

DRAFT THIRD REPORT OF COMMITTEE IIION EXPANSION OF TRADEAddendumTEA

1. The Committee, in conducting its further examination of the points raised in its Second Report, had in mind that tea was the most important source of export earnings for one of the less-developed countries and the second largest export commodity for another and was significant in the export trade of still other less-developed countries. The Committee had in mind also that world tea prices had been declining over recent years. For example, the annual average of tea prices in the London tea market in 1958 was 4s. 7d. per lb. as compared with 5s. 3d. in 1954 (a decrease of about 12 per cent). The Committee noted that production of tea in less-developed countries would permit substantial increases in exports and emphasized the importance of the importing countries facilitating the efforts made by the less-developed countries to expand their overseas market for tea through an increase in consumption.

2. In the course of the discussion on factors affecting consumption levels and the effects of these on the exports of less-developed countries, the Committee again noted the high levels of import duties and revenue duties and internal fiscal charges applied in a number of countries, particularly in some Western European countries (a table on consumption prices and taxation on tea (Table 2) is annexed). Because of the long-term downward trend of tea prices the incidence of these taxes, since they were in most cases specific, had increased over recent years; furthermore, these taxes impinged exclusively on imports from less-developed countries as there was no domestic production in the countries imposing the taxes. The Committee agreed that, while it was difficult to establish a precise correlation between consumption and price levels on account of several factors affecting consumer taste, there was nevertheless a long-term relationship between the two. They agreed that

in general the high level of revenue duties and internal charges on tea in some Western European countries discouraged promotional campaigns directed towards increasing consumption of tea and securing a share for tea in the rising demand for all beverages in Western Europe.

3. The Committee noted that in no case did import duties and internal taxes on tea represent more than a very small fraction of overall budgetary receipts in industrialized countries. The Committee also noted, however, that in a few importing countries the present relationship between the levels of taxation on tea and coffee is taken into account.

4. In this connexion, the Committee noted the duty of 35 per cent ad valorem proposed for the EEC common tariff. This rate related more closely to the present tariffs of Germany and France where tea was not commonly consumed, than to the present tariff of the Netherlands where tea was a popular beverage.

5. As to immediate prospects for expansion of trade in tea, the Committee noted that since their previous examination, no changes, such as would facilitate an early expansion of the export earnings of the tea producing countries, had been made in the measures applied by importing countries. In this connexion, the Committee welcomed a statement from the representative of the Federal Republic of Germany that a Bill initiated by a political party proposing the reduction of internal consumption taxes on tea was at present under consideration by the Parliament of the Federal Republic. They again stressed the urgent need for industrial countries to take action, wherever possible, to afford rapid relief to tea producing exporters.