1. The representatives of the non-Six producers, having examined the arguments of the Six, hold to their view that the creation of a new preferential system at a tariff margin of 9 per cent on behalf of the total cocoa production of the A.O.T's throughout the large cocoa market of the Six must have very serious consequences for the trade of other cocoa 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 100,000 tons larger than their present exports) must artificially stimulate production of cocoa 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 1.5 - 2.7 per cent (see para. above) would have an appreciable effect in dislocating existing patterns of trade with the Six. Moreover, with the prospect of the full 9 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 cocoa 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 $150 million at present prices.
4. Moreover, the artificially stimulated production of the A.O.T's 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 cocoa 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 $150 to $200 million per annum.

5. The representatives of the non-Six producers did not consider that cocoa consumption within the Six would increase very substantially (para. above) and certainly not sufficiently to counterbalance the diversions of trade arising from increased production in the A.O.T's. 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 cocoa trade of third countries by the association of O.T's with the Community.

6. The adverse effects on the trade of third countries would be aggravated if substantial duties were introduced under List G for cocoa butter and other cocoa products.

7. Annex II implied that the agricultural provisions of the Treaty might well be used to give non-tariff preferences to A.O.T. cocoa 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 cocoa 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 cocoa prices - a recession which (as noted in para. 4 above) the Treaty itself might bring about.

8. The contracting parties whose trade would be particularly affected by these adverse factors (in that cocoa was especially important to them) included Ghana, the Dominican Republic, the United Kingdom Dependencies of Grenada, Fédération of Nigeria (especially the Western Region) and the New Zealand Dependency of Western Samoa. Other countries seriously affected would include Costa Rica and Ecuador. The trade and future development of all these countries were so dependent on cocoa (see para. above) that not only would the livelihood of their cocoa farmers be affected, but also the whole economic life of the territories with far-reaching social and political consequences.