Views and Conclusions of the Representatives of the Six

1. The representatives of the Six stated that there seemed little likelihood that the customs protection afforded to coffee produced in the A.O.T's would affect existing patterns of trade. The 16 per cent duty which would be levied on coffee entering the European Economic Community would not result in an increase of the existing customs protection. On the contrary, this rate was considerably lower than the arithmetical average of the present legal rates. In any case the tonnage on which a reduced duty would be levied was greater than that to which increased duties would be applicable.

2. In the short run the slight margin of customs preference which would in the future be enjoyed in the various countries of the European Economic Community by coffees from the O.T's seemed too small to divert them from the various foreign markets in which they were at present sold, and in particular from the American market, where outlets were expanding continually and where exporters reaped very substantial benefits from the foreign exchange which they received.

3. In the longer term it seemed doubtful whether the advantage which would thus accrue to A.O.T. production would be such as to stimulate production to any appreciable degree. The additional production expected in the next few years would come from new plantings made as a result of the particularly favourable prices which obtained in 1953-54. The acreage under cultivation had been increased but little since then and there was therefore reason to believe that production would have reached a ceiling in a few years' time. Despite this customs protection, a fall in the price of this commodity, occurring in a commodity whose yields were still meagre in most parts of the A.O.T's, might lead many indigenous smallholders to lose interest in coffee growing and even to abandon part of their plantations and neglect holdings already in crop. Since coffee production is very often marginal in its nature, its future depends far more on general price trends than on slight tariff preferences accorded within the framework of the association of the overseas territories with the European Economic Community.

4. In any case A.O.T. production could only compete as far as Robusta coffees of usual quality were concerned. The Arabica variety could only be cultivated in Africa in certain very limited areas, and prospects for extending it within the A.O.T's seemed very small indeed, both because of climatic factors and also
because of the careful tending which this variety requires. Up till now the protection accorded to Arabica coffees in the French Overseas Territories had certainly not made it possible to expand production of these types. There was every reason to believe, moreover, that fine Robusta coffees such as those produced by Angola would continue to be in demand because beans of these varieties were sufficiently large to be added to Arabica coffees in the most popular blends of roasted coffees.

5. Any shift in demand away from Arabica coffees seemed most hypothetical, since a diversion of this kind had occurred in France only as a result of external balance-of-payments difficulties. Both in the Federal Republic of Germany and in Italy, high fiscal charges had to a great extent reduced the attraction which the cheaper Robusta coffees might have had for the consumer. In these two countries, moreover, the consumer seemed to be firmly attached to the fine coffee blends to which he was accustomed; it had been noted that hitherto the soluble coffees manufactured in the Federal Republic of Germany contained no Robusta coffees, although in general these were considered to be well suited for the purpose.

6. Coffee consumption was still very limited in several of the European countries of the Six, particularly in the Federal Republic of Germany where, although rising rapidly, it was only 2.6 kg. per capita per annum, and in Italy, where it was barely 1.6 kg. The rate in Belgium was much higher (6.8 kg.) but was still a good deal below the American level of consumption. The general increase in income ought to make coffee a widely-consumed commodity. The campaign to encourage consumption which had been undertaken by the new International Coffee Organization would no doubt help here too, as would the lower retail price to the consumer which should normally result from the lowering of customs duties both in France and in the Federal Republic of Germany. In the longer term, there was no doubt that, as a corollary of the free movement of goods in the European Economic Community, there would be a harmonization of retail prices which could only be achieved by reducing fiscal charges in those countries where they were highest.

7. The fact that coffee was included in Annex II of the Treaty was no reason to assume that imports of this commodity would be subject to quantitative restriction; in any case A.O.T. production was and would probably continue to be inadequate to meet the requirements of the European markets of the Six as regards both quantity and quality. On the contrary, there were grounds for assuming that the quantitative restrictions which were at present applied to imports into France of coffee from abroad would be progressively relaxed upon the entry into force of the Treaty of Rome and that ultimately they could be eliminated altogether to the extent that the external payments problems would have been solved within the European Economic Community.

8. Certain members of the Working Party had repeatedly affirmed that third countries would gradually be reduced to the status of residual suppliers; on the contrary, however, it seemed very probable that the share of these countries in coffee imports, which would continue to increase in absolute value, would not even be reduced in percentage value, at least so far as Arabica coffees
were concerned: increased consumption of the Robusta coffees from the A.O.T.'s would be accompanied by increased imports of Arabica coffees into France, a country in which they had fallen to a particularly low level because of the shortage of foreign exchange.

9. In short, A.O.T. production, for which the prospects of development seemed in fact to be very limited, would only be able to compete in one particular variety and quality of coffee. Any marked lack of balance between supply and demand which might threaten seriously to upset the coffee market would result rather from an excessive increase in the crops of the major producing countries than from the modest expansion which might be achieved in the next few years in the associated countries and territories of the European Economic Community.