Centre For A New South Asia

Economic Integration

The Centre For A New South Asia (CNSA) is a Research Centre at the Jindal School of International Affairs within the esteemed O.P. Jindal Global University in Sonipat, India. Our primary objective is to examine the geopolitical dynamics within South Asia and on a global scale, intending to address and mitigate challenges prevalent across the Asian region and beyond.

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Infusing Harmony: The Case for a New South Asian Tea Organisation

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For the past two centuries, tea hasn't simply been a valuable export commodity for parts of South Asia- it has been a lifeline for millions of people who work in tea plantations from the foothills of the Himalayas to the central hills of Ceylon. While its introduction in the region was unanticipated, tea has become vital to South Asian life and culture. Chai stalls can be found at practically any corner in India, Pakistan and Bangladesh; Bhutan and Nepal have similar customs with butter tea. India and Sri Lanka are some of the largest producers of tea with beloved varieties like Darjeeling, Assam and Ceylon tea (Durighello, 2021).

However, there have been signs of malaise in these industries. India particularly hasn't fared well. It has been overtaken in exports by newcomers like Kenya and Sri Lanka due to increasing domestic demand and sluggish exports. Government regulation has a paradoxical effect when it comes to labour obligations: labour now accounts for most of the production costs with food, healthcare, schools, electricity, etc., having to be provided by employers. This has hiked up the cost of production, which frequently fall below average prices, increasing losses for producers. Despite all benefits, the average pay in plantations remains low at around $2 a day (The Economist, 2018).

Darjeeling tea has suffered from climate change and competition from cheaper Nepali tea. The latter is smuggled into India and mixed with Darjeeling or exported mislabelled as Indian tea. Although the Indian government has considered enforcing border controls to protect Darjeeling's GI tag, due to the bounds of the 2009 India-Nepal free trade agreement enshrining duty free passage of goods, the practice continues largely unchecked (Poudel, 2024).

Rising costs of production and low productivity have harmed the Sri Lankan industry, along with lack of a trained or adequate labour force (Thushara, 2015). Plantations are getting old compared to Kenya, which is enjoying higher productivity and higher yields. Sri Lanka is dependent on exporting tea with low domestic consumption, which makes it more vulnerable to price fluctuations than larger countries like India. The area under cultivation is declining, yet higher demand for Ceylon tea has kept export earnings up for now and hidden the structural issues.

Nepal has an ideal terrain and climate for tea, and Nepali tea production has significantly increased in the last few decades - it has become more competitive though production remains low compared to its neighbours (Poudel, 2024). Nepal tea too faces competition from Darjeeling tea despite having younger tea bushes. It suffers from labour shortages, which leads to delays in harvesting and lowered prices. Climate change has increased crop damage and failures with declining soil quality and dangerous pests. Nepali tea has brand image issues compared to the prominent Indian teas and needs greater investment in brand building. Hence, it still produces and exports below potential.

Unreliable global prices, labour issues, increasing costs and climate change are existential threats for plantations in all three countries. The global supply chains for tea are complex, but ultimately, countries need to increase their productivity and competitiveness to adapt to the market. More reforms are needed and these countries will benefit from greater cooperation and collaboration.

Multilateral commodity bodies regulating the production and trade of a particular commodity aren't a new idea; several have existed for decades now, such as the International Olive Council or the International Cocoa Organisation. Both of these bodies involve producers of those commodities across continents as well as other organisations. A case can be made for the creation of an organisation for tea in South Asia on similar lines.

The International Cocoa Organisation has created a forum for all major importers and exporters, with its recent focus being sustainable production given the threat of climate change. It wishes to improve the working conditions and pay of farmers, increase collaboration at all parts of the supply chain, encourage more consumption and processing among producers, improve cocoa quality and control pests, along with collecting and publishing relevant information on prices, stocks and production of cocoa beans. In the past, the ICCO has also bought excess stock at floor prices and resold it under low supply to stabilise cocoa prices (Chavas et al., 2011).

The International Olive Council has worked similarly, with more functions like standardisation, quality controls, coordinated trade policies and creating a brand by storytelling and cultural narratives; increasing global demand for olive oil. Both these organisations have invested in R&D, which has led to advances. They have made enormous strides towards their objectives and millions have benefitted, but this progress remains largely unequal with some members lagging behind others. Nevertheless, there is a lot that the South Asian tea industries can learn from their example.

The issues in common are obvious; like the shared interests and potential benefits if the nations unite together to strengthen their industries. Damage from climate change can be mitigated by innovating together and sharing technologies. Prices can be somewhat stabilised by intervening whenever necessary. The industry would benefit from greater standardisation, quality controls, fair wages for workers, coordinated trade policies and more R&D with aid to adopt whatever is invented. Initiatives for cultural storytelling to increase global demand would help Nepali tea and benefit the already prestigious varieties; easing the plantations' fears of a long-term decline in demand by directly increasing demand and making them more productive and profitable through investments. Collecting and using data to analyse the current situation in the global tea market and making it available to stakeholders could rejuvenate the sector.

There were proposals for a SAARC tea council in 1998 to safeguard the tea production and trading activities of member nations (Paul, M., 1998). It would have given an organisation to these countries and elicited common solutions to problems. Concerns over reducing trade barriers and causing more adulteration in Indian tea may have killed it. While steps must be taken to address this, this proposal was also limited by its intended purpose; the nations weren't willing to go as far as the successful commodity bodies had.

In conclusion, any potential organisation would have a lot to deliver; its success could be a renaissance for the sluggish tea industry and pave the way to more commodity bodies and collaboration. If nothing else, the existential threats facing the tea industry should galvanise the nations into seeking safety in numbers. The several aforementioned policies can be implemented to some extent in this case as well, helping to fix several fundamental problems of the tea industry. The companies suggesting it in 1998 had the right idea when no one was willing to consider it seriously; South Asian governments should not let this pass them by a second time.

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