1. The representatives of 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 16% on behalf of the total coffee production of the A.O.T.s throughout the large coffee market of the Six must have very serious consequences for the trade of other coffee 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 250,000 tons larger than their present exports) must artificially stimulate production of coffee 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 3.5 - 5.0% (see para. above) would have an appreciable effect in dislocating existing patterns of trade with the Six. Moreover, with the prospect of the full 16% 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 diversion of trade in the short term would be particularly noticeable in robusta coffee of which production in the A.O.T.s should be sufficient by that time largely to fill the whole robusta coffee market of the Six, thus largely excluding other robusta coffee producers. 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 15 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 coffee trade of other contracting parties (and other third countries) by dislocating traditional trade patterns. For a variety of reasons (see para. ) they considered that there would be a substantial switch to the robusta coffee of the A.O.T.s from the arabica coffee at present supplied by third countries. This switch together with increasing arabica production in the A.O.T.s would reduce very substantially the market for the arabica coffee of third countries in the Six. At the same time robusta coffee of
third countries would continue to be largely excluded. The value of existing
exports to the Six by third country producers which were thus placed in
jeopardy was of the order of $330 million at present prices, of this the
robusta market of about $30 million would be completely lost and at least
50 - 60% of the arabica market of about $300 million. In time the remaining
arabica market might well be further reduced or even almost wholly eliminated.

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 (para. above) must
tend to depress world prices, thus affecting all coffee 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
15 years' time would be of the order of $200 to $300 million per annum.

5. The representatives of non-Six producers did not consider that coffee
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 coffee trade of third
countries by the association of O.T.s with the Community.

6. The inclusion of coffee in Annex II implied that the agricultural
provisions of the Treaty might well be used to give non-tariff preferences to
A.O.T. coffee producers. If these provisions or those relating to q.r.s were
so used, they would intensify the adverse effects on the trade of third
countries and on the world coffee 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 coffee prices - a recession which
(as noted in para. 4 above) the Treaty itself might bring about.

7. The Contracting Parties whose trade would be particularly affected by
these adverse factors (in that coffee was especially important to them)
included Brazil, Dominican Republic, Haiti, Nicaragua, the U.K. dependencies of
Uganda, Kenya, Tanganyika. Other countries seriously affected would include
Colombia, Costa Rica, El Salvador and Angola. Uganda, which is particularly
dependent upon robusta coffee production, would be particularly quickly and
gravely affected for the reasons given in para. above. The trade and future
development of all these countries were so dependent on coffee (see para.
above) that not only would the livelihood of their coffee farmers be affected,
but also the whole economic life of the territories with far-reaching social
and political consequences.