



## **European Business Community (EBC) Food Committee**

### **Position Paper**

### **Matching the Import Duty on all Chocolate at 10%**

**September 17, 2004**

#### **Summary of EBC Position**

The EBC asks the Government of Japan to match the import duty rates on all chocolate at 10%. In Japan, chocolate confectionery for retail (generally understood to be in packs of 500g or less) is subject to an import duty rate of 10%. However, chocolate for professional use is subject to much higher duties, 29.8% for dark and milk chocolate and 25% for white chocolate. The EBC can see no justification for such a difference as higher duty rates on chocolate intended for professional use ultimately discriminates against Japanese confectionery producers as well as consumers. The EBC requests that an import duty of 10% be applied to all chocolate regardless of sales channel or pack size.

#### **Background**

The reason for the current discrepancy in duty rates for chocolate as far as the EBC understands is as follows. Historically, all imported chocolate had a very high duty rate of over 30%. However, the Government of Japan agreed to reduce the import duty rate on all chocolate confectionery for retail to 10%. Japan seems to be the only country that has different import duty rates for chocolate depending on sales channel.

#### **Rationale**

The rationale for applying a uniform import duty rate to all chocolate regardless of sales channel or pack size is as follows:

#### **1. Improve competitiveness of Japanese confectioners and stimulate consumer demand**

Chocolate in large pack sizes is used by Japanese confectionery companies in their own production. As such, the higher import duty serves only to penalize the Japanese food industry as well as Japanese consumers. It makes Japanese confectionery producers less competitive versus foreign competitors.

Also, the current discrepancy in duties is forcing some Japanese confectionery manufacturers targeting the domestic Japanese market to invest in production facilities for consumer chocolate in China, rather than Japan, since China has lower duties on chocolate (10%) in addition to other well-known cost benefits.



**2. Bring the import duty rates of chocolate for professional use in line with other countries**

The import duty rates of chocolate for non-retail use are vastly higher than other countries. See below:

Products	Classification	DUTY(%)					
		Japan	Korea	Indone- sia	Philip- pines	China	Singapore
Chocolate	Chocolate Confectionery for retail	<b>10</b>	8	5	7	10	Free
Dark Chocolate	Non-retail	<b>29.8</b>	8	5	7	10	Free
Milk Chocolate	Non-retail	<b>29.8</b>	8	5	7	10	Free
White Chocolate	Non-retail	<b>25</b>	8	5	10	10	Free

**Conclusion**

In conclusion, the EBC can see no justification for the differential in import duty rates for chocolate for different sales channels (and in different pack sizes) as currently exists. This differential is only working against the interests of Japanese consumers and Japanese industry.

We request that the Government of Japan revise the import duty rate for all chocolate to 10% regardless of sales channel or pack size. This will bring many benefits including increased competitiveness, investment and demand: all goals of the Government of Japan.

**About The European Business Community (EBC)**

The European Business Community is the trade policy arm of the combined European national chambers of commerce in Japan. Together the EBC represents the interests of over 3,000 European firms who are members of a European Chamber, with over 300 of these firms active in one of the EBC's 26 industry committees covering a wide variety of economic sectors and business areas.