Summary of Views and Conclusions of Non-Six Producers

1. The representatives of the non-Six producers, having examined the arguments of the Six, held to their view that the creation of a new preferential system at a tariff margin of 20 per cent on behalf of the total banana production of the A.O.T.s throughout the large banana market of the Six must have very serious consequences for the trade of other banana producers. For the reasons already stated, they considered that the preference must cause substantial diversions of trade in the markets of the Six. Moreover, the assurance of preferential treatment in the whole market of the Six (which is 375,000 tons larger than the present exports of the A.O.T.s and D.O.T.s of France) must artificially stimulate production of bananas within the A.O.T.s to a very substantial degree.

2. In the short term (up to five years) they concluded that even an applied preferential margin of 4.2 - 6.0% (see para. above) would have an appreciable effect in dislocating existing patterns of trade with the Six. Moreover, with the prospect of the full 20 per cent preference before them, producers in the A.O.T.s would have already begun to take steps to increase their production. The pattern for further dislocations of trade in the future would, therefore, have been set. The damage caused to the trade of third countries would be greatly accentuated in the short term if the Institutions of the Community were to make use of the powers given them under the Treaty of Rome permitting the immediate or accelerated introduction of tariff or non-tariff preferences for the products of the A.O.T.s (see para. ).

3. In the longer term (about fifteen years), the representatives of non-Six producers considered that, owing to the steadily increasing production in the A.O.T.s stimulated by their access to the whole market of the Six on preferential terms (para. above), third country suppliers would be progressively excluded from the markets of the Six and thus reduced to the role of residual suppliers. There would, therefore, be very serious damage to the banana trade of other contracting parties (and other third countries) by dislocating traditional trade patterns and reducing
and possibly eliminating altogether their access to the markets of the Six. The value of existing exports to the Six by third country producers which were thus placed in jeopardy was of the order of £60 million at present prices and at least £40 million worth of this could be lost by the end of the transition period while the remainder could be lost in the more distant future.

4. Moreover, the artificially stimulated production of the A.O.Ts and the adverse effects on demand in the Six of the higher duties (see para. above) must tend to depress world prices, thus affecting all banana producers whether or not they sold to the Six. In terms of present price levels and other factors remaining constant, the potential loss to all third country producers in fifteen years' time would be of the order of £40 to £60 million per annum. Since the world banana market is likely in any case to be weak in the future these further losses could have the most serious effect on the standards of living of banana farmers.

5. The representatives of the non-Six producers considered that banana consumption within the Six would continue to increase but not as rapidly as it had in the immediate post-war period (para. above) and certainly not sufficiently to counterbalance the diversions of trade arising from increased production in the A.O.Ts and the D.O.T.s of France. Furthermore, there was no evidence that consumption in the world as a whole would increase at such a rate as to absorb, not only increases in production which would arise in any case in other parts of the world (due to the pressing need of other countries to expand their exports), but also the artificial increase in A.O.T. production stimulated by their privileged position in the markets of the Six. They did not in any case accept the arguments of the Six that increases in consumption, either in the Community or in the world as a whole, could be regarded as in any way helping to solve the problems created for the banana trade of third countries by the association of O.T.s with the Community.

6. There would be some further adverse effects on the trade of third countries arising from the preferential position which A.O.Ts would enjoy in the markets of the Six for dried bananas, banana powder, etc.

7. The inclusion of bananas in Annex II implied that the agricultural provisions of the Treaty might well be used to give non-tariff preferences to A.O.T. banana producers. If these provisions or those relating to quantity restrictions were so used, they would intensify the adverse effects on the trade of third countries and on the world banana market as a whole. The preferences were most likely to be introduced and would be most damaging in their effects when introduced, at a time of general recession in banana prices - a recession which seemed likely in any event (as noted in para. above) and which the Treaty itself might well aggravate. In those circumstances the preferences
could be used to maintain markets and price levels for the A.O.T.s in the markets of the Six thus throwing the full effects of the recession on third country banana producers.

8. The contracting parties whose trade would be particularly affected by these adverse factors (in that bananas were especially important to them) included Brazil, the British West Indies, Nigeria and Dominican Republic. Other countries seriously affected would include Costa Rica, Guatemala, Colombia, Ecuador and Spain. The trade and future development of all these countries were so dependent on bananas (see para. above) that not only would the livelihood of their banana farmers be affected, but also the whole economic life of the territories with far-reaching social and political consequences.