International Coffee Organization
Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

EB 3924/07 Rev. 1

18 May 2007
Original: French

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Study

Executive Board
264th Meeting
24 May 2007
London, England

Effects of tariffs on the coffee trade

Background

This document, prepared within the framework of the Programme of Activities of the International Coffee Organization, is a synthesis of documents ICC-95-3 and EB-3924/07 and provides an update of the situation regarding the effects of tariffs on imports and coffee consumption.

Action

The Executive Board is requested to take note of this document.

EFFECTS OF TARIFFS ON THE COFFEE TRADE

Introduction

1. This report is a synthesis based on the analyses contained in two previous studies (documents ICC-95-3 and EB-3924/07) on the effects of tariffs on the coffee trade. As a synthesis, this report provides an update of the situation of tariff measures in both importing and exporting countries and an analysis of the possible implications on the coffee trade. It contains the following sections:

I. Tariff measures and the development of the coffee market in importing countries
II. Tariff measures and the development of the coffee market in exporting countries

I. Tariff measures and the development of the coffee market in importing countries

I.1 Customs duties

2. Customs barriers in importing countries have been progressively removed through the successive rounds of GATT trade negotiations (the Dillon, Kennedy, Tokyo and Uruguay Rounds). This process was continued within the framework of the Doha Round beginning in 2002. Regional trade agreements, which have multiplied in number over the last ten years, have also contributed to lowering customs barriers. These regional trade agreements provided a means of trade liberalization and economic integration, granting preferential treatment for imports from Member countries. The main regional agreements regulating trade between certain coffee importing and exporting countries include: the Trade Agreements between the European Community and the African, Caribbean and Pacific States (ACP States); the North American Free Trade Agreement (NAFTA) involving Canada, Mexico and the United States; the Agreements between the Andean Community (Bolivia, Colombia, Ecuador, Peru and Venezuela) and the European Community on the one hand and the United States of America on the other[1].

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[1] *The Agreement between the Andean Community and the USA excludes Venezuela.*

Table 1: Tariffs in importing Member countries

Product code	Description	Category	EU*	Japan	Norway	Switzerland	USA
0901.11.00	**Green coffee not-decaffeinated**	MFN	0.00	0	0	35 Fr/100 kg	0
		GSP	--	0	0	35 Fr/100 kg	0
		ACP	0.00	0	0	35 Fr/100 kg	0
0901.12.00	**Green coffee decaffeinated**	MFN	8.30	0	0	53 Fr/100 kg	0
		GSP	4.80	0	0	53 Fr/100 kg	0
		ACP	0.00	0	0	53 Fr/100 kg	0
0901.21.00	**Roasted coffee not-decaffeinated**	MFN	7.5	12	0.43	63 Fr/100 kg	0
		GSP	2.6	10	0	63 Fr/100 kg	0
		ACP	0	20	0	63 Fr/100 kg	0
0901.22.00	**Roasted coffee decaffeinated**	MFN	9	12	0.43	63 Fr/100 kg	0
		GSP	3.1	10	0	63 Fr/100 kg	0
		ACP	0	20	0	63 Fr/100 kg	0
0901 90 20	**Coffee substitutes containing coffee**	MFN	11.5	12	0.15	70 Fr/100kg	0
		GSP	8	0	0	15.4 Fr/100kg	0
		ACP	0	20	0	15.4 Fr/100kg	0

In percentage
* The duties applied by the European Community are reduced or sometimes nil for imports from ACP States and a number of countries with regional agreements.
Sources: International Customs Tariff Bureau; European Union of Customs

3. Since the European Community market is the most important destination for coffee and derived products, two main comments must be made in relation to the treatment of imports from exporting Member countries. These relate firstly to discriminatory treatment in customs tariffs applicable to some exporting Members and secondly to the escalation of customs duties which constitutes an obstacle to vertical diversification and economic development in exporting Member countries.

A. Discriminatory treatment of imports by the European Community from selected exporting Member countries

4. In Member countries of the European Community a preferential trade system for ACP States has been applied since 1975 under various cooperation agreements, notably the Lomé Agreements. Within the framework of these agreements, non-reciprocal trade preferences are granted to ACP States. These countries, exporting agricultural and mining commodities, benefit from tariff reduction measures applied by the European Community

while non-ACP States cannot benefit (Table 2). The preferences granted to ACP States were originally aimed at promoting and diversifying their exports, thereby encouraging their growth and development. The preferences granted also took the form of exemptions from restrictions other than customs duties, such as quotas, which, especially in the case of agricultural products, set upper limits on the volume of imports for a given product or a particular supply country. Tropical products that do not compete with European products (coffee, cocoa) can enter freely into the European Community. Many ACP States have successfully developed their exports of non-traditional products (cut flowers, tropical plants), which benefited from a significant preferential margin. It should be noted that in addition to the preferences granted to ACP States, the European Community applies the Generalized System of Preferences (GSP) to all developing countries as well as most-favoured-nation (MFN) preferences.

Table 2: Exporting countries not benefiting from European Community preferential measures

Country	Green, decaf. (0901.12.00)	Roasted, non decaf. (0901.21.00)	Roasted, decaf. (0901.22.00)	Extracts (instant) (2101.11.11 & 2101.11.19)
Brazil	8.3	7.5	9	9
Cuba	4.8	2.6	3.1	3.1
India	4.8	2.6	3.1	3.1
Indonesia	4.8	2.6	3.1	3.1
Mexico	4.8	2.6	3.1	3.1
Paraguay	4.8	2.6	3.1	3.1
Philippines	4.8	2.6	3.1	3.1
Thailand	4.8	2.6	3.1	9
Timor-Leste	4.8	2.6	3.1	3.1
Vietnam	4.8	2.6	3.1	3.1

In percentage

5. However, given the limited success of the main non-reciprocal preferential trade approach of these earlier agreements and the need to adapt to modern international developments such as globalisation and technological change, as well as major social changes in ACP States, the Cotonou Agreement signed in 2000 established a new approach to trade cooperation. Generalized preferences will disappear in 2008 with the entry into force of the 2000 Cotonou Agreement, which puts an end to such non-reciprocal trade preferences. In other words, with the progress achieved in the context of the liberalization of world trade, special tariff concessions granted by developed countries for imports from selected developing countries are becoming less and less important.

B. Escalation of customs duties

6. Although customs tariffs have been considerably reduced along the years, tariff escalation continues to be a matter of serious concern to coffee exporting Member countries. Tariff escalation involves an increase in duties applicable to each stage of production, from the processing of the green coffee to the final product. Among importing Members, the

United States does not apply customs duties to imports of all forms of coffee whereas other Members tend to protect their roasting industry through this tariff measure. This is an obstacle that hinders the growth of trade for developing countries in which coffee is a major resource. The European Community applies an *ad-valorem* tax of between 7.5% and 9% while Japan applies a tax of 20% on its imports of processed coffee.

I.2 Indirect taxes

7. In addition to customs duties, coffee consumption in importing countries is subject to indirect taxes, notably Value Added Tax (VAT) and excise tax duties. VAT is levied on consumption of all products but varies from country to country, even within an economic area like the European Community (Table 3). VAT has a direct impact on consumption since it affects consumer purchasing power. While some countries have higher rates of VAT than others, this is not reflected in coffee consumption patterns.

Table 3: VAT in selected importing Member countries

	VAT
European Community	
Austria	20
Belgium	6
Bulgaria	
Cyprus	0
Czech Republic	19
Denmark	25
Estonia	18
Finland	17
France	5.5
Germany	7
Greece	9
Hungary	15
Ireland	0
Italy	20 (soluble 10)
Latvia	18
Lithuania	18
Luxemburg	3
Malta	0
Netherlands	6
Poland	22
Portugal	
Romania	
Slovakia	
Sweden	12 (retail 25)
Spain	7
Slovenia	8.5
United Kingdom	0
Other Members	
Japan	5
Norway	13
Switzerland	2
USA	Variable from state to state

In percentage

8. The second form of indirect tax still levied by a number of importing countries is the excise duty generally levied on the consumption of given products such as tobacco and alcoholic drinks. Six countries are continuing to apply these specific duties on coffee (Table 4).

Table 4: Excise duties in selected importing countries

Country	Excise duties
Belgium	Green coffee: 0.1983 euro/kg
	Roasted coffee: 0.2479 euro/kg
	Extracts: 0.6941 euro/kg
Denmark	Green coffee: 5.45 Dkr/kg
	Roasted coffee: 6.54 Dkr/kg
	Extracts: 14.17 Dkr/kg
Germany	Roasted coffee: 2.19 euro/kg
	Extracts: 4.78 euro/kg
Latvia	Roasted and soluble: LVL 50/100kg
Norway	Roasted: 0.4% (tax on food) + 0.49 Nok/kg (customs duties)
	Soluble: 0.4% (tax on food) + 0.3% (research) + 0.17 Nok/kg (customs duties)
Switzerland	Specific tax on coffee

I.3 Impact on development of the coffee market

9. Customs duties and indirect taxes on coffee are reflected in the formation of consumer prices for coffee. The tables in Annex I show retail prices for coffee in current terms, consumption, and per capita consumption in importing Member countries from 1970 to 2005. It will be seen from this table that consumption in importing countries is not affected by customs duties. The direct impact of indirect taxes, which include excise duties, has not yet been established with any degree of accuracy since countries applying them have a high level of per capita consumption, notably Austria, Denmark, Finland, Norway and Sweden. In the United States consumption has fallen despite free access to the market. Coffee consumption in traditional importing Member countries is tending to stagnate despite profound changes in tariff measures over the last few years.

II. Tariff measures and the development of the coffee market in exporting countries

10. Domestic consumption in exporting countries totalled 31 million bags in crop year 2005/06 (Table 5), a figure that represents 27% of world consumption. Brazil is the leading consumer, accounting for around 16.5 million bags and an annual per capita consumption of around 5 kg (Table 6).

Table 5: Domestic consumption in selected exporting countries

Crop year commencing	2002	2003	2004	2005	2005 as % of production
TOTAL	**28 498**	**29 478**	**30 673**	**31 239**	**28.01**
Brazil	14 200	14 900	15 950	16 500	48.42
Indonesia	2 000	2 000	2 000	2 000	23.10
Ethiopia	1 833	1 833	1 833	1 833	40.74
Mexico	1 500	1 500	1 500	1 500	37.50
Colombia	1 400	1 400	1 400	1 400	11.36
India	1 167	1 250	1 337	1 337	28.96
Philippines	917	917	917	917	144.56
Venezuela	700	700	710	710	93.33
Thailand	500	500	500	500	50.03
Vietnam	500	500	500	500	3.70
Dominican Republic	340	378	378	378	80.27
Costa Rica	272	366	358	358	20.14
Haiti	340	340	340	340	95.56
Madagascar	333	333	333	333	71.18
Côte d’Ivoire	317	317	317	317	17.27
Guatemala	300	300	300	300	8.16
Honduras	200	230	230	230	7.18
Cuba	224	224	224	224	97.99
El Salvador	153	173	203	203	13.53
Congo, Dem. Rep. of	200	200	200	200	59.79
Nicaragua	190	190	190	190	11.07
Ecuador	150	150	150	150	13.18
Uganda	131	120	135	140	6.25
Others	631	657	667	679	8.66

In thousand bags

Table 6: Per capita consumption in selected exporting countries

	2002	2003	2004	2005
TOTAL	**0.66**	**0.66**	**0.67**	**0.69**
Brazil	4.66	4.68	4.80	5.05
Costa Rica	3.64	3.39	4.18	5.04
Dominican Republic	2.50	2.46	2.57	2.66
Haiti	2.50	2.46	2.43	2.39
Nicaragua	2.12	2.09	2.12	2.08
Honduras	1.78	1.74	1.77	1.92
Colombia	1.93	1.90	1.87	1.84
Venezuela	1.63	1.61	1.60	1.58
El Salvador	1.41	1.38	1.40	1.56
Guatemala	1.54	1.50	1.46	1.43
Ethiopia	1.53	1.49	1.45	1.42
Panama	1.31	1.29	1.26	1.24
Cuba	1.19	1.20	1.20	1.20
Madagascar	0.68	1.03	1.10	1.07
Côte d’Ivoire	1.10	1.08	1.06	1.05
Mexico	0.87	0.86	0.85	0.84
Ecuador	0.77	0.70	0.69	0.68
Philippines	0.63	0.65	0.67	0.66
Indonesia	0.52	0.54	0.55	0.54

In kilogrammes

11. As indicated in the previous report, while the largest volume of coffee exported by producing countries goes to consuming countries, there is an increase in trade between exporting countries themselves on the one hand and, on the other, in re-exports from importing countries to exporting countries. These various transactions could be influenced by tariff policies in exporting countries. Table 7 shows total exports by exporting countries during the last four years.

Table 7: Exports from 2003 to 2005

	2003	**2004**	**2005**	**2006**	**2005 to 2006 % variation**
TOTAL	85.98	90.67	87.20	91.55	4.99
Colombian Milds	11.72	11.39	12.00	12.01	0.03
Other Milds	20.56	21.06	18.66	21.23	13.77
Brazilian Naturals	24.27	27.22	26.40	28.24	6.96
Robustas	29.42	31.00	30.13	30.07	-0.20
Arabicas	56.55	59.67	57.07	61.48	7.73
Robustas	29.42	31.00	30.13	30.07	-0.20
Africa	11.87	11.68	10.25	10.93	6.62
Cameroon	0.81	0.73	0.70	0.74	5.02
Côte d’Ivoire	2.65	2.57	1.82	2.25	23.70
Ethiopia	2.23	2.49	2.44	2.84	16.79
Kenya	0.92	0.75	0.65	0.65	-0.23
Tanzania	0.88	0.55	0.69	0.66	-5.27
Uganda	2.52	2.63	2.37	2.17	-8.27
Others	1.85	1.95	1.58	1.62	2.34
Asia & Oceania	21.48	25.47	24.61	24.26	-1.43
India	3.71	3.65	2.82	3.70	31.03
Indonesia	4.79	5.46	6.74	5.29	-21.54
Papua New Guinea	1.15	1.05	1.20	0.85	-29.24
Vietnam	11.63	14.86	13.43	13.90	3.52
Others	0.20	0.46	0.41	0.52	25.27
Mexico & Central America	13.21	12.74	11.80	13.08	10.81
Costa Rica	1.70	1.42	1.48	1.29	-12.78
El Salvador	1.30	1.33	1.28	1.29	1.01
Guatemala	3.82	3.31	3.47	3.31	-4.43
Honduras	2.43	2.78	2.39	2.90	21.18
Mexico	2.59	2.36	1.98	2.57	29.49
Nicaragua	1.01	1.31	1.00	1.45	44.16
Others	0.35	0.23	0.20	0.27	36.10
South America	39.42	40.78	40.53	43.28	6.78
Brazil	25.70	26.44	26.15	27.32	4.47
Colombia	10.24	10.19	10.87	10.94	0.60
Ecuador	0.62	0.70	0.99	1.01	2.14
Others	2.85	3.44	2.51	4.00	59.46

In million bags

12. Importing countries re-export all forms of coffee to exporting countries. This physical flow of coffee to exporting countries accounts for an average annual volume of more than 1 million bags (Table 8). The breakdown of these exports is as follows: soluble coffee (750,000 bags in 2006); ground coffee (40,000 bags); and green coffee (85,000 bags). The following exporting countries imported a relatively significant average volume of coffee from importing countries in 2005: Thailand (716,270 bags), Mexico (225,501 bags), Philippines (125,359 bags), Vietnam (52,279 bags), Indonesia (39,219 bags) and Peru (37,867 bags).

Table 8: Re-exports by importing countries to exporting countries (January – December)

Country of destination	2002	2003	2004	2005
TOTAL	**1 132 018**	**996 196**	**1 019 216**	**1 340 489**
Angola	5 376	6 942	3 839	5 296
Benin	619	694	72	4 208
Bolivia	2 191	1 164	1 371	1 847
Brazil	7 819	6 197	5 463	5 288
Burundi	0	0	890	87
Cameroon	5 220	1 600	1 368	595
Central African Rep.	0	14	38	3
Colombia	824	400	398	283
Congo Dem. Rep. of	6 529	3 125	2 112	1 653
Congo Rep. of	987	6 379	2 012	466
Costa Rica	6 519	4 469	6 251	3 897
Côte d'Ivoire	33 070	45 130	4 102	654
Cuba	1 018	904	1 393	1 759
Dominican Republic	3 060	1 377	1 697	4 146
Ecuador	5 203	3 695	3 483	5 795
El Salvador	255	695	621	606
Equatorial Guinea	29	29	37	321
Ethiopia	126	936	119	5 159
Gabon	918	618	371	1 296
Ghana	2 723	850	769	4 591
Guatemala	521	1 212	1 129	3 404
Guinea	54	88	300	206
Haiti	928	161	375	1 022
Honduras	809	1 112	887	910
India	8 628	6 302	6 978	14 305
Indonesia	29 530	31 644	15 869	39 219
Jamaica	665	1 479	4 562	5 827
Kenya	3 500	5 242	5 530	1 286
Liberia	1 223	2 260	3 972	15 355
Madagascar	752	592	584	406
Malawi	2 257	2 176	1 304	745
Mexico	185 136	167 684	179 707	225 501
Nicaragua	1 898	882	485	5 094
Nigeria	6 315	10 346	5 495	5 511
Panama	3 162	2 901	6 594	5 402
Papua New Guinea	8 069	5 008	11 136	7 759
Paraguay	785	1 649	2 841	1 395
Peru	37 049	25 200	27 198	37 867
Philippines	134 823	126 020	93 419	125 359
Rwanda	169	3	24	115
Sierra Leone	648	551	426	25
Sri Lanka	7 131	10 290	5 436	6 534
Tanzania	417	1 989	368	280
Thailand	469 622	406 178	537 100	716 270
Togo	811	66	762	112
Trinidad & Tobago	6 243	3 348	5 874	4 206
Uganda	668	211	420	2 776
Venezuela	913	20	1 032	37
Vietnam	124 932	85 696	54 828	52 279
Zambia	9 478	7 717	4 561	8 487
Zimbabwe	2 396	2 950	3 612	4 849

In 60-kg bags

13. Exporting countries also export coffee to other exporting countries (Table 9).

Table 9: Exports by exporting countries to other exporting countries (January – December)

Country of destination	2002	2003	2004	2005
TOTAL	**1 431 947**	**1 419 300**	**1 386 934**	**3,309,837**
Angola	0	0	289	333
Benin	12 465	2 066	0	828
Bolivia	7 680	14 676	14 224	19,203
Brazil	0	1 168	435	0
Cameroon	8 617	8 956	122	2,354
Central African Rep.	0	0	0	135
Colombia	55 707	21 181	29 665	336,788
Congo, Dem. Rep. of	990	0	1 456	559
Congo, Rep. of	2 799	7 291	318	748
Costa Rica	2 815	7 795	3 904	5,207
Côte d'Ivoire	320	420	2 051	4,384
Cuba	99 985	4 213	7 799	190,123
Dominican Republic	840	279	798	895
Ecuador	156 612	186 019	264 264	623,307
El Salvador	15 180	52 564	60 105	82,507
Equatorial Guinea	1 550	1 634	5 000	178
Ethiopia	0	5 083	0	0
Gabon	3 999	3 582	162	2,134
Ghana	3 650	5 283	660	5,662
Guatemala	20 116	28 674	33 603	39,093
Guinea	216	0	132	999
Honduras	1 755	2 478	2 909	2,017
India	21 436	25 179	189 041	603,027
Indonesia	57 282	26 972	35 899	33,609
Jamaica	6 489	1 522	1 031	5,031
Kenya	4 016	2 584	2 313	19,062
Liberia	200	0	0	489
Madagascar	183	0	0	192
Mexico	208 466	273 332	267 813	580,387
Nicaragua	73 659	42 292	10 818	63,499
Nigeria	32 040	78 226	1 262	32,222
Panama	1 910	7 183	8 732	3,158
Papua New Guinea	0	653	24	51
Paraguay	14 101	21 255	29 568	24,499
Peru	55 159	45 483	37 164	61,801
Philippines	517 821	491 849	325 975	507,649
Rwanda	1 766	333	0	0
Sierra Leone	283	467	0	1,425
Sri Lanka	0	97	1 582	22
Tanzania	0	0	0	243
Thailand	7 741	10 478	18 436	17,120
Togo	12 086	7 049	0	672
Trinidad & Tobago	8 767	10 223	10 816	8,895
Uganda	45	270	0	0
Venezuela	10 043	17 424	9 738	14,649
Vietnam	3 158	3 066	8 816	14,680
Zimbabwe	0	0	11	0

In 60-kg bags

14. In 2005, the most important countries of destination for exports by exporting countries to other exporting countries were: Ecuador (623,307 bags), India (603,027 bags), Mexico (580,387 bags), Philippines (507,649 bags), Colombia (336,788 bags), Cuba (190,123 bags), El Salvador (82,507 bags), Nicaragua (63,499 bags) and Peru (61,801 bags).

15. Table 10 shows exports by exporting countries to other exporting countries. Exports from exporting countries to other exporting countries averaged 3.3 million bags in 2005. The largest volumes of exports were exported by the following countries: Vietnam (1,569,597 bags), Brazil (533,548 bags), Indonesia (504,522 bags), Ecuador (285,592 bags), Peru (82,239 bags), Côte d'Ivoire (77,991bags), Colombia (64,816 bags), Nicaragua (59,615 bags) and Mexico (56,659 bags).

Table 10: Exports by exporting countries to other exporting countries (January – December)

Country of origin	2002	2003	2004	2005
TOTAL	**1 431 947**	**1 419 300**	**1 386 934**	**3 309 837**
Brazil	345 908	461 868	352 866	533 548
Cameroon	0	100	71	900
Colombia	91 014	83 376	40 220	64 816
Costa Rica	1 057	917	2 112	166
Côte d'Ivoire	74 521	117 173	881	77 991
Dominican Republic	2 188	313	0	0
Ecuador	35 093	25 134	28 826	285 592
El Salvador	18 833	2 054	334	895
Ethiopia	0	75	0	55
Ghana	4 451	0	0	0
Guatemala	561	2 796	6 372	18 878
Honduras	0	0	0	11 308
India	4 964	1 403	2 324	2 782
Indonesia	179 200	140 308	238 726	504 522
Jamaica	29	34	73	36
Kenya	0	0	8 925	0
Malawi	0	0	11	0
Mexico	12 711	15 722	13 896	56 659
Nicaragua	17 543	29 423	59 096	59 615
Papua New Guinea	12	0	0	0
Paraguay	0	21 434	17 134	16 120
Peru	50 641	38 652	56 636	82 239
Philippines	949	1 804	842	693
Tanzania	1 502	1 441	1 889	3 910
Thailand	8 971	18 777	0	0
Uganda	1 639	850	1 956	18 408
Venezuela	0	3 958	2 025	1 108
Vietnam	580 160	451 688	551 720	1 569 597

In 60-kg bags

16. The table makes it evident that the flow of exports both between exporting countries and importing countries and between exporting countries themselves accounts for significant volumes, which could be influenced by tariff and non-tariff measures.

II. Taxes on imports

17. Table 11 shows taxes on imports of coffee in selected exporting countries.

Table 11: Taxes on imports of coffee in selected exporting countries

Product code	Green coffee Not-decaffeinated 0901.11.00	Green coffee Decaffeinated 0901.12.00	Roasted coffee Not-decaffeinated 0901.21.10.00 (grains)	Roasted coffee Not-decaffeinated 0901.21.20.00 (ground)	Roasted coffee Decaffeinated 0901.22.00	VAT
Country						
Bolivia	10	15	15	20	20	10
Brazil	10	10	10	10	10	
Cameroon						18.7
Colombia	10	15	15	20	20	10
Costa Rica	14	14	14	14	14	
Côte d'Ivoire	20	20	20	20	20	15-22
Dominican Republic	14	20	20	20	20	
Ecuador	10	15	15	20	20	10
El Salvador	15-20	15-20	15	15	15	13
Guatemala	10-15	15	15	15	15	12
Honduras	10	10	15	15	15	
India	100	100	100	100	100	22
Indonesia	5	5	5	5	5	10
Jamaica	40	40	40	40	40	
Kenya	15	15	15	15	15	16
Madagascar	20	20	20	20	20	20
Mexico						10-15
Nicaragua	10	15	15	15	15	15
Papua New Guinea	25	25	25	25	25	10
Paraguay	10	10	14	14	16	
Peru	20	20	20	20	20	19
Philippines	40	40	40	40	40	12
Rwanda	5	15	30	30	30	18
Tanzania	25	25	25	25	25	
Thailand	40	40	40	40	40	7
Uganda	7	7	7	7	7	
Venezuela	10	15	15	20	20	10
Vietnam	20	20	50	50	50	10-20

In percentage
Source: International Customs Tariff Bureau

18. Although information is not available for all countries, it should be noted that tariff and non-tariff measures applicable to the coffee trade still exist in a number of exporting countries in the context of protection for the national coffee industry. On these grounds, a number of trade agreements with developed countries were based on non-reciprocal preferences and were regarded as a form of economic development aid for producing countries.

II.2 Taxes on coffee exports

19. For many years, levying taxes on exports of commodities was justified on the grounds that since the tax administration system in a number of exporting countries was inefficient, exports of primary products provided a good tax-raising opportunity. Although very little information is available, it can be affirmed that export taxes have been abolished in many exporting countries. These taxes were regarded as an obstacle to the growth of the market inasmuch as they could contribute to an increase in export cost prices with a consequent transfer to growers who would receive lower purchase prices. These taxes are not proscribed by the World Trade Organization (WTO) although they are prohibited in a number of regional trade agreements. Further research is required to establish the extent of this taxation in countries that continue to levy coffee export taxes.

Conclusion

20. Despite the reduction in tariffs in the context both of multilateral and regional or bilateral arrangements, coffee consumption in some importing countries shows signs of stagnation. Moreover, with the progress made in the context of trade liberalization, special tariff concessions granted by importing countries for imports from given developing countries are becoming less and less important. Nevertheless, until free trade is fully established, countries that do not benefit from trade preferences granted by developed countries will continue to be subject to unequal treatment, which creates an obstacle to the development of the coffee market.

21. The escalation of tariffs on processed coffee applied by the European Community and other importing countries seems to be explained by the desire of these countries to protect their national roasting industry. This is clearly a limiting factor for the growth of added value in exporting countries. The impact is much more evident in relation to the objective of reducing the dependence of these countries on exports of primary products. Indeed, when producing countries try to reduce this dependence by developing local processing of commodities like coffee, their attempts are constrained by the escalation of customs duties applied by importing countries.

22. With regard to tariff measures applicable to coffee in exporting countries, it should be noted that customs duties are even higher than in importing countries because of the protection given to the national coffee industry. Taxes on trade between exporting countries themselves would be likely to hinder the development of the market for coffee and its derivatives within the geographical space of producing countries. There is an enormous potential for domestic consumption in producing countries where the capacity of the local processing industry is sometimes limited, which requires an increase in so-called “south-south” trade in relation to coffee.