

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## Multilateral Trade Negotiations

### GROUP 3(f) - SHELLAC, STICKLAC AND OTHER LACS (BTN ex 13.02)

#### Note by the Secretariat

1. The above Group of products are among the items suggested for examination in Group 3(f) under its programme of work. Details of trade flows and the remaining trade barriers affecting unprocessed and processed lacs are given below.<sup>1</sup>
2. Lac is a natural resin secreted on several kinds of tropical trees by an insect belonging to the same family as the cochineal and the kermes. This secretion, after collection and drying is known commercially as "sticklac". After grinding, washing and sifting, "seedlac" is obtained and finally, shellac, also known as sheet, plate or slab lac, is obtained by fusion and filtering which purifies the gum. It takes the form of vitreous flakes. A similar product in the shape of discs is known as "button lac". Refuse lac (garnet lac) is obtained from the residues left from the preparation of shellac. The collection and preparation of lac is labour intensive.
3. Two developing countries, India and Thailand account for almost all world production and exports of shellac and other primary products related to the lac family. Sri Lanka, Burma and China also produce small quantities which are used mainly for domestic consumption. Over the past two decades, lac production in and exports from both India and Thailand have fluctuated considerably. Thai exports are mainly in the form of sticklac and seedlac whereas India exports raw, semi-processed and processed lac products (Table 1). Six countries have in the past five years for which statistics are available accounted for about 73 per cent of world lac imports. The United States (25 per cent), the Federal Republic of Germany (12 per cent), the United Kingdom (13 per cent), Japan (11 per cent), the USSR (7 per cent) and Brazil (5 per cent). Imports have registered some decline in recent years.

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<sup>1</sup>No attempt has been made in this note to study questions related to instability of production and prices and competition from synthetics.

Tariffs

4. Details of the remaining tariffs applied by developed countries are shown in Table II. With some exceptions, Canada applies a most-favoured-nation duty of 10 per cent to imports of lac and lac products, the British preferential rate being zero. While sticklac imports into Japan are duty free from all sources, seedlac is exempt from duty when imported from developing countries under the GSP. Shellac and other lac imports are, however, subject to a duty of 20 per cent or ¥ 50 per kilogramme whichever is the lower. Switzerland has included lac and lac products in her GSP scheme free of duty. Imports of these items by other developed countries are permitted entry at zero most-favoured-nation rates.

TABLE I

Exports of Shellac: 1967/68 to 1972/73<sup>1/</sup>

	1967/68	1968/69	1970/71	1971/72	1972/73
<u>Quantity</u> (thousand metric tons)					
India: Total	15.4	17.1	13.5	14.1	7.5
<u>of which:</u> Seedlac	3.9	4.2	2.6	3.7	1.0
Shellac	11.2	12.4	10.1	10.3	6.4
Thailand: Total	7.8	10.2	6.9	7.8	11.1
TOTAL	23.2	27.3	20.4	21.9	18.6
<u>Value</u> (\$ million)					
India: Total	6.8	6.6	6.6	9.0	7.6
<u>of which:</u> Shellac	5.4	5.5	5.1	7.3	6.7
Thailand: Total	1.8	1.8	1.8	2.9	5.1
TOTAL	8.6	8.4	8.4	11.9	12.7
<u>Unit value</u> (US cents per kg.)					
India: Shellac	48.3	43.5	54.7	71.3	103.2
Seedlac	35.7	24.6	35.6	50.0	94.5
Thailand: All lacs	23.1	17.8	25.4	37.1	45.9

<sup>1/</sup> Statistics of exports refer to fiscal year 1 April-31 March for India and to calendar year of the first year shown for Thailand.

Sources: Lac in India, Ministry of Food and Agriculture, New Delhi;  
Public Ledger; National Foreign Trade Statistics; Monthly Report,  
Bank of Thailand.

TABLE II  
Lacs (ex 13.02)<sup>1/</sup>

a. sticklac      b. seedlac      c. shellac  
d. other lacs

	Canada	Switzerland	Japan
Tariff: m.f.n. etc.	0 <sup>2/</sup> , 10% (BP-0)	Sw F 2/100 kgs.	a - 0 b - 15% or ¥ 15/kg. whichever is greater c, d, (shellac and other refined lacs) - 20% or ¥ 50/kg. whichever is greater
GSP	-	0	b - 0

<sup>1/</sup> Zero m.f.n. duties are applied by developed countries other than those mentioned in the Table.

<sup>2/</sup> Crude stick or seedlac is duty free when imported by manufacturers of bleached shellac for use exclusively in the manufacture of bleached shellac in their own factories.

Lac, crude, seed, button, stick and shel as well as bleached shellac including refined or dewaxed bleached shellac - 10%.