CONSULTATION UNDER ARTICLE XII

Consultation with the European Economic Community on Cocoa

DRAFT AGREED MINUTE

Amendments Proposed by the United Kingdom Delegation

Page 1

After para. 3 insert new paragraph as follows:

"Representatives of participating countries other than the Six said that their case for considering that damage to their cocoa interests was occurring and would steadily increase as a result of the new preference given to cocoa from the associated overseas territories in the Community had been set out in full during the discussions on the Working Party which were recorded in L/805/Add.1 and had been summarized in a memorandum submitted jointly to the Six by the Governments of Brazil, Ghana, Indonesia and the United Kingdom for the consultations in November 1958. It was agreed that this memorandum should be attached to this document as Annex A."

Page 2

Para. 5, line 3. After "9 per cent tariff" insert:

"especially the possibility that the introduction of the common tariff and the reduction of internal barriers might be speeded up"

Para. 6, line 10. After "cocoa and that" insert:

"if this increase remained."

Delete "therefore".

Page 3

Para. 9, line 5. After "in these territories" insert:

"both by increasing prices for producers and by giving an assurance of a market."

Line 6. Replace "were already taking" with "would already be taking".

At end of paragraph add:

"Their views on the scope for increased production in the AOT's had already been fully set out in the report of the Working Party (L/805/Add.1)."
Para. 10. Add at end:

"They did not deny that the tariff preference would bring about some increase in production."

Delete "POTENTIAL" in heading above para. 11.

Pages 4 and 5

Transpose "(b) Decline in Consumption" (paras. 13 - 16, including new para. 16a.) and "(c) Diversion of Trade" (paras. 11 and 12.)

Page 4

Existing para. 13, lines 2 and 3. Delete "as cocoa was a commodity which was particularly sensitive to price fluctuations".

Page 5

Existing para. 13, top line. Delete "possibly".

At end of paragraph add:

"This differential would occur no matter how the world price itself might move due to worldwide market conditions".

Existing para. 14, line 2. After "for cocoa beans" insert:

"below what it would have been had there been no duty".

Existing para. 15, lines 4 and 5. Delete "have some influence on prices ... by how much" and insert:

"raise prices by an appreciable part of the 9 per cent duty but they could not foresee precisely by how much,".

Existing para. 16. Add at end of para.:

"They believed, though they could not be certain, that with rising living standards in the Community consumption of cocoa would rise very substantially."
Insert new para. 16a. as follows:

"Representatives of participating countries other than the Six asked whether third countries were entitled to a fair share of the market of the Community. Representatives of the Six replied that members of the GATT are entitled to whatever rights there are defined in the Agreement's provisions. Furthermore, there were many references in the Treaty of Rome to the desire of the Six to preserve traditional channels of trade."

Para. 11, lines 2 - 4. Delete "prospect of a preferential market ... As the rate of" and insert:

"Higher price obtainable in the Community for their cocoa would encourage ACT producers to sell their total output in that market, thus displacing part of the sales of third countries. This diversion of trade would grow as production in the ACT's increased. Since ..."

Line 7. Delete "being forced out of the markets of the Community" and insert:

"getting a much smaller market for their cocoa in the Community than they would have got if there had been no duty."

Line 9. After "to affect exports," insert "so that".

At end of paragraph add:

"The Harper report had said that the preference on cocoa would be trade diverting rather than trade creating."

Para. 12. Add to end of paragraph:

"They stated that although the purpose of the duty was to give an advantage to the ACT's, it did not follow that the trade of third countries would suffer."

Para. 18, line 2. Insert after "was not possible" the words "as yet".

Lines 6 - 13. Delete "They also expressed the opinion ... solution to the problem", and insert:

"They considered that their case was a very reasonable and logical one likely to be accepted by any unbiased observer. Indeed the representatives of the Six who had agreed that the duty would affect prices to an appreciable extent and that production would grow had largely accepted the basis of this case, if not the final conclusions. Baron Snoy speaking on behalf of the Six at the Thirteenth Session had said that all wished to avoid actual damage. But actual damage could not be avoided by the post hoc examination of statistics, but only by a consideration of
an a priori case such as that now presented by them. If, therefore, the Six genuinely wished to avoid damage they must be prepared to weigh the case put to them by the non-Six.

Representatives of participating countries other than the Six asked what the Six would do if in a few years time third countries came forward with an irrefutable case showing many millions of pounds worth of damage. Would the Six then make payments to third countries in compensation of this damage? The representative of the Six said that that was not a matter for present discussion. If damage was proved then the Six would consider their attitude to the question."

Para. 19, line 4. After "on this subject and" insert:

"noted that discussions on the present occasion had led to acceptance by the Six of some of their basic arguments, though not the deductions from them. They believed, however, that those deductions were logically inescapable and that the Six would eventually realize this. They ..."

Line 7 to end of para. Delete "or to accept their case ... of 9 per cent." and insert:

"nor to say that would be done if damage were proved. While no actual damage could yet be statistically proved, damage of a psychological nature was already occurring and would steadily increase in the future. Far from being satisfied by the arguments of the Six, their Governments were becoming increasingly alarmed at the dangers."

Para. 20, last line. After "for" insert "fully effective".

Insert new para. 20a:

"They would have to report to their Governments this failure of the consultations to yield fruitful results and their Governments would have to consider how best to continue their pressure for a practical solution to this problem of preventing damage to their trade."