

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec(82)20/Rev.1  
11 June 1982

## PROGRAMME OF CONSULTATIONS ON TRADE LIBERALIZATION

### COCOA AND COCOA PRODUCTS

#### Informal record prepared by the secretariat

#### Revision<sup>1</sup>

1. The consultations on cocoa and cocoa products were held on 2 March 1982 under the Chairmanship of Ambassador F. Jaramillo (Colombia).
2. As a basis for the consultations, the secretariat made available document COM.TD/W/329 and Add.1 containing detailed information on the commercial policy situation, trade flows, consumption and other factors relating to trade.

#### General statements on the trade and commercial policy situation

3. Representatives of a number of producing countries stressed that cocoa was of major importance to their countries not only for foreign exchange earnings but also in terms of the rural and regional development of areas which are often relatively poor. They pointed to the efforts being made by their countries to develop the cocoa industry by expanding production, increasing productivity, encouraging processing and promoting domestic consumption and exports. They stated that the existence of tariff and non-tariff measures in major importing countries was contributing to a decline in per capita consumption in certain countries, and acted as impediments to the development efforts of developing countries. They expressed the hope that the consultations would lead to further progress in the liberalization of trade in cocoa products. Some of these countries also referred to existing problems relating to the implementation of the International Cocoa Agreement and expressed the hope that it would be possible for all the major producing and consuming countries to accede to it in order to facilitate a solution to those problems.

---

<sup>1</sup> The revision takes into account comments and additional information provided by delegations after the consultations.

4. The representative of a group of developed importing countries pointed out that the fundamental problem in the world cocoa market, which was creating difficulties with respect to the future of the cocoa agreement, was the disequilibrium in supply and demand and its effects on the price level. He added that the agreement itself contained certain constraints on trade such as the export tax for financing the buffer stock and monitoring controls which differentiate between members and non-members of the agreement and which the Community is obliged to apply even to certain members of the Lome Convention. With regard to demand for cocoa products, he pointed out that some of the issues related to such factors as consumer habits and standards regulations, including those aimed at controlling the origin of products, quality, protection of trade marks, etc. In this connexion, he stressed that while the consumption of cocoa products had reached very high levels in a number of developed temperate zone countries, there were a number of other such countries where the possibilities for further growth in demand existed.

#### Identification of measures affecting trade

5. Representatives of some producing countries referred to the existence in certain major importing markets of what they considered as high tariffs, tariff escalation according to the stage of processing, and non-tariff measures such as quotas, quantitative restrictions and internal taxes.

#### Tariffs

6. Certain developing producing countries referred to tariff escalation in the European Economic Community where the m.f.n. bound duty on cocoa beans was 3 per cent while GSP rates on the processed products were 11 per cent, 8 per cent and 9 per cent for cocoa paste (1803), cocoa butter (1804), and unsweetened cocoa powder (1805), respectively. It was suggested that the GSP tariff quota on imports of cocoa butter into the EEC be eliminated. These countries also referred to the GSP duty rates in New Zealand on cocoa paste and unsweetened cocoa powder, which, in their view, were too high. With regard to Austria, they pointed out that although the GSP rate of duty on unsweetened cocoa powder was 7 per cent as compared with the m.f.n. rate of 27 per cent, the share of the developing countries in the trade in this product was very low. The relatively low share of developing countries in the import of unsweetened cocoa powder was also mentioned with regard to imports into Canada, EEC, Japan and New Zealand. It was noted by these countries that Swiss imports of cocoa butter or unsweetened cocoa powder from developing countries were at a low level. In response to a question by the representative of a developing producing country, the representative of Hungary stated that her country applied a GSP rate of 0 per cent to imports of cocoa and most cocoa products from developing countries and exempted from the payment of duties all products originating in and imported directly from the least-developed countries. She stated further that per capita consumption of cocoa products in Hungary had increased steadily from 1970 to 1980 and presently stood at an intermediate level of 1.4 kg. per annum. The representative of Czechoslovakia stated that, under his country's GSP, duties on cocoa products had been suspended and that imports from developing countries were free from quantitative restrictions.

7. The representative of Austria stressed that the 7 per cent GSP rate on unsweetened cocoa powder in his country had not hindered imports from developing countries, since consumer habit was the predominant factor in market choice. He also stressed that Austria had the highest per capita consumption of cocoa products. In reply to a question as to whether the duty-free concession given by Austria to other EFTA countries on cocoa powder would not affect the position of developing countries, he pointed out that imports from EFTA were nil. The representative of Austria indicated that the suggestions addressed to his country had been noted, but that his authorities would wish to await the results of the forthcoming meeting of the Special Committee on Preferences in UNCTAD before taking any position.

8. The representative of the European Communities stated that, for historical and geographical and other reasons, member States of the Community imported more than 80 per cent of their requirements of cocoa and cocoa products from members of the Lome Convention, whose imports entered duty-free. He added, however, that the preferential advantage enjoyed by these countries had diminished over the years with improvements in the GSP or reductions in the m.f.n. rates. He stated that the GSP tariff quota level on cocoa butter, which had been maintained at 22,000 tons, had never been reached by developing country exporters of this product. With regard to cocoa paste and powder, he recognized that the GSP rate of 11 per cent on paste was higher than that of butter. He added that the reason for this was partly historical, for when the duty on cocoa butter was negotiated with the EEC, developing countries had less interest as suppliers, in cocoa paste and powder than they do today. He also recalled that the Communities absorbed about 44 per cent of all cocoa butter exports.

#### Non-tariff measures

9. Representatives of certain developing producing countries considered that internal taxes maintained by some member countries of the European Communities, especially Denmark, France and Italy, were high and requested their reduction or elimination. Similar requests were addressed to Japan and Norway. New Zealand was also requested to liberalize quantitative restrictions on the imports of cocoa paste and powder.

10. The representative of France indicated that the level of the internal tax in France was equivalent to 0.6 per cent of the retail price in ad valorem terms, and therefore did not have any effect on the level of consumption which was quite high.

11. The representative of Denmark stated that the level of the internal tax in his country had remained unchanged since 1968, and, with the fall in the value of the currency since then, the real value of the tax had also fallen. He stated that the internal tax was not an obstacle to consumption, and that per capita consumption had remained steady, with the figures for 1980-1981 even showing a slight overall increase. The level of consumption in Denmark was determined, inter alia, by dietary factors. In stating that price had little influence he noted, for example, that the fall in world prices had not led to any major increase in consumption. The Danish internal tax was the same for all three forms of processed cocoa and

did therefore not represent any escalation. He added, however, that he would report to his capital, the views expressed during the consultations. The representative of Norway stated that the internal tax which was equivalent to 10-11 per cent of the retail price of the most common brand of chocolate was applied to both domestic and imported products. He noted that per capita consumption in Norway was high and that the reasons for the tax were partly fiscal and partly related to nutritional policy. The representative of Japan indicated that, in Japan, commodity taxes such as those on cocoa products were a form of consumption tax imposed on both domestic and imported products considered as luxury goods, articles of convenience, amusement or hobby, as well as products of mass-consumption, including beverages, fruit juices and carbonated drinks. He added further that the low level of tax (5 per cent) could not have an adverse effect on internal consumption.

12. The representative of a producing country stated that he could not agree with the view that tariff escalation and internal taxes did not affect the level of consumption, and referred to the United States market, where there has been a rapid growth in imports of cocoa paste since 1973, as compared with the EEC, where such imports amounted to only about 8 per cent of total imports of cocoa and cocoa products. This representative suggested that the differing situation in the two areas was due to the application of selective internal taxes in one but not in the other.

13. With regard to the internal tax on cocoa products in Italy, the representative of the EEC stated that its level was very low, amounting to about 2 per cent of the retail price. He added that this tax had been in existence for a long time and did not influence the level of consumption. He reiterated that there were a number of countries outside the Community which were significant importers of cocoa and cocoa products, but where the per capita consumption was low and which could therefore be considered as areas of potential market growth. He recalled that the member States of the European Economic Communities were still the largest importers and consumers of cocoa and cocoa products.

14. After the consultation the delegation of New Zealand provided the following information. "Cocoa paste (T.I.18.03.000) and cocoa powder (T.I.18.05.000) both attract a developing country duty rate of 15 per cent as opposed to the normal rate of 30 per cent, although both are subject to import licensing. There is, however, some provision for local manufacturers to import cocoa paste and cocoa powder where local manufacture is not sufficient to meet demands and/or where pastes and powders are of types not manufactured in New Zealand. It should be noted, however, that cocoa beans (T.I.18.01.000) currently enter New Zealand free of duty from all sources and are exempt from import licensing."

#### Possibilities for further progress towards trade liberalization

15. As indicated above, developing countries referred to the existence in certain importing countries of high tariffs on certain cocoa products, tariff escalation according to the degree of processing, internal taxes and quantitative restrictions. With respect to possibilities for further progress towards trade liberalization, developing countries addressed the following specific suggestions to importing countries for their consideration:

- Austria: reduction of the GSP rate on unsweetened cocoa powder from 7 per cent to 0 per cent.
- Canada: reduction from 5 per cent to 0 per cent of the GSP rate on cocoa or chocolate preparations in powder form.
- EEC: reduction of the bound tariff on cocoa paste from 15 per cent to 7 per cent.  
  
reduction of GSP rate on cocoa paste from 11 per cent to 5 per cent.  
  
reduction from 12 per cent to 6 per cent in the bound tariff on cocoa butter.  
  
reduction from 8 per cent to 4 per cent in the GSP rate on cocoa butter.  
  
reduction from 16 per cent to 8 per cent in the bound tariff on unsweetened cocoa powder.  
  
reduction from 9 per cent to 4 per cent in the GSP rate on unsweetened cocoa powder.  
  
reduction or elimination of internal taxes.
- Japan: reduction in the bound tariff from 20 per cent to 10 per cent and in the GSP rate from 10 per cent to 5 per cent on defatted cocoa paste.  
  
reduction in the bound tariff from 21.5 per cent to 11 per cent and in the GSP rate from 15 per cent to 0 per cent on cocoa powder.  
  
reduction or elimination of internal taxes.
- New Zealand: reduction in the GSP rate on cocoa paste from 15 per cent to 0 per cent and the removal of quantitative restrictions applying to cocoa paste and powder.
- Norway: reduction or elimination of internal tax.
- Switzerland: reduction in the GSP rate on unsweetened cocoa powder from SwF 0.20/kg. to zero.