

DRAFT THIRD REPORT OF COMMITTEE IIION EXPANSION OF TRADEAddendumCOCOA

1. The Committee, in conducting its further examination of the points raised in its Second Report in relation to this commodity, had in mind that more than 60 per cent of the revenue of one less-developed country was derived from exports of cocoa and that, despite efforts to diversify its economy, this country would continue for many years to be dependent on exports of this commodity as a major source of revenue. They noted also the importance of cocoa exports for a number of other less-developed countries. The Committee had in mind also that world production of cocoa was increasing and that there had been heavy reductions in world market prices for cocoa in the last two years and this seriously affected the development of the countries concerned. There was therefore an urgent need for expanded markets for the substantial world supplies of cocoa which were now available and which were expected to show a considerable increase.
2. In the discussion on factors affecting consumption levels and the effects of these on the exports of less-developed countries, the Committee again noted the level of internal taxes operating in some Western European countries, particularly in one industrialized country where a revenue duty equivalent to 50 per cent ad valorem was applied to cocoa beans and where there were additional charges for cocoa products. (A table on consumption prices and taxation on cocoa is annexed.)
3. The Committee noted that since their previous examination no changes, such as would facilitate an early expansion of the export earnings of the cocoa producing countries, had been made in the measures applied by importing countries.

4. The Committee again noted the differential tariff rates applied in most industrialized countries against imports of cocoa products as against raw cocoa. Certain countries currently enjoyed preferential treatment for cocoa beans and various cocoa products. In this connexion the Committee noted that the rate in the Common External Tariff of the European Economic Community will result in a margin of preference of 9 per cent. The recently agreed rates for cocoa products in the Common External Tariff of the European Economic Community, which were confidentially communicated to the Committee by the representative of the EEC, were 22 per cent for cocoa butter, 25 per cent for cocoa paste and 27 per cent for unsweetened cocoa powder as against 9 per cent for cocoa beans. The Committee agreed that in general differential tariff rates might constitute an element of discouragement to the development of processing industries in those cocoa producing countries whose exports of cocoa products were subject to such duties and particularly in those cocoa exporting countries which did not enjoy preferential treatment.

5. The Committee were aware that the substantial protection accorded to domestic processors in some industrialized countries was probably intended to operate mainly against the products of other industrialized countries. The Committee, however, felt that less-developed countries which were seeking to increase exports of cocoa products were at a disadvantage with those industrialized countries. The fact was, for example, that at least one less-developed country was at present increasing significantly its sales of cocoa powder in competition with the production of an industrial country where a low level of import charges existed. The importance of cocoa products in the diversification of the economies of the less-developed countries thus made it all the more urgent to consider a reduction of duties for cocoa products which might result in a direct benefit to producers of raw cocoa. In this connexion, they also noted that some industrialized countries applied more stringent quantitative restrictions against imports of cocoa products than those applied in respect of cocoa beans.