The consultation on tea which was held at the request of the Government of India took place in Geneva on 31 October 1958.

The following countries took part in this consultation:

- India (country requesting the holding of the consultation)
- Ceylon, Indonesia, Japan, Pakistan, United Kingdom (countries requesting to take part in the consultation)
- the European Economic Community was represented by the delegates of the Member States and of the Community Institutions.

The Head of the German delegation, acting as spokesman for the Six, opened the discussion and recalled the framework within which the consultation was to take place and pointed out that the discussion should deal with specific cases arising out of the application of the Rome Treaty.

He stated that the Six had taken cognizance with great interest of the memorandum submitted by the Governments of India, Pakistan, Ceylon and Indonesia, but pointed out that this document dealt with problems relating to future developments in consumption and did not refer to specific cases eligible for discussion.

Mr. Klein then suggested that delegates from the countries requesting the consultations should express their points of view.

The representative of India stressed the importance of tea for his country's economy. This item alone accounts, in fact, for a quarter of India's total exports. The local tea industry, now in the process of expansion, employs a considerable number of workers and devotes considerable funds to plans for improving the quality and increasing the volume of production.

The delegate of Ceylon stated that tea accounted for two-thirds of Ceylon's total exports. His country's development plans depended on the export of three staple products of which tea is one. Therefore, any decline in the volume of tea exports has immediate repercussions on development plans. Furthermore, the tea industry employs a considerable number of workers and is an employment stabilizing factor in Ceylon.

The representative of Indonesia stated that 45 per cent of his country's tea exports went to the countries of the European Economic Community.
The representative of Japan said that his country produced 160 million pounds of green tea in 1953. Of this total 24 million pounds were exported. The main purchasers were among the countries of the franc area including Algeria, Morocco and Tunisia. In this connexion, he recalled that under an agreement, that was to be renewed shortly, between his Government and the French Government, the latter had agreed to purchase a certain quantity of green tea for Algeria. He had certain misgivings as to the possibility of agreements providing for Tunisia and Morocco joining the Community, as a result of which the two countries could raise their duty to 35 per cent, thereby threatening Japan's exports of green tea to North Africa.

The United Kingdom delegate said that he wished to be associated with the memorandum submitted by India, Pakistan, Ceylon and Indonesia in defence of the interests of British East African territories. The latter countries are not exporters to the Community itself, but might be directly affected by fluctuations in the international tea trade.

Following these statements Mr. Klein called on the representatives of the Six Member States to supply the explanations which had been requested.

The Belgian delegate pointed out that certain countries appeared to have misgivings with regard to the expansion of tea production in the Belgian Congo. He added that the exports from the Belgian Congo to the Six did not exceed 130 tons of tea per year out of a total production of 1,800 tons. This was a very small quantity if one considered that the tea consumption of the Six is estimated at 20,000 tons. Furthermore, there was no cause to fear that these exports might increase in the future to an extent that could cause concern to third countries. In fact consumers' tastes within the Community tended to favour other varieties of tea, and natural factors such as climate and lack of suitable land tend to prevent any considerable increase in tea plantings in the Belgian Congo. He also pointed out that French Equatorial Africa is one of the main importers of tea from the Congo, as well as Great Britain, which uses it for blending purposes.

The representative of the Netherlands emphasized in the first place that it was in the interest of the Six to maintain their imports from third countries at a high level in order to find outlets for their own exports. He also considered that consumption of tea in his own country would remain at a very high level.

The representative of the Federal Republic of Germany stated that his country levied a specific duty of 350 DM per 100 kgs, which was equivalent to an ad valorem duty of 52 per cent, while the common external tariff rate would probably be approximately 35 per cent, which meant that there would be a considerable reduction. He pointed out that the Belgian Congo was the only tea exporter among the associated countries and that in 1956 only 29 tons were exported to the Federal Republic of Germany, which imported a total of 6,000 tons. In fact, consumers favour Asian varieties. Furthermore, in spite of the present high tariff rate the consumption of
tea in the Federal Republic of Germany tends to increase as a result of the constant increase in the standard of living. On this point the representative of the Federal Republic submitted data relating to the years subsequent to 1952.

The representative of Germany finally pointed out that there was no reason to fear that tea imports from third countries might be replaced by tea from the Belgian Congo, since Asian producers occupy an important place in the German market and there is little danger of consumer tastes changing.

The representative of Italy pointed out that the legal duty on tea in his country was 80 per cent and the effective duty 50 per cent ad valorem. The common external tariff thus involved a reduction in the rate. So far, Italy has not been a great tea consumer, but experts consider that Italian consumption is bound to increase.

The representative of France agreed that his country was not an important tea consumer, but pointed out that consumption had increased considerably in recent years, and had risen from 2 to 4 million pounds.

Insofar as Tunisia and Morocco were concerned, the French representative pointed out that Article 227 of the Rome Treaty did not apply to either of these countries. As regards Algeria, he observed that both population increase and higher investments indicated considerable increase in the consumption of green tea.

The representative of Pakistan, in reply to the statements of the Six, pointed out that the lowering of duties in Germany and Italy would not nearly compensate for the increase in the Netherlands.

He expressed the hope that the tariff at present in force in the Netherlands would be taken as the basis for the common external tariff.

The representative of India once again drew the attention of the delegates of the Six to the fact that the establishment of a 35 per cent tariff might well hinder present attempts by the Indian Government to increase both production and exports of tea. He pointed out that in 1953 a reduction in the internal tax on tea in the Federal Republic of Germany had led to a 25 per cent increase in consumption, which, in his opinion, evidenced the impact of fiscal levies in this field.

In conclusion, the representative of India, while recognizing that imports of tea from the Belgian Congo did not involve considerable competition, stressed the importance for his country of exports to the Community. In this connexion, he drew the attention of the Six to his country's balance-of-payment difficulties. He pointed out that India wished to increase its exports of tea to the Six in order to increase currency availabilities so as to be able to step up imports of capital equipment for the economic development of India.
The spokesman for the Six, while noting the statements of the Indian representative, considered that the overall situation involved a number of positive factors which could well allay certain misgivings on the part of third countries. He also pointed out that the Common Market having now come into being its advantages as well as its disadvantages had to be taken into account. An increase in tariff rates in certain countries would be compensated by a corresponding reduction in other countries. Furthermore, the general increase in the standard of living as a result of the establishment of a Common Market would undoubtedly have favourable effects upon the consumption of tea.

Insofar as taxes of a fiscal nature were concerned, the spokesman for the Six pointed out that this was an internal matter. He said that he proposed to communicate the point of view of the requesting countries, and especially the statements of the Indian representative, to the Community Institutions and to the governments of the Member Countries. He would also point out to them the considerable interest that the Government of India attached to increasing India's exports to the countries of the Community in order to increase her purchases correspondingly. He hoped that contact would be maintained with countries interested in the tea trade, and that positive solutions could be reached.