

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## Multilateral Trade Negotiations

### GROUP 3(f) - BACKGROUND INFORMATION ON CERTAIN TROPICAL PRODUCTS

#### COFFEE AND COFFEE PRODUCTS

##### Note by the Secretariat

1. As indicated in Addendum 1, the secretariat was asked by Group 3(f) to prepare a note covering the main points emerging from the statistical data contained in document MTN/3F/W/3 and where relevant the tabulations annexed to document COM.TD/W/189.

##### Recent trends and trade patterns

2. Table IVB1 of MTN/3F/W/3 provides details of green and roasted coffee bean exports by quantity and value for the years 1967 to 1972 inclusive. While exports by quantity increased from 3.2 million tons in the former year to 3.5 million tons in the latter (approximately 10 per cent), the value of exports in dollar terms during the same period rose from \$2,270 million to \$3,159 million or 39 per cent. As indicated in Table III, after an increase in 1964, followed by a decline during the period 1964-1967, the index of prices (1963=100) moved from 112 in 1967 to 150 in 1972 and 189 in 1973, the latest figure in part reflecting a decline in exportable production which resulted in a run down in global stocks in 1973/74. It may also be noted from Table IVB3 that there was an apparent build-up in inventories in importing countries during 1973. The movements in prices over the period 1963 to 1973 for primary products in general (excluding fuels) and for manufactures, including developments on a quarterly basis for the years 1971/73, are shown in Table III.<sup>1</sup>

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<sup>1</sup>It should be noted that the price index for all primary commodities averages out price movements for a large number of individual commodities sometimes with divergent trends.

3. Changes in quantity and value of exports of green coffee by exporting country and by region during the period 1967-1972 may be seen from Table IVB1. While no significant trend emerges, it would appear that there has been a marginal increase in the share of global coffee exports from the African region.

4. A further indication of trade in raw coffee is given for 1964, 1967 and 1970 in document COM.TD/W/189 (Table 2A). Approximately 90 per cent of imports into the developed country markets shown in the table during 1970 took place at most-favoured-nation rates of duty and 10 per cent at special preferential rates of duty. A similar pattern of trade is indicated for the years 1964 and 1967. The same series of tables (Table 3A) reflect the relatively minor level of trade in roasted coffee beans - approximately \$13 million in 1970 - of which 45 per cent was imported from developing countries and 54 per cent from developed countries at most-favoured-nation rates of duty and 1 per cent from developing countries at special preferential rates of duty.

5. Imports into developed countries of coffee extracts, essences and concentrates in 1970 (COM.TD/W/189 (Table 4A)) were valued at \$107 million, of which 96 per cent was traded at most-favoured-nation rates of duty (42 per cent from developing countries) and 4 per cent at special preferential rates of duty (negligible from developing countries).

6. Almost fifty developing countries were each responsible for coffee bean exports valued at more than \$1 million in 1972 (Table IVB1). Those countries for which coffee accounted for 10 per cent or more of total export earnings in 1970 included Burundi, Cameroon, Central African Republic, Equatorial Guinea, Ethiopia, Guinea, Ivory Coast, Kenya, Malagasy Republic, Rwanda, Tanzania, Togo, Uganda, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Brazil, Colombia, Ecuador and Papua/New Guinea. Other significant exporters in value terms (i.e. exports of coffee beans valued at more than \$40 million in 1972) included Zaire, Mexico, Peru, India and Indonesia (Table IVB1).

7. Brazil was the predominant developing country exporter of coffee extracts, essences and concentrates in 1970 (COM.TD/W/189, Table 4.B). Although as indicated in paragraph 4 above, imports of roasted coffee beans from developing countries were relatively small, most supplies were directed to the United States market from Mexico, Dominican Republic and Brazil (COM.TD/W/189, Table 3B).

#### Consumption

8. Indicators of apparent per capita consumption of coffee (based on green coffee imports) for the periods 1964-65, 1966-68 and 1969-71 are shown in Table IVB4.

9. The trend which emerges for the period indicated is that per capita consumption in developed countries has generally been increasing, exceptions being the market of Canada and the major market of the United States which between them accounted for 46 per cent of developed country imports in 1970. It would appear further that the rate of increase has been highest in those developed countries, including Japan, United Kingdom, Australia and New Zealand where per capita consumption has been of a lower order of magnitude. While consumption in developing countries shown in the table and D.R. Germany and USSR were generally at substantially lower levels than in the main consuming countries, the trend over the period was again generally upward.

#### Tariffs

10. On the basis of information in Table IIBa of the statistical material, raw coffee beans continue to be subject to most-favoured-nation rates of duty in certain developed country markets. The EEC most-favoured-nation rate is 9.6 per cent (7 per cent provisional) and 13 per cent when freed of caffeine. As indicated in the explanatory notes to the tabulations, the United Kingdom, Denmark and Ireland are in the process of aligning their tariffs (including preferential rates where relevant) with those of the Common Customs Tariff of the Community. The United Kingdom continues to apply British preferential rates of duty to Commonwealth countries which are considered eligible for association with the EEC, while items from countries associated with the original EEC of six member States (and having duty-free entry to that market), are at present subject, on importation into the United Kingdom, Denmark and Ireland, to the rates of duty which applied before accession, where such rates are lower than the transitional rates.

11. According to Table IIBa, Australia, New Zealand, Austria, Sweden, Switzerland and Finland also continue to maintain m.f.n. duty rates for raw coffee in their tariff schedules. However, New Zealand and Austria permit duty-free entry for this item under their GSP schemes, and Australia provides duty-free entry for raw coffee under by-law.

12. Roasted coffee is subject to m.f.n. duties in all developed countries shown in the table with the exception of the United States where no tariff is applied to this item. Provisionally reduced rates of duty are charged in Austria and Japan, and Canada has exempted roasted coffee from duty on a temporary basis. The EEC duty on roasted coffee freed of caffeine is higher than that for such coffee containing caffeine.

13. Yet higher m.f.n. rates of duty are applied in some countries on extracts, essences and concentrates of coffee. Table IIBc indicates that no duty is chargeable on this item in the United States or Sweden. A number of countries, however, apply reduced rates of duty to these processed coffee products under their GSP schemes and the available details on this aspect as of March 1974 are reflected in the table.

14. With regard to coffee extracts (BTN 21.02), it would appear that this item is imported duty free into the EEC from the Associated States and the East African Community as well as from certain Mediterranean countries (Greece, Turkey, Morocco, Tunisia). Intermediate rates of duty also appear to be applied by the EEC to a number of other countries including Israel, Spain, Malta, Cyprus, Egypt and Lebanon.

15. It will be noted from the table, that in certain markets, the rate of duty applicable to coffee extracts may vary according to the degree or type of processing, the type of container and the addition of other ingredients.

#### Internal taxes

16. Details showing internal taxes applied to coffee are contained in Tables IIBa to IIBc. Taxes of general application are imposed in a number of countries. While single tax rates are applied across the board to almost all items in certain countries, the tax systems of some others provide for different rates of taxation under the value added tax system. For raw and roasted coffee and coffee extracts etc. the reduced rate of value added tax is, in most cases, utilized by member States of the EEC. As for other food products, the United Kingdom exempts coffee from value added tax.

17. Details of selective taxes applied to coffee in 1973 are also shown in Table IIB. Japan has a commodity tax of 5 per cent on each of the items shown in the table. With respect to selective taxes these are indicated for France, F.R. Germany, Italy and Denmark covering raw and roasted coffee and coffee extracts. The selective taxes applied by France were provisionally suspended during 1973.

#### Other non-tariff measures

18. According to Table IIB, no other non-tariff measures have been notified to the secretariat with respect to coffee. However, it may be noted that the import scheme of New Zealand for the 1973/74 fiscal year, which was announced prior to the disinvocation of GATT Article XII in May 1973, indicates that roasted coffee and coffee extracts are subject to import restrictions.

#### Action in other international organizations

##### International Coffee Organization

19. In 1973, members of the International Coffee Agreement decided to extend the 1968 agreement, with amendment, until 30 September 1975 or until a new Agreement enters into force, whichever is the sooner. The amendments to the extended arrangement provided basically for the elimination of its economic clauses.

20. A Working Group on the negotiation of a new Agreement has been established by the Coffee Organization to examine all the issues relating to this matter and to recommend the text of a new Agreement by 30 September 1974. Possible measures under consideration by this Group include those related to quota arrangements and prices, stocks and stockholding practices and financing and production policies.