

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## Multilateral Trade Negotiations

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

#### PEPPER, GROUND AND UNGROUND

#### Note by the Secretariat

1. The following paragraphs contain information on the main points emerging with respect to pepper 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 IVD1 of MTN/3F/W/3 provides details of pepper exports by quantity and value for the years 1967 to 1972 inclusive. After increasing from 129,000 to 133,000 metric tons between 1967 and 1968, the volume of pepper exports declined to 107,000 tons in 1970 and then rose to 132,000 tons and 126,000 tons in 1971 and 1972 respectively. The value of pepper exports generally showed an upward trend (except for 1968) and increased in dollar terms from \$78 million in 1967 to \$115 million in 1972.

3. Stock changes, London, are shown in Table IVD3. The run-down in stocks from almost 600 tons at the beginning of 1965 to only 10 tons at the end of 1972 and the early months of 1973 is clearly reflected in the tabulation.

4. The development of pepper prices over the decade 1963-1973 is indicated in the price index shown in Table III. Compared with 100 for the base year 1963, the index had moved to 142 in 1965 and then declined to 114 in 1967. This was followed by a general upward trend in the index for pepper in the succeeding years to reach 173 in 1973. For comparative purposes, the price index for all commodities (excluding fuels) and manufactured goods are shown in Table III<sup>1</sup> for the period 1963-1973, including, on a quarterly basis, for the years 1971-1973.

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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 IVD1 also indicates the major developing country exporters of pepper. In 1972, ten such countries were each responsible for pepper exports valued in dollar terms at \$0.5 million or more. These included, in order of importance, Singapore (mainly re-exports), India, Indonesia, Malaysia, Brazil, Madagascar, Ethiopia, Mexico, Khmer Republic and Guatemala.

6. Certain additional information regarding trade in pepper may be obtained from the tabulations contained in document COM.TD/W/189. Of the developed countries shown in Table 7.A, the United States and the nine member States of the EEC accounted for almost 90 per cent of imports in 1970. Approximately 86 per cent of imports of pepper by developed countries took place at most-favoured-nation rates of duty (73 per cent from developing countries) and 13 per cent (mostly from developing countries) at special preferential rates of duty.

#### Tariffs

7. Table IID provides details of tariffs applied to unground and ground pepper in developed countries. Unground pepper is permitted entry duty free either at most-favoured-nation or GSP rates of duty in the developed countries shown other than Austria, Australia and the EEC.<sup>1</sup> Austria, however, applies a reduced rate of duty under her GSP scheme and the EEC permits duty-free entry for pepper when used in the manufacture of essential oils and resenoids. The Associated States and the East African Community are entitled to duty-free treatment for this item under their respective arrangements with the EEC. The table also indicates that unground pepper will be permitted duty-free entry into Canada when that country introduces its GSP.

8. Compared with unground pepper, Norway, Sweden and Finland are the only countries permitting duty-free entry for ground pepper at most-favoured-nation rates of duty. Switzerland and Japan, however, provide duty-free entry for this item under their GSP schemes and Austria permits entry under her Generalized System of Preferences at a reduced duty rate (21 per cent). The United States has also included ground pepper in her illustrative list of products which may be included in the United States GSP scheme.

9. The most-favoured-nation rate of duty in New Zealand and Japan for pepper packed for retail sale is higher than for ground pepper in bulk. Japan, however, provides entry for this item at the same tariff rate as for ground pepper (other than in retail packs) when imported from developing countries under the Generalized System of Preferences. As for unground pepper, imports of ground pepper into the EEC from the AASM countries and the EAC are permitted entry duty free.

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

#### Internal taxes

10. Details of internal taxes applied to pepper in 1973 are also shown in Table IID including taxes of general application and selective taxes. From the information available, it would appear that France has a selective tax on this item.

#### Other non-tariff measures

11. The only other non-tariff measure recorded in Table IID is the restriction applied by New Zealand on pepper other than unground pepper not in retail packages.

#### Action in other organizations

##### FAO

12. Problems confronting the world pepper economy are subject to review in the Committee on Commodity Problems. At an ad hoc Consultation on Pepper in 1972 it was generally agreed that there was a need to collate more detailed information on production, consumption and trade in pepper, including estimates of medium and long-term prospects which could help to form a basis for the consideration of international action which may be appropriate or desirable. The FAO is co-operating with governments in undertaking the collection of such information.

##### Pepper Community

13. The Pepper Community was set up in 1972 by the main producing nations of Asia with the objective of minimizing excessive price fluctuations in pepper, improving export earnings from pepper and expanding consumption. At its third meeting in November 1973, the Community gave consideration to a number of matters including the statistical situation, product standardization, a UNIDO project for a pepper processing research and product development centre under Pepper Community supervision and joint action for the removal of obstacles to trade.