RESTRICTED

W.12/41
26 November 1957

Special Distribution

GENERAL AGREEMENT ON TARIFFS AND TRADE

Original: English

CONTRACTING PARTIES
Twelfth Session

Sub-Group D of the Committee on the Rome Treaty

ASSOCIATION OF THE DEPENDENT TERRITORIES AND COUNTRIES OVERSEAS.

Statement of the Dominican Delegation

1. The Dominican Delegation wishes to point out that its country is particularly interested in the problems related with the Association of the Dependent Territories and Countries Overseas with the Common Market of the Six European Powers since the European Economic Community represents a very important market for the few tropical staple commodities on the production and export of which the Dominican economy largely depends.

2. The following table based on the export figures of the Domincan Republic for the year 1956 gives a clear picture of the importance of the Common Market for the main export commodities of the Dominican Republic:

Exports of the Dominican Republic
Basic Commodities to the European Common Market

Tobacco	46% of total exports
Bananas	24% " " "
Coffee	16% " " "
Sugar	14% " " "

3. It is obvious that the decision of the Six Powers to associate overseas countries and territories which have special relations either with France or Belgium, Italy and the Netherlands with European Economic Community as a whole must have a far reaching effect on the trade of the Dominican Republic. These effects can be summarized as follows:

4. A new preferential area will be erected which will change the competitive conditions between the few tropical products on which the Dominican economy largely depends (sugar, coffee, cocoa, tobacco and bananas), and the same commodities of the associated territories imported into the Common Market. For instance, those products coming from the French overseas territories will enjoy the same duty free

treatment in the rest of the Community as they did until now only with respect to Metropolitan France. This preferential treatment of French colonial products within the other non French territories of the Common Market may lead to a replacement of the traditional sources of supply from third countries like the Dominican Republic.

5. This must be viewed with apprehension by Member countries of GATT, like the Dominican Republic, which being independent have no sheltered access to any market under a preferential scheme, but have to compete with other suppliers for its share in the free world market. The opening of the market of the five non French members of the European Community to the sugar, coffee, cocoa and tobacco, bananas, produced in the French colonies and dependent territories means a considerable shrinkage of this free world market, in contradiction to the guarantees given by GATT to the independent underdeveloped countries, that the existing preferential markets will not be extended beyond the limits described in Article I of GATT, and that even the formation of a Customs Union of free-trade area will respect those limits in accordance with paragraph 9 of Article 24 as spelled out im detail in the interpretative note to said paragraph 9 of Article 24.

6. The departure from these GATT provisions by extending the preferential treatment of tropical products from the French colonies into a wide area in Europe will result not only in the gradual diversion of traditional trade of Third Member countries of GATT in favour of the associated territories, but may cause the building up of additional capacities of these tropical products which already are suffering or are about to suffer from overproduction.

7. Economic history has shown that sooner or later these additional capacities of tropical commodities which are developed under the umbrella of preferential schemes will not be satisfied with the supply to their newly created preferential areas but will endeavour to find additional outlets in the free world market, since they can meet any competition for their marginal exports for the free market thanks to the guaranteed market they have for the bulk of their production.

8. This development, which may place a heavy mortgage on the future growth of the economies of all the other independent underdeveloped Member countries of GATT, is bound to happen as still other stipulations in the Rome Treaty provides additional incentives for the building up of new large capacities for these tropical staple commodities in the territories of the associated colonies and countries.

9. To begin with, the Six powers have made provisions for the closing of long-term contracts for the delivery of those staple commodities arrangements which offer the necessary inducement to engage in those new production lines.

10. Second, the Six powers in the Rome Treaty provided for huge investment funds for the development of the associated territories overseas which will solve the problem with which the independent third under-developed countries are hardly able to cope, namely how to find the necessary capital for the new development projects of this type.

11. Third, the Six Rome powers have reserved for themselves the right to establish minimum prices for these tropical products which in practice will act as a protection against the price competition from third countries, if and when they should be forced by economic necessity to try to overcome the preferential tariffs for these products in the market of the Six Member countries of the European Community.

12. Already for these reasons independent underdeveloped Member countries of GATT like the Dominican Republic have reasons to be concerned not only about the effects of the association of dependent territories with the Common Market on their own exports of these staples to the non-French Member countries of the European Economic Community, but as well about its long-term effects on their commodity trade with the rest of the world.

13. The situation becomes even more serious for the Third Countries like the Dominican Republic due to the fact that the Treaty of Rome provides not only for the extension of the existing preferential zone in Western Europe, but foresees on top of this the widening of the margin of preferences for sugar, coffee, cocoa, tobacco, bananas, by means of introduction of new tariffs with rates in excess of the existing average rates of the Six powers for these products. The following table gives the details of the new tariffs for tropical products, as reported by the Six powers:

Fixed Common Tariff		Arithmetical Average	Actual Tariffs Rates of the Various Countries			
			Germ.	Bx.	Fr.	It.
Sugar	80%	77%	37%	57%	110%	105%
Coffee	76%	14%	26%	0	20%	11.1
Tobacco	30%	21%	32%	10%	Monopoly	
Cocoa	9%	2.5%	10%	0	0	0
Bananas	20%	19%	0	15	20	40

14. Leaving aside legal arguments whether or not the rules of GATT would permit the introduction of increased margin of preferences on the occasion of the association of dependent overseas territories with a Common Market it seems to us that the effect of tariff increases for the few tropical staple products which form the backbone of the most underdeveloped countries of GATT is completely different from that of tariff increases for the vast number of industrial finished or semi-finished products because changes in duties of the few staple commodities affect the whole economic life of each underdeveloped country, while changes in the same number of industrial goods will affect only a small segment of the economy of the industrialized countries.

15. For the same reason, arithmetical averages of the existing duties in a Common Market should not be applied with regard to basic tropical staple products. The constituent countries have different import requirements for these commodities

either on account of different dependency on supplies from the world market or on account of different consumption figures due to the wide variation in population. For this reason it can be said that arithmetical averages of duties for tropical products are not only completely misleading with regard to the general incidence of these duties on the third under-developed GATT members, but are bound to cause serious damage to the economies of these countries.

16. In the case of the proposed duties the European Economic Community had not even used arithmetical averages, but agreed rates which are above these averages.

17. An analysis of these new tariff rates in the light of the foregoing spells out very clearly the amount of damage which may be done to the export trade of countries like the Dominican Republic. Sixty-six per cent of our exports of coffee went to the Benelux countries where the present rate of duty is zero, while the new rate of duty will be 16 per cent. Another 25 per cent of our coffee exports went to Italy with the present rate of 11.1 per cent against a new rate of duty of 16 per cent. The reduction of the tariff on coffee in Germany and in France will not favour our exports because traditionally Dominican coffee is not consumed in these countries.

18. From the Dominican point of view the situation is even worse with regard to bananas, as 99 per cent of our exports went into Germany duty free, while in future, by the new tariff, they will be subject to a rate of 20 per cent. With regard to sugar, 52 per cent of our exports went to Germany and 48 per cent to Benelux which actually have a much lower tariff rate than the 80 per cent provided for in the Common Tariff.

19. In order to mitigate the effects of these great increases of duties the Rome Treaty offers some compensation in the form of tariff quotas for coffee and bananas. Germany will introduce an annual duty free import quota equal to 90 per cent of the quantities imported in 1956 from third countries. In other words, this duty free tariff quota freezes in effect the participation of third countries on a basis below the actual exports of the year 1956. But what is even more important is tha fact that by this arrangement the interest of the Dominican Republic may be much hurt, as only the last few years the banana exports to Germany were developed and important investments were made in the hope of further increases of these shipments to that country.

20. Regarding the tariff quotas for Benelux on coffee, this quota freezes in effect the export share of third countries on a basis of 85 per cent of the exports of 1956, but this percentage will be reduced to 50 per cent upon the beginning of the third stage. With regard to the tariff quota for coffee in Italy on the basis of the imports of 1956, this quota will be reduced from the sixth year by 20 per cent and during the third stage by 50 per cent, in order to be cut down later on to 20 per cent of the initial tariff quota. That the interest of the Dominican Republic may be harmed by this procedure is obvious. But this discrimination is even more serious if one considers that the Dominican Republic has lost the greater part of its pre-war market in Italy due to quantitative restrictions for balance-of-payment reasons, applied against the Dominican Republic as a hard currency country.

21. The Dominican Delegation wishes to underline that the limit of time accorded for the submission of this statement has only allowed to sketch very superficially the problems presented by the Association of Overseas Territories with the Common Market for the trade of our country. It has refrained from discussing the various legal issued involved, as our objective has been only to illustrate the damages which may result from the discrimination against a Member country of GATT, and the diversion of trade and the distortion of competition in the international commodity trade, which are unavoidable consequences of the Rome Treaty. The Dominican Delegation wishes at this stage to find out from the Six powers whether these consequences have been foreseen by the European Economic Community or what measures they would suggest in order to mitigate the detrimental effects of the provisions of the Treaty relating to the Association with a Common Market of the overseas territories, on an underdeveloped Member country of GATT like the Dominican Republic.