The Consultation on Cocoa, which was initiated at the request of the Government of the United Kingdom was held in Geneva on 12 and 18 November 1958. The following countries took part in this consultation:

- The United Kingdom (country requesting the holding of the consultation)
- Brazil, Ghana and Indonesia (countries requesting to take part in the consultation).

A representative from Portugal attended the meetings as an observer. The European Economic Community was represented by the delegates of the Member States and of the Community Institutions.

At the outset, the head of the German delegation, acting as spokesman for the Six, referred to the framework within which the consultation was to take place. In particular, he made it clear that under the procedure agreed upon by the Intersessional Committee and accepted by the Six in the letter addressed to the Chairman of the Contracting Parties by the President of the Council of Ministers of the European Economic Community, the consultations were to deal with specific cases arising out of the application of the Rome Treaty.

The spokesman for the Six also pointed out that these meetings would probably only constitute the first of a series of similar meetings and were the expression of a mutual desire for collaboration. The representative of the United Kingdom then asked what steps the Six intended to take in order to allay certain misgivings that had been expressed. The spokesman for the Six replied that these consultations should not be considered as negotiations and that their sole purpose was to examine the difficulties encountered by the countries requesting the consultation.

The representatives of the United Kingdom and Ghana, supported by the representatives of Indonesia and Brazil, expressed disappointment that the meetings had not led to tangible results. They nevertheless hoped that considerable progress could be made during the further meetings that were contemplated for January 1959. They suggested that, for obvious reasons of convenience, consultations on a number of products should take place at the same time.

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1 This summary record, prepared by the Council of the European Economic Community, has been translated by the GATT secretariat. The French text has been distributed to the participating governments under the EEC symbol 1300/58.
Irrespective of the problem of the proper framework for the consultations, the discussion was based on the documents produced by both sides, which included:

(a) a memorandum submitted to the Six on the eve of the first meeting by the delegates of Ghana, the United Kingdom, Indonesia and Brazil, and referring to the arguments contained in the addendum on Cocoa to the main report of 3 April 1958;

(b) a note from the Six in reply to the above, supplementing the arguments already advanced by the Six in the AOT's Working Party.

The following were the main subjects discussed:

(a) the scope of the preference accorded to the AOT's;
(b) the effects of this preference upon production in the AOT's and in third countries;
(c) the effects on consumption;
(d) the effects upon the trade of third countries and upon trade in general.

A. The importance of the preferential tariff accorded to the AOT's

The representatives of Ghana and the United Kingdom pointed out that even a 1 per cent margin of preference, such as that which obtained as of 1 January 1958 in the Federal Republic of Germany, could not be considered as negligible, since it was equivalent to £3 sterling per ton and since in any case at the end of the transition period the rate of 9 per cent would constitute a considerable advantage for the AOT's and would contribute to the determination of the world cocoa market.

The representatives of the Six pointed out that the rate of 9 per cent which would normally only be applied after twelve years, was lower than the arithmetical average of the existing legal tariffs.

It seemed to them that a preference of 1 per cent was hardly likely to have an adverse effect upon the interests of third countries.

B. The effects of preference on production in the AOT's

In the opinion of third countries, production in the AOT's would be stimulated, the more certainly so as it will fall far short of consumption within the Community, and as it will also, in view of the fact that it will be cheaper than cocoa from third countries, be preferred by European consumers.
The Six considered it unlikely that a tariff preference which is practically never fully nor automatically reflected at the retail level would constitute a sufficient incentive for producers to extend their plantations.

In fact producers respond much more readily to their rate of remuneration, which itself is closely linked to the world market.

Technical studies on this question tend to stress the difficulties of increasing cocoa production rather than the risks of over-production. The representatives of the Six felt that a moderate increase in production would even contribute to market stabilization.

C. The Effects on Consumption

The representatives of the third countries considered that an increase in the standard of living would not necessarily bring about an increase in the consumption of certain products, as the comparative study of income and consumption in the United States would appear to suggest. Cocoa consumption in Germany and Italy would appear to be approaching saturation point, while rising prices would tend to cause a decline in consumption. The representatives of the Six replied that the example of the United States of America was not universally valid, as can be clearly seen from the study of consumption in various countries published in Bulletin No.27 of the FAO. In their opinion there was no reason to fear that consumption would cease to increase in Italy and in the Federal Republic of Germany. They also pointed out that cocoa beans represented no more than about 35 to 45 per cent of the finished products, and that consequently any price increase could only be very limited. They considered that the rise in standards of living that would result from the implementation of the Treaty constituted a hopeful factor for cocoa producers in general.

D. The Effects on Trade

In the opinion of the representatives of the third countries, the 9 per cent duty would cause a diversion of trade, and reduce third countries to the status of residual suppliers. They referred to the Haberler Report, which stated that the Rome Treaty would be a trade diverting rather than a trade creating factor.

The Six considered it possible that implementation of the Treaty might cause trade diversions, but the problem was whether such diversions would eventually be beneficial or detrimental to third countries. Reliable studies appeared to show that the establishment of the Economic Community of the Six would result in expansion with considerable effects that would be felt even in primary producing countries.
At the conclusion of the discussions, the representatives of the third countries agreed that they could not at this juncture substantiate a case for specific damage, and further stated that they could not accept the concept of imminent damage. In their opinion the consultations should also cover serious threats of damage as well as purely potential damage, the Rome Treaty being, in itself, a specific case. They pointed out that with the implementation of the external common tariff the damage would begin to increase progressively, and that they could not await the end of the transition period. The United Kingdom representative felt that prevention was better than cure.

The Six again emphasized that damage of a purely potential nature did not fall within the framework of the consultations. They confirmed that they were always prepared to discuss any actual damage, as well as impending damage, provided evidence was adduced that the case arose out of the application of the Rome Treaty. At the end of these meetings both sides agreed that contact should be maintained either directly or through the GATT secretariat, so that, if necessary, further meetings could be held either in Geneva or in Brussels. The representative of the United Kingdom expressed a preference for Geneva, and suggested January 1959 as a date. He expressed the hope, which was shared by other third countries, that the next meetings would achieve better results, and stated that he reserved the right to submit the result of the present consultations to the Contracting Parties.