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WORKING PARTY ON THE ASSOCIATION OF OVERSEAS TERRITORIES
WITH THE EUROPEAN ECONOMIC COMMUNITY

Note on Bananas by the Dominican Republic
and United Kingdom Delegations

1. Imports of bananas into the Six total about 700,000 tons (just over 20 per cent of world imports) of which about 325,000 tons come from the Dependent Overseas Territories of the Six, almost the whole of which go to their own metropolitan countries. Total exports of the Six's Dependent Overseas Territories are about 375,000 tons, a large part of the addition being exports of French territories to North Africa. Most of the remaining bananas consumed in the Six come from Latin America[1], (about 350,000 tons of which 275,000 tons go to Germany and over 70,000 to Benelux).

2. The introduction of the common market will tend to equalize the price of bananas in Member countries. In particular prices will probably not change much in France as a result of the common market, there will be a slight tendency for them to rise in Benelux and, apart from the duty free quota, a considerable rise in Germany. Prices in Italy, however, will tend to fall although the precise effect will depend on whether the Italian State marketing monopoly will continue to try to keep the consumption of bananas down in the interests of Italian fruit growers. In general prices in Benelux and Germany will (apart from the existence of the duty-free Germany quota) be likely to rise by the full extent of the increase in duty in these countries unless the Latin American exporters are willing to reduce their prices somewhat in these countries in order to retain their sales.

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[1] Mainly Ecuador, Colombia, Guatemala and Honduras and recently Dominican Republic.

3. The Protocol to the Treaty of Rome concerning the Tariff Quota for imports of Bananas specifically provides that:-

> "The Federal Republic of Germany hereby declares its readiness to support 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."

This is at the least a direct governmental invitation to private interests to discriminate against the products of third countries in the interests of the products of the associated overseas territories. This will be particularly injurious to the interests of countries like the Dominican Republic which only recently could build up an outlet for its bananas in Germany and which have embarked upon expansion of their production in the expectation of a very promising market there. Equally this applies to territories like Nigeria which enjoyed a substantial pre-war market in Germany and might have wished to re-enter that market.

4. Bananas from the French territories will, at the end of the transition period, be able to enter Germany, Italy and Benelux duty-free and those from the Belgian Congo will likewise be able to enter Germany, France and Italy duty-free. Exporters in these territories will thus enjoy a price appreciably higher than the price of other producers.

5. The effect of these provisions of the common market will thus be considerably to increase the opportunities for the French and Belgian territories to sell bananas in Germany and Italy, and also for the French territories to sell in Belgium, the Netherlands and Luxemburg. In all of these cases, except perhaps Italy, the French territories are not likely to receive as high a price as they at present receive in France, but there will nevertheless be a very large incentive for them to increase their exports. The supply of bananas can be increased relatively quickly and a first crop may be harvested twelve to eighteen months after a tree is planted. There are also believed to be large areas in French West Africa which are suitable for growing bananas.

6. Taking all these factors into account it is probable that, as a result of the introduction of the common market, the French and to a lesser extent the Belgian overseas territories will be likely to capture the greater part of any expansion there may be in the banana market in Germany and Benelux at the expense of the Latin American producers which have no access to any preferential market, and that they will displace a

part of the present exports of these countries to Germany and Benelux. This is likely to exert a downward pressure on the world price of bananas as the Latin American countries will be forced to look for markets elsewhere for their bananas displaced from the European market, if indeed such markets can be found. At the same time the rising production of bananas in almost all producing countries will tend to lower prices.

7. In addition to the effects of the external tariff of the common market, "bananas" are included in the agricultural regime of the Treaty of Rome. The provisions of the protocol quoted in paragraph 3 above is a clear indication that bananas will be subject to "managed market" arrangements. The creation of a managed market in bananas will be used to ensure the prior disposal within the Six of all the available production from the overseas territories of France and Belgium before other bananas are allowed into the market at all. This will be a far more sure and effective method than sole reliance on the external tariff for guaranteeing the market to the Six's own overseas territories at the expense of outside suppliers. In addition it will be 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 will be even more serious.

8. Presumably to reduce the effects of this open discrimination, duty-free tariff quotas have been provided for German imports on a regressive scale. This will freeze the total participation of all third suppliers and exclude, generally speaking, those producers which have not recently supplied the market. In other words, third countries are deprived of the possibility of sharing in the increase in consumption which, according to past performance, must be considered as likely to be substantial.

9. Summing up, the overall effects on the trade of third countries of the provisions of the Treaty will be a substantial diversion of trade, frustration of attempts to extend sales to or enter a very promising market, their reduction to the position of residual suppliers of the Six, the artificial stimulation of production in the territories of the Six and a major depressing effect on the world banana market.