or of government intervention, whether direct or indirect. Any measures that might be taken would be of the ordinary commercial type such as were commonly taken in every country.

(iii) Effects on Production in the A.O.T's

11. The representatives of most non-Six producers considered that by the end of the first stage of the transition period, the preferences applicable at varying rates in the different members of the Six, would be sufficient to provide a guaranteed market for the full production of the overseas territories of the Community and in addition a substantial premium on the prices received by producers in non-preferential markets. The combined effect of these two factors must stimulate production in these territories.
12. The supply of bananas could be increased relatively quickly since a first crop could be harvested twelve to eighteen months after a tree is planted. Bananas have proved in many parts of the world an eminently suitable crop for small farmers. Africa is already a substantial producer, e.g. in the Southern Cameroons which border on the French Cameroons. Exports from the A.O.T's, as a whole, at about 270,000 metric tons, had more than tripled since 1934/3 and more than doubled since 1948/50, the rate of expansion being particularly rapid in the Belgian territories. The representatives of most non-Six producers concluded, therefore, that in view of the sheltered markets provided by the Treaty of Rome, the terms of the Protocol mentioned in paragraph 8 above, and the current level of consumption in the Six (about 700,000 metric tons) there seemed very strong reasons to believe that exports of the A.O.T's would during the transitional period rise by at least 300,000 tons above the normal increase which would be expected to occur without the additional stimulus arising from the Treaty.

13. The representatives of the Six could not concur with the view that the tariff arrangements would provide a substantial premium on prices received by the producers and pointed to past experience which had shown that a preferential margin was never fully reflected in the remuneration to the producer. This argument was fully developed in the General Report. Moreover, the provisions of the Treaty concerning bananas conferred only limited advantages on the producer and could only tend, in most cases, towards a reduction of prices on the market of the Six as compared with prices at present. It was unlikely, therefore, that the Treaty would induce any stimulation of production for a future market which would be available twelve to fifteen years hence, or even after a longer period, particularly in view of the possibility that the Federal Republic of Germany might maintain duty-free import quotas.
14. The representatives of the Six confirmed that production of bananas in the A.O.T's had been increasing in the past few years, but it was significant to note that the rate of increase had fallen considerably. Certain possibilities of further increases in production in the A.O.T's did in fact exist, but such increases could not be continued indefinitely. The limitations to the level of production that could be attained were determined by a variety of factors such as the availability of suitable growing land in the vicinity of a harbour, the parallel development of appropriate transport facilities and an assured labour supply. Indeed, it might prove impossible to maintain exports even at their present level in those territories which produced the Sinesis variety since it was necessary to use very expensive packing and this was a handicap in competing with other varieties of bananas. Furthermore, it was generally not feasible to shift production from one variety to another.
B. Effects on Trade of Third Countries

(i) Effects of new tariff regime on trade patterns over short and long term

15. Since the representatives of most of the non-Six producers maintained that there would be a shift in demand within the Community to the bananas of the A.O.T's, they considered that there would be diversions of trade away from the products of third countries. This diversion would increase steadily during the transitional period as production expanded in the A.O.T's. By the end of the transition period the shift would have displaced a considerable part of the imports of the Six from all third countries, especially Latin America. If the duty-free tariff quota for Germany continued permanently after the end of the transition period, the extent of this displacement would be modified, but it was noted that this quota could be amended or cancelled.

16. The representatives of most of the non-Six producers stated, moreover, that third countries would at the least be denied the possibility of benefiting fully from the future growth of consumption in the markets of the Six, especially in view of the terms of the addendum and the Protocol quoted in para. 8 above. This was particularly important for third country suppliers since the Federal Republic of Germany, in particular, and also the Benelux represented at the present time the only rapidly increasing large market in the world: by contrast, consumption in the United States, the United Kingdom and Canada was broadly static. This limitation on their right to participate fully in a growing market would be felt by existing suppliers, some of which (e.g. the Dominican Republic) had been extending their production in the expectation of a very promising market in Germany, and also by potential suppliers whose aggregate production was rising, e.g. the British West Indies and Nigeria, which together had had a substantial pre-war trade with Germany and the Netherlands.
17. In addition, the representatives of most of the non-Six producers said that the preference would also have the important effect of reducing third countries to the role of residual suppliers of bananas to the Six. At any time of declining demand for bananas the duty-free quota would be reduced and they would therefore feel the full impact of the reduction in demand, while the A.O.T's would continue to have a sheltered market for their total production.

18. The representatives of the Six could not see how these arguments were relevant in the context of the present pattern of trade. The consequences referred to were purely hypothetical and did not stem from the provisions of the Treaty itself, but were based rather on trade that had existed in the past or might have existed in the future. In fact, among the countries mentioned, the Dominican Republic was at present the only one that exported bananas to the Federal Republic of Germany.

19. The representatives of the Six again referred to the fact that in the Federal Republic of Germany there was a strong consumer preference for the Gros Michel type of banana, production of which was extremely limited in the A.O.T's and could not possibly satisfy the import requirements which were being met, at present, by Latin American exporters. For these reasons, therefore, the provisions for duty-free quotas for imports of bananas into the Federal Republic of Germany had been inserted in the Treaty in order to preserve and reinforce the present traditional pattern of trade in this commodity and, as such, were indicative of the fact that it was not the intention to artificially reserve a large proportion of the German market for the products of the A.O.T's. Further, the possibility existed in the Treaty for increasing the duty-free quota.

20. The representatives of the Six once more emphasized that the provisions of the treaty took full account of the traditional pattern of trade; the special Protocol concerning imports of bananas confirmed that fact. For the reasons already indicated, they considered that there was no serious basis for the contention that Third countries would be reduced to the rate of residual suppliers.
On the contrary, they considered that in the future these countries would supply a considerable part of the consumption requirements of the Six, which were bound to increase in future years. In that connexion, the special structure of banana trade in various countries should be taken into account.

(ii) Effects on world markets

21. The representatives of most non-Six producers concluded that in view of the artificial stimulation to A.O.T's production and the reduction in demand due to higher prices in the F.R. of Germany and the Benelux, there would be a strong downward pressure on the world price of bananas, resulting in a serious loss of earnings by producing countries outside the A.O.T's which might well be to the order of $ 50 million. This would affect all producers and not only those exporting to the Six.

22. The representatives of the Six could see no justification for these views and recalled that, in their opinion, the provisions of the Treaty of Rome were to promote increased consumption in the Member States, both as a result of a probable decline in prices in Italy and France, and also because of the general increase in income levels within the Community. Furthermore, it was not in the interests of A.O.T. producers to pursue any policy which would have a depressing effect on world prices and, consequently, on their own remuneration.

II. Non-Tariff Questions

Quantitative Restrictions and Agricultural Provisions

23. The representatives of the non-Six producers pointed out that some quantitative restrictions were at present in operation in France and that Italy operated a State monopoly. It seemed to them therefore that there was a strong probability of an extension of the use of quantitative restrictions throughout the Community on the lines indicated in para. of the General Report. Moreover, bananas were included in Annex II of the Treaty of Rome. The provisions of the protocol quoted in para. 14 above seemed a clear indication that bananas would accordingly by subject to agricultural provisions of
the Treaty. The creation, assisted by the use of quantitative restrictions, of a "managed market" in bananas, a tropical product not grown in the metropolitan territories of the Six, appeared intended to ensure the prior disposal within the Six of all the available production from the overseas territories of France, Belgium and Italy before other bananas were allowed into the market at all. This would be an even more effective method than reliance on a high external tariff for guaranteeing the market to the Six's own overseas territories at the expense of outside suppliers. In addition, it would afford a further stimulus to increased production in the overseas territories. For these reasons its effect on other markets and on the world price of bananas could be even more serious than the tariff by itself.

24. The representatives of the Six pointed out that the situation under reference was purely hypothetical. In particular, they could not accept the contention that trade in bananas was bound to be brought under the "managed market" provisions of the Treaty, and referred to their argument as set out in the General Report. In this connexion they recalled that the institutions had merely been given the possibility of exercising certain powers in this field; whether and to what extent these powers would be used could not yet be determined. Accordingly it would be hypothetical, and impossible to evaluate the consequences of resort to such arrangements.

III. Summary of Views

25. [Views of the representatives of most non-Six producers]

26. [Views of the representatives of the Six]

PART FOUR

CONCLUSIONS

27. [Draft to be submitted]