

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## Multilateral Trade Negotiations

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

#### TEA (BTN 09.02 AND 21.02B)

##### Note by the Secretariat

1. In accordance with the request made by Group 3(f), the following paragraphs contain information on the main points emerging from the statistical data contained in document MTN/3F/W/3. Reference is also made to the tabulations contained in document COM.TD/W/189 where these are relevant.

##### Recent trends and trade patterns

2. Table IVc1 of MTN/3F/W/3 provides details of tea exports by quantity and value for the years 1967 to 1972 inclusive. During this period the volume of tea exported increased from 700,000 metric tons to 760,000 metric tons (about 9 per cent) with some annual fluctuations in supplies during the interim period. However, in dollar value terms, world tea exports between 1967 and 1972 increased by only 2 per cent from \$731 million to \$746 million. During this period, the value of exports fluctuated between a high of \$746million in 1972 and a low of \$626 million in 1969 when the quantity exported was also at the minimum for the period.

3. The development of tea prices for the period 1963-1973 is reflected in the price index contained in Table III which shows the long-term erosion of prices experienced for this commodity. Compared with 100 for the base year, 1963, the index had moved to 83 in 1972 after reaching a minimum of 76 in 1969. This development may be compared with the price index for all commodities (excluding fuels) and manufactured goods which are shown in Table III<sup>1</sup> for the period 1963-1973, including on a quarterly basis for the years 1971-1973.

4. It may be noted that price quotations for tea at London auctions during the early months of 1974 have risen above 1973 levels reflecting market sentiment resulting from the anticipated effects of adverse climatic conditions and the shortage of fertilizers in certain producing countries. Table IVc3 indicates also that stocks of tea in the United Kingdom as of December 1973 were at their lowest end of year level for the 1967-1973 period shown in the table.

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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.

5. Table IVCl provides an indication of developments in trade in tea over the period 1967-1972. The main point which emerges from the data is the decline in the share of the world market of Asian producers and an increase in the African share, more particularly by Kenya, Uganda and Malawi in both quantity and dollar value terms.

6. Twenty-one developing countries were each responsible for tea exports valued at \$1 million or more in 1972. Those countries for which tea accounted for about 10 per cent or over of total export earnings in 1970 included Kenya, Malawi, Bangladesh, India and Sri Lanka. Other exporters in value terms of over \$5 million in 1972 included Argentina, China, Indonesia, Tanzania and Uganda (Table IVCl).

7. Certain additional information regarding trade in tea is provided in document COM.TD/W/189. It may be noted in Table 5A that bulk tea enters duty free into all developed country markets shown (except Japan) on an m.f.n. basis. With regard to extracts, essences and concentrates of tea, duties continue to be applied in certain markets. The value of imports of processed tea into the developed country markets shown in Table 6.A during 1970 amounted to \$3.7 million of which 67 per cent was on a most-favoured-nation basis and 33 per cent at special preferential rates of duty mainly to the United Kingdom market from Uganda, India and Sri Lanka. Of trade at m.f.n. duty rates, 4 per cent was provided by developing countries.

#### Consumption

8. Apparent consumption of tea in certain countries, based on imports and production where relevant and discounting stock changes, is shown in Table IVCl for the periods 1963-1965, 1966-1968 and 1969-1971. The figures, among other things, indicate a decline in per capita consumption in the traditional, major consuming countries including the United Kingdom, Ireland, Canada, Australia and New Zealand who together accounted for over 70 per cent of imports into developed countries in 1970 (COM.TD/W/189, Table 5.A). However, for a number of other developed countries including the United States, Denmark and Sweden where offtake is significantly lower than in the major consuming countries, an increase in per capita consumption is shown. An upward trend in per capita consumption is also indicated for some developed country markets including Italy, France and Federal Republic of Germany where offtake is relatively low.

9. Another feature emerging from the data is the apparent increase in per capita consumption in the major producing nations of Asia (India and Sri Lanka) and in Kenya. Developing countries surrounding the Mediterranean Basin also appear to be significant consumers of tea of differing varieties.

### Tariffs<sup>1</sup>

10. As indicated in paragraph 7, bulk tea is permitted entry duty free into developed country markets shown in Table IICa, other than Japan where the duty is 5 per cent. However, tea in small containers is dutiable in a number of markets shown in the table, although under the Generalized System of Preferences entry is provided duty free into the EEC and at a reduced rate of duty into Austria.

11. Table IICb indicates that extracts, essences and concentrates of tea are also dutiable in certain developed countries. While Australia and Switzerland have provided duty-free entry for this item under their GSP schemes, the EEC, Austria and Japan permit imports at reduced rates of duty under the GSP. No GSP concession has been granted on this item by New Zealand and the scheme of Japan does not include instant tea without the addition of sugar. In connexion with EEC imports of tea extracts and essences (BTN 21.02), the AASM and EAC countries, as well as Greece, Turkey, Morocco and Tunisia are granted duty-free entry. A number of other countries including Israel, Spain, Malta, Cyprus, Egypt and Lebanon are entitled to entry into the EEC market for this item at intermediate rates of duty.

### Internal taxes

12. Details of internal taxes applied to tea in developed country markets are shown in Tables IICa and IICb. As for other tropical products, taxes of general application are also applied to tea in certain markets. Where the value-added system provides for more than one rate of taxation as in EEC member States, the reduced rate is generally utilized for tea, the exception being the Netherlands where the standard (higher) tax rate is charged on BTN item 21.02B. Tea, like other food products, is exempted from such taxes in the United Kingdom.

13. Selective taxes are also applied to tea in certain markets. Japan has a commodity tax of 5 per cent on black tea syrups and the like and excise taxes are imposed by France and the Federal Republic of Germany on tea (BTN 09.02) and tea extracts, essences and concentrates (BTN 21.02B).

### Other non-tariff measures

14. The only other non-tariff measure recorded in Table IIC is the import restriction which New Zealand has on tea in containers of not more than 5 lb.

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<sup>1</sup>For details relating to the transitional duty arrangements of Denmark, the United Kingdom and Ireland, see page 4 of MTN/3F/W/3.

Action in other organizations

15. The FAO Intergovernmental Group on Tea and its sub-groups (Sub-Group on Long-Term Measures, Sub-Group of Exporters, Sub-Group on Promotion) have provided a forum for the discussion of problems associated with the world tea economy and the consideration of possible solutions. In recent years attention has been given to possible arrangements for improving and stabilizing tea prices. The UNCTAD has been associated with these developments in the light of UNCTAD resolutions 16(II) and 83(III).

16. In December 1969 an informal arrangement based on export quotas related to estimated available supplies of black tea in 1970 was adopted pending the negotiation of a formal international agreement. The informal arrangement has since been extended on an annual basis, and in 1972, the producing countries agreed to it being continued for the 1972/73, 1973/74 and 1974/75 seasons. At a meeting of the Sub-Group of Exporters in July 1973, it was agreed that there was a need for a comprehensive multi-dimensional approach to achieve and maintain a remunerative level of prices for the world tea industry. Such an approach should encompass appropriate action in a number of fields including marketing, promotion and export regulation. Detailed studies relating to these matters are being undertaken.

17. Intensive Intergovernmental Consultations on Tea are scheduled to be held in Rome shortly in accordance with UNCTAD resolutions 83(III) and 7(VII).